ADLER
REAL ESTATE

INTERIM REPORT Q3

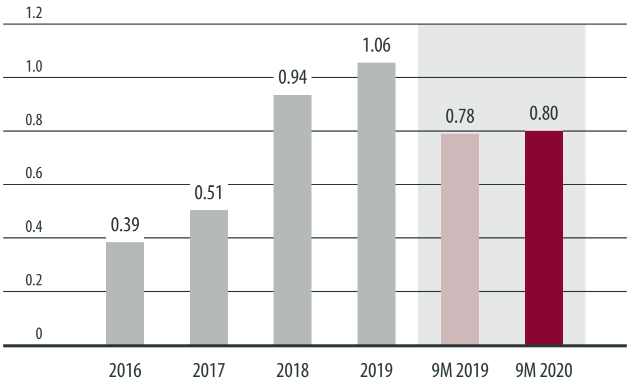
AS AT 30 SEPTEMBER 2020

/// KEY FINANCIAL FIGURES

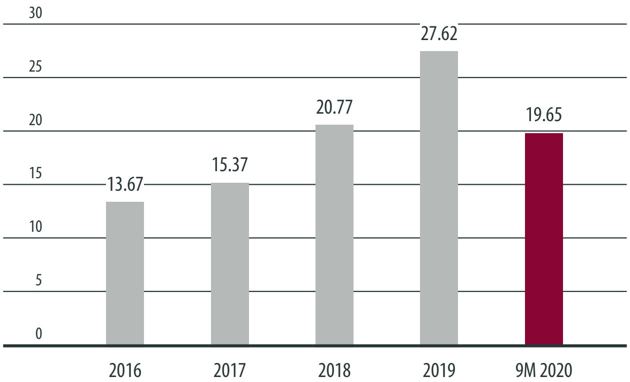
In EUR millions **Consolidated Statement of Income**	**9M 2020**	**9M 2019**
Net rental income	179.1	187.7
Earnings from property lettings	159.4	163.9
Earnings from the sale of properties	14.5	-3.5
EBIT	245.6	430.6
Consolidated net profit from continuing operations[1]	136.9	272.5
Consolidated net profit	-362.6	272.5
FFO I	63.6	62.0
FFO I per share in EUR (fully diluted)[1]	0.80	0.78
Consolidated Balance Sheet	**30.09.2020**	**30.12.2019**
Investment properties (including inventories)	4,979.8	5,007.3
EPRA NRV (adjusted and fully diluted)[2] [4]	2,290.6	2,206.2
EPRA NRV per share in EUR (adjusted and fully diluted)[2] [4]	19.65	27.62
LTV in %[3] [4]	53.7	49.4
WACD in %	1.95	2.05
Cash flow	**9M 2020**	**9M 2019**
Net cash flow from operating activities	99.4	70.9
of which from continuing operations[1]	94.3	70.9
Net cash flow from investing activities	-297.5	37.2
of which from continuing operations	-171.4	37.2
Net cash flow from financing activities	73.4	-76.8
of which from continuing operations	-73.7	-76.8
Employees	**30.09.2020**	**31.12.2019**
Number of employees	913	922
FTEs (Full-time equivalents)	839	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 as resolved on 2 October 2020

FFO I/SHARE fully diluted in EUR

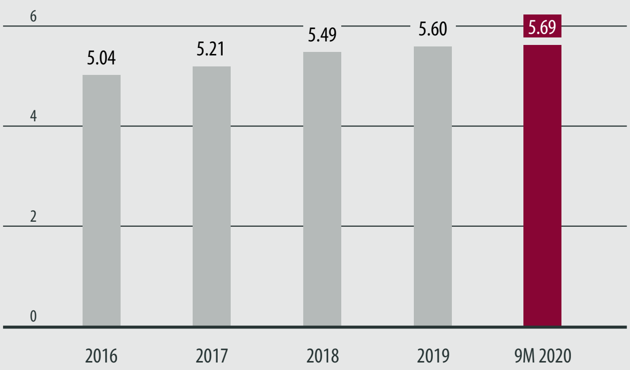


EPRA NAV/SHARE fully diluted (excl. goodwill) in EUR

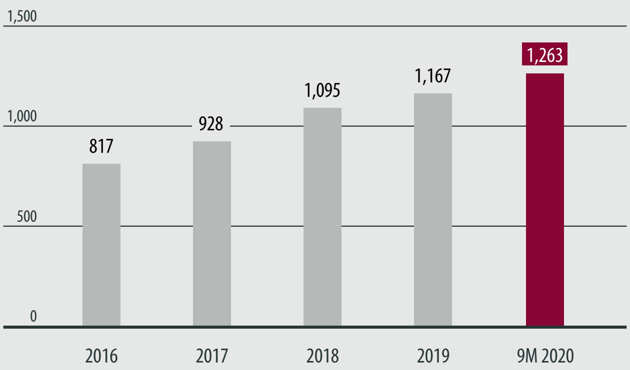


2016 to 2018 NAV, from 2019 NRV following EPRA revision

AVERAGE RENT in EUR/sqm/month

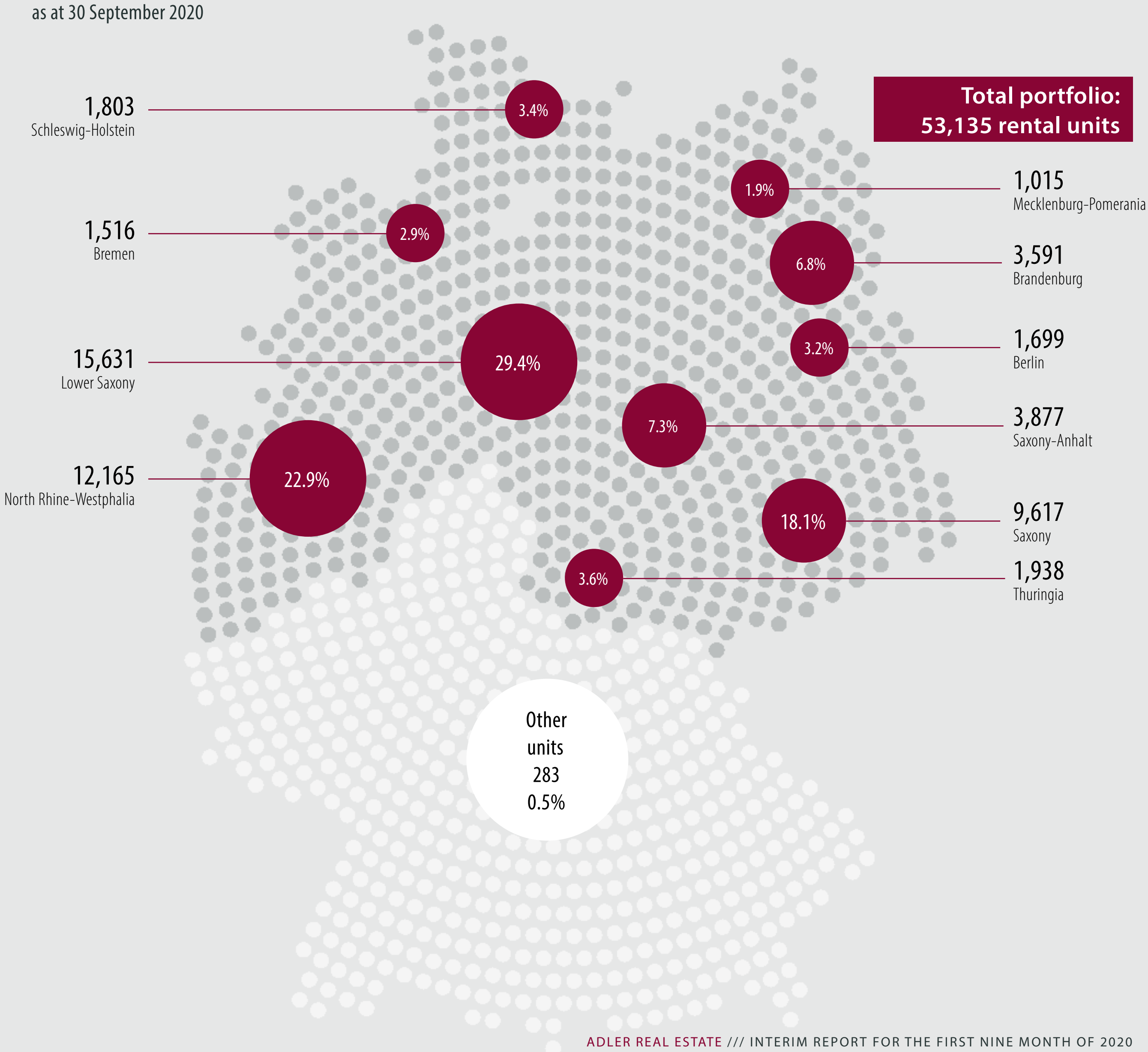


MARKET VALUE in EUR/sqm



Rental units

as at 30 September 2020



/// CONTENTS

/// LETTER FROM THE MANAGEMENT BOARD

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

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

Dear Ladies and Gentlemen,

In the course of 2020, ADLER Real Estate AG (ADLER) became an integral part of the new ADLER Group. After ADLER Group, the former ADO Properties S.A., acquired the majority of the shares in ADLER in April 2020 and then also took control of Consus Real Estate AG in July 2020, the combined Group established itself as one of the leading listed residential real estate companies in Europe. At their annual general meeting in September 2020, the shareholders of ADO Properties then decided to rename the company ADLER Group.

ADLER Group has announced that it has initiated the process of implementing a domination agreement with ADLER in order to further accelerate the integration. However, considerable progress has already been made in integrating the two companies on the basis of a service agreement. Since extensive synergies are associated with closer cooperation, some of which arise at ADLER, all parties involved benefit from this arrangement.

As part of ADLER Group, ADLER continues to focus on its operational business and on improving the average rent and occupancy rate – and has been successful in doing so in the course of the year so far, although, due to the COVID-19 crisis, it seemed sensible to waive rent increases to a large degree.

Business operations also include a constant review of existing properties' intrinsic values and portfolio optimisation measures. In order to improve the quality of the portfolio, ADLER sold 5,064 rental units in the third quarter. Most of these were scattered stocks in small or medium-sized cities that did not harmonise with ADLER Group's strategy of concentrating on major large cities in Germany in the future. At the time of reporting, rights and obligations had not yet been transferred.

In the course of the integration into ADLER Group, there were also changes in the company's management. The previous Co-CEO, Tomas de Vargas Machuca, left the Management Board with effect from November 15 by mutual agreement. The position is not to be filled again. We would like to take this opportunity to thank him very much for his work on the board. He was instrumental in bringing the company's financing to a competitive level.

In light of all the events and changes that occurred in the first nine months of 2020, we would like to thank you, our shareholders, in particular for continuing to place your trust in ADLER.

