ADLER REAL ESTATE

INTERIM REPORT H1

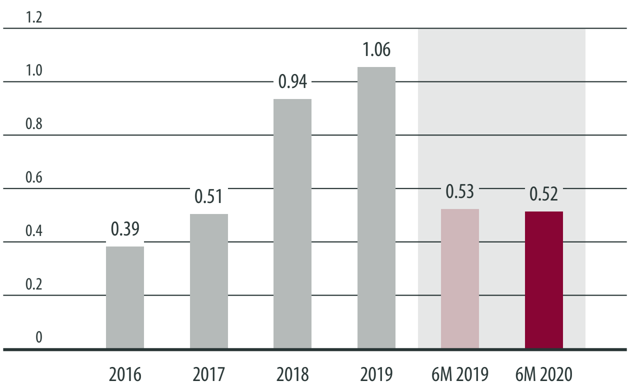
AS AT 30 JUNE 2020

/// KEY FINANCIAL FIGURES

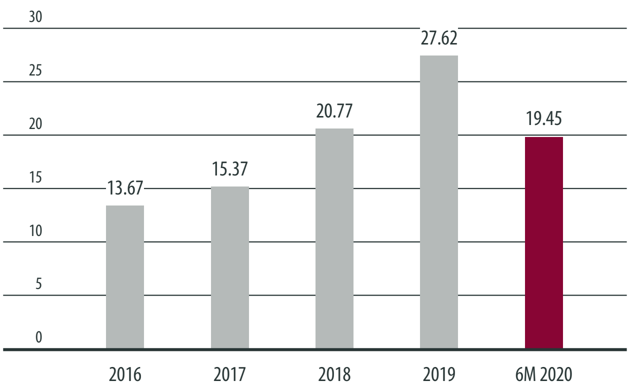
In EUR millions Consolidated Statement of Income	6M 2020	6M 2019
Net rental income	119.6	127.2
Earnings from property lettings	105.3	112.5
Earnings from the sale of properties	9.6	-8.9
EBIT	170.6	214.0
Consolidated net profit from continuing operations[1)]	89.4	113.8
Consolidated net profit	-410.1	113.8
FFO I	41.5	41.7
FFO I per share in EUR (fully diluted)[1)]	0.52	0.53
Consolidated Balance Sheet	**30.06.2020**	**30.12.2019**
Investment properties (including inventories)	5,264.5	5,007.3
EPRA NRV (adjusted and fully diluted)[4)]	2,273.4	2,206.2
EPRA NRV per share in EUR (adjusted and fully diluted)[2)4)]	19.45	27.62
LTV in %[3)4)]	56.5	49.4
WACD in %	1,96	1,99
Cash flow	**6M 2020**	**6M 2019**
Net cash flow from operating activities	53.4	44.1
of which from continuing operations[1)]	50.3	44.1
Net cash flow from investing activities	-252.5	24.9
of which from continuing operations	-126.4	24.9
Net cash flow from financing activities	166.2	29.5
of which from continuing operations	19.0	29.5
Employees	**30.06.2020**	**31.12.2019**
Number of employees	917	922
FTEs (Full-time equivalents)	843	852

1) Previous year adjusted in accordance with IFRS 5.26
2) Based on the number of shares outstanding as at balance sheet date plus assumed conversion of outstanding convertible bonds
3) Excluding convertible bonds
4) Pro forma adjusted for capital increase from end of August

FFO I/SHARE fully diluted in EUR

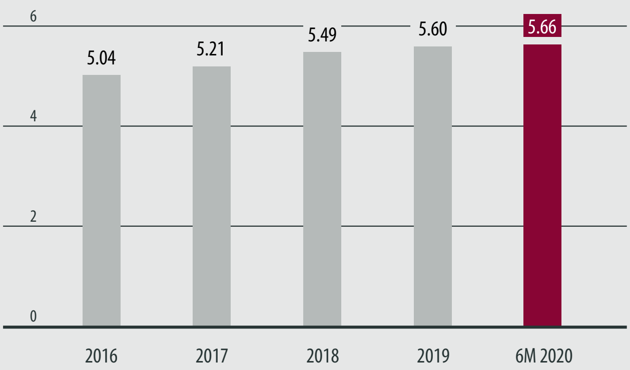


EPRA NAV/SHARE fully diluted (excl. goodwill) in EUR

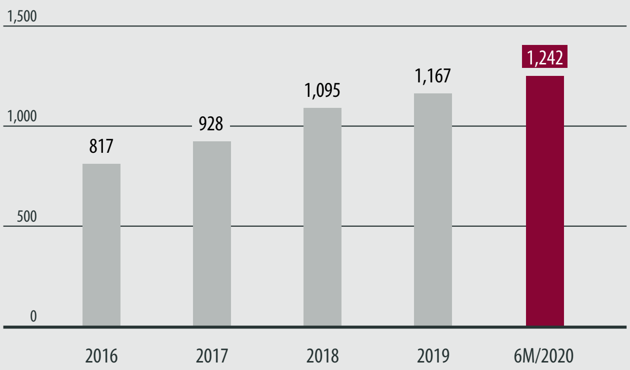


2016 to 2018 NAV, from 2019 NRV following EPRA revision

AVERAGE RENT in EUR/sqm/month

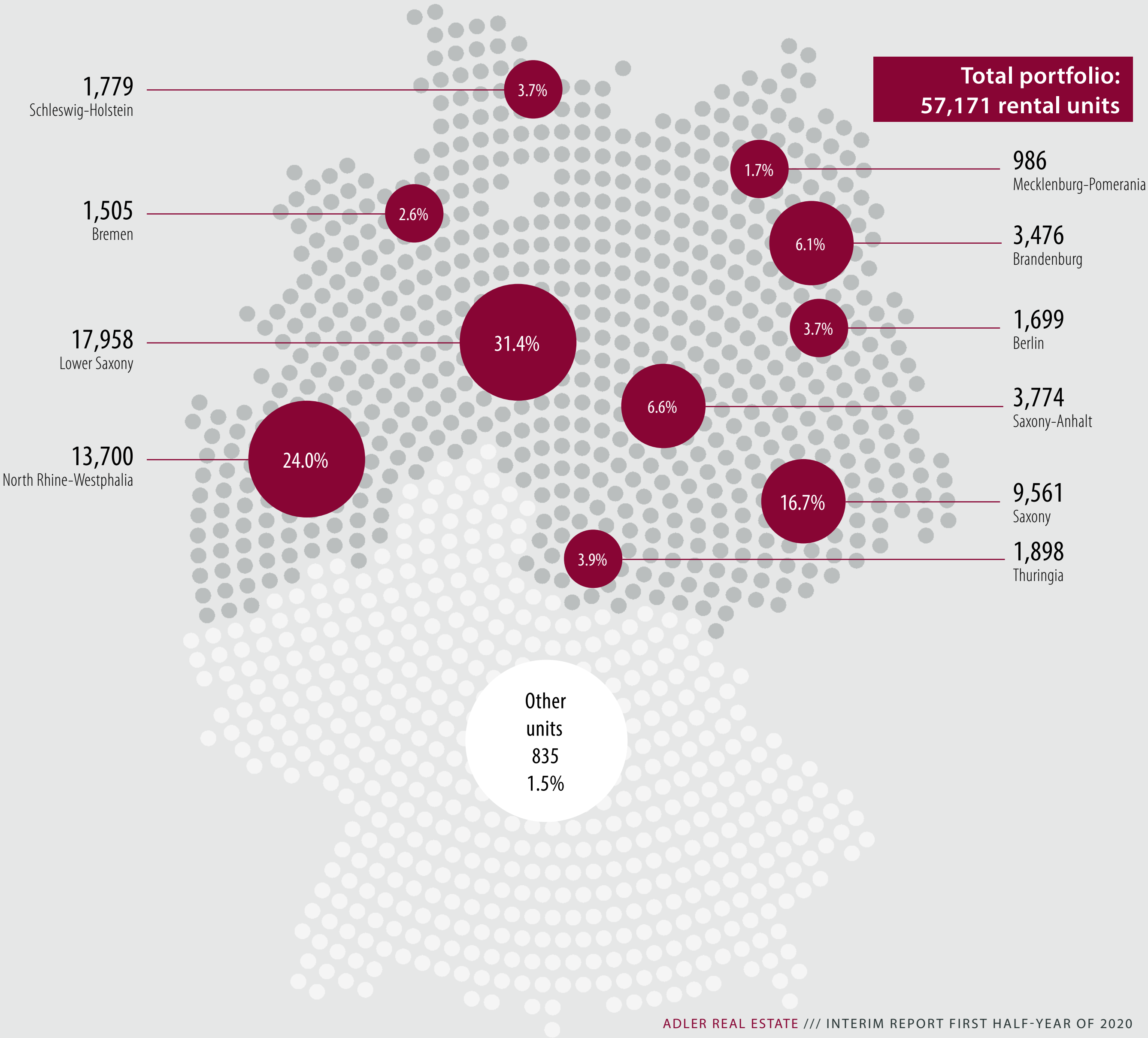


MARKET VALUE in EUR/sqm



Rental units

as at 30 June 2019



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/// LETTER FROM THE MANAGEMENT BOARD

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

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

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

Dear Ladies and Gentlemen,

the last six months have been transformational for the company with 9 April 2020 marking a turning point when ADO Properties S.A. ('ADO') successfully completed the acquisition of ADLER. At the end of June, ADO acquired control of Consus Real Estate AG ('Consus') by exercising its call option, thereby establishing the combined Group as one of the largest listed residential players in Europe with a significant footprint in the Top 7 German cities. A number of major milestones have been achieved which have positioned the combined group to become a potential MDAX candidate with an integrated German residential platform that includes c.75,000 units and a fair value of its investment properties of €8.8bn.

On 28 April 2020, ADO announced it has initiated the process to implement a domination agreement with ADLER in order to further accelerate the integration. Significant progress has been made in the integration of both companies.

As we look through the last six months, ADLER produced a solid set of results which were mainly impacted by profitable disposals of non-core residential properties and BCP's non-core retail portfolio. In total throughout 2019, assets with gross asset value of more than EUR 500 million were sold. Therefore, the fact that the net rental income decreased only marginally and the FFO I remained stable is a great success.

We would like to thank our shareholders for their trust in ADLER and we hope for your continued support alongside our next important milestones in the future development of the company.

Best regards,

Tomas de Vargas Machuca	Maximilian Rienecker	Sven-Christian Frank
Co-CEO	Co-CEO	COO

/// PORTFOLIO

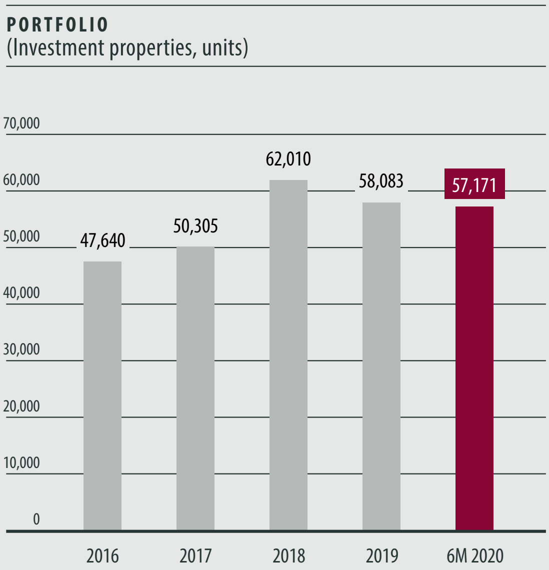
THE PROPERTY PORTFOLIO

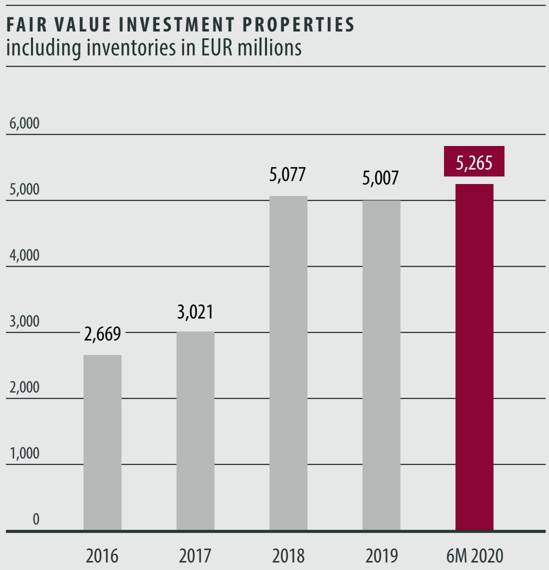
This description of the portfolio relates exclusively to the rental units of ADLER and its group companies, including BCP. The portfolio of ADO Properties is not included in the analysis.

At the end of June 2020, ADLER's portfolio comprised 57,171 rental units with an area of 3.5 million square metres. Annualised net rent (including parking spaces and other areas) totals EUR 220.5 million and the fair value of the assets, including inventories, amounts to EUR 5,265 million. The regional focus is on Lower Saxony (17.958 units), North Rhine-Westphalia (13,700 units) and Saxony (9,561 units).

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

ADLER actively manages its portfolio and, as part of its continuous portfolio optimisation efforts, the underlying features of its assets and market data are frequently assessed to determine the amount and proportion of capital allocated to capital expenditure, maintenance and renovation expenses. This is to ensure that the quality of the apartments is consistent with market standards and to optimise the level of occupancy and rental growth. The most significant external factors determining the positioning of the assets and capital allocation are socio-demographic trends, expected changes in demand, various infrastructure measures and political decisions. Depending on the outcome of the portfolio analysis, and after coordination with regional managers, different strategies are implemented – such as increasing marketing activities for properties which are of good quality but are located in less favourable areas, or capital expenditure if the area is good but the asset itself is not. Properties of lower quality, as well as properties located in less attractive macroenvironments, are earmarked for sale.



