

# INTERIM REPORT Q1

AS AT 31 MARCH 2020



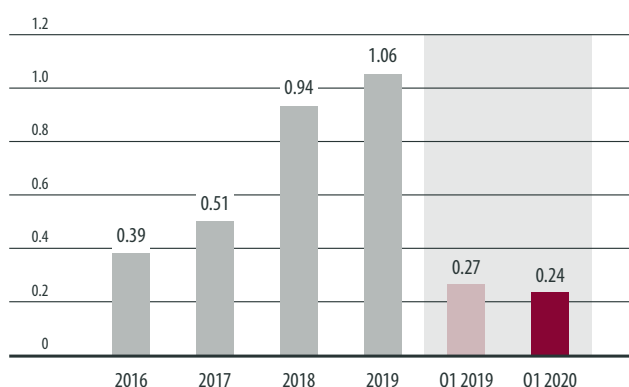
## /// KEY FINANCIAL FIGURES

<b>In EUR millions</b>		
<b>Consolidated Statement of Income</b>	<b>3M 2020</b>	<b>3M 2019</b>
Net rental income	60.2	64.8
Earnings from property lettings	49.9	55.5
Earnings from the sale of properties	2.3	-0.4
EBIT	8.8	46.1
Consolidated net profit from continuing operations	-24.5	14.7
Consolidated net profit	-26.5	14.7
FFO I	19.1	21.6
FFO I per share in EUR (fully diluted) <sup>1)</sup>	0.24	0.27
<b>Consolidated Balance Sheet</b>	<b>31.03.2020</b>	<b>31.12.2019</b>
Investment Properties (including inventories)	5,015.6	5,007.3
EPRA NRV (adjusted and fully diluted)	2,121.0	2,206.2
EPRA NRV per share in EUR (adjusted and fully diluted) <sup>1)</sup>	26.55	27.62
LTV in % <sup>2)</sup>	49.7	49.4
WACD	1.92	1.99
<b>Cashflow</b>	<b>3M 2020</b>	<b>3M 2019</b>
Net cash flow from operating activities	9.1	18.5
of which from continuing operations	4.0	18.5
Net cash flow from investing activities	-157.6	15.4
of which from continuing operations	-31.5	15.4
Net cash flow from financing activities	20.4	-31.3
of which from continuing operations	-126.8	-31.3
<b>Employees</b>	<b>31.03.2020</b>	<b>31.12.2019</b>
Number of employees	927	922
FTEs (Full-time equivalents)	851	852

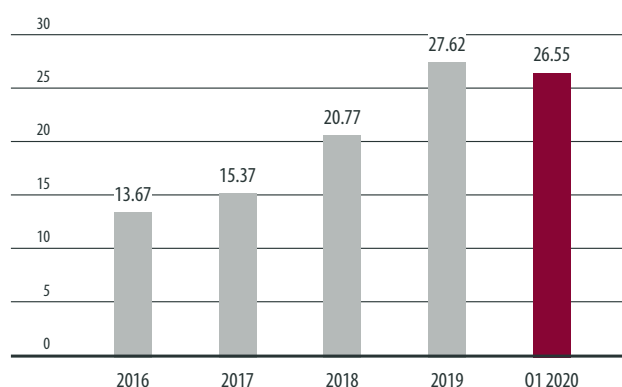
<sup>1)</sup> Based on the number of shares outstanding as at balance sheet date plus assumed conversion of outstanding convertible bonds

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

### FFO I/SHARE FULLY DILUTED in EUR

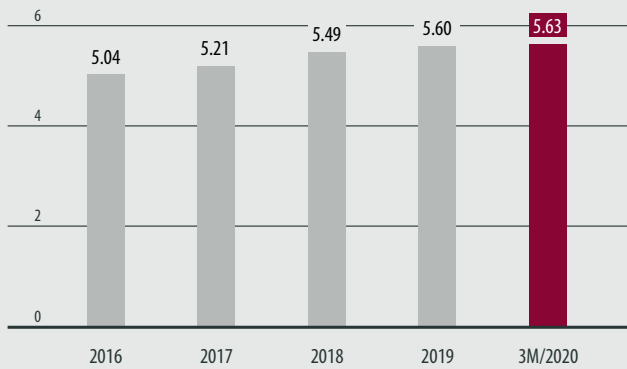


### EPRA NRV/SHARE FULLY DILUTED (EXCL. GOODWILL) in EUR

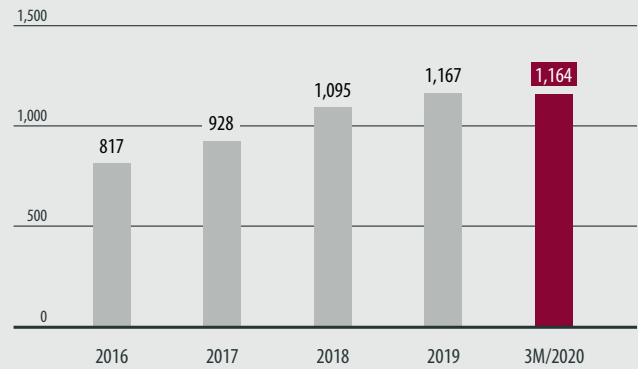


2016 to 2018 NAV, from 2019 NRV following EPRA revision

**AVERAGE RENT** in EUR/sqm/month

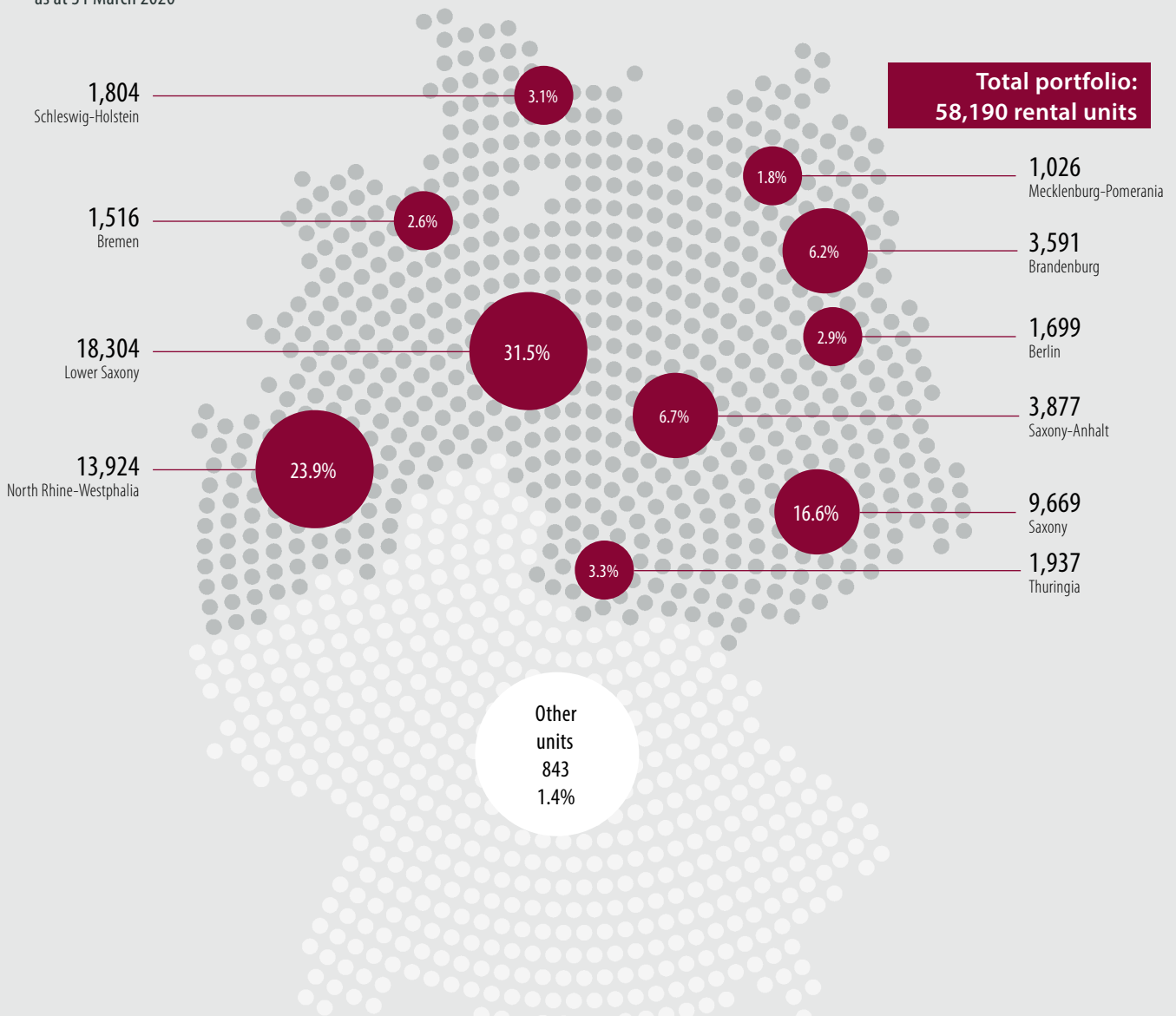


**MARKET VALUE** in EUR/sqm



**Rental units**

as at 31 March 2020



## /// CONTENTS

<b>LETTER FROM THE MANAGEMENT BOARD</b>	<b>5</b>
<b>PORTFOLIO</b>	<b>8</b>
<b>THE ADLER SHARE</b>	<b>14</b>
<b>INTERIM GROUP MANAGEMENT REPORT</b>	<b>17</b>
<b>Fundamentals of ADLER Real Estate AG Group</b>	<b>18</b>
Business model	18
Management system	20
Employees	21
Research and development	21
<b>Economic report</b>	<b>21</b>
Macroeconomic and sector-specific settings	21
Economic development of the Group	22
<b>Report on risks and opportunities</b>	<b>23</b>
<b>Report on expected developments</b>	<b>23</b>
<b>Report on events after the balance sheet date</b>	<b>24</b>
<b>Results from operations, net assets and financial position</b>	<b>24</b>
Results from operations	25
Net assets	31
Financial position	36
<b>GROUP INTERIM FINANCIAL STATEMENT AS AT 31 MARCH 2020</b>	<b>37</b>
<b>Consolidated balance sheet</b> (IFRS) as at 31 March 2020	<b>38</b>
<b>Consolidated statement of comprehensive income</b> (IFRS) for the period from 1 January to 31 March 2020	<b>40</b>
<b>Consolidated statement of cash flows</b> (IFRS) for the period from 1 January to 31 March 2020	<b>42</b>
<b>Consolidated statement of changes in equity</b> (IFRS) for the period from 1 January to 31 March 2020	<b>44</b>
<b>SELECTED NOTES ON THE GROUP INTERIM FINANCIAL STATEMENTS IN ACCORDANCE WITH IFRS AS AT 31 MARCH 2020</b>	<b>47</b>
<b>AFFIRMATION BY THE LEGAL REPRESENTATIVES</b>	<b>65</b>
<b>LEGAL REMARKS</b>	<b>65</b>
<b>GLOSSARY</b>	<b>66</b>
<b>AT A GLANCE</b>	<b>67</b>

## /// LETTER FROM THE MANAGEMENT BOARD



**TOMAS DE VARGAS MACHUCA**  
 Member of the Management Board  
 (Co-CEO) and Chairman of the  
 Executive Committee



**MAXIMILIAN RIENECKER**  
 Member of the Management Board  
 (Co-CEO) and of the Executive  
 Committee



**SVEN-CHRISTIAN FRANK**  
 Member of the Management Board  
 (COO) and of the Executive  
 Committee

### Dear Ladies and Gentlemen,

The outbreak of COVID-19 earlier this year has caused unprecedented disruption to national economies and the lives of individuals around the world. At ADLER, our foremost concern during this time is for the safety and wellbeing of our employees and tenants. To this end, we are closely monitoring the situation and have taken action to ensure we are strictly following all public health and government guidelines around the virus to limit its spread and protect as many of our staff and tenants as possible. From March 2020 onwards we have encouraged all of our employees with administrative functions to work from home. Those of our staff who still need to be in contact with tenants or people interested in renting an apartment have been instructed to maintain an appropriate distance for instance when showing an apartment. At the same time, we endeavour to stay in contact with our tenants to make sure their concerns are fully understood and addressed. The most vulnerable tenants may take advantage of the rent deferral scheme which German authorities have introduced, and which is in place through to June 2020.

As we look at the quarter under review, ADLER produced a solid set of results, which have seen limited impact from COVID-19. Currently, rent deferrals related to COVID-19 stand at only 1.4 percent of ADLER's total monthly rental income and are split into 0.1 percent of the residential rent and 1.3 percent of the commercial rent.

Financial key performance indicators were mainly impacted by profitable disposal of non-core residential properties and BCP's retail portfolio aimed to optimize our portfolio. Some 3,700 non-core residential units with gross asset value (GAV) of EUR 179.2m were sold, with transaction completed in Q1 2019. Throughout 2019, we sold c. 71 percent of BCP's retail assets with GAV of EUR 341.1m.

ADLER's successful combination with ADO was completed on April 9, 2020 and is on track to create one of the largest listed residential real estate companies in Europe. The combination of the two companies will result in approximately EUR 8.6bn in combined residential assets as of 31 March 2020. ADO's high-quality Berlin portfolio will be complemented by ADLER's Germany-wide portfolio, focused on German cities with attractive upside potential. The diversified, residential-focused portfolio of the combined group and its robust financial position enable it to navigate any headwinds resulting from COVID-19.

In light of the ongoing housing shortage in Berlin and other densely populated regions in Germany, the combined group is committed to providing solutions through accelerating the construction of new residential units.



## Members of the Executive Committee



**CARSTEN WOLFF**  
*Head of Accounting and Finance*



**FLORIAN SITTA**  
*Head of Legal*



**TINA KLADNIK**  
*Head of Investor Relations*



**PEER HOFFMANN**  
*Head of Financing*

ADLER's cooperation with ADO is progressing well and the combined group is capitalizing on the benefits of the transaction. The cooperation is being led by a dedicated and experienced Cooperation Management Office. The combined group is ahead of schedule in realizing its operational synergies of EUR 6.5m run rate expected for 2020. In addition, the combined group is seeking to simplify its corporate structure to unlock further shareholder value. To cover the entire asset-lifecycle effectively, a link between the "Build to Hold" and "Manage and Service" business lines has been established.

Best regards,

Tomas de Vargas Machuca  
Co-CEO

Maximilian Rienecker  
Co-CEO

Sven-Christian Frank  
COO



## /// PORTFOLIO

### THE PROPERTY PORTFOLIO

The description of the portfolio relates exclusively to the rental units of ADLER and its group companies, including BCP. The portfolio of ADO Properties is not included in the analysis as ADO Properties qualifies as held for sale.

