ADLER REAL ESTATE

AFFORDABLE HOUSING

Interim Report as at 31 March 2019

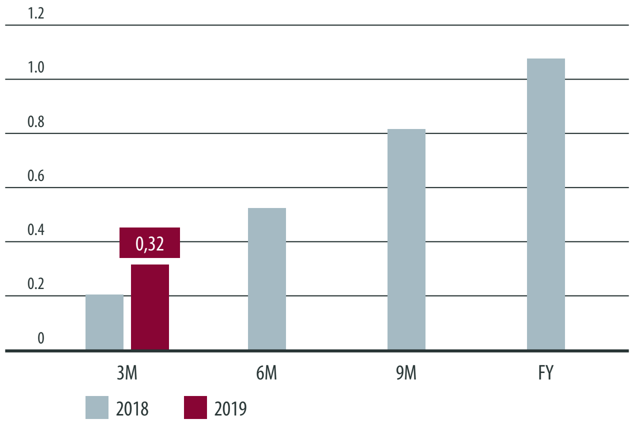
Q1

/// KEY FINANCIAL AND PROPERTY FIGURES

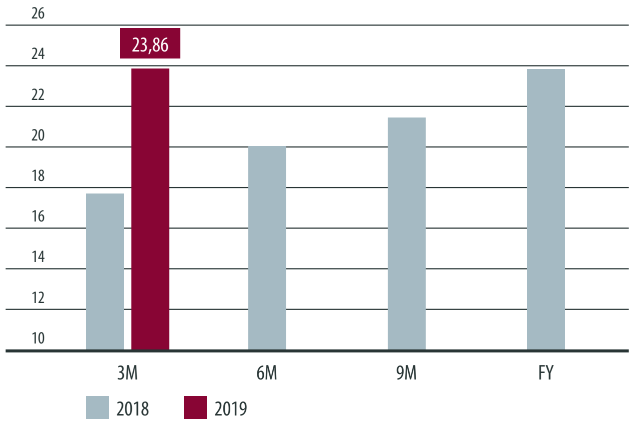
In EUR millions Consolidated Statement of Income	3M 2019	3M 2018
Net rental income	64.8	44.9
Earnings from property lettings	55.5	39.0
Earnings from the sale of properties	-0.4	0.9
EBIT	46.1	46.2
Consolidated net profit from continuing operations	14.7	-12.4
Consolidated net profit	14.7	-12.8
FFO I	21.6	14.2
FFO I per share in EUR [1]	0.32	0.21
Consolidated Balance Sheet	**31.03.2019**	**31.12.2018**
Investment Properties	4,858.4	4,989.1
EPRA NAV	1,634.2	1,632.7
EPRA NAV per share in EUR[1]	23.86	23.84
LTV in %[2]	61.2	61.4
WACD	2.25	2.23
Cashflow	**3M 2019**	**3M 2018**
Net cash flow from operating activities	18.5	32.9
Net cash flow from investing activities	15.4	-222.3
Net cash flow from financing activities	-31.3	210.1
Employees	**31.03.2019**	**31.12.2018**
Number of employees	824	828
FTEs (Full-time equivalents)	755	752

[1] Based on the number of shares outstanding as at balance sheet date
[2] Excluding convertible bonds

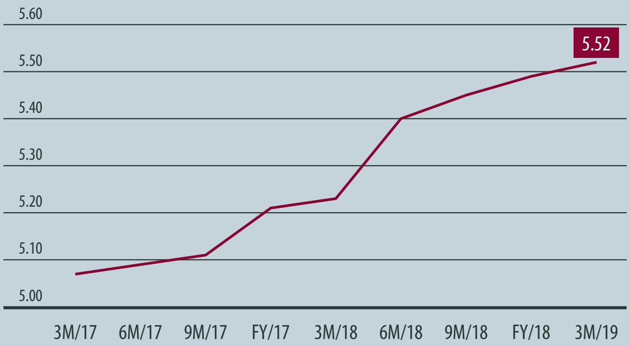
FFO I/SHARE in EUR



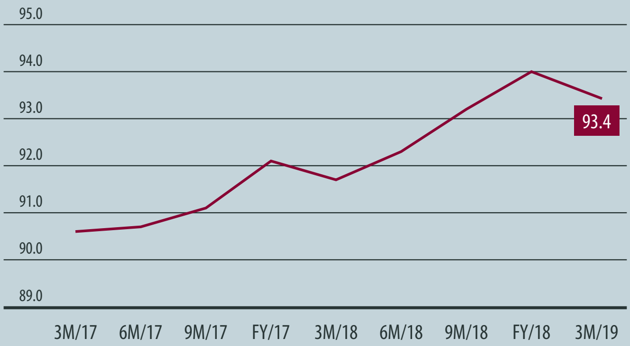
EPRA NAV/SHARE in EUR



AVERAGE RENT[1] in EUR/sqm/month



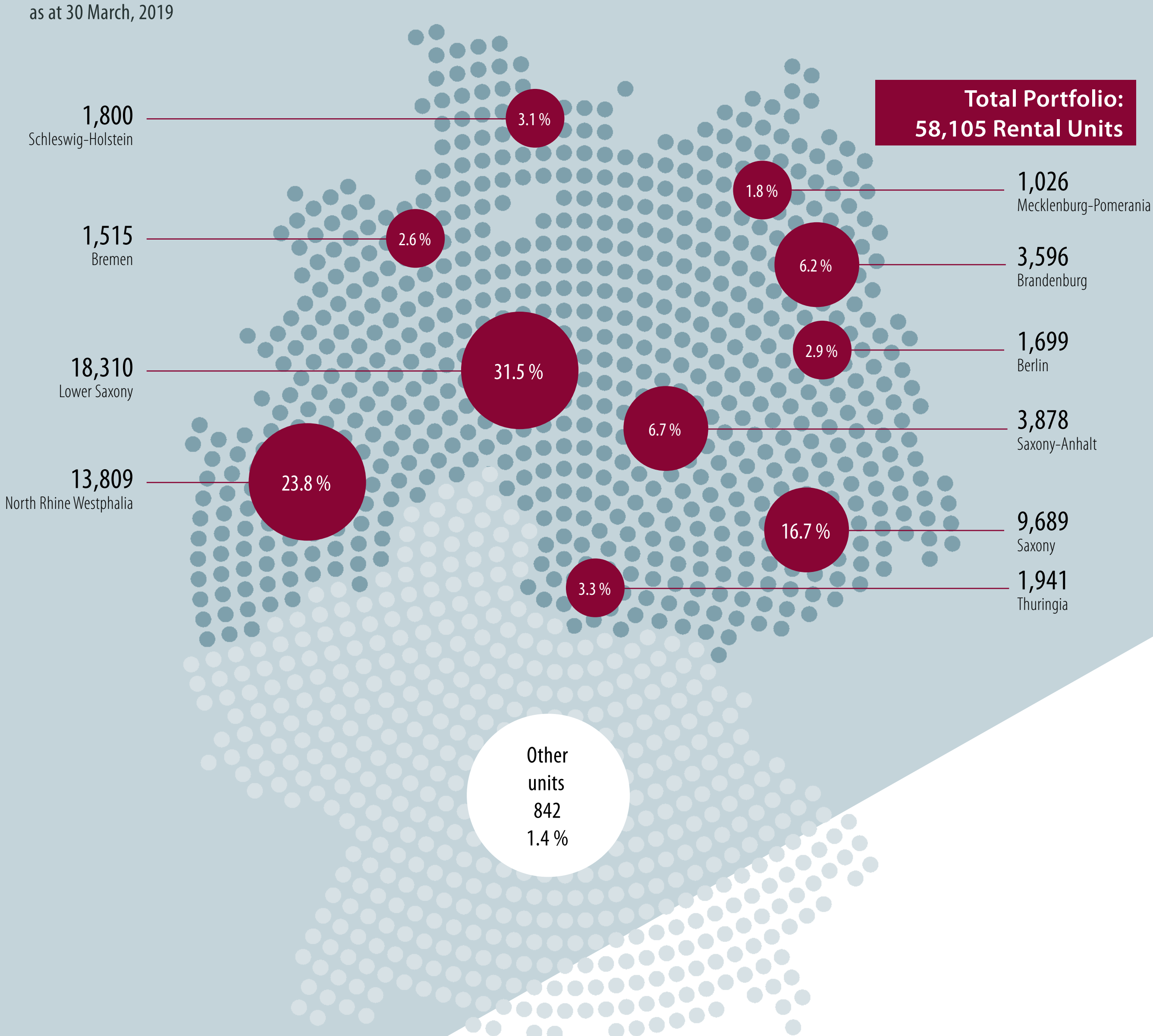
OCCUPANCY RATE[1] in %



[1] 2017 and 2018 core portfolio

Rental units

as at 30 March, 2019



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/// LETTER FROM THE MANAGEMENT BOARD

TOMAS DE VARGAS MACHUCA
Chairman of the Executive Committee (Co-CEO)

MAXIMILIAN RIENECKER
Member of the Executive Committee (Co-CEO)

SVEN-CHRISTIAN FRANK
Member of the Executive Committee (COO)

Dear Ladies and Gentlemen,

In the first quarter of 2019 we completed the sale of our non-core residential properties. Although sale and purchase agreements had already been signed at the end of 2018, the final transfer of rights and obligations took place during the first quarter of 2019. We have therefore significantly improved our portfolio structure in terms of homogeneity, geographical location and, last but not least, financial performance. The difference in quality between the core assets that we intend to continue to hold in the portfolio and those we have now sold was reflected primarily in a significant difference in value. While the current portfolio has an average value of almost EUR 1,100 per square metre, the properties that have now been sold had a value of only around EUR 650 per square metre due to weaker operational KPIs.

At the same time, in the first quarter of 2019 we completed the sale of parts of BCP's commercial portfolio. In an initial transaction, three commercial units were sold, which accounted for approximately 37 percent of the total commercial portfolio with a total gross asset value of EUR 180.6 million. The remaining commercial properties are expected to be sold throughout the year. The sale of these commercial properties follows the intention, also reflected in the Group´s business model of realigning the property portfolio of ADLER Real Estate entirely to residential units.

Just after the end of the first quarter of 2019, we successfully placed a new corporate bond of EUR 400 million. This was a great achievement as the bond was issued with a coupon of 1.5 percent which represented a very tight spread in relation to its class of BB+ credit rated bonds, i.e. a very favourable one from the issuer's point of view. We intend to use the proceeds to refinance existing liabilities. Accordingly, at the end of April 2019 the 2015/2020 corporate bond was terminated early. As a result we significantly reduced interest expenses, strengthened FFO and further reduced the average interest rate on debt to around 2.0 percent.

In 2019 we intend to focus on further advancement of our operational performance. Ongoing improvement of communication with our tenants, digitalisation of processes, improved data collection within our property portfolio and the complete integration of BCP into ADLER's structures and processes will translate into improved service provision feeding increase in the occupancy rate and average rent.

Best regards,

Tomas de Vargas Machuca
Co-CEO

Maximilian Rienecker
Co-CEO

Sven-Christian Frank
COO

Members of the Executive Committee

CARSTEN WOLFF
Head of Accounting and Finance and Member of the Executive Committee

FLORIAN SITTA
Head of Legal and Member of the Executive Committee

PEER HOFFMANN
Head of Financing and Member of the Executive Committee

ANJA GOTTHARDT
Head of Portfolio Management

TINA KLADNIK
Head of Investor Relations

AFFORDABLE HOUSING IS A PRODUCT OF SOUND MANAGEMENT

Providing affordable housing on the outskirts of conurbations is an important task in our society. After all, many families struggle to afford the much higher rents in the centre of big cities. And because there is little space for new housing in our cities, this balance of supply and demand is unlikely to shift any time soon. That is why we remain committed to our proven strategy, and will continue to focus on this high-growth segment in the future. Our extensive experience in this sector is a real advantage here.

/// PORTFOLIO

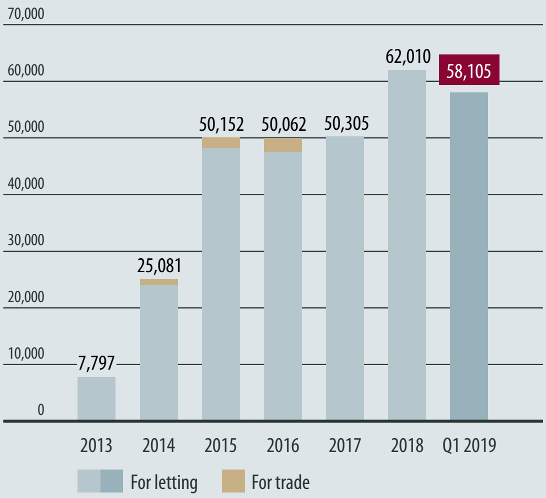
THE PROPERTY PORTFOLIO

As of 31 March 2019, ADLER held a total of 58,105 rental units with a total space of 3.6 million square metres and an annualized net rent (including parking spaces and other areas) of EUR 218.6 million. The fair value of the total portfolio (investment properties and inventories) amounted to EUR 4,946.0 million. The regional focus is on Lower Saxony (18,310 units), North Rhine-Westphalia (13,869 units) and Saxony (9,707 units). At the end of December 2018 around 3,700 non-core residential units have been sold in two separate transactions (notarised in Q1 2019), reducing the overall portfolio accordingly.

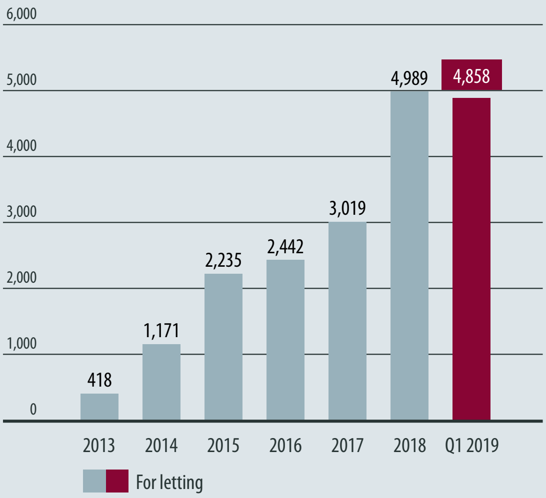
The residential properties also include a small number of commercial units which consist entirely of shops and offices of the kind that can often be found in city-centre residential properties. As at the end of the first quarter of 2019, these units numbered 940 and accounted for 1.6 percent of the properties held for permanent letting.

ADLER actively manages its portfolio and, as part of continuous portfolio optimisation, the underlying features of assets and market data are assessed to determine amount of capital distributed in terms of capital expenditure, maintenance and renovation expenses. This is to ensure quality of the flats is consistent with market standards and to optimise the level of occupancy and rental growth. The most significant external factors determining the positioning of the assets and capital allocation are: socio-demographic trends, expected changes in demand, various infrastructure measures and political decisions. Depending on the outcome of the portfolio analysis, regular discussions are held with regional managers to ensure operational strategy is implemented – e.g. increasing marketing activities for properties which are of good quality but are located in less favourable areas. Properties of lower quality as well as properties located in less attractive macro-environments are thus earmarked for sale.