Sincerely yours

Maximilian Rienecker
CEO

Sven-Christian Frank
COO

/// PORTFOLIO
/// THE ADLER SHARE

/// PORTFOLIO

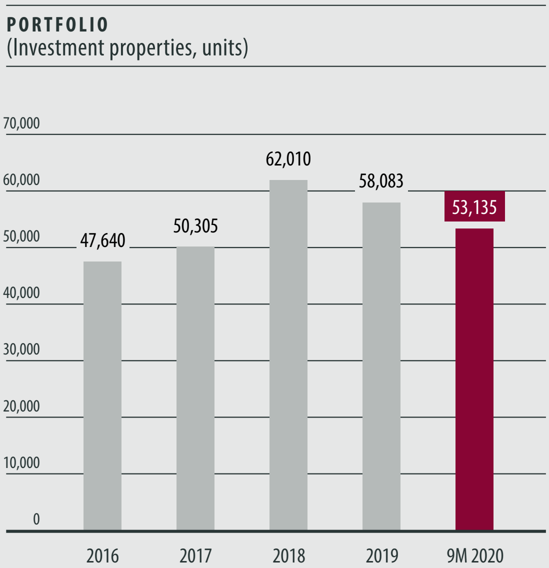
THE PROPERTY PORTFOLIO

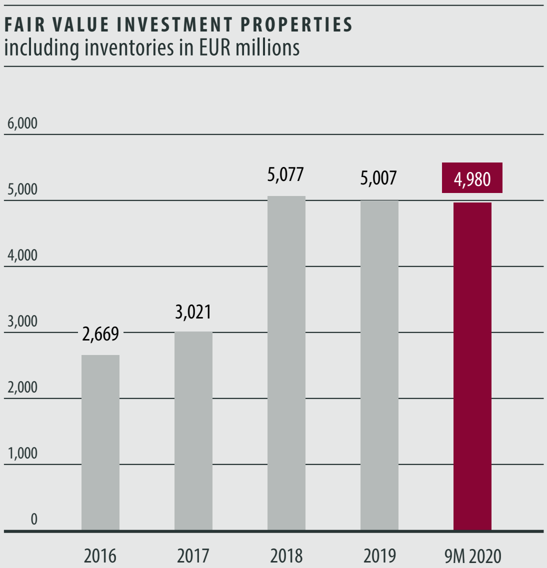
This description of the portfolio relates exclusively to the rental units of ADLER and its group companies, including BCP.

At the end of September 2020, ADLER's portfolio comprised 53,135 rental units with an area of 3.2 million square metres, including the contractually agreed but not yet closed transaction of 5,064 rental units. In total, the portfolio generates a annualised net rent (including parking spaces and other areas) of EUR 206.7 million and the fair value of the assets, including inventories, amounts to EUR 4,980 million. The regional focus is on Lower Saxony, North Rhine-Westphalia and Saxony.

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.



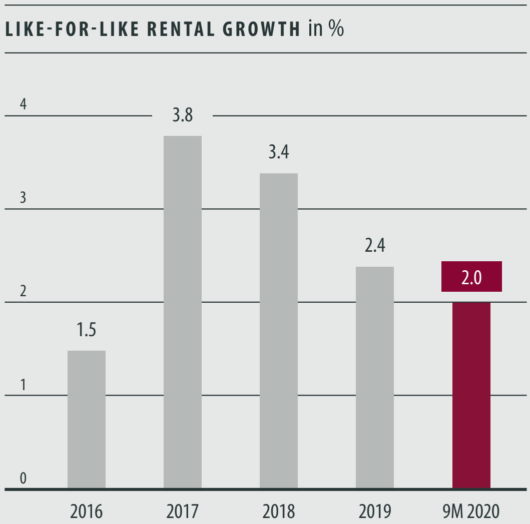


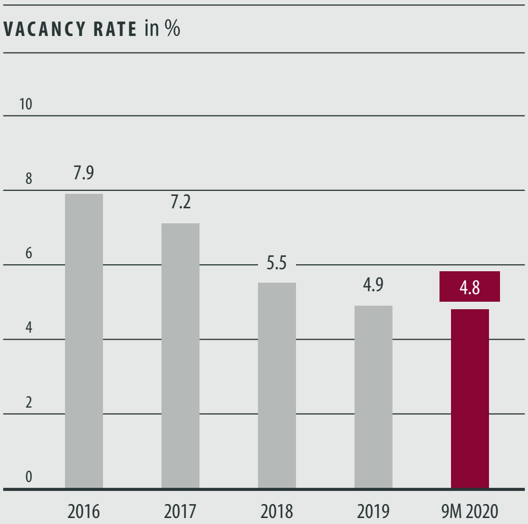
Operating performance – average rent increased, vacancy rate reduced

At the end of the third quarter 2020, the average contractually agreed rent per square metre per month amounted to EUR 5.69, an increase of EUR 0.12 compared to EUR 5.57 one year earlier.

The vacancy rate, which does not include apartments under renovation, stood at 4.8 percent at the end of September 2020, a year-on-year improvement of 0.8 percentage points (end of September 2019: 5.6 percent).

Net rental income increased by 2.0 percent on a like-for-like basis in the first nine 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 4,980 million at the end of the third quarter of 2020, as compared to EUR 5,007.3 million at the end of 2019, the decrease partly reflecting the sale of the 5,064 rental units. Although the COVID-19 pandemic has led to general uncertainty concerning expectations about the future, value adjustments affected commercial real estate only. The fair value of the residential portfolio continued to increase, which was partly related to the ongoing expenses for renovation and modernisation as well as to capex in development projects. In the first nine months of 2020, ADLER invested a total of EUR 72.2 million in maintenance and modernisation measures in its rental units (9M 2019: EUR 62.1 million), of which EUR 17.8 million was related to ongoing maintenance work and EUR 54.4 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 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 (sometimes fast-) growing catchment areas for Halle, Leipzig, Chemnitz and Dresden.

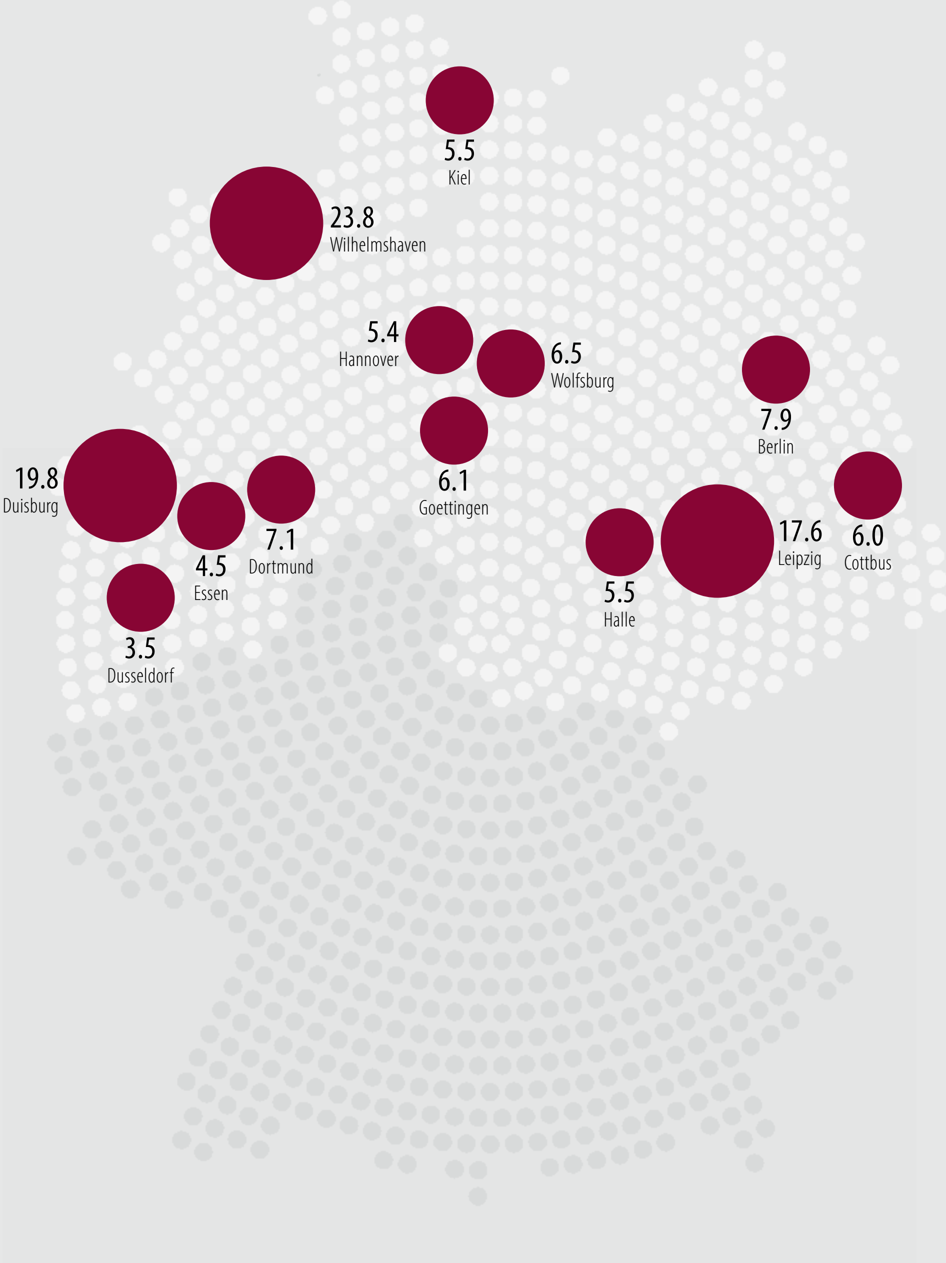
Property holdings on the edges of conurbations are typically characterised by higher vacancy rates, but also generate higher rental yields than properties in central locations. Peripheral locations benefit particularly from tight rental markets in city centres; when rents rise in desirable locations 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 58 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 market 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 September 2020



TOP 13 LOCATIONS[1)]

Location	Fair value (EUR m)	Fair value per sqm (EUR)	Units	Area) (thousands sqm)	Annualised NRI (EUR m)
Leipzig	444	1,744	4,746	254,629	17.6
Wilhelmshaven	393	970	6,890	405,194	23.8
Duisburg	339	1,111	4,923	305,003	19.8
Berlin	279	2,499	1,699	111,736	7.9
Wolfsburg	150	1,708	1,301	87,614	6.5
Goettingen	144	1,692	1,377	85,238	6.1
Dortmund	139	1,356	1,769	102,251	7.1
Hannover	127	2,011	1,112	63,253	5.4
Kiel	120	1,798	970	66,768	5.5
Dusseldorf	114	3,106	577	36,719	3.5
Halle (Saale)	94	889	1,858	105,892	5.5
Essen	91	1,377	1,043	66,341	4.5
Cottbus	86	782	1,868	110,045	6.0
Top 13	**2,520**	**1,400**	**30,133**	**1,800,683**	**119.4**
Total	**4,085**	**1,263**	**53,135**	**3,235,377**	**206.7**

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 these efforts, 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	3.0	-2.0	6.01	4.7	Leipzig
6.1	4.3	-2.8	5.20	2.8	Wilhelmshaven
5.8	1.9	-0.8	5.58	0.7	Duisburg
2.8	1.0	-1.9	6.01	2.9	Berlin
4.3	2.2	0.0	6.41	0.6	Wolfsburg
4.3	1.5	-1.3	6.11	2.4	Goettingen
5.2	1.8	-0.8	5.97	2.8	Dortmund
4.3	1.2	-1.1	7.32	2.8	Hannover
4.6	1.3	0.2	7.05	3.5	Kiel
3.1	1.7	-1.0	8.20	0.6	Dusseldorf
5.8	11.2	0.2	4.94	-0.5	Halle (Saale)
5.0	2.1	-1.8	5.88	3.5	Essen
6.9	5.7	-0.8	4.82	1.3	Cottbus
4.7	**3.3**	**-1.4**	**5.78**	**2.4**	**Top 13**
5.1	**4.8**	**- 0.8**	**5.69**	**2.0**	**Total**

[1] Without divested portfolio and new projects in Berlin and Potsdam

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 North Rhine-Westphalia , including some in which only a minority stake is 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

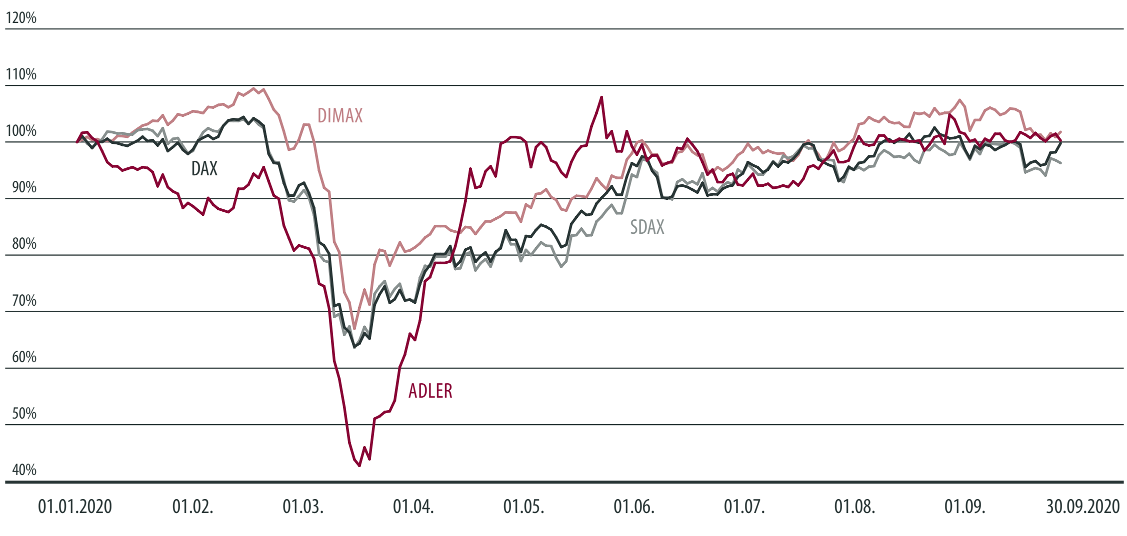
Stock markets back to level from beginning of the year

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, the index in which ADLER Group is quoted, lost more than a third of their value in just a few days. Yet at the end of the first quarter, markets turned around. The recovery persisted throughout the entire reporting period so that the ADLER share and the SDAX reached their levels from the beginning of the year once again. The DAX, however, was still down by c. 4 percent.

