PROVIDING AFFORDABLE HOMES

Interim Report as at 30 June 2019

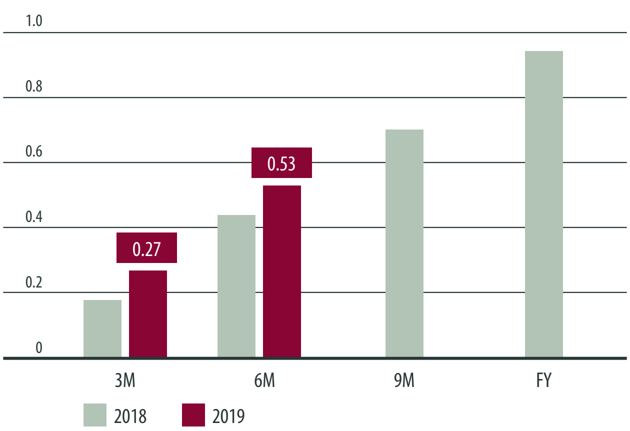
H1

/// KEY FINANCIAL AND PROPERTY FIGURES

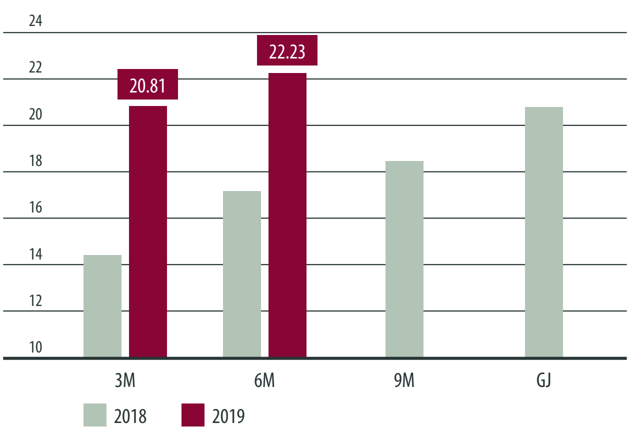
In EUR millions Consolidated Statement of Income	6M 2019	6M 2018
Net rental income	127.2	109.1
Earnings from property lettings	112.5	96.5
Earnings from the sale of properties	-8.9	3.1
EBIT	214.0	201.5
Consolidated net profit from continuing operations	113.6	65.3
Consolidated net profit	113.8	65.6
FFO I	41.7	35.1
FFO I per share in EUR (fully diluted)[1]	0.53	0.44
Consolidated Balance Sheet	**30.06.2019**	**31.12.2018**
Investment Properties (including inventories)	5,008.2	5,077.2
EPRA NAV (excl. goodwill and fully diluted)	1,754.2	1,639.0
EPRA NAV per share in EUR (excl. goodwill and fully diluted)[1]	22.23	20.77
LTV in % [2]	58.7	61.4
Cashflow	**6M 2019**	**6M 2018**
Net cash flow from operating activities	44.1	66.0
of which from continuing operations	43.9	65.7
Net cash flow from investing activities	24.9	-492.2
of which from continuing operations	24.9	-492.2
Net cash flow from financing activities	29.5	189.2
of which from continuing operations	29.5	189.2
Employees	**30.06.2019**	**31.12.2018**
Number of employees	883	828
Fulltime equivalents	807	752

[1] 2018 based on the number of shares outstanding as at balance sheet date plus shares from assumed conversion of mandatory bond that is considered as equity
[2] Excluding convertible bonds
[3] Adjusted due to sale of trading, see comments in management report (Results from operations, net assets and financial position) and notes (Basis of preparation)