PORTFOLIO in units



FAIR VALUE INVESTMENT PROPERTIES in EUR millions



Improved operational performance data

In the first quarter of 2019, the Group again improved its operating performance. As of 31 March 2019, the average contractually agreed rent per square metre per month amounted to EUR 5.52, EUR 0.29 higher compared to EUR 5.23 as of the first quarter 2018 for the core portfolio (excluding non-core residential assets).

The occupancy rate reached 93.4 percent at the end of the first quarter of 2019. Year-on-year increase was 1.7 percentage points (Q1 2018 for core portfolio: 91.7 percent).

The following table presents the changes on a like-for-like basis, i.e. only for those properties that were in the portfolio both in the first quarter of 2018 and in the first quarter of 2019. This comparison therefore does not include the BCP properties, as the acquisition took place only at the beginning of the second quarter of 2018.

Rental portfolio (core) Like-for-like (Q1 2019 to Q1 2018)	Residential and commercial units	Change	Residential	Change	Commercial	Change
Units	46,029		45,285		744	
Rent/sqm/month in EUR	5.36	0.14	5.31	0.14	6.88	0.33
Occupancy rate (%)	93.3	1.6 PP	93.7	1.7 PP	82.1	-0.1 PP

Fair value slightly decreased due to disposals

The fair value of the total portfolio (investment properties plus inventories)calculated in accordance with IFRS amounted to EUR 4,946.0 million at the end of the first quarter of 2019. At the end of 2018, it had amounted to EUR 5,077.2 million. The decrease reflects the fact that the commercial properties of BCP, which were sold at the end of March 2019 and will be notarizesed in the second quarter 2019, have been transferred to assets held for sale. A positive impact resulted from fair value gains relating to revaluation of developments and capex. In the first quarter of 2019, ADLER invested EUR 16.0 million on maintenance and modernisation measures (previous year: EUR 7.9 million). Of this total, EUR 4.1 million related to ongoing maintenance work and EUR 11.9 million to renovation and modernisation measures which can be capitalised.

Key focuses in north and west of Germany

ADLER focusses its business activities in Germany and holds most of its properties in the northern and western parts of the country. The largest share of ADLER's properties are in the federal states of Lower Saxony (31.4 percent of the overall portfolio) and North Rhine-Westphalia (23.8 percent of the overall portfolio). In the eastern part of the country ADLER holds 16.7 percent of its portfolio in Saxony, 6.7 percent in Saxony-Anhalt and 6.2 percent in Brandenburg.

ADLER owns properties located on the edges of larger conurbations. This is particularly apparent in North Rhine-Westphalia, where all of the company's properties are in the Ruhr, which still is Germany's largest industrial region. In Lower Saxony, the property holdings are mainly located in the Wolfsburg/Braunschweig/Helmstedt region, a traditionally strong region in economic terms, and in Wilhelmshaven, a city which is benefiting from the deep-water port and from what is the German Navy's largest base on the North Sea. In Saxony and Saxony-Anhalt, the properties are predominantly located in the catchment areas for Halle, Leipzig, Chemnitz and Dresden – cities that after the German reunification initially lost their industry and part of their population but which are now benefiting from growth once again as a consequence of the significant infrastructure investments carried out over the last 20 years in these areas.

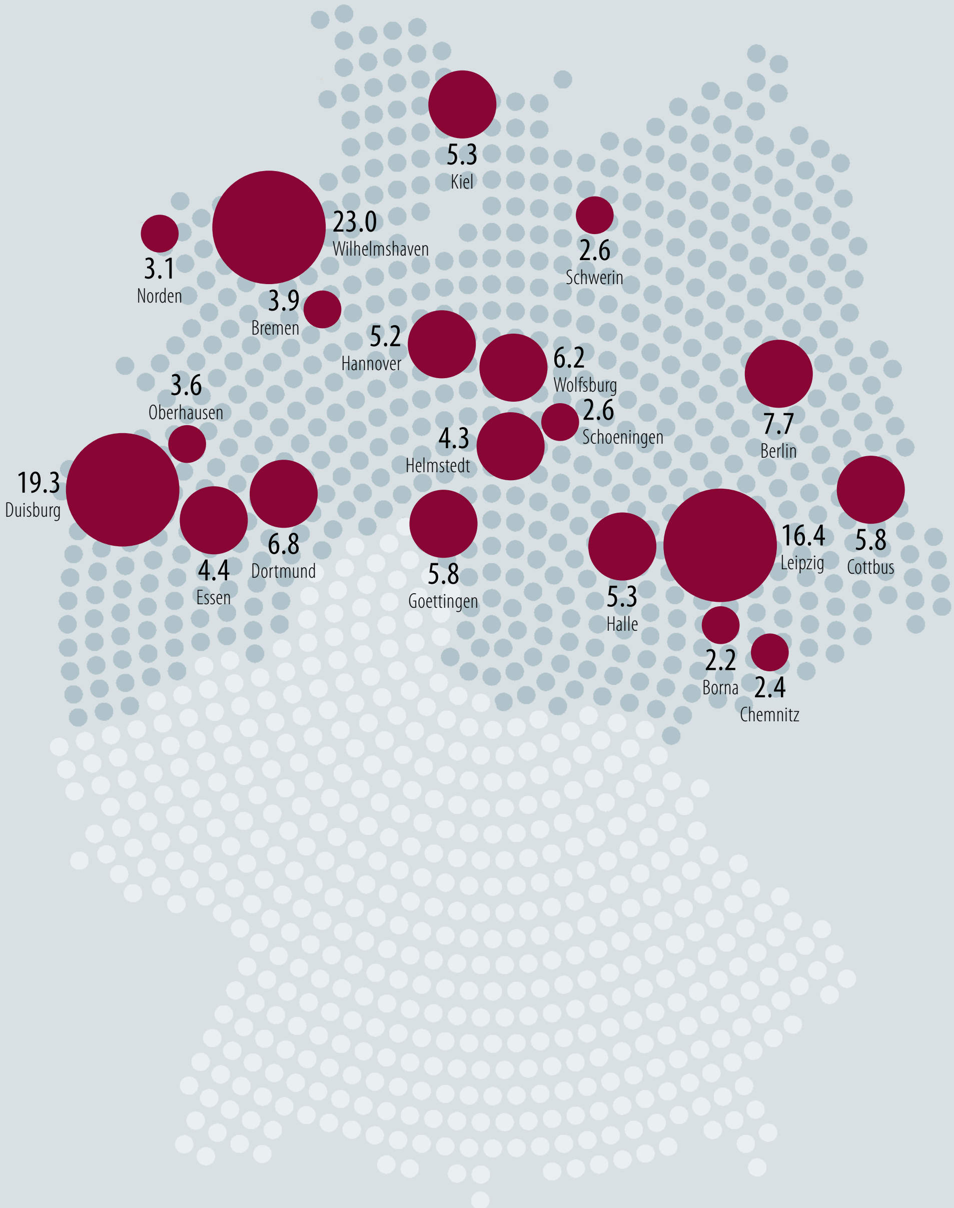
Property holdings on the edges of conurbations are typically characterised by higher vacancy rates, but also generate higher rental yields than properties in central or "A" locations. Peripheral locations benefit to a particularly marked extent from tight rental markets in city centres. When rents rise in desirable locations in the centre and affordable apartments are no longer available, price-sensitive demand in particular automatically shifts to the surrounding areas.

Top 20 locations generate almost two-thirds of rental income

The focus on metropolitan regions outlined above also means that the properties in ADLER's 20 most important towns and cities account for more than 60 percent of the company's total rental income. Following the acquisition of BCP, there have been a number of changes in the list of the most important locations, as BCP contributed relatively large property holdings in cities such as Leipzig, Dortmund and Hanover. Wilhelmshaven remains the most important location for the Group, with 6,895 rental units and a net rental income of EUR 23.0 million per annum. Measured in terms of rental units, it is followed by Duisburg, with 4,925 units and a net rental income of EUR 19.3 million per annum, and Leipzig, with 4,740 units and a net rental income of EUR 16.4 million per annum. Cottbus, Halle and Dortmund rank next. ADLER does not play a significant role in the local housing markets in any of its top 20 locations apart from Wilhelmshaven, where almost one-fifth of local housing belongs to the Group.

ANNUAL NET RENTAL INCOME – TOP 20 LOCATIONS

In EUR millions



Location	Units	NRI (EUR m)	Area (Thou sqm)	Rent EUR/sqm/ month	Change against previous year (EUR)	Occupancy rate (%)	Change against previous year (PP)
Wilhelmshaven	6,895	23.0	406.7	5.11	0.12	92.1	0.11
Duisburg	4,925	19.3	305.0	5.51	0.18	95.9	-1.44
Leipzig	4,740	16.4	254.0	5.74	1.18	93.9	-0.14
Cottbus	1,868	5.8	110.0	4.74	0.11	92.6	7.35
Halle (Saale)	1,858	5.3	105.9	4.82	0.12	87.2	0.73
Dortmund	1,770	6.8	102.3	5.76	0.86	96.7	-0.45
Berlin	1,699	7.7	111.7	5.88	0.11	97.0	-1.19
Göttingen	1,377	5.8	85.2	5.95	0.46	95.4	-0.83
Wolfsburg	1,301	6.2	87.6	6.19	0.15	95.4	0.04
Helmstedt	1,219	4.3	70.7	5.21	0.06	97.2	1.72
Hannover	1,119	5.2	63.4	7.04	1.35	96.8	0.74
Essen	1,040	4.4	66.0	5.73	0.86	96.6	1.45
Kiel	967	5.3	66.6	6.68	0.37	99.5	4.15
Borna	900	2.2	50.2	4.67	0.10	78.8	-5.21
Bremen	873	3.9	53.6	6.24	1.36	96.2	1.42
Chemnitz	850	2.4	53.1	4.65	-0.05	89.5	11.89
Schöningen	846	2.6	50.2	5.07	0.00	84.0	3.97
Oberhausen	819	3.6	62.6	5.06	-0.11	95.7	-1.16
Schwerin	816	2.6	48.0	4.81	0.12	94.4	3.36
Norden	795	3.1	50.2	5.36	0.23	96.2	-0.41
Top 20	**36,677**	**135.9**	**2.203.2**	**5.50**	**0.39**	**93.8**	**1.28**
Total	**58,105**	**218.6**	**3.546.7**	**5.52**	**0.29**	**93.4**	**1.77**

Focus on small to medium-sized residential units

ADLER's portfolio is largely exposed to small to medium-sized residential units. The apartments have an average size of slightly more than 60 square metres and are thus well aligned to address the needs of the company's target group, namely tenants with low to medium income. For ADLER, this alignment makes economic sense. This did not change following the acquisition of BCP either, as BCP's portfolio also comprises apartments of a similar size. Its properties satisfy the trend, observed for some time now, towards an ongoing increase in the number of single-person households in Germany. Moreover, the risk of tenants with low incomes defaulting on their rent payments is reduced as they can obtain support from social security providers if they are unable to settle their obligations from their own income. Furthermore, this category of affordable living space is also in the sights of municipal and local councils on the lookout for permanent homes for refugees or attractive locations for students.

Size of apartment	Units	% of total units	Rent/sqm/ month in EUR
< 45 sqm	8,804	15.4	6.39
≥ 45 and < 60 sqm	19,506	34.1	5.42
≥ 60 and < 75 sqm	19,805	34.6	5.41
≥ 75 and < 90 sqm	7,237	12.6	5.34
> 90 sqm	1,931	3.3	5.21
Total	**57,283**	**100.0**	**5.48**

Customer orientation with in-house property and facility management

Over the past two years, ADLER has developed into an integrated real estate group that offers its tenants all major residential services via its subsidiaries ADLER Wohnen Service GmbH, ADLER Gebäude Service GmbH and ADLER Energie Service GmbH. In addition, a letting department has been set up to deal exclusively with marketing vacant apartments or apartments that are due to become vacant. In 2019, the objective is to coordinate and standardise the structures of the two previously independent groups ADLER and BCP.

ADLER expects that moving forward tenant satisfaction will be boosted and turnover rates reduced. This is also to be supported by an improvement in communication with tenants, for example with the ADLER tenant app, a central hotline, the opening of additional tenants' offices and further measures of digitalisation of procedures.

Development projects

For just over a year, ADLER has also been investing in development projects, such as adding floors to existing residential estates in Göttingen and Wolfsburg or in the construction of new facilities, such as Wasserstadt Mitte in Berlin. The acquisition of a plot of land on the outskirts of Berlin near Schönefeld Airport is the basis for another residential project. Planning for the development of the property in Dresden Trachau is expected to be commenced as soon as the development plan has been approved. In addition, BCP, in which a majority interest was acquired in April 2018, manages several projects in Düsseldorf and Aachen. These projects will create new living spaces which are in many cases urgently needed. In new construction, all current requirements relating to energy efficiency and reducing CO_2 are directly met – requirements which can only be achieved with difficulty or at higher costs in existing buildings. By the end of the year, a total of up to 1,000 new apartments will be created in the development projects.

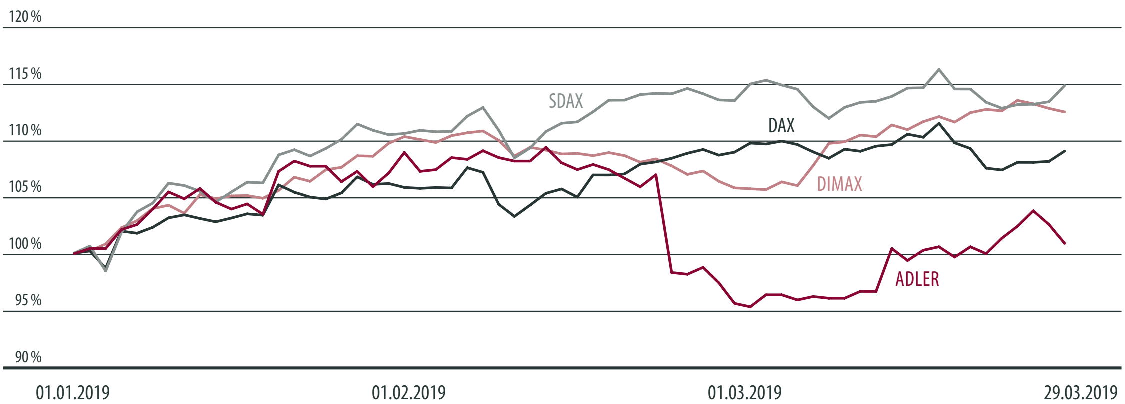
/// ADLER ON THE CAPITAL MARKET

Fresh momentum on stock market

In the first quarter of 2019, the German stock market recovered again following the sharp losses in the second half of the previous year. The DAX rose around nine percent over the period under report, with the SDAX even up nearly 15 percent. Property stocks also performed well. Solactive DIMAX, the index comprising Germany's main listed real estate companies, was up more than 12 percent year-to-date as of the end of March.