The Solactive DIMAX, the index comprising Germany's major listed property-holding companies, was up by nearly 2 percent from its level at the beginning of the year, reflecting the fact that revenue and earnings in the property sector have suffered comparatively little from the COVID-19 crisis.

The development of ADLER shares essentially followed the same pattern as the above indices. At the end of the nine-month period it was traded at the same price as it had when the year started. However, it should be noted that the current free float accounts for no more than c. 6 percent of the total number of shares following the successful completion of the takeover bid by ADLER Group. The market for ADLER shares has thus narrowed considerably due to the corresponding effects on transaction volumes and volatility.

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



Number of shares increased

In the course of the ADLER Group takeover offer, the number of shares rose considerably, as a large proportion of holders of the outstanding convertible bonds 2016/2021 wanted to participate in the ADLER Group offer and exercised their conversion rights accordingly. After the takeover, bonds continued to be converted in small volumes only. As at the balance sheet date of 30 September 2020, shareholders' equity of ADLER consisted of 72,628,083 shares with a nominal value of EUR 1.00 per share. This was an increase of 1,564,340 shares compared to the end of the previous year.

The shareholder structure has changed significantly as a result of the takeover offer, since, at the end of reporting period, ADLER Group held 91.93 percent of ADLER shares. As ADLER continued to hold 2.26 percent in treasury shares, the free float has been reduced to 5.81 percent of the total property portfolio. Following the establishment of the new ownership structure, ADLER Group 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.

After the end of the reporting period, ADLER reached an agreement with ADLER Group to transfer 35,107,487 new shares from authorised capital and all of the treasury shares (1,603,232 shares) in a debt-to-equity swap. Once the agreement becomes effective, which is expected in the course of the fourth quarter of the current year, ADLER Group will hold c. 96 percent of ADLER shares. The free float will then further diminish accordingly.

Investor relations realigned

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

/// INTERIM GROUP MANAGEMENT REPORT

/// FUNDAMENTALS OF ADLER REAL ESTATE AG GROUP

/// ECONOMIC REPORT

/// REPORT ON RISKS AND OPPORTUNITIES

/// REPORT ON EXPECTED DEVELOPMENTS

/// REPORT ON EVENTS AFTER THE BALANCE SHEET DATE

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

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

This structure will be maintained after the integration of ADLER into the new ADLER Group. In this connection, ADO Properties S.A. was renamed ADLER Group S.A. (ADLER Group).

The commercial portfolio of BCP does not fit ADLER's current business model. Consequently, the largest part of the commercial portfolio has been sold through several transactions, with the remaining assets actively being marketed for disposal. This orientation will not change after the integration into the new ADLER Group.

Residential real estate portfolio

As at 30 September 2020, ADLER's portfolio comprised 53,135 rental units with a total area of 3.2 million square metres. The regional focus is on the German states of Lower Saxony, North Rhine-Westphalia and Saxony.

ADLER's portfolio is largely composed of small to medium-sized residential units. The apartments have an average size of slightly over 60 square metres and are particularly well suited to the needs of the company's target group, namely tenants with low to medium incomes. 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.

Acquisition strategy

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

ADLER believes acquisitions only make sense when the properties promise to generate positive cash flows from the time of the acquisition onwards. As it has become increasingly challenging to acquire portfolios at attractive yields, and as purchasing prices have come closer to construction costs, ADLER also explored the possibility of expanding its portfolio by way of investing in project developments, portfolio densification or loft conversions of existing portfolios to complement its approach. The number of development projects increased with the acquisition of BCP. However, the exposure to these value-added activities has amounted to a rather small, single-digit percentage of ADLER's balance sheet total only.

Financing strategy

Following its integration into the new ADLER Group, ADLER has ceased to pursue an independent financing strategy, but rather is subject to decisions taken by the new Group.

Owing to economic efficiency and risk considerations, ADLER has always believed that the appropriate ratio of equity to debt for financing its group activities is one that produces a loan-to-value (LTV) consistent with an investment grade rating. After the deconsolidation of ADLER Group in the second quarter of 2020, LTV had temporarily increased, but decreased again in the third quarter. 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.

As part of the new ADLER Group, ADLER has favourable access to both the market for secured bank debt and the market for unsecured financing. Access to these two markets significantly reduces refinancing risk, which is one of the major risks associated with the industry. Since the end of 2016, investors, capital market participants and lending banks have been able to benefit from ADLER's ratings 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.

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

Non-financial key figures also play a major role in the 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 has 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. Meanwhile, the process of internalising previously outsourced functions has now been completed. At the end of September 2020, ADLER employed a total of 913 full-time and part-time employees, a few more than it did at the same date one year earlier. The majority of these employees work in the property management (292 employees) and facility management (396 employees) divisions. BCP had 137 employees at the end of September 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

Because of the global measures to contain the COVID-19 epidemic, the performance of the German economy declined significantly in the first nine months of 2020. After a price- and calendar-adjusted reduction of 2.3 percent in the first quarter, the economy collapsed by as much as 11.3 percent in the second quarter as a result of the lockdown measures. A recovery began in the third quarter, but the reduction compared to the same quarter of the previous year was still 4.3 percent. On the basis of this development, and taking into account the latest decisions by the federal government and the prime ministers of the federal states to again restrict large parts of public life at least in November, a decline in the gross domestic product of 5 to 6 percent is expected for the year as a whole. Consequently, in 2020, Germany has experienced the worst economic downturn in its post-war history.

This economic downturn is also reflected in the inflation rate, which turned negative for two months in a row and reached minus 0.2 percent in September. Products based on crude oil in particular have become significantly cheaper due to the global economic recession. In addition, the temporary reduction in VAT contributes substantially to overall declining consumer prices.

The property sector, however, and in particular the letting business, has not been as affected by the crisis as the economy as a whole with rents showing a continuously stable development. According to the cost-of-living index, German rents were 1.4 percent higher in September 2020 than one year ago, outperforming the index strongly. 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

In order to stimulate consumption and to alleviate the hardships associated with the COVID-19 measures, the federal government has reduced VAT for the second half of 2020. This also brings an economic advantage for companies in the real estate industry. Rents are not subject to VAT. Thus, VAT on purchased products and services cannot be deducted from VAT tax obligations as would otherwise be the case. Provided that suppliers leave their prices unchanged, expenses for products and services purchased in the second half of 2020 will decrease by the value of the tax cut.

ECONOMIC DEVELOPMENT OF THE GROUP

The first quarter was marked by the takeover of ADLER by ADLER Group and the prospect of establishing a combined real estate 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 ADLER Group 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 ADLER Group. 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, ADLER Group announced that at the end of the first offer period, around 83 percent of ADLER shares had been exchanged for shares in ADLER Group.

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, ADLER Group 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 ADLER Group appointed Maximilian Rienecker as Co-CEO of ADLER Group.

On 9 April 2020, ADLER Group 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 ADLER Group.

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

On 25 June 2020, ADLER Group 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. ADLER Group has thereby increased its direct and indirect stakes in WESTGRUND to a total of 98.2 percent.

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

On 30 August 2020, ADLER announced that it would be replacing some of its liabilities to its parent company, ADLER Group, with equity as part of a debt-to-equity swap under the authorisation resolution dated 15 October 2015. 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.

On 18 September 2020, ADLER signed an agreement to sell 5,064 residential units. The transaction serves to optimise the portfolio and strengthen the balance sheet by deleveraging. The transfer of rights and obligations is expected to take place in the current financial year 2020.

On 29 September 2020 the annual general meeting of ADO Properties S.A. decided to rename the company ADLER Group S.A. ADLER Real Estate is thus part of the new ADLER Group, which ties in with ADLER's corporate history.

On 2 October 2020, ADLER decided, by way of using the authorised capital, to increase the capital by 35,107,487 shares and to transfer the new shares plus the existing treasury shares (1,603,232 shares) to ADLER Group as part of a debt-to-equity swap. In return, ADLER Group will transfer part of its receivables from a shareholder loan of c. EUR 500 million to ADLER. The transaction is expected to be closed in the remaining course of the year.

On 2 November 2020, ADLER announced that Tomas de Vargas Machuca will step down from the Management Board of ADLER Real Estate AG with effect from 15 November 2020 by mutual consent.

/// REPORT ON RISKS AND OPPORTUNITIES

ADLER Real Estate AG 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 and second 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 S.A. took effect, many 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. Economic advantages can also stem from the purchase of larger quantities of goods and services, since more favourable purchase prices can be achieved via a central purchasing unit.

ADLER faces three interdependent risks – concerning refinancing, its corporate rating and its reputation on the capital market – that are considered to have significant consequences for ADLER's future performance. If its corporate rating were to deteriorate, this could have a significant impact on refinancing and ADLER's reputation on the capital market. In April 2020, Standard & Poor's awarded ADLER a BB rating. The rating of ADLER Group S.A. (group; formerly ADO Properties S.A.), the mother company, will influence the refinancing risks of ADLER. On 29 June 2020, Standard & Poor's gave ADLER Group S.A. a BB rating once again. Standard & Poor's rating depends on a company's level of debt plus equity between 51 percent and 53 percent during the next twelve months. The leverage to EBITDA ratio should be 16-18x and the EBITDA interest coverage ratio should remain between 2.0 and 2.3. Should these key figures worsen and the company find it difficult to refinance any debts that are due, there is a risk that its rating may deteriorate. On 10 November 2020 ADLER Group S.A. successfully placed an unsecured six-year bond with a fixed coupon of 2.75 percent. Due to the high recovery rate of bonds and ADLER Group S.A.'s high-valued asset base, the bond is rated BB+ by Standard & Poor's. 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.

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

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 milestones, 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 of a decision 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 poses a minimal risk for ADLER, since only 3.2 percent of its total real estate portfolio is based in Berlin, and only a small portion would be affected by rent cuts.

In connection with the COVID-19 pandemic, the German government earlier 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 only made isolated use of this option. The further rise in coronavirus cases and the partial lockdown of commercial entities in November 2020 could influence Germany's overall economic performance. From ADLER's perspective, however, these measures are unlikely to have a strong impact on its residential business.

/// REPORT ON EXPECTED DEVELOPMENTS

ADLER provided detailed guidance for the current financial year in its 2019 annual report, and confirmed these expectations in its report for the first half-year 2020. The original guidance had already taken into account that the prospects for macroeconomic development in the current financial year had worsened significantly due to the implementation of measures to contain the coronavirus.