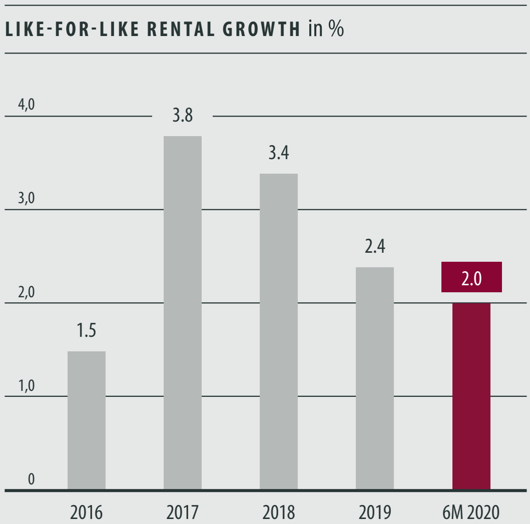


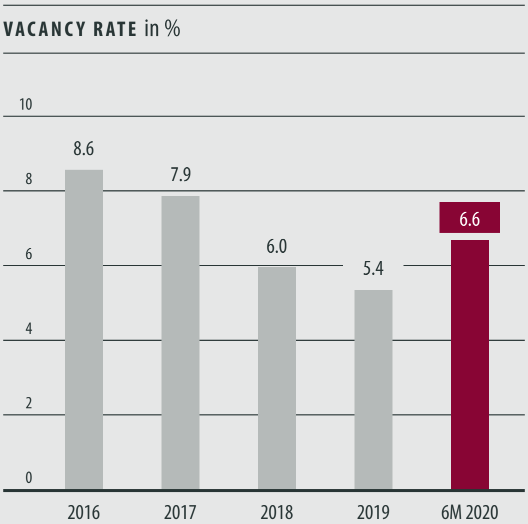
Operating performance – average rent increased, vacancy rate reduced

In the half-year stage of 2020, the average contractually agreed rent per square metre per month amounted to EUR 5.66, an increase of EUR 0.12 compared to EUR 5.54 one year earlier.

The vacancy rate stood at 6.6 percent at the end of June 2020, practically unchanged on a year-on-year comparison (end of June 2019: 6.4 percent).

Net rental income increased by 2.0 percent on a like-for-like basis in the first six months of 2020.





2019/2020 adjusted for Wasserstadt Mitte

Fair value increased

The fair value of the total portfolio (investment properties plus inventories) calculated in accordance with IFRS was EUR 5,264.5 million at the end of the first half of 2020, as compared to EUR 5,007.3 million at the end of 2019. Although the COVID-19 pandemic has led to a general uncertainty concerning expectations about the future, value adjustments affected commercial real estate only. These were more than offest by the increase in fair value of the residential portfolio amounting to EUR 130.8 million, with the remainder of the increase being due to renovation and modernisation efforts as well as to capex in development projects. In the first half of 2020, ADLER invested EUR 48.6 million in maintenance and modernisation measures (6M 2019: EUR 37.6 million), of which EUR 13.6 million was related to ongoing maintenance work and EUR 35.0 million to renovation and modernisation measures which can be capitalised.

Key focus on Lower Saxony and North Rhine-Westphalia

ADLER owns properties located on the edges of larger conurbations. This is particularly apparent in North Rhine-Westphalia, where all of the company's properties are in the Ruhr, which is still Germany's largest industrial region. In Lower Saxony, the property holdings are mainly located in the Wolfsburg/Braunschweig/Helmstedt region, a traditionally strong region in economic terms, and in Wilhelmshaven, a city which benefits from a deep-water port and what is the German Navy's largest base on the North Sea. In Saxony and Saxony-Anhalt, the properties are predominantly located in the – in part strongly – growing catchment areas for Halle, Leipzig, Chemnitz and Dresden.

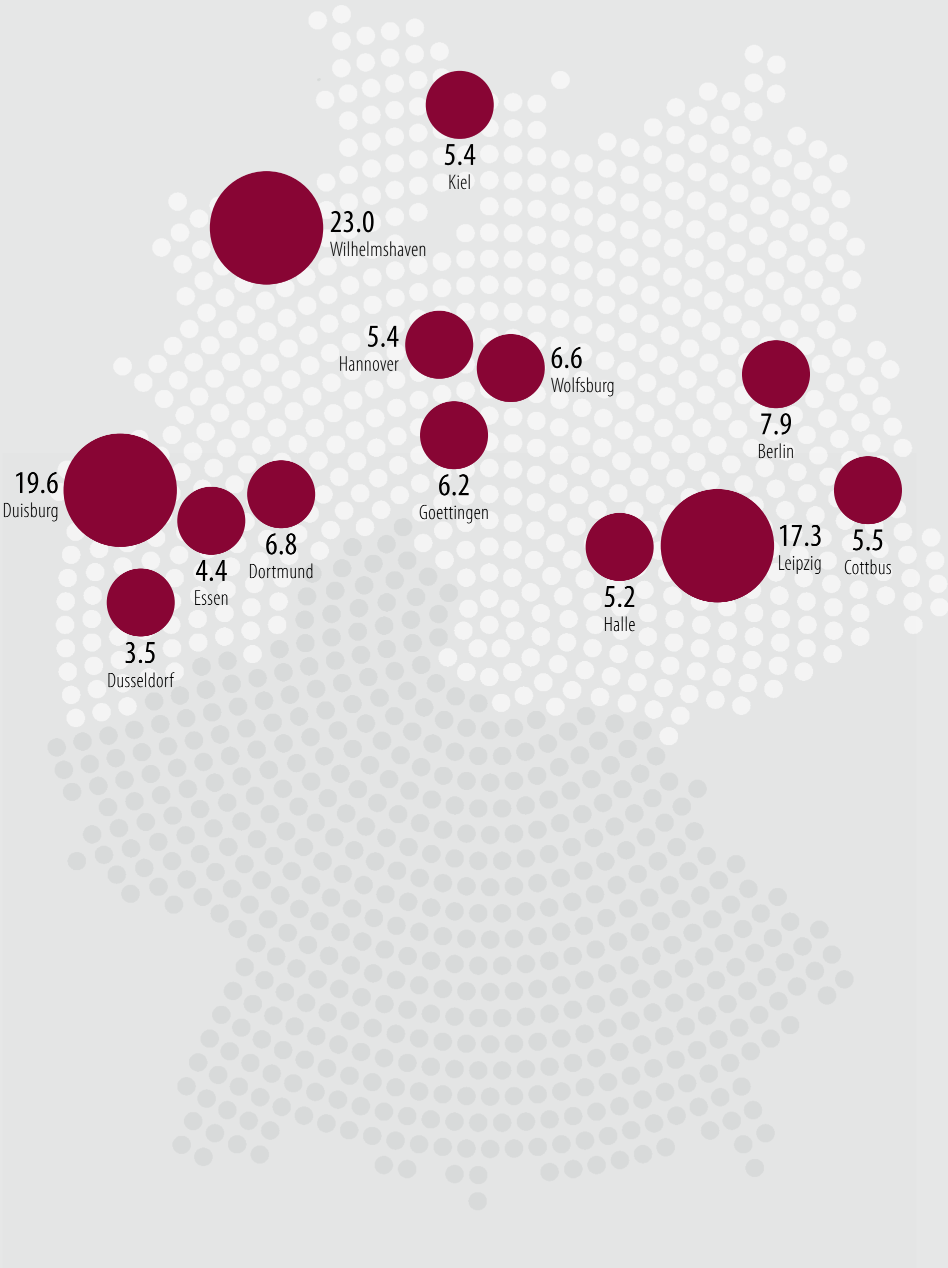
Property holdings on the edges of conurbations are typically characterised by higher vacancy rates, but also generate higher rental yields than properties in central locations. Peripheral locations benefit extensively from tight rental markets in city centres; when rents rise in desirable locations in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

Top 13 locations generate more than half of the rental income

The focus on the metropolitan regions outlined above also means that the properties in ADLER's 13 most-important towns and cities account for 53 percent of the company's total rental income. Wilhelmshaven remains the most important location for the Group, followed by Duisburg, Leipzig, Cottbus, Halle, Dortmund and Berlin. ADLER does not play a significant role in the local housing markets in any of its locations apart from Wilhelmshaven, where almost one-fifth of the local housing supply belongs to the Group.

ANNUAL NET RENTAL INCOME – TOP 13 LOCATIONS in EUR millions

as at 30 June 2020



TOP 13 LOCATIONS[1)]

Location	Fair value (EUR m)	Fair value per sqm (EUR)	Units	Area) (thousands sqm)	Annualised NRI (EUR m)
Leipzig	436	1,711	4,747	254,629	17.3
Wilhelmshaven	388	980	6,737	396,416	23.0
Duisburg	330	1,088	4,897	303,350	19.6
Berlin	279	2,499	1,699	111,736	7.9
Wolfsburg	146	1,661	1,301	87,614	6.6
Goettingen	142	1,671	1,377	85,238	6.2
Dortmund	133	1,316	1,754	101,194	6.8
Hannover	124	1,974	1,109	63,044	5.4
Kiel	115	1,727	969	66,720	5.4
Dusseldorf	111	3,000	578	36,869	3.5
Halle (Saale)	94	928	1,777	101,238	5.2
Essen	90	1,378	1,024	65,100	4.4
Cottbus	85	821	1,763	103,314	5.5
Top 13	**2,473**	**1,392**	**29,732**	**1,776,461**	**116.9**
Total	**4,335**	**1,242**	**57,171**	**3,491,425**	**220.5**

Customer orientation with in-house property and facility management

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

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

Rental yield (%)	Vacancy rate (%)	Change YoY (%)	Average rent per sqm/month (EUR)	l-f-l NRI (%)	Location
4.0	5.3	-0,8	5.98	4.6	Leipzig
5.9	6.5	-1,0	5.18	2.5	Wilhelmshaven
5.9	3.3	-0,4	5.57	1.4	Duisburg
2.8	2.1	-1,1	6.00	3.3	Berlin
4.5	2.3	-0,9	6.40	3.3	Wolfsburg
4.3	1.7	-1,8	6.12	4.5	Goettingen
5.1	4.8	1,5	5.93	0.7	Dortmund
4.3	2.2	-0,4	7.29	2.3	Hannover
4.7	1.7	0,8	6.85	1.2	Kiel
3.2	2.3	-0,4	8.18	0.7	Dusseldorf
5.6	12.8	0,1	4.95	2.7	Halle (Saale)
4.9	3.4	0,5	5.86	1.5	Essen
6.5	7.0	-0,3	4.79	1.5	Cottbus
4.7	**4.8**	**4.8**	**5.76**	**2.5**	**Top 13**
5.1	**6.6**	**6.6**	**5.66**	**2.0**	**Total**

[1] Without developments

Projects

Besides its letting business, ADLER has also been investing in modernisation projects, such as adding floors to existing residential buildings and in the construction of new facilities. The acquisition of three neighbouring plots of land on the outskirts of Berlin near Schoenefeld Airport is the basis for a residential project with space for over 2,000 apartments. Planning for the development of the property in Dresden Trachau is expected to commence as soon as the development plan has been approved. In addition, BCP manages several development projects in Dusseldorf and Aachen, including some in which only a minority stake is being held. These projects will create urgently needed new living spaces. One of the benefits of new construction is that all current requirements relating to energy efficiency and reducing CO_2 are easily met – requirements which can only be achieved with difficulty or at higher costs in existing buildings.

/// THE ADLER SHARE

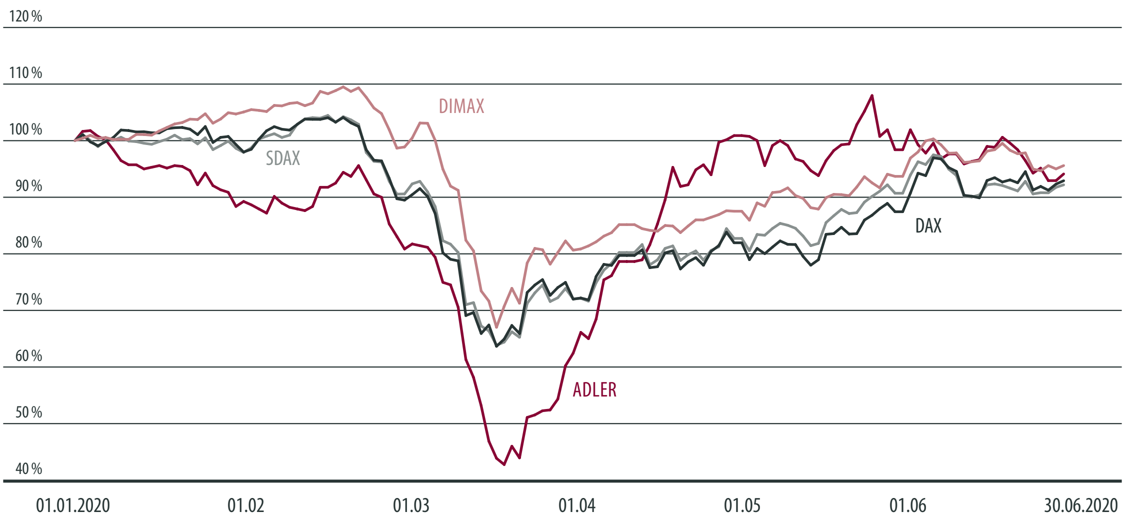
Stock markets recuperating

Towards the end of the first quarter of 2020, the German stock market had suffered a historic collapse. The COVID-19 crisis, and the radical political measures such as lockdown, social distancing and restrictions on freedom of movement that were implemented in many countries around the world, shook the stock markets so hard that the DAX and SDAX lost more than a third of their value in just a few days. Yet as early as the end of the first quarter, the first signs of recovery began to appear. This persisted throughout the entire second quarter so that the key indices returned almost to the levels they had reached at the beginning of the year. In the middle of the year, the DAX was only down by nearly 8 percent and the SDAX by roughly 8 percent as well.

The Solactive DIMAX, the index comprising Germany's major listed property holding companies, did somewhat better in the circumstances, losing only approximately 4 percent over the first half of the year. This is also likely a reflection of the fact that revenue and earnings in the property sector have suffered comparatively little from the COVID-19 crisis and are expected to continue to deliver relatively stable income.

