INTERIM REPORT H1

AS AT 30 JUNE 2021

/// KEY FIGURES

In EUR millions Consolidated Statement of Income	6M 2021	6M 2020
Net rental income	112.7	119.6
Earnings from property lettings	99.3	105.3
Earnings from the sale of properties	0.7	9.6
EBIT	262.2	170.6
Consolidated net profit from continuing operations	149.6	89.4
Consolidated net profit	149.6	-410.1
FFO I	38.1	41.5
FFO I per share in EUR (fully diluted)[1]	0.33	0.52
Consolidated Balance Sheet	**30.06.2021**	**31.12.2020**
Investment Properties (including inventories)	5,279.8	5,020.1
EPRA NRV (adjusted and fully diluted)	2,506.1	2,324.2
EPRA NRV per share in EUR (adjusted and fully diluted)[1]	21.50	19.93
LTV in %[2]	50.7	51.2
WACD	1.89	1.94
Cashflow	**6M 2021**	**6M 2020**
Net cash flow from operating activities	52.3	55.4
– of which from continuing operations	52.3	50.3
Net cash flow from investing activities	63.9	-252.5
– of which from continuing operations	63.9	-126.4
Net cash flow from financing activities	-76.1	166.2
– of which from continuing operations	-76.1	19.0
Employees	**30.06.2021**	**31.12.2020**
Number of employees	797	843
FTEs (Full-time equivalents)	748	778
Portfolio	**6M 2021**	**6M 2020**
Portfolio (units)	52,199	57,171
– of which residential	51,404	56,236
– of which commercial	795	935
Average rent (EUR /month/sqm)	6.08	5.66
Vacancy rate (%)	5.9	6.6
Fair value investment properties incl. inventories (EUR m)	5,280	5,265
Net rental income (EUR m)	218.0	220.5

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

/// CONTENT

/// PORTFOLIO
/// THE ADLER SHARE

/// PORTFOLIO

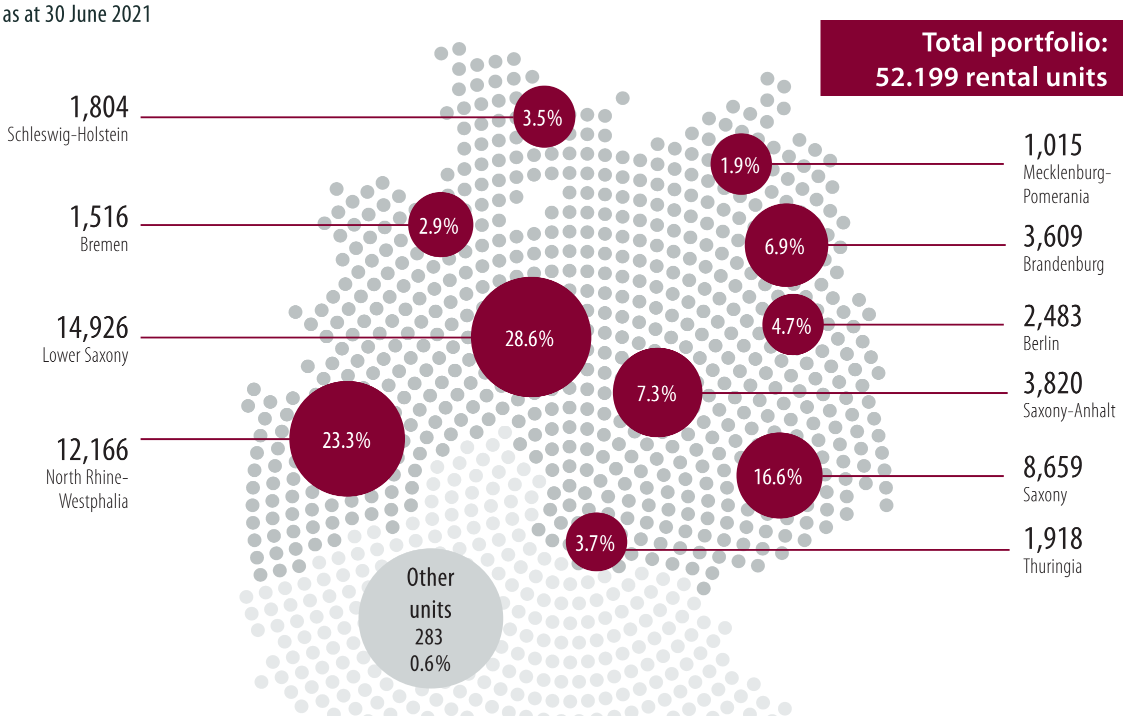
THE PROPERTY PORTFOLIO

At the end of the first half of 2021, ADLER's portfolio comprised 52,199 rental units totalling 3.2 million square metres with an annualised net rent (including parking spaces and other areas) of EUR 218.0 million. The regional focus is on Lower Saxony, North Rhine-Westphalia and Saxony. As a result of further optimisation measures the number of units declined by nearly 9 percent in the course of the last twelve months.

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.

Rental units

as at 30 June 2021



Operating performance – average rent increased, vacancy rate reduced

In the first half of 2021, the Group once again improved its operating performance. As of 30 June 2021, the average contractually agreed rent per square metre per month amounted to EUR 6.08, an increase of EUR 0.42 compared to EUR 5.66 at the end of June 2020. The vacancy rate (excl. units under renovation) stood at 5.9 percent, 0.7 percentage points better compared to one year ago.

Fair value gains

The fair value of the total portfolio (investment properties plus inventories) calculated in accordance with IFRS was EUR 5,279.7 million at the end of the first half of 2021 as compared to EUR 5,020.1 million at the end of 2020. The increase resulted from modernisation measures, building expenses of development projects and positive market developments in residential properties. In the first half of 2021, ADLER invested EUR 53.5 million in maintenance and modernisation measures (H1 2020: EUR 48.6 million), of which EUR 9.6 million related to ongoing maintenance work and EUR 43.9 million to renovation and modernisation measures which can be capitalised.

Key focus on Lower Saxony and North Rhine-Westphalia

ADLER holds properties mainly in Lower Saxony, North Rhine-Westfalia and in the eastern states of Germany. ADLER prefers properties located on the edges of larger conurbations as rental yields are typically higher there than in central city locations. On average apartments have a size of 60 square meters and are well adapted to the needs of the the main target group, tenants with average to below average incomes.

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. One of the benefits of new construction is that all current requirements relating to energy efficiency and reducing CO_2 are easily met – requirements which can only be achieved with difficulty or at higher costs in existing buildings.

/// THE ADLER SHARE

Shares no longer playing a major role on the stock exchange

ADLER shares are no longer playing a major role on stock exchange price lists following the takeover by Adler Group in 2020. The free float declined further following the debt-to-equity swap, which was resolved in the fourth quarter of 2020 and completed in the first quarter of 2021. Adler Group held 97.0 percent of ADLER's shares as at 30 June 2021. Brokerage houses no longer issue reports on ADLER.

In the tighter market, the ADLER share exhibited a stable performance practically all through the first half of 2021, losing in value only at the half year stage. However, it does not seem very useful any longer to compare the share price performance with indices of companies of a similar size or from the direct competitive environment.

Because the financing required for all Adler Group companies is handled by the Group's headquarters, ADLER has not been actively involved in the capital markets ever since its acquisition by Adler Group.

Following the successful takeover offer, ADLER has limited its investor relations activities. Instead, all efforts are now focused on showcasing the new parent company. However, as long as it is listed as an independent public limited company, ADLER will continue to meet its associated obligations, which include quarterly reporting.

/// 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

/// GROUP FUNDAMENTALS OF ADLER REAL ESTATE AG

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 seven years by acquiring individual portfolios or shares in property-holding companies.

ADLER's core business model is the long-term letting of flats and the 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. All main functions relating to property management are carried out through the staff of Adler Group, of which ADLER has been part of since the middle of 2020. The daily management of the portfolio continues to be in the hands of group companies like 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.

Residential real estate portfolio

As at 30 June 2021, ADLER's portfolio comprised 52,199 rental units with a total area of 3.2 million square metres. The regional focus is on the German states of Lower Saxony, North Rhine-Westphalia and Saxony.

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. The risk of tenants with low incomes defaulting on their rent payments is low 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.

In the framework of an active portfolio management which is centralised in Adler Group, 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. 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.

Acquisition strategy

Following its integration into Adler Group, ADLER will no longer pursue its former independent acquisition strategy but will instead follow 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 regularly streamlined its portfolio as part of its portfolio optimisation process and sold properties that had a below-average operating performance or were widely scattered and therefore required a great deal of effort to manage.

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 as 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 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

Following its integration into the new Adler Group, ADLER has ceased to pursue an independent financing strategy, but rather is 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. This objective continues to apply at Adler Group level. However, as part of Adler Group, ADLER no longer pursues its own objectives with regard to the balance sheet structure while it continues to strive for a maturity structure in financing 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.

As part of the new Adler Group, ADLER has favourable 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.

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 has substituted EPRA NAV since 2020 in ADLER´s reporting, following corresponding recommendations by EPRA.

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 the few external service providers with which ADLER still cooperates. These indicators include the occupancy rate, the number of contract termination notices received from tenants, the number of new rental agreements, compliance with time schedules for maintenance measures, the availability of property managers and so forth. Should actual figures significantly deviate from the projected figures, then corrective measures are devised and implemented.

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

Other non-financial performance indicators recorded at ADLER are included in the non-financial reporting. These are not used for active management of the company. From 2020, ADLER is part of Adler Group's non-financial reporting, which is made available on the Adler Group's website.