The real estate industry has only been marginally affected by the economic downturn related to COVID-19. Nevertheless, mobility has decreased and the scope for rent adjustments is limited. Overall, the real estate industry can therefore probably not expect any growth in 2020, but it can still count on largely stable income and earnings.

In light of the business performance over the first nine months of 2020, ADLER sees no reason to change its forecast for rental income and FFO I as stated in the annual report for 2019 published in March 2020. In 2020, ADLER continues to expect a slight decrease in net rental income and FFO I due to the fact that the portfolio of rental units was smaller in 2020 than in the previous year, with net rental income expected to be in the range of EUR 240 to 245 million and FFO I in the range of EUR 75 to 80 million. ADLER has decided not to continue to guide for LTV, as ADLER has merged with ADO Properties and Consus Real Estate in the new ADLER Group, for which such a forecast is made available on a consolidated basis.

/// REPORT ON EVENTS AFTER THE BALANCE SHEET DATE

On 2 October 2020, ADLER resolved to utilise authorised capital of EUR 35,107,487.00 as part of a debt-to-equity swap that the Company announced on 30 August 2020 by increasing the Company's capital stock entered in the Commercial Register. As a part of this swap, ADLER will increase its share capital against contribution in kind excluding shareholders' subscription rights. The capital increase shall be effected by partial exercising the existing authorised capital pursuant to Sections 4 (2) and (3) of the Company's Articles of Association. ADLER Group, as the majority shareholder, is to be exclusively admitted to subscribe to the new shares to be issued. The Company also resolved to transfer its 1,603,232 treasury shares (approximately 2.2 percent of the total capital stock) to ADLER Group at a price of EUR 13.62 per share. In return, ADLER Group contributed a partial amount of its receivable from the existing shareholder loan worth approximately EUR 500 million to ADLER.

On 2 November 2020, ADLER announced that Tomas de Vargas Machuca will leave the Management Board of ADLER Real Estate AG on 15 November 2020 by mutual agreement. The position is not to be filled again.

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

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	9M 2020	9M 2019
Gross rental income	268.2	277.9
of which net rental income	179.1	187.7
Expenses from property lettings	-108.9	-114.0
Earnings from property lettings	**159.3**	**163.9**
Income from the sale of properties	490.3	411.6
Expenses from the sale of properties	-475.8	-415.1
Earnings from the sale of properties	**14.5**	**-3.5**
Personnel expenses	-32.7	-30.4
Other operating income	5.8	5.4
Other operating expenses	-57.6	-35.1
Income from fair value adjustments of investment properties	160.3	334.6
Depreciation and amortisation	-4.1	-4.3
Earnings before interest and taxes (EBIT)	**245.6**	**430.6**
Financial result	-41.2	-94.4
Net income from at-equity-valued investment associates[1]	-1.1	0.2
Earnings before taxes (EBT)[1]	**203.2**	**336.4**
Income taxes	-66.3	-63.9
Net consolidated result from continuing operations [1]	**136.9**	**272.5**
Earnings after tax from discontinued operations[1) 2)]	-499.5	0.0
Net consolidated result	**-362.6**	**272.5**

[1] Previous year adjusted in accordance with IFRS 5.26
[2] Consolidated net income 9M 2020 from the ADLER Group discontinued operations

Earnings from property lettings decreased due to fewer property holdings

In the first nine months of 2020, gross rental income amounted to EUR 268.2 million. This was 3.5 percent lower than in the previous year (9M 2019: EUR 277.9 million). Net rental income was down 4.6 percent year-on-year at EUR 179.1 million (9M 2019: EUR 187.7 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 nine months 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 5.69, EUR 0.12 above the value of the previous year.

The vacancy rate, which does not include apartments under renovation, stood at 4.8 percent at the end of September 2020, a year-on-year improvement of 0.8 percentage points (end of September 2019: 5.6 percent).

Expenses from property lettings comprise recoverable and non-recoverable operating expenses and maintenance expenses. These expenses decreased by 4.5 percent year-on-year to EUR 108.9 million in the first nine months of 2020, reflecting the lower number of rental units.

Net of expenses from property lettings, earnings from property lettings amounted to EUR 159.3 million in the first nine months of 2020, 2.8 percent less than in the same period of the previous year (9M 2019: EUR 163.9 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 held by BCP. These sales resulted in an earnings contribution of EUR 14.5 million.

Fair value gains significantly lower than one year ago

At the end of September 2020, a market valuation of the investment properties produced a result of EUR 160.3 million (9M 2019: EUR 334.6 million). Although the effects of the COVID-19 crisis caused general uncertainty, related value adjustments of only EUR 21.5 million were applied to BCP's commercial portfolio. With regard to the valuation of residential properties, no significant effects arose from measures to contain the coronavirus. In fact, fair values increased in the first nine months by EUR 181.8 million.

Personnel expenses continue to rise

Personnel expenses came to EUR 32.7 million in the first nine months of 2020, up 7.6 percent on the same period of the previous year (9M 2019: EUR 30.4 million), the main reason being that staff numbers increased in the course of 2019 due to the transformation into an integrated property group but remained practically unchanged since. Also, bonuses had been paid in connection with the business integration into ADLER Group. ADLER had a total number of 913 employees as at the reporting date of 30 September 2020, only a few more than one year earlier.

Other operating expenses reflect one-off expenses

Other operating expenses amounted to EUR 57.6 million in the first nine months of 2020 (9M 2019: EUR 35.1 million). This increase can largely be explained by the fact that significant one-off expenses were incurred for legal and advisory services during the acquisition of ADO Group and the subsequent takeover offer from ADLER Group. The other operating expenses item also includes general administration expenses, IT expenses, impairments of receivables and public relations expenses.

EBIT affected by fair value adjustments

After taking into account all non-financial expenses, earnings before interest and taxes (EBIT) for the first nine months of 2020 came to EUR 245.6 million (9M 2019: EUR 430.6 million). The year-on-year decrease mainly resulted from the fact that valuation gains turned out to be lower than in the same period one year earlier.

Improved financial result

At minus EUR 41.2 million, the financial result for the first nine months of 2020 was much better than the figure for the same period of the previous year (9M 2019: minus EUR 94.4 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 ADLER Group, the market value of both the investment and the convertible bonds held increased (EUR 36.7 million). One-off expenses arose from transaction costs related to the premature repayment of liabilities and expenses in connection with refinancing (EUR 26.1 million).

Earnings before taxes (EBT) came to EUR 203.2 million in the first nine months of 2020, whereas the figure was EUR 336.4 million in the first nine months of 2019. Income tax expenses amounted to EUR 66.3 million in the first nine months of 2020, while tax expenses came to EUR 63.9 million in the first nine months of the previous year. Tax expenses mainly comprise deferred taxes.

Consolidated net profit from continuing operations was EUR 136.9 million in the first nine months of 2020 (9M 2019: EUR 272.5 million). Consolidated net profit from discontinued operations, which exclusively comprises ADLER Group, 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 362.6 million in the first nine months of 2020 (9M 2019: EUR 272.5 million), of which minus EUR 392.4 million was attributable to shareholders in the parent company (9M 2019: EUR 209.2 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 of generating long-term gross rental income through letting. Gross rental income and the expenses associated with the letting business reflect the activities of the Group's Asset and Property Management 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	**9M 2020**	**9M 2019**	**9M 2020**	**9M 2019**	**9M 2020**	**9M 2019**
Gross rental income and income from the sale of properties	758.4	689.4	0.1	0.1	758.5	689.5
of which gross rental income	268.1	277.9	0.1	0.0	268.2	277.9
of which income from disposals	490.3	411.6	0.0	0.0	490.3	411.6
Change in the value of investment properties	160.3	334.6	0.0	0.0	160.3	334.6
Earnings before interest and taxes (EBIT)	**245.5**	**430.5**	**0.1**	**0.1**	**245.6**	**430.6**
Net income from at-equity-valued investment associates[1]	-1.1	0.2	0.0	0.0	-1.1	0.2
Financial result	**-41.3**	**-94.5**	**0.1**	**0.1**	**-41.2**	**-94.4**
Earnings before taxes (EBT)[1]	**203.1**	**336.2**	**0.1**	**0.2**	**203.2**	**336.4**

[1] Previous year adjusted in accordance with IFRS 5.26

Funds from operations I (FFO I) improved

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		9M 2020	9M 2019
Consolidated net profit		**-362.6**	**272.5**
of which from continuing operations[1]		136.9	272.5
+	Financial result	62.6	94.4
	of which from continuing operations	41.2	94.4
+	Income taxes	64.6	63.9
	of which from continuing operations	66.3	63.9
+	Depreciation and amortisation	4.4	4.3
	of which from continuing operations	4.1	4.3
–	Income from measurement of investment properties	160.3	334.6
	of which from continuing operations	160.3	334.6
–	Income from investments accounted for using the at-equity method	-1.1	0.2
	of which from continuing operations[1]	-1.1	0.2
EBITDA IFRS (continuing and discontinued operations)		**-390.1**	**100.3**
+/–	Non-recurring and extraordinary items	535.0	28.3
Adjusted EBITDA		**144.9**	**128.6**
–	Interest expense FFO	42.2	50.8
–	Current income taxes	4.3	3.8
+	Preservation capex	3.1	1.8
–	Earnings before interest and taxes from the sale of properties, discontinued operations and minority interests	38.0	13.8
FFO I		**63.6**	**62.0**
Number of shares (basic)[2]		71,024,851	69,460,511
FFO I per share (basic)		0.89	0.90
Number of shares (diluted)[3]		79,879,195	79,879,195
FFO I per share (diluted)		0.80	0.78

1) Previous year adjusted in accordance with IFRS 5.26
2) 71,024,851 shares as at balance sheet date (previous year: 69,460,511)
3) Plus 8,854,344 shares from assumed conversion of convertible bonds with entitlement to conversion (previous year: 10,418,684)

Non-recurring and extraordinary items are structured as follows:

Non-recurring and extraordinary items In EUR millions	9M 2020	9M 2019
Non-cash income/expenses and one-off payments	35.7	15.4
Costs of acquisition/integration/sale	498.8	9.3
Optimisation of business model, structuring	0.5	3.6
Total of non-recurring and extraordinary items	**535.0**	**28.3**

Among other things, the loss from the deconsolidation of ADLER Group of EUR 497,527 k is included in one-off and extraordinary items.

The FFO interest charge is derived as follows:

Interest expense FFO In EUR millions	9M 2020	9M 2019
Interest income	80.3	9.2
Interest expenses	-142.9	-103.6
Total interest income (continued and discontinued operations)	**-62.6**	**-94.4**
Adjustments		
Prepayment compensation and provision costs	10.0	10.7
Effects of measurement of primary financial instruments	24.1	12.1
Other adjustments	-13.7	20.8
Interest expenses FFO	**-42.2**	**-50.8**

In the reporting period, the negative financial result of ADLER Group 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 nine months of 2020 amounted to EUR 63.6 million, which was EUR 1.6 million or 2.6 percent higher than in the previous year (9M 2019: EUR 62.0 million). Calculated on an undiluted basis, FFO I per share was EUR 0.89 as at 30 September 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 0.80.