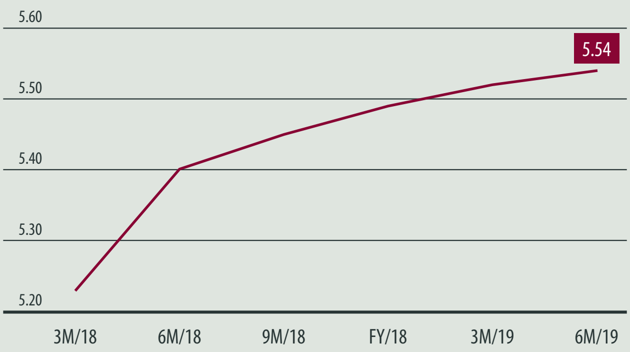
FFO I/SHARE FULLY DILUTED in EUR



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

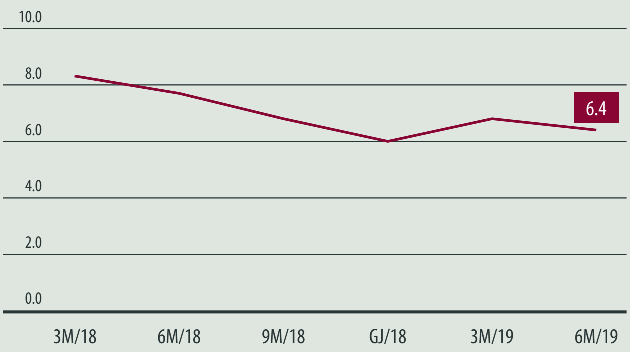


AVERAGE RENT[1] €/sqm/month



[1] 2018 core portfolio

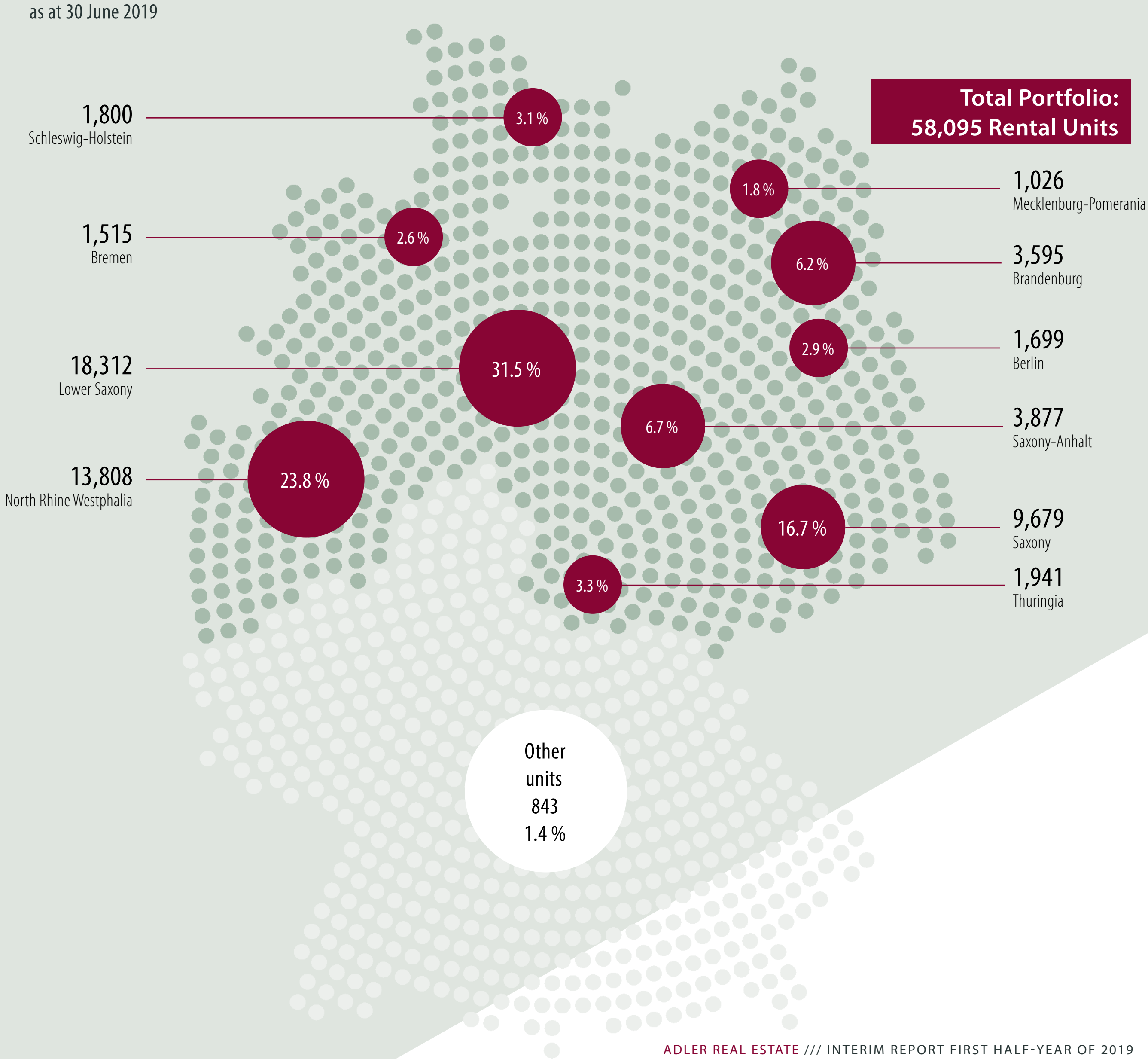
VACANCY RATE[1] in %



[1] 2018 core portfolio

Rental units

as at 30 June 2019



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/// LETTER FROM THE MANAGEMENT BOARD

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

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

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

Dear Ladies and Gentlemen,

ADLER Real Estate AG had a good start to 2019, with progress being made on a number of different fronts.

In the period under review we sold, via Brack Capital Properties (BCP), 14 different retail properties in two separate transactions. To date, retail disposals total EUR 321.7m (c. 67% of BCP's retail portfolio) and have been sold at around ADLER's book value at the time of the disposal. Total sales, including non-core residential disposals, amounted to EUR 500.9m (GAV). This allowed for a net debt repayment of EUR 260m, which significantly contributed to our efforts to improve our capital structure. Revaluations for the H1 amounted to EUR 152.6m. Consequently, we were able to reduce our LTV by nearly 3 percentage points from 61.2% in Q1 to 58.7% during the last quarter. The reduction of almost 9% since the acquisition of BCP (LTV as of H1 2018 was 67.5%), shows significant progress towards reaching an LTV in the region of c.55% by year end 2019.

On the operating side, net rental income grew by 16.6% YoY to EUR 127.2m (H1 2018: EUR 109.1m). FFO I improved by 18.8% from EUR 35.1m in H1 2018 to EUR 41.7m in H1 2019. Fully diluted EPRA NAV (adjusted for goodwill) per share also increased to EUR 22.23, up 7.0% on FY 2018 (EUR 20.77) and significantly higher than H1 2018 (EUR 17.17). The portfolio valuation as of H1 2019 stood at EUR 5,008.2m (incl. developments), comprising fair value adjustments of EUR 152.6m which represents 3.5% like-for-like increase.

This performance reflects the Company's focus on improving operating performance, its ability to dispose of its non-core activities at around book value as well as its on-going success to integrate the various acquisitions it has made in order to further deliver on acquisition synergies.

PORTFOLIO ACTIVITY

In the first half of the year we moved significantly closer towards simplifying our business activities and remaining a purely German residential real estate company. To that effect, we completed a number of sales.

Residential sales // At the end of December we announced the disposal of some 3,700 non-core residential units through two separate transactions. This transaction completed in Q1 2019. Combined, these had a gross asset value (GAV) of EUR 179.2 million and were sold at a c.3% premium to book value.

Retail sales // With two separate transactions we disposed of 14 different retail properties representing c. 67% (GAV of EUR 321.7m) of the retail portfolio that had been acquired in connection with the takeover of BCP, which concluded in 2018.

The first part of the BCP retail portfolio was sold in an share deal at the end of March 2019 and closed in Q2 2019. It included three retail assets located in Rostock, Celle and Castrop-Rauxel, with a GAV of EUR 180.6m, and was sold at a c.7.6% premium to book equity value.

Members of the Executive Committee

CARSTEN WOLFF
Head of Accounting and Finance

FLORIAN SITTA
Head of Legal

PEER HOFFMANN
Head of Financing

ANJA GOTTHARDT
Head of Portfolio Management

TINA KLADNIK
Head of Investor Relations

The second cluster was sold at the end of June in an asset deal and included 11 retail assets with a GAV of EUR 141.1m, representing an 8.8% discount to the book value of the properties.

Total retail sales from the BCP portfolio represent a GAV of EUR 321.7m and were completed at a discount of c.2.3% to book value. The remaining EUR 158.2m of retail assets, for which we have received interest from a number of real estate investors, will be sold opportunistically during 2019/2020.

Rental Income // In the first half of the year, net rental income increased by 16.6% yoy to EUR 127.2m. This increase is partly due to the positive effects deriving from the acquisition of BCP together with wider rental growth across our entire portfolio. On a like-for-like basis, net rental income increased by 3.4%. Vacancy rates across the portfolio increased marginally to 6.4% in the course of the year as a result of seasonality as well as active portfolio management to reduce delinquencies across the portfolio. This will provide a good basis for long-term growth in net rental income, but will postpone our goal to reduce vacancy to 5.0% by the end of 2019. Based on our observations of the market, we expect a 6% vacancy rate for 2019.

We are closely monitoring the political landscape and the continued calls for residential rent controls across Germany. Our substantial capital investment programme is focussed on improving the quality of our residential units, which in turn benefits our residents. We acknowledge that there is a balance between the rental increases that this investment merits and affordability.

In Berlin, where rent controls have been introduced, we do not expect this to have a significant impact on our income given that our exposure to this market is limited. Only EUR 242.6m, representing a GAV of 6.0% of our residential portfolio, (excl. project developments) is located in Berlin. This contributes EUR 7.6m to net rental income, 3.5% of the total. The Riverside development, with a GDV of EUR 454.2m, is exempt from the rent controls.

Developments // At ADLER we embark upon strategic development activities which management believes offer the potential to create added value for shareholders. These projects will remain at a scale that ensures continued ratings improvements and the ability for ADLER to secure an investment grade credit rating as soon as possible.

During the first half of 2019, we acquired two further plots of land at Schoenfeld, adjacent to our existing holdings. ADLER now has 335,200 sqm of land and is the largest strategic developer in the area. When finished, this project is expected to provide much needed accommodation for over 2,000 residents. We are in the process of obtaining a development plan which is prerequisite for a planning permission and expect this project to be realised in six years.

FINANCIAL STRATEGY AND MANAGEMENT

The first half of 2019 has been a period of continued consolidation and solid progress. As part of the ongoing management of our cost of debt, in April, we successfully placed a EUR 400m bond with a three-year maturity and a 1.5% fixed coupon. It should be noted that the bond was issued at a historically tight spread for a BB+ rated bond, representing the significantly improved capital structure and general metrics of the Company. Proceeds were used to refinance the outstanding 4.75% 2020 notes, called back in June 2019, as well as the refinancing of other debt. Annual FFO contribution from savings of the refinancing amounted to c. EUR 12m, triggering an upgrade in FFO I guidance from EUR 80-85m to EUR 83-86m.