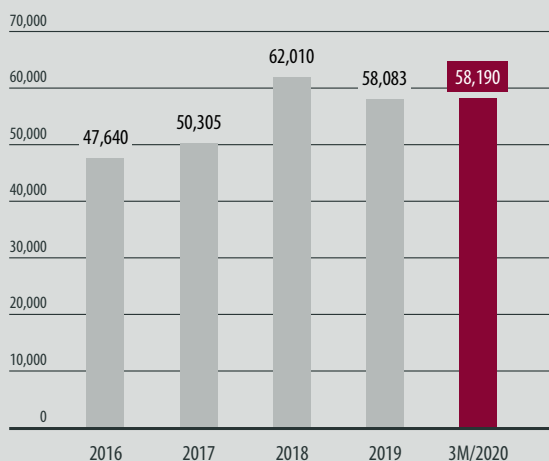
At the end of March 2020, ADLER's portfolio comprised 58,190 rental units totalling 3.5 million square metres with an annualised net rent (including parking spaces and other areas) of EUR 224.5 million. The fair value of the total portfolio (investment properties and inventories) was EUR 5,015.6 million. The regional focus is on Lower Saxony (18,304 units), North Rhine-Westphalia (13,924 units) and Saxony (9,669 units).

ADLER's residential portfolio also includes a small number of associated commercial units, mainly shops and offices of a type that is often found in city-centre residential properties.

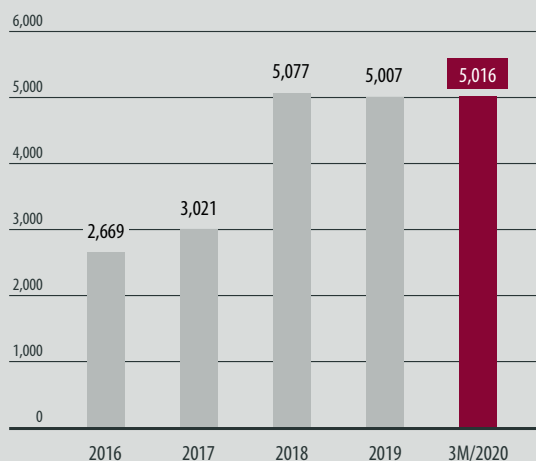
ADLER actively manages its portfolio and, as part of its continuous portfolio optimisation efforts, the underlying features of its assets and market data are frequently assessed to determine the amount and proportion of capital allocated to capital expenditure, maintenance and renovation expenses. This is to ensure that the quality of the apartments 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, and after coordination with regional managers, different strategies are implemented – such as increasing marketing activities for properties which are of good quality but are located in less favourable areas, or capital expenditure if the area is good but the asset itself is not. Properties of lower quality, as well as properties located in less attractive macroenvironments, are earmarked for sale.



**PORTFOLIO**  
(Investment properties, units)



**FAIR VALUE INVESTMENT PROPERTIES**  
(including inventories in EUR millions)



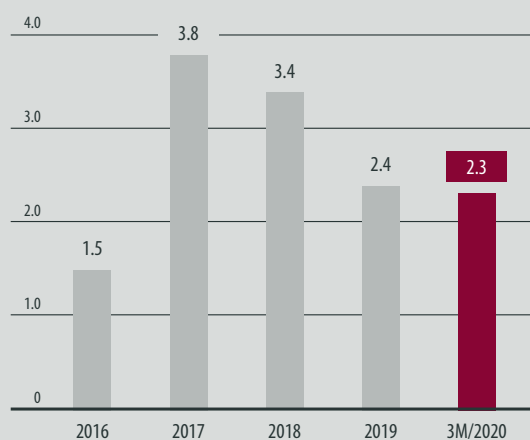
**Operating performance – average rent increased, vacancy rate reduced**

In the first quarter of 2020, the Group once again improved its operating performance. As of 31 March 2019, the average contractually agreed rent per square metre per month amounted to EUR 5.63, an increase of EUR 0.11 compared to EUR 5.52 one year earlier.

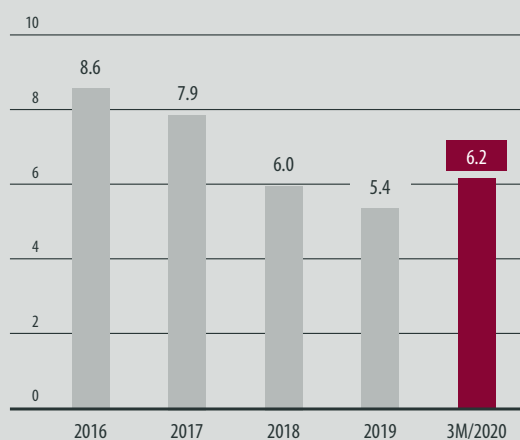
The vacancy rate stood at 6.2 percent at the end of March 2020, a year-on-year improvement of 0.6 percentage points (end of March 2019: 6.8 percent).

Net rental income increased by 2.3 percent on a like-for-like basis in the first three months of 2020.

**LIKE-FOR-LIKE RENTAL GROWTH in %**



**VACANCY RATE in %**



2019/2020 adjusted for Wasserstadt Mitte

## Fair value stable

The fair value of the total portfolio (investment properties plus inventories) calculated in accordance with IFRS was EUR 5,015.6 million at the end of the first quarter of 2020 as compared to EUR 5,077.2 million at the end of 2019. In the first quarter of 2020, no market valuation has been conducted as there was no cause to do so. Although the COVID-19 pandemic has led to a general uncertainty concerning expectations about the future, there has not yet been any visible impact on the market value of residential real estate. The modest increase is thus due to renovation and modernisation as well as to capex in development projects which were partly offset by value adjustments on commercial properties. In the first quarter of 2020, ADLER invested EUR 26.3 million in maintenance and modernisation measures (Q1 2019: EUR 16.0 million), of which EUR 6.6 million was related to ongoing maintenance work and EUR 19.6 million to renovation and modernisation measures which can be capitalised.

## Key focus on Lower Saxony and North Rhine-Westphalia

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 is still 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 benefits from a deep-water port and what is the German Navy's largest base on the North Sea. In Saxony and Saxony-Anhalt, the properties are predominantly located in the – in part strongly – growing catchment areas for Halle, Leipzig, Chemnitz and Dresden.

Property holdings on the edges of conurbations are typically characterised by higher vacancy rates, but also generate higher rental yields than properties in central locations. Peripheral locations benefit extensively from tight rental markets in city centres; when rents rise in desirable locations in the city centre and affordable apartments are no longer available, price-sensitive demand tends to automatically shift to the surrounding areas.

## Focus on small to medium-sized residential units

ADLER's portfolio largely comprises small to medium-sized residential units. The apartments have an average size of just over 60 square metres and are thus particularly suited to the needs of the company's target group, namely tenants with low to medium incomes. For ADLER, this alignment makes economic sense, as its properties satisfy the trend observed for some years 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 incomes.

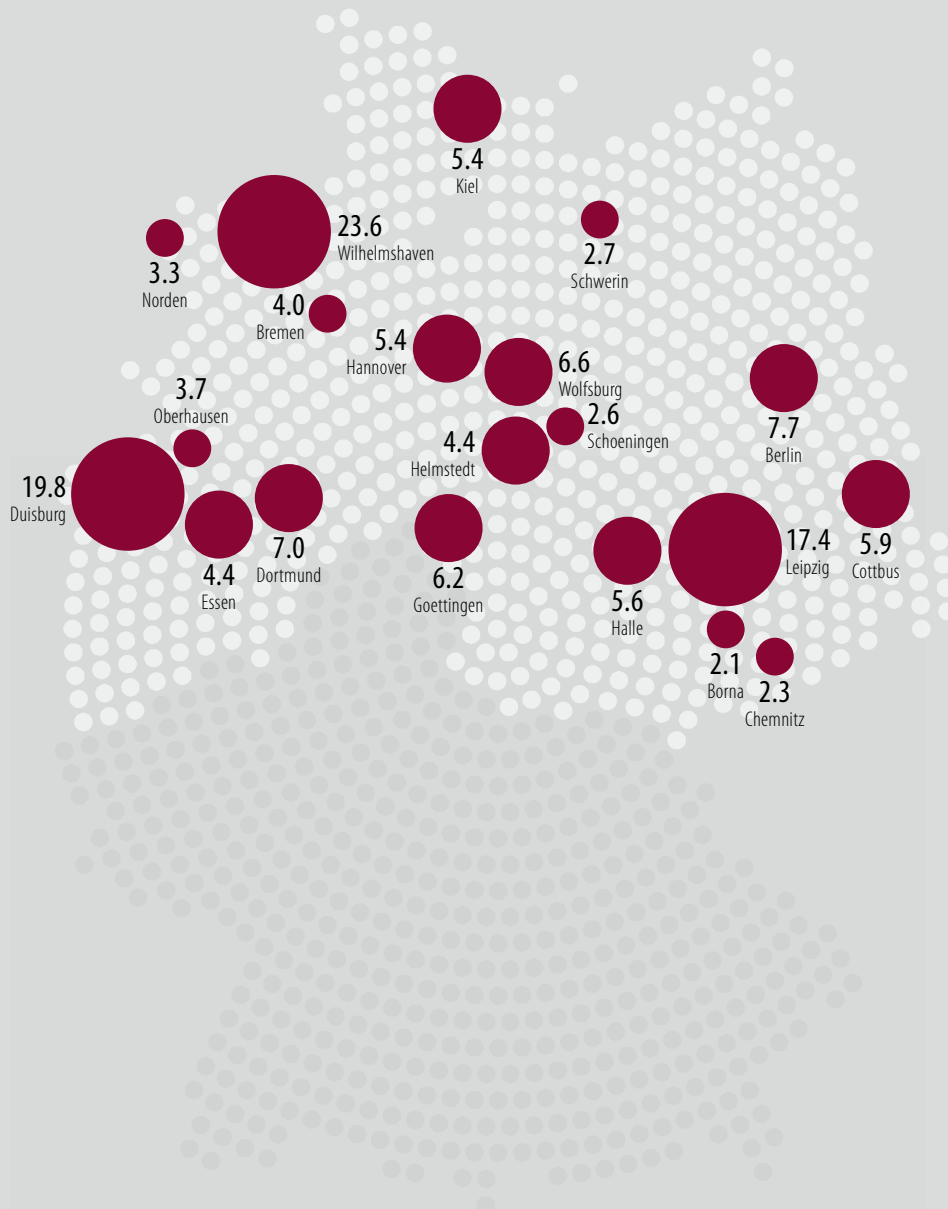
Size of apartment	Units	% of total units	Rent/sqm/month in EUR
< 45 sqm	8,771	15.3	6.55
≥ 45 and < 60 sqm	19,472	34.0	5.53
≥ 60 and < 75 sqm	19,771	34.5	5.51
≥ 75 and < 90 sqm	7,216	12.6	5.45
> 90 sqm	2,022	3.5	5.46
<b>Total</b>	<b>57,252</b>	<b>100.0</b>	<b>5.60</b>

### Top 20 locations generate more than 60 percent of rental income

The focus on the metropolitan regions outlined above also means that the properties in ADLER's 20 most-important towns and cities account for more than 62 percent of the company's total rental income. Wilhelmshaven remains the most important location for the Group, with 6,894 rental units and an annual net rental income of EUR 23.6 million. Measured in terms of rental units, Duisburg is the next largest location, with 4,925 units and a net rental income of EUR 19.8 million, and Leipzig, with 4,750 units and a net rental income of EUR 17.4 million. Berlin, 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 the local housing belongs to the Group.

#### ANNUAL NET RENTAL INCOME – TOP 20 LOCATIONS in EUR millions

as at 31 March 2020



TOP 20 LOCATIONS<sup>1)</sup>

Location	Units	Area (thousands sqm)	NRI (EUR m)	Average rent per sqm/month (EUR)	Change yoy (%)
Wilhelmshaven	6,894	406.6	23.6	5.16	0.9
Duisburg	4,925	305.0	19.8	5.56	1.0
Leipzig	4,750	254.8	17.4	5.96	3.9
Cottbus	1,868	110.0	5.9	4.80	1.3
Halle (Saale)	1,858	105.9	5.6	4.95	2.9
Dortmund	1,770	102.3	7.0	5.92	2.9
Berlin	1,699	111.7	7.7	5.97	2.0
Goettingen	1,377	85.2	6.2	6.14	3.2
Wolfsburg	1,301	87.6	6.6	6.37	3.0
Helmstedt	1,219	70.7	4.4	5.26	1.0
Hannover	1,113	63.3	5.4	7.28	3.5
Essen	1,043	66.3	4.4	5.82	1.8
Kiel	970	66.8	5.4	6.83	2.2
Borna	900	50.1	2.1	4.71	1.0
Bremen	873	53.6	4.0	6.40	2.6
Schoeningen	846	50.2	2.6	5.06	-0.3
Chemnitz	835	52.5	2.3	4.82	4.5
Oberhausen	819	62.6	3.7	5.14	1.9
Schwerin	816	48.0	2.7	4.89	1.6
Norden	795	50.2	3.3	5.52	3.4
<b>Top 20</b>	<b>36,671</b>	<b>2,203.5</b>	<b>140.0</b>	<b>5.61</b>	<b>2.1</b>
<b>Total</b>	<b>58,190</b>	<b>3,555.1</b>	<b>224.5</b>	<b>5.63</b>	<b>2.3</b>

### Customer orientation with in-house property and facility management

Over the past two years, ADLER has developed into an integrated real estate group which offers its tenants all major residential services via its subsidiaries ADLER Wohnen Service GmbH, ADLER Gebaeude Service GmbH and ADLER Energie Service GmbH. The portfolio of BCP is being managed by the group company RT Facility Management GmbH & Co KG. In addition, a letting department has been set up exclusively to handle marketing activities for vacant apartments or apartments that are due to become vacant.

ADLER expects that, as a result of this, tenant satisfaction will be significantly improved, in turn leading to reduced turnover rates. We are also working to improve communication with tenants, for example through a central hotline, the opening of additional tenants' offices and further digitalisation measures.

Vacancy rate (%)	Change yoy (PP)	Fair value (EUR m)	Fair value per sqm (EUR)	Rental yield (%)	Location
6.3	-1.7	394.5	970	6.0	Wilhelmshaven
2.7	-1.4	335.2	1,099	5.9	Duisburg
4.6	-1.5	395.4	1,552	4.4	Leipzig
6.3	-1.0	85.5	777	6.9	Cottbus
11.4	-1.5	91.7	866	6.1	Halle (Saale)
3.3	0.1	115.5	1,129	6.1	Dortmund
3.3	0.3	265.3	2,374	2.9	Berlin
1.8	-2.8	133.1	1,561	4.6	Goettingen
1.5	-3.2	136.8	1,562	4.8	Wolfsburg
2.2	-0.6	65.8	930	6.6	Helmstedt
2.3	-0.9	121.1	1,914	4.5	Hanover
4.0	0.6	86.0	1,297	5.2	Essen
1.3	0.8	103.4	1,548	5.2	Kiel
27.0	5.8	36.8	735	5.6	Borna
2.8	-1.0	72.6	1,354	5.5	Bremen
14.6	-1.3	40.5	807	6.4	Chemnitz
16.5	5.9	40.5	772	5.7	Schoeningen
4.9	0.7	55.6	887	6.6	Oberhausen
4.1	-1.5	44.0	917	6.1	Schwerin
2.1	-1.7	52.4	1,043	6.2	Norden
<b>5.4</b>	<b>-0.9</b>	<b>2,671.6</b>	<b>1,212</b>	<b>5.2</b>	<b>Top 20</b>
<b>6.2</b>	<b>-0.6</b>	<b>4,139.2</b>	<b>1,164</b>	<b>5.4</b>	<b>Total</b>

<sup>1)</sup> Without developments

## Projects

Besides its letting business, ADLER has also been investing in modernisation projects, such as adding floors to existing residential buildings and in the construction of new facilities. The acquisition of three neighbouring plots of land on the outskirts of Berlin near Schoenefeld Airport is the basis for a residential project with space for over 2,000 apartments. Planning for the development of the property in Dresden Trachau is expected to commence as soon as the development plan has been approved. In addition, BCP manages several development projects in Dusseldorf and Aachen, of which one has been sold in a share deal maintaining a minority stake of 25 percent. These projects will create urgently needed new living spaces. One of the benefits of new construction is that all current requirements relating to energy efficiency and reducing CO<sub>2</sub> are easily met – requirements which can only be achieved with difficulty or at higher costs in existing buildings.