NET ASSETS

In EUR millions	30.09.2020	as percentage of total assets	31.12.2019	as percentage of total assets
Non-current assets	**5,538.2**	**88.0**	**5,288.7**	**49.5**
of which investments properties	4,914.5	78.1	4,920.0	46.1
Current assets	**393.9**	**6.3**	**554.4**	**5.2**
of which inventories	65.3	1.0	87.3	0.8
of which cash and cash equivalents investments	78.6	1.2	237.4	2.2
Non-current assets held for sale	**357.3**	**5.7**	**4,838.6**	**45.3**
Assets	**6,289.4**	**100.0**	**10,681.7**	**100.0**
Equity	**1,412.4**	**22.5**	**3,547.9**	**33.2**
of which capital stock	72.6	1.2	71.1	0.7
of which capital reserve	270.2	4.3	282.9	2.6
of which net retained profit	701.1	11.1	1,093.5	10.2
of which non-controlling interests	375.4	6.0	2,102.0	19.7
Non-current liabilities	**4,402.7**	**70.0**	**4,928.5**	**46.1**
of which liabilities from convertible bonds	0.0	0.0	122.2	1.1
of which liabilities from bonds	2,051.9	32.6	2,327.8	21.8
of which financial liabilities to banks	1,181.1	18.8	2,002.1	18.7
Current liabilities	**442.9**	**7.0**	**377.9**	**3.6**
of which financial liabilities to banks	187.2	3.0	157.7	1.5
Liabilities held for sale	**31.6**	**0.5**	**1,827.4**	**17.1**
Equity and liabilities	**6,289.4**	**100.0**	**10,681.7**	**100.0**

As at the reporting date, ADLER had assets totalling EUR 6,289.4 million, about 40 percent less than at the end of the previous year (EUR 10,681.7 million). The decline is almost exclusively due to the deconsolidation of ADLER Group.

Investment properties marginally reduced

The value of investment properties was reported to be EUR 4,914.5 million at the end of September 2020. At the start of the year, the figure was EUR 4,920.0 million. Investment properties decreased in value for two reasons: first because commercial properties still owned by BCP were subject to impairments caused by government measures to contain the coronavirus, and second due to the sale of around 5,000 residential units as part of a wider portfolio optimisation strategy. This was offset by increases in value of almost the same amount, which resulted from capitalised refurbishment and modernisation measures, construction costs for development projects and positive changes in the fair value of residential properties. In the first nine months, advance payments were also made for land within the scope of development projects, which will be reclassified from other non-current assets to investment properties upon the commencement of construction in the second quarter of 2020.

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 132.6 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 52.0 million under investments in associated companies. There is also a loan for EUR 63.7 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 393.9 million as at the balance sheet date, which was EUR 160.5 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 58.4 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 78.6 million as at 30 September 2020.

Non-current assets held for sale at the end of the third quarter mainly include the properties from the portfolio sale of 5,064 residential and commercial units, which were sold partly through an asset deal and partly through a share deal and for which notarised purchase agreements exist at the balance sheet date.

Shareholders' equity and equity ratio decline due to deconsolidation

Shareholders' equity amounted to EUR 1,412.2 million at the end of September 2020. This 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 noncontrolling interest has come down considerably with the deconsolidation of ADLER Group. The equity ratio reached 22.5 percent compared to 33.2 percent at the end of the previous year.

Liabilities reduced

Non-current liabilities amounted to EUR 4,402.7 million at the end of September 2020 and thus decreased significantly compared to the level at the end of the previous year (EUR 4,928.5 million). In contrast, current liabilities increased to EUR 442.9 million (31 December 2019: 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 ADO Group was replaced by a corresponding financing arrangement with ADLER Group. In addition, with the sale of the commercial property at BCP, the associated liabilities were also redeemed. In the third quarter, some long-term liabilities also had to be reclassified to short-term liabilities.

Liabilities held for sale amounted to EUR 31.6 million at the end of the first nine months of 2020 (31 December 2019: EUR 1, 827.4 million). At that time, ADLER Group was still included in the consolidated financial statements as a discontinued operation.

Loan-to-value (LTV) better than guidance

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. At the end of the third quarter, the LTV, excluding the outstanding convertible bonds, reached 53.7 percent, which is better than the previous target, which had been forecast in the 2019 annual report at around 55 percent. Forecasts of LTV have meanwhile been abandoned due to the integration into the ADLER Group.

	In EUR millions	30.09.2020	31.12.2019
Convertible bonds		109.2	124.2
+	Bonds	2,082.6	2,429.5
+	Financial liabilities to banks	1,368.2	2,159.8
+	Financial liabilities to affiliated companies[1)]	179.6	-
–	Cash and cash equivalents	78.6	237.4
=	**Net financial liabilities**	**3,661.0**	**4,476.1**
–	Non-current assets held for sale and purchase price receivables, financial instruments minus liabilities associated with assets held for sale[2)]	814.3	502.0
=	**Adjusted net financial liabilities**	**2,846.7**	**3,974.1**
Investment properties		4,914.5	4,920.0
+	Inventories	65.3	87.3
+	Property, plant and equipment for property management	13.4	25.3
+	Shares in real estate companies	103.4	59.1
+	Net financial liabilities of ADLER Group[3)]	0	2,709.3
=	**Gross asset value**	**5,096.6**	**7,801.0**
LTV including convertible bonds in %		55.9	50.9
LTV excluding convertible bonds in %		53.7	49.4

[1)] Financial liabilities to affiliated companies, which totalled EUR 679,6 million (current and non-current) as of 30 September 2020, were reduced by EUR 500.0 million due to the events described in the notes to the consolidated financial statements (non-cash capital increase and transfer of treasury shares in connection with the contribution of part of ADLER Group's shareholder loan of EUR 500.0 million)
[2)] Purchase price receivables including interest from the sale of ACCENTRO amounted to EUR 58.4 million (previous year: EUR 56.3 million); non-current assets held for sale excluding ADLER Group amounted to EUR 357.3 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 69.6 million (previous year: EUR 14.7 million); receivables/loans/loans to real estate companies amounted to EUR 354.0 million (previous year: EUR 122.5 million) and liabilities held for sale without ADLER Group amounted to EUR 31.6 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 ADLER Group

The average cost of debt for all of the ADLER Group's liabilities (WACD = weighted average cost of debt) amounted to 1.95 percent as at 30 September 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. They are the EPRA Net Reinstatement Value (NRV), the EPRA Net Tangible Assets (NTA) and the EPRA Net Disposal Value (NDV). ADLER has therefore focused its reporting on the NRV from the 2020 financial year onwards, as significant sales activities of the residential properties held are regularly only of minor relevance, as is the case with the NTA and NDV. A significant difference between the NRV and the former NAV involves the real estate transfer tax of the properties held, which was deducted for the purposes of property valuation and is now to be added again, since a sale is not currently expected.

The diluted and adjusted EPRA NRV reached EUR 2,290.6 million at the end of the third quarter, corresponding to EUR 19.65 per share.

In EUR millions	30.09.2020	31.12.2019
Equity	**1,412.2**	**3,547.9**
Non-controlling interests	-375.4	-2,102.0
Equity attributable to ADLER shareholders	**1,036.8**	**1,445.9**
Effect resulting from conversion of convertibles	107.6	122.2
Diluted equity of ADLER shareholders	**1,144.4**	**1,568.1**
Deferred tax liabilities on investment properties	531.0	517.1
Diff. between fair values and carrying amounts of inventory properties	1.7	6.3
RETT on investment properties	280.5	280.8
Fair value of derivative financial instruments	3.4	4.7
Deferred taxes for derivative financial instruments	-1.0	-1.4
EPRA NRV (diluted)	**1,960.0**	**2,375.6**
Goodwill - synergies	-169.4	-169.4
Resolved capital increase[1)]	500.0	-
Adjusted EPRA NRV (diluted)	**2,290.6**	**2,206.2**
Number of shares, diluted[1) 2)]	116,589,914	79,879,195
EPRA NRV per share (diluted) in EUR	**24.54**	**29.74**
Adjusted EPRA NRV per share (diluted) in EUR	**19.65**	**27.62**

[1)] On 2 October 2020, a non-cash capital increase was resolved in connection with the contribution of a portion of the shareholder loan of ADLER Group 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 13.62 and taking into account the transfer of treasury shares (1,603,232), the number of diluted shares increased by 36,710,719 from 79,879,195 to 116,589,914

[2)] 71,024,851 shares as at balance sheet date (previous year: 69,460.511) plus assumed conversion of 8,854,344 outstanding convertibles entitled to be converted (previous year: 10,418,684)

FINANCIAL POSITION

In EUR millions	9M 2020	9M 2019
Cash flow from operating activities	99.4	70.9
of which from continuing operations[1)]	94.3	70.9
Cash flow from investing activities	-297.5	37.2
of which from continuing operations	-171.4	37.2
Cash flow from financing activities	73.5	-76.8
of which from continuing operations	-73.7	-76.8
Change in cash and cash equivalents due to changes in scope of consolidation	-413.7	0.0
Non-cash effective change in cash and cash equivalents from impairment losses	-0.2	-0.2
Non-cash effective change in cash and cash equivalents from currency translation	-7.9	0.0
Cash and cash equivalents at beginning of period	624.9	77.7
Cash and cash equivalents at end of period	78.6	108.8

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

In the first nine months of 2020, cash flow from operating activities in relation to both the continuing and discontinued operations of ADLER Group was impacted by significant one-off expenses for legal and advisory services in connection with ADLER Group's 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 297.5 million in the first nine months of 2020, which was due primarily to the acquisition of financial investments by ADLER Group 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 73.5 million in the first nine months of 2020. The cash inflow is due mainly to an increase of the bridging loan that ADLER had taken out to acquire ADO Group, as well as the acquisition of several short-term loans with ADLER Group and the sale of shares in subsidiaries of ADLER Group to minority shareholders. At the beginning of the second quarter of 2020, this bridge loan was repaid and replaced by a loan from ADLER Group. 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 September 2020, the ADLER Group had cash and cash equivalents of EUR 78.6 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 SEPTEMBER 2020

/// CONSOLIDATED BALANCE SHEET

(IFRS) as at 30 September 2020

In EUR ´000	30.09.2020	31.12.2019
Assets	**6,289,397**	**10,681,677**
Non-current assets	**5,538,190**	**5,288,676**
Goodwill	169,439	169,439
Intangible assets	541	584
Property, plant and equipment	22,608	19,348
Investment properties	4,914,543	4,920,008
Loans to associated companies	111,020	79,524
Investments in associated companies	68,383	23,432
Other financial investments	111,037	56,603
Other non-current assets	134,179	17,783
Deferred tax assets	6,440	1,955
Current assets	**393,876**	**554,355**
Inventories	65,308	87,308
Trade receivables	28,037	31,987
Income tax receivables	3,530	4,643
Other current assets	218,365	193,002
Cash and cash equivalents	78,636	237,415
Non-current assets held for sale	**357,331**	**4,838,646**

In EUR ´000	30.09.2020	31.12.2019
Equity and liabilities	**6,289,397**	**10,681,677**
Shareholders' equity	**1,412,196**	**3,547,857**
Capital stock	72,628	71,064
Treasury shares	-1,603	-1,603
	71,025	69,461
Capital reserves	319,486	309,337
Retained earnings	-49,316	-26,438
Currency translation reserves	-5,517	0
Net retained profit	701,080	1,093,506
Equity attributable to owners of the parent company	1,036,758	1,445,865
Non-controlling interests	375,438	2,101,992
Non-current liabilities	**4,402,732**	**4,928,486**
Pension provisions	1,114	4,092
Deferred tax liabilities	464,215	439,856
Other provisions	3,130	3,148
Liabilities from convertible bonds	0	122,249
Liabilities from bonds	2,051,906	2,327,846
Financial liabilities to banks	1,181,080	2,002,136
Financial liabilities to affiliated companies	677,428	0
Other non-current liabilities	23,859	29,159
Current liabilities	**442,915**	**377,916**
Other provisions	505	12
Income tax liabilities	31,197	15,960
Liabilities from convertible bonds	109,150	1,947
Liabilities from bonds	30,683	101,612
Financial liabilities to banks	187,156	157,708
Financial liabilities to affiliated companies	2,215	0
Trade payables	20,480	37,380
Other current liabilities	61,529	63,297
Liabilities held for sale	**31,554**	**1,827,418**

/// CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

In EUR ´000	9M 2020	9M 2019	Q3 2020	Q3 2019
Gross rental income	268,221	277,935	88,536	90,527
Expenses from property lettings	-108,854	-114,006	-34,456	-39,123
Earnings from property lettings	**159,367**	**163,929**	**54,080**	**51,404**
Income from the sale of properties	490,312	411,648	32,876	32,775
Expenses from the sale of properties	-475,775	-415,161	-27,981	-27,390
Earnings from the sale of properties	**14,537**	**-3,513**	**4,895**	**5,385**
Personnel expenses	-32,706	-30,396	-10,081	-10,112
Other operating income	5,746	5,442	242	1,254
Other operating expenses	-57,594	-35,174	-12,738	-11,082
Income from fair value adjustments of investment properties	160,276	334,605	39,778	182,028
Depreciation and amortisation	-4,051	-4,339	-1,212	-2,380
Earnings before interest and tax (EBIT)	**245,575**	**430,554**	**74,965**	**216,497**
Financial income	78,193	9,239	3,950	3,882
Financial costs	-119,439	-103,611	-20,617	-31,306
Net income from at-equity-valued investment associates[1)]	-1,102	248	-1,737	0
Earnings before tax (EBT)[1)]	**203,227**	**336,430**	**56,560**	**189,073**
Income taxes	-66,329	-63,960	-9,079	-30,451
Consolidated net profit from continuing operations[1)]	**136,898**	**272,470**	**47,481**	**158,622**
Earnings after taxes of discontinued operations[1)]	-499,527	0	0	0
Consolidated net profit	**-362,629**	**272,470**	**47,481**	**158,622**
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	-5,517	-88	-7,083	-89
Change in value of financial assets measured at fair value	1,335	-2,246	31	-1,031
OCI gains/losses reclassifiable into profit or loss	**-4,182**	**-2,334**	**-7,052**	**-1,120**
Total comprehensive income from continuing operations	**132,716**	**270,136**	**40,429**	**157,502**
Total comprehensive income of discontinued operations	-572,347	0	0	0
Total comprehensive income	**-439,631**	**270,136**	**40,429**	**157,502**

In EUR ´000	9M 2020	9M 2019	Q3 2020	Q3 2019
Carry-over total comprehensive income	**-439,631**	**270,136**	**40,429**	**157,502**
Net profit from continuing operations:				
Owners of the parent company[1)]	105,342	209,178	36,977	111,686
Non-controlling interests	31,556	63,292	10,504	46,936
Consolidated net profit attributable to:				
Owners of the parent company	-392,426	209,178	36,977	111,686
Non-controlling interests	29,797	63,292	10,504	46,936
Total comprehensive income from continuing operations:				
Owners of the parent company	101,160	206,844	29,925	110,566
Non-controlling interests	31,556	63,292	10,504	46,936
Total comprehensive income attributable to:				
Owners of the parent company	-420,821	206,844	29,925	110,566
Non-controlling interests	-18,810	63,292	10,504	46,936
Earnings per share, basic in EUR (consolidated net profit from continuing operations)	1.49	3.04	0.52	1.62
Earnings per share, diluted in EUR (consolidated net profit from continuing operations)	1.38	2.70	0.48	1.43
Earnings per share, basic in EUR (consolidated net profit)	-5.57	3.04	0.52	1.62
Earnings per share, diluted in EUR (consolidated net profit)	-4.89	2.70	0.48	1.43

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

/// CONSOLIDATED STATEMENT OF CASH FLOWS

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

In EUR ´000		9M 2020	9M 2019
Earnings before interest and taxes (EBIT) – continuing and discontinued operations		-234,252	430,554
+	Depreciation and amortisation	4,426	4,339
–/+	Net income from fair value adjustments of investment properties	-160,276	-334,605
–/+	Non-cash income/expenses	507,695	6,018
–/+	Changes in provisions and accrued liabilities	-2,503	-195
–/+	Increase/decrease in inventories, trade receivables and other assets not attributable to investment or financing activities	355,484	-360,554
–/+	Decrease/increase in trade payables and other liabilities not attributable to investment or financing activities	-390,972	336,449
+	Interest received	1,462	865
+	Dividends received	0	248
+/–	Tax payments	-3,642	-7,997
=	**Operating cash flow before dis-/reinvestment into the trading portfolio**	**77,440**	**75,122**
–/+	Increase/decrease in inventories (commercial properties)	22,000	-4,213
=	**Net cash flow from operating activities**	**99,440**	**70,909**
	of which continuing operations	94,340	70,909
	of which discontinued operations	5,100	0
–	Acquisition of subsidiaries, net of cash acquired	-14,235	-29,843
+	Disposal of subsidiaries, net of cash disposed	0	162,030
–	Purchase of investment properties	-166,056	-157,985
+	Disposal of investment properties	84,848	77,993
–	Purchase of property, plant and equipment and intangible assets	-2,664	-5,040
+	Disposal of property, plant and equipment and intangible assets	9	299
–	Payments into short-term deposits	-41,299	-11,281
+	Proceeds from short-term deposits	16,913	15,064
+	Proceeds from disinvestment of financial assets	11,058	0
–	Investments in financial assets	-186,059	-1,988
+	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**	**-297,485**	**37,249**
	of which continuing operations	-171,379	37,249
	of which discontinued operations	-126,106	0

In EUR ´000		9M 2020	9M 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	-91,538
–	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	-316,935	-315,177
–	Payments from issuing debt	0	-5,599
–	Interest payments	-66,277	-63,179
+	Proceeds from bank loans	450,409	65,192
–	Repayment of bank loans	-1,100,883	-63,862
–	Repayment of leasing liabilities	-2,288	-1,676
–	Payment of interest portion of leasing liabilities	-1,104	-978
+/-	Proceeds from/repayment of loans and borrowings from affiliated companies	1,071,696	0
=	**Net cash flows from financing activities**	**73,479**	**-76,817**
	of which from continuing operations	-73,691	-76,817
	of which from discontinued operations	147,170	0

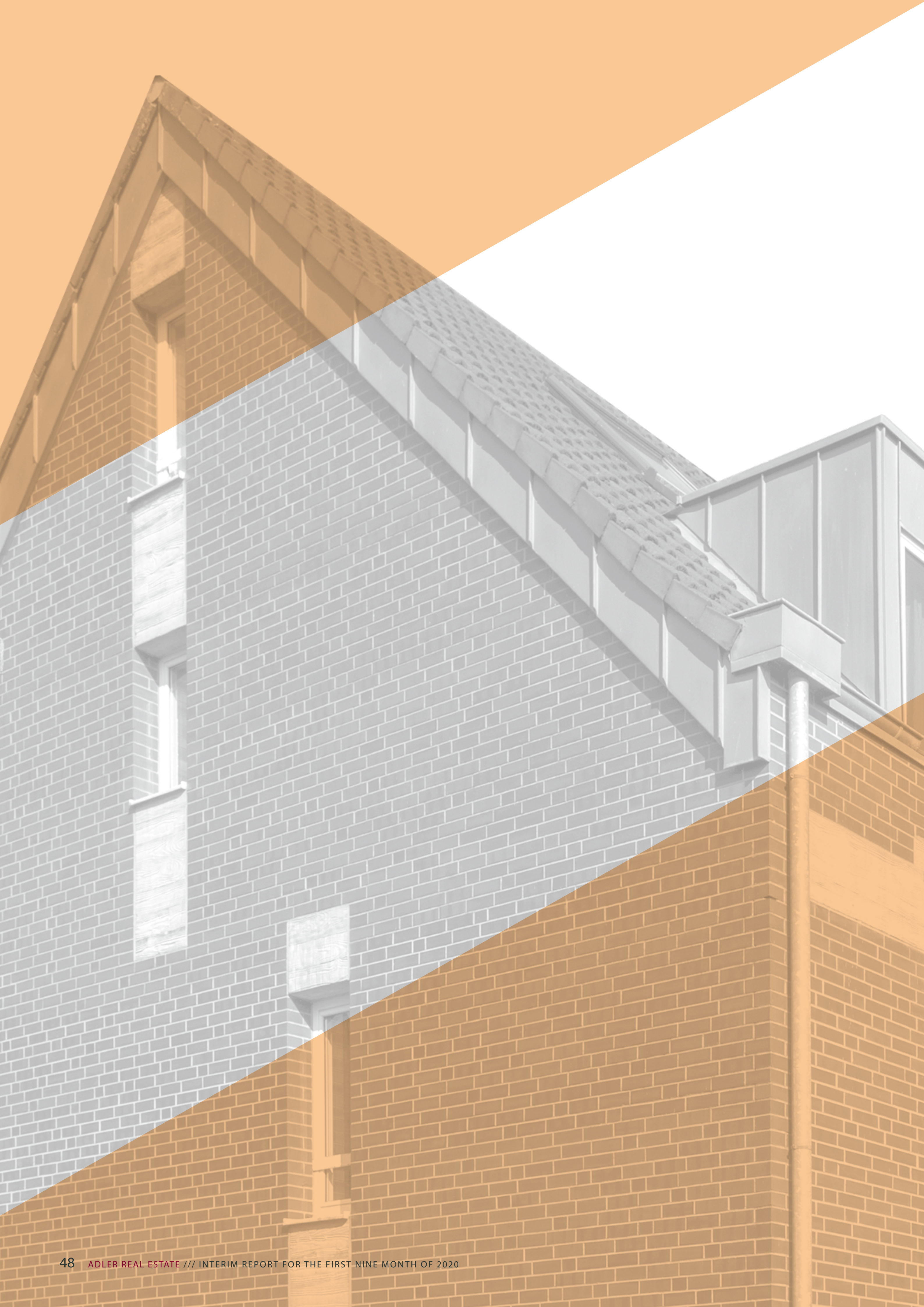
	Reconciliation to Consolidated Balance Sheet		
	Cash and cash equivalents at beginning of periods	**624,973**	**77,655**
	Non-cash changes in cash and cash equivalents from impairment losses	-163	-210
	Non-cash changes in cash and cash equivalents from currency translation	-7,886	0
	Changes in cash and cash equivalents due to changes in the scope of consolidation	-413,722	0
	Net cash flow from operating activities	99,440	70,909
	Net cash flow from investing activities	-297,485	37,249
	Net cash flow from financing activities	73,479	-76,817
=	**Cash and cash equivalents at end of periods**	**78,636**	**108,786**
	of which from continuing operations	78,636	108,786
	of which discontinued operations	0	0

/// CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(IFRS) for the period from 1 January to 30 September 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	-847
Change in scope of consolidation	0	0	0
Acquisition of treasury shares	0	980	951
Conversion of convertible bonds	0	0	1
As at 30 September 2019	**71,064**	**-1,603**	**309,338**
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	1,564	0	16,568
As at 30 September 2020	**72,628**	**-1,603**	**319,486**

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	209,178	209,178	63,292	272,470
-2,245	-88	0	-2,333	0	-2,333
0	0	0	0	0	0
0	0	0	-847	-90,735	-91,582
0	0	0	0	271	271
0	0	12,279	14,210	0	14,210
0	0	0	1	0	1
-5,509	**0**	**1,064,345**	**1,437,635**	**335,033**	**1,772,668**
-26,438	**0**	**1,093,506**	**1,445,865**	**2,101,992**	**3,547,857**
0	0	-392,426	-392,426	29,797	-362,629
0	0	0	0	0	0
1,335	-5,517	0	-4,182	0	-4,182
-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	18,132	0	18,132
-49,316	**-5,517**	**701,080**	**1,036,758**	**375,438**	**1,412,196**



/// SELECTED NOTES ON THE GROUP INTERIM FINANCIAL STATEMENTS AS AT 30 SEPTEMBER 2020

/// SELECTED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (IFRS) AS AT 30 SEPTEMBER 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 September 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 as at 10 December 2019, ADLER obtained control over ADO Group Ltd, Tel Aviv, Israel (ADO Group) and thereby ADLER Group S.A., Senningerberg, Luxembourg (ADLER Group) as well. They were included in the consolidation as at 31 December 2019 on the grounds of simplicity and materiality. Since ADLER lost its controlling influence over ADLER Group again on 9 April 2020 following the completion of the successful takeover bid by ADLER Group, the assets and liabilities of ADLER Group, which were reported under non-current assets and liabilities held for sale until the balance sheet date of 31 March 2020 in accordance with IFRS 5 (discontinued operations), were disposed of at the beginning of the second quarter of 2020.