In July 2019, ADLER opportunistically used 980,000 of its treasury shares to pay a substantial part of the purchasing price for 72 units in Potsdam and Berlin with a GAV of EUR 37m. Treasury shares were exchanged at a price of EUR 14.50 per share, which represents 20.8% premium to the then closing share price of EUR 12.00. Some 1,603,232 treasury shares remain outstanding.

We were disappointed to be excluded from the EPRA FTSE NAREIT Real Estate index and are working with EPRA and FTSE to ensure a speedy inclusion. To this effect we are confident that ADLER will be readmitted at the earliest possible moment.

Our activities are now almost wholly focused on the German affordable residential property markets. We will continue to consolidate our focus on those markets which we believe offer good long-term potential to deliver shareholder value.

Best regards,

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

QUALITY CREATES RETURNS

The pursuit of profit and quality assurance must be carefully balanced, especially in the affordable housing segment. Just as profit strengthens our investment power, quality of living strengthens our bond with our tenants. This is why we invest in employee training, integrate tenant-related services into our own value chain and expand them on an ongoing basis.

/// PORTFOLIO

THE PROPERTY PORTFOLIO

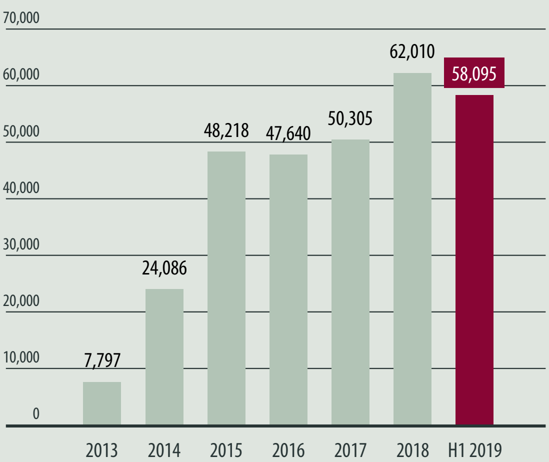
Portfolio significantly expanded

As of 30 June 2019, ADLER held a total of 58,095 rental units with a total space of 3.5 million square metres and an annualised net rent (including parking spaces and other areas) of EUR 219.5 million. The fair value of the total portfolio (investment properties and inventories) amounted to EUR 5,008.2 million. The regional focus is on Lower Saxony (18,312 units), North Rhine-Westphalia (13,808 units) and Saxony (9,679 units). At the end of December 2018, around 3,700 non-core residential units have been sold in two separate transactions (notarised in Q1 2019), reducing the overall portfolio accordingly.

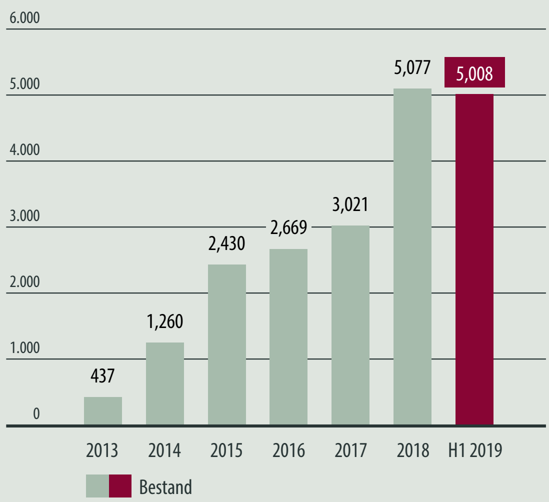
The residential properties also include a small number of commercial units which consist entirely of shops and offices of the kind that can often be found in city-centre residential properties. As at the end of the first half of 2019, these units numbered 898 and accounted for 1.5 percent of the properties held for permanent letting.

ADLER actively manages its portfolio and, as part of continuous portfolio optimisation, the underlying features of its assets and market data are assessed to determine the amount and proportion of capital allocated in terms of capital expenditure, maintenance and renovation expenses. This is to proactively ensure that the quality of the flats is consistent with market standards and to optimise the level of occupancy and rental growth. The most significant external factors determining the positioning of the assets and capital allocation are: socio-demographic trends, expected changes in demand, various infrastructure measures and political decisions. Depending on the outcome of the portfolio analysis, 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 capex 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 earmarked for sale.

PORTFOLIO (Investment properties, units)



FAIR VALUE INVESTMENT PROPERTIES
including inventories in Mio. EUR



Further improvement in operating performance data

In the first half of 2019, the Group once again improved its operating performance. As of 30 June 2019, the average contractually agreed rent per square metre per month amounted to EUR 5.54, an increase of EUR 0.14 compared to EUR 5.40 as of the first half of 2018 for the core portfolio (excluding non-core residential assets).

The vacancy rate reached 6.4 percent at the end of the first half of 2019, which translates to a year-on-year decrease of 1.3 percentage points (H1 2018 for core portfolio: 7.7 percent).

The following table presents the changes on a like-for-like basis, i.e. only for those properties that were in the portfolio both in the first half of 2018 and in the first half of 2019. This comparison includes the BCP properties for the first time, as the acquisition took place at the beginning of the second quarter of 2018. Net rental income of the residential portfolio increased by 3.4 percent on a like-for-like basis.

Rental portfolio Like-for-like (H1 2019 to H1 2018)	Residential and commercial units	Change	Residential	Change
Units	58,084		57,192	
Rent/sqm/month (EUR)	5.53	2.6%	5.50	2.7%
Vacancy rate (%)	6.4	- 1.0 PP	6.1	- 1.0 PP

Fair value has slightly decreased owing to disinvestments

The fair value of the total portfolio (investment properties plus inventories) calculated in accordance with IFRS amounted to EUR 5,008.2 million at the end of the first half of 2019. At the end of 2018, it amounted to EUR 5,077.2 million. The decrease reflects the fact that approx. 67 percent of the commercial properties of BCP have been sold in the meantime. The sale of the first tranche has been completed, while the properties of the second tranche have been transferred to assets held for sale. A positive impact resulted from fair value gains relating to the revaluation of developments and capex. In the first half of 2019, ADLER invested EUR 37.6 million in maintenance and modernisation measures (previous year: EUR 29.6 million). Of this total amount, EUR 9.8 million related to ongoing maintenance work and EUR 27.8 million to renovation and modernisation measures which can be capitalised.

Key focuses in Lower Saxony and North Rhine-Westphalia

ADLER's business activities focus on Germany, where the Group holds most of its properties in the northern and western parts of the country. The largest share of ADLER's properties are in the federal states of Lower Saxony (31.5 percent of the overall portfolio) and North Rhine-Westphalia (23.8 percent of the overall portfolio). In the eastern part of the country, ADLER holds 16.7 percent of its portfolio in Saxony, 6.7 percent in Saxony-Anhalt and 6.2 percent in Brandenburg.

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

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

Focus on small to medium-sized residential units

ADLER´s portfolio largely comprises small to medium-sized residential units. The flats have an average size of slightly more than 60 square metres and are thus particularly suited to the needs of the company's target group, namely tenants with low to medium incomes. For ADLER, this alignment makes economic sense. Its properties satisfy the trend observed for some time now towards an ongoing increase in the number of single-person households in Germany. Moreover, the risk of tenants with low incomes defaulting on their rent payments is reduced as they can obtain support from social security providers if they are unable to settle their obligations from their own incomes.