## /// THE ADLER SHARE

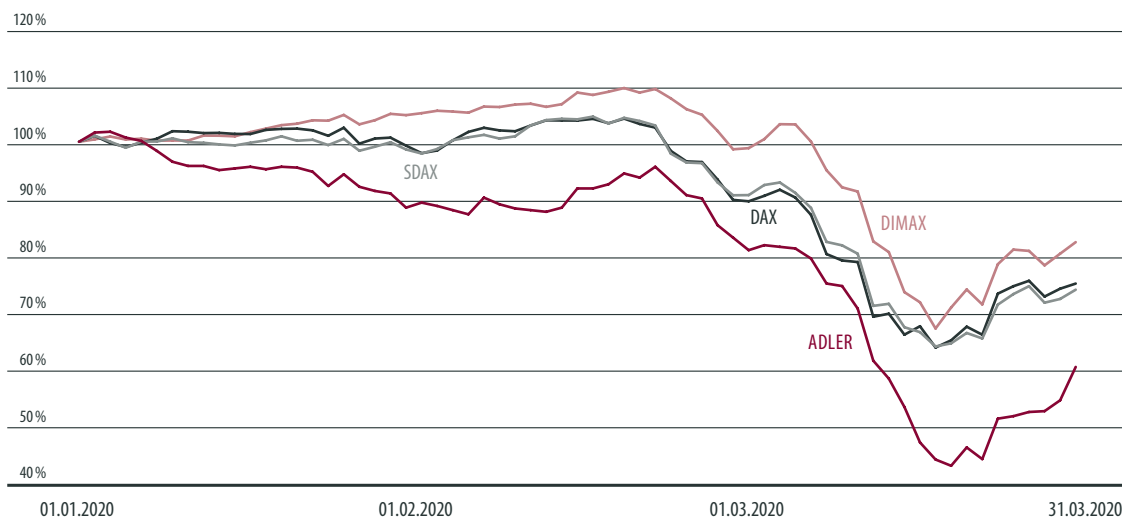
### Stock markets under pressure

Towards the end of the first quarter of 2020, the German stock market suffered a historic collapse. The corona crisis, and the radical political measures such as lockdown, social distancing and restrictions on freedom of movement that were implemented in many countries around the world, shook the stock markets so hard that the DAX and SDAX lost more than a third of their value in just a few days. The market recovered slightly by the end of the first quarter but was still a good 25 percent lower than at the start of the year.

The Solactive DIMAX, the index comprising Germany's major listed property holding companies, lost around 18 percent of its value during the course of the first quarter and thus performed slightly better than the market. Property values benefited from the fact that the letting business continued to generate comparably stable incomes.

The development of ADLER shares essentially followed the same pattern as the above indices, although it had lost more than half of its value by the end of the quarter. Within the context of the ADO Properties takeover offer, former ADO Properties shareholders made it clear that they were against the change in strategic direction and saw the merger with ADLER as both risky and economically non-viable. This weakness turned out to be temporary, however, as at the time of reporting the ADLER shares were trading at around the same level as at the beginning of the year again.

DEVELOPMENT OF THE DAX, SDAX, DIMAX AND THE ADLER SHARE 2020 | JANUARY 2020 = 100



### **Number of shares increased**

In 2020, the number of shares has risen considerably, as during the course of the ADO Properties takeover offer, the conversion right was exercised for a large part of the outstanding convertible bonds 2016/2021 as holders wanted to participate in the ADO Properties offer. As at the balance sheet date of 31 March 2020, shareholders' equity of ADLER consisted of 72,236,485 shares with a nominal value of EUR 1.00 per share. This was an increase of 1,172,742 shares compared to the end of the previous year.

The shareholder structure has changed significantly as a result of the takeover offer, since ADO Properties now holds 91.93 percent of ADLER shares. As ADLER continues to hold 2.26 percent in treasury shares, the free float has been reduced to 5.81 percent of the total property portfolio. Due to the new ownership structure, ADO Properties announced on 28 April 2020 its intention to conclude a domination agreement with the objective of making the remaining ADLER shareholders an offer for the acquisition of their shares at a later stage.

### **Investor relations realigned**

Following the successful takeover offer, ADLER has limited its investor relations activities. Instead, all efforts are now focused on presenting the new combined company in the capital markets, to which all activities can be seamlessly transferred since the continuity of personnel has been guaranteed. However, as long as it is listed as an independent public limited company, ADLER will continue to meet its associated obligations.



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





## /// FUNDAMENTALS OF ADLER REAL ESTATE AG GROUP

### BUSINESS MODEL

ADLER is one of Germany's leading residential property companies with a 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 of the Group's properties and business operations are located in Germany. The Group's residential portfolio has been built up over the past six years by acquiring individual portfolios or shares in property holding companies.

ADLER's core business model is the long-term letting of flats and generation of sustainable cash flows with a selective exposure to project developments with a 'build and hold' strategy preferably in 'A cities'. To maximise long-term profitability, ADLER's residential real estate management business is complemented with advantageous acquisitions and disposals. Newly acquired assets initially have a higher vacancy rate which is reduced through active asset management. All main functions relating to property management are carried out internally through ADLER's own staff. This includes property, facility and energy management activities, which ADLER maintains through its subsidiaries ADLER Wohnen Service GmbH, ADLER Gebaeude Service GmbH and ADLER Energie Service GmbH. The BCP portfolio is currently managed by the group company RT Facility Management GmbH.

This structure will most likely be maintained after ADLER has been taken over by ADO Properties and has formed a combined entity with ADO Properteis via a Business Combination Agreement.

The commercial portfolio of BCP does not fit ADLER's business model. As a result, around 70 percent of the total commercial portfolio has recently been sold in several transactions, with the remaining assets actively being marketed for disposal. This orientation will not change after the takeover by ADO Properties as ADO Properties is focussed on residential properties as well.

### Residential real estate portfolio

As at 31 March 2020, ADLER held a total of 58,190 rental units with a total space of 3.5 million square metres, a fair value of EUR 5,015.6 million (including inventories) and an annualised net rent (including parking spaces and other areas) of EUR 224.5 million. The regional focus is on Lower Saxony (18,304 units), North Rhine-Westphalia (13,924 units) and Saxony (9,669 units).

ADLER's portfolio is largely composed of small to medium-sized residential units. The apartments have an average size of slightly over 60 square metres and are particularly well suited to the needs of the company's target group, namely tenants with low to medium incomes. For ADLER, this alignment makes economic sense. Its properties satisfy the trend, which has been observed for some time now, towards an 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 increasingly sought-after by municipalities and local councils on the lookout for permanent homes for people with particular needs.

ADLER actively manages its portfolio and, as part of its continuous portfolio optimisation strategy, the underlying features of its assets and market data are regularly assessed to determine the amount and proportion of capital to be allocated in terms of capital expenditure, maintenance and renovation expenses. This is to ensure that the quality of the flats is consistent with market standards as well as to optimise the level of occupancy and rental growth. The 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 the operational strategy is implemented – such as increasing marketing activities for properties that are of good quality but located in less favourable areas, or capital investment measures if the area is good but the asset itself is not. Properties of lower quality, as well as properties located in less attractive macroenvironments, are thus earmarked for sale.

After merging with ADO Properties it is expected that ADLER will not operate any proprietary asset or portfolio management any longer, but rather will play a leading part in the asset and portfolio management of the new Group.

### Acquisition strategy

After merging with ADO Properties, ADLER will no longer pursue a proprietary acquisition strategy any longer, but will be integrated into the overall strategy of the new Group. Up to now, ADLER intended to expand its residential portfolio further through acquisitions of shares in companies as well as individual portfolios or assets, and thus focused its investments on residential property portfolios with core market quality. When suitable market opportunities arose, ADLER also supplemented its portfolio by investing in 'core plus locations' in mid-sized cities or cities such as Berlin or Leipzig in order to benefit from diversification and value growth in these markets.

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 at attractive yields, and purchasing prices have come closer to construction costs, ADLER also explored 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 increased with the acquisition of BCP. However, the exposure to these value-added activities has amounted to a rather small, single-digit percentage of ADLER's balance sheet total only.

### Financing strategy

Again, after merging with ADO Properties, ADLER will cease to pursue a proprietary financing strategy, but rather will be subject to decisions taken by the new Group.

Owing to economic efficiency and risk considerations, ADLER has always believed 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 aimed 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 has also successfully reduced its average cost of debt in recent years.

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 BB/stable outlook credit rating as awarded by Standard & Poor's.

In order to be able to respond to 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 reinstatement value (EPRA NRV, adjusted for goodwill and fully diluted), 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.

EPRA NRV replaced EPRA NAV as, with effect from 1 January 2020, EPRA has developed three new ratios to replace the NAV to reflect changes in the regulatory framework in Europe; they are the EPRA net reinstatement value (NRV), the EPRA net tangible assets (NTA) and the EPRA net disposal value (NDV). ADLER will therefore focus its reporting on the NRV from the 2020 financial year onwards, as significant sales activities of the residential properties held are regularly only of minor relevance, as is the case with the NTA and NDV.

A significant difference between the NRV and the former NAV involves the real estate transfer tax of the properties held which was deducted for the purposes of property valuation and is now to be added again, since a sale is not currently expected.

### 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 a 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 significantly deviate from projected figures, then corrective measures are devised and implemented.

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

ADLER publishes further non-financial performance indicators in a separate non-financial report. These are not used for active management of the company. The report is available on ADLER Real Estate AG's website at [https://adler-ag.com/en/sustainability/nonfinancial\\_reports-3/](https://adler-ag.com/en/sustainability/nonfinancial_reports-3/).

## 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, facility management via ADLER Gebaeude Service and energy management via ADLER Energie Service GmbH. The BCP portfolio is managed by the group company RT Facility Management GmbH. As a result of the internalisation of previously outsourced functions, the number of employees at the ADLER Group has increased from 868 at the end of the first quarter 2019 to 927 full-time and part-time employees at the reporting date. The majority of these employees work in the property management (294 employees) and facility management (401 employees) divisions. BCP had 139 employees at the end of March 2020, most of whom focus on operating activities.

## RESEARCH AND DEVELOPMENT

As a real estate group, ADLER does not perform any research and development functions in the 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, valuation companies and bank research departments. This information is supplemented by the internal experience gained 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. These insights form an important basis for all of the company's operating activities.

# /// ECONOMIC REPORT

## MACROECONOMIC AND SECTOR-SPECIFIC SETTINGS

In the first quarter of 2020, the performance of the German economy deteriorated by 2.2 percent in comparison with the previous year, as announced by the Federal Statistical Office. The political decisions in Germany in worldwide with the objective of containing the coronavirus brought many industries, including air traffic, restaurants and hotels, to a standstill. As a consequence, the German government is forecasting a decrease in GDP of 6 percent or more for the year as a whole. Entire industries relied on – and continue to rely on – state support to prevent a wave of insolvencies. In any case, the normal course of economic activity has been severely disrupted. Due to continuing political uncertainty, when and whether things will return to normal this year cannot be reliably predicted.

The same applies to the specific conditions affecting the property sector. Through state interventions, tenants have been granted the right to defer rental payments for a certain period, potentially and temporarily depriving landlords of liquidity, if not of revenue and income. New lettings, on the other hand, have suffered, as under the regime of 'physical distancing' people have become less inclined to face new challenges, move to a different location or search for a new apartment.

COVID-19-induced changes have not yet affected the general development of rents in the first quarter of 2020. According to the cost of living index, German rents were 1.4 percent higher nationwide in March 2020 compared to the previous year. Thus, they developed in exactly the same way as the total cost of living, which was also 1.4 percent higher in March 2020 year-on-year. 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 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'. Tenants no longer able or willing to pay higher rents look for alternatives and often move further away from city centres in order to reduce their rent. Moreover, the average figure does not take into account the fact that the development of rents under new and existing leases usually differs significantly.

### **Legal framework**

The legal framework changed in the first quarter of 2020 such that, within the scope of the measures introduced to contain the coronavirus, tenants were given the option to temporarily suspend their rental payments and catch up on paying them at a later date, provided certain conditions were met.

### **ECONOMIC DEVELOPMENT OF THE GROUP**

The first quarter was marked by the takeover by ADO Properties and the prospect of establishing a combined group which would then be among the largest on the German market. The takeover was successfully concluded in April 2020.

In February 2020, bonds in ADO Group Ltd. were prematurely paid back in this context. Via ADO Group ADLER has held a 33 percent stake in ADO Properties since 2019. The redemption resulted in ADLER becoming the sole investor in the company.

In February 2020, the Management and Supervisory Board recommended in a legally prescribed statement that ADLER shareholders accept the offer from ADO Properties. The fairness opinion obtained from Deutsche Bank and UBS found the offer to be appropriate and fair. The planned merger is in ADLER's best interests.

On 6 March 2020, ADO Properties announced that at the end of the first offer period, around 83 percent of ADLER shares had been exchanged for shares in ADO Properties.

At the end of March 2020, Martin Billhardt was legally appointed as a new member of the Supervisory Board and was elected Chairman of the Supervisory Board in its meeting on March 25.

On 25 March 2020 ADO Properties also announced a public takeover offer in cash for all outstanding shares in WESTGRUND. The objective of the offer was to simplify the corporate structures.

On 30 March 2020, the Administrative Board of ADO Properties appointed Maximilian Rienecker as Co-CEO of ADO Properties.

On 9 April 2020, ADO Properties announced that following the conclusion of the voluntary takeover offer, almost 92 percent of ADLER shares (without treasury shares) had been exchanged for shares in ADO Properties.

## /// REPORT ON RISKS AND OPPORTUNITIES

ADLER Real Estate AG reported in detail on the opportunities and risks involved in its business activities in its 2019 Annual Report. Since then, the risk assessment has changed slightly with regard to some aspects.

The rating agency Standard & Poor's has adjusted the corporate rating of ADO Properties to BB/stable outlook, as it sees a certain implementation risk in the merger with ADLER, including the planned financing through the announced capital increase. This could make the financing of the entire company more expensive or more difficult.

In light of the corona crisis, the German government decreed that tenants who were experiencing a loss of income due to political decisions could defer their rental payments for several months. This could temporarily disrupt the continuous inflow of liquidity. Experience to date has shown, however, that very few tenants have made use of this option.