The development of ADLER shares essentially followed the same pattern as the above indices, and they lost around 6 percent of their value in the course of the first half of the year. However, it should be noted that current free-float accounts for not more than around 6 percent of the total amount of shares after the takeover bid by ADO Properties has been completed successfully. The market for ADLER shares has thus narrowed considerably, which usually has a corresponding effect on transaction volumes and volatility. At the time of reporting, the share price had once again reached the level at which it had started the year.

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



Number of shares increased

In the course of the ADO Properties takeover offer, the number of shares has risen considerably, as a large part of the holders of the outstanding convertible bonds 2016/2021 wanted to participate in the ADO Properties offer and exercised their conversion rights. As at the balance sheet date of 30 June 2020, shareholders' equity of ADLER consisted of 72,374,438 shares with a nominal value of EUR 1.00 per share. This was an increase of 1,310.695 shares compared to the end of the previous year.

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

Investor relations realigned

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

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

/// FUNDAMENTALS OF ADLER REAL ESTATE AG GROUP

BUSINESS MODEL

ADLER is one of Germany's leading residential property companies with a focus on affordable housing. Its portfolio is primarily located in – or on the outskirts of – large and growing conurbations in northern, eastern and western Germany and has considerable upside potential in terms of revaluation gains, vacancy reduction and rent uplifts. All of the Group's properties and business operations are located in Germany. The Group's residential portfolio has been built up over the past six years by acquiring individual portfolios or shares in property holding companies.

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

This structure has been maintained since ADLER was taken over by ADO Properties in April 2020 and has formed a combined entity with ADO Properties via a Business Combination Agreement.

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

Residential real estate portfolio

As at 30 June 2020, ADLER's portfolio comprised 57,171 rental units with an area of 3.5 million square metres. Annualised net rent (including parking spaces and other areas) totals EUR 220.5 million and the fair value of the assets, including inventories, amounts to EUR 5,265 million. The regional focus is on Lower Saxony (17,958 units), North Rhine-Westphalia (13,700 units) and Saxony (9,561 units).

ADLER's portfolio is largely composed of small to medium-sized residential units. The apartments have an average size of slightly over 60 square metres and are particularly well suited to the needs of the company's target group, namely tenants with low to medium incomes. For ADLER, this alignment makes economic sense. Its properties satisfy the trend, which has been observed for some time now, towards an increase in the number of single-person households in Germany. Moreover, the risk of tenants with low incomes defaulting on their rent payments is reduced as they can obtain support from social security providers if they are unable to settle their obligations from their own income. Furthermore, this category of affordable living space is also increasingly sought-after by municipalities and local councils on the lookout for permanent homes for people with particular needs.

ADLER actively manages its portfolio and, as part of its continuous portfolio optimisation strategy, the underlying features of its assets and market data are regularly assessed to determine the amount and proportion of capital to be allocated in terms of capital expenditure, maintenance and renovation expenses. This is to ensure that the quality of the flats is consistent with market standards as well as to optimise the level of occupancy and rental growth. Significant external factors determining the positioning of the assets and capital allocation are socio-demographic trends, expected changes in demand, various infrastructure measures and political decisions. Depending on the outcome of the portfolio analysis, regular discussions are held with regional managers to ensure the operational strategy is implemented – such as increasing marketing activities for properties that are of good quality but located in less favourable areas, or capital investment measures if the area is good but the asset itself is not. Properties of lower quality, as well as properties located in less attractive macroenvironments, are thus earmarked for sale.

After merging with ADO Properties, ADLER does not operate any proprietary asset or portfolio management any longer, but rather plays a leading part in the asset and portfolio management of the new Group.

Acquisition strategy

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

ADLER believes acquisitions only make sense when the properties promise to generate positive cash flows from the time of the acquisition onwards. As it has become increasingly challenging to acquire portfolios at attractive yields, and 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 existing approach. The number of development projects increased with the acquisition of BCP. However, the exposure to these value-added activities has amounted to a rather small, single-digit percentage of ADLER’s balance sheet total only.

Financing strategy

After merging with ADO Properties, ADLER has ceased to pursue a proprietary 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. But, after the deconsolidation of ADO Properties, LTV has significantly increased. In terms of its debt financing, ADLER aimed for a maturity structure that corresponds to the long-term nature of the financed assets. By repaying existing liabilities or refinancing existing facilities on more favourable terms, ADLER has also successfully reduced its average cost of debt in recent years.

ADLER has good access to both the market for secured bank debt and the market for unsecured financing. Access to these two markets significantly reduces refinancing risk, which is one of the major risks associated with the industry. Since the end of 2016, investors, capital market participants and lending banks have been able to benefit from ADLER’s BB/stable outlook credit rating as awarded by Standard & Poor’s.

In order to be able to respond to market opportunities at short notice, ADLER can rely on authorised and contingent capital, both of which are approved by shareholders and can be utilised at any time to make acquisitions. The treasury stock purchased under the share buyback programmes could also be used as acquisition currency.

MANAGEMENT SYSTEM

Financial performance indicators

The main financial performance indicators used by ADLER are: EPRA net reinstatement value (EPRA NRV, adjusted for goodwill and fully diluted), funds from operations I (FFO I) to indicate cash-flow-based operating earnings and loan-to-value (LTV) to indicate financial stability calculated as net debt/gross asset value.

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

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

Non-financial performance indicators

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

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

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

EMPLOYEES

As the group holding company, ADLER Real Estate AG has three Management Board members but no employees. Operational tasks relating to central administration and portfolio management are mostly performed via the wholly owned subsidiary ADLER Real Estate Service GmbH. Tasks relating to asset management are performed via ADLER Wohnen Service GmbH, facility management via ADLER Gebaeude Service and energy management via ADLER Energie Service GmbH. The BCP portfolio is managed by the group company RT Facility Management GmbH. As the internalisation of previously outsourced functions has meanwhile been completed, the number of employees at the ADLER Group has increased only moderately year-on-year, while it even decreased in the course of the calendar year 2020. At the half-year stage 2020, ADLER employed a total of 917 full-time and part-time employees as compared to 883 employees one year earlier and 922 employees at the beginning of the year. The majority of these employees work in the property management (297 employees) and facility management (396 employees) divisions. BCP had 134 employees at the end of June 2020, most of whom focus on operating activities.

RESEARCH AND DEVELOPMENT

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

/// ECONOMIC REPORT

MACROECONOMIC AND SECTOR-SPECIFIC SETTINGS

In the first half of 2020, the performance of the German economy deteriorated markedly year-on-year as political decisions in Germany with the objective of containing the COVID-19 virus brought many industries, including aviation, restaurants and hotels, large parts of the retail sector and the automotive industry, to a standstill from March onwards. The first signs of the economic downturn were apparent in the negative rate of 2.2 percent for the first quarter (compared to the previous quarter), which was only marginally affected by the lockdown measures. They became fully apparent, however, in the second quarter when gross domestic product (GDP) fell by 10.1 percent compared to the previous quarter, which constituted the most substantial drop since the introduction of quarterly statistics on GDP in 1970. Most research institutes are forecasting a decrease in gross domestic product of more than 6 percent for the year as a whole, irrespective of the extensive package of measures passed by the federal government halfway through the year, ranging from a bonus for families with children and a general reduction in value-added tax until the end of the year to assistance for municipalities and direct aid for activities with promising prospects for the future, such as the hydrogen economy and artificial intelligence.

In these circumstances, the property sector has proven to be robust and less susceptible to volatility than others. State intervention in this industry has been limited to granting tenants the right to defer rent payments due from April to June 2020, certain preconditions provided. This has temporarily deprived landlords of liquidity but has not fundamentally affected their income or earnings. New lettings, on the other hand, have suffered, as, under the regime of social distancing, people have become less inclined to face new challenges, move to different locations or search for new apartments.

There is another indication that the property sector has not necessarily been directly affected by the crisis afflicting the economy as a whole. According to the cost-of-living index, German rents were 1.0 percent higher nationwide in June 2020 than they were the previous year, more or less continuing the trend which had been prevalent for almost the entire year. The rate of inflation has slowed distinctly in light of the COVID-19 crisis and was just 0.9 percent at the end of June. However, it should be noted that a shopping basket weighted for 'normal' times is less meaningful in the event of macroeconomic distortion such as that caused by the pandemic. The average rent increase, however, may conceal variations between individual regions, urban and rural locations, new and existing housing and different apartment sizes. Nor does it reflect the fact that individual companies such as ADLER have temporarily suspended rent increases in response to the exceptional circumstances affecting the whole of society.

Legal framework

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

ECONOMIC DEVELOPMENT OF THE GROUP

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

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

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

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

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

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

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

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

On 28 April 2020, ADO Properties announced the initiation of a domination agreement. Should a domination agreement be concluded, ADO Properties also intends to offer to purchase the shares of the minority shareholders of ADLER.

On 25 June 2020, ADO Properties announced that, following the end of the additional acceptance period for the public takeover bid for all outstanding WESTGRUND shares, 1.36 percent of shares had been submitted. ADO Properties has thereby increased its direct and indirect stakes in WESTGRUND to a total of 98.2 percent.

On 29 June 2020, ADO Properties announced its decision to take control of property developer Consus Real Estate AG. This will make ADLER part of a property group that can make use of its own development pipeline to build up its stock of rental apartments. The new group is to be called ADLER Group.

/// REPORT ON RISKS AND OPPORTUNITIES

ADLER has reported in detail on the opportunities and risks of its business activities in its 2019 annual report and has already amended this report for the first quarter of 2020. Since then, the assessment of opportunities and risks has changed slightly in some aspects.

After the Business Combination Agreement between ADLER and ADO Properties took effect, the first steps were taken to develop a uniform structure and to combine the various activities wherever it appears economically reasonable to do so. Opportunities arise not only from the fact that costs can be saved in a larger structure. They also arise from potential better financing conditions in the medium term or from the fact that larger companies are more sought – after as employers because they offer a greater variety of career development opportunities, or by the fact that larger quantities of goods and services can be purchased and thus better purchase prices can be achieved.

ADLER's three interdependent significant risks – refinancing risk, deterioration of corporate rating and reputation risk on the capital market – are considered very significant for ADLER in the future. If the rating should be lowered, this could have a significant impact on refinancing and ADLER's reputation on the capital market. Although the European Central Bank's interest rate remains at a low level, interest rate hikes can be observed in the capital market and among commercial banks due to higher risk provisions by banks and increasing risk aversion among commercial banks and institutional investors.

A further significant individual risk requiring comment is the possible 'exit tax' of ADO Group Ltd Israel. Since March 2020, ADO Group Ltd has only had managing directors residing in Germany. As the borders to Israel were closed due to the measures taken in connection with the COVID-19 pandemic, it may not have been possible for the management to be exercised by Israel. This could result in the risk of the Company being exposed to exit taxation.

The outstanding receivable from the purchaser of the shares in ACCENTRO Real Estate AG, Berlin, has been extended to the end of 2020 with a payment deadline. ADLER considers the receivable to be secured. Nevertheless, recovery of the receivables is a potential risk.

At the end of 2019, 75 percent of the shares in Glasmacherviertel GmbH & Co. KG, Dusseldorf-Gerresheim, were sold by BCP to an investor. The first instalment of the purchase price has been paid. The three subsequent purchase price instalments are each dependent on the granting of several approvals or development stages of Projektentwicklung Gerresheim, the occurrence of which could be delayed. This could result in longer waiting periods for payment of the purchase price.

The constitutionality of the rent cap decreed by the Berlin Senate remains in question. Until the time that a decision is taken by the highest court, it therefore remains uncertain whether the measures decreed by the Berlin Senate to limit rent increases or even reductions in existing rents are lawful or not. In any case, however, this effect is minimal for ADLER, since only 2.9 percent of its total real estate portfolio is based in Berlin, and only a small portion is affected by rent cuts.

In connection with the coronavirus, the German government had decreed that tenants who suffer income losses due to political decisions may defer their rent from April to June 2020. Since the federal government has not extended this measure, no further risks are expected here in terms of a continuous inflow of liquidity for ADLER. In any case, ADLER's tenants had only made isolated use of this option.

/// REPORT ON EXPECTED DEVELOPMENTS

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

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

In this context, ADLER does not consider it necessary to change the 2020 forecasts for net rental income and FFO I contained in the 2019 Annual Report published in March 2020. Due to the reduction of the portfolio in 2019 and the expectation of further portfolio optimisation in 2020, ADLER continues to anticipate a moderate decline in net rental income and FFO I in 2020, whereby the net rental income will fall into the range of EUR 240 to 245 million and the FFO I into the range of EUR 75 to 80 million. The expectations for LTV, however, need to be adapted after the deconsolidation of ADO Properties. ADLER has decided to discontinue guidance for LTV as ADLER has, together with ADO Properties and Consus Real Estate, become part of the new ADLER Group for which such a guidance will be made available.

/// REPORT ON EVENTS AFTER THE BALANCE SHEET DATE

On 2 July 2020 the Supervisory Board of ADLER approved the finalisation of a share transfer and procurement contract between ADLER and its parent company, ADO Properties. The contract concerns the transfer of 14,692,889 shares in ADO Properties held by ADO Group Ltd, a wholly owned subsidiary of ADLER, to Aggregate Holdings S.A. ('Aggregate') within the framework of the option agreement in place between ADO Properties and Aggregate and dated 15 December 2019. Under the terms of the share transfer and procurement contract, ADLER makes a commitment to ADO Properties to sign a further share transfer and procurement contract with ADO Group Ltd, according to which ADO Group Ltd will make a commitment to ADLER to transfer the 14,692,889 ADOP shares that it holds to Aggregate upon instruction from ADLER. When ADO Group Ltd transfers the shares to Aggregate, ADO Properties will provide ADLER with consideration equivalent to the fair value of the ADOP shares.

On 6 July 2020, ADO Properties announced that by exercising an existing option, it had successfully taken control of property developer Consus Real Estate AG. This makes ADLER part of a property group that can make use of its own development pipeline to build up its stock of rental apartments. The new group is to be called ADLER Group.