EMPLOYEES

As the group holding company, ADLER has Management Board members but no employees. Operational tasks relating to central administration and portfolio management are performed within the Group by employees of Adler Group who are employed by other group companies and with whom corresponding service contracts exist. These are mainly, but not exclusively, employees of ADLER Real Estate Service GmbH, ADLER Wohnen Service GmbH, ADLER Gebaeude Service GmbH and ADLER Energie Service GmbH. The BCP portfolio is managed by the group company RT Facility Management GmbH. At the end of June 2021, ADLER (incl. BCP) employed a total of 797 full-time and part-time employees in its group companies, fewer than it did at the same date one year earlier. The majority of employees fullfil operating duties.

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 and Group's operating activities.

/// ECONOMIC REPORT

MACROECONOMIC AND SECTOR-SPECIFIC SETTINGS

In the first half of 2021, the German economy performed better than in the previous year when it was strongly affected by corona-related measures. However, the recovery only got underway in the second quarter, because comparable restrictions applied again for a long time in 2021. After a decline of 3.1 percent in the first quarter, growth of 9.2 percent was recorded in the second quarter. All in all, the gross domestic product was still well below the level of 2019.

For the year as a whole, the various research institutions are expecting gross domestic product to grow by three to four percent.

In this environment, the real estate industry has proven resilient and stable. In June 2021. While the inflation rate, as determined by the cost of living index, rose to 2.3 percent again throughout Germany, rents were only 1.4 percent higher than in the previous year showing the same rate of increase as in 2020.

Legal framework

At the end of June 2021, the federal government passed the rent index reform law. Accordingly, cities with more than 50,000 inhabitants are obliged to draw up a rent index in future. In addition, the new law obliges tenants and landlords to provide information about the amount of the rent they charge or pay. Rent indexes serve as a reference to determine local comparative rents.

In addition, at the end of June 2021, the amendment to the Climate Protection Act, which became necessary after the ruling by the Federal Constitutional Court, was passed. It stipulates that the goal of greenhouse gas neutrality shall be achieved as early as 2045, five years ahead of original plans. Accordingly, greenhouse gas emissions are to be reduced not just by 50 percent, but by 65 percent until 2030. The Climate Protection Act is flanked by an emergency program worth EUR eight billion. With this money many activities are to be promoted, such as the decarbonization of industry, climate-friendly mobility, sustainable forest and agriculture as well as energetic building renovation.

In connection with the amendment to the Climate Protection Act, the question of who should bear the CO_2 taxes on the heating energy used in rental apartments was also discussed in the political arena. Several models were discussed, some of which also provided for partial financing by the landlord. A final decision has been postponed to the next legislative period. Until then, tenants will bear the CO_2 taxes alone.

ECONOMIC DEVELOPMENT OF THE GROUP

On 8 January 2021, Adler Group S.A. placed a EUR 1.5 billion fixed-rate senior unsecured bond with institutional investors throughout Europe. The proceeds have been used in particular to repurchase ADLER bonds worth EUR 330 million that would have matured in December 2021.

The debt-to-equity swap agreed in the fourth quarter of 2020 was completed on 23 February 2021. The resulting capital increase was entered in the commercial register.

/// REPORT ON RISKS AND OPPORTUNITIES

ADLER reported in detail on the opportunities and risks involved in its business activities in its 2020 Annual Report. Since then, the risk assessment has changed for the better, as the Berlin rent cap has been declared unconstitutional and the rent reductions initially implemented as a result of the rent cap can be reversed. This will have a minor impact on ADLER, however, as only 4.7 percent of its total real estate portfolio is based in Berlin and only a small proportion of the portfolio was affected by rent reductions.

/// REPORT ON EXPECTED DEVELOPMENTS

ADLER provided detailed guidance for the current 2021 financial year in its 2020 Annual Report. The expectations for the current financial year have not changed materially since then.

ADLER continues to expect a slight decrease in net rental income and FFO I in 2021 due to the portfolio adjustments in the previous year, with net rental income in the range of EUR 225 million to EUR 230 million and FFO I between EUR 70 million and EUR 75 million.

/// REPORT ON EVENTS AFTER THE BALANCE SHEET DATE

The 2016/2021 convertible bond matured on July 19, 2021. Although numerous bonds were exchanged for shares in the run-up to the due date, this did not materially change the ownership structure of ADLER. At the time this report was published, the Adler Group held 96.7 percent of the shares in ADLER.

The Group learned that there are delays of the zoning plan approvals in connection with the already sold Gerresheim project in Duesseldorf (Glasmacherviertel GmbH & Co. KG) due to objections of the Deutsche Bahn AG. In the view of the Group, such objections are relatively common in the process of building a project in the size and scope of Gerresheim. The Group has been holding ongoing discussions with the Duesseldorf Municipality which is continuing to be supportive of the project and has expressed its interest in advancing the receipt of the required zoning approvals. Nevertheless, at the end of August, the Group learned that despite the progress in contacts between the Group and the Duesseldorf municipality, due to the prolongation of the negotiation between the Duesseldorf municipality and the German railway company, a further delay would occur in connection with the zooning plan. To the Group`s estimation and based on the information provided to it by the authorities in Germany, the approval is expected to be received during the first half of 2022. In order to prevent further delays due to the Deutsche Bahn AG objections, the Group is holding discussions with the Duesseldorf municipality on a possibility of dividing the zoning plan.

Following the above the Group has decided to prepare for the cancellation of the transaction. The Group informed the buyer that it desires to operate for the cancellation of the transaction and the buyer clarified that in light of the delays in the zoning plan approvals out of the authorities, it does not intend to object. The legal execution and completion of the cancellation of the transaction is subject among others, to the receipt of different approvals, including regulatory approvals, approval of the financing entities, tax authorities, etc. and is expected to take place in the third or fourth quarter of 2021.

No further events with the potential to significantly influence the result of operations, net assets or financial position of ADLER occurred between the end of the reporting period and the time this report was published. The company's business performance up to the reporting date confirms the statements made in its report on expected developments.

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

RESULTS FROM OPERATIONS

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	6M 2021	6M 2020
Gross rental income	167.9	179.7
– of which net rental income	112.7	119.6
Expenses from property lettings	-68.6	-74.4
Earnings from property lettings	**99.3**	**105.3**
Income from the sale of properties	121.7	457.4
Expenses from the sale of properties	-121.0	-447.8
Earnings from the sale of properties	**0.7**	**9.6**
Personnel expenses	-21.1	-22.6
Other operating income	2.6	5.5
Other operating expenses	-21.3	-44.9
Income from fair value adjustments of investment properties	204.3	120.5
Depreciation and amortisation	-2.4	-2.8
Earnings before interest and taxes (EBIT)	**262.2**	**170.6**
Financial result	-55.4	-24.5
Net income from at-equity valued investment associates	-0.3	0.6
Earnings before taxes (EBT)	**206.5**	**146.7**
Income taxes	-56.9	-57.3
Net consolidated result from continuing operation	**149.6**	**89.4**
Earnings after tax from discontinued operation[1)]	0.0	-499.5
Net consolidated result	**149.6**	**-410.1**

[1)] Consolidated net income from the discontinued operation, see the notes chapter "Earnings after taxes from discontinued operations"

Earnings from property lettings decreased due to fewer property holdings

In the first half of 2021, gross rental income amounted to EUR 167.9 million. This was 6.6 percent lower than in the previous year (H1 2020: EUR 179.7 million). Net rental income was down 5.8 percent year-on-year at EUR 112.7 million (H1 2020: EUR 119.6 million). The decline in gross rental income and net rental income is mainly attributable to the fact that the disposals of non-core sub-portfolios in the second half of last year resulted in a reduction of nearly 9 percent in the overall portfolio.

A positive effect on gross and net rental income resulted from the fact that operating performance continued to improve compared with the same period of the previous year. At the end of the reporting period, the average contractually agreed rent per square metre per month amounted to EUR 6.08, EUR 0.42 higher than the figure for the same period of the previous year (30 June 2020: EUR 5.66). The vacancy rate was 5.9 percent at the end of the first half of 2021, down by 0.7 percentage points compared to the figure twelve months ago.

Expenses from property lettings declined too amounting to EUR 68.6 million and were thus 7.8 percent lower than the comparable expenses of the previous year (H1 2020: EUR 74.4 million). In total, earnings from property lettings decreased slightly in the first half of 2021 compared with the same period of the previous year, reaching EUR 99.3 million (H1 2020: EUR 105.3 million).

Low earnings from the sale of properties

In the first half of 2021, 1,605 residential units were transferred for which the sales and purchase agreement had already been signed in the previous year. Also, some commercial properties of subsidiary BCP were sold resulting in income from the sale of properties of EUR 0.7 million in total.

Good income from fair value adjustments of investment properties

Fair value valuations of investment properties resulted in income of EUR 204.3 million in the first half of 2021. Again, the covid 19 pandemic did not have any effect on the residential portfolio. An income of EUR 120.5 million was reported in the same period of the previous year which included covid 19 related fair value adjustments in the commercial portfolio of BCP. The fair value adjustments reflect the improved operating performance as well as the ongoing positive market developments and the positive impact of the Federal Constitutional Court's ruling on the Berlin rent cap too.

Overall decrease in expenses

Expense items were down overall in the first half of 2021. Personnel expenses decreased slightly to EUR 21.1 million (H1 2020: EUR 22.6 million), as one-off expenses associated with the reduction in staff following the disposal of the sub-portfolios had to be borne in the first quarter. Other operating expenses, on the other hand, halved to EUR 21.3 million (H1 2020: EUR 44.9 million). The decrease can largely be explained by the fact that significant one-off expenses were incurred in the previous year for legal and advisory services during the acquisition of ADO Group and the subsequent takeover offer from Adler Group.

EBIT well above previous year

After taking into account all non-financial expenses, earnings before interest and taxes (EBIT) for the first half of 2021 came to EUR 262.2 million. The year-on-year increase (H1 2020: EUR 170.6 million) is mainly attributable to the significantly higher income from fair value adjustments of investment properties and the decrease in other operating expenses.