The rent cap implemented by the Berlin Senate stipulates that rents must be reduced from their current level if they exceed the rent ceilings staggered according to the year of property construction. This will have a minimal impact on ADLER, however, as only 2.9 percent of its entire property holdings are in Berlin and only a small proportion of these are affected by rent reductions.

## /// REPORT ON EXPECTED DEVELOPMENTS

ADLER reported in detail on its financial guidance for the current financial year 2020 in its 2019 Annual Report. Since then, the outlook for macroeconomic development in the current financial year has deteriorated significantly in the context of the measures taken to contain the coronavirus. While economic research institutes and the German government originally forecast slight economic growth, they are now predicting a slump in macroeconomic performance of 6 percent or more in 2020.

What exactly this change in macroeconomic conditions will mean for the property sector is difficult to predict. Fundamentally, nothing has changed in terms of the scarcity of housing, particularly in conurbations. However, there are indications that mobility is decreasing, at least temporarily. For obvious reasons, people are less likely to move during times of economic uncertainty. Leading housing providers have also already publicly announced their decisions to suspend rent increases for the time being. All in all, the scope for rent increases in 2020 appears to be rather limited in any case. On the other hand, decreased mobility may also mean less fluctuation and, in turn, lower renovation expenses. Overall, the property sector can most likely not expect any growth in 2020 but can count on stable rental income and earnings in spite of the corona crisis.

In this context, ADLER does not consider it necessary to change the 2020 forecasts contained in the 2019 Annual Report published in March 2020. Due to the reduction of the portfolio in 2019 and the expectation of further portfolio optimisation in 2020, ADLER continues to anticipate a moderate decline in net rental income and FFO I in 2020, whereby the net rental income will fall into the range of EUR 240 to 245 million and the FFO I into the range of EUR 75 to 80 million. LTV is expected to be between 50 and 55 percent with all guidance taking consideration of the fact that ADO Properties will have to be deconsolidated again in the second quarter of 2020 after ADO Properties has taken over the majority of ADLER shares.



## /// REPORT ON EVENTS AFTER THE BALANCE SHEET DATE

Shortly after the reporting period ended, ADO Properties' takeover offer to ADLER shareholders was successfully concluded. On 9 April 2020, ADO Properties announced that 91.93 percent of ADLER shares had been exchanged for shares in ADO Properties.

On 28 April 2020, ADO Properties announced its intention to conclude a domination agreement. The objective of concluding such an agreement was to make the remaining ADLER shareholders an offer for the acquisition of their shares.

No further events with the potential to significantly influence the result of operations, net assets or the financial position of ADLER Real Estate AG occurred between the end of the period under report and the time of publishing 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

### PRELIMINARY REMARKS

Effective 10 December 2019, ADLER obtained control over the ADO Group and thereby indirectly over ADO Properties. Because ADLER lost control over ADO Properties again in April 2020 after ADO Properties acquired a majority of ADLER shares in a takeover offer, it constitutes a discontinued operation in accordance with IFRS 5. The assets and liabilities of ADO Properties are therefore reported under non-current assets and liabilities held for sale. The consolidated statement of comprehensive income shows only continuing operations in the respective items, while the discontinued operation is shown as a total under earnings after taxes from discontinued operations. 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.

At the same time, ADLER is disclosing pro forma information on net assets for the first quarter of 2020 and comparative figures for the previous year (adjusted as at 31 March 2020 and 31 December 2019). This information treats the assets and liabilities of ADO Properties as though they were held on a permanent basis.

## RESULTS FROM OPERATIONS

ADLER generates its income almost exclusively from the management of its existing properties. This is the main focus of its business model.

In EUR millions	3M 2020	3M 2019
Gross rental income	90.4	94.8
of which net rental income	60.2	64.8
Expenses from property lettings	-40.5	-39.3
<b>Earnings from property lettings</b>	<b>49.9</b>	<b>55.5</b>
Income from the sale of properties	391.8	186.1
Expenses from the sale of properties	-389.5	-186.5
<b>Earnings from the sale of properties</b>	<b>2.3</b>	<b>-0.4</b>
Personnel expenses	-11.0	-9.8
Other operating income	1.5	2.0
Other operating expenses	-22.0	-9.9
Income from fair value adjustments of investment properties	-10.3	9.6
Depreciation and amortisation	-1.6	-0.9
<b>Earnings before interest and taxes (EBIT)</b>	<b>8.8</b>	<b>46.1</b>
Financial result	-24.6	-39.3
Net income from at-equity-valued investment associates	0.3	0.0
<b>Earnings before taxes (EBT)</b>	<b>-15.5</b>	<b>6.8</b>
Income taxes	-9.0	7.9
<b>Net consolidated result from continuing operations</b>	<b>-24.5</b>	<b>14.7</b>
Earnings after tax from discontinued operations <sup>1)</sup>	-2.0	0.0
<b>Net consolidated result</b>	<b>-26.5</b>	<b>14.7</b>

<sup>1)</sup> Consolidated net income 2019 from the ADO Properties discontinued operation

### Earnings from property lettings decreased due to fewer property holdings

In the first quarter of 2020, gross rental income amounted to EUR 90.4 million. This was 4.6 percent lower than in the previous year (Q1 2019: EUR 94.8 million). Net rental income was down 7.1 percent year-on-year at EUR 60.2 million (Q1 2019: EUR 64.8 million). The downturn in gross and net rental income is mainly due to the fact that while the BCP commercial portfolio significantly contributed to rental income in the first quarter of 2019, it contributed a much smaller amount in 2020 as the majority of the portfolio was sold and transferred over the course of 2019. This is also the case to some extent for 3,700 or so rental units, which were effectively sold over the first quarter of 2019 in order to streamline the portfolio. A small countereffect was produced by the fact that, at the beginning of 2020, completed rental units of the Riverside (Berlin) and Grafental (Dusseldorf) projects were transferred to the rental portfolio and have since been contributing to rental income.

A positive effect on gross and net rental income resulted from the fact that operating performance continued to improve compared with the same quarter of the previous year. At the end of the reporting period, the average contractually agreed rent per square metre per month amounted to EUR 5.63, EUR 0.11 higher than the figure for the same period of the previous year (31 March 2019: EUR 5.52).

The vacancy rate was 6.2 percent at the end of the first quarter of 2020. This was 0.6 percentage points lower than last year (31 March 2019: 6.8 percent).

Expenses from property lettings comprise recoverable and non-recoverable operating expenses and maintenance expenses. These expenses increased by 3.1 percent year-on-year to EUR 40.5 million in the first three months of 2020, primarily as a result of significantly higher maintenance expenses.

Net of expenses from property lettings, earnings from property lettings amounted to EUR 49.9 million in the first quarter of 2020, 10.1 percent less than in the same period of the previous year (EUR 55.5 million).

### **Low income from the sale of properties**

Earnings and expenses from the sale of properties originated mainly from the sale of a BCP development project in Düsseldorf and from the sale of an additional small BCP commercial portfolio. No significant contribution to income resulted from these sales as the properties had already been valued at their disposal value at the end of 2019.

Income from the sale of properties amounted to EUR 2.3 million, stemming mainly from the sales of inventories.

### **No fair value valuations performed**

ADLER did not arrange for any market valuations to be performed on residential properties at the end of the first quarter because there were no grounds for it. While the impact of the coronavirus crisis has caused general uncertainty, so far it has not had any significant discernible effects on the valuation of residential properties. However, adjustments were made on the few remaining BCP commercial properties because they had been impacted by the measures taken to contain the coronavirus. In total, income from fair value adjustments of investment properties reached minus EUR 10.3 million (Q1 2019: EUR 9.7 million).

### **Higher personnel expenses due to rises in staff numbers**

Personnel expenses came to EUR 11.0 million in the first quarter of 2020, up 12.2 percent on the same period of the previous year (Q1 2019: EUR 9.8 million), the main reason being the commensurate increase in staff numbers. ADLER had a total number of 927 employees as at the reporting date of 31 March 2020, 59 more than last year. This is because tasks have been withdrawn from external service providers in the context of ADLER's realignment to become an integrated real estate group, and these tasks have been taken over by internal group departments that have either been newly founded or had their personnel resources increased.

Other operating expenses amounted to EUR 22.0 million in the first quarter of 2020 (Q1 2019: EUR 9.9 million). The increase can largely be explained by the fact that significant one-off expenses were incurred for legal and advisory services during the acquisition of the ADO Group and the subsequent takeover offer from ADO Properties. The other operating expenses item also includes general administration expenses, IT expenses, legal and advisory expenses, impairments of receivables and public relations expenses.

Other operating income amounted to EUR 1.5 million in the first three months of 2020, down slightly on the same period of the previous year (Q1 2019: EUR 2.0 million).

### **EBIT reduced, but positive**

After deducting all non-financial expenses, earnings before income and taxes (EBIT) for the first quarter of 2020 amounted to EUR 8.8 million (Q1 2019: EUR 46.1 million). The decrease year-on-year can primarily be explained by the first-time losses from value adjustments of investment properties, the previously outlined, largely one-off expense items under other operating expenses and the fact that portfolio optimisations inevitably affected rental income.

### **Improved financial result**

At minus EUR 24.6 million, the financial result for the first quarter of 2020 was much better than the figure for the same period of the previous year (minus EUR 39.3 million). This reflects the improved financing conditions that ADLER has secured for its liabilities in recent years. Nevertheless, the financial result also contains a few extraordinary items. For example, one-off financial income resulted from the derecognition of financial liabilities due to the early repayment of ADO Group bonds, which saw ADLER become the sole investor in the company. One-off expenses arose, for example, from currency effects in connection with the transactions involving the ADO Group, which prepares its financial statements in Israeli new shekels. BCP suffered a significant loss from the valuation of the investment in a project development company at market price.

Earnings before taxes (EBT) came to minus EUR 15.5 million in the first quarter of 2020, whereas the figure was EUR 6.8 million in the first three months of 2019. Income tax expenses amounted to EUR 9.0 million in the first quarter of 2020, while the reversal of deferred tax liabilities resulted in tax expenses of EUR 7.9 million in the first quarter of the previous year.

Consolidated net profit from continuing operations was minus EUR 24.5 million in the first three months of 2020 (Q1 2019: EUR 14.7 million). Consolidated net profit from discontinued operations, which exclusively comprises ADO Properties, came to minus EUR 2.0 million. Total consolidated net profit was minus EUR 26.5 million in the first quarter of 2020 (Q1 2019: EUR 14.7 million), of which minus EUR 21.7 million was attributable to shareholders in the parent company (Q1 2019: EUR 14.6 million).

## Segment reporting

In its segment reporting, ADLER distinguishes between 'Rental' and 'Other' segments. The 'Rental' segment also includes BCP, a majority interest in which was acquired in April 2018.

ADO Properties, which was acquired in December 2019, constitutes a discontinued operation in accordance with IFRS 5 and is therefore not included in segment reporting.

The 'Rental' segment includes all ADLER's portfolios, through the letting of which ADLER 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 unit, 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 unit. To a limited extent, the segment also comprises commercial assets of BCP and developments that are intended to be sold to third parties and are thus not intended to be transferred to the rental portfolio.

Group activities that do not constitute stand-alone 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	Letting		Other		Group	
	3M 2020	3M 2019	3M 2020	3M 2019	3M 2020	3M 2019
<b>In EUR millions</b>						
Gross rental income and income from the sale of properties	482.1	280.9	0.1	0.0	482.2	280.9
of which gross rental income	90.4	94.8	0.0	0.0	90.4	94.8
of which income from disposals	391.8	186.1	0.0	0.0	391.8	186.1
Change in the value of investment properties	-10.3	9.7	0.0	0.0	-10.3	9.6
<b>Earnings before interest and taxes (EBIT)</b>	<b>8.8</b>	<b>46.1</b>	<b>0.0</b>	<b>0.1</b>	<b>8.8</b>	<b>46.1</b>
Income from investments accounted for using the at-equity method	0.3	0.0	0.0	0.0	0.3	0.0
<b>Financial result</b>	<b>-24.6</b>	<b>-39.4</b>	<b>0.0</b>	<b>0.0</b>	<b>-24.6</b>	<b>-39.3</b>
<b>Earnings before taxes (EBT)</b>	<b>-15.5</b>	<b>6.8</b>	<b>0.0</b>	<b>0.1</b>	<b>-15.5</b>	<b>6.8</b>

## Decline in funds from operations (FFO) as expected

As is customary in the real estate sector, ADLER 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 (adjusted EBITDA). The adjustments made involve items that are of a non-periodic nature,



recur irregularly, are not typical for operations, or are 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 have not been capitalised are then added.

In EUR millions	3M 2020	3M 2019
<b>Consolidated net profit</b>	<b>-26.5</b>	<b>14.7</b>
of which from continuing operations	-24.5	14.7
+ Financial result	46.0	39.3
of which from continuing operations	24.6	39.3
+ Income taxes	7.3	-7.8
of which from continuing operations	9.0	-7.8
+ Depreciation and amortisation	2.0	0.9
of which from continuing operations	1.6	0.9
- Income from measurement of investment properties	-10.3	9.7
of which from continuing operations	-10.3	9.7
- Income from investments accounted for using the at-equity method	0.3	0.0
of which from continuing operations	0.3	0.0
<b>EBITDA IFRS (continuing and discontinued operations)</b>	<b>38.8</b>	<b>37.4</b>
+/- Non-recurring and extraordinary items	18.9	7.2
<b>Adjusted EBITDA</b>	<b>57.7</b>	<b>44.6</b>
- Interest expense FFO	16.1	18.8
- Current income taxes	1.0	1.4
- Earnings before interest and taxes from the sale of properties, discontinued operations and minority interests	21.5	2.9
<b>FFO I</b>	<b>19.1</b>	<b>21.6</b>
Number of shares (basic) <sup>1)</sup>	70,633,253	68,480,390
FFO I per share (basic)	0.27	0.32
Number of shares (diluted) <sup>2)</sup>	79,879,195	78,899,195
FFO I per share (diluted)	0.24	0.27

<sup>1)</sup> 70,633,253 shares as at balance sheet date (previous year: 68,480,390)

<sup>2)</sup> Plus 9,245,942 shares from assumed conversion of convertible bonds with entitlement to conversion (previous year: 10,418,805)

Non-recurring and extraordinary items are structured as follows:

<b>Non-recurring and extraordinary items In EUR millions</b>	<b>3M 2020</b>	<b>3M 2019</b>
Non-cash income/expenses and one-off payments	17.6	6.0
Costs of acquisition/integration/sale	1.1	0.1
Optimisation of business model, structuring	0.2	1.1
<b>Total of non-recurring and extraordinary items</b>	<b>18.9</b>	<b>7.2</b>

The FFO interest charge is derived as follows:

<b>Interest expense FFO In EUR millions</b>	<b>3M 2020</b>	<b>3M 2019</b>
Interest income	35.6	3.7
Interest expenses	-81.6	-43.0
<b>Total interest income (continued and discontinued operations)</b>	<b>46.0</b>	<b>-39.3</b>
<b>Adjustments</b>		
Interest expenses from the sale of properties	0.0	0.0
Prepayment compensation and provision costs	6.7	7.2
Effects of measurement of primary financial instruments	2.0	3.5
Other adjustments	21.2	9.8
<b>Interest expenses FFO</b>	<b>-16.1</b>	<b>-18.8</b>

In the reporting period, the negative financial result of ADO Properties (EUR 21.4 million), valuation losses on financial investments and lending (EUR 13.2 million), income from the derecognition of financial liabilities due to the early repayment of ADO Group bonds (EUR 30.6 million) and negative currency effects (EUR 10.1 million) were all recognised in other adjustments.