On 30 August 2020, the management board of ADLER has decided in principle to replace part of the shareholder loan it has received from it's parent company ADO Properties with equity. As a part of this swap ADLER will increase it's share capital against contribution in kind excluding shareholders' subscription rights. The capital increase shall be effected with partial exercise of the existing authorized capital pursuant to Section 4 para. 2 and 3 of the articles of association of the Company and shall be used as part of a debt-to-equity-swap under the authorization resolution dated 15 October 2015. ADO shall be admitted to subscribe to the newly issued shares of the Company. A partial amount of up to EUR 500 million of the receivable from the existing shareholder loan shall be contributed as a contribution in kind. The final decision regarding the capital increase against contribution in kind and its implementation shall only take place after receipt of a valuation report on the value of the receivable and after approval of the supervisory board of the Company. The issuance shall occur at or close to the market value.

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

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

PRELIMINARY REMARKS

The reporting for the first half of 2020 differs from the first quarter of 2020 insofar as in the first quarter ADO Group, with its participation in ADO Properties, was fully consolidated in the financial statements and corresponding pro forma information on the asset position was made available. After ADO Properties acquired the majority of ADLER shares as part of a takeover offer in April 2020 which included a capital increase, ADLER lost control of ADO Properties which again led to its deconsolidation. Accordingly, as of 30 June 2020, pro forma information on the asset position will no longer be made available.

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 2020	6M 2019
Gross rental income	179.7	187.4
of which net rental income	119.6	127.2
Expenses from property lettings	-74.4	-74.9
Earnings from property lettings	**105.3**	**112.5**
Income from the sale of properties	457.4	378.9
Expenses from the sale of properties	-447.8	-387.8
Earnings from the sale of properties	**9.6**	**-8.9**
Personnel expenses	-22.6	-20.3
Other operating income	5.5	4.2
Other operating expenses	-44.9	-24.1
Income from fair value adjustments of investment properties	120.5	152.6
Depreciation and amortisation	-2.8	-2.0
Earnings before interest and taxes (EBIT)	**170.6**	**214.0**
Financial result	-24.5	-66.9
Net income from at-equity-valued investment associates[1]	0.6	0.2
Earnings before taxes (EBT)[1]	**146.7**	**147.3**
Income taxes	-57.3	-33.5
Net consolidated result from continuing operations [1]	**89.4**	**113.8**
Earnings after tax from discontinued operations[1] [2]	-499.5	0.0
Net consolidated result	**-410.1**	**113.8**

[1] Previous year adjusted in accordance with IFRS 5.26
[2] Consolidated net income 2019 from the ADO Properties discontinued operations

Earnings from property lettings decreased due to fewer property holdings

In the first half of 2020, gross rental income amounted to EUR 179.7 million. This was 4.1 percent lower than in the previous year (6M 2019: EUR 187.4 million). Net rental income was down 6.0 percent year-on-year at EUR 119.6 million (6M 2019: EUR 127.2 million). The downturn in gross and net rental income is mainly due to the fact that while the BCP commercial portfolio significantly contributed to rental income in the first half of 2019, it contributed a much smaller amount in 2020 as the majority of the portfolio was sold and transferred over the course of 2019. This is also the case to some extent for 3,700 or so rental units, which were effectively sold over the first quarter of 2019 in order to streamline the portfolio. A small countereffect was produced by the fact that, at the beginning of 2020, completed rental units of the Riverside (Berlin) and Grafental (Dusseldorf) projects were transferred to the rental portfolio and have since been contributing to rental income.

A positive effect on gross and net rental income also resulted from the fact that the average contracted rent per square meter per month was EUR 0.08 above the value of the previous year and reached EUR 5.76.

In mid-2020, the vacancy rate was 6.7 percent and thus remained almost unchanged year-on-year (30 June 2019: 6.5 percent).

Expenses from property lettings comprise recoverable and non-recoverable operating expenses and maintenance expenses. These expenses decreased by 0.7 percent year-on-year to EUR 74.4 million in the first six months of 2020, reflecting the lower number of rental units and higher maintenance expenses.

Net of expenses from property lettings, earnings from property lettings amounted to EUR 105.3 million in the first half of 2020, 6.4 percent less than in the same period of the previous year (6M 2019: EUR 112.5 million).

Positive income from the sale of properties

The income and expenses from the sale of properties stem mainly from the sale of a development project and various smaller commercial portfolios of BCP. These sales resulted in an earnings contribution of EUR 9.6 million.

Fair value gains lower than one year ago

In the mid-year stage, the market valuation of the investment properties produced a result of EUR 120.5 million (6M 2019: EUR 152.6 million). Although the effects of the corona crisis caused general uncertainty, related value adjustments were only triggered in the commercial portfolio of BCP in the magnitude of EUR 10.3 million. With regard to the valuation of residential properties, no significant effects arose from measures to contain the coronavirus. Fair values rather increased by EUR 130.8 million.

Higher personnel expenses due to rises in staff numbers

Personnel expenses came to EUR 22.6 million in the first half of 2020, up 11.3 percent on the same period of the previous year (6M 2019: EUR 20.3 million), the main reason being the commensurate increase in staff numbers. ADLER had a total number of 917 employees as at the reporting date of 30 June 2020, 34 more than last year. This is because tasks have been withdrawn from external service providers in the context of ADLER's realignment to become an integrated real estate group, and these tasks have been taken over by internal group departments that have either been newly founded or had their personnel resources increased. This process is now concluded.

Other operating expenses reflect one-off expenses

Other operating expenses amounted to EUR 44.9 million in the first half of 2020 (6M 2019: EUR 24.1 million). The increase can largely be explained by the fact that significant one-off expenses were incurred for legal and advisory services during the acquisition of the ADO Group and the subsequent takeover offer from ADO Properties. The other operating expenses item also includes general administration expenses, IT expenses, impairments of receivables and public relations expenses.

EBIT reduced

After taking into account all non-financial expenses, earnings before interest and taxes (EBIT) for the first half of 2020 came to EUR 170.6 million (6M 2019: EUR 214.0 million). The yerr-on-year decrease mainly resulted from three effects: a smaller portfolio produced a lower result from property lettings, while other operating expenses increased and the valuation gains turned out to be lower than in the same period one year earlier.

Improved financial result

At minus EUR 24.5 million, the financial result for the first half of 2020 was much better than the figure for the same period of the previous year (6M 2019: minus EUR 66.9 million). This reflects the improved financing conditions that ADLER has secured for its liabilities in recent years. Nevertheless, the financial result also contains a few extraordinary items. For example, one-off financial income resulted from the derecognition of financial liabilities amounting to EUR 30.6 million due to the early repayment of ADO Group bonds, which saw ADLER become the sole investor in the company. Positive income also resulted from the fact that, after the deconsolidation of ADO Properties, the market value of both the investment and the convertible bonds held increased (EUR 37.1 million). One-off expenses arose from transaction costs related to the premature repayment of liabilities and from currency effects in connection with the transactions involving the ADO Group, which prepares its financial statements in Israeli new shekels. Group company BCP suffered a significant loss from the valuation of the investment in a project development company at market price.

Earnings before taxes (EBT) came to minus EUR 146.7 million in the first half of 2020, whereas the figure was EUR 147.3 million in the first six months of 2019. Income tax expenses amounted to EUR 57.3 million in the first half of 2020, while tax expenses came to EUR 33.5 million in the first six months of the previous year. Tax expenses mainly comprise deferred taxes.

Consolidated net profit from continuing operations was EUR 89.4 million in the first six months of 2020 (6M 2019: EUR 113.8 million). Consolidated net profit from discontinued operations, which exclusively comprises ADO Properties, came to minus EUR 499.5 million as the fair value of the investment at the time of acquisition was significantly higher than at the time of deconsolidation - partly reflecting the effect which the COVID-19 pandemic had on stock prices in general. Total consolidated net profit was minus EUR 410.1 million in the first half of 2020 (6M 2019: EUR 113.8 million), of which minus EUR 429.4 million was attributable to shareholders in the parent company (6M 2019: EUR 97.5 million).

Segment reporting

In its segment reporting, ADLER distinguishes between 'Rental' and 'Other' segments.

The 'Rental' segment includes all ADLER's portfolios, which ADLER holds with the aim to generate 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 unit, which manages residential units held in the portfolio in technical and commercial terms. This segment also includes expenses for craftsmen and caretaker services, which are provided by the Group's internal Facility Management unit. To a limited extent, the segment also comprises commercial assets of BCP and developments that are intended to be sold to third parties and are thus not intended to be transferred to the rental portfolio.

Group activities that do not constitute stand-alone segments are pooled in the 'Other' column. These mainly involve historic holdings relating to development projects that are still in the process of being sold off.

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

ADLER Group	Letting		Other		Group	
In EUR millions	6M 2020	6M 2019	6M 2020	6M 2019	6M 2020	6M 2019
Gross rental income and income from the sale of properties	637.0	566.2	0.1	0.1	637.1	566.3
of which gross rental income	179.6	187.3	0.1	0.1	179.7	187.4
of which income from disposals	457.4	378.9	0.0	0.0	457.4	378.9
Change in the value of investment properties	120.5	152.6	0.0	0.0	120.5	152.6
Earnings before interest and taxes (EBIT)	**170.6**	**214.0**	**0.0**	**0.0**	**170.6**	**214.0**
Net income from at-equity-valued investment associates[1)]	0.6	0.2	0.0	0.0	0.6	0.2
Financial result	**-24.6**	**-67.0**	**0.1**	**0.1**	**-24.5**	**-66.9**
Earnings before taxes (EBT)[1)]	**146.6**	**147.2**	**0.1**	**0.1**	**146.7**	**147.3**

[1)] Previous year adjusted in accordance with IFRS 5.26

Funds from operations I (FFO I) nearly unchanged

As is customary in the real estate sector, ADLER refers to funds from operations (FFO I) 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 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 2020	6M 2019
Consolidated net profit		**-410.1**	**113.8**
of which from continuing operations[1]		89.5	113.8
+	Financial result	46.0	66.9
	of which from continuing operations	24.5	66.9
+	Income taxes	55.6	33.5
	of which from continuing operations	57.3	33.5
+	Depreciation and amortisation	3.2	2.0
	of which from continuing operations	2.8	2.0
–	Income from measurement of investment properties	120.5	152.6
	of which from continuing operations	120.5	152.6
–	Income from investments accounted for using the at-equity method	0.6	0.2
	of which from continuing operations[1]	0.6	0.2
EBITDA IFRS (continuing and discontinued operations)		**-426.5**	**63.4**
+/–	Non-recurring and extraordinary items	530.2	21.6
Adjusted EBITDA		**103.7**	**85.0**
–	Interest expense FFO	30.2	34.6
–	Current income taxes	2.8	2.8
+	Preservation capex	1.9	0.0
–	Earnings before interest and taxes from the sale of properties, discontinued operations and minority interests	31.1	5.9
FFO I		**41.5**	**41.7**
Number of shares (basic)[2]		70,771,206	68,480,390
FFO I per share (basic)		0.59	0.61
Number of shares (diluted)[3]		79,879,195	78,899,195
FFO I per share (diluted)		0.52	0.53

[1] Previous year adjusted in accordance with IFRS 5.26
[2] 70,771,206 shares as at balance sheet date (previous year: 68,480,390)
[3] Plus 9,107,989 shares from assumed conversion of convertible bonds with entitlement to conversion (previous year: 10,418,805)

Non-recurring and extraordinary items are structured as follows:

Non-recurring and extraordinary items In EUR millions	6M 2020	6M 2019
Non-cash income/expenses and one-off payments	30.1	11.5
Costs of acquisition/integration/sale	499.6	8.9
Optimisation of business model, structuring	0.5	1.2
Total of non-recurring and extraordinary items	**530.2**	**21.6**

Among other things, the loss from the deconsolidation of ADO Properties of EUR 497,527 thousand is considered in the one-off and special effects.

The FFO interest charge is derived as follows:

Interest expense FFO In EUR millions	6M 2020	6M 2019
Interest income	76.3	5.4
Interest expenses	-122.3	-72.3
Total interest income (continued and discontinued operations)	**-46.0**	**-66.9**
Adjustments		
Prepayment compensation and provision costs	7.7	9.8
Effects of measurement of primary financial instruments	21.8	11.0
Other adjustments	-13.7	11.5
Interest expenses FFO	**-30.2**	**-34,6**

In the reporting period, the negative financial result of ADO Properties of the first quarter, valuation effects on financial investments and lending , income from the derecognition of financial liabilities due to the early repayment of ADO Group bonds and currency effects were all recognised in other adjustments.

Calculated this way, FFO I for the first half of 2020 amounted to EUR 41.5 million, which was EUR 0.2 million or 0.5 percent lower than in the previous year (6M 2019: EUR 41.7 million). This is mainly due to the reduction of the portfolio year-on-year. Calculated on an undiluted basis, FFO I per share was EUR 0.59 as at 30 June 2020. On a diluted basis (shares issued less treasury shares, plus shares from the assumed conversion of outstanding convertible bonds), FFO I per share was EUR 0.52.

NET ASSETS

In EUR millions	30.06.2020	as percentage of total assets	31.12.2019	as percentage of total assets
Non-current assets	**6,215.8**	**92.5**	**5,288.7**	**49.5**
of which investments properties	5,182.4	77.1	4,920.0	46.1
Current assets	**487.5**	**7.3**	**554.4**	**5.2**
of which inventories	82.1	1.2	87.3	0.8
of which cash and cash equivalents investments	171.7	2.6	237.4	2.2
Non-current assets held for sale	**19.3**	**0.2**	**4,838.6**	**45.3**
Assets	**6,722.6**	**100.0**	**10,681.7**	**100.0**
Equity	**1,368.7**	**20.4**	**3,547.9**	**33.2**
of which capital stock	72.4	1.1	71.1	0.7
of which capital reserve	269.0	4.0	282.9	2.6
of which net retained profit	664.1	9.9	1,093.5	10.2
of which non-controlling interests	364.9	5.4	2,102.0	19.7
Non-current liabilities	**5,099.4**	**75.8**	**4,928.5**	**46.1**
of which liabilities from convertible bonds	109.6	1.6	122.2	1.1
of which liabilities from bonds	2,053.6	30.5	2,327.8	21.8
of which financial liabilities to banks	1,304.7	19.4	2,002.1	18.7
Current liabilities	**254.5**	**3.8**	**377.9**	**3.6**
of which financial liabilities to banks	100.8	1.5	157.7	1.5
Liabilities held for sale	**0.0**	**0.0**	**1,827.4**	**17.1**
Equity and liabilities	**6,722.6**	**100.0**	**10,681.7**	**100.0**

As at the reporting date, ADLER had assets totalling EUR 6,722.6 million, about one-third less than at the end of the previous year (EUR 10,681.7 million). The decline is nearly exclusively due to the deconsolidation of ADO Properties.