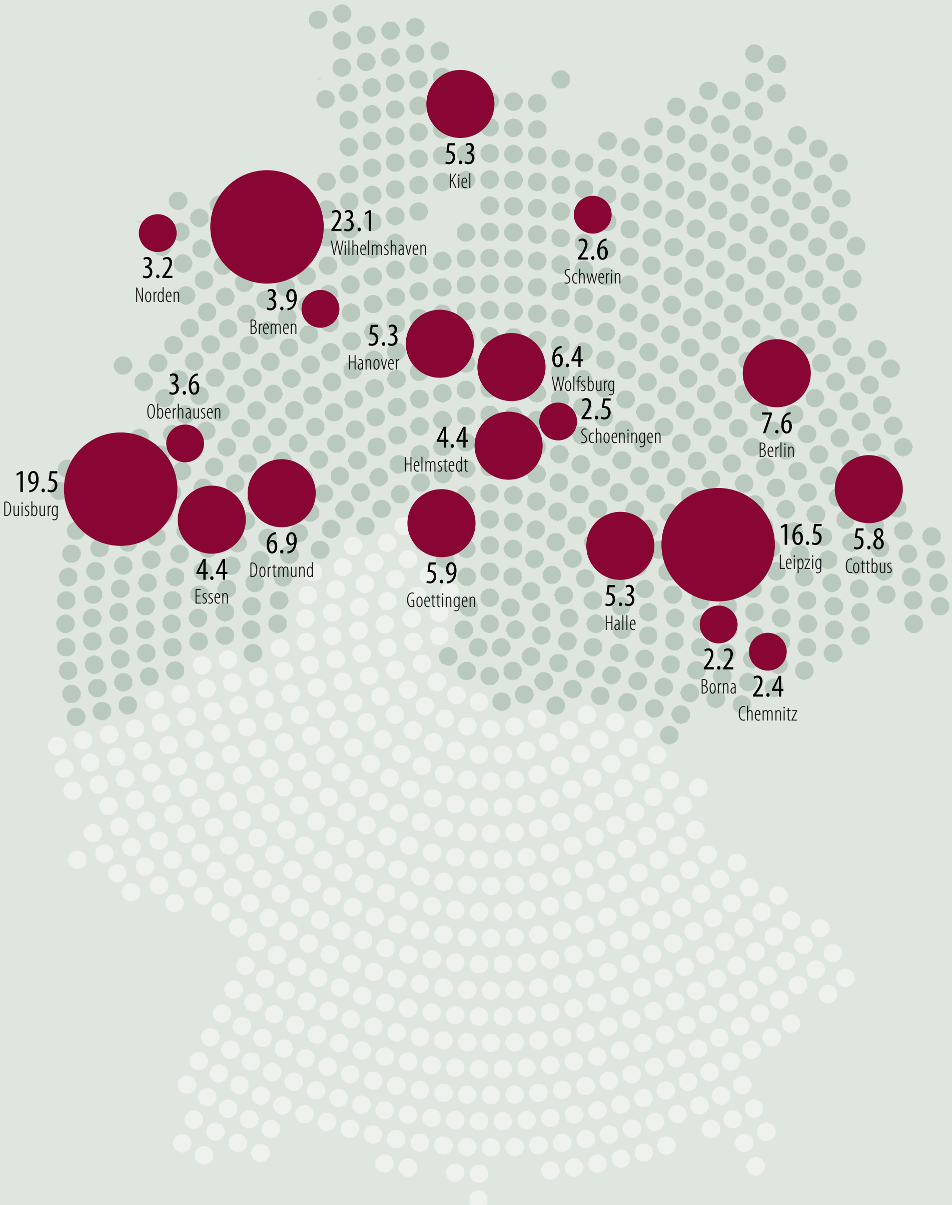
Size of apartment	Units	% of total units	Rent/sqm/ month in EUR
< 45 sqm	8,789	15.4	6.41
≥ 45 and < 60 sqm	19,493	34.1	5.44
≥ 60 and < 75 sqm	19,781	34.6	5.43
≥ 75 and < 90 sqm	7,219	12.6	5.36
> 90 sqm	1,915	3.3	5.24
Total	**57,197**	**100.0**	**5.50**

Top 20 locations generate around 60 percent of rental income

The focus on the metropolitan regions outlined above also means that the properties in ADLER's 20 most important towns and cities account for more than 60 percent of the company's total rental income. Wilhelmshaven remains the most important location for the Group, with 6,896 rental units and a net rental income of EUR 23.1 million per annum. Measured in terms of rental units, it is followed by Duisburg, with 4,925 units and a net rental income of EUR 19.5 million per annum, and Leipzig, with 4,738 units and a net rental income of EUR 16.5 million per annum. Cottbus, Halle and Dortmund rank next. ADLER does not play a significant role in the local housing markets in any of its top 20 locations apart from Wilhelmshaven, where almost one-fifth of the local housing belongs to the Group.

ANNUAL NET RENTAL INCOME – TOP 20 LOCATIONS

In EUR millions



TOP 20 LOCATIONS

Location	Units	Area (000 sqm)	NRI (EUR m)	Average rent per sqm/month (EUR)	Change yoy (%)
Wilhelmshaven	6,896	406.7	23.1	5.10	2.0
Duisburg	4,925	305.0	19.5	5.51	2.3
Leipzig	4,738	254.0	16.5	5.77	3.2
Cottbus	1,868	110.0	5.8	4.75	2.3
Halle (Saale)	1,858	105.9	5.3	4.79	0.4
Dortmund	1,770	102.3	6.9	5.78	3.1
Berlin	1,699	111.7	7.6	5.88	1.5
Goettingen	1,377	85.2	5.9	5.98	2.2
Wolfsburg	1,301	87.6	6.4	6.25	3.0
Helmstedt	1,219	70.7	4.4	5.23	1.3
Hanover	1,115	63.3	5.3	7.15	4.3
Essen	1,039	65.9	4.4	5.76	2.7
Kiel	967	66.6	5.3	6.71	4.3
Borna	900	50.2	2.2	4.68	1.8
Bremen	873	53.6	3.9	6.24	5.1
Chemnitz	850	53.1	2.4	4.78	1.2
Schoeningen	846	50.2	2.5	5.01	-0.9
Oberhausen	819	62.6	3.6	5.07	3.0
Schwerin	816	48.0	2.6	4.81	1.9
Norden	795	50.2	3.2	5.44	4.0
Top 20	**36,671**	**2,203.0**	**136.8**	**5.51**	**2.4**
Total	**58,095**	**3,546.1**	**219.5**	**5.54**	**2.5**

Customer orientation with in-house property and facility management

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

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

Vacancy rate (%)	Change yoy (PP)	Fair value (EUR m)	Fair value per sqm (EUR)	Rental yield (%)	Location
7.3	-0.8	382.1	939	6.0	Wilhelmshaven
3.6	0.8	327.8	1,075	5.9	Duisburg
6.1	-0.2	380.8	1,499	4.3	Leipzig
6.8	-8.1	84.5	768	6.9	Cottbus
12.2	-1.5	88.5	835	6.0	Halle (Saale)
3.2	0.8	111.7	1,092	6.2	Dortmund
3.3	0.8	242.6	2,171	3.1	Berlin
3.5	-0.6	124.2	1,457	4.8	Goettingen
3.3	-2.4	132.4	1,511	4.8	Wolfsburg
1.7	-2.0	65.4	925	6.7	Helmstedt
2.7	-1.7	118.6	1,872	4.5	Hanover
2.9	-1.0	85.3	1,294	5.2	Essen
0.8	-2.4	96.7	1,452	5.5	Kiel
22.5	3.8	36.7	731	5.9	Borna
2.8	-1.5	72.4	1,350	5.4	Bremen
13.2	-10.6	42.7	805	5.6	Chemnitz
17.2	-1.4	40.6	809	6.2	Schoeningen
5.3	1.1	53.7	858	6.7	Oberhausen
5.8	-2.9	43.4	904	6.0	Schwerin
1.4	-1.0	52.0	1,035	6.2	Norden
5.9	**-1.1**	**2,582.1**	**1,172**	**5.3**	**Top 20**
6.4	**-1.3**	**4,026.9[1)]**	**1,136**	**5.5**	**Total**