Calculated this way, FFO for the first quarter of 2020 amounted to EUR 19.1 million, which was EUR 2.5 million or 11.6 percent lower than in the previous year (EUR 21.6 million). This is mainly due to the reduction of the portfolio year-on-year. Calculated on an undiluted basis, FFO per share was EUR 0.27 as at 31 March 2020. On a diluted basis (shares issued less treasury shares, plus shares from the assumed conversion of outstanding convertible bonds), FFO per share was EUR 0.24.

## NET ASSETS

In EUR millions	31.03.2020		31.12.2020 adjusted <sup>1</sup>		31.12.2019		31.12.2019 adjusted <sup>1</sup>	
		as per- cent- age of total assets		as per- cent- age of total assets <sup>1)</sup>		as per- cent- age of total assets		as per- cent- age of total assets <sup>1)</sup>
<b>Non-current assets</b>	<b>5,593.5</b>	<b>53.3</b>	<b>9,559.6</b>	<b>91.0</b>	<b>5,288.7</b>	<b>49.5</b>	<b>9,215.4</b>	<b>86.3</b>
of which investments properties	4,929.7	46.9	8,556.7	81.4	4,920.0	46.1	8,544.5	80.0
<b>Current assets</b>	<b>359.0</b>	<b>3.4</b>	<b>891.6</b>	<b>8.5</b>	<b>554.4</b>	<b>5.2</b>	<b>1,036.8</b>	<b>9.7</b>
of which inventories	85.9	0.8	123.8	1.2	87.3	0.8	126.6	1.2
of which cash and cash equivalents investments	75.1	0.7	488.8	4.6	237.4	2.2	625.0	5.9
<b>Non-current assets held for sale</b>	<b>4,553.9</b>	<b>43.3</b>	<b>55.2</b>	<b>0.5</b>	<b>4,838.6</b>	<b>45.3</b>	<b>429.5</b>	<b>4.0</b>
<b>Assets</b>	<b>10,506.4</b>	<b>100.0</b>	<b>10,506.4</b>	<b>100.0</b>	<b>10,681.7</b>	<b>100.0</b>	<b>10,681.7</b>	<b>100.0</b>
<b>Equity</b>	<b>3,502.7</b>	<b>33.3</b>	<b>3,502.7</b>	<b>33.3</b>	<b>3,547.9</b>	<b>33.2</b>	<b>3,547.9</b>	<b>33.2</b>
of which capital stock	72.2	0.7	72.2	0.7	71.1	0.7	71.1	0.7
of which capital reserve	262.2	2.5	262.2	2.5	282.9	2.6	282.9	2.6
of which net retained profit	1,071.8	10.2	1,071.8	10.2	1,093.5	10.2	1,093.5	10.2
of which non-controlling interests	2,098.0	20.0	2,098.0	20.0	2,102.0	19.7	2,102.0	19.7
<b>Non-current liabilities</b>	<b>4,776.9</b>	<b>45.5</b>	<b>6,358.8</b>	<b>60.5</b>	<b>4,928.5</b>	<b>46.1</b>	<b>6,518.3</b>	<b>61.0</b>
of which liabilities from convertible bonds	110.1	1.0	203.9	1.9	122.2	1.1	215.8	2.0
of which liabilities from bonds	2,051.2	19.5	2,453.1	23.3	2,327.8	21.8	2,729.8	25.6
of which financial liabilities to banks	2,135.1	20.3	2,857.4	27.2	2,002.1	18.7	2,731.8	25.6
<b>Current liabilities</b>	<b>360.6</b>	<b>3.4</b>	<b>644.9</b>	<b>6.1</b>	<b>377.9</b>	<b>3.6</b>	<b>487.9</b>	<b>4.6</b>
of which financial liabilities to banks	180.0	1.7	402.4	3.8	157.7	1.5	198.2	1.9
<b>Liabilities held for sale</b>	<b>1,866.2</b>	<b>17.8</b>	<b>0.0</b>	<b>0.0</b>	<b>1,827.4</b>	<b>17.1</b>	<b>127.6</b>	<b>1.2</b>
<b>Equity and liabilities</b>	<b>10,506.4</b>	<b>100.0</b>	<b>10,506.4</b>	<b>100.0</b>	<b>10,681.7</b>	<b>100.0</b>	<b>10,681.7</b>	<b>100.0</b>

<sup>1)</sup> Pro forma consolidated balance sheet for the presentation of ADO Properties as a non-discontinued operation, unaudited

As at the reporting date, ADLER had assets totalling EUR 10,506.4 million, 1.6 percent less than at the end of the previous year (EUR 10,681.7 million). The following sections comment on both the IFRS accounts and the pro forma calculation, in which the assets and liabilities of ADO Properties are treated as though they were held on a permanent basis.

### Slight rise in investment properties

The number of investment properties was reported to be EUR 8,556.7 million at the end of the first quarter of 2020 in the adjusted calculation. At the start of the year, the figure was EUR 8,544.5 million. ADLER's IFRS accounts showed a slight increase from EUR 4,920.0 million to EUR 4,929.7 million. The increase is mainly attributable to capitalised renovation and modernisation measures and to construction costs for development projects which was partly offset by the value adjustments of the commercial portfolio triggered by the measures to contain the coronavirus. In the first quarter, there were also advance payments of approximately EUR 60.0 million for plots of land relating to development projects, which are recognised under other non-current assets.

Following the conclusion of a binding sale and purchase agreement for the sale of a 75 percent shareholding in a BCP development project in Dusseldorf in the third quarter of 2019, control over it was transferred at the end of the first quarter of 2020. Following receipt of a partial payment, ADLER recognises non-current receivables from the buyers of EUR 131.2 million as at the balance sheet date, the redemption of which has been agreed along a defined payment schedule which again is related to the progress of the project. The remaining 25 percent shareholding is reported as EUR 55.8 million under investments in associated companies. There is also a loan for EUR 59.3 million from the associated company. The related investment properties, which had been recognised under non-current assets held for sale (EUR 375.0 million) and liabilities held for sale (EUR 127.5 million) as at 31 December 2019, were disposed of in the first quarter of 2020.

Current assets amounted to EUR 891.6 million as at the balance sheet date in the adjusted calculation, which was EUR 145.2 million less than at the beginning of the year. The change is due primarily to the fact that the equivalent sum of cash and cash equivalents was used to repay liabilities from ADO Group bonds. Current assets comprise EUR 57.0 million in remaining receivables against the buyer of the shares in ACCENTRO, which ADLER had already sold at the end of 2017 but for which full payment had been postponed several times based on a mutual understanding. The remaining receivables are expected to be settled in 2020. These receivables bear interest at the standard market rate and are secured.

Cash and cash equivalents came to EUR 488.8 million as at 31 March 2020 in the adjusted calculation and EUR 75.1 million in ADLER's IFRS accounts.

At the end of the first quarter of 2020, non-current assets held for sale in the adjusted calculation mainly included the remaining parts of the BCP commercial property portfolio.

Non-current assets held for sale amount to EUR 4,553.9 million in ADLER's IFRS balance sheet, as this item includes the assets of ADO Properties.

## Shareholders' equity slightly down, equity ratio stable

Shareholders' equity amounted to EUR 3,502.7 million at the end of March 2020. The decrease compared with the end of the previous year (EUR 3,547.9 million) is mainly attributable to the consolidated net loss and to valuation losses on equity instruments, which ADO Properties measures at fair value through other comprehensive income. The exercising of conversion rights in connection with convertible bonds and the disposal of minority interests in ADO Properties had a countereffect. The shareholders' equity ratio reached 33.3 percent, equivalent to an increase of 0.1 percentage points compared with the end of the previous year.

## Decrease in liabilities

Non-current liabilities amounted to EUR 6,358.8 million at the end of March 2020 in the adjusted calculation, a decrease compared with the figure as at the end of the previous year (EUR 6,518.3 million). The main reason for the decrease was the repayment of liabilities from ADO Group bonds. This was achieved partly from own funds, but also by increasing the bridging loan that ADLER had taken out to acquire the shares in the ADO Group. At the end of March 2020, current liabilities amounted to EUR 644.9 million in the adjusted calculation, which was higher than the year-end figure (EUR 487.9 million). This can largely be accounted for by an increase in liabilities to banks for ADO Properties.

Liabilities held for sale amounted to EUR 0.0 million at the end of the first quarter of 2020 in the adjusted calculation (31 December 2019: EUR 127.6 million). By contrast, ADLER's IFRS accounts show liabilities held for sale of EUR 1,866.2 million (31 December 2019: EUR 1,827.4 million), as this reflects the liabilities of ADO Properties.

After the first three months of 2020, adjusted net financial liabilities amounted to EUR 4,999.0 million in the adjusted calculation and to EUR 4,008.6 million in ADLER's IFRS accounts. The figure is therefore higher than at the end of 2019.

## Moderate increase in loan to value (LTV), as expected

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. Assuming that the convertible bonds outstanding at the reporting date were converted into shares, the LTV was 52.4 percent at the end of the first quarter of 2020 in the adjusted calculation, 1.0 percentage points higher than at the end of 2019. In ADLER's IFRS accounts, LTV was 49.7 percent compared with 49.4 percent at the end of 2019.

In EUR millions	31.03.2020	31.03.2020 adjusted <sup>2)</sup>	31.12.2019	31.12.2019 adjusted <sup>2)</sup>
Convertible bonds	111.3	205.1	124.2	217.8
+ Bonds	2,103.1	2,504.9	2,429.5	2,831.5
+ Financial liabilities to banks	2,315.1	3,259.8	2,159.8	2,930.1
- Cash and cash equivalents	75.1	488.8	237.4	625.0
= <b>Net financial liabilities</b>	<b>4,454.4</b>	<b>5,481.0</b>	<b>4,476.1</b>	<b>5,354.4</b>
- Non-current assets held for sale and purchase price receivables, financial instruments minus liabilities associated with assets held for sale <sup>1)</sup>	445.8	482.0	502.0	502.0
= <b>Adjusted net financial liabilities</b>	<b>4,008.6</b>	<b>4,999.0</b>	<b>3,974.1</b>	<b>4,852.4</b>
Investment properties	4,929.7	8,556.7	4,920.0	8,544.5
+ Inventories	85.9	123.8	87.3	126.6
+ Property, plant and equipment for property management	87.2	137.2	25.3	31.6
+ Shares in real estate companies	104.1	337.9	59.1	321.3
+ Net financial liabilities ADO Properties <sup>3)</sup>	2,632.5	-	2,709.3	-
= <b>Gross asset value</b>	<b>7,839.5</b>	<b>9,155.6</b>	<b>7,801.0</b>	<b>9,024.0</b>
LTV including convertible bonds in %	51.1	54.6	50.9	53.8
LTV excluding convertible bonds in %	49.7	52.4	49.4	51.4

<sup>1)</sup> Purchase price receivables including interest from the sale of ACCENTRO amounted to EUR 57.0 million (previous year: EUR 56.3 million); non-current assets held for sale excluding ADO Properties amounted to EUR 55.2 million (previous year: EUR 429.5 million); equity instruments measured at fair value amounted to EUR 6.5 million. (previous year: EUR 6.5 million) and debt instruments amounted to EUR 12.9 million (previous year: EUR 14.7 million); receivables/loans/loans to real estate companies amounted to EUR 314.2 million, respectively adjusted EUR 350.4 million (previous year: EUR 122.5 million) and liabilities held for sale without ADO Properties amounted to EUR 0.0 million (previous year: EUR 127.6 million)

<sup>2)</sup> Pro forma consolidated balance sheet for the presentation of ADO Properties as a non-discontinued operation, unaudited

<sup>3)</sup> Assets held for sale of EUR 4,504.7 million (prior year: EUR 4,409.1 million) less liabilities held for sale of EUR 1,867.1 million (prior year: EUR 1,699.8 million) of ADO Properties

The average cost of debt for all of the ADLER Group's liabilities (WACD = weighted average cost of debt) continued to improve in the first quarter of the year, amounting to 1.92 percent as at 31 March 2020 (31 December 2019: 2.05 percent). With consideration of the ADO Group consolidation, WACD came to 1.83 percent (31 December 2019: 1.99 percent).

### Net asset value (EPRA NAV) replaced by net reinstatement value (EPRA NRV)

With effect from 1 January 2020, EPRA has developed three new ratios to replace the NAV to reflect changes in the regulatory framework in Europe. There are the EPRA Net Reinstatement Value (NRV), the EPRA Net Tangible Assets (NTA) and the EPRA Net Disposal Value (NDV).

ADLER has therefore focused its reporting on the NRV from the 2020 financial year onwards, as significant sales activities of the residential properties held are regularly only of minor relevance, as is the case with the NTA and NDV.

A significant difference between the NRV and the former NAV involves the real estate transfer tax of the properties held, which was deducted for the purposes of property valuation and is now to be added again, since a sale is not currently expected.



The net reinstatement value (EPRA NRV), adjusted for goodwill and fully diluted, which is calculated in accordance with the guidelines issued by EPRA, reached EUR 2,684.8 million at the end of the first quarter 2020 in the adjusted calculation. This represents a moderate decrease on the figure at the end of 2019 (EUR 2,771.3 million). ADLER's IFRS account showed a decrease too from EUR 2,206.2 million to EUR 2,121.0 million.

Based on the total number of existing shares in circulation at the balance sheet date less treasury shares, fully diluted and adjusted EPRA NRV per share amounted to EUR 33.61 as at 31 March 2020 in the adjusted calculation (31 December 2019: EUR 34.69) and to EUR 26.55 in ADLER's IFRS accounts (31 December 2019: EUR 27.62).