Investment properties increased

The value of investment properties was reported to be EUR 5,182.4 million at the half-year stage of 2020. At the start of the year, the figure was EUR 4,920.0 million. The increase is mainly attributable to capitalised renovation and modernisation measures, to construction costs for development projects and fair value gains of the residential units which was partly offset by the value adjustments of the commercial portfolio triggered by the measures to contain the coronavirus. In the first six months, there were also advance payments for plots of land relating to development projects, which are recognised under other non-current assets.

Following the conclusion of a binding sale and purchase agreement for the sale of a 75 percent shareholding in a BCP development project in Dusseldorf in the third quarter of 2019, control over it was transferred at the end of the first quarter of 2020. Following receipt of a partial payment, ADLER recognises non-current receivables from the buyers of EUR 131.9 million as at the balance sheet date, the redemption of which has been agreed along with a defined payment schedule which again is related to the progress of the project. The remaining 25 percent shareholding is reported as EUR 56.0 million under investments in associated companies. There is also a loan for EUR 59.8 million from the associated company. The related investment properties, which had been recognised under non-current assets held for sale (EUR 375.0 million) and liabilities held for sale (EUR 127.5 million) as at 31 December 2019, were already disposed of in the first quarter of 2020.

Current assets amounted to EUR 487.5 million as at the balance sheet date, which was EUR 66.9 million less than at the beginning of the year. The change is due primarily to the fact that the equivalent sum of cash and cash equivalents was used to repay liabilities from ADO Group bonds. Current assets comprise EUR 57.7 million in remaining receivables against the buyer of the shares in ACCENTRO, which ADLER had already sold at the end of 2017 but for which full payment had been postponed several times based on a mutual understanding. The remaining receivables are expected to be settled in 2020. These receivables bear interest at the standard market rate and are secured.

Cash and cash equivalents came to EUR 171.7 million as at 30 June 2020.

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

Shareholders' equity and equity ratio decline due to deconsolidation

Shareholders' equity amounted to EUR 1,368.7 million at the end of June 2020. The decrease compared with the end of the previous year (EUR 3,547.9 million) is mainly attributable to the consolidated net loss and to the fact that the share of non- controlling interest has come down considerably with the deconsolidation of ADO Properties. The equity ratio reached 20.4 percent compared to 33.2 percent at the end of the previous year.

Liabilities restructured

Non-current liabilities amounted to EUR 5,099.4 million at the end of June 2020 and thus increased compared to the level at the end of the previous year (EUR 4,928.5 million). In contrast, current liabilities decreased by almost the same amount. At the end of June 2020, they amounted to EUR 254.5 million and were well below the value at the end of the previous year (EUR 377.9 million). In the case of non-current liabilities, former liabilities to banks have been replaced by liabilities to affiliated companies - mainly because the bridge financing for the acquisition of the ADO Group was replaced by a corresponding financing arrangement with ADO Properties.

Liabilities held for sale amounted to EUR 0.0 million at the end of the first half of 2020 (31 December 2019: EUR 1.827.4 million).

At the half-year stage of 2020, adjusted net financial liabilities amounted to EUR 3,648.7 million. The figure is therefore significantly lower than at the end of 2019 when ADO Properties was still fully consolidated.

Loan to value (LTV) higher following deconsolidation

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.

In EUR millions		30.06.2020	31.12.2019
Convertible bonds		111.7	124.2
+	Bonds	2,075.0	2,429.5
+	Financial liabilities to banks	1,405.5	2,159.8
+	Financial liabilities to affiliated companies[1)]	264.3	-
–	Cash and cash equivalents	171.7	237.4
=	**Net financial liabilities**	**3,684.8**	**4,476.1**
–	Non-current assets held for sale and purchase price receivables, financial instruments minus liabilities associated with assets held for sale[2)]	536.1	502.0
=	**Adjusted net financial liabilities**	**3,148.7**	**3,974.1**
Investment properties		5,182.4	4,920.0
+	Inventories	82.1	87.3
+	Property, plant and equipment for property management	10.9	25.3
+	Shares in real estate companies	103.9	59.1
+	Net financial liabilities ADO Properties[3)]	0.0	2,709.3
=	**Gross asset value**	**5,379.3**	**7,801.0**
LTV including convertible bonds in %		58.5	50.9
LTV excluding convertible bonds in %		56.5	49.4

1) The financial liabilities to affiliated companies, which totalled EUR 1,119.6 million (long-term and short-term) as of June 30, 2020, were reduced by a total of EUR 855.3 million on a pro-forma basis due to the two events presented in the notes to the consolidated financial statements. On July 2, 2020, ADLER transferred the 14,692,889 shares in ADO Properties SA, which were reported at market value under other financial assets as of June 30, 2020 at EUR 355.9 million. In return, a consideration from ADO Properties in the amount of EUR 355.3 million was received (share price at the time of transfer), which has been offset against the existing financial liabilities. As a result of the capital increase in kind (announced on 30 August 2020) against shareholder loans of ADO Properties S.A. (debt-to-equity-swap) in the amount of EUR 500.0 million, the financial liabilities to the parent company were reduced further

2) Purchase price receivables including interest from the sale of ACCENTRO amounted to EUR 57.7 million (previous year: EUR 56.3 million); non-current assets held for sale excluding ADO Properties amounted to EUR 19.3 million (previous year: EUR 429.5 million); equity instruments measured at fair value amounted to EUR 6.5 million (previous year: EUR 6.5 million) and debt instruments amounted to EUR 75.4 million (previous year: EUR 14.7 million); receivables/loans/loans to real estate companies amounted to EUR 376.7 million (previous year: EUR 122.5 million) and liabilities held for sale without ADO Properties amounted to EUR 0.0 million (previous year: EUR 127.6 million)

3) Assets held for sale of EUR 0.0 million (prior year: EUR 4.409,1 million) less liabilities held for sale of EUR 0.0 million (prior year: EUR 1,699.8 million) of ADO Properties

The average cost of debt for all of the ADLER Group's liabilities (WACD = weighted average cost of debt) amounting to 1.96 percent as at 30 June 2020 (31 December 2019: 2.05 percent).

Net reinstatement value (EPRA NRV)

With effect from 1 January 2020, EPRA has developed three new ratios to replace the NAV to reflect changes in the regulatory framework in Europe. There are the EPRA Net Reinstatement Value (NRV), the EPRA Net Tangible Assets (NTA) and the EPRA Net Disposal Value (NDV). ADLER has therefore focused its reporting on the NRV from the 2020 financial year onwards, as significant sales activities of the residential properties held are regularly only of minor relevance, as is the case with the NTA and NDV. A significant difference between the NRV and the former NAV involves the real estate transfer tax of the properties held, which was deducted for the purposes of property valuation and is now to be added again, since a sale is not currently expected.

In EUR millions	**30.06.2020**	**31.12.2019**
Equity	**1,368.7**	**3,547.9**
Non-controlling interests	-364.9	-2,102.0
Equity attributable to ADLER shareholders	**1,003.8**	**1,445.9**
Effect resulting from conversion of convertibles	109.6	122.2
Diluted equity of ADLER shareholders	**1,113.4**	**1,568.1**
Deferred tax liabilities on investment properties	524.7	517.1
Diff. between fair values and carrying amounts of inventory properties	4.5	6.3
RETT on investment properties	295.8	280.8
Goodwill from deferred taxes on investment properties	0.0	0.0
Fair value of derivative financial instruments	6.4	4.7
Deferred taxes for derivative financial instruments	-1.9	-1.4
EPRA NRV (diluted)	**1,942.9**	**2,375.6**
Goodwill - synergies	-169.4	-169.4
Announced capital increase[1]	500.0	-
Adjusted EPRA NRV (diluted)	**2,273.5**	**2,206.2**
Number of shares, diluted[1);2)]	116,916,232	79,879,195
EPRA NRV per share (diluted) in EUR	**16.62**	**29.74**
Adjusted EPRA NRV per share (diluted) in EUR	**19.45**	**27.62**

1) On August 30, 2020, ADLER announced a non-cash capital increase in connection with the contribution of a portion of the shareholder loan of ADO Properties S.A. in the amount of EUR 500.0 million (see presentation in the notes on events after the balance sheet date). Based on a share price of EUR 13.50, this increases the number of diluted shares by 37,037,037 from 79,879,195 to 116,916,232
2) 70,771,206 shares as at balance sheet date (previous year: 69,460.511) plus assumed conversion of 9,107,989 outstanding convertibles entitled to be converted (previous year: 10,418,684)

FINANCIAL POSITION

In EUR millions	**6M 2020**	**6M 2019**
Cash flow from operating activities	55.4	44.1
of which from continuing operations[1]	50.3	44.1
Cash flow from investing activities	-252.5	24.9
of which from continuing operations	-126.4	24.9
Cash flow from financing activities	166.2	29.5
of which from continuing operations	19.0	29.5
Change in cash and cash equivalents due to changes in scope of consolidation	-413.7	98.5
Non-cash effective change in cash and cash equivalents	-8.6	0.0
Cash and cash equivalents at beginning of period	625.0	77.7
Cash and cash equivalents at end of period	171.7	176.2

1) Previous year adjusted in accordance with IFRS 5.26

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

Investing activities resulted in a cash outflow of EUR 252.5 million in the first six months of 2020, which was due primarily to the acquisition of financial investments by ADO Properties before deconsolidation (an increase of investment in Consus) and to investments in the real estate portfolio (investment properties). Cash inflow was generated by the sale of a BCP development project.

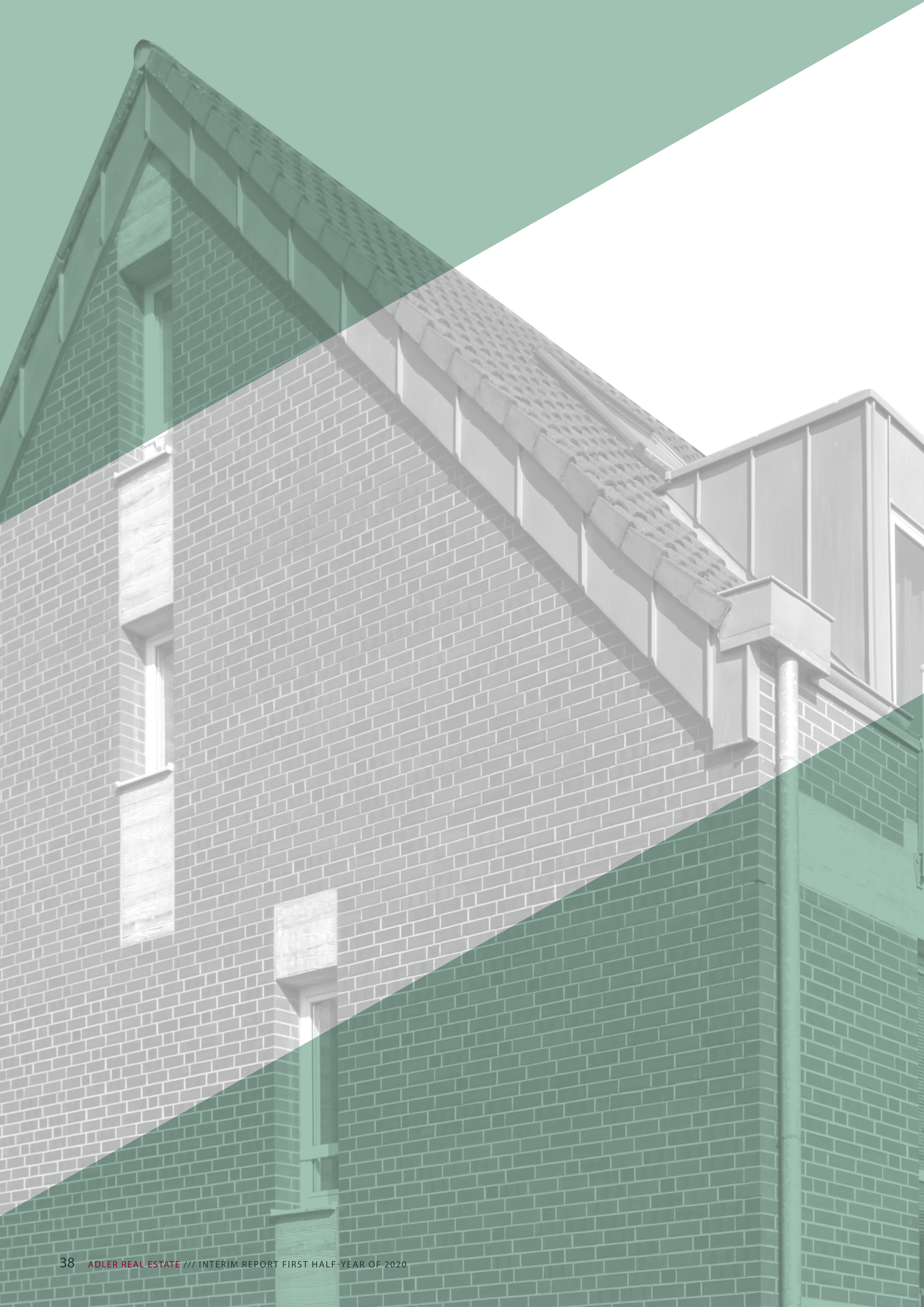
Financing activities resulted in a cash inflow of EUR 166.2 million in the first half of 2020. The cash inflow is due mainly to the increase of the bridging loan, which ADLER had taken out to acquire the ADO Group, as well as the acquisition of several short-term loans with ADO Properties and the sale of shares in subsidiaries of ADO Properties to minority shareholders. At the beginning of the second quarter of 2020, this bridge loan was repaid and replaced by a loan from ADO Properties. Lastly, bank loans to property companies of the Group had a positive effect on the cash flow from financing activities. Cash outflows resulted from repayments of ADO Group bonds and scheduled interest and principal payments.