[1)] Without developments

Development projects

For just over a year, ADLER has also been investing in development projects, such as adding floors to existing residential estates in Göttingen and Wolfsburg, and in the construction of new facilities, such as Wasserstadt Mitte in Berlin. Flats at the latter´s location will be ready for occupancy at the end of the year and letting activities have started at the mid-year stage. The acquisition of three neighbouring plots of land on the outskirts of Berlin near Schönefeld Airport is the basis for another residential project with space for over 2,000 flats. 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, in which a majority interest was acquired in April 2018, manages several development projects in Düsseldorf and Aachen. These projects will create new living spaces which is in many cases urgently needed. In new construction, all current requirements relating to energy efficiency and reducing CO_2 are directly met – requirements which can only be achieved with difficulty or at higher costs in existing buildings. By the end of the year, a total of up to 1,000 new flats will be created in the development projects.

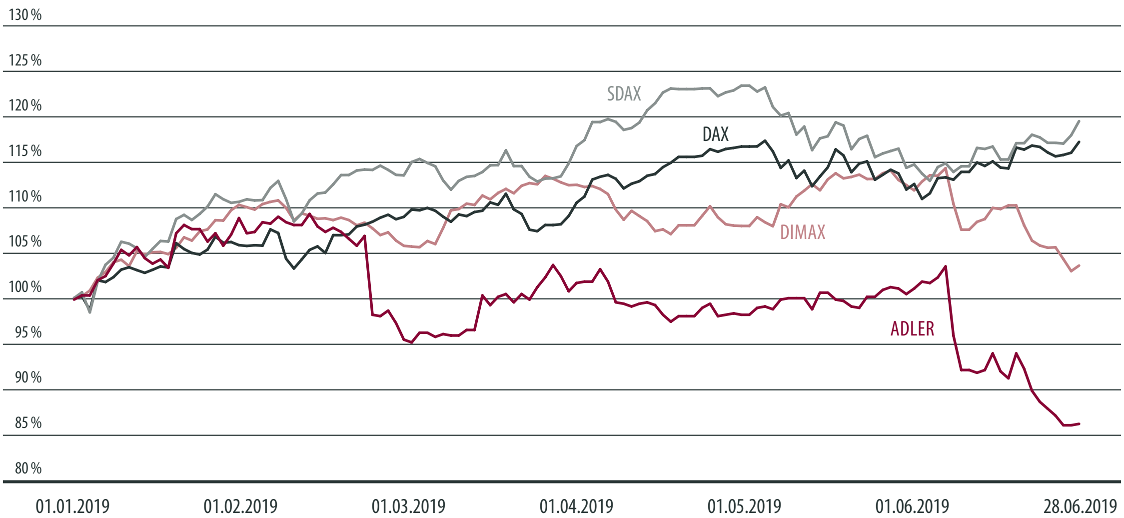
/// ADLER ON THE CAPITAL MARKET

Real estate stocks affected by political decisions

The German stock market showed an overall positive performance in the first half of 2019. At the end of the reporting period, the DAX was up by around 17 percent when compared with the level it held at the start of the year. The SDAX, on the other hand, gained even more and increased by nearly 20 percent in the first half year 2019. Real estate stocks were on a similar trajectory up until the beginning of June, when they were strongly impacted by the announcement of the Berlin Senate to cap rents in Berlin for the next five years. Existing irritations that had been triggered earlier by demands to expropriate some real estate companies flared up to the extent that shares in practically all listed real estate companies in Germany were hit in a similar way, regardless of whether they held portfolios in Berlin or not. The Solactive DIMAX, the index comprising Germany's main listed real estate companies, therefore ended the first half with a meagre plus of only 4 percent.

The ADLER share was affected by the downturn as well, although its exposure, measured in units, to the Berlin market is only 2.9 percent of its total portfolio. An additional negative was the fact that the European Public Real Estate Association (EPRA) removed the ADLER share from its index – for reasons incomprehensible to the company.

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

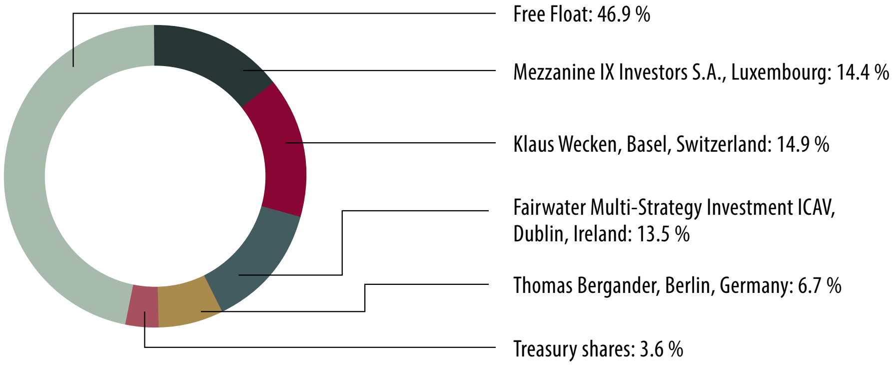


Number of shares unchanged in first half of the year

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

Since the last reporting date for the first quarter 2019, changes to the shareholder structure were marginal. Based on the notifications received by ADLER from shareholders when reaching the relevant thresholds, the shareholder structure as at 30 June 2019 was as follows:

SHAREHOLDER STRUCTURE AS AT 30 JUNE 2019



Investor Relations strengthened

At the end of the 2018 financial year, ADLER had decided to realign and strengthen its investor relation activities. As a consequence of this decision, in 2019, the company intensified its contact to the capital markets. In the first six months of the year, ADLER´s management has participated in more than 15 capital market conferences and roadshows in the framework of which numerous one-on-ones were executed. For the first time, ADLER presented itself to Asian investors in the course of a roadshow organised by EPRA. Another first was the organisation of a Capital Markets Day aimed at giving investors the opportunity to visit some of ADLER´s properties in Berlin.

BOTH THE APARTMENT AND THE SURROUNDING AREA MUST BE RIGHT

To feel comfortable as a tenant, you need more than just an attractive apartment. That is why we always take care of the entire surroundings of our housing estates. We build and maintain playgrounds, care for green spaces and work together with local authorities to improve infrastructure. It goes without saying that we also take responsibility for all aspects of building services. All this ultimately serves the quality of life of our tenants and thus also our business success.

/// INTERIM GROUP MANAGEMENT REPORT

/// 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 and benefit from the growth of the German economy in general and also favourable real estate market dynamics in German 'B-cities'. The Group's residential portfolio has been built up over the past five years by acquiring individual portfolios or shares in property holding companies.

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

The commercial portfolio of BCP does not fit into the business model of ADLER. Therefore, around two-thirds of the total commercial portfolio were sold in two separate transactions during the course of 2019. The remaining parts are intended to be sold as soon as possible.