In EUR millions	31.03.2020	31.03.2020 adjusted <sup>2)</sup>	31.12.2019	31.12.2019 adjusted <sup>2)</sup>
<b>Equity</b>	<b>3,502.7</b>	<b>3,502.7</b>	<b>3,547.9</b>	<b>3,547.9</b>
Non-controlling interests	-2,098.0	-2,098.0	-2,102.0	-2,102.0
<b>Equity attributable to ADLER shareholders</b>	<b>1,404.7</b>	<b>1,404.7</b>	<b>1,445.9</b>	<b>1,445.9</b>
Effect resulting from conversion of convertibles	110.1	110.1	122.2	122.2
<b>Diluted equity of ADLER shareholders</b>	<b>1,514.8</b>	<b>1,514.8</b>	<b>1,568.1</b>	<b>1,568.1</b>
Deferred tax liabilities on investment properties	482.2	836.1	517.1	871.0
Diff. between fair values and carrying amounts of inventory properties	7.8	7.8	6.3	6.3
RETT on investment properties	281.4	488.4	280.8	487.7
Goodwill from deferred taxes on investment properties	0.0	0.0	0.0	0.0
Fair value of derivative financial instruments	6.3	10.4	4.7	10.9
Deferred taxes for derivative financial instruments	-1.9	-3.1	-1.4	-3.3
<b>EPRA NRV (diluted)</b>	<b>2,290.4</b>	<b>2,854.2</b>	<b>2,375.6</b>	<b>2,940.7</b>
Goodwill - synergies	-169.4	-169.4	-169.4	-169.4
<b>Adjusted EPRA NRV (diluted)</b>	<b>2,121.0</b>	<b>2,684.8</b>	<b>2,206.2</b>	<b>2,771.3</b>
Number of shares, diluted <sup>1)</sup>	79,879,195	79,879,195	79,879,195	79,879,195
<b>EPRA NRV per share (diluted) in EUR</b>	<b>28.67</b>	<b>35.73</b>	<b>29.74</b>	<b>36.81</b>
<b>Adjusted EPRA NRV per share (diluted) in EUR</b>	<b>26.55</b>	<b>33.61</b>	<b>27.62</b>	<b>34.69</b>

<sup>1)</sup> 70,633,253 shares as at balance sheet date (previous year: 69,460,511) plus assumed conversion of 9,245,942 outstanding convertibles entitled to be converted (previous year: 10,418,684)

<sup>2)</sup> On the basis of the pro forma consolidated balance sheet for the presentation of ADO Properties as a non-discontinued operation, unaudited

## FINANCIAL POSITION

In EUR millions	3M 2020	3M 2019
Cash flow from operating activities	9.1	18.5
of which from continuing operations	4.0	18.5
Cash flow from investing activities	-157.6	15.4
of which from continuing operations	-31.5	15.4
Cash flow from financing activities	20.4	-31.3
of which from continuing operations	-126.8	-31.3
Cash-effective change in cash and cash equivalents	-128.1	2.6
Non-cash effective change in cash and cash equivalents	-8.1	0
Cash and cash equivalents at beginning of period	625.0	77.7
Cash and cash equivalents at end of period	488.8	80.3

In 2020, cash flow from operating activities in relation to both continuing and discontinued operations of ADO Properties was impacted by significant one-off expenses for legal and advisory services in connection with ADO Properties' takeover offer to ADLER and preparations for the merger of the two companies.

Investing activities resulted in a cash outflow of EUR 157.6 million in 2020, which was due primarily to the acquisition of financial investments by ADO Properties (an increase of investment in Consus) and to investments in the real estate portfolio (investment properties). Cash inflow was generated by the sale of a BCP development project.

Financing activities resulted in a cash inflow of EUR 20.4 million in 2020. The cash inflow is due mainly to the increase of the bridging loan, which ADLER had taken out to acquire the ADO Group, the acquisition of a short-term loan with ADO Properties and the sale of shares in subsidiaries of ADO Properties to minority shareholders. Cash outflows resulted from repayments of ADO Group bonds and scheduled interest and principal payments.

As at 31 March 2020, the ADLER Group had cash and cash equivalents of EUR 75.1 million (31 December 2019: EUR 237.4 million); including ADO Properties this amount was EUR 488.8 million (31 December 2019: EUR 625.0 million).

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. The foundations have been laid for strong performance in the future.



## /// CONSOLIDATED BALANCE SHEET

(IFRS) as at 31 March 2020

In EUR '000	31.03.2020	31.12.2019
<b>Assets</b>	<b>10,506,416</b>	<b>10,681,677</b>
<b>Non-current assets</b>	<b>5,593,460</b>	<b>5,288,676</b>
Goodwill	169,439	169,439
Intangible assets	546	584
Property, plant and equipment	19,311	19,348
Investment properties	4,929,746	4,920,008
Loans to associated companies	139,180	79,524
Investments in associated companies	79,539	23,432
Other financial investments	43,473	56,603
Other non-current assets	210,004	17,783
Deferred tax assets	2,222	1,955
<b>Current assets</b>	<b>359,048</b>	<b>554,355</b>
Inventories	85,935	87,308
Trade receivables	44,226	31,987
Income tax receivables	4,108	4,643
Other current assets	149,684	193,002
Cash and cash equivalents	75,095	237,415
<b>Non-current assets held for sale</b>	<b>4,553,908</b>	<b>4,838,646</b>

In EUR '000	31.03.2020	31.12.2019
<b>Equity and liabilities</b>	<b>10,506,416</b>	<b>10,681,677</b>
<b>Shareholders' equity</b>	<b>3,502,650</b>	<b>3,547,857</b>
Capital stock	72,236	71,064
Treasury shares	-1,603	-1,603
	70,633	69,461
Capital reserve	315,148	309,337
Retained earnings	-54,151	-26,438
Currency translation reserve	1,216	0
Net retained profit	1,071,791	1,093,506
Equity attributable to owners of the parent company	1,404,637	1,445,865
Non-controlling interests	2,098,013	2,101,992
<b>Non-current liabilities</b>	<b>4,776,914</b>	<b>4,928,486</b>
Pension provisions	4,049	4,092
Deferred tax liabilities	444,658	439,856
Other provisions	3,148	3,148
Liabilities from convertible bonds	110,148	122,249
Liabilities from bonds	2,051,157	2,327,846
Financial liabilities to banks	2,135,053	2,002,136
Other non-current liabilities	28,701	29,159
<b>Current liabilities</b>	<b>360,647</b>	<b>377,916</b>
Other provisions	412	12
Income tax liabilities	18,555	15,960
Liabilities from convertible bonds	1,179	1,947
Liabilities from bonds	51,938	101,612
Financial liabilities to banks	180,011	157,708
Trade payables	43,531	37,380
Other current liabilities	65,021	63,297
<b>Liabilities held for sale</b>	<b>1,866,205</b>	<b>1,827,418</b>

## /// CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(IFRS) for the period from 1 January to 31 March 2020

In EUR '000	3M 2020	3M 2019
Gross rental income	90,428	94,865
Expenses from property lettings	-40,491	-39,342
<b>Earnings from property lettings</b>	<b>49,937</b>	<b>55,523</b>
Income from the sale of properties	391,755	186,080
Expenses from the sale of properties	-389,511	-186,512
<b>Earnings from the sale of properties</b>	<b>2,244</b>	<b>-432</b>
Personnel expenses	-11,026	-9,817
Other operating income	1,561	2,009
Other operating expenses	-21,976	-9,881
Income from fair value adjustments of investment properties	-10,334	9,660
Depreciation and amortisation	-1,634	-905
<b>Earnings before interest and tax (EBIT)</b>	<b>8,772</b>	<b>46,157</b>
Financial income	33,578	3,651
Financial costs	-58,144	-42,980
Net income from at-equity-valued investment associates	271	0
<b>Earnings before tax (EBT)</b>	<b>-15,523</b>	<b>6,828</b>
Income taxes	-9,006	7,845
<b>Consolidated net profit from continuing operations</b>	<b>-24,529</b>	<b>14,673</b>
Earnings after taxes of discontinued operations	-2,000	0
<b>Consolidated net profit</b>	<b>-26,529</b>	<b>14,673</b>
Actuarial gains/losses before taxes	0	0
Deferred taxes on actuarial gains/losses	0	0
<b>OCI gains/losses not reclassifiable into profit or loss</b>	<b>0</b>	<b>0</b>
Gains/losses from currency translation	1,216	1
Change in value of financial assets measured at fair value	-3,548	2
OCI own bonds – reclassifiable	0	0
Deferred taxes OCI – reclassifiable	0	0
<b>OCI gains/losses reclassifiable into profit or loss</b>	<b>-2,333</b>	<b>3</b>
<b>Total comprehensive income from continuing operations</b>	<b>-26,862</b>	<b>14,676</b>
Total comprehensive income of discontinued operations	-74,676	0
<b>Total comprehensive income</b>	<b>-101,538</b>	<b>14,676</b>



In EUR '000	3M 2020	3M 2019
<b>Carry-over total comprehensive income</b>	<b>-101,538</b>	<b>14,676</b>
<b>Net profit from continuing operations:</b>		
Owners of the parent company	-21,474	14,559
Non-controlling interests	3,055	114
<b>Consolidated net profit attributable to:</b>		
Owners of the parent company	-21,715	14,559
Non-controlling interests	-4,814	114
<b>Total comprehensive income from continuing operations:</b>		
Owners of the parent company	-23,807	14,562
Non-controlling interests	-3,055	114
<b>Total comprehensive income attributable to:</b>		
Owners of the parent company	-48,211	14,562
Non-controlling interests	-53,326	114
Earnings per share, basic in EUR (consolidated net profit from continuing operations)	-0.31	0.21
Earnings per share, diluted in EUR (consolidated net profit from continuing operations)	-0.26	0.20
Earnings per share, basic in EUR (consolidated net profit)	-0.31	0.21
Earnings per share, diluted in EUR (consolidated net profit)	-0.26	0.20

## /// CONSOLIDATED STATEMENT OF CASH FLOWS

(IFRS) for the period from 1 January to 31 March 2020

In EUR '000	3M 2020	3M 2019
Earnings before interest and taxes (EBIT) – continuing and discontinued operations	26,472	46,157
+ Depreciation and amortisation	2,010	905
–/+ Net income from fair value adjustments of investment properties	10,334	-9,660
–/+ Non-cash income/expenses	5,497	2,819
–/+ Changes in provisions and accrued liabilities	357	-29
–/+ Increase/decrease in inventories, trade receivables and other assets not attributable to investment or financing activities	324,265	-32,571
–/+ Decrease/increase in trade payables and other liabilities not attributable to investment or financing activities	-361,219	16,860
+ Interest received	10	74
+ Dividends received	0	0
+/- Tax payments	-16	-6,541
<b>= Operating cash flow before dis-/reinvestment into the trading portfolio</b>	<b>7,710</b>	<b>18,014</b>
–/+ Increase/decrease in inventories (commercial properties)	1,373	447
<b>= Net cash flow from operating activities</b>	<b>9,083</b>	<b>18,461</b>
thereof continuing operations	3,983	18,461
thereof discontinued operations	5,100	0
– Acquisition of subsidiaries, net of cash acquired	0	0
+ Disposal of subsidiaries, net of cash disposed	0	0
– Purchase of investment properties	-87,222	-38,609
+ Disposal of investment properties	46,719	73,086
– Purchase of property, plant and equipment and intangible assets	-991	-1,714
+ Disposal of property, plant and equipment and intangible assets	0	144
– Payments into short-term deposits	-500	-5,562
+ Proceeds from short-term deposits	19,860	0
+ Proceeds from disinvestment of financial assets	0	0
– Investments in financial assets	-135,459	-599
+ Proceeds from the repayment of long-term receivables from associated companies	0	0
– Payments for long-term receivables from associated companies	0	-11,300
<b>= Net cash flows from investing activities</b>	<b>-157,593</b>	<b>15,446</b>
thereof continuing operations	-31,487	15,446
thereof discontinued operations	-126,106	0

In EUR '000	3M 2020	3M 2019
– Costs of issuing equity	-4,065	0
– Payments for acquisition of treasury shares including acquisition costs	0	0
– Transactions with non-controlling interests	42,926	-731
– 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	-300,516	0
– Payments from issuing debt	0	0
– Interest payments	-23,714	-18,242
+ Proceeds from bank loans	328,387	20,015
– Repayment of bank loans	-21,447	-31,476
– Repayment of leasing liabilities	-876	-540
– Payment of interest portion of leasing liabilities	-288	-322
<b>= Net cash flows from financing activities</b>	<b>20,407</b>	<b>-31,296</b>
of which from continuing operations	-126,763	-31,296
of which from discontinued operations	147,170	0
<b>In EUR '000</b>		
Reconciliation to Consolidated Balance Sheet		
<b>Cash and cash equivalents at beginning of periods</b>	<b>624,973</b>	<b>77,655</b>
Non-cash changes in cash and cash equivalents from impairment losses	-167	0
Non-cash changes in cash and cash equivalents from currency translation	-7,886	0
Net cash flow from operating activities	9,083	18,461
Net cash flow from investing activities	-157,593	15,446
Net cash flow from financing activities	20,407	-31,296
<b>= Cash and cash equivalents at end of periods</b>	<b>488,817</b>	<b>80,266</b>
of which from continuing operations	75,095	80,266
of which from discontinued operations	413,722	0

## /// CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(IFRS) for the period from 1 January to 31 March 2020

In EUR '000	Capital stock	Treasury shares	Capital reserves
<b>As at 1 January 2019</b>	<b>71,064</b>	<b>-2,583</b>	<b>309,233</b>
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
<b>As at 31 March 2019</b>	<b>71,064</b>	<b>-2,583</b>	<b>309,328</b>
<b>As at 1 January 2020</b>	<b>71,064</b>	<b>-1,603</b>	<b>309,337</b>
Consolidated net profit	0	0	0
Withdrawals from reserves	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	-6,419
Change in scope of consolidation	0	0	0
Transfer of Treasury shares	0	0	0
Conversion of convertible bonds	1,172	0	12,230
<b>As at 31 March 2020</b>	<b>72,236</b>	<b>-1,603</b>	<b>315,148</b>

Retained earnings	Currency translation reserves	Net retained profit	Equity attributable to the owners of the parent company	Non-controlling interests	Total equity
<b>-3,264</b>	<b>88</b>	<b>842,888</b>	<b>1,217,426</b>	<b>362,205</b>	<b>1,579,631</b>
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
<b>-3,261</b>	<b>89</b>	<b>857,447</b>	<b>1,232,083</b>	<b>361,500</b>	<b>1,593,583</b>
<b>-26,438</b>	<b>0</b>	<b>1,093,506</b>	<b>1,445,865</b>	<b>2,101,992</b>	<b>3,547,857</b>
0	0	-21,715	-21,715	-4,814	-26,529
0	0	0	0	0	0
-3,500	1,216	0	-2,284	0	-2,284
-24,213	0	0	-24,213	-48,510	-72,723
0	0	0	-6,419	49,345	42,926
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	13,402	0	13,402
<b>-54,151</b>	<b>1,216</b>	<b>1,071,791</b>	<b>1,404,637</b>	<b>2,098,013</b>	<b>3,502,650</b>





/// SELECTED NOTES ON THE  
GROUP INTERIM FINANCIAL STATEMENTS  
AS AT 31 MARCH 2020





# /// SELECTED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (IFRS) AS AT 31 MARCH 2020

## 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 development projects.

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 2020 were prepared in accordance with International Financial Reporting Standards (IFRS), which are mandatory 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.

Effective 10 December 2019, ADLER obtained control over ADO Group Ltd., Tel Aviv, Israel (ADO Group) and thereby ADO Properties S.A., Senningerberg, Luxembourg (ADO Properties) as well. They were included in consolidation as at 31 December 2019 on the grounds of simplicity and materiality. As ADLER lost control over ADO Properties again in early April 2020 as a result of the completion of the successful takeover bid by ADO Properties, it constitutes a discontinued operation in accordance with IFRS 5. The assets and liabilities of ADO Properties are reported under non-current assets and liabilities held for sale.

The consolidated statement of comprehensive income shows only continuing operations in the respective items, while the discontinued operation is shown as a total (earnings after taxes and total comprehensive income from discontinued operations). 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 use the functional currency of the Group: euros (EUR). Unless otherwise indicated, all figures presented in euros have been rounded up or down to the nearest thousand euros (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 2019, which form the basis for these interim consolidated financial statements.