The consolidated statement of comprehensive income shows only continuing operations in the respective items, while the discontinued operation is shown as a total (earnings after taxes and total comprehensive income from discontinued operations). With regard to the consolidated statement of cash flows, cash flows from operating, investing and financing activities are shown in relation to continuing and discontinued operations.

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

Further information about the accounting policies can be found in the consolidated financial statements as at 31 December 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
Amendments to IFRS 16	Relief for COVID-19-conditional lease concessions	01.06.2020	01.06.2020

[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.

Amendment IFRS 16 – Relief for COVID-19 contingent lease concessions

The amendments include an option for the lessee not to account for COVID-19 contingent lease concessions as a modification under certain conditions. The amendments have no material impact on the consolidated financial statements.

BASIS OF CONSOLIDATION

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

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

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

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

SCOPE OF CONSOLIDATION AND BUSINESS COMBINATIONS

Including the parent company, the scope of consolidation includes a total of 230 companies (31 December 2019: 433) that are fully consolidated and five 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.

As a result of the binding sale and purchase agreement concluded in the third quarter of 2019 for the sale of a project development in Dusseldorf by Brack Capital Properties N.V. , Amsterdam, Netherlands (BCP), 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 ADLER Group (formerly ADO Properties) entered into a business combination agreement under which ADLER Group was to acquire ADLER as part of a public takeover offer. On 9 April 2020, ADLER Group's takeover offer to ADLER shareholders was successfully concluded. ADLER Group announced that 91.93 percent of ADLER shares had been exchanged for shares in ADLER Group. ADLER therefore lost its controlling influence as of early April 2020 and deconsolidated ADLER Group again, including its 198 subsidiaries. For the sake of simplicity, deconsolidation took place on 1 April 2020. Particularly as the stock market price of ADLER Group 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 ADLER Group	-4,498,680
Disposal of debt of ADLER Group	1,866,193
Disposal of non-controlling interests of ADLER Group	1,757,186
Fair value of the remaining investment in ADLER Group	319,423
Fair value of convertible bonds of ADLER Group	58,157
Fair value of receivables from ADLER Group	145
Transfer of other comprehensive income reclassifiable of ADLER Group	48
Result from the deconsolidation of ADLER Group	**-497,527**

The loss from deconsolidation was reported in the results of discontinued operations. The stake in ADLER Group accounted for a pro rata loss of EUR 218,920k. As a result of the deconsolidation of ADLER Group, 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 ADLER Group was 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, Tel Aviv/Israel, ADLER holds roughly 38 percent of a convertible bond issued by ADLER Group 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.

In the third quarter of 2020, the shares in Treuhaus Hausbetreuungs-GmbH, Ludwigshafen, were sold and Jade Immobilien Management GmbH, Wilhelmshaven, was merged with Adler Wohnen Service GmbH. This did not affect the Group's net assets, financial position or results of 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 ADLER Group in December 2019 was presented as a discontinued operation according to IFRS 5 and was therefore not included in the segment reporting.

The 'Rental' segment includes all ADLER's portfolios that ADLER Real Estate AG holds with the aim of generating long-term gross rental income through letting. Gross rental income and the expenses associated with the letting business reflect the activities of the Group's Asset and Property Management, which manages residential units held in the portfolio in technical and commercial terms. This segment also includes the expenses for craftsmen and caretaker services which are provided by the Group's internal Facility Management. To a lesser extent, this item also includes BCP's commercial properties held for sale and project developments that are sold to non-group companies and which are therefore not to be added to the portfolio after completion.

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

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

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

ADLER Group In EUR ´000 – 9 months	Rental		Other		Group	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**
Gross rental income and income from the sale of properties	758,389	689,443	144	140	758,533	689,583
of which gross rental income	268,077	277,795	144	140	268,221	277,935
of which income from sales	490,312	411,648	0	0	490,312	411,648
Change in the value of investment property	160,276	334,605	0	0	160,276	334,605
Earnings before interest and taxes (EBIT)	**245,578**	**430,434**	**-3**	**120**	**245,575**	**430,554**
Net income from at-equity-valued investment associates[1)]	-1,102	248	0	0	-1,102	248
Financial result	**-41.331**	**-94,458**	**85**	**86**	**-41,246**	**-94,372**
Earnings before taxes (EBT)[1)]	**203,144**	**336,220**	**83**	**209**	**203,227**	**336,429**

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

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

ADLER Group In EUR ´000 – 3 months/Q3	Rental 2020	Rental 2019	Other 2020	Other 2019	Group 2020	Group 2019
Gross rental income and income from the sale of properties	121,366	123,255	47	47	121,413	123,302
of which gross rental income	88,489	90,480	47	47	88,536	90,527
of which income from sales	32,876	32,775	0	0	32,876	32,775
Change in the value of investment property	39,778	182,028	0	0	39,778	182,028
Earnings before interest and taxes (EBIT)	**74,968**	**216,420**	**-3**	**77**	**74,965**	**216,497**
Net income from at-equity-valued investment associates[1]	-1,737	0	0	0	-1,737	0
Financial result	**-16,701**	**-27,453**	**34**	**29**	**-16,667**	**-27,424**
Earnings before taxes (EBT)[1]	**56,529**	**188,966**	**31**	**107**	**56,560**	**189,073**

[1] Previous year adjusted in accordance with IFRS 5.26

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

ADLER Group In EUR ´000	Rental 2020	Other 2020	Consoli- dation 2020	Group 2020
Assets per segment	6,221,025	4,564	-4,575	6,221,014
Result of investments accounted for using the equity method	68,383	0	0	68,383
Total segment assets	**6,289,408**	**4,564**	**-4,575**	**6,289,397**
Non-current assets held for sale ADLER Group	-	-	-	0
Segment liabilities	**4,877,148**	**4,628**	**-4,575**	**4,877,201**
Non-current liabilities held for sale ADLER Group	-	-	-	0
Segment investments	**234,387**	**0**	**0**	**234,387**

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	Consoli- dation 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 ADLER Group	-	-	-	4,409,098
Segment liabilities	**5,433,898**	**4,621**	**-4,543**	**5,433,976**
Non-current liabilities held for sale ADLER Group	-	-	-	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 already assessed at the end of the second quarter of 2020 whether there were signs of impairment and hence whether an impairment test required under IAS 36 should be carried out. Due to its business model, ADLER does not expect any significant effects on its business activities or performance, either at this time or currently, and has therefore not adjusted its company planning in this regard. Nevertheless, the weighted average cost of capital has risen considerably since the last scheduled impairment test. WACC before taxes increased to 3.6 percent as at 30 September 2020 (31 December 2019: 2.7 percent). However, even taking into consideration this increased WACC figure, the impairment test in the fourth quarter of 2019 would not have led to impairment in any of the regional divisions. For this reason, ADLER does not believe there are any signs of impairment.

Investment properties

The carrying amount of investment properties amounted to EUR 4,914,543k as at the balance sheet date (31 December 2019: EUR 4,920,008k). The additions in the first half year of EUR 105,897k result from investments in project development properties under construction, with EUR 56,574k from modernisation measures that can be capitalised, with EUR 181,776k from positive valuation effects relating to residential properties and with EUR 19,895k from other additions. On the other hand, disposals including reclassifications caused subtractions of EUR 348,107k due to IFRS 5 and other reclassifications and EUR 21,501k due to commercial properties suffering negative valuations.

The negative valuation effects result from value adjustments to BCP's remaining commercial properties in the first and third quarters 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 111,020k as at the balance sheet date (31 December 2019: EUR 79,524k).

On 27 December 2018, ADLER entered into a binding agreement with Benson Elliot Capital Management LLP, which plans to sell around 2,300 rental units to a joint venture, AB Immobilien B.V., Amsterdam, Netherlands, in which ADLER likewise holds a 25 percent interest. ADLER remains responsible for asset, property and facility management until the properties are sold to third parties. 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 c. 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 to be made by no later than 31 December 2028. As of 30 September 2020, ADLER recognises receivables from AB Immobilien B.V. of EUR 43,408k (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 from the associated company was recognised, taking into account default risks. As of 30 September 2020, ADLER reported loan receivables including interest claims of EUR 63,719k.

Investments in associates and joint ventures

Five companies were included in the consolidated financial statements using the equity method as at the balance sheet date (previous year: 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	52,019	9,300
Other disposals	-2,011	-2
Share of gains and losses (at-equity result)	-1,102	-1,327
Other results attributable to the Group	0	0
Dividends received	0	-248
Reclassification IFRS 5	-3,955	0
Carrying amounts 30.09 respectively 31.12	**68,383**	**23,432**

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

An addition of EUR 52,019k can be attributed to the transitional consolidation following the sale of a 75 percent stake in Glasmacherviertel GmbH & Co. KG, Dusseldorf. 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.

Shares in Caesar JV Immobilienbesitz und Verwaltungs GmbH, Berlin, 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.

Shares in Tuchmacherviertel GmbH & Co. KG, Aachen, were sold in the third quarter of 2020 at a value of EUR 2,011k.

Other financial investments

Following the loss of control over ADLER Group and due to the lack of exercisable voting rights, the remaining investment (20.5 percent: 14,692,889 shares) is classified as a financial asset measured at fair value and reported under other financial investments. 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, ADLER Group. The contract concerns the transfer of all shares in ADLER Group 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 ADLER Group and Aggregate dated 15 December 2019. Under the terms of the share transfer and procurement contract, ADLER made a commitment to ADLER Group 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 ADLER Group shares that it holds to Aggregate upon instruction from ADLER. ADLER received consideration from ADLER Group for the transfer of the shares from ADO Group Ltd to Aggregate, which was equivalent to the fair value of the ADLER Group shares on the transfer date 2 of July 2020 (EUR 348,221k). The positive change in value of EUR 28,798k compared with the time of initial recognition upon deconsolidation at the beginning of April 2020 is reported under financial results.

ADLER also holds roughly 38 percent of a convertible bond issued by ADLER Group and due to mature at 23 November 2023, which has been eliminated up to deconsolidation. The interest rate is 1.25 percent p. a., with semi-annual interest payments. 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 September 2020, the fair value amounted to EUR 58,458k. The change in value of EUR 301k 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) 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 September 2020, based on the stock market price, the fair value amounted to EUR 34,973k (31 December 2019: EUR 35,655k). The change in value of EUR 682k 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 September 2020, based on the market price, the fair value amounted to EUR 11,111k (31 December 2019: EUR 14,454k). The change in value results in the amount of EUR 1,392k from a write-up to the closing rate, which was recognised in other comprehensive income, and from the sale of shares in the amount of EUR 4,735k in Q3 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 and accrued interests, a receivable of EUR 132,567k from the buyer is recognised under other non-current assets as at the balance sheet date. If the next defined milestone is reached, a partial payment of EUR 70,000k would be due, which the Company expects short-term.

Miscellaneous other non-current assets include advance payments of EUR 1,506k (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 58,363k (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.

Other current assets include receivables from associated companies in the amount of EUR 53,626k (31 December 2019, 2019: EUR 16,000k).

The earmarked funds shown under other current assets decreased by EUR 46,571k compared to 31 December 2019 to EUR 35,554k.

Cash and cash equivalents

Cash and cash equivalents amounted to EUR 78,636k at the balance sheet date, as against EUR 237,415k at the end of the previous year. EUR 22,009k (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 ADLER Group after consolidation of intercompany transactions (discontinued operations according to IFRS 5). ADLER lost its controlling influence again at the beginning of April 2020 and deconsolidated ADLER Group.

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 353,376k (31 December 2019: EUR 429,548k), for which notarial purchase contracts were available at the balance sheet date. Other non-current liabilities held for sale of EUR 31,554k (31 December 2019: EUR 127,574k) are to be transferred on disposal of the assets if they are sold in share deals.