Residential real estate portfolio

As of 30 June 2019, ADLER held a total of 58,095 rental units with a total space of 3.5 million square metres, a fair value of EUR 5,008.2 million and an annualised net rent (including parking spaces and other areas) of EUR 219.5 million. The regional focus is on Lower Saxony (18,312 units), North Rhine-Westphalia (13,808 units) and Saxony (9,679 units). Around 3,700 non-core residential units were sold in two separate transactions at the end of 2018, reducing the overall portfolio accordingly. Rights and obligations have only been transferred in the course of the first quarter of 2019.

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

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

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

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

Financing strategy

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

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

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

MANAGEMENT SYSTEM

Financial performance indicators

The main financial performance indicators used by ADLER are: EPRA net asset value (EPRA NAV, 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.

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 budget figures, then corrective measures are devised and implemented.

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

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

EMPLOYEES

As the group holding company, ADLER Real Estate AG has three Management Board members but no employees. Operational tasks relating to central administration and portfolio management are mostly performed via the wholly owned subsidiary ADLER Real Estate Service GmbH. On the other hand, tasks relating to asset management are performed via ADLER Wohnen Service GmbH, facility management via ADLER Gebäude Service and energy management via ADLER Energie Service GmbH. Owing to the strategic objective of internalising functions previously outsourced in the field of property and facility management, the number of employees at the ADLER Group increased considerably in the course of the last twelve months, namely from 766 at the end of the first half 2018 to 883 full-time and part-time employees as at the end of the reporting period. The majority of the employees work in property management (275 employees) and facility management (382 employees) divisions. BCP had 138 employees at the end of June 2019.

RESEARCH AND DEVELOPMENT

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

/// ECONOMIC REPORT

MACROECONOMIC AND SECTOR-SPECIFIC SETTINGS

In the first six months of the current business year, macroeconomic dynamics slowed down in Germany. Calendar-adjusted GDP growth amounted to 0.4 percent in the first quarter. At the same time, the outlook for the remaining part of the year became more sombre. The estimates of the relevant economic research institutes or political organisations for annual GDP growth range between 0.5 and 0.9 percent, which corresponds to a significant slowdown compared to the growth rates of recent years. The inflation rate is estimated to remain moderate at 1.5 percent and the number of people in employment is expected to rise to more than 45 million in 2019. Measures for the European Central Bank to raise interest rates are not in sight.

Despite the slowing growth in overall economic activity, industry-specific settings for real estate companies appear to remain positive. To a company such as ADLER Real Estate AG, the development of the housing rental market is of great importance and it again proved stable in the first six months of 2019. According to the cost-of-living index, German rents were 1.4 percent higher nationwide in June 2019 compared to the previous year, thus increasing slightly less than the total cost of living, which was 1.6 percent higher year on year. As a comparison, rents increased 1.6 percent in 2018. It therefore looks like rent increases in Germany are likely to level out somewhat. The average figure, however, conceals variations between individual regions, urban and rural locations, new and existing housing and different apartment sizes. With its properties, ADLER mainly operates in B locations and on the periphery of conurbations. Such locations typically benefit from sharp rent increases in town centres or A locations, as is the case in most towns in Germany and their surroundings. After all, tenants no longer able or willing to pay higher rents look for alternatives and are often prepared to accept living further away from the centre of their city. Moreover, the average does not take into account the fact that the development of rents under new and existing leases usually differs significantly.

Legal framework

In the first half of the current financial year, the legal framework remained fundamentally unchanged. Only the Senate of Berlin announced its intention to cap rents for the next five years. It is questionable, however, whether a federal state such as Berlin can introduce such a regulation in the first place, as rental law is a matter of central government. Regardless of its legal status, the announcement had an extremely negative impact on the share price of all listed real estate companies in Germany. Particularly, it led to a decrease in the company value of ADLER reaching a triple-digit figure in EUR millions. At the same time, the announcement certainly dampened the propensity of private companies invest in real estate in Berlin.

Uncertainty about the future tax burden resulting from changes in the real estate transfer tax remained unaltered. The legislative proposal which meanwhile has been set fourth could entail considerable additional burdens or at least a severe redistribution in the tax burden, even if it is formulated with the goal of achieving revenue neutrality. Notwithstanding that, the German government cannot control the amount of real estate transfer tax since municipal and local councils autonomously set their respective multiple tax rates.

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

ECONOMIC DEVELOPMENT OF THE GROUP

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

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

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

At the end of March 2019, the group company BCP also began selling its commercial portfolio. In an initial step, assets worth EUR 180.6 million were sold in a share deal, which corresponds to approximately 37 percent of the entire commercial portfolio. In a second step, an additional tranche worth EUR 141.1 million was sold in an asset deal at the end of June 2019. In total, around two-thirds of the total commercial portfolio of BCP have thus been disinvested in the course of the 2019 business year.

In mid-July, ADLER used part of its treasury shares to part-finance the acquisition of additional real estate. Thus, 980,000 treasury shares, valued at EUR 14.50, each have been transferred as payment for the acquisition of a portfolio of 72 rental units, with an additional attractive development potential which was bought for EUR 20.3 million.

/// REPORT ON RISKS AND OPPORTUNITIES

ADLER Real Estate AG reported in detail on the opportunities and risks involved in its business activities in its 2018 Annual Report. ADLER has continued to regularly monitor risks in 2019 and has realised some of the existing opportunities. It disposed of around two-thirds of the retail portfolio of its subsidiary BCP, the majority of which had been acquired in 2018. And it acquired a small portfolio of 72 rental units partly against cash and partly against treasury shares.

On the risk side, political settings in the city of Berlin have changed with the announcement of the Berlin Senate to cap rents for the next five years. Should the announcement become legally binding, net rental income from real estate in Berlin may be negatively affected and as such, profits of companies with high exposure to the Berlin market may stagnate or decline. Impact on ADLER will be negligible, however, as measured in units, it only holds 2.9 percent of its asset in Berlin. Up to now, it is still unclear whether the city of Berlin is even able to legally impose such a regulation as rental law is decided upon at the federal level. In the case of this regulation being imposed, on the other hand, the possibility of other federal states following the Berlin example in one way or another cannot be completely ruled out.

Following the legislative proposal made by the Federal Government for changes to the property tax basis, it is still unclear whether and by how much the tax burden for individual properties will change.

/// REPORT ON EXPECTED DEVELOPMENTS

ADLER Real Estate AG reported in detail on its financial guidance for the current financial year in its 2018 Annual Report which, in essence, has not changed since. ADLER continues to expect the macroeconomic conditions for companies in the property sector to remain favourable in 2019 due to the ongoing scarcity of housing and maintains this view even though the growth outlook for the economy as a whole has become weaker.

The 2018 Annual Report also stated that net rental income is expected to reach about the same level in 2019 as in the year before, while an increase is expected on a like-for-like basis. Net rental income will be positively affected as BCP will contribute to revenue in 2019 for the full year, whereas in 2018, its contribution was only over a period of nine months. On the other hand, neither the non-core residential assets nor two-thirds of BCP’s commercial portfolio will continue to contribute as they have been sold in the course of 2019.

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

For 2019, ADLER is also expecting a moderate increase in EPRA NAV and EPRA NAV per share (adjusted for goodwill and fully diluted). The financial indicators such as LTV and WACD are expected to further improve in 2019, with LTV being reduced by around 110 basis points via the disposals of BCP’s commercial portfolio alone. The full year target for WACD has already been achieved at the mid-year stage in the wake of successful refinancing measures.