### Accounting standards applicable for the first time in the 2020 financial year

The Group applied the following new and revised IFRS standards and interpretations in the 2020 financial year:

Standard/Interpretation	Title	IASB Effective date <sup>1)</sup>	Initial application date in the EU <sup>1)</sup>
EU endorsement achieved:			
Amendments to IAS 1 and IAS 8	Definition of materiality	01.01.2020	01.01.2020
Amendments to the Conceptual Framework	Amendments to References to the Conceptual Framework in IFRS Standards	01.01.2020	01.01.2020
EU endorsement outstanding:			
Amendments to IFRS 3	Definition of a business	01.01.2020	01.01.2020

<sup>1)</sup> For financial years beginning on or after this date

#### Amendment to IAS 1 and IAS 8 – definition of materiality

Materiality is defined as follows: information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. It is clarified that information that could influence users' decisions is not necessarily required if it is very unlikely to occur. It is added that the materiality of the information is not determined by its influence on decisions of all possible users but only the primary users. The changes have no material impact on the consolidated financial statements.

#### Amendment to the Conceptual Framework – amendments to references to the Conceptual Framework

Amendments to references to the Conceptual Framework in IFRS Standards (including IFRS 2, IFRS 3, IAS 1, IAS 8, IAS 34, IAS 37 and IAS 38) were published with the revision of the Conceptual Framework. The amendments, which are updates, have no material impact on the consolidated financial statements.

### **Amendment to IFRS 3 – definition of a business**

The amendments contain an updated definition of a business to clarify the three associated elements. The amendment was prompted by uncertainty regarding the existence of a business on acquisition. There are no significant effects on the consolidated financial statements, as the resulting clarifications of the definition of business operations at ADLER have already been observed.

## **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 2019 Annual Report.

## **SCOPE OF CONSOLIDATION AND BUSINESS COMBINATIONS**

Including the parent company, the scope of consolidation includes a total of 431 companies (31 December 2019: 433) that are fully consolidated and seven companies that are recognised at equity (as at 31 December 2019: 7). ADO Properties has 199 fully consolidated companies.

MountainPeak Trading Limited, Cyprus was merged into ADLER Real Estate AG in the first quarter of 2020. This did not affect the Group’s net assets, financial position or results of operations.

As a result of the binding sale and purchase agreement concluded in the third quarter of 2019 for the sale of a project development by BCP in Dusseldorf, the fully consolidated company Glasmacherviertel GmbH & Co. KG was sold at the end of the first quarter of 2020. As part of the agreed share deal, BCP retained 25 percent of the shares in these companies and carried out a transition consolidation. The remaining participation is included in the consolidated financial statements using the equity method as an associated company in accordance with IAS 28.

## SEGMENT REPORTING

The majority of BCP acquired in April 2018 was presented as an independent segment until the end of the first quarter of 2019. After the purchase price allocation was finalised along with the first-time allocation of goodwill to the relevant CGUs, BCP was integrated into the Rental segment in the second quarter of 2019. The comparative figures have been adjusted accordingly. The residual interest in ACCENTRO was reclassified at 31 December 2019 from non-current assets held for sale (Trading) to investments accounted for using the equity method as the decision to sell it was reversed at the end of the reporting year. The comparative figures have been adjusted accordingly. The acquisition of ADO Properties in December 2019 represents a discontinued operation according to IFRS 5 and is therefore not shown in the segment reporting.

The 'Rental'-segment includes all ADLER's portfolios 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. To a lesser extent, this item also includes BCP's commercial properties held for sale and project developments that are sold to non-group companies and which are therefore not to be added to the portfolio after completion.

Other group activities that do not constitute standalone segments are pooled in the 'Other'-column. These are mainly historic holdings relating to development projects that have been in the rest of the process since the Group's realignment.

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 2020 to 31 March 2020 and for the previous year's comparative period are broken down as follows:

ADLER Group In EUR '000 – 3 months/Q1	Rental		Other		Group	
	2020	2019	2020	2019	2020	2019
Gross rental income and income from the sale of properties	482,132	280,898	51	47	482,183	280,945
– thereof gross rental income	90,377	94,818	51	47	90,428	94,865
– thereof income from sales	391,755	186,080	0	0	391,755	186,080
Change in the value of investment property	-10,334	9,660	0	0	-10,334	9,660
<b>Earnings before interest and taxes (EBIT)</b>	<b>8,774</b>	<b>46,107</b>	<b>-2</b>	<b>50</b>	<b>8,772</b>	<b>46,157</b>
Income from investments accounted for using the equity method	271	0	0	0	271	0
<b>Financial result</b>	<b>-24,593</b>	<b>-39,355</b>	<b>27</b>	<b>26</b>	<b>-24,566</b>	<b>-39,329</b>
<b>Earnings before taxes (EBT)</b>	<b>-15,548</b>	<b>6,752</b>	<b>25</b>	<b>76</b>	<b>-15,523</b>	<b>6,828</b>

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

ADLER Group In EUR '000	Rental 2019	Other 2019	Consolidation 2019	Group 2019
Assets per segment	5,928,217	4,541	-4,561	5,928,197
Result of investments accounted for using the equity method	79,539	0	0	79,539
<b>Total segment assets</b>	<b>6,007,756</b>	<b>4,541</b>	<b>-4,561</b>	<b>6,007,736</b>
Non-current assets held for sale ADO Properties	-	-	-	4,498,680
<b>Segment liabilities</b>	<b>5,137,498</b>	<b>4,636</b>	<b>-4,561</b>	<b>5,137,573</b>
Non-current liabilities held for sale ADO Properties	-	-	-	1,866,193
<b>Segment investments</b>	<b>80,905</b>	<b>0</b>	<b>0</b>	<b>80,905</b>

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

ADLER Group In EUR '000	Rental 2019	Other 2019	Consolidation 2019	Group 2019
Assets per segment	6,249,175	4,515	-4,543	6,249,147
Result of investments accounted for using the equity method	23,432	0	0	23,432
<b>Total segment assets</b>	<b>6,272,607</b>	<b>4,515</b>	<b>-4,543</b>	<b>6,272,579</b>
Non-current assets held for sale ADO Properties	-	-	-	4,409,098
<b>Segment liabilities</b>	<b>5,433,898</b>	<b>4,621</b>	<b>-4,543</b>	<b>5,433,976</b>
Non-current liabilities held for sale ADO Properties	-	-	-	1,699,844
<b>Segment investments</b>	<b>349,202</b>	<b>0</b>	<b>0</b>	<b>349,202</b>

## SELECTED NOTES ON THE CONSOLIDATED BALANCE SHEET

### Goodwill

In light of the coronavirus crisis, ADLER assessed whether there were signs of impairment and hence whether an impairment test required under IAS 36 should be carried out. ADLER is not currently anticipating any significant impact on its business activities and has therefore not adjusted its company planning in this respect. Nevertheless, the weighted average cost of capital has risen considerably since the last scheduled impairment test. WACC before taxes increased to 4.1 percent as at 31 March 2020 (31 December 2019: 2.7 percent). However, even taking into consideration this increased WACC figure, the impairment test in the fourth quarter of 2019 would not have led to impairment in any of the regional divisions. For this reason, ADLER does not believe there are any signs of impairment as at 31 March 2020.

### Investment properties

The carrying amount of investment properties amounted to EUR 4,929,746k as at the balance sheet date (31 December 2019: EUR 4,920,008k). The additions of EUR 2,643k result from investments in project development properties under construction, with EUR 19,644k from modernization measures that can be capitalized and with EUR 2,969k from other additions. Disposals including reclassifications had an opposite effect according to IFRS 5 with EUR 5,184k and negative valuation effects with EUR 10,334k.

The negative valuation effects result from value adjustments to BCP's remaining commercial properties, because these have been affected by the measures to contain the corona virus. With regard to the valuation of residential properties, however, no significant effects can be identified at present, which is why a revaluation as of 31 March 2020 was not carried out.

### Receivables and loans to associated companies

The carrying amount of receivables from and loans to associated companies amounted to EUR 139,180k as at the balance sheet date (31 December 2019: EUR 79,524k).

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 percent interest. ADLER will continue to undertake asset management for these portfolios. The properties had a carrying amount of approximately EUR 61,500k. Control over the rental units was transferred in the first quarter of 2019. The remaining receivables from the sale to the associated company are deferred and are due to be paid by 1 December 2022 at the latest, subject to customary interest and collateral. A partial payment of EUR 16,000k must be made by 1 December 2020 at the latest. As at 31 March 2020, ADLER recognises non-current receivables including interest claims against Caesar JV Immobilienbesitz und Verwaltungs GmbH of EUR 26,677k (31 December 2019: EUR 26,361k). An amount of EUR 16,000k is recognised under other current assets.

On 27 December 2018, ADLER also entered into a binding agreement with Benson Elliot Capital Management LLP, which plans to sell around 2,300 rental units to a joint venture, AB Immobilien B.V., Amsterdam, Netherlands, in which ADLER likewise holds a 25 percent 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. Control over the rental units was transferred in the first quarter of 2019. The agreement for the sale of the around 2,300 rental units to AB Immobilien B.V. 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. However, payment is intended by no later than 31 December 2028. As at 31 March 2020, ADLER recognises receivables from AB Immobilien B.V. of EUR 45,494k (31 December 2019: EUR 45,494k).

As part of the transitional consolidation of Glasmacherviertel GmbH & Co. KG, an interest-bearing loan receivable of EUR 59,340k was recognised from the associated company, taking into account default risks.

### Investments in associates and joint ventures

Seven companies were included in the consolidated financial statements using the equity method as at the balance sheet date (previous year: six companies). Two associates (previous year: two) have not been included at equity due to materiality considerations.

In EUR '000	2020	2019
<b>Carrying amounts 01.01</b>	<b>23,432</b>	<b>15,709</b>
Other additions	55,836	9,300
Other disposals	0	-2
Share of gains and losses (at-equity result)	271	-1,327
Other results attributable to the Group	0	0
Dividends received	0	-248
<b>Carrying amounts 31.12</b>	<b>79,539</b>	<b>23,432</b>

The main investments in associated companies are ACCENTRO, AB Immobilien B.V., Caesar JV Immobilienbesitz und Verwaltungs GmbH and Glasmacherviertel GmbH & Co. KG.

Additions of EUR 55,836k can be attributed to the transitional consolidation following the sale of the 75 percent stake in Glasmacherviertel GmbH & Co. KG. In accordance with IFRS 10, the remaining 25 percent interest in the company was measured at fair value, derived from the purchase price, at the date of transitional consolidation.

### Other financial investments

In the 2018 financial year, ADLER acquired 4.1 percent of the shares in a development project 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 2020, based on the stock market price, the fair value amounted to EUR 24,598k (31 December 2019: EUR 35,655k). The change in value of EUR 11,057k compared to 31 December, 2019 is recognised under financial expenses.

Also reported under other financial investments as at the balance sheet date are bonds that are held as part of a business model whose aim is both to hold financial assets for the collection of contractual cash flows and to sell financial assets if necessary. Debt instruments are therefore measured at fair value with changes in other comprehensive income. As at 31 March 2020, based on the market price, the fair value amounted to EUR 12,380k (31 December 2019: EUR 14,454k). EUR 3,574k of this decrease is due to a write-down to the reporting date price, which was recognised in other comprehensive income. The acquisition of additional bonds at an acquisition cost of EUR 1,500k had the opposite effect.

Furthermore, as part of the sale of three commercial units, the remaining shares (in each case 10.1 percent) in the property companies of BCP in the amount of EUR 6,494k (31 December 2019: EUR 6.494k) are recognised. They are measured at fair value through profit or loss.

### Other non-current assets

After receipt of payment of the initial purchase price instalment, the remaining receivables from the sale of the 75 percent stake in Glasmacherviertel GmbH & Co. KG and the loan receivable from the company were deferred, subject to customary interest and collateral. For payment of the purchase price receivables, it was agreed that each instalment payment would be due when certain milestones, which are not yet fixed but can be determined, in relation to project development are met. Accounting for default risks, a receivable of EUR 131.240k from the buyer is recognised under other non-current assets as at the balance sheet date. Provided that the set milestone is met on time, a partial payment of EUR 70,000k would be due by the end of the financial year. This is assumed to be highly probable on the balance sheet date.

Miscellaneous other non-current assets include advance payments of EUR 78,682k (31 December 2019: EUR 17,698k) in connection with the expansion of existing residential estates in Goettingen and Wolfsburg and the acquisition of land for project development and project development companies.

### Other current assets

As of the balance sheet date, other current assets include residual receivables of EUR 56,964 (31 December 2019: EUR 56,261k) against the buyer of the shares in ACCENTRO which ADLER had sold at the end of 2017. Payment had been postponed several times according to a mutual understanding. The remaining and secured purchase price claim is to be paid in the course of the year 2020 after a further extension of the time limit and is subject to a market interest rate.

The earmarked funds shown under other current assets decreased by EUR 52,260k compared to 31 December 2019 to EUR 29,865k.

### Cash and cash equivalents

Cash and cash equivalents amounted to EUR 75,095k at the balance sheet date, as against EUR 237,415k at the end of the previous year. EUR 15,324k (EUR 15,753k) 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

Non-current assets and liabilities held for sale include, in particular, the assets and liabilities of ADO Properties after consolidation of transactions within the Group. As ADLER lost control over ADO Properties again in early April 2020 as a result of the completion of the successful takeover bid by ADO Properties, this constitutes a discontinued operation in accordance with IFRS 5.

On 15 December 2019, ADLER and ADO Properties entered into a business combination agreement under which ADO Properties is to acquire ADLER as part of a public takeover offer. The takeover offer was completed successfully on 9 April 2020. A notification by ADO Properties indicated that nearly 92 percent of ADLER shareholders had accepted the offer.

Assets and liabilities of ADO Properties at the balance sheet day are as follows:

<b>In EUR '000</b>	<b>31.03.2020</b>	<b>31.12.2019</b>
Property, plant and equipment	10,627	10,965
Investment properties	3,626,994	3,624,453
Other financial investments	240,679	285,029
Other non-current assets	86,206	6,300
Deferred tax assets	1,561	0
Inventories	37,868	39,270
Trade receivables	13,906	13,987
Income tax receivables	351	160
Other current assets	66,766	41,376
Cash and cash equivalents	413,722	387,558
<b>Total assets</b>	<b>4,498,680</b>	<b>4,409,098</b>

<b>In EUR '000</b>	<b>31.03.2020</b>	<b>31.12.2019</b>
Income tax liabilities	334,620	334,305
Liabilities from convertible bonds, non-current	93,772	93,602
Liabilities from bonds, non-current	401,853	402,008
Financial liabilities to banks, non-current	722,315	729,698
Other non-current liabilities	29,369	30,198
Income tax liabilities	3,142	3,109
Financial liabilities to banks, current	222,402	40,528
Trade liabilities	23,518	22,082
Other current liabilities	35,202	44,314
<b>Total liabilities</b>	<b>1,866,193</b>	<b>1,699,844</b>

Other non-current assets held for sale primarily include properties recognised at a value of EUR 55,228k (31 December 2019: EUR 429,548k), for which notarial purchase contracts were available at the balance sheet date. The disposal of 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.