Financial result slightly below previous year

At minus EUR 55.4 million, the financial result for the first half of 2021 was worse than the figure for the same period of the previous year (H1 2020: minus EUR 24.5 million). Among other factors, this reflects the fact that, in the first quarter of 2021, prepayment penalties had to be paid in the course of refinancing measures while in the previous year comparatively high one-off financial income was generated from the subsequent valuation of the remaining shares in the Adler Group. Current financial expenses from the handling of bank loans and bonds, on the other hand, continued to decline.

EBT improved

Earnings before taxes (EBT) came to EUR 206.5 million in the first half of 2021, whereas the figure was EUR 146.7 million in the first six months of 2020. Income tax expenses amounted to EUR 56.9 million in the first half of 2021 (H1 2020: EUR 57.3 million). The majority of these income tax expenses can be attributed to deferred taxes and are not recognised as cash.

Consolidated net profit from continuing operation totalled EUR 149.6 million in the first six months of 2021 (H1 2020: EUR 89.4 million), of which EUR 120.6 million were attributable to shareholders in the parent company (H1 2020: EUR 68.4 million).

Segment reporting

In its segment reporting, ADLER distinguishes between "Rental" and "Other" segments. 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, 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 Facility Management. To a limited extent, the segment also comprises commercial properties of BCP and project developments held for sale that are intended to be sold to third parties and are thus not intended to be transferred to the rental portfolio after completion.

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.

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

ADLER Group	Rental		Other		Group	
In EUR millions	**6M 2021**	**6M 2020**	**6M 2021**	**6M 2020**	**6M 2021**	**6M 2020**
Gross rental income and income from the sale of properties	289.6	637.0	0.1	0.1	289.7	637.1
– of which gross rental income	167.8	179.6	0.1	0.1	167.9	179.7
– of which income from sales	121.7	457.4	0.0	0.0	121.7	457.4
Change in the value of investment property	204.3	120.5	0.0	0.0	204.3	120.5
Earnings before interest and taxes (EBIT)	**262.2**	**170.6**	**0.0**	**0.0**	**262.2**	**170.6**
Net income from at-equity-valued investment associates	-0.3	0.6	0.0	0.0	-0.3	0.6
Financial result	**-55.5**	**-24.6**	**0.1**	**0.1**	**-55.4**	**-24.5**
Earnings before taxes (EBT)	**206.5**	**146.6**	**0.0**	**0.1**	**206.5**	**146.7**

Funds from operations (FFO I) stable

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 I 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 I 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		6M 2021	6M 2020
Consolidated net profit		**149.6**	**-410.1**
of which from continuing operations		149.6	89.5
+	Financial result	55.4	46.0
	of which from continuing operations	55.4	24.5
+	Income taxes	56.9	55.6
	of which from continuing operations	56.9	57.3
+	Depreciation and amortisation	2.4	3.2
	of which from continuing operations	2.4	2.8
–	Income from measurement of investment properties	204.3	120.5
	of which from continuing operations	204.3	120.5
–	Net income from at-equity-valued investment associates	-0.3	0.6
	of which from continuing operations	-0.3	0.6
EBITDA IFRS (continuing and discontinued operations)		**60.3**	**-426.5**
+/–	Non-recurring and extraordinary items	11.5	530.2
Adjusted EBITDA		**71.8**	**103.7**
–	Interest expense FFO	28.1	30.2
–	Current income taxes	1.8	2.8
+	Preservation capex	0.7	1.9
–	Earnings before interest and taxes from the sale of properties, discontinued operations and minority interests	4.5	31.1
FFO I		**38.1**	**41.5**
Number of shares (basic)[1)]		109,067,258	70,771,206
FFO I per share (basic)		0.35	0.59
Number of shares (diluted)[2)]		116,589,914	78,879,195
FFO I per share (diluted)		0.33	0.52

[1)] 109,067,258 shares as at balance sheet date (previous year: 70,771,206)
[2)] Plus 7,522,656 shares from assumed conversion of convertible bonds with entitlement to conversion (previous year: 9,107,989)

Non-recurring and extraordinary items are structured as follows:

Non-recurring and extraordinary items In EUR millions	6M 2021	6M 2020
Non-cash income/expenses and one-off payments	11.2	30.1
Costs of acquisition/integration/sale	0.1	499.6
Optimisation of business model, structuring	0.2	0.5
Total of non-recurring and extraordinary items	**11.5**	**530.2**

The FFO I interest charge is derived as follows:

Interest expense FFO I In EUR millions	6M 2021	6M 2020
Interest income	10.2	76.3
Interest expenses	-65.6	-122.3
Total interest income (continued and discontinued operations)	**-55.4**	**-46.0**
Adjustments		
Prepayment compensation and provision costs	6.6	7.7
Effects of measurement of primary financial instruments	6.1	21.8
Other adjustments	14.6	-13.7
Interest expenses FFO I	**-28.1**	**-30.2**

Calculated this way, FFO I for the first half of 2021 amounted to EUR 38.1 million. Calculated on an undiluted basis, FFO I per share was EUR 0.35 as at 30 June 2021. On a diluted basis (shares issued plus shares from the assumed conversion of outstanding convertible bonds), FFO I per share was EUR 0.33. Due to the substantial increase in capital stock in the interim, this was significantly lower than a year earlier.

NET ASSETS

In EUR millions	30.06.2021	as percentage of total assets	31.12.2020	as percentage of total assets
Non-current assets	**5,844.8**	**91.4**	**5,578.4**	**88.7**
– of which investments properties	5,218.8	81.6	4,951.8	78.7
Current assets	**540.5**	**8.4**	**601.1**	**9.6**
– of which inventories	61.0	1.0	68.3	1.1
– of which cash and cash equivalents investments	189.2	3.0	149.9	2.4
Non-current assets held for sale	**11.4**	**0.2**	**112.8**	**1.7**
Assets	**6,396.7**	**100.0**	**6,292.3**	**100.0**
Equity	**2,207.6**	**34.5**	**1,580.8**	**25.1**
– of which capital stock	109.1	1.7	73.7	1.2
– of which capital reserve	728.5	11.4	280.2	4.5
– of which net retained profit	881.7	13.8	761.1	12.1
– of which non-controlling interests	488.3	7.6	465.8	7.4
Contributions made to carry out geh capital increase decided	**0.0**	**0.0**	**478.2**	**7.6**
Non-current liabilities	**3,340.6**	**52.2**	**3,073.3**	**48.8**
– of which liabilities from bonds	1,154.3	18.0	1,549.0	24.6
– of which financial liabilities to banks	1,488.6	23.3	1,039.2	16.5
Current liabilities	**848.5**	**13.3**	**1,132.8**	**18.0**
– of which liabilities from convertible bonds	95.4	1.5	97.4	1.5
– of which liabilities from bonds	587.2	9.2	530.3	8.4
– of which financial liabilities to banks	81.8	1.3	367.3	5.8
Liabilities held for sale	**0.0**	**0.0**	**27.2**	**0.5**
Equity and liabilities	**6,396.7**	**100.0**	**6,292.3**	**100.0**

As at the reporting date of 30 June 2021, ADLER had net assets totalling EUR 6,396.7 million, 1.7 percent more than at the end of the previous year (EUR 6,292.3 million).

Slight rise in investment properties

The value of investment properties – the largest single item on the assets side of the balance sheet – was reported to be EUR 5,218.8 million at the end of the first half of 2021. At the start of the year, the figure was EUR 4,951.8 million. The increase is mainly attributable to capitalised renovation and modernisation measures as well as positive market valuations.

Current assets amounted to EUR 540.5 million as at the balance sheet date. The decrease compared with the start of the year is mainly due to a payments received for other current assets.

Sharp increase in shareholders' equity, increase in equity ratio

Shareholders' equity amounted to EUR 2,207.6 million at the end of June 2021. The increase compared with the end of the previous year (EUR 1,580.8 million) is mainly attributable to the debt-to-equity swap that has now been concluded. As a result, the equity ratio increased by 9.4 percentage points to 34.5 percent.

Slight decrease in liabilities

Liabilities decreased slightly in the first half of 2021 with the term structure of liabilities changing in favour of non-current liabilities. Nearly EUR 200 million were raised for the energy-efficient renovation of the residential complexes in Goettingen and Wolfsburg. EUR 330 million of the outstanding 2011/2021 bond which formerly registered under current liabilities were partly refinanced through a non-current loan by the mother company. In addition, EUR 300 million of current bank liabilities were refinanced through non-current liabilities.

Adjusted net financial liabilities amounted to EUR 2,827.1 million after the first six months of 2021, compared with EUR 2,727.6 million at the end of 2020.

Loan to value (LTV) improved

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 50.7 percent at the end of the first half of 2021, 0.5 percentage points lower than at the end of 2020.

	In EUR millions	**30.06.2021**	**31.12.2020**
Convertible bonds		95.4	97.4
+	Bonds	1,741.5	2,079.3
+	Financial liabilities to banks	1,570.4	1,406.5
+	Financial liabilities to affiliated companies	174.9	22.6
–	Cash and cash equivalents	189.2	149.9
=	**Net financial liabilities**	**3,393.0**	**3,455.9**
–	Non-current assets held for sale and purchase price receivables, financial instruments minus liabilities associated with assets held for sale[1)]	565.9	728.3
=	**Adjusted net financial liabilities**	**2,827.1**	**2,727.6**
Investment properties		5,218.8	4,951.8
+	Inventories	61.0	68.3
+	Property, plant and equipment for property management	16.5	16.4
+	Shares in real estate companies	94.7	99.7
=	**Gross asset value**	**5,391.0**	**5,136.2**
LTV including convertible bonds in %		52.4	53.1
LTV excluding convertible bonds in %		50.7	51.2

[1)] Purchase price receivables including interest from the sale of ACCENTRO amounted to EUR 60.4 million (previous year: EUR 59.1 million); non-current assets held for sale amounted to EUR 11.4 million (previous year: EUR 112.8 million); equity instruments measured at fair value amounted to EUR 21.7 million (previous year: EUR 21.7 million) and debt instruments amounted to EUR 87.9 million (previous year: EUR 102.1 million); receivables/loans/loans to real estate companies amounted to EUR 384.5 million (previous year: EUR 459.8 million) and liabilities held for sale amounted to EUR 0 million (previous year: EUR 27.3 million)

The average cost of debt for all the ADLER Group's liabilities (WACD = weighted average cost of debt) continued to improve in the first half of the year, amounting to 1.89 percent as at 30 June 2021 (31 December 2020: 1.94 percent).