/// REPORT ON EVENTS AFTER THE BALANCE SHEET DATE

At the beginning of the third quarter, minority interests were acquired in several subsidiaries of BCP. The consideration for the transaction amounted to EUR 90.9 million.

On July 18 2019, ADLER acquired a small portfolio of 72 rental units with considerable development potential. The purchasing price of EUR 20.3 million has partly been paid in cash, and to a larger part by transfer of 980,000 treasury shares valued at EUR 14.50 each.

There were no further events with the potential to significantly influence the earnings, assets and financial position of ADLER between the end of the period under report and the editorial deadline for this report. The company's business performance up to the reporting date confirms the statements made in its report on expected developments.

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

PRELIMINARY REMARK

At the beginning of the second quarter of 2018, ADLER acquired nearly 70 percent of the shares in BCP, and has now fully consolidated the company and its subsidiaries for the first time. A separate segment showing the economic development of this group division had originally been created for BCP as the company was managed and controlled as an independent unit up until now. After the purchase price allocation was finalised along with the first-time allocation of goodwill, BCP was integrated into the "Rental" segment.

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

RESULT FROM OPERATIONS

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

In EUR millions	6M 2019	6M 2018
Gross rental income	187.4	166.7
of which net rental income	127.2	109.1
Expenses from property lettings	-74.9	-70.2
Earnings from property lettings	**112.5**	**96.5**
Income from the sale of properties	378.9	24.4
Expenses from the sale of properties	-387.8	-21.3
Earnings from the sale of properties	**-8.9**	**3.1**
Personnel expenses	-20.3	-13.8
Other operating income	4.2	4.3
Other operating expenses	-24.1	-34.6
Income from fair value adjustments of investment properties	152.6	146.6
Depreciation and amortisation	-2.0	-0.5
Earnings before interest and taxes (EBIT)	**214.0**	**201.6**
Financial result	-66.9	-91.9
Net income from at-equity valued investment associates	0.0	0.0
Earnings before taxes (EBT)	**147.1**	**109.7**
Income taxes	-33.5	-44.4
Net consolidated result from continuing operations	**113.6**	**65.3**
Earnings after tax from discontinued operations[1)]	0.2	0.3
Net consolidated result	**113.8**	**65.6**

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

Income and earnings from property lettings increased

In the first half of 2019, gross rental income amounted to EUR 187.4 million. This was 12.4 percent more than in the same period of the previous year (EUR 166.7 million). Net rental income amounted to EUR 127.2 million in the first half of 2019, up 16.6 percent on the previous year's comparative figure (EUR 109.1 million). The increase in gross and net rental income is mainly attributable to the fact that BCP was only consolidated from the acquisition date in April 2018, while in 2019 it contributed from the beginning of the year, yielding EUR 52.4 million in net rental income (6M 2018: EUR 26.5 million) and EUR 39.1 million in earnings from property lettings (6M 2018: EUR 19.6 million). By contrast, income was reduced by the fact that the sale of the non-core portfolio of approximately 3,700 rental units was closed during the first quarter and has not contributed since then. The same is true for the sale of the first part of BCP's commercial portfolio, which was transferred to the buyer in the second quarter.

A positive effect on income and net rental income also resulted from the fact that operating performance continued to improve further. At the end of the reporting period, the average contractually agreed rent per square metre per month amounted to EUR 5.54, EUR 0.14 higher than the figure for the same period of the previous year, which relates to what was known at that time as the core portfolio (6M 2018: EUR 5.40).

The vacancy rate reached 6.4 percent at the end of the first half of 2019. That was 1.3 percentage points more than in the previous year, if one uses the "core" portfolio of the time as a comparison (7.7 percent). The improvement in the operating performance indicators also reflects the fact that ADLER internalised the property management of all of its property holdings over the course of 2017 and has been managing them in-house since 2018.

Expenses from property lettings comprise recoverable and non-recoverable operating expenses and maintenance expenses. Compared with the same period of the previous year, these expenses increased by 6.7 percent to EUR 74.9 million in the first half of the year. The increase is primarily attributable to the fact that BCP was only included in the financial statements in 2018 from the second quarter on but was fully included in 2019.

Net of expenses from property lettings, earnings from property lettings amounted to EUR 112.5 million in the first half of 2019, 16.6 percent more than in the previous year (EUR 96.5 million).

Streamlining the portfolio impacts earnings from the sale of properties

The sale of non-core properties in the first quarter of 2019 had no effect on the earnings from the sale of properties because it had been allocated to non-current assets held for sale at its expected disposal value at the end of 2018. Relating income effects were thus already achieved in 2018. The sale of the first and second tranche of the BCP retail portfolio, however, had a negative impact on earnings from the sale of properties which amounted to EUR 8.7 million.

Positive contribution from fair value adjustments

At EUR 152.6 million, income from fair value adjustments of investment properties was again positive during the first half of 2019 (6M 2018: EUR 146.6 million). The property valuations are performed exclusively by independent specialist external surveyors with long-standing experience in this area. Income from fair value adjustments of investment properties is not cash-effective and is not included in the calculation of funds from operations.

Personnel expenses increase with further rises in staff numbers

Personnel expenses came to EUR 20.3 million in the first half of 2019. In the same period of the previous year, it amounted to EUR 13.8 million. The majority of this increase is attributable to the fact that BCP was not yet part of the ADLER Group in the first quarter of 2018. The increase in personnel expenses, however, is also due to the withdrawal of tasks from external service providers in the context of ADLER's realignment towards becoming an integrated real estate group. These functions have been taken over by internal group departments that have either been newly founded or had their personnel resources increased. As a result, the Group had a total of 883 employees as at 30 June 2019, 117 more than a year earlier.

Other operating expenses amounted to EUR 24.1 million in the first half of 2019 (6M 2018: EUR 34.6 million). This line item includes general administration expenses, IT expenses, legal and advisory expenses, impairments of receivables and public relations expenses. The decrease is mainly due to higher legal and advisory costs in the first half of the previous year, which in turn were related to the acquisition of BCP and its financing.

Other operating income amounted to EUR 4.2 million in the first six months of the current financial year and remained practically unchanged compared to the same period of the previous year (EUR 4.3 million).

EBIT increased

After deduction of all non-financial expenses, earnings before income and taxes (EBIT) for the first half of 2019 amounted to EUR 214.0 million. Compared to the first half of the previous year (EUR 201.6 million), this represents an increase of 6.2 percent. BCP´s contribution to EBIT amounted to EUR 73.0 million (6M 2018: EUR 17.2 million).

Significantly improved financial result

At minus EUR 66.9 million, the financial result for the first half of 2019 was significantly higher than the equivalent figure for the same period of the previous year (minus EUR 91.9 million). The improvement was largely attributable to the fact that non-recurring expenses such as prepayment penalties, refinancing expenses, loan commitment fees and transaction costs were significantly higher in the previous year.

In the first half of 2019, earnings before tax (EBT) amounted to EUR 147.1 million, to which BCP contributed EUR 47.5 million. In the first half of the previous year, EBT stood at EUR 109.7 million, to which BCP had contributed EUR 15.5 million.

In terms of taxes, expenses amounted to EUR 33.5 million in the first half of 2019, while tax expenses had come to EUR 44.4 million in the same period of the previous year. The larger part amounting to 90 percent is related to deferred taxes; only 10 percent are cash effective.