As at 30 June 2020, the ADLER Group had cash and cash equivalents of EUR 171.7 million (31 December 2019: EUR 237.4 million).

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

OVERALL SUMMARY OF BUSINESS PERFORMANCE AND POSITION OF GROUP

Given the development of the existing property portfolios, the successful implementation of the Group's realignment, the financing structure which - despite the temporary increase in LTV - remains stable as ADLER has become part of the new ADLER Group, and the financing facilities being 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 2019

/// CONSOLIDATED BALANCE SHEET

(IFRS) as at 30 June 2020

In EUR ´000	30.06.2020	31.12.2019
Assets	**6,722,614**	**10,681,677**
Non-current assets	**6,215,774**	**5,288,676**
Goodwill	169,439	169,439
Intangible assets	544	584
Property, plant and equipment	22,923	19,348
Investment properties	5,182,391	4,920,008
Loans to associated companies	112,931	79,524
Investments in associated companies	75,948	23,432
Other financial investments	464,856	56,603
Other non-current assets	183,474	17,783
Deferred tax assets	3,269	1,955
Current assets	**487,516**	**554,355**
Inventories	82,076	87,308
Trade receivables	33,917	31,987
Income tax receivables	3,340	4,643
Other current assets	196,480	193,002
Cash and cash equivalents	171,703	237,415
Non-current assets held for sale	**19,323**	**4,838,646**

In EUR ´000	30.06.2020	31.12.2019
Equity and liabilities	**6,722,614**	**10,681,677**
Shareholders' equity	**1,368,693**	**3,547,857**
Capital stock	72,374	71,064
Treasury shares	-1,603	-1,603
	70,771	69,461
Capital reserve	316,666	309,337
Retained earnings	-49,346	-26,438
Currency translation reserve	1,566	0
Net retained profit	664,102	1,093,506
Equity attributable to owners of the parent company	1,003,759	1,445,865
Non-controlling interests	364,934	2,101,992
Non-current liabilities	**5,099,366**	**4,928,486**
Pension provisions	4,006	4,092
Deferred tax liabilities	485,191	439,856
Other provisions	3,148	3,148
Liabilities from convertible bonds	109,612	122,249
Liabilities from bonds	2,053,591	2,327,846
Financial liabilities to banks	1,304,675	2,002,136
Financial liabilities to affiliated companies	1,113,460	0
Other non-current liabilities	25,683	29,159
Current liabilities	**254,543**	**377,916**
Other provisions	437	12
Income tax liabilities	25,623	15,960
Liabilities from convertible bonds	2,038	1,947
Liabilities from bonds	21,412	101,612
Financial liabilities to banks	100,797	157,708
Financial liabilities to affiliated companies	6,178	0
Trade payables	35,732	37,380
Other current liabilities	62,326	63,297
Liabilities held for sale	**12**	**1,827,418**

/// CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(IFRS) for the period from 1 January to 30 June 2020

In EUR ´000	6M 2020	6M 2019	Q2 2020	Q2 2019
Gross rental income	179,685	187,408	89,257	92,543
Expenses from property lettings	-74,398	-74,883	-33,907	-35,541
Earnings from property lettings	**105,287**	**112,525**	**55,350**	**57,002**
Income from the sale of properties	457,436	378,873	65,681	192,793
Expenses from the sale of properties	-447,794	-387,771	-58,283	-201,259
Earnings from the sale of properties	**9,642**	**-8,898**	**7,398**	**-8,466**
Personnel expenses	-22,626	-20,285	-11,599	-10,468
Other operating income	5,504	4,188	3,943	2,179
Other operating expenses	-44,856	-24,092	-22,880	-14,211
Income from fair value adjustments of investment properties	120,498	152,577	130,832	142,917
Depreciation and amortisation	-2,839	-1,959	-1,204	-1,054
Earnings before interest and tax (EBIT)	**170,610**	**214,057**	**161,838**	**167,900**
Financial income	74,242	5,357	40,664	1,705
Financial costs	-98,821	-72,305	-40,677	-29,325
Net income from at-equity-valued investment associates [1]	635	248	364	248
Earnings before tax (EBT)[1]	**146,666**	**147,356**	**162,189**	**140,528**
Income taxes	-57,250	-33,508	-48,244	-41,353
Consolidated net profit from continuing operations [1]	**89,417**	**113,848**	**113,946**	**99,175**
Earnings after taxes of discontinued operations[1]	-499,527	0	-497,527	0
Consolidated net profit	**-410,110**	**113,848**	**-383,581**	**99,175**
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	1,566	0	350	-1
Change in value of financial assets measured at fair value	1,304	-1,214	4,852	-1,217
OCI gains/losses reclassifiable into profit or loss	**2,870**	**-1,214**	**5,202**	**-1,218**
Total comprehensive income from continuing operations	**92,287**	**112,634**	**119,148**	**97,957**
Total comprehensive income of discontinued operations	-572,347	0	-497,672	0
Total comprehensive income	**-480,060**	**112,634**	**-378,524**	**97,957**

In EUR ´000	6M 2020	6M 2019	Q2 2020	Q2 2019
Carry-over total comprehensive income	**-480,060**	**112,634**	**-378,524**	**97,957**
Net profit from continuing operations:				
Owners of the parent company [1]	68,364	97,493	89,838	82,935
Non-controlling interests	21,052	16,355	24,107	16,240
Consolidated net profit attributable to:				
Owners of the parent company	-429,403	97,493	-407,688	82,935
Non-controlling interests	19,293	16,355	24,107	16,240
Total comprehensive income from continuing operations:				
Owners of the parent company	71,236	96,279	95,041	81,717
Non-controlling interests	21,052	16,355	24,107	16,240
Total comprehensive income attributable to:				
Owners of the parent company	-450,746	96,279	-402,536	81,717
Non-controlling interests	-29,314	16,355	24,012	16,240
Earnings per share, basic in EUR (consolidated net profit from continuing operations)	0.99	1.42	1.30	1.21
Earnings per share, diluted in EUR (consolidated net profit from continuing operations)	0.91	1.27	1.17	1.07
Earnings per share, basic in EUR (consolidated net profit)	-6.23	1.42	-5.92	1.21
Earnings per share, diluted in EUR (consolidated net profit)	-5.47	1.27	-5.21	1.07

[1] Previous year adjusted in accordance with IFRS 5.26

/// CONSOLIDATED STATEMENT OF CASH FLOWS

(IFRS) for the period from 1 January to 30 June 2020

	In EUR ´000	6M 2020	6M 2019
	Earnings before interest and taxes (EBIT) – continuing and discontinued operations	-309,217	214,057
+	Depreciation and amortisation	3,215	1,959
–/+	Net income from fair value adjustments of investment properties	-120,498	-152,577
–/+	Non-cash income/expenses	505,959	4,916
–/+	Changes in provisions and accrued liabilities	339	244
–/+	Increase/decrease in inventories, trade receivables and other assets not attributable to investment or financing activities	-46,890	-86,161
–/+	Decrease/increase in trade payables and other liabilities not attributable to investment or financing activities	17,392	73,240
+	Interest received	624	51
+	Dividends received	0	248
+/–	Tax payments	-761	6,251
=	**Operating cash flow before dis-/reinvestment into the trading portfolio**	**50,163**	**49,238**
–/+	Increase/decrease in inventories (commercial properties)	5,232	-5,139
=	**Net cash flow from operating activities**	**55,395**	**44,099**
	of which continuing operations	50,295	44,099
	of which discontinued operations	5,100	0
–	Acquisition of subsidiaries, net of cash acquired	-14,235	0
+	Disposal of subsidiaries, net of cash disposed	0	67,030
–	Purchase of investment properties	-135,736	-88,688
+	Disposal of investment properties	84,741	77,707
–	Purchase of property, plant and equipment and intangible assets	-1,658	-3,496
+	Disposal of property, plant and equipment and intangible assets	0	218
–	Payments into short-term deposits	-13,265	-14,781
+	Proceeds from short-term deposits	12,115	0
+	Proceeds from disinvestment of financial assets	1,574	0
–	Investments in financial assets	-186,059	-1,100
+	Proceeds from the repayment of long-term receivables from associated companies	0	500
–	Payments for long-term receivables from associated companies	0	-12,500
=	**Net cash flows from investing activities**	**-252,523**	**24,890**
	of which continuing operations	-126,417	24,890
	of which discontinued operations	-126,106	0

	In EUR ´000	6M 2020	6M 2019
–	Costs of issuing equity	-4,065	0
–	Payments for acquisition of treasury shares including acquisition costs	0	0
–	Transactions with non-controlling interests	42,926	-731
–	Dividends paid to non-controlling interests	0	0
–	Dividends paid to the owners of the company	0	0
–	Payments for acquisition and repayment of convertible bonds	0	0
+	Proceeds from issue of bonds	0	400,000
–	Repayment of bonds	-316,099	-299,997
–	Payments from issuing debt	0	-5,599
–	Interest payments	-54,562	-56,850
+	Proceeds from bank loans	446,907	48,962
–	Repayment of bank loans	-1,062,898	-54,614
–	Repayment of leasing liabilities	-1,562	-1,075
–	Payment of interest portion of leasing liabilities	-664	-553
+	Proceeds from loans and borrowings from affiliated companies	1,116,205	-
=	**Net cash flows from financing activities**	**166,188**	**29,543**
	of which from continuing operations	19,018	29,543
	of which from discontinued operations	147,170	0

	In EUR ´000		
	Reconciliation to Consolidated Balance Sheet		
	Cash and cash equivalents at beginning of periods	**624,973**	**77,655**
	Non-cash changes in cash and cash equivalents from impairment losses	-722	0
	Non-cash changes in cash and cash equivalents from currency translation	-7,886	0
	Changes in cash and cash equivalents due to changes in the scope of consolidation	-413,722	0
	Net cash flow from operating activities	55,395	44,099
	Net cash flow from investing activities	-252,523	24,890
	Net cash flow from financing activities	166,188	29,543
=	**Cash and cash equivalents at end of periods**	**171,703**	**176,187**
	of which from continuing operations	171,703	176,187
	of which from discontinued operations	0	0

/// CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(IFRS) for the period from 1 January to 30 June 2020

In EUR ´000	Capital stock	Treasury shares	Capital reserves
As at 1 January 2019	**71,064**	**-2,583**	**309,233**
Consolidated net profit	0	0	0
Other comprehensive income (OCI) – reclassifiable	0	0	0
Other comprehensive income (OCI) – non-reclassifiable	0	0	0
Increase/decrease in shareholding with no change in status	0	0	95
Change in scope of consolidation	0	0	0
Acquisition of treasury shares	0	0	0
Conversion of convertible bonds	0	0	0
As at 30 June 2019	**71,064**	**-2,583**	**309,328**
As at 1 January 2020	**71,064**	**-1,603**	**309,337**
Consolidated net profit	0	0	0
Withdrawals from reserves	0	0	0
Other comprehensive income (OCI) – reclassifiable	0	0	0
Other comprehensive income (OCI) – non-reclassifiable	0	0	0
Increase/decrease in shareholding with no change in status	0	0	-6,419
Change in scope of consolidation	0	0	0
Transfer of treasury shares	0	0	0
Conversion of convertible bonds	1,310	0	13,748
As at 30 June 2020	**72,374**	**-1,603**	**316,666**

Retained earnings	Currency translation reserves	Net retained profit	Equity attributable to the owners of the parent company	Non-controlling interests	Total equity
-3,264	**88**	**842,888**	**1,217,426**	**362,205**	**1,579,631**
0	0	97,493	97,493	16,355	113,848
-1,215	1	0	-1,214	0	-1,214
0	0	0	0	0	0
0	0	0	95	-873	-778
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
-4,479	**89**	**940,381**	**1,313,800**	**377,687**	**1,691,488**
-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
0	0	0	0	0	0
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	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**

/// SELECTED NOTES ON THE GROUP INTERIM FINANCIAL STATEMENTS AS AT 30 JUNE 2019

/// SELECTED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (IFRS) AS AT 30 JUNE 2020

GENERAL INFORMATION

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

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

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

BASIS OF ACCOUNTING

Basis of preparation

The interim consolidated financial statements as at 30 June 2020 were prepared in accordance with International Financial Reporting Standards (IFRS), which are mandatory in the European Union. The consolidated financial statements, comprising the consolidated balance sheet, the consolidated statement of comprehensive income, the consolidated 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.

The residual interest in ACCENTRO was reclassified at 31 December 2019 from non-current assets held for sale to investments accounted for using the equity method as the decision to sell it was reversed. The comparative figures have been adjusted accordingly.

Effective 10 December 2019, ADLER obtained control over ADO Group Ltd., Tel Aviv, Israel (ADO Group) and thereby ADO Properties S.A., Senningerberg, Luxembourg (ADO Properties) as well. They were included in the consolidation as at 31 December 2019 on the grounds of simplicity and materiality. Since ADLER lost its controlling influence over ADO Properties again on 9 April 2020 following the completion of the successful takeover bid by ADO Properties, the assets and liabilities of ADO Properties, 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 2019, which form the basis for these interim consolidated financial statements.