Increase in net reinstatement value (EPRA NRV)

The net reinstatement value (EPRA NRV), adjusted for goodwill and fully diluted, which is calculated in accordance with the guidelines issued by the European Public Real Estate Association (EPRA), reached EUR 2,506.1 million as at 30 June 2021. It thus increased by 7.8 percent compared with the figure at the end of 2020 (EUR 2,324.2 million).

Based on the total number of existing shares in circulation at the balance sheet date less treasury shares, diluted and adjusted EPRA NRV per share amounted to EUR 21.50 as at 30 June 2021 (31 December 2020: EUR 19.93).

In EUR millions	**30.06.2021**	**31.12.2020**
Equity	**2,207.6**	**1,580.8**
Non-controlling interests	-488.3	-465.8
Equity attributable to ADLER shareholders	**1,719.3**	**1,115.0**
Effect resulting from conversion of convertibles	94.4	96.2
Diluted equity of ADLER shareholders	**1,813.7**	**1,211.2**
Deferred tax liabilities on investment properties	562.3	519.2
Diff. between fair values and carrying amounts of inventory properties	0.0	0.2
RETT on investment properties	297.9	282.7
Fair value of derivative financial instruments	2.3	3.1
Deferred taxes for derivative financial instruments	-0.7	-0.9
EPRA NRV (diluted)	**2,675.5**	**2,015.5**
Goodwill - synergies	-169.4	-169.4
Resolved capital increase	0.0	478.2[1]
Adjusted EPRA NRV (diluted)	**2,506.1**	**2,324.2**
Number of shares, diluted [2]	116,589,914	116,589,916
EPRA NRV per share (diluted) in EUR	**22.95**	**24.73**
Adjusted EPRA NRV per share (diluted) in EUR	**21.50**	**19.93**

[1] With the approval of the Supervisory Board, the Executive Board of ADLER had resolved on October 2, 2020 to exercise the authorized capital in the amount of EUR 35,107 thousand within the scope of a debt-equity swap announced by the Company on August 30, 2020 and to increase the Company's share capital entered in the commercial register accordingly. The necessary non-cash capital increase in the amount of EUR 478,163k was entered in the commercial register on February 23, 2021

[2] 109,067,258 shares as at balance sheet date (previous year: 73,658,680) plus assumed conversion of 7,522,656 outstanding convertibles entitled to be converted (previous year: 7,823,747) and plus the 0 shares newly created by the capital increase through contributions in kind (previous year: 35,107,489).

FINANCIAL POSITION

In EUR millions	6M 2021	6M 2020
Cash flow from operating activities	52.3	55.4
– of which from continuing operations	52.3	50.3
Cash flow from investing activities	63.9	-252.5
– of which from continuing operations	63.9	-126.4
Cash flow from financing activities	-76.1	166.2
– of which from continuing operations	-76.1	19.0
Change in cash and cash equivalents due to changes in scope of consolidation	0.0	-413.7
Non-cash effective change in cash and cash equivalents from impairment losses	-0.7	-0.7
Non-cash effective change in cash and cash equivalents from currency translation	0.0	-7.9
Cash and cash equivalents at beginning of period	149.9	625.0
Cash and cash equivalents at end of period	189.2	171.7

Cash flow from operating activities amounted to EUR 52.3 million in the first half of 2021. In the same period of the previous year EUR 50.3 million were generated from continuing operations. In the reporting period, cash flow from operating activities was impacted primarily by construction costs in connection with project developments intended for sale. In the first half of the previous year, extensive one-off expenses were incurred for legal and advisory services in connection with Adler Group's takeover offer for ADLER and the merger of the two companies.

Investing activities resulted in a cash inflow of EUR 63.9 million in the first half of 2021, which was due primarily to purchase price payments for the disposal of portfolio properties and property companies and to repayments of short-term cash investments. This was partly offset by investments in the real estate portfolio.

Financing activities resulted in a cash outflow of EUR 76.1 million in the first half of 2021, which was marked by the partial redemption of the corporate bond (2017/2021), the redemption of loans in the course of refinancing, scheduled interest and principal payments, and the repayment of short-term loans to Adler Group. This was offset by the disbursement of bank loans for refinancing purposes and the raising of a loan from Adler Group.

As at 30 June 2021, the ADLER Group had cash and cash equivalents of EUR 189.2 million (31 December 2020: EUR 149.9 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 after the business combination with Adler Group, 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.

/// GROUP INTERIM FINANCIAL STATEMENT AS AT 30 JUNE 2021

/// CONSOLIDATED BALANCE SHEET

(IFRS) as at 30 June 2021

In EUR ´000	30.06.2021	31.12.2020
Assets	**6,396,656**	**6,292,313**
Non-current assets	**5,844,783**	**5,578,424**
Goodwill	169,439	169,439
Intangible assets	375	485
Property, plant and equipment	20,771	22,276
Investment properties	5,218,775	4,951,790
Receivables from and Loans to associated companies	108,767	103,270
Investments in associated companies	63,322	63,585
Other financial investments	125,902	131,832
Other non-current assets	136,598	135,185
Deferred tax assets	833	563
Current assets	**540,514**	**601,097**
Inventories	60,951	68,257
Trade receivables	28,845	23,669
Receivables from affiliated companies	1,452	548
Income tax receivables	4,546	4,165
Other current assets	255,553	354,602
Cash and cash equivalents	189,167	149,857
Non-current assets held for sale	**11,359**	**112,791**

In EUR ´000	30.06.2021	31.12.2020
Equity and liabilities	**6,396,656**	**6,292,313**
Shareholders' equity	**2,207,552**	**1,580,770**
Capital stock	109,067	73,659
Capital reserve	776,916	331,696
Retained earnings	-48,744	-48,383
Currency translation reserve	308	-3,077
Net retained profit	881,744	761,112
Equity attributable to owners of the parent company	1,719,291	1,115,007
Non-controlling interests	488,261	465,763
Contributions made to carry out the capital increase decided	**0**	**478,164**
Non-current liabilities	**3,340,601**	**3,073,299**
Pension provisions	1,131	1,131
Deferred tax liabilities	502,443	459,478
Other provisions	3,026	3,026
Liabilities from bonds	1,154,333	1,548,970
Financial liabilities to banks	1,488,556	1,039,179
Financial liabilities to affiliated companies	173,715	0
Other non-current liabilities	17,397	21,514
Current liabilities	**848,491**	**1,132,809**
Other provisions	468	282
Income tax liabilities	27,980	35,013
Liabilities from convertible bonds	95,417	97,384
Liabilities from bonds	587,168	530,340
Financial liabilities to banks	81,823	367,339
Financial liabilities to affiliated companies	1,134	22,551
Trade payables	25,669	32,246
Other current liabilities	28,833	47,654
Liabilities held for sale	**12**	**27,271**

/// CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(IFRS) for the period from 1 January to 30 June 2021

In EUR '000	6M 2021	6M 2020	Q2 2021	Q2 2020
Gross rental income	167,924	179,685	84,354	89,257
Expenses from property lettings	-68,556	-74,398	-35,025	-33,907
Earnings from property lettings	**99,368**	**105,287**	**49,329**	**55,350**
Income from the sale of properties	121,769	457,436	93,274	65,681
Expenses from the sale of properties	-121,037	-447,794	-92,526	-58,283
Earnings from the sale of properties	**733**	**9,642**	**748**	**7,398**
Personnel expenses	-21,113	-22,626	-9,625	-11,599
Other operating income	2,630	5,504	1,527	3,943
Other operating expenses	-21,343	-44,856	-10,548	-22,880
Income from fair value adjustments of investment properties	204,287	120,498	115,930	130,832
Depreciation and amortisation	-2,356	-2,839	-1,128	-1,204
Earnings before interest and tax (EBIT)	**262,206**	**170,610**	**146,234**	**161,838**
Financial income	10,238	74,242	3,588	40,664
Financial costs	-65,647	-98,821	-32,115	-40,677
Net income from at-equity-valued investment associates	-262	635	-262	364
Earnings before tax (EBT)	**206,536**	**146,666**	**117,446**	**162,189**
Income taxes	-56,942	-57,250	-31,674	-48,244
Consolidated net profit from continuing operations	**149,594**	**89,417**	**85,772**	**113,946**
Earnings after taxes of discontinued operations	0	-499,527	0	-497,527
Consolidated net profit	**149,594**	**-410,110**	**85,772**	**-383,581**
Actuarial gains/losses before taxes	0	0	0	0
Deferred taxes on actuarial gains/losses	0	0	0	0
OCI gains/losses not reclassifiable into profit or loss	**0**	**0**	**0**	**0**
Gains/losses from currency translation	3,384	1,566	2,230	350
Change in value of financial assets measured at fair value	-367	1,304	-245	4,852
OCI gains/losses reclassifiable into profit or loss	**3,017**	**2,870**	**1,984**	**5,202**
Total comprehensive income from continuing operations	**152,611**	**92,287**	**87,756**	**119,148**
Total comprehensive income of discontinued operations	0	-572,347	0	-497,672
Total comprehensive income	**152,611**	**-480,060**	**87,756**	**-378,524**