In the middle of the first quarter of 2019, the ADLER share performed in line with other property stocks. However, the price then fell sharply within a few days. It is likely that the decline was related to an increased offer, which in turn was related to the fact that two convertible bonds were due at the end of 2018. This resulted in the number of shares increasing by approximately 12.9 million or more than 20 percent. Nevertheless, at the end of the quarter the ADLER share closed in a positive territory year-to-date.

DEVELOPMENT OF THE DAX, SDAX, DIMAX AND THE ADLER SHARE 2019, JANUARY 2019 = 100

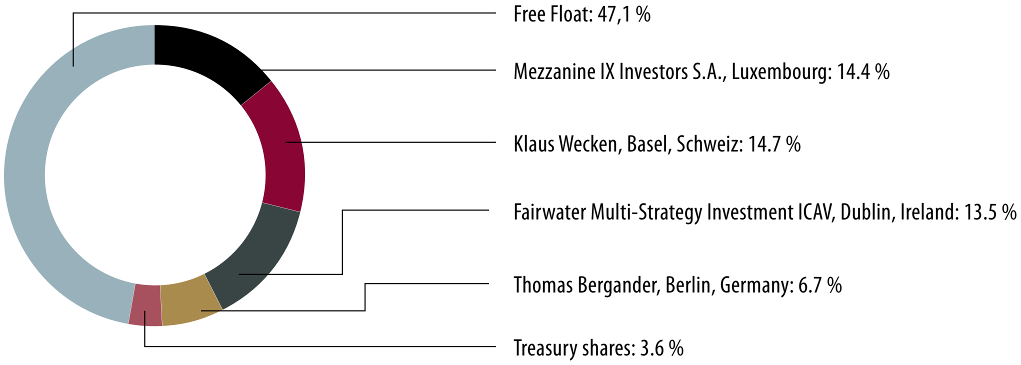


Number of shares unchanged in first quarter

In the first quarter of 2019, the number of shares remained unchanged. No holders of the outstanding 2016/2021 convertible bonds exercised their conversion rights. As at the reporting date, shareholders' equity of ADLER Real Estate AG consisted of 71,063,622 shares with a nominal value of EUR 1.00 each.

The shareholder structure remained unchanged. Fairwater MultiStrategy Investment ICAV, Dublin, Ireland, which had acquired just under 14 percent of the existing shares at the end of 2018, has notified ADLER it is holding these shares with strategic intent.

SHAREHOLDER STRUCTURE AS ON 31 MARCH, 2019



Nothing demonstrates tenant satisfaction more than long-term rental agreements. The advantage for us is that we incur lower administrative costs, thus boosting our profitability. To strengthen tenant loyalty, we are gradually expanding our range of services, investing in additional staff and spending an appropriately high amount on training.

/// INTERIM GROUP MANAGEMENT REPORT
/// FUNDAMENTALS OF ADLER REAL ESTATE AG GROUP
/// ECONOMIC REPORT
/// REPORT ON RISKS AND OPPORTUNITIES
/// OUTLOOK
/// REPORT ON EVENTS AFTER THE BALANCE SHEET DATE
/// RESULTS FROM OPERATIONS, NET ASSETS
AND FINANCIAL POSITION

PROFITABILITY STARTS WITH SATISFIED TENANTS

/// FUNDAMENTALS OF ADLER REAL ESTATE AG GROUP

GROUP FUNDAMENTALS OF ADLER REAL ESTATE AG

BUSINESS MODEL

ADLER is one of Germany's leading residential property companies with focus on affordable housing. Its portfolio is primarily located in – or on the outskirts of – large and growing conurbations in Northern, Eastern and Western Germany and has considerable upside potential in terms of revaluation gains, vacancy reduction and rent uplifts. All the Group's properties and business operations are located in Germany and benefit from the growth of the German economy in general and also favourable real estate market dynamics in German B-cities. The Group's residential portfolio has been built up over the past five years by acquiring individual portfolios or shares in property holding companies – the latest being the acquisition of BCP.

ADLER's core business model is the long term letting of flats and generation of sustainable cashflows with selective exposure to project developments with a "build and hold" strategy in "A" cities such as Wasserstadt Mitte in Berlin. To maximise long term profitability, ADLER's residential real estate management business is complemented with opportunistic acquisitions and disposals. The newly acquired assets initially have higher vacancy which is following the acquisition reduced through active asset management. All main functions relating to property management are carried out internally, with ADLER's own staff. This includes activities of property and facility management which ADLER maintains through its subsidiaries ADLER Wohnen Service GmbH and ADLER Gebäude Service GmbH. Following the acquisition of BCP, ADLER is in the process of integrating the existing structures in the two independent companies – BCP and ADLER Group. The BCP portfolio is currently still managed by RT Facility Management GmbH.

With the acquisition of BCP, ADLER has not only acquired an attractive real estate portfolio, but also residential development projects in the city centres of Dusseldorf and Aachen. The commercial portfolio of BCP does not fit into the business model of ADLER. Therefore, a first part of about 37 percent of the total commercial portfolio has been sold in the first quarter 2019. ADLER expects to be able to dispose of the remaining parts of the commercial portfolio in the course of the 2019 business year.

Residential real estate portfolio

As of 31 March 2019, ADLER held a total of 58,105 rental units with a total space of 3.6 million square metres, a fair value of EUR 4,959.4 million and an annualized net rent (including parking spaces and other areas) of EUR 218.6 million. The regional focus is on Lower Saxony (18,310 units), North Rhine-Westphalia (13,869 units) and Saxony (9,707 units). In the first quarter of 2019 around 3,700 non-core residential units have been sold in two separate transactions at the end of 2018, reducing the overall portfolio accordingly. Rights and obligations have only been transfrerred in the course of the first quarter 2019.

ADLER's portfolio is largely exposed to small to medium-sized residential units. The apartments have an average size of slightly more than 60 square metres and are thus well aligned to address the needs of the company's target group, namely tenants with low to medium incomes. For ADLER, this alignment makes economic sense. This did not change following the acquisition of BCP either, as BCP's portfolio also comprises apartments of similar size. Its properties satisfy the trend, observed for some time now, towards an ongoing increase in the number of single-person households in Germany. Moreover, the risk of tenants with low incomes defaulting on their rent payments is reduced as they can obtain support from social security providers if they are unable to settle their obligations from their own income. Furthermore, this category of affordable living space is also in the sights of municipal and local councils on the lookout for permanent homes for refugees or attractive locations for students.

ADLER actively manages its portfolio and, as part of continuous portfolio optimisation, the underlying features of assets and market data are assessed to determine amount of capital distributed in terms of capital expenditure, maintenance and renovation expenses. This is to ensure quality of the flats is consistent with market standards and to optimise the level of occupancy and rental growth. The most significant external factors determining the positioning of the assets and capital allocation are: socio-demographic trends, expected changes in demand, various infrastructure measures and political decisions. Depending on the outcome of the portfolio analysis, regular discussions are held with regional managers to ensure operational strategy is implemented – e.g. increasing marketing activities for properties which are of good quality but are located in less favourable areas. Properties of lower quality as well as properties located in less attractive macro-environments are thus earmarked for sale.

Acquisition strategy

ADLER intends to further expand its residential portfolio with future acquisitions of shares in companies as well as individual portfolios or assets and will continue to focus its investments on residential property portfolios in "B" locations and on the outskirts of large conurbations, where rental yields are typically higher than in inner-city "A" locations. When suitable market opportunities arise, ADLER will also supplement its portfolio by investing in so-called "A" locations in mid-sized cities or cities such as Berlin or Leipzig, to benefit from diversification and value growth in these markets. The acquisition of BCP was a step in this direction.

ADLER believes acquisitions only make sense when the properties promise to generate positive cash flows from the time of the acquisition onwards. As it has become increasingly challenging to acquire portfolios on the market at attractive yields and purchasing prices have come closer to construction costs, ADLER will also explore the possibility of expanding its portfolio by way of investing in project developments, portfolio densification or loft conversions of existing portfolios to complement its existing approach. The number of development projects has particularly increased with the acquisition of BCP. However, the exposure to these value-added activities will remain at such a percentage of ADLER's balance sheet that it will not hinder rating improvements going forward nor jeopardise securing an investment grade rating as early as possible.

Financing strategy

Due to economic efficiency and risk considerations, ADLER believes that the appropriate ratio of equity to debt for financing its group activities is one that produces a loan-to-value (LTV) consistent with an investment grade rating. In terms of its debt financing, ADLER aims for a maturity structure that corresponds to the long-term nature of the financed assets. By repaying existing liabilities or refinancing existing facilities on more favourable terms, ADLER is also aiming to further reduce its average cost of debt – an aim which was met with success also in 2019 as a bond amounting to EUR 400 million was successfully placed in April with the sole purpose of refinancing existing liabilities.

ADLER has good access to both the market for secured bank debt and the market for unsecured financing. Access to these two markets significantly reduces refinancing risk, which is one of the major risks associated with the industry. Since the end of 2016, investors, capital-market participants and lending banks have been able to benefit from ADLER's credit rating from the world-renowned rating agency Standard and Poor's when assessing the creditworthiness of the company. At the end of the reporting period the corporate rating was BB/stable outlook.

Economic success also sometimes depends on the company's own speed of reaction. To be able to respond to any market opportunities at short notice, ADLER can rely on authorised and contingent capital, both of which are approved by shareholders and can be utilised at any time to make acquisitions. The treasury stock purchased under the share buyback programmes could also be used as acquisition currency.

MANAGEMENT SYSTEM

Financial performance indicators

The main financial performance indicators used by ADLER are: EPRA net asset value (EPRA NAV), funds from operations I (FFO I) to indicate cash flow-based operating earnings and loan-to-value (LTV) to indicate financial stability calculated as Net Debt/Gross Asset Value.

Non-financial performance indicators

Numerous non-financial performance indicators are regularly monitored within the Group's property management activities. This applies both to the Group's own property management and to the few external service providers with which ADLER still cooperates. These indicators include the occupancy rate, the number of contract termination notices received from tenants, the number of new rental agreements, compliance with time schedules for maintenance measures, the availability of property managers and so forth. Should actual figures deviate from budget figures significantly, then corrective measures are devised.

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

ADLER publishes further non-financial performance indicators in its separate non-financial report. These are not used for actively managing the company. The report is available on the website of ADLER Real Estate AG under https://adler-ag.com/en/investor-relations/publications/nonfinancial_reports/.

EMPLOYEES

As the group holding company, ADLER Real Estate AG has three Management Board members but no employees. Operational tasks relating to central administration and portfolio management are mostly performed via the wholly owned subsidiary ADLER Real Estate Service GmbH. Tasks relating to asset management are performed via ADLER Wohnen Service GmbH and facility management via ADLER Gebaude Service. Due to the strategic objective of internalising functions previously outsourced in the field of property and facility management and the acquisition of BCP, the number of employees at the ADLER Group increased considerably in the course of the last twelve months, from 607 at the end of the first quarter 2018 (not comprising BCP yet) to 824 full-time and part-time employees as at the end of the reporting period. The majority of employees worked at the property management (277 employees) and facility management (361 employees) divisions. BCP had 100 employees at the end of March 2019.

RESEARCH AND DEVELOPMENT

As a real estate group, ADLER does not perform any research and development in a traditional sense. However, ongoing market analyses are required to assess future developments in housing markets. Here, ADLER draws on assessments compiled by estate agents' associations, federal authorities, specialist research institutes, prestigious valuation companies and bank research departments. This information is supplemented by the experience gained by the company itself from letting properties on site. Moreover, various developments in the construction sector and in building technology also have to be monitored and analysed, as do any changes in regulatory requirements. The insights gained from these analyses form an important basis for all of the company's operating activities. With its new tenant app, ADLER now also has a modern tool for tenant and customer communication.

/// ECONOMIC REPORT

MACROECONOMIC AND SECTOR-SPECIFIC SETTINGS

Although the macroeconomic outlook deteriorated in the first three months of the current financial year, the sector-specific conditions for the property industry remain stable and positive. For 2019, in their joint forecast issued in April 2019 the leading economic research institutes forecast growth of about 0.8 percent. This corresponds to a significant slowdown compared to the growth rates of recent years. The inflation rate is estimated to remain moderate at 1.5 percent and the number of people in employment is expected to rise to more than 45 million in 2019. As measures for the European Central Bank to raise interest rates are still not in sight, there is still a very good environment for housing providers.

Above all, the development of the housing rental market is of great importance to a company such as ADLER Real Estate AG. It again proved stable in the first three months of 2019. According to the cost of living index, German rents were 1.4 percent higher nationwide in March 2019 compared to the previous year. Thus, they increased slightly more than the total cost of living, which was 1.3 percent higher year over year. As a comparable, rents increased 1.6 percent in 2018. It therefore looks like rent increases in Germany are likely to level out somewhat. The average figure, however, conceals variations between individual regions, urban and rural locations, new and existing housing and different apartment sizes. With its properties, ADLER Real Estate AG mainly operates in "B" locations and on the periphery of conurbations. Such locations typically benefit from sharp rent increases in town centres or "A" locations, as is the case in most towns in Germany. After all, tenants no longer able or willing to pay higher rents look for alternatives and are often prepared to accept living further away from the centre of their city. Moreover, the average does not take into account the fact that the development of rents under new and existing leases usually differs significantly.

Legal framework

In the first quarter of the current financial year, the legal framework remained unchanged. However, in the property sector, there is some ambiguity regarding possible future changes in the legal framework. This ambiguity is due to different initiatives, in particular in Berlin, which aim to put part of the residential lettings portfolio, which is now in the hands of private-sector companies, under the control of the public sector. Even though it is unclear whether such proposals would be legally, financially and politically feasible, they certainly dampen the inclination of private companies towards investing in real estate.

Further uncertainty about the future tax burden has triggered the proposal, stemming from the Ministry of Finance, for redesigning land transfer tax that has since been publicly discussed. The proposal could entail considerable additional burdens or even redistributions in the tax burden, even if it was initially formulated with the goal of revenue neutrality. However, the German government cannot control the amount of land transfer tax because municipal and local councils autonomously set their respective tax rates.

Although it is not directly linked to these issues, ADLER also decided to become a member of the Zentraler Immobilien Ausschuss e.V. (ZIA – German Property Federation) in the first quarter of 2019. For the first time, the company is represented in a leading association of the German property sector.

ECONOMIC DEVELOPMENT OF THE GROUP

Over the past two years, ADLER Real Estate AG has been transformed into an integrated real estate group that offers all tenant-related services internally. BCP, which was acquired in 2018, will be integrated into these corporate structures in 2019. After selling the non-core residential properties, ADLER will now focus intensively on maintaining the existing portfolio, increasing investments in existing properties, and strengthening communication with tenants. On the capital market side, ADLER aims to achieve an investment grade rating by selling the remainder of the commercial properties, refinancing measures and by further improving operating performance indicators.

A first step towards this was the issue of a corporate bond of EUR 400 million, which was placed at the beginning of April 2019. It serves exclusively to refinance existing liabilities. In total, calculated on an annual basis, FFO will improve by EUR 12 million and the weighted average cost of debt (WACD) will drop to 2.0 percent.

In the course of the first quarter of 2019, the rights and obligations of approximately 3,700 rental units representing virtually the entire non-core residential portfolio were transferred to their buyers. The rental units were sold towards the end of the previous year, approximately 2,400 of which were transferred into a joint venture in which ADLER holds a 25 percent interest.