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

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

Standard/Interpretation	Title	IASB Effective date[1]	Initial application date in the EU[1]
Amendments to IAS 1 and IAS 8	Definition of materiality	01.01.2020	01.01.2020
Amendments to the Conceptual Framework	Amendments to references to the Conceptual Framework in IFRS Standards	01.01.2020	01.01.2020
Amendments to IFRS 3	Definition of a business	01.01.2020	01.01.2020

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

Amendment to IAS 1 and IAS 8 – definition of materiality

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

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

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

Amendment to IFRS 3 – definition of a business

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

BASIS OF CONSOLIDATION

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

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

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

Further information about consolidation principles can be found in the comments in the 'Consolidation principles' section of the 2019 Annual Report.

SCOPE OF CONSOLIDATION AND BUSINESS COMBINATIONS

Including the parent company, the scope of consolidation includes a total of 232 companies (31 December 2019: 433) that are fully consolidated and seven companies that are recognised at equity (as at 31 December 2019: six).

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

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

On 15 December 2019, ADLER and ADO Properties entered into a business combination agreement under which ADO Properties was to acquire ADLER as part of a public takeover offer. On 9 April 2020, ADO Properties' takeover offer to ADLER shareholders was successfully concluded. ADO Properties announced that 91.93 percent of ADLER shares had been exchanged for shares in ADO Properties. ADLER therefore lost its controlling influence as of early April 2020 and deconsolidated ADO Properties again, including its 198 subsidiaries. For the sake of simplicity, deconsolidation took place on 1 April 2020. Particularly as the stock market price of ADO Properties has decreased since the acquisition date partly in the wake of the COVID-19 pandemic, deconsolidation has resulted in a loss, as follows:

In EUR ´000	1 April 2020
Disposal of assets of ADO Properties	-4,498,680
Disposal of debt of ADO Properties	1,866,193
Disposal of non-controlling interests of ADO Properties	1,757,186
Fair value of the remaining investment in ADO Properties	319,423
Fair value of convertible bonds of ADO Properties	58,157
Fair value of receivables from ADO Properties	145
Transfer other comprehensive income reclassifiable of ADO Properties	48
Result from the deconsolidation of ADO Properties	**-497,527**

The loss from deconsolidation was reported in the results of discontinued operations. The stake in ADO Properties accounted for a pro rata loss of EUR 218,920k. As a result of the deconsolidation of ADO Properties, cash and cash equivalents as reported in the Consolidated Statement of Cash Flows decreased by EUR 413,722k.

Due to the lack of voting rights, the remaining investment in ADO Properties is classified as a financial asset measured at fair value and reported in the financial results with changes in value under other financial investments. The initial valuation and subsequent measurement took place with due consideration given to the effect on profit or loss of deferred tax liabilities in the results of continued operations.

Through its subsidiary ADO Group Ltd, ADLER holds roughly 38 percent of a convertible bond issued by ADO Properties and due to mature at the end of 2023, which has been eliminated up to deconsolidation. The conversion right constitutes an embedded derivative and the convertible bond is thus classified as a financial asset measured at fair value and reported in the financial results with changes in value under other financial investments. Initial valuation and subsequent measurement took place with due consideration given to the effect on profit or loss of deferred taxes in the results of continued operations.

SEGMENT REPORTING

The residual interest in ACCENTRO was reclassified at 31 December 2019 from non-current assets held for sale 'Trading' to investments accounted for using the equity method as the decision to sell it was reversed. The comparative figures have been adjusted accordingly. Until its deconsolidation at the beginning of the second quarter of 2020, the acquisition of ADO Properties 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, through the letting of which ADLER Real Estate AG holds with the aim to generate long-term gross rental income. Gross rental income and the expenses associated with the letting business reflect the activities of the Group's Asset and Property Management, which manages residential units held in the portfolio in technical and commercial terms. This segment also includes the expenses for craftsmen and caretaker services which are provided by the Group's internal Facility Management. To a lesser extent, this item also includes BCP's commercial properties held for sale and project developments that are sold to non-group companies and which are therefore not to be added to the portfolio after completion.

Other group activities that do not constitute standalone segments are pooled in the 'Other' column. These are mainly historic holdings relating to development projects that have been in the 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 2020 to 30 June 2020 and for the previous year's comparative period are broken down as follows:

ADLER Group	Rental		Other		Group	
In EUR ´000 – 6 months	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Gross rental income and income from the sale of properties	637,024	566,188	97	93	637,121	566,281
– of which gross rental income	179,588	187,315	97	93	179,685	187,408
– of whichf income from sales	457,436	378,873	0	0	457,436	378,873
Change in the value of investment property	120,498	152,577	0	0	120,498	152,577
Earnings before interest and taxes (EBIT)	**170,610**	**214,014**	**0**	**43**	**170,610**	**214,057**
Net income from at-equity-valued investment associates[1]	635	248	0	0	635	248
Financial result	**-24,629**	**-67,005**	**51**	**57**	**-24,578**	**-66,948**
Earnings before taxes (EBT)[1]	**146,615**	**147,254**	**51**	**102**	**146,666**	**147,356**

[1] Previous year adjusted in accordance with IFRS 5.26

Income and EBIT for the period from 1 April 2020 to 30 June 2020 and for the previous year's comparative period are broken down as follows:

ADLER Group In EUR ´000 – 3 months/Q2	Rental 2020	Rental 2019	Other 2020	Other 2019	Group 2020	Group 2019
Gross rental income and income from the sale of properties	154,892	285,290	46	46	154,938	285,336
– of which gross rental income	89,211	92,497	46	46	89,257	92,543
– of which income from sales	65,681	192,793	0	0	65,681	192,793
Change in the value of investment property	130,832	142,917	0	0	130,832	142,917
Earnings before interest and taxes (EBIT)	**161,836**	**167,907**	**2**	**-7**	**161,838**	**167,900**
Net income from at-equity-valued investment associates [1)]	364	248	0	0	364	248
Financial result	**-37**	**-27,650**	**24**	**31**	**-13**	**-27,619**
Earnings before taxes (EBT)[1)]	**162,163**	**140,502**	**26**	**26**	**162,189**	**140,528**

[1)] Previous year adjusted in accordance with IFRS 5.26

Segment assets, segment liabilities and segment investments were structured as follows as at 30 June 2020:

ADLER Group In EUR ´000	Rental 2020	Other 2020	Consolidation 2020	Group 2020
Assets per segment	6,646,701	4,534	-4,569	6,646,666
Result of investments accounted for using the equity method	75,948	0	0	75,948
Total segment assets	**6,722,649**	**4,534**	**-4,569**	**6,722,614**
Non-current assets held for sale ADO Properties	-	-	-	0
Segment liabilities	**5,353,881**	**4,609**	**-4,569**	**5,353,921**
Non-current liabilities held for sale ADO Properties	-	-	-	0
Segment investments	**208,237**	**0**	**0**	**208,237**

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

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

SELECTED NOTES ON THE CONSOLIDATED BALANCE SHEET

Goodwill

In light of the coronavirus crisis, ADLER assessed whether there were signs of impairment and hence whether an impairment test required under IAS 36 should be carried out. ADLER is not currently anticipating any significant impact on its business activities and has therefore not adjusted its company planning in this respect. Nevertheless, the weighted average cost of capital has risen considerably since the last scheduled impairment test. WACC before taxes increased to 3.6 percent as at 30 June 2020 (31 December 2010: 2.7 percent). However, even taking into consideration this increased WACC figure, the impairment test in the fourth quarter of 2019 would not have led to impairment in any of the regional divisions. For this reason, ADLER does not believe there are any signs of impairment as at 30 June 2020.

Investment properties

The carrying amount of investment properties amounted to EUR 5,182,391k as at the balance sheet date (31 December 2019: EUR 4,920,008k). The additions in the first half year of EUR 103,245k result from investments in project development properties under construction, with EUR 35,033k from modernisation measures that can be capitalised, with EUR 130,832k from positive valuation effects relating to residential properties and with EUR 14,123k from other additions. Disposals including reclassifications had an opposite effect according to IFRS 5 and other reclassifications with EUR 10,516k and negative valuation effects with regard to the commercial properties with EUR 10,334k.

The negative valuation effects result from value adjustments to BCP's remaining commercial properties in the first quarter of 2020 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 112,931k as at the balance sheet date (31 December 2019: EUR 79,524k).

On 27 December 2018, ADLER also entered into a binding agreement with Benson Elliot Capital Management LLP, which plans to sell around 2,300 rental units to a joint venture, AB Immobilien B.V., Amsterdam, Netherlands, in which ADLER likewise holds a 25 percent interest. ADLER remains responsible for asset, property and facility management until the properties are sold to third parties. ADLER will profit from the potential upside of the final sale by the joint venture. The properties were worth approximately EUR 117,700k. Control over the rental units was 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 2020, ADLER recognises receivables from AB Immobilien B.V. of EUR 45,494k (31 December 2019: EUR 45,494k), taking into account default risks.

As part of the transitional consolidation of Glasmacherviertel GmbH & Co. KG, an interest-bearing loan receivable of EUR 59,340k was recognised from the associated company, taking into account default risks. As of 30 June 2020, ADLER had loan receivables including interest claims of EUR 59,768k.

Investments in associates and joint ventures

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

In EUR ´000	2020	2019
Carrying amounts 01.01	**23,432**	**15,709**
Other additions	55,836	9,300
Other disposals	0	-2
Share of gains and losses (at-equity result)	635	-1,327
Other results attributable to the Group	0	0
Dividends received	0	-248
Reclassification IFRS 5	-3,955	0
Carrying amounts 30.06 respectively 31.12	**75,948**	**23,432**

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

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

The shares in Caesar JV Immobilienbesitz und Verwaltungs GmbH with a value of TEUR 3,955k were reclassified as non-current assets held for sale as of the balance sheet date due to a binding sale and purchase agreement, which provides for the transfer of the shares by the end of the year at the latest.

Other financial investments

Following the loss of control over ADO Properties and due to the lack of exercisable voting rights, the remaining investment (20.5 percent) is classified as a financial asset measured at fair value and reported under other financial investments. As at 30 June 2020, based on the stock market price, the fair value amounted to EUR 355,862k. The change in value of EUR 36,438k compared with the time of initial recognition upon deconsolidation at the beginning of April 2020 is reported under financial income.

ADLER also holds roughly 38 percent of a convertible bond issued by ADO Properties and due to mature at the end of 2023, which has been eliminated up to deconsolidation. The conversion right constitutes an embedded derivative and the convertible bond in total is thus classified as a financial asset measured at fair value and reported under other financial investments. As at 30 June 2020, the fair value amounted to EUR 58,837k. The change in value of EUR 680k compared with the time of initial recognition upon deconsolidation at the beginning of April 2020 is reported under financial income.

In the 2018 financial year, ADLER acquired 4,870,891 (3.6 percent) the shares in a project development company based in Berlin 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 2020, based on the stock market price, the fair value amounted to EUR 27,910k (31 December 2019: EUR 35,655k). The change in value of EUR 7,745k compared to 31 December 2019 is recognised under financial expenses.

Also reported under other financial investments as at the balance sheet date are bonds that are held as part of a business model whose aim is both to hold financial assets for the collection of contractual cash flows and to sell financial assets if necessary. Debt instruments are therefore measured at fair value with changes in other comprehensive income. As at 30 June 2020, based on the market price, the fair value amounted to EUR 15,753k (31 December 2019: EUR 14,454k). The full amount of this change in value is due to a write-up to the reporting date price, which was recognised in other comprehensive income. The acquisition of additional bonds at an acquisition cost of EUR 1,500k in the first quarter of 2020 were sold again in the second quarter of 2020.

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

Other non-current assets

After receipt of payment of the initial purchase price instalment, the remaining receivables from the sale of the 75 percent stake in Glasmacherviertel GmbH & Co. KG, Dusseldorf and the loan receivable from the company were deferred, subject to customary interest and collateral. For payment of the purchase price receivables, it was agreed that each instalment payment would be due when certain milestones, which are not yet fixed but can be determined, in relation to project development are met. Accounting for default risks, a receivable of EUR 131,904k from the buyer is recognised under other non-current assets as at the balance sheet date. If the next defined milestone is reached by the end of fiscal year 2020, a partial payment of EUR 70,000k would be due, which the Company currently expects.

Miscellaneous other non-current assets include advance payments of EUR 1,152k (31 December 2019: EUR 17,698k) in connection with project developments. With the commencement of construction in the second quarter of 2020, the advance payments previously reported for the addition to existing residential properties in Goettingen and Wolfsburg were reclassified to investment properties. Advance payments for the acquisition of land for project development or project development companies were also reclassified to investment properties with the transfer of control.

Other current assets

As of the balance sheet date, other current assets include residual receivables of EUR 57,660k (31 December 2019: EUR 56,261k) against the buyer of the shares in ACCENTRO which ADLER had sold at the end of 2017. Payment had been postponed several times according to a mutual understanding. The remaining and secured purchase price claim is to be paid until end of the year 2020 after a further extension of the time limit and is subject to a market interest rate.

The earmarked funds shown under other current assets decreased by EUR 41,447k compared to 31 December 2019 to EUR 40,678k.

Cash and cash equivalents

Cash and cash equivalents amounted to EUR 171,703k at the balance sheet date, as against EUR 237,415k at the end of the previous year. EUR 21,885k (31 December 2019: EUR 15,753k) is subject to restraints on disposal. ADLER can dispose of these resources, but they are intended for a special use.

Non-current assets held for sale

Until the beginning of the second quarter of 2020, the non-current assets and liabilities held for sale included in particular the assets (EUR 4,498,680k) and liabilities (EUR 1,866,193k) of ADO Properties after consolidation of intercompany transactions (discontinued operation according to IFRS 5). ADLER lost its controlling influence again at the beginning of April 2020 and deconsolidated ADO Properties.

At the end of the second quarter the shares in the associated company Caesar JV Immobilienbesitz und Verwaltungs GmbH with a value of TEUR 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 by the end of the year at the latest.

Other non-current assets held for sale primarily include properties recognised at a value of EUR 15,368k (31 December 2019: EUR 429,548k), for which notarial purchase contracts were available at the balance sheet date. The disposal of non-current assets held for sale in the previous year did not have any material impact on earnings, as the assets were already measured at fair value. This corresponded to the sale price for the properties less related expenses. Other non-current liabilities held for sale of EUR 12k (31 December 2019: EUR 127,574k) are to be transferred on disposal of the assets.