In EUR '000	6M 2021	6M 2020	Q2 2021	Q2 2020
Carry-over total comprehensive income	**152,611**	**-480,060**	**87,756**	**-378,524**
Net profit from continuing operations:				
Owners of the parent company	120,633	68,364	71,786	89,838
Non-controlling interests	28,962	21,052	13,985	24,107
Consolidated net profit attributable to:				
Owners of the parent company	120,633	-429,403	71,786	-407,688
Non-controlling interests	28,962	19,293	13,985	24,107
Total comprehensive income from continuing operations:				
Owners of the parent company	123,649	71,236	73,771	95,041
Non-controlling interests	28,962	21,052	13,985	24,107
Total comprehensive income attributable to:				
Owners of the parent company	123,649	-450,746	73,771	-402,536
Non-controlling interests	28,962	-29,314	13,985	24,012
Earnings per share, basic in EUR (consolidated net profit from continuing operations)	1.22	0.99	0.73	1.30
Earnings per share, diluted in EUR (consolidated net profit from continuing operations)	1.16	0.91	0.69	1.17
Earnings per share, basic in EUR (consolidated net profit)	1.22	-6.23	0.73	-5.92
Earnings per share, diluted in EUR (consolidated net profit)	1.16	-5.47	0.69	-5.21

/// CONSOLIDATED STATEMENT OF CASH FLOWS

(IFRS) for the period from 1 January to 30 June 2021

	In EUR '000	6M 2021	6M 2020
	Earnings before interest and taxes (EBIT) – continuing and discontinued operations	262,206	-309,217
+	Depreciation and amortisation	2,356	3,215
–/+	Net income from fair value adjustments of investment properties	-204,287	-120,498
–/+	Non-cash income/expenses	759	505,959
–/+	Changes in provisions and accrued liabilities	186	339
–/+	Increase/decrease in inventories, trade receivables and other assets not attributable to investment or financing activities	-27,351	-46,890
–/+	Decrease/increase in trade payables and other liabilities not attributable to investment or financing activities	17,253	17,392
+	Interest received	1,324	624
+/–	Tax payments	-7,492	-761
=	**Operating cash flow before dis-/reinvestment into the trading portfolio**	**44,954**	**50,163**
–/+	Increase/decrease in inventories (commercial properties)	7,307	5,232
=	**Net cash flow from operating activities**	**52,261**	**55,395**
	of which continuing operations	52,261	50,295
	of which discontinued operations	0	5,100
–	Acquisition of subsidiaries, net of cash acquired	0	-14,235
–	Purchase of investment properties	-96,497	-135,736
+	Disposal of investment properties	158,792	84,741
–	Purchase of property, plant and equipment and intangible assets	-667	-1,658
+	Disposal of property, plant and equipment and intangible assets	319	0
–	Payments into short-term deposits	0	-13,265
+	Proceeds from short-term deposits	23,571	12,115
+	Proceeds from disinvestment of financial assets	0	1,574
–	Investments in financial assets	-6,305	-186,059
–	Tax payments	-15,360	0
=	**Net cash flows from investing activities**	**63,853**	**-252,523**
	of which continuing operations	63,853	-126,417
	of which discontinued operations	0	-126,106
–	Costs of issuing equity	0	-4,065
–	Transactions with non-controlling interests	0	42,926
–	Repayment of bonds	-329,580	-316,099

	In EUR '000	6M 2021	6M 2020
–	Interest payments	-51,128	-54,562
+	Proceeds from bank loans	421,345	446,907
–	Repayment of bank loans	-262,183	-1,062,898
–	Repayment of leasing liabilities	-1,255	-1,562
–	Payment of interest portion of leasing liabilities	-410	-664
+	Proceeds from borrowings of loans and advances from affiliated companies	366,816	1,116,205
–	Repayment of borrowing of loans and advances to affiliated companies	-219,689	0
=	**Net cash flows from financing activities**	**-76,084**	**166,188**
	of which from continuing operations	-76,084	19,018
	of which from discontinued operations	0	147,170
	Reconciliation to Consolidated Balance Sheet		
	Cash and cash equivalents at beginning of periods	**149,857**	**624,973**
	Non-cash changes in cash and cash equivalents from impairment losses	-720	-722
	Non-cash changes in cash and cash equivalents from currency translation	0	-7,886
	Changes in cash and cash equivalents due to changes in the scope of consolidation	0	-413,722
	Net cash flow from operating activities	52,261	55,395
	Net cash flow from investing activities	63,853	-252,523
	Net cash flow from financing activities	-76,084	166,188
=	**Cash and cash equivalents at end of periods**	**189,167**	**171,703**
	of which from continuing operations	189,167	171,703
	of which discontinued operations	0	0

/// CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(IFRS) for the period from 1 January to 30 June 2021

In EUR '000	Capital stock	Treasury Shares	Capital reserves
As at 1 January 2020	**71,064**	**-1,603**	**309,337**
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	-6,419
Change in scope of consolidation	0	0	0
Conversion of convertible bonds	1,310	0	13,748
As at 30 June 2020	**72,374**	**-1,603**	**316,666**
As at 1 January 2021	**73,659**	**0**	**331,696**
Consolidated net profit	0	0	0
Other comprehensive income (OCI) – reclassifiable	0	0	0
Other comprehensive income (OCI) – non-reclassifiable	0	0	0
Capital increase in kind	35,107	0	443,056
Increase/decrease in shareholding with no change in status	0	0	-1,271
Change in scope of consolidation	0	0	0
Transfer to reserves	0	0	0
Conversion of convertible bonds	301	0	3,435
As at 30 June 2021	**109,067**	**0**	**776,916**

Retained earnings	Currency translation reserves	Net retained profit	Equity attributable to the owners of the parent company	Non-controlling inerests	Total equity
-26,438	**0**	**1,093,506**	**1,445,865**	**2,101,992**	**3,547,857**
0	0	-429,403	-429,403	19,293	-410,110
1,305	1,566	0	2,871	0	2,871
-24,213	0	0	-24,213	-48,510	-72,723
0	0	0	-6,419	-1,707,841	-1,714,260
0	0	0	0	0	0
0	0	0	15,058	0	15,058
-49,346	**1,566**	**664,102**	**1,003,759**	**364,934**	**1,368,693**
-48,383	**-3,077**	**761,112**	**1,115,007**	**465,763**	**1,580,770**
0	0	120,633	120,633	28,962	149,594
-367	3,385	0	3,017	0	3,017
0	0	0	0	0	0
0	0	0	478,163	0	478,163
0	0	0	-1,271	-5,543	-6,814
6	0	0	6	-920	-914
0	0	0	0	0	0
0	0	0	3,736	0	3,736
-48,744	**308**	**881,744**	**1,719,291**	**488,261**	**2,207,552**

/// SELECTED NOTES ON THE GROUP INTERIM FINANCIAL STATEMENTS AS AT 30 JUNE 2021

/// SELECTED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (IFRS) AS AT 30 JUNE 2021

GENERAL INFORMATION

ADLER Real Estate Aktiengesellschaft (hereinafter 'ADLER') is the parent company of the Group and has its legal domicile at Am Karlsbad 11, 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 30 June 2021 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 cash flow statement, the consolidated statement of changes in equity 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. Given the crisis triggered by the COVID-19 pandemic, ADLER does not currently expect its business model to have any significant impact on its operations or business performance.

Effective as at 10 December 2019, ADLER obtained control over ADO Group Ltd, Tel Aviv, Israel (ADO Group) and thereby Adler Group S.A., Senningerberg, Luxembourg (Adler Group) as well. They were included in the consolidation as at 31 December 2019 on the grounds of simplicity and materiality. Since ADLER lost its controlling influence over Adler Group again on 9 April 2020 following the completion of the successful takeover bid by Adler Group, the assets and liabilities of Adler Group, which were reported under non-current assets and liabilities held for sale until the balance sheet date of 31 March 2020 in accordance with IFRS 5 (discontinued operations), were disposed of at the beginning of the second quarter of 2020.

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 refer to the previous year.

Further information about the accounting policies can be found in the consolidated financial statements as at 31 December 2020, which form the basis for these interim consolidated financial statements.

Accounting standards applicable for the first time in the 2021 financial year

The Group applied the following new and revised IFRS standards and interpretations in the 2021 financial year:

Standard/Interpretation	Title	IASB Effective Date[1)]	Initial application date in the EU[1)]
Interest Rate Benchmark Reform (Phase 2)	Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	1 January 2021	1 January 2021
Amend. IFRS 4	Extension of the Temporary Exemption from Applying IFRS 9	1 January 2021	1 January 2023

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

The aforementioned other standards and amendments are not expected to have any material implications.

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 2020 Annual Report.

SCOPE OF CONSOLIDATION AND BUSINESS COMBINATIONS

Including the parent company, the scope of consolidation includes a total of 223 companies (31 December 2020: 226) that are fully consolidated and five companies that are recognised at equity (as at 31 December 2020: five).

Assets of EUR 12,784,000 and liabilities of EUR 11,748,000 of TPL Erlangen S.à r.l. were disposed of as part of a share deal due to the loss of controlling influence with effect from 28 February 2021.

Magnus Achte Immobilienbesitz und Verwaltungs GmbH was disposed of on 1 April 2021 as part of a share deal after the loss of control. Based on the preliminary purchase price, the disposal of the company resulted in a deconsolidation loss of TEUR 334, which is reported under other operating expenses. For information on the disposal of assets and liabilities, please refer to the chapter „Non-current assets held for sale“.

Following the departure of a shareholder, MBG Dallwo GmbH & Co. KG merged in the second Quarter 2021 with the remaining shareholder in the consolidated group. This did not affect the Group's net assets, financial position and results of operations.

SEGMENT REPORTING

Until its deconsolidation at the beginning of the second quarter of 2020, the acquisition of Adler Group in December 2019 was presented as a discontinued operation according to IFRS 5 and was therefore not included in the segment reporting.