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

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 Dusseldorf, 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.

On 18 September 2020, ADLER concluded a binding purchase agreement with an international real estate investor for the sale of 5,064 residential and commercial units with a mark up on the carrying amount. The properties were located mainly in Lower Saxony, North Rhine-Westphalia and Rhineland-Palatinate. The units generate net rental income of EUR 18.6 million p.a. and have a vacancy rate of 12 percent with an average rent of EUR 5.46/sqm/month. The transaction is expected to be completed by the end of 2020. The sale is being concluded partly as an asset deal and partly as a share deal. Due to sales that took place as asset deals, investment properties of EUR 126,885k were classified as non-current assets held for sale and reclassified accordingly. The assets and liabilities of the five companies that are being sold as part of a share deal break down as follows:

In EUR ´000	30.09.2020
Property, plant and equipment	8
Investment properties	195,159
Inventories	3
Trade receivables	2,606
Income tax receivables	40
Other current assets	189
Cash and cash equivalents	1,284
Total assets	**199,289**

In EUR ´000	30.09.2020
Provision for Pension	2,841
Deferred taxes	23,050
Financial liabilities to banks	3,737
Other non-current liabilities	947
Trade liabilities	410
Other current liabilities	557
Total liabilities	**31,542**

Furthermore, in the third quarter of 2020, the power of disposal over real estate held for sale by Westgrund Immobilien VIII GmbH with a value of EUR 3,605k was transferred.

Shareholders' equity

The capital stock of ADLER AG amounted to EUR 72,628k as at 30 September 2020 (31 December 2019: EUR 71,064k) and is divided into 72,628,083 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 1,564k and the capital reserves by EUR 16,568k.

Changes in the value from the reclassifiable and non-reclassifiable other comprehensive income amounting to EUR -22,878k (previous year: EUR -22,824k) were recorded in retained earnings after offsetting applicable taxes. The currency translation reserve is attributable to ADO Group.

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

Due to the deconsolidation of ADLER Group 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	**30.09.2020**	**31.12.2019**
2016/2021 convertible bond	109,150	124,196
Total	**109,150**	**124,196**
of which non-current	0	122,249
of which current	109,150	1,947

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

Liabilities for bonds

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

In EUR ´000	30.09.2020	31.12.2019
Bond 2017/2021	502,732	495,020
Bond 2017/2024	299,970	300,692
Bond 2018/2023	497,289	497,759
Bond 2018/2026	297,448	298,930
Bond 2019/2022	399,805	399,920
Bond BCP 2011/2020 (A)	0	15,828
Bond BCP 2013/2024 (B)	47,349	49,816
Bond BCP 2014/2026 (C)	37,997	40,590
Bond ADO Group 2015/2023 (G)	0	173,820
Bond ADO Group 2017/2025 (H)	0	157,083
Total	**2,082,589**	**2,429,458**
of which non-current	2,051,906	2,327,846
of which current	30,683	101,612

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

The liabilities from tranche A of the BCP bond 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 1,181,080k 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. In the third quarter of 2020, non-current financial liabilities were also reclassified to current due to pending repayments and unscheduled repayments being taken into account. The long-term refinancing of existing financial liabilities amounting to EUR 105,735k (nominal) had the 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 187,156k as at the balance sheet date (31 December 2019: EUR 157,708k). Current financial liabilities also include repayments and interest liabilities of 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 totalled EUR 677,428k as of the balance sheet date and are due to the parent company ADLER Group and its subsidiaries.

On 14 April 2020, ADLER Group initially granted ADLER EUR 885,470k as a long-term interest-bearing loan to repay the bridge loan taken out in the previous year to finance the acquisition of shares in ADO Group. The interest rate depends on the term and rating and was 2.25 percent p.a. on the balance sheet date. ADLER Group 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 the third quarter of 2020, on the basis of an agreement, an offsetting against newly accrued receivables from ADLER Group totalling EUR 377,403k was made, based on the transfer of shares in ADLER Group amounting to EUR 348,221k and payments made on behalf of ADLER Group of EUR 29,182k.

In addition, ADLER was provided with further interest-bearing loans by ADLER Group in the second quarter of 2020 totalling EUR 230,735k for financing in several tranches. The interest rate is 4.32 percent p.a. and quarterly interest payments are planned. All of the loans are repayable on their maturity dates in the fourth quarter of 2021. The loans are completely unsecured. In the third quarter of 2020, an offsetting in the amount of EUR 60,000k was made due to the assignment of existing loan claims.

Current financial liabilities of EUR 2,215k are based on liabilities arising from current netting between ADLER and ADLER Group and on interest liabilities on 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	9M 2020	9M 2019
Net rental income	179,080	187,677
Income from recoverable expenses	86,567	87,478
Other income from property management	2,574	2,780
Total	**268,221**	**277,935**

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	9M 2020	9M 2019
Apportionable and non-apportionable operating costs	88,653	95,934
Maintenance	19,897	17,709
Other property management expenses	304	363
Total	**108,854**	**114,006**

Income from the sale of properties

Income from the sale of properties is structured as follows:

In EUR ´000	9M 2020	9M 2019
Income from the disposal of project development inventory properties	65,470	45,471
Income from the disposal of other inventory properties	0	81
Income from the disposal of investment properties	424,842	366,096
Total	**490,312**	**411,648**

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 and a residential property from WESTGRUND. 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	9M 2020	9M 2019
Carrying amount of disposed project development inventory properties	50,682	40,174
Carrying amount of disposed other inventory properties	0	70
Carrying amount of disposed investment properties	424,985	366,037
Costs of disposal	108	8,880
Total	**475,775**	**415,161**

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 and a residential property from WESTGRUND. 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	9M 2020	9M 2019
Legal and consulting expenses	21,400	7,706
Impairment and write-downs of receivables	11,213	7,416
General and administrative expenses	938	804
Purchased services	3,712	2,380
Office and IT expenses	6,285	5,130
Cost of premises	2,413	2,084
Public relations	646	665
Miscellaneous other operating expenses	10,987	8,989
Total	**57,594**	**35,174**

The increase in legal and consulting costs is mainly due to the upcoming merger with ADLER Group, and was thus mainly incurred in the first half of the year (EUR 17,548k).

Financial income

Financial income is structured as follows:

In EUR ´000	9M 2020	9M 2019
Interest income – financial assets measured at amortised cost	7,997	5,201
Interest income – financial assets at fair value	379	0
Interest income – financial assets at fair value through other comprehensive income	542	628
Net change in fair value of derivatives	1,499	3,186
Net change in fair value of financial instruments at fair value through profit or loss	36,740	0
Derecognition of financial liabilities measured at amortised cost	30,576	0
Reversal of impairments of financial assets measured at amortised cost (Loans to associated companies, restricted funds, deposits at banks)	23	160
Reversal of impairments of financial assets at fair value with changes in other comprehensive income	58	0
Other financial income	380	64
Total	**78,193**	**9,239**

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 ADLER Group until the transfer on 2 July 2020 and the convertible bond issued by ADLER Group, which is held proportionately by ADLER through ADO Group.

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

Financial expenses

Financial expenses are structured as follows:

In EUR ´000	9M 2020	9M 2019
Interest expenses – financial liabilities measured at amortised cost		
Interest expenses – bank loans	52,772	32,907
Interest expenses – bonds	35,501	43,368
Interest expenses – convertible bonds	5,822	6,094
Interest expenses – financial liabilities to affiliated companies	9,650	0
Interest expenses – leasing	845	831
Interest expenses – other	315	102
Net change in fair value of derivatives	40	1,330
Net change in fair value of financial instruments at fair value through profit or loss	8,322	5,845
Impairment of financial assets measured at amortised cost (loans, restricted funds, deposits at banks)	4,414	153
Impairment of financial assets at fair value with changes in other comprehensive income	0	0
Net foreign exchange losses/gain	1,729	12,969
Accrued interest on provisions	27	8
Other financial expenses	2	4
Total	**119,439**	**103,611**

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 26,112k (previous year: EUR 13,616k) in total.

Earnings after taxes from discontinued operations

In EUR ´000	9M 2020	9M 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 ADLER Group.

Other operating expenses include the loss from deconsolidation of ADLER Group amounting to EUR 497,527k.

Earnings per share

Earnings per share reflects the amount of earnings generated in a given period that are attributable to each share. This involves dividing consolidated net income by the weighted number of shares outstanding. This key figure is diluted by what are known as ‘potential shares’ (e.g. from convertible bonds).

Income per share is structured as follows:

	9M 2020 Continuing operations	9M 2020 Discontinued operations	9M 2020 Total
Consolidated net earnings (in EUR ´000)	136,898	-499,527	-362,629
Consolidated net earnings without non-controlling interests	105,342	-497,768	-392,426
Expenses including deferred taxes on convertibles	4,203	0	4,203
Consolidated net earnings without non-controlling interests (diluted)	109,545	-497,768	-388,223
Number of shares (in thousands)			
Weighted number of subscribed shares	70,494	70,494	70,494
Effect of conversion of convertibles	8,854	8,854	8,854
Weighted number of shares (diluted)	79,348	79,348	79,348
Earnings per share (in EUR)			
Basic earnings per share	1.49	-7.06	-5.57
Diluted earnings per share	1.38	-6.27	-4.89

	9M 2019 Continuing operations	9M 2019 Discontinued operations	9M 2019 Total
Consolidated net earnings (in EUR ´000)	272,470	-	272,470
Consolidated net earnings without non-controlling interests[1)]	209,178	-	209,178
Expenses including deferred taxes on convertibles	4,255	-	4,255
Consolidated net earnings without non-controlling interests (diluted)[1)]	213,433	-	213,433
Number of shares (in thousands)			
Weighted number of subscribed shares	68,749	68,749	68,749
Effect of conversion of convertibles	10,419	10,419	10,419
Weighted number of shares (diluted)	79,168	79,168	79,168
Earnings per share (in EUR)			
Basic earnings per share	3.04	-	3.04
Diluted earnings per share	2.70	-	2.70

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

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. ADLER received loans from the parent company ADLER Group in the reporting period, some of which were offset against receivables from ADLER Group (see financial liabilities to affiliated companies).

Financial risk management

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

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

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

Events after the balance sheet date

With the approval of the Supervisory Board, on 2 October 2020 the ADLER Management Board resolved to utilise authorised capital of EUR 35,107,487.00 as part of a debt-to-equity swap, which the Company announced on 30 August 2020, and increase the Company's capital stock entered in the Commercial Register accordingly. As a part of this swap, ADLER will increase its share capital against contribution in kind excluding shareholders' subscription rights. The capital increase shall be effected with partial exercise of the existing authorised capital pursuant to Section 4 (2) and (3) of the Company's Articles of Association. ADLER Group, as the majority shareholder, is to be exclusively admitted to subscribe to the new shares to be issued. The Company also resolved to transfer its 1,603,232 treasury shares (approximately 2.2 percent of capital stock) to ADLER Group at a price of EUR 13.62 per share. In return, ADLER Group contributed a partial amount of its receivable from the existing shareholder loan worth approximately EUR 500 million to ADLER.

Tomas de Vargas Machuca resigned from Management Board of ADLER by mutual agreement on 15 November 2020. The other positions on ADLER's Management Board remain unchanged, with Maximilian Rienecker now as sole CEO and Sven-Christian Frank as COO.

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

/// AFFIRMATION BY THE LEGAL REPRESENTATIVES

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

Berlin, 30 November 2020

Maximilian Rienecker 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 charges 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	
Maximilian Rienecker	Member of the Management Board (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 c/o ADO Immobilien Management GmbH Am Karlsbad 11 10789 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 72,628,083[1]
Classification	72,628,083[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 September 2020

ADLER REAL ESTATE AKTIENGESELLSCHAFT
Berlin-Charlottenburg

Registered Office Location:
Am Karlsbad 11
10789 Berlin
Phone: +49 30 398018 – 10
E-mail: info@adler-ag.com

www.adler-ag.com