At the end of March, the group company BCP also began selling its commercial portfolio. In an initial step, assets worth EUR 180.6 million were sold. This corresponds to approximately 37 percent of the entire commercial portfolio.

/// REPORT ON RISKS AND OPPORTUNITIES

ADLER Real Estate AG reported in detail on the opportunities and risks involved in its business activities in its 2018 Annual Report. Since then, the overall situation has changed favourably with regard to upcoming refinancing. After ADLER placed a new 2019/2022 corporate bond of EUR 400 million, the existing 2015/2020 bond in the amount of EUR 300 million was terminated. As a result, interest expenses decreased significantly and FFO increased accordingly – which is why ADLER also raised its FFO 2019 forecast from the original range of EUR 80 to EUR 85 million to EUR 83 to 86 million.

Since the last report, a social movement has been gaining momentum in Germany that is aimed at subjecting larger private-sector property companies to political control. Even though these movements have little chance of achieving their goals, for property companies of any legal form and size it is detrimental to have a social climate in which their market-oriented function as providers of housing can be called into question.

/// REPORT ON EXPECTED DEVELOPMENTS

ADLER Real Estate AG reported in detail on its financial guidance for the current financial year in its 2018 Annual Report. ADLER expects the macroeconomic conditions for companies in the property sector to remain favourable in 2019 due to the ongoing scarcity of housing. Even the weaker growth outlook for the economy as a whole will not alter this.

As stated in the 2018 Annual Report, in 2019 net rental income is expected to reach about the same level as for financial year 2018, however an increase is expected on a like-for-like basis. In 2019, BCP will contribute to revenue for the full year, whereas in 2018 its contribution was only over the nine months. Sale of non-core residential assets and first part of BCP's commercial portfolio will lead to a reduction in the corresponding rental income.

In 2019, FFO I will benefit from like-for-like rental growth, reduction in vacancy costs and decrease in financial costs following executed and planned refinancing. Following the successful placement of the new corporate bonds at the beginning of April, ADLER raised its 2019 FFO guidance from the original range of EUR 80 to 85 million to EUR 83 to 86 million.

For 2019, ADLER is also expecting a moderate increase in EPRA NAV and EPRA NAV per share. The financial indicators such as LTV and WACD are expected to further improve in 2019. The sale of the first part of BCP's commercial portfolio alone reduces the LTV by around 80 basis points. After successful refinancing, the WACD target for 2019 will already be reached by the middle of the year.

/// REPORT ON EVENTS AFTER THE BALANCE SHEET DATE

ADLER issued a corporate bond of EUR 400 million after the end of the reporting period, namely at the beginning of April 2019. It serves exclusively to refinance existing liabilities. In total, calculated on an annual basis, FFO will improve by EUR 12 million and the weighted average cost of interest paid on debt (WACD) will drop to around 2.0 percent. Mid-April, the 2015/2020 corporate bond with a volume of EUR 300 million was called at par.

No further events with the potential to significantly influence the earnings, assets and financial position of ADLER Real Estate AG occurred between the end of the period under report and publishing of this report. The company's business performance up to the reporting date confirms the statements made in its report on expected developments.

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

RESULTS FROM OPERATIONS, NET ASSETS AND FINANCIAL POSITION

PRELIMINARY REMARK

At the beginning of the second quarter of 2018, ADLER acquired nearly 70 percent of the shares in BCP and has fully consolidated the company and its subsidiaries for the first time. A separate segment showing the economical development of this group division has been created for BCP as the company is managed and controlled as an independent unit.

As at 30 November 2017 (closing date), ADLER fully de-consolidated ACCENTRO Real Estate by selling the majority of the shares it owned, including its controlling influence over ACCENTRO Real Estate AG (ACCENTRO) and its subsidiaries. Consequently, ADLER discontinued its trading activities and its trading segment at the same time. The remaining interest in ACCENTRO is reported under non-current assets held for sale. The Consolidated Statement of Comprehensive Income was adjusted in accordance with IFRS 5, including the previous year's comparative figures, and only shows continuing operations in the respective items, while the discontinued trading segment – including earnings from the sale of ACCENTRO – is summarized as earnings after taxes from discontinued operations. In the Consolidated Statement of Cash Flows, cash flows from operating, investing and financing activities are shown separately in the proportion in which they relate to continuing and discontinued operations.

RESULT FROM OPERATIONS

ADLER Real Estate AG generates its income almost exclusively from the management of its existing properties. Its business model is thus designed to focus on this. From April 2018, BCP has also been part of the ADLER Group, for which a separate segment has been established.

In EUR millions	3M 2019	3M 2018
Gross rental income	94.8	68.1
of which net rental income	64.8	44.9
Expenses from property lettings	-39.3	-29.1
Earnings from property lettings	**55.5**	**39.0**
Income from the sale of properties	186.1	3.0
Expenses from the sale of properties	-186.5	-2.1
Earnings from the sale of properties	**-0.4**	**0.9**
Personnel expenses	-9.8	-6.1
Other operating income	2.0	1.2
Other operating expenses	-9.9	-11.0
Income from fair value adjustments of investment properties	9.6	22.4
Depreciation and amortisation	-0.9	-0.2
Earnings before interest and taxes (EBIT)	**46.1**	**46.2**
Financial result	-39.3	-54.2
Net income from at-equity valued investment associates	0.0	0.0
Earnings before taxes (EBT)	**6.8**	**-8.0**
Income taxes	7.9	-4.4
Net consolidated result from continuing operations	**14.7**	**-12.4**
Earnings after tax from discontinued operations[1)]	0.0	-0.4
Net consolidated result	**14.7**	**-12.8**

[1)] Net consolidated result of discontinued Trading segment, see notes (Earnings after taxes from discontinued operations)

Income and earnings from property lettings increased

In the first quarter of 2019, gross rental income amounted to EUR 94.8 million. This was 39.2 percent more than in the same period of the previous year (EUR 68.1 million). Net rental income amounted to EUR 64.8 million in the first quarter of 2019, up 44.3 percent on the previous year's comparative figure (EUR 44.9 million). The increase in income and net rental income is mainly attributable to the fact that BCP was only consolidated from the acquisition date in April 2018, while in 2019 it continued to contribute to income in the first quarter which amounted to EUR 20.0 million in net rental income and EUR 26.5 million in earnings from property lettings. By contrast, income was reduced by the fact that the benefits and obligations of the non-core portfolio of approximately 3,700 rental units were transferred to the buyer during the first quarter. The sale of the first part of BCP's commercial portfolio did not have any impact in the first quarter, as it did not take place until the end of March 2019 and control had not yet been transferred to the buyer.

A positive effect on income and net rental income also resulted from the fact that operating performance continued to improve in the first quarter of 2019.

At the end of the reporting period, the average contractually agreed rent per square metre per month amounted to EUR 5.52, EUR 0.29 higher than the figure for the same period of the previous year which relates to what was known at that time as the core portfolio (Q1 2018: EUR 5.23).

The occupancy rate reached 93.4 percent at the end of the first quarter of 2019. That was 1.7 percentage points more than in the previous year, if one uses the "core" portfolio of the time as a comparison (91.7 percent). The improvement in the operating performance indicators also reflects the fact that ADLER integrated all its property holdings under the Group's own management over the course of 2017 and has been managed in-house since 2018.

Expenses from property lettings comprise recoverable and non-recoverable operating expenses and maintenance expenses. Compared with the same quarter of the previous year, these expenses increased by 35.1 percent to EUR 39.3 million in the first quarter of the year. The increase is primarily attributable to the fact that BCP was not yet included in the financial statements in 2018 but was fully included in 2019, contributing EUR 8.8 million in expenses.

Net of expenses from property lettings, earnings from property lettings amounted to EUR 55.5 million in the first quarter of 2019, 42.3 percent more than in the previous year (EUR 39.0 million).

Streamlining the portfolio with no impact on earnings from the sale of properties

The sale of non-core properties in the first quarter of 2019 had no effect on the earnings from the sale of properties because it had been allocated to non-current assets held for sale at its expected disposal value at the end of 2018. All income effects were thus already achieved in 2018.

Positive contribution from fair value adjustments

At EUR 9.6 million, income from fair value adjustments of investment properties was again positive during the first quarter 2019, but was still below the previous year's comparative figure (EUR 22.4 million). A key reason for this is that only some development projects were subject to a revaluation on an ad-hoc basis, compared with a larger number of properties in the previous year. The property valuations are performed exclusively by independent specialist external surveyors with long-standing experience in this area. Income from fair value adjustments of investment properties is not cash-effective and is not included in the calculation of funds from operations.

Personnel expenses increase with further rises in staff numbers

Personnel expenses came to EUR 9.8 million in the first quarter of 2019. In the same quarter of the previous year, it amounted to EUR 6.1 million. A majority of this increase is attributable to the fact that BCP was not yet part of the ADLER Group in the first quarter of 2018 (EUR 2.2 million in the first quarter 2019). The increase in personnel expenses, however, is also due to the withdrawal of tasks from external service providers in the context of ADLER's realignment towards becoming an integrated real estate group. These functions have been taken over by internal group departments that have either been newly founded or had their personnel resources increased. As a result, the Group had a total of 824 employees as at 31 March 2019, 217 more than a year earlier.

Other operating expenses amounted to EUR 9.9 million in the first quarter of 2019 (previous year: EUR 11.0 million). This line item includes general administration expenses, office premise rents, IT expenses, legal and advisory expenses, impairments of receivables and public relations expenses. The decrease is mainly due to higher legal and advisory costs in the first quarter of the previous year, which in turn were related to the acquisition of BCP and its financing.

Other operating income amounted to EUR 2.0 million in the first three months of the current financial year, EUR 0.8 million more than in the same period of the previous year (EUR 1.2 million).

EBIT at the previous year's level

After deduction of all non-financial expenses, earnings before income and taxes (EBIT) for the first quarter of 2019 amounted to EUR 46.1 million, thus remaining virtually unchanged if compared to the first quarter of the previous year (EUR 46.2 million). The increase in earnings from the property sector was largely offset by lower earnings from fair value adjustments of investment properties.

Significantly improved financial result

At minus EUR 39.3 million, the financial result for the first quarter of 2019 was significantly higher than the equivalent figure for the previous quarter (minus EUR 54.2 million). The improvement was largely attributable to the fact that non-recurring expenses such as prepayment penalties, refinancing expenses, loan commitment fees and transaction costs were significantly higher in the previous year. Current financial liabilities, however, also decreased significantly owing to the repayment of higher-interest liabilities with lower-interest refinancing.

In the first quarter of 2019, earnings before tax (EBT) amounted to EUR 6.8 million, and it was negative at minus EUR 8.0 million in the first quarter of the previous year.

In terms of taxes, there was income of EUR 7.9 million in the first quarter of 2019, whereas income tax expenses came to EUR 4.4 million in the previous year. Income resulted from the reversal of deferred tax liabilities, which in turn were related to trade tax aspects. Consolidated net profit for the first quarter of 2019 amounted to EUR 14.7 million (Q1 2018: minus EUR 12.8 million) and is fully allocated to continuing operations. Of the consolidated net profit, EUR 14.6 million is attributable to shareholders in the parent company (Q1 2018: EUR loss 16.0 million).

Segment reporting

In its segment reporting, ADLER distinguished between the segments "Rental", "BCP" and "Other".

The rental segment includes all ADLER's portfolios in its earlier structure before the acquisition of BCP, through the letting of which ADLER Real Estate AG aims to generate long-term gross rental income. Gross rental income and the expenses associated with the letting business reflect the activities of the Group's Asset and Property Management, which manages residential units held in the portfolio in technical and commercial terms. This segment also includes the expenses for craftsmen and caretaker services which are provided by the group´s internal Facility Management.

A separate segment has been created for BCP which reflects that at the reporting date, BCP owns a property portfolio of 11,942 residential units with a focus on larger cities in Germany and project development in the centres of Düsseldorf and Aachen for around 2,000 new residential units, which are expected to be added to the portfolio after completion if they have not yet been sold to non-group companies up to the date of preparing the financial statements. The commercial portfolio is meant to be sold.

Other group activities that do not constitute standalone segments are pooled in the "Other" column. These mainly involve historic holdings relating to development projects that are still in the process of being sold off following the Group's realignment in 2014.

The following table shows the allocation of income and earnings, operating and financial expenses and results to the segments.

ADLER Group	**Rental**		**BCP**		**Other**		**Group**	
In EUR millions	**3M 2019**	**3M 2018**	**3M 2019**	**3M 2018**	**3M 2019**	**3M 2018**	**3M 2019**	**3M 2018**
Gross rental income and income from the sale of properties	247.6	71.1	33.3	-	0.0	0.0	280.9	71.1
of which gross rental income	68.3	68.1	26.5	-	0.0	0.0	94.8	68.1
of which income from disposals	179.3	3.0	6.8	-	0.0	0.0	186.1	3.0
Change in the value of investment properties	10.0	22.4	-0.4	-	0.0	0.0	9.6	22.4
Earnings before interest and taxes (EBIT)	**33.6**	**46.2**	**12.5**	**-**	**0.1**	**0.0**	**46.1**	**46.2**
Income from investments accounted for using the at-equity method	0.0	0.0	0.0	-	0.0	0.0	0.0	0.0
Financial result	**-18.8**	**-54.2**	**-20.5**	**-**	**0.0**	**0.0**	**-39.3**	**-54.2**
Earnings before taxes (EBT)	**14.8**	**-8.0**	**-8.0**	**-**	**0.1**	**0.0**	**6.8**	**-8.0**

In the first quarter, an unusually high deficit was reported in the financial result in the first quarter. This is primarily due to non-recurring effects such as prepayment penalties related to refinancing and repayment of liabilities as a result of selling commercial properties. In addition, there were negative currency effects on bonds held in New Israeli Shekel and valuation losses from the investment in a leading German project development company.

Funds from operations (FFO) strongly improved

As is customary in the real estate sector, ADLER Real Estate AG refers to funds from operations (FFO) as its major cash-flow-based performance indicator in order to assess the profitability of its operating business. FFO I represents the performance of the property letting business.

As is documented in the overview provided below, FFO is determined by first calculating earnings before interest, taxes, depreciation and amortisation, impairment losses and income from fair value adjustments of investment properties (EBITDA IFRS) and then adjusting this figure to exclude non-recurring and extraordinary items. The adjustments made involve items that are of a non-periodic nature, recur irregularly, not typical for operations, or non-cash-effective. These relate in particular to the optimisation and development of existing and new business fields and business processes, acquisition and integration expenses arising in the context of acquisitions, refinancing expenses and capital-related measures and further one-off items such as settlements and impairments of receivables. Interest expenses directly incurred in connection with the operating business are then deducted from this adjusted EBITDA figure (FFO interest charges), as are any earnings generated from the sale of properties and current income taxes. Any investments made to maintain the condition of the properties but that have not been capitalised are then added.