The 'Rental' segment includes all ADLER's portfolios that ADLER Real Estate AG holds with the aim of generating long-term gross rental income through letting. 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 process of being sold off 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 2021 to 30 June 2021 and for the previous year's comparative period are broken down as follows:

ADLER Group In EUR ´000 - 6 months	Rental		Other		Group	
	2021	2020	2021	2020	2021	2020
Gross rental income and income from the sale of properties	289,600	637,024	93	97	289,693	637,121
– of which gross rental income	167,831	179,588	93	97	167,924	179,685
– of which income from sales	121,769	457,436	0	0	121,769	457,436
Change in the value of investment property	204,287	120,498	0	0	204,287	120,498
Earnings before interest and taxes (EBIT)	**262,240**	**170,610**	**-34**	**0**	**262,206**	**170,610**
Net income from at-equity-valued investment associates	-262	635	0	0	-262	635
Financial result	**-55,468**	**-24,629**	**59**	**51**	**-55,409**	**-24,578**
Earnings before taxes (EBT)	**206,509**	**146,615**	**27**	**51**	**206,536**	**146,666**

Income and EBIT for the period from 1 April 2021 to 30 June 2021 and for the previous year's comparative period are broken down as follows:

ADLER Group In EUR ´000 - 3 months/Q2	Rental		Other		Group	
	2021	2020	2021	2020	2021	2020
Gross rental income and income from the sale of properties	177,582	154,892	46	46	177,628	154,938
– of which gross rental income	84,308	89,211	46	46	84,354	89,257
– of which income from sales	93,274	65,681	0	0	93,274	65,681
Change in the value of investment property	115,930	130,832	0	0	115,930	130,832
Earnings before interest and taxes (EBIT)	**146,264**	**161,836**	**-30**	**2**	**146,234**	**161,838**
Net income from at-equity-valued investment associates	-262	364	0	0	-262	364
Financial result	**-28,556**	**-37**	**29**	**24**	**-28,527**	**-13**
Earnings before taxes (EBT)	**117,444**	**162,163**	**2**	**26**	**117,446**	**162,189**

Segment assets, segment liabilities and segment investments were structured as follows as at 30 June 2021:

ADLER Group In EUR ´000 at 30.06.2021	Rental 2021	Other 2021	Consolidation 2021	Group 2021
Assets per segment	6,333,319	4,697	-4,682	6,333,334
Result of investments accounted for using the equity method	63,322	0	0	63,322
Total segment assets	**6,396,641**	**4,697**	**-4,682**	**6,396,656**
Segment liabilities	**4,189,042**	**4,744**	**-4,682**	**4,189,104**
Segment investments	**76,123**	**0**	**0**	**76,123**

Segment assets, segment liabilities and segment investments were structured as follows as at 31 December 2020:

ADLER Group In EUR ´000 at 31.12.2020	Rental 2020	Other 2020	Consolidation 2020	Group 2020
Assets per segment	6,228,687	4,579	-4,538	6,228,728
Result of investments accounted for using the equity method	63,585	0	0	63,585
Total segment assets	**6,292,272**	**4,579**	**-4,538**	**6,292,313**
Non-current assets held for sale Adler Group	-	-	-	0
Segment liabilities	**4,233,297**	**4,620**	**-4,538**	**4,233,379**
Non-current liabilities held for sale Adler Group	-	-	-	0
Segment investments	**222,089**	**0**	**0**	**222,089**

SELECTED NOTES ON THE CONSOLIDATED BALANCE SHEET

Goodwill

In light of the coronavirus crisis, ADLER whether there were signs of impairment and hence whether an impairment test required under IAS 36 should be carried out. Due to its business model, ADLER does not expect any significant effects on its business activities or performance, either at this time or currently, and has therefore not adjusted its company planning in this regard. Nevertheless, the weighted average cost of capital has risen considerably since the last scheduled impairment test. WACC before taxes increased to around 4.0 percent as at 30 June 2021 (31 December 2020: 3.6 percent). However, even taking into consideration this increased WACC figure, the impairment test in the fourth quarter of 2020 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 30 June 2021.

Investment properties

The carrying amount of investment properties amounted to EUR 5,218,775k as at the balance sheet date (31 December 2020: EUR 4,951,790k). The additions in the first half year of EUR 26,954k result from investments in project development properties under construction, with EUR 49,169k from modernisation measures that can be capitalised and with EUR 210,095k from positive valuation effects relating to residential properties. On the other hand, disposals caused subtractions of EUR 13.425k due to IFRS 5 and other reclassifications and EUR 5,808k due to commercial properties suffering negative valuations.

The negative valuation effects result from value adjustments to BCP’s remaining commercial properties in the first half of 2021 because they were impaired by the measures to contain the coronavirus. With regard to the valuation of residential properties, however, no significant effects can be identified in this regard at present.

Receivables and loans to associated companies

The carrying amount of receivables from and loans to associated companies amounted to EUR 108,767k as at the balance sheet date (31 December 2020: EUR 103,270k).

On 27 December 2018, ADLER 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. The properties were worth approximately EUR 117,700k. Control over the rental units was already 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 of 30 June 2021, ADLER recognises receivables from AB Immobilien B.V. of EUR 32,036k (31 December 2020: EUR 32,494k), taking into account default risks..

As part of the transitional consolidation of Glasmacherviertel GmbH & Co. KG, an interest-bearing loan receivable from the associated company was recognised, taking into account default risks. As of 30 June 2021, ADLER reported loan receivables including interest claims of EUR 74,574k (31 December 2020: EUR 66,882k). ADLER received interest income in the amount of TEUR 1,556 in the reporting year.

Investments in associates and joint ventures

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

in EUR '000	2021	2020
Carrying amounts 01.01.	**63,585**	**23,432**
Other additions	0	52,019
Other disposals	0	-2,011
Share of gains and losses (at-equity result)	-263	-5,901
Reclassifications IFRS 5 due to sale	0	-3,955
Carrying amounts 30.06. respectively 31.12.	**63,322**	**63,585**

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

Other financial investments

In the 2018 financial year, ADLER acquired 4,870,891 (3.6 percent) of the shares in a project development company 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 30 June 2021, based on the stock market price, the fair value amounted to EUR 31,369k (31 December 2020: EUR 36,093k). The change in value compared to 31 December 2020 in the amount of EUR 4,725k is recognised in the financial result.

Other financial assets at the balance sheet date also include debt instruments (bonds) of an associated company with a term until 9 November 2025, which are held as part of a business model whose objective is both to hold the financial assets in order to collect the contractual cash flows and to sell them if necessary. The debt instruments are therefore measured at fair value with changes in other comprehensive income. The interest rate is 6.88 percent p.a., and semi-annual interest payments are scheduled. As of 30 June 2021, the fair value based on the stock market price amounts to EUR 11,756 k (previous year: EUR 12,519k). The change in value results in the amount of EUR 367 from a devaluation to the closing rate, which was recognised in other comprehensive income and from the sale of shares in the amount of EUR 396k. ADLER received interest income of EUR 258k and from these bonds in the reporting year.

ADLER also holds roughly 38 percent in a convertible bond issued by Adler Group with a term until 23 November 2023. The interest rate is 1.25 percent p.a., and interest payments are due semi-annually. The conversion right is an embedded derivative, so that the convertible bond is classified as a financial asset measured at fair value and reported under other financial assets. As of 30 June 2021, the fair value amounts to EUR 61,045k (31 December 2020: EUR 61,487k). The change in value of EUR 442k compared with previous year is reported under financial income. In the reporting year, ADLER generated interest income in the amount of EUR 640k from the convertible bond.

Furthermore, as part of the sale of residential and commercial units, the remaining shares (in each case 10.1 percent) in the property companies in the amount of EUR 21,733k (previous year: EUR 21,733k) are recognised under other financial assets. They are measured at fair value through profit or loss.

Other non-current assets

Other non-current assets mainly comprise the receivables remaining after payment of the first purchase price instalment from the sale of 75 percent of the shares in Glasmacherviertel GmbH & Co. KG in the year 2020, which were deferred at standard market interest rates 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 and accrued interests, a receivable of EUR 134,521k (31 December 2020 EUR 133,231k) from the buyer is recognised under other non-current assets as at the balance sheet date. If the next defined milestone is reached, a partial payment of EUR 70,000k would be due.

Miscellaneous other non-current assets include advance payments of EUR 2,025k (31 December 2020: EUR 1,848k) in connection with project developments.

Other current assets

As of the balance sheet date, other current assets include residual receivables of EUR 60,443k (31 December 2020: EUR 59,127k) against the buyer of the shares in ACCENTRO which ADLER had sold at the end of 2017. In the year under review, interest income on the receivable of EUR 1,316k was recognised on the receivable bearing interest at market rates.The payment period was extended to 30 September 2021 by resolution of the Management Board and Supervisory Board on 24 March 2021. Should the extended payment period expire without success, the existing collateral could be realised to cover the outstanding purchase price claim.

Current other assets include receivables from the sale of shares in the amount of EUR 80,498k (31 December 2020: EUR 80,983k); these are based on preliminary purchase prices. At the end of the fourth quarter of 2020, shares in several subsidiaries were sold to non-controlling shareholders without ADLER losing its existing controlling influence.

Furthermore, short-term loans to associated companies are reported under other current assets. These are the deferred payment claims from the sale of properties in the amount of EUR 30,121k (31 December 2020: EUR 32,636k) at standard market interest rates and collateralisation and the remaining amount of an additionally granted short-term loan in the amount of EUR 2,000k (31 December 2020: EUR 12,000k) against Caesar JV Immobilienbesitz und Verwaltungs GmbH. ADLER recognised interest income of EUR 412k (previous year: EUR 633k) in the reporting period. The claims will be repaid by the purchaser in the course of the sale of the shares, which has yet to be completed.

In the reporting period, a payment of EUR 72,471k was made to ADLER from the credit balances on the notary escrow account resulting from the sale of 5,064 residential and commercial units from the previous year. Credit balances of EUR 2,707k remain to be paid out.