Other non-current liabilities held for sale of EUR 12k (31 December 2019: EUR 127,574) are to be transferred on disposal of the assets.

In detail, the following significant development occurred in relation to non-current assets and liabilities held for sale:

As a result of the binding sale and purchase agreement concluded in the third quarter of 2019 for the sale of a BCP development project in Düsseldorf, the fully consolidated company Glasmacherviertel GmbH & Co. KG was disposed of at the end of the first quarter of 2020. Investment properties of EUR 375,000k, which were recognised under non-current assets and liabilities held for sale as at 31 December 2019 as a result of the sale, and financial liabilities to banks of EUR 127,512k were disposed of when control was transferred.

### Shareholders' equity

The capital stock of ADLER AG amounted to EUR 72,236k as at 31 March 2020 (31 December 2019: EUR 71,064k) and is divided into 72,236,485 no-par ordinary shares (31 December 2019: 71,063,743) with one voting right per share.

The exercise of conversion rights increased the share capital by EUR 1,172k and the capital reserves by EUR 12,230k.

Changes in the value of financial assets measured at fair value with no effect on income were recognised in the revenue reserves in the amount of EUR -27.761k (previous year: EUR -22,824k) after offsetting applicable taxes.

The currency translation reserve is attributable to the ADO Group.

In the first quarter of 2020, shares in several subsidiaries, particularly ADO Properties, were sold. The difference between the value of the shares and the consideration was offset against the capital reserve.

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

### Liabilities for convertible bonds

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

In EUR '000	31.03.2020	31.12.2019
2016/2021 convertible bond	111,327	124,196
<b>Total</b>	<b>111,327</b>	<b>124,196</b>
– thereof non-current	110,148	122,249
– thereof current	1,179	1,947

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	31.03.2020	31.12.2019
Bond 2017/2021	497,577	495,020
Bond 2017/2024	296,194	300,692
Bond 2018/2023	500,710	497,759
Bond 2018/2026	301,422	298,930
Bond 2019/2022	401,869	399,920
Bond BCP 2011/2020 (A)	15,654	15,828
Bond BCP 2013/2024 (B)	49,374	49,816
Bond BCP 2014/2026 (C)	40,295	40,590
Bond ADO Group 2015/2023 (G)	0	173,820
Bond ADO Group 2017/2025 (H)	0	157,083
<b>Total</b>	<b>2,103,095</b>	<b>2,429,458</b>
– of which non-current	2,051,157	2,327,846
– of which current	51,938	101,612

The ADO Group's bond liabilities were repaid early on 17 February 2020 at nominal value plus accrued interest. For refinancing, ADLER increased the bridge loan that was taken out to acquire the shares in the ADO Group. The remaining amount was paid from ADO Group's existing cash reserves.

The liabilities from the BCP Tranche A bond were repaid early on 20 April 2020.

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 are recognised under current liabilities.

## Financial liabilities to banks

Non-current financial liabilities to banks amounted to EUR 2,135,053k as at the balance sheet date (31 December 2019: EUR 2,002,136k). At EUR 168,410k, the increase compared to the previous year is mainly due to the increase in the bridge loan that was taken out in the previous year to finance the acquisition of the shares in the ADO Group. Conversely, reclassifications to short-term financial liabilities to banks due to upcoming repayments had an impact.

Current financial liabilities to banks amounted to EUR 180,011k as at the balance sheet date (31 December 2019: EUR 157,708k). Current financial liabilities also include the repayments and interest liabilities of the non-current financial liabilities due within one year.

Liabilities to banks are mainly secured with land charges. Further security includes the assignment of gross rental income, the pledging of bank credit balances and shareholdings and letters of subordination.

## SELECTED NOTES ON THE STATEMENT OF COMPREHENSIVE INCOME

### Income from property lettings

Gross rental income is structured as follows:

In EUR '000	3M 2020	3M 2019
Net rental income	60,193	64,800
Income from recoverable expenses	29,517	29,562
Other income from property management	718	503
<b>Total</b>	<b>90,428</b>	<b>94,865</b>

The decrease in net rental income is due to the sale of the rental units of the non-core portfolio and the commercial properties of BCP in the course of the previous year.

### Expenses from property lettings

Expenses from property lettings are broken down as follows:

In EUR '000	3M 2020	3M 2019
Apportionable and non-apportionable operating costs	33,782	35,182
Maintenance	6,642	4,078
Other property management expenses	67	82
<b>Total</b>	<b>40,491</b>	<b>39,342</b>

### Income from the sale of properties

Income from the sale of properties is structured as follows:

In EUR '000	3M 2020	3M 2019
Income from the disposal of project development inventory properties	12,336	6,760
Income from the disposal of other inventory properties	0	81
Income from the disposal of investment properties	379,419	179,239
<b>Total</b>	<b>391,755</b>	<b>186,080</b>

As in the previous year, the income from the sale of project developments is fully attributable to BCP.

The income from the sale of investment properties is mainly due to the sale of the project development of BCP in Düsseldorf, which was initially intended for the company's own portfolio. In the previous year, income from the sale of investment properties was attributable to the sale of the rental units of the non-core portfolio.

## Expenses from the sale of properties

Expenses from the sale of properties are structured as follows:

In EUR '000	3M 2020	3M 2019
Carrying amount of disposed project development inventory properties	10,091	7,196
Carrying amount of disposed other inventory properties	0	70
Carrying amount of disposed investment properties	379,419	179,239
Costs of disposal	1	7
<b>Total</b>	<b>389,511</b>	<b>186,512</b>

As in the previous year, the carrying amount of project developments is fully attributable to BCP.

The book value disposals from the sale of investment properties are mainly due to the sale of the project development of BCP in Dusseldorf, which was initially intended for the company's own portfolio. In the previous year, the book value disposals from the sale of investment properties were attributable to the sales of the rental units of the non-core portfolio.

## Other operating expenses

Other operating expenses break down as follows:

In EUR '000	3M 2020	3M 2019
Legal and consulting expenses	9,929	2,217
Impairment and write-downs of receivables	3,859	2,380
General and administrative expenses	378	347
Purchased services	1,069	444
Office and IT expenses	1,734	1,355
Cost of premises	781	788
Public relations	911	154
Miscellaneous other expenses	3,315	2,195
<b>Total</b>	<b>21,976</b>	<b>9,881</b>

The increase in legal and consulting costs is mainly due to the upcoming merger with ADO Properties.

## Income from fair value adjustments of investment properties

Income from fair value adjustments of investment properties amounted to EUR -10,334k (previous year: EUR 9,660k) and comprises income of EUR 709k from fair value adjustments (previous year: EUR 9,905k) and expenses of EUR 11,043k for fair value adjustments (previous year: EUR 245k).



## Financial income

Financial income is structured as follows:

In EUR '000	3M 2020	3M 2019
Interest income – financial assets measured at amortised cost	1,269	1,861
Interest income – financial assets at fair value through other comprehensive income	209	200
Net change in fair value of derivatives	1,510	1,586
Derecognition of financial liabilities measured at amortised cost	30,576	0
Other financial income	14	4
<b>Total</b>	<b>33,578</b>	<b>3,651</b>

The income from the derecognition of financial liabilities measured at amortised cost results from the early repayment of the bonds of the ADO Group at nominal value plus accrued interest.

## Financial expenses

Financial expenses are structured as follows:

In EUR '000	3M 2020	3M 2019
Interest expenses – financial liabilities measured at amortised cost		
Interest expenses – bank loans	19,481	14,574
Interest expenses – bonds	11,623	14,024
Interest expenses – convertible bonds	1,862	1,992
Interest expenses – leasing	302	294
Interest expenses – other	104	11
Net change in fair value of derivatives	22	699
Net change in fair value of other financial instruments at fair value through profit or loss	11,057	6,332
Impairment of financial assets measured at amortised cost (loans, restricted funds, deposits at banks)	2,068	102
Impairment of financial assets at fair value with changes in other comprehensive income	25	2
Net foreign exchange losses/gain	11,587	4,950
Accrued interest on provisions	9	0
Other financial expenses	4	0
<b>Total</b>	<b>58,144</b>	<b>42,980</b>

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 6,604k (previous year: EUR 7,172k) in total.

## Earnings after taxes from discontinued operations

In EUR '000	3M 2020	3M 2019
Income from property lettings	37,794	0
Expenses from property lettings	-12,146	0
<b>Earnings from property lettings</b>	<b>25,648</b>	<b>0</b>
Income from the sale of properties	2,187	0
Expenses from the sale of properties	-2,046	0
<b>Earnings from the sale of properties</b>	<b>141</b>	<b>0</b>
Personnel expenses	-5,249	0
Other operating income	6,800	0
Other operating expenses	-9,264	0
Income from fair value adjustments of investment properties	0	0
Depreciation and amortisation	-375	0
<b>Earnings before interest and taxes (EBIT)</b>	<b>17,700</b>	<b>0</b>
Financial income	2,095	0
Financial expenses	-23,493	0
Income from at-equity-valued investment associates	0	0
<b>Earnings before taxes (EBT)</b>	<b>-3,698</b>	<b>0</b>
Income taxes	1,698	0
<b>Earnings after tax from discontinued operations</b>	<b>-2,000</b>	<b>0</b>
Other comprehensive income	-72,676	0
<b>Total comprehensive income of discontinued operations</b>	<b>-74,676</b>	<b>0</b>

The after-tax result and the overall result from discontinued operations are attributable to ADO Properties.

The other result mainly results from changes in the value of equity instruments measured at fair value through profit or loss from the valuation of the shares in Consus acquired by ADO Properties.

## 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).

Income per share is structured as follows:

	3M 2020 Continuing operations	3M 2020 Discontinued operations	3M 2020 Total
<b>Consolidated net earnings (in EUR '000)</b>	-24,529	-2,000	-26,529
Consolidated net earnings without non-controlling interests	-21,474	-241	-21,715
Expenses including deferred taxes on convertibles	1,438	0	1,438
Consolidated net earnings without non-controlling interests (diluted)	-20,036	-241	-20,277
<b>Number of shares (in thousands)</b>			
Weighted number of subscribed shares	68,922	68,922	68,922
Effect of conversion of convertibles	9,246	9,246	9,246
Weighted number of shares (diluted)	78,168	78,168	78,168
<b>Earnings per share (in EUR)</b>			
Basic earnings per share	0.31	0.00	0.31
Diluted earnings per share	0.26	0.00	0.26

	3M 2019 Continuing operations	3M 2019 Discontinued operations	3M 2019 Total
<b>Consolidated net earnings (in EUR '000)</b>	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
<b>Number of shares (in thousands)</b>			
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
<b>Earnings per share (in EUR)</b>			
Basic earnings per share	0.21	-	0.21
Diluted earnings per share	0.20	-	0.20

## DISCLOSURES ON FINANCIAL INSTRUMENTS AND FAIR VALUE DISCLOSURES

The classification of financial instruments required was unchanged compared with 31 December 2019. 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 were no material changes in related parties compared with the information provided as at 31 December 2019.

### Financial risk management

The material risks monitored and managed by the Group's financial risk management include interest rate, default, liquidity, financing and currency risks. A detailed description of these risks can be found in the notes to the consolidated financial statements as of 31 December 2019. Risks have not changed since 31 December 2019, although the following qualifications should be noted.

ADLER does not expect any major impact on its business as a result of the COVID-19 pandemic due to the stability of its business model, even though tenants may defer their rental payments for several months under certain conditions. This could temporarily disrupt the continuous inflow of liquidity. Experience to date has shown, however, that only a small number of tenants have made use of this opportunity.

The rating agency Standard & Poor's has adjusted the corporate rating of ADO Properties to BB/stable outlook, as it sees a certain implementation risk in the merger with ADLER, including the planned financing through the announced capital increase. This could make financing the entire company more expensive or more difficult.

### Events after the balance sheet date

On 9 April 2020, ADO Properties' takeover offer to ADLER shareholders was successfully concluded. ADO Properties announced that 91.93 percent of ADLER shares had been exchanged for shares in ADO Properties. ADLER has therefore lost its controlling influence and will deconsolidate ADO Properties again. As the stock market price of ADO Properties has decreased since the acquisition date also in the wake of the COVID-19 pandemic, deconsolidation would result in a loss. Due to the lack of voting rights, the investment in ADO Properties will in future be classified as an financial asset measured at fair value. Taking into account the stock market price at the time these financial statements were prepared, this has already resulted in a recovery in value.

On 28 April 2020, ADO Properties announced its intention to conclude a domination agreement. The objective of concluding such an agreement was to make the remaining ADLER shareholders an offer for the acquisition of their shares.

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, 18 May 2020



Tomas de Vargas Machuca  
Co-CEO



Maximilian Rienecker  
Co-CEO



Sven-Christian Frank  
COO

## /// LEGAL REMARKS

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

## /// 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 investment property measurements, 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 – NRV****Net reinstatement 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. The deferred taxes and the property transfer tax on the properties held, which were deducted for the purpose of property valuation, are added back again because a sale is not expected.

**LTV****Loan-to-value**

Ratio of net financial liabilities (financial liabilities net of cash, non-current assets held for sale, purchase price receivables, advance payments and liabilities 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

<b>Supervisory Board</b>	
<b>Martin Billhardt</b>	Chairman of the Supervisory Board (since 20 March 2020)
<b>Thilo Schmid</b>	Vice Chairman of the Supervisory Board
<b>Claus Jorgensen</b>	Member of the Supervisory Board
<b>Management Board</b>	
<b>Tomas de Vargas Machuca</b>	Member of the Management Board (Co-CEO)
<b>Maximilian Rienecker</b>	Member of the Management Board (Co-CEO)
<b>Sven-Christian Frank</b>	Member of the Management Board (COO)
<b>Company Facts</b>	
<b>Legal domicile</b>	Berlin Charlottenburg, Berlin HRB 180360 B
<b>Address</b>	ADLER Real Estate Aktiengesellschaft Joachimsthaler Strasse 34 10719 Berlin Phone: +49 30 39 80 18 – 10 E-mail: info@adler-ag.com
<b>Website</b>	www.adler-ag.com
<b>Investor Relations</b>	Tina Kladnik Phone: +49 30 398 01 81 23 E-mail: t.kladnik@adler-ag.com
<b>Public Relations</b>	Dr Rolf-Dieter Grass Phone: +49 30 200 09 14 29 E-mail: r.grass@adler-ag.com
<b>Capital stock</b>	EUR 72,236,485 <sup>1)</sup>
<b>Classification</b>	72,236,485 <sup>1)</sup> no-par value shares
<b>Arithmetical value</b>	EUR 1 per share
<b>Voting right</b>	1 vote per share
<b>Identification</b>	WKN 500 800 ISIN DE0005008007 Ticker symbol ADL Reuters ADLG.DE
<b>Designated sponsors</b>	Baader Bank AG Kepler Cheuvreux HSBC Trinkaus & Burkhardt AG ODDO BHF AG
<b>Stock exchanges</b>	Xetra, Frankfurt am Main
<b>Indices</b>	CDAX, GPR General Index, DIMAX
<b>Financial year</b>	Calendar year

<sup>1)</sup> As at 31 March 2020





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ADLER REAL ESTATE AKTIENGESELLSCHAFT  
Berlin-Charlottenburg

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