In EUR millions	3M 2019	3M 2018
Consolidated net profit	**14.7**	**-12.8**
of which from continuing operations	**14.7**	**-12.4**
+ Financial result	39.3	54.6
of which from continuing operations	39.3	54.2
+ Income taxes	-7.8	4.4
of which from continuing operations	-7.8	4.4
+ Depreciation and amortisation	0.9	0.2
of which from continuing operations	0.9	0.2
– Income from measurement of investment properties	9.7	22.4
of which from continuing operations	9.7	22.4
– Income from investments accounted for using the at-equity method	0.0	0.0
of which from continuing operations	0.0	0.0
EBITDA IFRS (continuing and discontinued operation)	**37.4**	**24.0**
+/– Non-recurring and extraordinary items	7.2	6.2
Adjusted EBITDA	**44.6**	**30.2**
– Interest expense FFO	18.8	14.7
– Current income taxes	1.4	0.4
– Earnings before interest and taxes from the sale of properties, discontinued operations and minority interests	2.9	0.9
FFO I	**21.6**	**14.2**
Number of shares (basic)[1)]	68,480,390	66,633,768
FFO I per share (basic)	0.32	0.21
Number of shares (diluted)[2)]	78,899,195	78,845,541
FFO I per share (diluted)	0.27	0.18

[1)] 68,480,390 shares as at balance sheet date (previous year: 54,967,102 plus 11,666,666 shares from assumed conversion of mandatory convertible bonds which are considered as equity)
[2)] Plus 10,418,805 shares from assumed conversion of all other convertible bonds with entitlement to conversion (previous year: 12,211,773)

Non-recurring and extraordinary items are structured as follows:

Non-recurring and extraordinary items In EUR millions	3M 2019	3M 2018
Non-cash income/expenses and one-off payments	6.0	1.9
Costs of acquisition/integration	0.1	2.0
Optimisation of business model, structuring	1.1	2.3
Total of non-recurring and extraordinary items	**7.2**	**6.2**

The FFO interest charge is derived as follows:

Interest expense FFO In EUR millions	3M 2019	3M 2018
Interest income	3.7	2.3
Interest expenses	-43,0	-56.9
Total interest income (continuing and discontinued operations)	**-39.3**	**-54.6**
Adjustments		
Interest expenses from the sale of properties	0.0	0.0
Prepayment compensation and provision costs	7.2	32.8
Effects of measurement of primary financial instruments	3.5	7.1
Other adjustments	9.8	0.0
Interest expenses FFO	**-18.8**	**-14.7**

In the reporting period, currency effects (EUR 3.4 million) and amortisation on financial assets (EUR 6.3 million) have been recognized in other adjustments.

Calculated this way, FFO for the first quarter of 2019 amounted to EUR 21.6 million, EUR 7.4 million or 52.1 percent higher than the figure for the previous year's period (EUR 14.2 million).

Calculated on an undiluted basis, FFO per share amounted to EUR 0.32 as at 31 March 2019. On a diluted basis (shares issued less treasury shares plus shares from the assumed conversion of outstanding convertible bonds to the extent that they are already convertible), FFO per share came to EUR 0.27.

NET ASSETS

In EUR millions	31.03.2019	as percentage of total assets	31.12.2018	as percentage of total assets
Non-current assets	**5,190.6**	**88.7**	**5,220.8**	**89.1**
of which investments properties	4,858.4	83.1	4,989.1	85.2
Current assets	**455.6**	**7.8**	**437.6**	**7.5**
of which inventories	87.6	1.5	88.1	1.5
of which cash and cash equivalent investments	80.3	1.4	77.7	1.3
Non-current assets held for sale	**203.0**	**3.5**	**198.2**	**3.4**
Assets	**5,849.2**	**100.0**	**5,856.6**	**100.0**
Equity	**1,593.6**	**27.2**	**1,579.6**	**27.0**
of which capital stock	68.5	1.2	68.5	1.2
of which capital reserve	309.3	5.3	309.2	5.3
of which net retained profit	857.4	14.6	842.9	14.4
of which non-controlling interests	361.5	6.2	362.2	6.2
Non-current liabilities	**3,857.6**	**65.9**	**3,972.0**	**67.8**
of which liabilities from convertible bonds	118.7	2.0	117.5	2.0
of which liabilities from bonds	1,967.5	33.6	1,961.1	33.5
of which financial liabilities to banks	1,367.6	23.4	1,476.2	25.2
Current liabilities	**272.3**	**4.7**	**304.5**	**5.2**
of which financial liabilities to banks	134.4	2.3	142.4	2.4
Liabilities held for sale	**125.7**	**2.2**	**0.5**	**0.0**
Equity and liabilities	**5,849.2**	**100.0**	**5,856.6**	**100.0**

During the first quarter of 2019, total assets were down slightly. As at the reporting date, ADLER Real Estate AG reported assets of EUR 5,849.2 million in total, 0.1 percent less than at the end of the previous year (EUR 5,856.6 million).

Slight decrease in non-current assets due to disposals

The slight decrease in non-current assets is attributable to the reduction in investment properties. They decreased by around EUR 181 million due to the reclassification of the first tranche of BCP's commercial portfolio to non-current assets held for sale. As a result of the valuation gains, investments in modernisation and investments in project development properties, this resulted in a decrease of EUR 130.7 million or 2.6 percent in the balance sheet to EUR 4,858.4 million. At the end of the previous financial year, investment properties of EUR 4,989.1 million were recognised in the balance sheet.

The control over the rental units of the non-core portfolio was transferred in the first quarter of 2019. Following receipt of the first partial payments, ADLER recognises non-current receivables from the buyers of EUR 96.0 million. The respective properties, which have been recognised under non-current assets held for sale since 31 December 2018, have been disposed of in the amount of EUR 179.2 million.

As at the balance sheet date, current assets amounted to EUR 455.6 million, EUR 18.0 million more than at the beginning of the year. The increase is due in particular to accruals related to operating costs. Cash and cash equivalents increased slightly.

Shareholders' equity strengthened

Shareholders' equity amounted to EUR 1,593.6 million at the end of the first quarter of 2019. The increase compared to the end of the previous year (EUR 1,579.6 million) is attributable to the net retained profit and the slight decrease in non-controlling interests due to the accumulated loss at BCP. The shareholders' equity ratio reached 27.2 percent.

Non-current and current liabilities decreased

Non-current liabilities amounted to EUR 3,857.6 million as at 31 March 2019, down EUR 114.4 million on the level three months ago (EUR 3,972.0 million). Current liabilities totalled EUR 272.3 million at the end of the first quarter of 2019, down on the figure for the end of 2018 (EUR 304.5 million).

The decrease in current and non-current liabilities is mainly attributable to three effects. Since the first tranche of BCP's commercial real estate has been reclassified to assets held for sale with the signing of the sale and purchase agreements of several share deals, the related liabilities have also been transferred to liabilities held for sale. In connection with the sale of non-core properties, liabilities on these properties were partly repaid in the first quarter. At the same time, an advance payment for the non-core properties received in the previous year was offset against the purchase price receivables when rights and obligations were transferred.

Net financial liabilities amounted to EUR 3,553.9 million at the end of the first quarter of 2019, down EUR 107.7 million on the figure at the end of the previous year (EUR 3,661.6 million).

Slight decrease in loan to value (LTV)

ADLER calculates LTV as the ratio of adjusted net financial liabilities (financial liabilities adjusted for cash and cash equivalents, non-current assets held for sale, selected financial instruments, purchase price receivables and advance payments minus liabilities held for sale) to ADLER's total property assets, as is customary in the industry. The LTV according to this calculation was 61.2 percent, 0.2 percentage points lower than at the end of 2018, and assuming that the convertible bonds outstanding at the reporting date were converted into shares.

A temporary negative effect also came from the share buy-back programme. If LTV was adjusted for the effects of the buyback program based on the acquisition values as have been recorded in the balance sheet, it would have stood at 60.5 percent at the end of the first quarter 2019.

	In EUR millions	**31.03.2019**	**31.12.2018**
	Convertible bonds	119.6	119.3
+	Bonds	2,012.6	2,001.4
+	Financial liabilities to banks	1,501.9	1,618.6
–	Cash and cash equivalents	80.3	77.7
=	**Net financial liabilities**	**3,553.9**	**3,661.6**
–	Non-current assets held for sale, financial instruments, purchase price receivables and advance payments minus liabilities associated with assets held for sale[1]	400.8	424.1
=	**Adjusted net financial liabilities**	**3,153.1**	**3,237.5**
	Investment properties	4,858.4	4,989.1
+	Inventories	87.6	88.1
+	Property, plant and equipment for property management	7.8	2.5
+	Shares in real estate companies	3.1	3.0
=	**Gross asset value**	**4,956.9**	**5,082.7**
	LTV II including convertible bonds in %	63.6	63.7
	LTV II excluding convertible bonds in %	61.2	61.4

[1] Purchase price receivables including interest from the sale of ACCENTRO amounting to EUR 151.3 million (previous year: EUR 149.9 million); non-current assets held for sale amounting to EUR 203.0 million (previous year: EUR 198.2 million); equity instruments measured at fair value amounting to EUR 30.7 million (previous year: EUR 37.0 million) and debt instruments amounting to EUR 14.8 million (previous year: EUR 14.6 million); borrowings / loans to property holding companies amounting to EUR 121.7 million (previous year: EUR 24.9 million), and advance payments amounting to EUR 5.0 and liabilities held for sale amounting to EUR 125.7 million (previous year: EUR 0.5 million)

As there were no significant refinancing measures in the first quarter, the average cost of debt for all of the ADLER Group's liabilities (WACD = weighted average cost of debt) remained virtually unchanged in the first quarter of 2019. WACD amounted to 2.25 percent at the end of March, it came to 2.23 percent at the end of 2018. The marginal change is attributable to refinancing measures at BCP. Current liabilities were refinanced there on a long-term basis. An improvement can be expected in the second quarter following completion of the extensive refinancing, in particular the repayment of the 2015/2020 corporate bond.

Net asset value (EPRA NAV) slightly higher

Net asset value (EPRA NAV), which is calculated in accordance with the guidelines issued by the European Public Real Estate Association (EPRA), reached EUR 1,634.2 million at the end of the first quarter of 2019. This represents a slight increase on the figure at the end of 2018 (EUR 1,632.7 million).

Based on the total number of existing shares in circulation at the balance sheet date less treasury shares, undiluted EPRA NAV per share amounted to EUR 23.86 as at 31 March 2019 (end of 2018: EUR 23.84).

Diluted EPRA NAV per share amounted to EUR 22.22 at the end of the first quarter of 2019 (end of 2018: EUR 22.18).

In EUR millions	31.03.2019	31.12.2018
Equity	**1,593.6**	**1,579.6**
Non-controlling interests	-361.5	-362.2
Equity attributable to ADLER shareholders	**1,232.1**	**1,217.4**
Deferred tax liabilities on investment properties	450.0	465.1
Goodwill from deferred taxes on investment properties[1]	-59.6	-59.6
Diff. between fair values and carrying amounts of inventory properties	7.9	5.3
Fair value of derivative financial instruments	5.4	6.3
Deferred taxes for derivative financial instruments	-1.6	-1.9
EPRA NAV	**1,634.2**	**1,632.7**
Goodwill resulting from synergies[1]	-111.2	-111.2
Adjusted EPRA NAV	**1,523.0**	**1,521.5**
Diluted EPRA NAV	**1,752.8**	**1,750.2**
Adjusted diluted EPRA NAV	**1,641.6**	**1,639.0**
Number of shares, basic[2]	68,480,390	68,480,390
EPRA NAV per share (basic) in EUR	**23.86**	**23.84**
Number of shares, diluted[3]	78,899,195	78,899,195
EPRA NAV per share (diluted) in EUR	**22.22**	**22.18**
Adjusted EPRA NAV per share (diluted) in EUR	**20.81**	**20.77**

[1] Purchasing price allocation BCP not completed yet
[2] 68,480,390 shares as at balance sheet date (previous year: 68,480,390)
[3] Plus 10,418,805 shares from assumed conversion of all other convertible bonds with entitlement to conversion (previous year: 10,418,805),

FINANCIAL POSITION

In EUR millions	3M 2019	3M 2018
Cash flow from operating activities	18.5	32.9
– of which from continuing operations	18.5	32.9
Cash flow from investing activities	15.4	-222.3
– of which from continuing operations	15.4	-222.3
Cash flow from financing activities	-31.3	210.1
– of which from continuing operations	-31.3	210.1
Cash-effective change in cash and cash equivalents	2.6	20.6
Non-cash-effective change in cash and cash equivalents	0	-0.2
Cash and cash equivalents at beginning of period	77.7	368.2
Cash and cash equivalents at end of period	80.3	388.7

Cash flow from operating activities came to EUR 18.5 million in the first quarter of 2019. In the same period of the previous year, cash flow from continuing operations was EUR 32.9 million. The decrease is primarily attributable to BCP's operating business and in particular to tax payments.

There was an inflow of funds from investing activities of EUR 15.4 million in the first quarter of 2019 relating primarily to disposals of the non-core portfolio and investments in investment properties. The outflow of funds of EUR 222.3 million in the corresponding quarter of the previous year was attributable mainly to the advance payments in connection with the acquisition of BCP.

There was an outflow of funds from investing activities of EUR 31.3 million in the first quarter of 2019 relating primarily to financing activities due to the repayment of bank loans in the first quarter of 2019. In the previous year, there was an inflow of funds of EUR 210.1 million.

As at 31 March 2019, the ADLER Group had financial funds (cash and cash equivalents) of EUR 80.3 million (previous year: EUR 388.7 million). The significant difference can be explained by the fact that financial resources were available in the previous year to finance the acquisition of BCP but had still not been utilised at the reporting date because the transaction was not concluded until after the end of the reporting period.

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

OVERALL SUMMARY OF BUSINESS PERFORMANCE AND POSITION OF GROUP

Given the acquisition-related growth, the further development of existing property portfolios, the successful implementation of the Group's realignment, the ongoing improvement in its financing structure and the financing facilities secured on a long-term basis, the business performance and position of the Group are assessed as positive. A foundation has been laid for an attractive performance in the future.

A GOOD AREA IS THE PLACE FOR A HOME

Tenant satisfaction never depends on price and apartment quality alone. The quality of the area and the infrastructure in the immediate vicinity, i.e. transport links, shopping facilities, entertainment opportunities and the social environment, are just as important. That is why we also invest heavily each year in the surroundings of our residential estates, in greenery, footpaths, children's play areas and the building fabric of community facilities.