The earmarked funds shown under other current assets decreased by EUR 8,520k compared to 31 December 2020 to EUR 25,230k.

Cash and cash equivalents

Cash and cash equivalents amounted to EUR 189.167k at the balance sheet date, as against EUR 149,857k at the end of the previous year. EUR 21,381k (31 December 2020 EUR 27,318k) 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

At the end of the second quarter the shares in the associated company Caesar JV Immobilienbesitz und Verwaltungs GmbH with a value of EUR 3,955k were reclassified to non-current assets held for sale because of the binding sale and purchase agreement, which provides for the transfer of the shares. ADLER holds a 25% interest in Caesar JV Immobilienbesitz und Verwaltungs GmbH.

Other non-current assets held for sale primarily include properties recognised at a value of EUR 7,404k (31 December 2020: EUR 108,836k), for which notarial purchase contracts were available at the balance sheet date. Other non-current liabilities held for sale of EUR 12k (31 December 2020: EUR 27,271k) are to be transferred on disposal of the assets if they are sold in share deals.

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

In the first half of 2021, the power of disposal over commercial properties held for sale by BCP was transferred with a value of EUR 20.893k.

On 21 December 2020, ADLER entered into binding sale and purchase agreements with OMEGA AG, Munich, a private real estate company, for the sale of 1,605 residential and commercial units at a price of EUR 75.7 million. The sale took place partly as an asset deal and partly as a share deal. Due to the sale in the context of asset deals, investment properties in the amount of EUR 25,250k were classified as non-current assets held for sale and reclassified accordingly. These were disposed of with the transfer of control on 1 April 2021. The assets and liabilities of the company that were sold as part of a share deal and disposed of after the transfer of control in the second quarter of 2021 were:

In EUR ´000	**30.06.2021**
Investment properties	50,450
Trade receivables	71
Other current assets	1
Cash and cash equivalents	114
Total assets	**50,636**

In EUR ´000	**30.06.2021**
Deferred tax liabilities	5,233
Financial liabilities to banks	20,150
Trade payables	219
Trade payables to affiliated companies	7,121
Other current liabilities	107
Total liabilities	**32,830**

Shareholders' equity

The capital stock of ADLER AG amounted to EUR 109,067k as at 30 June 2021 (31 December 2020: EUR 73,659k) and is divided into 109,067,258 no-par ordinary shares (31 December 2020: 73,658,680) with one voting right per share.

The exercise of conversion rights increased the share capital by EUR 301k and the capital reserves by EUR 3,435k. The capital increase in kind resolved in the year 2020 and entered in the 2021 in the commercial register increased the share capital by EUR 35,107k and the capital reserve by capital reserve by EUR 443,056k.

Changes in the value from the reclassifiable and non-reclassifiable other comprehensive income amounting to EUR -367k (previous year: EUR -21,975k) were recorded in retained earnings after offsetting applicable taxes. The currency translation reserve is attributable to ADO Group.

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

Liabilities for convertible bonds

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

In EUR ´000	30.06.2021	31.12.2020
2016/2021 convertible bond	95,417	97,384
Total	**95,417**	**97,384**
– of which non-current	0	0
– of which current	95,417	97,384

Since the beginning of the third quarter of 2020, the liabilities from the 2016/ 2021 convertible bond have been classified as current due to their maturity in July 2021.

Liabilities for bonds

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

In EUR ´000	30.06.2021	31.12.2020
Bond 2017/2021	171,344	497,831
Bond 2017/2024	299,250	301,873
Bond 2018/2023	496,835	500,290
Bond 2018/2026	295,968	299,979
Bond 2019/2022	399,695	401,785
Bond BCP 2013/2024 (B)	39,255	38,876
Bond BCP 2014/2026 (C)	39,154	38,676
Total	**1,741,501**	**2,079,310**
– of which non-current	1,154,333	1,548,970
– of which current	587,168	530,340

In the first quarter of 2021, part of the bond 2017/2021 in the amount of EUR 329,580k was repaid at par plus accrued interest and fees.

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 1,488,556k as at the balance sheet date (31 December 2020: EUR 1,039,179k). Current financial liabilities to banks amounted to EUR 81,823k as at the balance sheet date (31 December 2020: EUR 367,339k). Current financial liabilities also include repayments and interest liabilities of non-current financial liabilities due within one year.

The changes in non-current and current financial liabilities to banks are mainly due to the long-term refinancing of financial liabilities reported as current at the end of the previous year. In addition, long-term financing of around EUR 200 million was taken out for the energy-efficient refurbishment of residential complexes in Göttingen and Wolfsburg.

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.

Financial liabilities to affiliated companies

Non-current financial liabilities to affiliated companies totalled EUR 173,715k as of the balance sheet date and are due to the parent company Adler Group and its subsidiaries.

On 14 April 2020, Adler Group initially granted ADLER EUR 885,470k as a long-term interest-bearing loan to repay the bridge loan taken out in the previous year to finance the acquisition of shares in ADO Group. The interest rate was dependent on the term and rating and was 2.77 percent p.a. on the balance sheet date. Adler Group had also charged ADLER transaction costs of EUR 3,087k. The loan was to be repaid by 15 March 2022 at the latest. The loan was not secured. In the third quarter of 2020, on the basis of an agreement, an offsetting against newly accrued receivables from Adler Group totalling EUR 377,403k was made, based on the transfer of shares in Adler Group in the amount of EUR 348,221k and payments made on behalf of Adler Group of EUR 29,182k. In the fourth quarter, Adler Group contributed a partial amount of its receivables totalling EUR 500,000k as a contribution in kind in exchange for the granting of new shares and in exchange for the transfer of ADLER's treasury shares. In the first quarter of 2021, the remaining loan liability of EUR 8,025k plus interest was repaid in full.

ADLER was provided with further interest-bearing loans by Adler Group in the second quarter of 2020 totalling EUR 230,735k for financing in several tranches. The interest rate was 4.32 percent p.a. in each case and quarterly interest payments were scheduled. The loans were repayable in each case with final maturity in the fourth quarter of 2021. The loans were completely unsecured. In the third quarter of 2020, an offsetting in the amount of EUR 60,000k was made due to the assignment of existing loan claims. In the fourth quarter, repayments of EUR 142,000k were made and a further offset of EUR 18,000k was made due to the assignment of existing claims. All remaining loan liabilities of EUR 13,126k plus interest were repaid in January 2021 by taking out a new loan.

In the first quarter of 2021, Adler Group provided ADLER with an interest-bearing loan in the amount of EUR 334,116k. The interest rate is 2.84 percent p.a. and quarterly interest payments are scheduled. The loan is completely unsecured. In the first quarter of 2021, EUR 34,392k was repaid. In the second quarter of 2021, the loan was increased in 2 tranches in the amount of EUR 32,700k. In the second quarter, a further EUR 150,000k was repaid. In addition, receivables from the Adler Group in the amount of EUR 8,709k were offset.

Current financial liabilities of EUR 1,134k are based on liabilities arising from current netting between ADLER and Adler Group of EUR 1,120k and on interest liabilities on non-current financial liabilities of EUR 13k.

ADLER recorded interest expenses of EUR 3,941k (previous year: EUR 3,865k) from these financial liabilities in the reporting period.

SELECTED NOTES ON THE STATEMENT OF COMPREHENSIVE INCOME

Income from property lettings

Gross rental income is structured as follows:

In EUR '000	6M 2021	6M 2020
Net rental income	112,750	119,607
Income from recoverable expenses	51,416	58,331
Other income from property management	3,759	1,747
Total	**167,924**	**179,685**

The decrease in net rental income is due to the sale of the rental units in the second half of fiscal 2020.

Expenses from property lettings

Expenses from property lettings are broken down as follows:

In EUR '000	6M 2021	6M 2020
Apportionable and non-apportionable operating costs	57,958	60,668
Maintenance	10,434	13,586
Other property management expenses	164	144
Total	**68,556**	**74,398**

Income from the sale of properties

Income from the sale of properties is structured as follows:

In EUR '000	6M 2021	6M 2020
Income from the disposal of project development inventory properties	8,301	36,307
Income from the disposal of investment properties	113,468	421,129
Total	**121,769**	**457,436**

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

Income from the sale of investment properties is mainly attributable to the sale of 1,605 residential and commercial units in Borna, Osterholz-Scharmbeck and Schwanewede and 3 commercial properties of BCP in Düsseldorf, Erlangen and Bad Aibling. In the previous year, income from the sale of investment properties was mainly due to the sale of BCP's project development in Düsseldorf, which was initially intended for the company's own portfolio. Furthermore, the sales of commercial properties of BCP were recorded here.

Expenses from the sale of properties

Expenses from the sale of properties are structured as follows:

In EUR '000	6M 2021	6M 2020
Carrying amount of disposed project development inventory properties	7,304	26,413
Carrying amount of disposed investment properties	113,468	421,273
Costs of disposal	265	108
Total	**121,037**	**447,794**

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 1,605 residential and commercial units in Borna, Osterholz-Scharmbeck and Schwanewede and 3 commercial properties of BCP in Duesseldorf, Erlangen and Bad Aibling. In the previous year, the book value disposals from the sale of investment properties were mainly due to the sale of BCP's project development in Duesseldorf, which was initially intended for the company's own portfolio. Furthermore, the sales of commercial properties of BCP were recorded here.

Other operating expenses

Other operating expenses break down as follows:

In EUR '000	6M 2021	6M 2020
Legal and consulting expenses	4,228	17,548
Impairment and write-downs of receivables	1,544	7,672
General and administrative expenses	574	685
Purchased services	1,098	2,423
Office and IT expenses	3,996	3,954
Cost of premises	1,591	1,693
Public relations	473	531
Miscellaneous other expenses	7,840	10,350
Total	**21,343**	**44,856**

Legal and consulting costs in previous year were mainly due to the merger with Adler Group.