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

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

In the second quarter of 2020, the power of disposal over further commercial units of BCP held for sale with a value of EUR 40,140k was transferred.

Shareholders' equity

The capital stock of ADLER AG amounted to EUR 72,374k as at 30 June 2020 (31 December 2019: EUR 71,064k) and is divided into 72,374,438 no-par ordinary shares (31 December 2019: 71,063,743) with one voting right per share.

The exercise of conversion rights increased the share capital by EUR 1,310k and the capital reserves by EUR 13,748k.

Changes in the value from the reclassifiable and non-reclassifiable other comprehensive income amounting to EUR -22,908k (previous year: EUR -22,824k) were recorded in retained earnings after offsetting applicable taxes. The currency translation reserve is attributable to the ADO Group.

In the first quarter of 2020, shares in several subsidiaries, particularly ADO Properties, were sold. The difference between the value of the shares and the consideration was offset against the capital reserve.Due to the deconsolidation of ADO Properties at the beginning of the second quarter, non-controlling interests amounting to EUR 1,757,186k were disposed of.

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	30.06.2020	31.12.2019
2016/2021 convertible bond	111,650	124,196
Total	**111,650**	**124,196**
– of which non-current	109,612	122,249
– of which current	2,038	1,947

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

Liabilities for bonds

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

In EUR ´000	30.06.2020	31.12.2019
Bond 2017/2021	500,139	495,020
Bond 2017/2024	298,071	300,692
Bond 2018/2023	494,292	497,759
Bond 2018/2026	294,918	298,930
Bond 2019/2022	397,824	399,920
Bond BCP 2011/2020 (A)	0	15,828
Bond BCP 2013/2024 (B)	49,375	49,816
Bond BCP 2014/2026 (C)	40,383	40,590
Bond ADO Group 2015/2023 (G)	0	173,820
Bond ADO Group 2017/2025 (H)	0	157,083
Total	**2,075,003**	**2,429,458**
– of which non-current	2,053,591	2,327,846
– of which current	21,412	101,612

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

The liabilities from bond tranche A of the BCP were repaid early on 20 April 2020 at nominal value plus accrued interest.

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 1,304,675k as at the balance sheet date (31 December 2019: EUR 2,002,136k). The decrease of EUR 700,172k compared to the previous year is mainly due to the repayment of the bridge loan, which was taken out in the previous year to finance the acquisition of the shares in ADO Group. In connection with the disposal of further commercial properties of BCP, financial liabilities to banks were repaid. The long-term refinancing of existing financial liabilities amounting to EUR 105,735k (nominal) had an opposite effect, as a portion of these loans was already reported under current financial liabilities to banks.

Current financial liabilities to banks amounted to EUR 100,797k as at the balance sheet date (31 December 2019: EUR 157,708k). Current financial liabilities also include the repayments and interest liabilities of the non-current financial liabilities due within one year.

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

Financial liabilities to affiliated companies

Non-current financial liabilities to affiliated companies amounted to TEUR 1,113,460k as of the balance sheet date and are owed in full to the parent company ADO Properties.

On 14 April 2022, ADO Properties 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 depends on the term and rating and was 1.90 percent p.a. on the balance sheet date. ADO Properties also charged ADLER transaction costs of EUR 3,087k. The loan will be repaid by 15 March 2022 at the latest. The loan is not secured.

In addition, ADLER was provided with further interest-bearing loans totalling EUR 230,735k to finance ADO Properties in several tranches. The interest rate is 4.32 percent p.a. and quarterly interest payments are planned. The loans are repayable in each case with final maturity in the fourth quarter of 2021. The loans are completely unsecured.

In addition to transaction costs, current financial liabilities of EUR 6,178k are based on interest liabilities of non-current financial liabilities.

SELECTED NOTES ON THE STATEMENT OF COMPREHENSIVE INCOME

Income from property lettings

Gross rental income is structured as follows:

In EUR ´000	6M 2020	6M 2019
Net rental income	119,607	127,150
Income from recoverable expenses	58,331	58,678
Other income from property management	1,747	1,580
Total	**179,685**	**187,408**

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

Expenses from property lettings

Expenses from property lettings are broken down as follows:

In EUR ´000	6M 2020	6M 2019
Apportionable and non-apportionable operating costs	60,668	64,956
Maintenance	13,586	9,779
Other property management expenses	144	148
Total	**74,398**	**74,883**

Income from the sale of properties

Income from the sale of properties is structured as follows:

In EUR ´000	6M 2020	6M 2019
Income from the disposal of project development inventory properties	36,307	13,010
Income from the disposal of other inventory properties	0	81
Income from the disposal of investment properties	421,129	365,782
Total	**457,436**	**378,873**

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

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

Expenses from the sale of properties

Expenses from the sale of properties are structured as follows:

In EUR ´000	6M 2020	6M 2019
Carrying amount of disposed project development inventory properties	26,413	13,285
Carrying amount of disposed other inventory properties	0	70
Carrying amount of disposed investment properties	421,273	365,722
Costs of disposal	108	8,694
Total	**447,794**	**387,771**

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

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

Other operating expenses

Other operating expenses break down as follows:

In EUR ´000	6M 2020	6M 2019
Legal and consulting expenses	17,548	5,493
Impairment and write-downs of receivables	7,672	5,690
General and administrative expenses	685	568
Purchased services	2,423	1,259
Office and IT expenses	3,954	3,214
Cost of premises	1,693	1,413
Public relations	531	483
Miscellaneous other operating expenses	10,350	5,972
Total	**44,856**	**24,092**

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

Financial income

Financial income is structured as follows:

In EUR ´000	6M 2020	6M 2019
Interest income – financial assets measured at amortised cost	4,216	3,764
Interest income – financial assets at fair value	197	0
Interest income – financial assets at fair value through other comprehensive income	428	403
Net change in fair value of derivatives	1,499	1,134
Net change in fair value of financial instruments at fair value through profit or loss	37,118	0
Derecognition of financial liabilities measured at amortised cost	30,576	0
Other financial income	208	56
Total	**74,242**	**5,357**

The income from changes in the fair value of other financial instruments at fair value through profit or loss results from the subsequent measurement of the remaining shares in ADO Properties and the convertible bond issued by ADO Properties, which is held proportionately by ADLER through ADO Group.

The income from the derecognition of financial liabilities measured at amortised cost results from the early repayment of the bonds of the ADO Group at nominal value plus accrued interest. 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 2020	6M 2019
Interest expenses – financial liabilities measured at amortised cost		
Interest expenses – bank loans	44,697	25,416
Interest expenses – bonds	23,900	31,513
Interest expenses – convertible bonds	3,832	4,022
Interest expenses – financial liabilities to affiliated companies	3,865	-
Interest expenses – leasing	587	575
Interest expenses – other	37	179
Net change in fair value of derivatives	52	1,649
Net change in fair value of financial instruments at fair value through profit or loss	7,745	3,215
Impairment of financial assets measured at amortised cost (loans, restricted funds, deposits at banks)	3,345	295
Impairment of financial assets at fair value with changes in other comprehensive income	5	4
Net foreign exchange losses/gain	10,737	5,424
Accrued interest on provisions	18	5
Other financial expenses	1	8
Total	**98,821**	**72,305**

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 23,904k (previous year: EUR 12,666k) in total.

Earnings after taxes from discontinued operations

In EUR ´000	6M 2020	6M 2019
Income from property lettings	37,794	0
Expenses from property lettings	-12,146	0
Earnings from property lettings	**25,648**	**0**
Income from the sale of properties	2,187	0
Expenses from the sale of properties	-2,046	0
Earnings from the sale of properties	**141**	**0**
Personnel expenses	-5,249	0
Other operating income	6,800	0
Other operating expenses	-506,791	0
Income from fair value adjustments of investment properties	0	0
Depreciation and amortisation	-375	0
Earnings before interest and taxes (EBIT)	**-479,827**	**0**
Financial income	2,095	0
Financial expenses	-23,493	0
Income from at-equity-valued investment associates[1)]	0	0
Earnings before taxes (EBT)[1)]	**-501,225**	**0**
Income taxes	1,698	0
Earnings after tax from discontinued operations[1)]	**-499,527**	**0**
Other comprehensive income	-72,820	0
Total comprehensive income of discontinued operations	**-572,347**	**0**

[1)] Previous year adjusted in accordance with IFRS 5.26

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

Other operating expenses include the loss from deconsolidation of ADO Properties 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 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

	6M 2019 Continuing operations	6M 2019 Discontinued operations	6M 2019 Total
Consolidated net earnings (in EUR ´000)	113,848	-	113,848
Consolidated net earnings without non-controlling interests	97,493	-	97,493
Expenses including deferred taxes on convertibles	2,808	-	2,808
Consolidated net earnings without non-controlling interests (diluted)	100,301	-	100,301
Number of shares (in thousands)			
Weighted number of subscribed shares	68,480	68,480	68,480
Effect of conversion of convertibles	10,419	10,419	10,419
Weighted number of shares (diluted)	78,899	78,899	78,899
Earnings per share (in EUR)			
Basic earnings per share	1.42	-	1.42
Diluted earnings per share	1.27	-	1.27

DISCLOSURES ON FINANCIAL INSTRUMENTS AND FAIR VALUE DISCLOSURES

The classification of financial instruments required was unchanged compared with 31 December 2019. There were no reclassifications within the categories of financial instruments or the fair value hierarchy levels in the period under report.

The allocation of assets and liabilities measured at fair value in accordance with the input factors of the respective measurement method was unchanged compared with 31 December 2019. 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 2019. In the reporting period. ADLER received loans from the parent company ADO Properties in the reporting period (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 2019. Risks have not changed since 31 December 2019, although the following qualifications should be noted.

ADLER does not expect any major impact on its business as a result of the COVID-19 pandemic due to the stability of its business model. So far, only a few tenants have had to defer their rent payments.

The rating agencies Standard & Poor's and Moody's have adjusted the corporate rating of the parent company ADO Properties 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

On 2 July 2020 the Supervisory Board of ADLER approved the finalisation of a share transfer and procurement contract between ADLER and its parent company, ADO Properties. The contract concerns the transfer of 14,692,889 shares in ADO Properties held by ADO Group Ltd, a wholly owned subsidiary of ADLER, to Aggregate Holdings S.A. ('Aggregate') within the framework of the option agreement in place between ADO Properties and Aggregate and dated 15 December 2019. Under the terms of the share transfer and procurement contract, ADLER makes a commitment to ADO Properties to sign a further share transfer and procurement contract with ADO Group Ltd, according to which ADO Group Ltd will make a commitment to ADLER to transfer the 14,692,889 ADOP shares that it holds to Aggregate upon instruction from ADLER. When ADO Group Ltd transfers the shares to Aggregate, ADO Properties will provide ADLER with consideration equivalent to the fair value of the ADOP shares.

On 30 August 2020, the management board of ADLER has decided in principle to replace part of the shareholder loan it has received from it's parent company ADO Properties with equity. As a part of this swap ADLER will increase it's share capital against contribution in kind excluding shareholders' subscription rights. The capital increase shall be effected with partial exercise of the existing authorized capital pursuant to Section 4 para. 2 and 3 of the articles of association of the Company and shall be used as part of a debt-to-equity-swap under the authorization resolution dated 15 October 2015. ADO shall be admitted to subscribe to the newly issued shares of the Company. A partial amount of up to EUR 500 million of the receivable from the existing shareholder loan shall be contributed as a contribution in kind. The final decision regarding the capital increase against contribution in kind and its implementation shall only take place after receipt of a valuation report on the value of the receivable and after approval of the supervisory board of the Company. The issuance shall occur at or close to the market value.

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

/// AFFIRMATION BY THE LEGAL REPRESENTATIVES

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

Berlin, 31 August 2020

Tomas de Vargas Machuca Co-CEO	Maximilian Rienecker Co-CEO	Sven-Christian Frank COO

/// LEGAL REMARKS

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

/// GLOSSARY

EBIT

Earnings before interest and tax

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

EBITDA

Earnings before interest, tax, depreciation and amortisation

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

Adjusted EBITDA

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

FFO I

Funds from operations I

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

EPRA

European Public Real Estate Association

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

EPRA – NRV

Net reinstatement value based on EPRA

Equity allocable to shareholders adjusted to exclude deferred taxes, value differences between fair values and carrying amounts of real estate and present value of derivative financial instruments – an indicator of company value. The deferred taxes and the property transfer tax on the properties held, which were deducted for the purpose of property valuation, are added back again because a sale is not expected.

LTV

Loan-to-value

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

Swap

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

Dilution of shares

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

WACD

Weighted average cost of debt

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

/// AT A GLANCE

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	
Tomas de Vargas Machuca	Member of the Management Board (Co-CEO)
Maximilian Rienecker	Member of the Management Board (Co-CEO)
Sven-Christian Frank	Member of the Management Board (COO)
Company Facts	
Legal domicile	Berlin Charlottenburg, Berlin HRB 180360 B
Address	ADLER Real Estate Aktiengesellschaft Joachimsthaler Strasse 34 10719 Berlin Phone: +49 30 39 80 18 – 10 E-mail: info@adler-ag.com
Website	www.adler-ag.com
Investor relations	Tina Kladnik Phone: +49 30 398 01 81 23 E-mail: t.kladnik@adler-ag.com
Public relations	Dr Rolf-Dieter Grass Phone: +49 30 200 09 14 29 E-mail: r.grass@adler-ag.com
Capital stock	EUR 72,374,438[1)]
Classification	72,374,438[1)] no-par value shares
Voting right	1 vote per share
Identification	WKN 500 800 ISIN DE0005008007 Ticker symbol ADL Reuters ADLG.DE
Designated sponsors	Baader Bank AG Kepler Cheuvreux HSBC Trinkaus & Burkhardt AG ODDO BHF AG
Stock exchanges	Xetra, Frankfurt am Main
Indices	CDAX, GPR General Index, DIMAX
Financial year	Calendar year

1) As at 30 June 2020

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