/// CONSOLIDATED BALANCE SHEET

(IFRS) as at 31 March 2019

In EUR '000	31.03.2019	31.12.2018
Assets	**5,849,243**	**5,856,631**
Non-current assets	**5,190,601**	**5,220,772**
Goodwill	170,758	170,758
Intangible assets	585	612
Property, plant and equipment	15,315	7,578
Investment properties	4,858,415	4,989,054
Loans to associated companies	104,268	7,667
Investments in associated companies	3,067	3,070
Other financial investments	30,687	37,019
Other non-current assets	3,975	2,480
Deferred tax assets	3,532	2,535
Current assets	**455,647**	**437,677**
Inventories	87,649	88,096
Trade receivables	34,295	25,898
Income tax receivables	5,702	5,549
Other current assets	247,735	240,480
Cash and cash equivalents	80,266	77,655
Non-current assets held for sale	**202,996**	**198,182**

In EUR '000	31.03.2019	31.12.2018
Equity and liabilities	**5,849,243**	**5,856,631**
Shareholders' equity	**1,593,583**	**1,579,631**
Capital stock	71,064	71,064
Treasury shares	-2,583	-2,583
	68,480	68,480
Capital reserve	309,328	309,233
Retained earnings	-3,261	-3,264
Currency translation reserve	89	88
Net retained profit	857,447	842,888
Equity attributable to owners of the parent company	1,232,083	1,217,426
Non-controlling interests	361,500	362,205
Non-current liabilities	**3,857,674**	**3,971,980**
Pension provisions	3,671	3,714
Deferred tax liabilities	359,478	380,794
Other provisions	3,847	3,900
Liabilities from convertible bonds	118,654	117,516
Liabilities from bonds	1,967,474	1,961,112
Financial liabilities to banks	1,367,569	1,476,187
Other non-current liabilities	36,981	28,756
Current liabilities	**272.334**	**304,526**
Other provisions	92	25
Income tax liabilities	7,912	12,921
Liabilities from convertible bonds	978	1,756
Liabilities from bonds	45,154	40,259
Financial liabilities to banks	134.350	142,408
Trade payables	44,503	47,440
Other current liabilities	39,345	59,717
Liabilities held for sale	**125,652**	**495**

/// CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(IFRS) for the period from 1 January to 31 March 2019

In EUR '000	3M 2019	3M 2018
Gross rental income	94,865	68,073
Expenses from property lettings	-39,342	-29,136
Earnings from property lettings	**55,523**	**38,938**
Income from the sale of properties	186,080	3,077
Expenses from the sale of properties	-186,512	-2,139
Earnings from the sale of properties	**-432**	**938**
Personnel expenses	-9,817	-6,092
Other operating income	2,009	1,255
Other operating expenses	-9,881	-11,021
Income from fair value adjustments of investment properties	9,660	22,387
Depreciation and amortisation	-905	-235
Earnings before interest and taxes (EBIT)	**46,157**	**46,170**
Financial income	3,651	2,265
Financial costs	-42,980	-56,485
Net income from at-equity valued investment associates	0	0
Earnings before taxes (EBT)	**6,828**	**-8,050**
Income taxes	7,845	-4,358
Consolidated net profit from continuing operations	**14,673**	**-12,408**
Earnings after taxes of discontinued operations	0	-395
Consolidated net profit	**14,673**	**12,803**
Actuarial gains/losses before taxes	0	0
Deferred taxes on actuarial gains/losses	0	0
OCI gains/losses not reclassifiable into profit or loss	**0**	**0**
Gains/losses from currency translation	1	-1
Change in value of interests in companies accounted for under at-equity	0	0
Change in value of financial assets at fair value	2	-323
OCI gains/losses reclassifiable into profit or loss	**3**	**-324**
Total comprehensive income	**14,676**	**-13,127**

In EUR '000	3M 2019	3M 2018
Carry-over total comprehensive income	**14,676**	**-13,127**
Net profit from continuing operations:		
Owners of the parent company	14,559	-15,615
Non-controlling interests	114	3,207
Consolidated net profit attributable to:		
Owners of the parent company	14,559	-16,010
Non-controlling interests	114	3,207
Total comprehensive income attributable to:		
Owners of the parent company	14,562	-16,334
Non-controlling interests	114	3,207
Earnings per share, basic in EUR (consolidated net profit from continuing operations)	0.21	-0.23
Earnings per share, diluted in EUR (consolidated net profit from continuing operations)	0.20	-0.18
Earnings per share, basic in EUR (consolidated net profit)	0.21	-0.24
Earnings per share, diluted in EUR (consolidated net profit)	0.20	-0.18

/// CONSOLIDATED STATEMENT OF CASH FLOWS

(IFRS) for the period from 1 January to 31 March 2019

In EUR '000		3M 2019	3M 2018
Earnings before interest and taxes (EBIT) – continuing and discontinued operations		46,157	46,170
+	Depreciation and amortisation	905	235
–/+	Net income from fair value adjustments of investment properties	-9,660	-22,387
–/+	Non-cash income/expenses	2,819	577
–/+	Changes in provisions and accrued liabilities	-29	574
–/+	Increase/decrease in inventories, trade receivables and other assets not attributable to investment or financing activities	-32,571	14,478
–/+	Decrease/increase in trade payables and other liabilities not attributable to investment or financing activities	16,860	-6,721
+	Interest received	74	51
+	Dividends received	0	0
+/–	Tax payments	-6,541	-78
=	**Operating cash flow before de-/reinvestment into the trading portfolio**	**18,014**	**32,899**
–/+	Increase/decrease in inventories (commercial properties)	447	0
=	**Net cash flow from operating activities**	**18,461**	**32,899**
	thereof continuing operations	18,461	32,899
	thereof discontinued operations	0	0
–	Acquisition of subsidiaries, net of cash acquired	0	-205,757
+	Disposal of subsidiaries, net of cash disposed	0	0
–	Purchase of investment properties	-38,609	-17,571
+	Disposal of investment properties, net of cash disposed	73,086	1,890
–	Purchase of property, plant and equipment and intangible assets	-1,714	-914
+	Disposal of property, plant and equipment and intangible assets	144	0
–	Payments into short-term deposits	-5,562	0
+	Payments from short term deposits	0	0
+	Proceeds from deinvestments of financial assets	0	14
–	Investments in financial assets	-599	0
–	Payments for long-term receivables from associated companies	-11,300	0
=	**Net cash flows from investing activities**	**15,446**	**-222,338**
	thereof continuing operations	15,446	-222,338
	thereof discontinued operations	0	0

	In EUR '000	3M 2019	3M 2018
–	Payments for acquisition of treasury shares including acquisition costs	0	-15,604
–	Transactions with non-controlling interests	-731	0
–	Dividends paid to non-controlling interests	0	0
–	Dividends paid to the owners of the company	0	0
–	Payments for acquisition and repayment of convertible bonds	0	0
–	Proceeds from issue of bonds	0	0
–	Repayment of bonds	0	-35,000
–	Payments from issuing debt	0	0
–	Interest payments	-18,242	-45,096
+	Proceeds from bank loans	20,015	536,995
–	Repayment of bank loans	-31,476	-231,218
–	Repayment of leasing liabilities	-540	0
–	Payment of interest portion of lease liabilities	-322	0
=	**Net cash flows from financing activities**	**-31,296**	**210,077**
	of which from continuing operations	-31,296	210,077
	of which from discontinued operations	0	0

	In EUR '000	3M 2019	3M 2018
	Reconciliation to Consolidated Balance Sheet		
	Cash and cash equivalents at beginning of periods	**77,655**	**368,233**
	Non-cash changes in cash and cash equivalents	0	-153
	Net cash flow from operating activities	18,461	32,899
	Net cash flow from investing activities	15,446	-222,338
	Net cash flow from financing activities	-31,296	210,077
=	**Cash and cash equivalents at end of periods**	**80,266**	**388,718**

/// CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

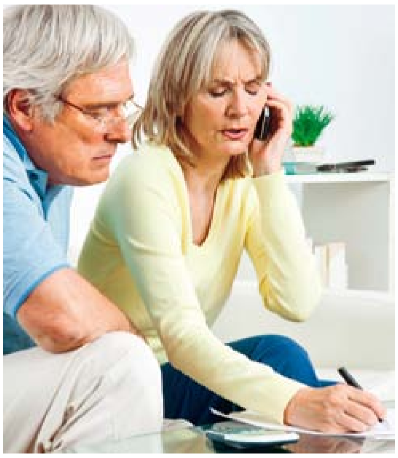
(IFRS) for the period from 1 January to 31 March 2019

In EUR '000	Capital stock	Treasury shares	Capital reserves
As at 1 January 2018	**57,548**	**-1,392**	**350,203**
Consolidated net profit	0	0	0
Other comprehensive income (OCI) – reclassifiable	0	0	0
Other comprehensive income (OCI) – non-reclassifiable	0	0	0
IFRS 9 conversion	0	0	0
Change in scope of consolidation	0	0	0
Acquisition of treasury shares	0	-1,190	0
Conversion of convertible bonds	1	0	3
As at 31 March 2018	**57,549**	**-2,582**	**350,206**
As at 1 January 2019	**71,064**	**-2,583**	**309,233**
Consolidated net profit	0	0	0
Other comprehensive income (OCI) – reclassifiable	0	0	0
Other comprehensive income (OCI) – non-reclassifiable	0	0	0
Increase/decrease in shareholding with no change in status	0	0	95
Change in scope of consolidation	0	0	0
Acquisition of treasury shares	0	0	0
Conversion of convertible bonds	0	0	0
As at 31 March 2019	**71,064**	**-2,583**	**309,328**

Retained earnings	Currency translation reserve	Net retained profit	Equity attributable to the owners of the parent company	Non-controlling interests	Total equity
-1,310	**86**	**555,442**	**960,576**	**76,924**	**1,037,500**
0	0	-16,010	-16,010	3,207	-12,803
-323	-1	0	-324	0	-324
0	0	0	0	0	0
-1,081	0	0	-1,081	-38	-1,119
0	0	0	0	2	2
0	0	-14,399	-15,589	0	-15,589
0	0	0	4	0	4
-2,714	**85**	**525,033**	**927,577**	**80,095**	**1,007,673**
-3,264	**88**	**842,888**	**1,217,426**	**362,205**	**1,579,631**
0	0	14,559	14,559	114	14,673
3	1	0	4	0	4
0	0	0	0	0	0
0	0	0	95	-819	-724
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
-3,261	**89**	**857,447**	**1,232,083**	**361,500**	**1,593,583**

SHORT CHANNELS FROM COMPLAINT TO REPAIR

If a lift breaks down, a water pipe leaks or a heating system stops working, tenants need to get it fixed quickly. Our colleagues in the operations departments take care of this. They respond to all reports of damage attentively, refer them to the relevant people quickly, and call on a network of various local trade professionals who, in ideal circumstances, turn up straight away to solve the problem.



/// SELECTED NOTES ON THE GROUP INTERIM FINANCIAL STATEMENTS AS AT 31 MARCH 2019

/// SELECTED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (IFRS) AS AT 31 MARCH 2019

GENERAL INFORMATION

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

ADLER is a publicly listed real estate company focused on establishing and developing a substantial and profitable property portfolio. Its activities centre on the acquisition, development and management of residential properties throughout Germany. Additionally, ADLER has also been expanding its portfolio through new-build project developments since the 2017 financial year.

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

BASIS OF ACCOUNTING

Basis of preparation

The interim consolidated financial statements as at 31 March 2019 have been prepared in accordance with International Financial Reporting Standards (IFRS) as requiring mandatory application in the European Union. The consolidated financial statements, comprising the consolidated balance sheet, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated cash flow statement and selected note disclosures, also take particular account of the requirements of IAS 34 "Interim Financial Reporting".

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

With economic effect as of 30 November 2017, ADLER lost its controlling influence over ACCENTRO and its subsidiaries by selling the majority of the shares in that company. With the sale of the majority stake in ACCENTRO, ADLER discontinued its trading segment and reported the remaining investment in ACCENTRO under non-current assets held for sale. In the financial year 2017, the Consolidated Statement of Comprehensive Income and the Consolidated Statement of Cash Flows were adjusted in accordance with IFRS 5, including the previous year's comparative figures. The Consolidated Statement of Comprehensive Income shows only continuing operations in the respective items, while the discontinued operations trading segment is aggregated in a total (earnings after tax from discontinued operations, see page 62). With regard to the Consolidated Statement of Cash Flows, cash flows from operating, investing and financing activities are shown in relation to continuing and discontinued operations.

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

Further information about the accounting policies can be found in the consolidated financial statements as at 31 December 2018, which form the basis for these interim consolidated financial statements.

Accounting standards applicable for the first time in the 2019 financial year

The Group made application of the following new and revised IFRS standards and interpretations in the 2019 financial year:

Standard/ Interpretation	Title	IASB effective date[1]	Initial application date in the EU[1]
IFRS 16	Leasing	01.01.2019	01.01.2019
Amend. IAS 19	Employee Benefits: Plan Amendment, Curtailment or settlement	01.01.2019	01.01.2019
Amend. IAS 28	Long-term interests in Associates and Joint Ventures	01.01.2019	01.01.2019
Amend. IFRS 9	Prepayment features with negativ compensation	01.01.2019	01.01.2019
IFRIC 23	Uncertainty over in-come tax treatments	01.01.2019	01.01.2019
Annual Improvement process (2015 - 2017 Cycle)	Changes to IFRS 3, IFRS 11; IAS 12 and IAS 23	01.01.2019	01.01.2019

[1] For financial years beginning on or after this date

IFRS 16 – Leases

The previous standard for leases IAS 17 and the related interpretations were replaced by IFRS 16. IFRS 16 revises how leases are recognised, measured, presented and disclosed. In accordance with IFRS 16, the previous distinction between operating leases and finance leases is no longer applicable to the lessee. For all its leases, a lessee will recognise a lease liability equal to the present value of the future lease payments plus directly attributable costs and capitalises a corresponding right to use an asset. The right of use is amortised over the contractual term. Rights of use for investment properties that are measured at fair value in accordance with IAS 40 are also measured at fair value. The lease liabilities will be recognised and measured in accordance with the requirements applicable to financial instruments in accordance with IFRS 9. In the income statement, the items will be recognised separately as amortisation of assets and interest on the liability. Simplified requirements apply for the recognition of short-term leases and low-value asset leases. Here, the lease payments will be expensed over the term of the lease. Note disclosures are being extended and should enable users to assess the amount, timing and uncertainty involved in leases. For lessors, by contrast, the provisions of the new standard are similar to existing IAS 17 requirements. Leases will continue to be classified either as operating or financing leases.

ADLER applied IFRS 16 for the first time as at 1 January 2019 using the modified retrospective method. There was no cumulative effect from the first-time application of IFRS 16 which would have been recognised as an adjustment to the opening balance of retained earnings as at 1 January 2019. Comparative information for previous periods has not been restated. ADLER uses the simplification approach to maintain the definition of a lease for the transition. This means that the Group applies IFRS 16 to all contracts that have been concluded before 1 January 2019 and have been identified as leases in accordance with IAS 17 and IFRIC 4. ADLER uses the simplified approach for short-term leases (less than 12 months) and leases for which the underlying asset is of low value and will recognise the lease payments as an expense when incurred over lease term.

As ADLER mainly acts as a lessor in its property letting activities, IFRS 16 does not have any material implications for the consolidated financial statements. As part of the analysis of the leases, the following types of contract were identified in which ALDER assumed obligations as lessee and obtained the right-to-use asset:

- Leasehold contracts for land (leaseholds)
- Rental agreements for office spaces, garages and storage spaces
- Rental agreements for cars and commercial vehicles
- Rental contracts for hardware

There are no material effects on the Group's existing finance leases (in particular leaseholds). The obligations previously entered into as lessee for operating leases with terms of more than one year or not low value are of subordinate significance.