Financial income

Financial income is structured as follows:

In EUR '000	6M 2021	6M 2020
Interest income – financial assets measured at amortised cost	5,546	4,216
Interest income – financial assets at fair value	640	197
Interest income – financial assets at fair value through other comprehensive income	258	428
Net change in fair value of derivatives	493	1,499
Net change in fair value of financial instruments at fair value through profit or loss	139	37,118
Derecognition of financial liabilities measured at amortised cost	2,971	30,576
Reversal of impairments of financial assets measured at amortised cost (Loans to associated companies, loans, restricted funds, deposits at banks)	177	0
Reversal of impairments of financial assets at fair value with changes in other comprehensive income	4	0
Other financial income	10	208
Total	**10,238**	**74,242**

Interest income from financial assets measured at amortised cost results in the amount of EUR 1,968k (previous year: EUR 633k) from receivables from and loans to associated companies.

In the previous year, the income from changes in the fair value of other financial instruments at fair value through profit or loss measured from the subsequent measurement of the remaining shares in Adler Group until the transfer on 2 July 2020 and the convertible bond issued by Adler Group, which is held proportionately by ADLER through ADO Group.

The income from the derecognition of financial liabilities measured at amortised cost resulted in the previous year from the early repayment of the bonds of ADO Group at nominal value plus accrued interest. At the time of initial consolidation in December 2019, hidden liabilities were identified in the corresponding amount and carried as liabilities until payment.

Financial expenses

Financial expenses are structured as follows:

In EUR '000	6M 2021	6M 2020
Interest expenses – financial liabilities measured at amortised cost		
– Interest expenses – bank loans	21,168	44,697
– Interest expenses – bonds	22,412	23,900
– Interest expenses – convertible bonds	3,001	3,832
– Interest expenses – financial liabilities to affiliated companies	3,941	3,865
– Interest expenses – leasing	403	587
– Interest expenses – other	23	37
Net change in fair value of derivatives	0	52
Net change in fair value of financial instruments at fair value through profit or loss	5,305	7,745
Impairment and write-downs of financial assets measured at amortised cost (loans, restricted funds, deposits at banks)	3,085	3,345
Impairment of financial assets at fair value with changes in other comprehensive income	2	5
Net foreign exchange losses/gain	6,306	10,737
Accrued interest on provisions	1	18
Other financial expenses	0	1
Total	**65,647**	**98,821**

Interest expenses on bank loans and bonds include early repayment fees and transaction costs for the early repayment of financial liabilities to banks and bonds as well as other expenses in connection with refinancing of EUR 8,156k (previous year: EUR 23,904k) in total.

Earnings after taxes from discontinued operations

In EUR '000	6M 2021	6M 2020
Income from property lettings	0	37,794
Expenses from property lettings	0	-12,146
Earnings from property lettings	**0**	**25,648**
Income from the sale of properties	0	2,187
Expenses from the sale of properties	0	-2,046
Earnings from the sale of properties	**0**	**141**
Personnel expenses	0	-5,249
Other operating income	0	6,800
Other operating expenses	0	-506,791
Income from fair value adjustments of investment properties	0	0
Depreciation and amortisation	0	-375
Earnings before interest and taxes (EBIT)	**0**	**479,827**
Financial income	0	2,095
Financial expenses	0	-23,493
Income from at-equity-valued investment associates	0	0
Earnings before taxes (EBT)	**0**	**-501,225**
Income taxes	0	1,698
Earnings after tax from discontinued operations	**0**	**-499,527**
Other comprehensive income	0	-72,820
Total comprehensive income of discontinued operations	**0**	**-572,347**

The after-tax result and the overall result from discontinued operations are attributable to Adler Group. Other operating expenses included the loss from deconsolidation of Adler Group amounting to EUR 497,527k.

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:

	6M 2021 Continuing operations	6M 2021 Discontinued operations	6M 2021 Total
Consolidated net earnings (in EUR ´000)	**149,594**	**0**	**149,594**
Consolidated net earnings without non-controlling interests	120,633	0	120,633
Expenses including deferred taxes on convertibles	2,095	0	2,095
Consolidated net earnings without non-controlling interests (diluted)	122,728	0	122,728
Number of shares (in thousands)			
Weighted number of subscribed shares	98,573	98,573	98,573
Effect of conversion of convertibles	7,523	7,523	7,523
Weighted number of shares (diluted)	106,096	106,096	106,096
Earnings per share (in EUR)			
Basic earnings per share	1.22	0.00	1.22
Diluted earnings per share	1.16	0.00	1.16

	6M 2020 Continuing operations	6M 2020 Discontinued operations	6M 2020 Total
Consolidated net earnings (in EUR ´000)	**89,417**	**-499,527**	**-410,110**
Consolidated net earnings without non-controlling interests	68,364	-497,768	-429,403
Expenses including deferred taxes on convertibles	2,813	0	2,813
Consolidated net earnings without non-controlling interests (diluted)	71,177	-497,768	-426,590
Number of shares (in thousands)			
Weighted number of subscribed shares	68,922	68,922	68,922
Effect of conversion of convertibles	9,108	9,108	9,108
Weighted number of shares (diluted)	78,030	78,030	78,030
Earnings per share (in EUR)			
Basic earnings per share	0.99	-7.22	-6.23
Diluted earnings per share	0.91	-6.38	-5.47

DISCLOSURES ON FINANCIAL INSTRUMENTS AND FAIR VALUE DISCLOSURES

The classification of financial instruments required was unchanged compared with 31 December 2020. 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 2020. Investment properties are still allocated to Level 3 in the fair value hierarchy.

OTHER DISCLOSURES

Related party disclosures

With the following exception, there have been no material changes in related parties compared with the disclosures made as of 31 December 2020. ADLER received loans from the parent company Adler Group in the reporting period, some of which were offset against receivables from Adler Group (see financial liabilities to affiliated companies).

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 2020. Risks have not changed since 31 December 2020, although the following qualifications should be noted.

ADLER does not expect to experience any major impact on its business as a result of the COVID-19 pandemic due to the stability of its business model. So far, only a few tenants have deferred their rent payments. In the commercial real estate segment, the changed economic environment was accounted for by impairment losses.

The rating agencies Standard & Poor's and Moody's have adjusted the corporate rating of the parent company Adler Group to BB/stable outlook and Ba2 respectively, because they see a certain implementation risk in the merger with ADLER and Consus Real Estate AG, Berlin, the real estate development company in which a majority interest was acquired in July. This could make financing the entire company more expensive or more difficult.

Events after the balance sheet date

The 2016/2021 convertible bond matured on July 19, 2021. Although numerous bonds were exchanged for shares in the run-up to the due date, this did not materially change the ownership structure of ADLER Real Estate AG. At the time this report was published, the Adler Group held 96.7 percent of the shares in ADLER Real Estate.

The Group learned that there are delays of the zoning plan approvals in connection with the already sold Gerresheim project in Duesseldorf (Glasmacherviertel GmbH & Co. KG) due to objections of the Deutsche Bahn AG. In the view of the Group, such objections are relatively common in the process of building a project in the size and scope of Gerresheim. The Group has been holding ongoing discussions with the

Duesseldorf Municipality which is continuing to be supportive of the project and has expressed its interest in advancing the receipt of the required zoning approvals. Nevertheless, at the end of August, the Group learned that despite the progress in contacts between the Group and the Duesseldorf municipality, due to the prolongation of the negotiation between the Duesseldorf municipality and the German railway company, a further delay would occur in connection with the zooning plan. To the Group`s estimation and based on the information provided to it by the authorities in Germany, the approval is expected to be received during the first half of 2022. In order to prevent further delays due to the Deutsche Bahn AG objections, the Group is holding discussions with the Duesseldorf municipality on a possibility of dividing the zoning plan.

Following the above the Group has decided to prepare for the cancellation of the transaction. The Group informed the buyer that it desires to operate for the cancellation of the transaction and the buyer clarified that in light of the delays in the zoning plan approvals out of the authorities, it does not intend to object. The legal execution and completion of the cancellation of the transaction is subject among others, to the receipt of different approvals, including regulatory approvals, approval of the financing entities, tax authorities, etc. and is expected to take place in the third or fourth quarter of 2021.

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, 30 August 2021

Maximilian Rienecker
CEO

Thierry Beaudemoulin
COO

Sven-Christian Frank
CLO

/// 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.

/// AT A GLANCE

Supervisory Board	
Martin Billhardt	Chairman of the Supervisory Board
Thilo Schmid	Vice Chairman of the Supervisory Board
Claus Jorgensen	Member of the Supervisory Board
Management Board	
Maximilian Rienecker	Member of the Management Board (CEO)
Thierry Beaudemoulin	Member of the Management Board (COO) since 1.4.2021
Sven-Christian Frank	Member of the Management Board (until 31.3.2021 COO, since 1.4.2021 CLO)
Company Facts	
Legal domicile	Berlin Charlottenburg, Berlin HRB 180360 B
Address	ADLER Real Estate Aktiengesellschaft Am Karlsbad 11 10789 Berlin Phone: +49 30 39 80 18 – 10 Email: info@adler-ag.com
Website	www.adler-ag.com
Investor Relations	Tina Kladnik Tel.: +49 30 398 01 81 23 Email: t.kladnik@adler-group.com
Public Relations	Dr Rolf-Dieter Grass Tel.: +49 30 200 09 14 29 Email: r.grass@adler-group.com
Capital stock	EUR 109,067,258[1)]
Classification	109,067,258[1)] no-par value shares
Arithmetical value	EUR 1 per share
Voting right	1 vote per share
Identification	WKN 500 800 ISIN DE0005008007 Ticker symbol ADL Reuters ADLG.DE
Designated sponsors	Baader Bank AG
Stock exchanges	Xetra, Frankfurt am Main
Indices	CDAX, GPR General Index, DIMAX
Financial year	Calendar year

1) As at 30 June 2021

ADLER REAL ESTATE

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