Additional lease liabilities and rights of use of EUR 10,000k were recognised as at 1 January 2019. These relate to the following assets: Leasehold contracts in the amount of EUR 3,306k, rental agreements for office spaces, garages and storage spaces in the amount of EUR 4,578k, rental agreements for cars in the amount of EUR 1,781k and rental contracts for hardware in the amount of EUR 335k. As a result of the increase in balance sheet total, shareholders' equity decreases slightly. In the Consolidated Statement of Comprehensive Income, the expenses for the liabilities which have so far been recognised as operating leases are based on interest expenses for the leasing liabilities and, depending on the asset underlying the respective right of use, either through depreciation expenses for exploitation rights or through the income effect from fair value adjustments of investment properties (for leaseholds). This will result in a slight improvement of EBITDA and thus FFO I. In the future, cash payments for the reduction of the outstanding lease liability and cash payments for the interest portion of the lease liabilities will be allocated to the cash flow from financing activities. Until now the cash payments for operating leases have been recognised under cash flow from operating activities. This results in a slight improvement in cash flow from operating activities and a slight deterioration in net cash flow from financing activities.

For ADLER as lessor, IFRS 16 has no material implications in terms of recognition and measurement. The Group's revenue from letting items of real estate (net rental income) is attributable to leases and is included in the scope of IFRS 16 as at 1 January 2019. A distinction must be made between those non-lease components of the continuing obligation in which the tenant does not receive a separate service, but has to replace ADLER in the context of accounting for operating costs (subject to IFRS 16), and those in which ADLER has a commitment to provide a service (subject to IFRS 15). Thus, revenue from the charge of property tax and building insurance expenses are now included in the scope of IFRS 16 in addition to net rental income.

The tables below summarise the impact of the application of IFRS 16 on the relevant items of the consolidated balance sheet as at 31 March 2019 and the consolidated statement of comprehensive income for the period from 1 January to 31 March 2019. There were no other material implications on the Consolidated Statement of Cash Flows for the reporting period.

Impact on Consolidated Balance Sheet in EUR '000	without application of IFRS 16	Adaptations	with application of IFRS 16
31 March 2019			
Assets			
Property, plant and equipment	8,874	6,441	15,315
Investment properties	4,855,109	3,306	4,858,415
Total assets	**5,839,496**	**9,747**	**5,849,243**
Equity and liabilities			
Total equity	**1,593,593**	**-10**	**1,593,583**
Deferred tax liabilities	359,483	-5	359,478
Other non-current liabilities	29,303	7,678	36,981
Other current liabilities	37,261	2,084	39,345
Total liabilities	**4,245,903**	**9,757**	**4,255,660**
Total assets	**5,839,496**	**9,747**	**5,849,243**

Impact on consolidated statement of comprehensive income in EUR '000	without application of IFRS 16	Adaptations	with application of IFRS 16
1 January to 31 March 2019			
Earnings from property lettings	55,451	72	55,523
Other operating expenses	-10,436	555	-9,881
Depreciations and amortisation	-376	-529	-905
Earnings before interest and taxes (EBIT)	**46,059**	**98**	**46,157**
Financial expenses	-42,867	-113	-42,980
Earnings before taxes (EBT)	**6,843**	**-15**	**6,828**
Income taxes	7,840	5	7,845
Consolidated net profit	**14,683**	**-10**	**14,673**

IFRIC 23 – Uncertainty over Income Tax Treatments

IFRIC 23 clarifies the accounting for uncertainty regarding income taxes. On this basis an entity shall use discretion in determining whether each tax treatment should be considered individually or whether some tax treatments should be considered collectively. The decision should be based on which approach allows better prediction of the resolution of the uncertainty. An entity has to assume that a taxation authority will have the right to examine any amounts reported and will have full knowledge of all relevant information. In determining the relevant income taxable amounts, the entity shall assess whether it is probable that the relevant taxation authority will accept the respective tax treatment used or plans to use in its income tax declaration. If the entity concludes that it is not probable that the tax treatment is accepted, the entity has to apply the most likely or expected amount of the tax treatment depending on which method enables the better prediction of the resolution of the uncertainty. An entity has to reassess its assessments and estimates if facts and circumstances change. The first-time application of IFRIC 23 did not have any material implications on ADLER's consolidated financial statements.

BASIS OF CONSOLIDATION

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

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

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

Further information about consolidation principles can be found in the comments in the "Consolidation principles" section of the 2018 Annual Report.

SCOPE OF CONSOLIDATION AND BUSINESS COMBINATIONS

Including the parent company, the scope of consolidation includes a total of 228 companies (31 December 2018: 229) that are fully consolidated and seven companies that are recognised at equity (as at 31 December 2018: 7).

After the withdrawal of a shareholder, ADLER Real Properties GmbH & Co. KG was accrued to the remaining shareholders in the scope of consolidation. This did not have any implications for the Group's net assets, financial position or results of operations.

SEGMENT REPORTING

In its segment reporting, ADLER distinguished between the segments "Rental", and "BCP". BCP, the majority of which was acquired in April 2018, is currently presented as an independent segment in accordance with internal reporting to the Management Board.

The rental segment includes all ADLER's portfolios in its earlier structure before the acquisition of BCP, through the letting of which ADLER Real Estate AG aims to generate long-term gross rental income. Gross rental income and the expenses associated with the letting business reflect the activities of the Group's Asset and Property Management, which manages residential units held in the portfolio in technical and commercial terms. This segment also includes the expenses for craftsmen and caretaker services which are provided by the group internal Facility Management.

At the reporting date BCP owns a property portfolio of 11,942 residential units with a focus on larger cities in Germany. BCP also contributes project development in the centres of Düsseldorf and Aachen for around 2,000 new residential units, which are expected to be added to the portfolio after completion if they have not yet been sold to non-group companies up to the date of preparing the financial statements.

Other group activities that do not constitute standalone segments are pooled in the "Other" column. These mainly involve historic holdings relating to development projects that are still in the process of being sold off following the Group's realignment in 2014.

Segment reporting based on the rental segment is consistent with the internal reporting system to ADLER's Management Board, which is the top management body pursuant to IFRS (management approach). The Group only trades in properties that are located in Germany. No geographical segmentation has been performed.

Income and EBIT for the period from 1 January 2019 to 31 March 2019 and for the previous year's comparative period are broken down as follows:

ADLER Group	Rental		BCP		Other		Group	
In EUR '000 – 3 months/Q1	2019	2018	2019	2018	2019	2018	2019	2018
Gross rental income and income from the sale of properties	247,601	71,103	33,297	-	47	47	280,945	71,150
– thereof gross rental income	68,281	68,026	26,537	-	47	47	94,865	68,073
– thereof income from sales	179,320	3,077	6,760	-	0	0	186,080	3,077
Change in the value of investment property	10,054	22,387	-394	-	0	0	9,660	22,387
Earnings before interest and taxes (EBIT)	**33,660**	**46,215**	**12,447**	**-**	**50**	**-45**	**46,157**	**46,170**
Income from investments accounted for using the equity method	0	0	0	-	0	0	0	0
Financial result	**-18,897**	**-54,229**	**-20,458**	**-**	**26**	**9**	**-39,329**	**-54,220**
Earnings before taxes (EBT)	**14,763**	**-8,014**	**-8,011**	**-**	**76**	**-36**	**6,828**	**-8,050**

Revenues in the Rental segment amounted to EUR 247,601k (EUR 71,103k). The year-on-year increase of EUR 176,498k is primarily attributable to the sale of the non-core portfolio. Control over the approximately 3,700 rental units was transferred in the first quarter of 2019. Changes in the value of investment properties amounted to EUR 10,054k (EUR 22,387k) in the first three months of the year. Three-month EBIT in the Rental segment amounted to EUR 33,660k (EUR 46,215k), while earnings before taxes came to EUR 14,763k (EUR -8,014k).

Revenues in the BCP segment amounted to EUR 33,297k, gross rental income to EUR 26,537k. Changes in the value of investment property amounted to EUR -394k. EBIT in the BCP segment amounted to EUR 12,447k, while earnings before taxes came to EUR -8.011k.

Group-Earnings before taxes were negatively affected in the first three months by one-off items. One-off expenses amounted to EUR 7.172k (EUR 32,770k) for the early repayment of financial liabilities. Net financial expenses of EUR 5,447k (net financial income of EUR 253k) are due to the measurement of financial instruments at fair value in the reporting period. There were also net foreign exchange losses in the amount of EUR 4,950k (EUR 0k) related to BCP bonds.

Segment assets, segment liabilities and segment investments were structured as follows as at 31 March 2019:

ADLER Group In EUR '000 as at 31 March 2019	**Rental**	**BCP**	**Other**	**Consolida-tion**	**Group**
Segment assets	3,918,724	1,915,012	4,787	-4,986	5,833,537
Investments accounted for using the equity method	36	3,031	0	0	3,067
Total segment assets	**3,918,760**	**1,918,043**	**4,787**	**-4,986**	**5,836,604**
Non-current assets held for sale	-	-	-	-	12,639
Segment liabilities	**3,216,178**	**1,039,450**	**5,018**	**-4,986**	**4,255,660**
Segment investments	**30,244**	**8,363**	**0**	**0**	**38,607**

Segment assets, segment liabilities and segment investments were structured as follows as at 31 December 2018:

ADLER Group In EUR '000 as at 31 December 2018	**Rental**	**BCP**	**Other**	**Consolida-tion**	**Group**
Segment assets	3,918,035	1,923,157	4,691	-4,961	5,840,922
Investments accounted for using the equity method	39	3,031	0	0	3,070
Total segment assets	**3,918,074**	**1,926,188**	**4,691**	**-4,961**	**5,843,992**
Non-current assets held for sale	-	-	-	-	12,639
Segment liabilities	**3,237,643**	**1,039,322**	**4,997**	**-4,961**	**4,277,001**
Segment investments	**129,774**	**35,354**	**0**	**0**	**165,128**

SELECTED NOTES ON THE CONSOLIDATED BALANCE SHEET

Property, plant and equipment

The increase in the carrying amount of property, plant and equipment to EUR 15,315k (31 December 2018: EUR 7,578k) is attributable to an amount of EUR 6,441k for the accounting for rights of use of assets under leases in accordance with IFRS 16.

Investment properties

The carrying amount of investment properties amounted to EUR 4,858,415k as at the balance sheet date (31 December 2018: EUR 4,989,054k). The additions were chiefly due to EUR 26,696k for investments in project development properties, with EUR 11.911k from capitalisable modernization measures, EUR 3,306k from the first-time application of leaseholds in accordance with IFRS 16 and measurement results of EUR 9,660k. These items were countered by disposals, including IFRS 5 reclassified items, amounting to EUR 182,211k.

Receivables and loans to associated companies

The increase in the carrying amount of receivables and loans to associated companies to EUR 104,268k (31 December 2018: EUR 7,667k) is due to EUR 96,000k for the disposal of the non-core portfolio of approximately 3,700 rental units, which ADLER disposed of in two separate transactions in December 2018.

On 17 December 2018, ADLER entered into a binding agreement with an investor, which plans to sell around 1,400 rental units to Caesar JV Immobilienbesitz und Verwaltungs GmbH, Berlin, in which ADLER holds a 25% interest. ADLER will continue to assume asset management for these portfolios. The properties had a carrying amount of approximately EUR 61,500k. On 27 December 2018, ADLER also entered into a binding agreement with Benson Elliot Capital Management LLP, which plants to sell around 2,300 rental units to a joint venture in which ADLER holds a 25% interest. ADLER remains responsible for asset, property and facility management until the properties are sold to third parties. ADLER will profit from the potential upside of the final sale by the joint venture. The properties were worth approximately EUR 117,700k. In light of these two agreements, investment properties of EUR 179,200k were recognised as non-current assets held for sale as at 31 December 2018 and reclassified accordingly. Control over the rental units in both cases was transferred in the first quarter of 2019.

The remaining receivables from the sale of approximately 1,400 rental units to Caesar JV Immobilienbesitz und Verwaltungs GmbH are deferred and are due to be paid at the latest by 1 December 2022, subject to customary interest and collateral. A partial payment of EUR 16,000k must be made at the latest by 1 December 2020. As at the balance sheet date, ADLER recognises receivables including interest claims against Caesar JV Immobilienbesitz und Verwaltungs GmbH of EUR 44,698k.

The agreement for the sale of around 2,300 rental units to AB Immobilien B.V., Amsterdam, does not provide for a significant financing component as the remaining consideration is variable after the partial payment has been made. The amount and date of the consideration depend on the resale of properties to third parties over which ADLER has no material influence. As at the balance sheet date, ADLER recognises receivables from AB Immobilien B.V of EUR 51,303k.

Other financial investments

In the 2018 financial year, ADLER acquired 4.1 percent of the shares in a project development company for residential properties based in Germany through its subsidiary BCP. The shares were classified as financial assets at fair value through profit or loss and recognised under other financial assets. As at 31 March 2019, based on the stock market price, the fair value amounted to EUR 30,687k (31 December 2018: 37,019k) The change in value of EUR 6,332k is recognised under financial expenses.

Cash and cash equivalents

Cash and cash equivalents amounted to EUR 80,266k at the balance sheet date, as against EUR 77,655k at the end of the previous year. EUR 26,226k (EUR 44,262k) is subject to restraints on disposal. ADLER can dispose of these resources, but they are intended for a special use.

Non-current assets held for sale

In connection with the sale of the majority of the shares in ACCENTRO and the sale of the Trading segment, ADLER carried out a transitional consolidation on 30 November 2017 and included the remaining investment in ACCENTRO of 6.2 percent as an associated company in accordance with IAS 28 in the consolidated financial statements. Shares were measured in accordance with IFRS 10 at fair value (stock market price) amounting to EUR 12,639k at the date of transitional consolidation and reported under non-current assets held for sale. ADLER continues to expect a short-term disposal of the remaining investment in ACCENTRO as these remaining shares are expected to be acquired or sold as part of the sale of the majority of the shares and extension of the relevant payment period until 30 June 2019. As at the balance sheet date, the fair value less costs to sell was higher than the book value, meaning that no valuation allowance had to be made.

The other non-current assets held for sale include primarily properties recognised at a value of EUR 190,357k (31 December 2018: EUR 185,543k), for which notarial purchase contracts were available at the balance sheet date. Liabilities relating to the properties sold have accordingly been reported as liabilities held for sale. The disposal of the non-current assets held for sale in the previous year did not have any material impact on earnings, as the assets were already measured at fair value.This corresponded to the sale price for the properties less related expenses. In detail, the following developments occurred:

The control over the rental units of the non-core portfolio was transferred in the first quarter of 2019, thus the properties held for sale as of 31 December 2018 with a value of EUR 179,200k were disposed of.

Through its subsidiary BCP, ADLER signed a binding sales and purchase agreement with an established London-based private equity company specialising in real estate on 25 March 2019. The agreement concerns the sale of three commercial units in Rostock, Celle and Castrop-Rauxel. As part of the agreed share deal, BCP will hold 10.1 percent of the shares. Due to the sale of the commercial units, investment properties of EUR 181,862k, other current assets of EUR 1,840k, financial liabilities to banks of EUR 105,484k, deferred tax liabilities of EUR 12,564k and trade payables / other liabilities of EUR 7,592k are classified as non-current assets held for sale or liabilities held for sale and reclassified accordingly.

Shareholders' equity

The capital stock of ADLER AG amounted to EUR 71,064k as at 31 March 2019 (31 December 2018: EUR 71,064k) and is divided into 71,063,622 no-par ordinary shares (31 December 2018: 71,063,622) with one voting right per share.

The company acquired 2,583,232 (31 December 2018: 2,583,232) treasury shares through share buyback programmes as at the reporting date. The nominal amount of the treasury stock thereby acquired has been deducted from share capital, while the acquisition costs in excess of the nominal amount have been deducted from net retained profit.

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

Deferred taxes

In the first quarter of 2019, ADLER decided to use the extended property reduction for trade tax purposes for selected companies in the scope of consolidation, which exclusively own and manage property holdings. In this context, deferred tax liabilities of EUR 13,652k were reversed through profit or loss.

Liabilities for convertible bonds

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

In EUR '000	31.03.2019	31.12.2018
2016/2021 convertible bond	119,632	119,272
Total	**119,632**	**119,272**
– thereof non-current	118,654	117,516
– thereof current	978	1,756

The non-current liabilities relate to the debt capital component of the convertible bonds after deducting proportionate transaction costs if the remaining term is longer than one year and providing that no change has been made as at the balance sheet date. The current liabilities from convertible bonds include the interest claims of the bondholders as at the balance sheet date.

Liabilities for bonds

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

In EUR '000	31.03.2019	31.12.2018
2015/2020 bond	303,367	299,052
2017/2021 bond	494,798	492,278
2017/2024 bond	295,023	300,630
2018/2023 bond	498,229	495,317
2018/2026 bond	300,409	297,946
2011/2020 bond BCP (A)	30,265	29,188
2013/2024 bond BCP (B)	50,600	48,636
2014/2026 bond BCP (C)	39,938	38,324
Total	**2,012,628**	**2,001,371**
– thereof non-current	1,967,474	1,961,112
– thereof current	45,154	40,259

Nominal bond amounts have been recognised under non-current liabilities less transaction costs, which are expensed on a time-apportioned basis using the effective interest method if the remaining term is longer than one year. Bondholders' interest claims as at the balance sheet date have been recognised under current liabilities.

Financial liabilities to banks

Non-current financial liabilities to banks amounted to EUR 1,367,569k as at the balance sheet date (31 December 2018: EUR 1,476,187k). The decrease is mainly attributable to the reclassification to liabilities held for sale as part of the binding sale of commercial units to BCP.

Current financial liabilities to banks amounted to EUR 134,350k as at the balance sheet date (31 December 2018: EUR 142,408k). The decline is mainly attributable to repayments.

SELECTED NOTES ON THE STATEMENT OF COMPREHENSIVE INCOME

Gross rental income

Gross rental income is structured as follows:

In EUR '000	3M 2019	3M 2018
Net rental income	64,800	44,852
Income from recoverable expenses	29,562	22,579
Other income from property management	503	642
Total	**94,865**	**68,073**

Net rental income in an amount of EUR 20,017k, income from charged operating costs in an amount of EUR 6,520k and other income from property management in an amount of EUR 0k are attributable to the business of BCP.

Expenses from property lettings

Expenses from property lettings are broken down as follows:

In EUR '000	3M 2019	3M 2018
Apportionable and non-apportionable operating costs	35,182	25,147
Maintenance	4,078	3,847
Other property management expenses	82	142
Total	**39,342**	**29,136**

The operating costs amounted to EUR 7,718k, the maintenance expenses to EUR 1,106k and the other property management expenses to EUR 0k from the business of BCP.

Income from the sale of properties

Income from the sale of properties is structured as follows:

In EUR '000	3M 2019	3M 2018
Income from the disposal of project development inventory properties	6,760	0
Income from the disposal of other inventory properties	81	0
Income from the disposal of investment properties	179,239	3,077
Total	**186,080**	**3,077**

The income from the sale of project developments is fully attributable to BCP in the period under report, income from the sale of investment properties amounted to EUR 0k.

The income from the sale of investment properties is attributable to rental units of the non-core portfolio. Control was transferred in the first quarter of 2019.

Expenses from the sale of properties

Expenses from the sale of properties are structured as follows:

In EUR '000	3M 2019	3M 2018
Carrying amount of disposed project development inventory properties	7,196	0
Carrying amount of disposed other inventory properties	70	0
Carrying amount of disposed investment properties	179,239	2,079
Costs of disposal	7	60
Total	**186,512**	**2,139**

The carrying amount of project developments is fully attributable to BCP in the period under report, the carrying amount of investment properties amounted to EUR 0k.

The carrying amount disposals from the sale of investment properties are attributable to rental units of the non-core portfolio. Control was transferred in the first quarter of 2019.

Income from fair value adjustments of investment properties

Income from fair value adjustments of investment properties amounted to EUR 9,660k (previous year: EUR 22,387k) and comprises income of EUR 9,905k from fair value adjustments (previous year: EUR 22,659k) and expenses of EUR 245k for fair value adjustments (previous year: EUR 272k).

Financial income

Financial income is structured as follows:

In EUR ´000	3M 2019	3M 2018
Interest income – financial assets measured at amortised cost	1,861	1,735
Interest income – financial assets at fair value through other comprehensive income	200	231
Net change in fair value of derivatives	1,586	253
Other financial income	4	46
Total	**3,651**	**2,265**

Financial income in the amount of EUR 1,593k is attributable to BCP in the year under report.

Financial expenses

Financial expenses are structured as follows:

In EUR ´000	3M 2019	3M 2018
Interest expenses – financial liabilities measured at amortised cost		
Interest expenses – bank loans	14,574	43,047
Interest expenses – bonds	14,024	11,173
Interest expenses – convertible bonds	1,992	2,081
Interest expenses – other	305	2
Net change in fair value of derivatives	699	0
Net change in fair value of other financial instruments at fair value through profit or loss	6,332	0
Impairment of financial assets measured at amortised cost (loans, restricted funds, deposits at banks)	102	0
Impairment of financial assets at fair value with changes in other comprehensive income	2	0
Net foreign exchange losses	4,950	0
Accrued interest on provisions	0	3
Other financial expenses	0	179
Total	**42,980**	**56,485**

Financial expenses in the amount of EUR 22,051k is attributable to BCP in the year under report.

The interest expenses for bonds include prepayment penalties and transaction costs that required immediate recognition as expenses due to the early repayment of financial liabilities to banks and other expenses related to the refinancing of EUR 7.172k (previous year: EUR 32,770k) in total.

Earnings after taxes from discontinued operations

In EUR ´000	3M 2019	3M 2018
Income from property lettings	0	0
Expenses from property lettings	0	0
Earnings from property lettings	**0**	**0**
Income from the sale of properties	0	0
Expenses from the sale of properties	0	0
Earnings from the sale of properties	**0**	**0**
Personnel expenses	0	0
Other operating income	0	0
Other operating expenses	0	0
Income from fair value adjustments of investment properties	0	0
Depreciation and amortisation	0	0
Earnings before interest and taxes (EBIT)	**0**	**0**
Financial income	0	0
Financial expenses	0	-395
Income from at-equity valued investment associates	0	0
Earnings before taxes (EBT)	**0**	**-395**
Income taxes	0	0
Earnings after tax from discontinued operations	**0**	**-395**

Earnings per share

Earnings per share reflects the amount of earnings generated in a given period that are attributable to each share. This involves dividing consolidated net income by the weighted number of shares outstanding. This key figure is diluted by what are known as "potential shares" (e.g. from convertible bonds). Pursuant to IAS 33.23, all potential shares that may result from the conversion of a mandatory convertible bond must be treated as shares already issued and should be included in the calculation of basic earnings per share. In the previous year, this increased the number of outstanding shares by the potential shares that would result from the actual conversion of the mandatory convertible bonds. In the 2019 financial year, the expiration of the mandatory convertible bond at the end of 2018 resulted in no effect on the calculation of basic earnings.

The income per share is structured as follows:

	3M 2019 Continuing operations	3M 2019 Discontinued operations	3M 2019 Total
Consolidated net earnings (in EUR ´000)	14,673	-	14.673
Consolidated net earnings without non-controlling interests	14,559	-	14,559
Expenses including deferred taxes on convertibles	1,392	-	1,392
Consolidated net earnings without non-controlling interests (diluted)	15,951	-	15,951
Number of shares (in thousands)			
Weighted number of subscribed shares	68,480	68,480	68,480
Effect of conversion of convertibles	10,419	10,419	10,419
Weighted number of shares (diluted)	78,899	78,899	78,899
Earnings per share (in EUR)			
Basic earnings per share	0.21	-	0.21
Diluted earnings per share	0.20	-	0.20

	3M 2018 Continuing operations	3M 2018 Discontinued operations	3M 2018 Total
Consolidated net earnings (in EUR ´000)	-12,408	-395	-12,803
Consolidated net earnings without non-controlling interests	-15,615	-395	-16,010
Expenses including deferred taxes on convertibles	1,451	0	1,451
Consolidated net earnings without non-controlling interests (diluted)	-14,164	-395	-14,559
Number of shares (in thousands)			
Weighted number of subscribed shares	67,099	67,099	67,099
Effect of conversion of convertibles	12,212	12,212	12,212
Weighted number of shares (diluted)	79,311	79,311	79,311
Earnings per share (in EUR)			
Basic earnings per share	-0.23	-0.01	-0.24
Diluted earnings per share	-0.18	0.00	-0.8

DISCLOSURES ON FINANCIAL INSTRUMENTS AND FAIR VALUE DISCLOSURES

The classification of financial instruments required was unchanged compared with 31 December 2018. There were no reclassifications within the categories of financial instruments or the fair value hierarchy levels in the period under report.

The allocation of assets and liabilities measured at fair value in accordance with the input factors of the respective measurement method was unchanged compared with 31 December 2018. Investment properties are still allocated to Level 3 in the fair value hierarchy.

OTHER DISCLOSURES

Related party disclosures

There have been no material changes in related parties compared with the information provided as at 31 December 2018.

Financial risk management

The material risks monitored and managed by the Group's financial risk management include interest rate, default, liquidity, financing risks and currency risk. There have been no material changes in these risks since 31 December 2018. A detailed description of these risks can be found in the notes to the consolidated financial statements as of 31 December 2018.

Events after the balance sheet date

After the end of the reporting period, ADLER issued a corporate bond of EUR 400 million at the beginning of April 2019. It serves exclusively to refinance existing liabilities. In total, calculated on an annual basis, FFO will improve by EUR 12 million and the weighted average cost of interest paid on debt (WACD) will drop to around 2.0 percent. In mid-April, the 2015/2020 corporate bond which still had a volume of EUR 300 million was terminated early. It will be paid back at nominal value.

No further material events with the potential to significantly influence the earnings, asset and financial position of ADLER Real Estate AG occurred.

/// AFFIRMATION BY THE LEGAL REPRESENTATIVES

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

Berlin, 16 May 2019

Tomas de Vargas Machuca
Vorstand

Maximilian Rienecker
Vorstand

Sven-Christian Frank
Vorstand

/// LEGAL REMARK

This report contains future-oriented statements that reflect the current management views of ADLER Real Estate AG regarding future events. Every statement in this report that reflects intentions, assumptions, expectations or predictions, as well as the assumptions on which they are based, constitutes such a future-oriented statement. These statements are based on plans, estimates and forecasts currently available to the management of ADLER Real Estate AG. Therefore, they only apply to the day on which they are made. By their nature, future-oriented statements are subject to risks and uncertainty factors, and the actual developments can deviate considerably from the future-oriented statements or the events implicity expressed in them. ADLER Real Estate AG is not obligated, nor does it intend, to update such statements in view of new information or future events.

/// GLOSSARY

EBIT

Earnings before Interest and Tax

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

EBITDA

Earnings before Interest, Tax, Depreciation and Amortisation

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

Adjusted EBITDA

EBITDA adjusted to exclude the result of measurement of investment property, associates measured at equity results and one-off and non-recurring items – an indicator of operating earnings excluding measurement and special items. (One-offs and non-recurring items comprise non-cash expenses and earnings, special payments, acquisition projects and integration expenses, expenses for refinancing and capital increases, as far as they have not been considered under capital procurement expenses as well as expenses for the optimisation of the business model.)

FFO I

Funds from Operations I

Adjusted EBITDA less interest charge for FFO, current taxes on income, investments to maintain substance and earnings before interest and taxes from the sale of properties – an indicator of cash flow-based operating earnings excluding disposals.

EPRA

European Public Real Estate Association

Association of publicly listed real estate companies, after which the EPRA Index is named with legal domicile in Brussels.

EPRA – NAV

Net asset value based on EPRA

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

LTV

Loan-to-value

Ratio of net financial liabilities (net of cash, non-current assets held for sale, purchase price receivables, advance payments and liabilites associated with assets held for sale) to gross asset value – an indicator of financial stability.

Swap

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

Dilution of shares

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

WACD

Weighted average cost of debt

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

/// AT A GLANCE

Supervisory Board	
Dr Dirk Hoffmann	Chairman of the Supervisory Board
Thilo Schmid	Vice Chairman of the Supervisory Board
Claus Jorgensen	Member of the Supervisory Board
Management Board	
Tomas de Vargas Machuca	Member of the Management Board (Co-CEO)
Maximilian Rienecker	Member of the Management Board (Co-CEO)
Sven-Christian Frank	Member of the Management Board (COO)
Company Facts	
Legal domicile	Berlin Charlottenburg, Berlin HRB 180360 B
Address	ADLER Real Estate Aktiengesellschaft Joachimsthaler Straße 34 10719 Berlin Phone: +49 30 398018 – 10 E-Mail: info@adler-ag.com
Website	www.adler-ag.com
Investor Relations	Tina Kladnik Tel.: +49 30 398 01 81 23 E-Mail: t.kladnik@adler-ag.com
Public Relations	Dr. Rolf-Dieter Grass Tel.: +49 30 200 09 14 29 E-Mail: r.grass@adler-ag.com
Classification	71,063,622[1] no-par value shares
Arithmetical value	EUR 1 per share
Voting right	1 vote per share
Identification	WKN 500 800 ISIN DE0005008007 Ticker symbol ADL Reuters ADLG.DE
Designated sponsors	ODDO SEYDLER BANK AG HSBC Trinkaus & Burkhardt AG
Stock exchanges	Xetra, Frankfurt am Main
Indices	SDAX, CDAX, FTSE EPRA/NAREIT Global Real Estate Index, GPR General Index, DIMAX
Financial year	Calendar year

[1] As at 31 March 2019

ADLER REAL ESTATE AKTIENGESELLSCHAFT
Berlin-Charlottenburg

Registered Office Location:
Joachimsthaler Straße 34
10719 Berlin
Phone: +49 30 398018 – 10
E-Mail: info@adler-ag.com

www.adler-ag.com