Consolidated net profit for the first half of 2019 amounted to EUR 113.8 million (6M 2018: EUR 65.6 million), of which EUR 113.6 million is allocated to continuing operations. Of the consolidated net profit, EUR 97.2 million is attributable to shareholders in the parent company (6M 2018: EUR 53.3 million).

Segment reporting

In its segment reporting, ADLER had distinguished between the Rental, BCP and other segments up until now. In line with the internal reporting to the Management Board, which had dealt with BCP as a unit of its own since its acquisition in April 2018, a separate segment had been created for BCP. After the purchase price allocation was finalised along with the first-time allocation of goodwill, BCP was integrated into the Rental segment. Figures for the previous year have been adjusted accordingly.

The Rental segment includes all ADLER's portfolios, through the letting of which ADLER Real Estate AG aims to generate long-term gross rental income. Gross rental income and the expenses associated with the letting business reflect the activities of the Group's Asset and Property Management, which manages residential units held in the portfolio in technical and commercial terms. This segment also includes the expenses for craftsmen and caretaker services which are provided by the Group's internal Facility Management. To a small extent the segment also comprises commercial assets of BCP and developments which are intended to be sold to third parties and are thus not intended to be transferred to the rental portfolio.

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

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

ADLER Group	Rental		Other		Group	
In EUR millions	**6M 2019**	**6M 2018**	**6M 2019**	**6M 2018**	**6M 2019**	**6M 2018**
Gross rental income and income from the sale of properties	566.2	191.0	0.1	0.1	566.3	191.1
of which gross rental income	187.3	166.6	0.1	0.1	187.4	166.7
of which income from disposals	378.9	24.4	0.0	0.0	378.9	24.4
Change in the value of investment properties	152.6	146.6	0.0	0.0	152.6	146.6
Earnings before interest and taxes (EBIT)	**214.0**	**201.7**	**0.0**	**-0.1**	**214.0**	**201.6**
Income from investments accounted for using the at-equity method	0.0	0.0	0.0	0.0	0.0	0.0
Financial result	**-67.0**	**-91.9**	**0.1**	**0.0**	**-66.9**	**-91.9**
Earnings before taxes (EBT)	**147.0**	**109.8**	**0.1**	**-0.1**	**147.1**	**109.7**

Funds from operations (FFO) strongly improved

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

As is documented in the overview provided below, FFO is determined by first calculating earnings before interest, taxes, depreciation and amortisation, impairment losses and income from fair value adjustments of investment properties (EBITDA IFRS), and then adjusting this figure to exclude non-recurring and extra-ordinary items. 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 that have not been capitalised are then added.

In EUR millions		6M 2019	6M 2018
Consolidated net profit		**113.8**	**65.6**
of which from continuing operations		**113.6**	**65.3**
+	Financial result	66.9	91.9
	of which from continuing operations	66.9	91.9
+	Income taxes	33.5	44.4
	of which from continuing operations	33.5	44.4
+	Depreciation and amortisation	2.0	0.5
	of which from continuing operations	2.0	0.5
–	Income from fair value adjustment of investment properties	152.6	146.6
	of which from continuing operations	152.6	146.6
–	Income from investments accounted for using the at-equity method	0.2	0.3
	of which from continuing operations	0.0	0.0
EBITDA IFRS (continuing and discontinued operations)		**64.4**	**55.5**
+/–	Non-recurring and extraordinary items	21.6	21.0
Adjusted EBITDA		**85.0**	**76.5**
–	Interest expense FFO	34.6	33.7
–	Current income taxes	2.8	1.4
–	Earnings before interest and taxes from the sale of properties, discontinued operations and minority interests	5.9	6.3
FFO I		**41.7**	**35.1**
Number of shares (basic)[1]		68,480,390	66,755,390
FFO I per share (basic)		0.61	0.53
Number of shares (diluted)[2]		78,899,195	78,844,224
FFO I per share (diluted)		0.53	0.44

[1] 68,480,390 shares as at balance sheet date (previous year: 55,088,724, plus 11,666,666 shares from assumed conversion of mandatory convertible bonds which are considered as equity).
[2] Plus 10,418,805 shares from assumed conversion of all other convertible bonds with entitlement to conversion (previous year: 12,088,834).

Non-recurring and extraordinary items are structured as follows:

Non-recurring and extraordinary items In EUR millions	6M 2019	6M 2018
Non-cash income/expenses and one-off payments	11.5	3.0
Costs of acquisition/integration	8.9	10.9
Optimisation of business model, structuring	1.2	7.1
Total non-recurring and extraordinary items	**21.6**	**21.0**

The FFO interest charge is derived as follows:

Interest expense FFO **In EUR millions**	**6M 2019**	**6M 2018**
Interest income	5.4	5.0
Interest expenses	-72.3	-96.9
Total interest income (continuing and discontinued operations)	**-66.9**	**-91.9**
Adjustments		
Prepayment compensation and provision costs	9.8	42.2
Effects of measurement of primary financial instruments	11.0	14.8
Other adjustments	11.5	1.2
Interest expenses FFO	**-34.6**	**-33.7**

In the reporting period, currency effects (EUR 4.3 million) and amortisation on financial assets (EUR 3.2 million) have been recognised in other adjustments.

Calculated this way, FFO for the first half of 2019 amounted to EUR 41.7 million, of which EUR 14.3 million was contributed by BCP. This was EUR 6.6 million or 18.8 percent more than in the same period of the previous year (EUR 35.1 million with a contribution from BCP of EUR 7.6 million).

Calculated on an undiluted basis, FFO per share amounted to EUR 0.61 as at 30 June 2019. On a diluted basis (shares issued less treasury shares plus shares from the assumed conversion of outstanding convertible bonds to the extent that they are already convertible), FFO per share came to EUR 0.53.

NET ASSETS

In EUR millions	30.06.2019	as percentage of total assets	31.12.2018	as percentage of total assets
Non-current assets	**5,272.5**	**88.2**	**5,220.8**	**89.1**
of which investments properties	4,915.0	82.2	4,989.1	85.2
Current assets	**560.0**	**9.4**	**437.6**	**7.5**
of which inventories	93.2	1.6	88.1	1.5
of which cash and cash equivalent investments	176.2	2.9	77.7	1.3
Non-current assets held for sale	**144.3**	**2.4**	**198.2**	**3.4**
Assets	**5,976.8**	**100.0**	**5,856.6**	**100.0**
Equity	**1,691.5**	**28.3**	**1,579.6**	**27.0**
of which capital stock	68.5	1.1	68.5	1.2
of which capital reserves	309.3	5.2	309.2	5.3
of which net retained profit	940.4	15.7	842.9	14.4
of which non-controlling interests	377.7	6.3	362.2	6.2
Non-current liabilities	**3,953.6**	**66.1**	**3,972.0**	**67.8**
of which liabilities from convertible bonds	119.8	2.0	117.5	2.0
of which liabilities from bonds	2,067.2	34.6	1,961.1	33.5
of which financial liabilities to banks	1,322.3	22.1	1,476.2	25.2
Current liabilities	**331.7**	**5.6**	**304.5**	**5.2**
of which financial liabilities to banks	202.4	3.4	142.4	2.4
Liabilities held for sale	**0.0**	**0.0**	**0.5**	**0.0**
Equity and liabilities	**5,976.8**	**100.0**	**5,856.6**	**100.0**

During the first half of 2019, total assets increased slightly. As at the reporting date, ADLER reported assets of EUR 5,976.8 million in total, 2.1 percent more than at the end of the previous year (EUR 5,856.6 million).

Slight decrease in investment properties due to disposals

Investment properties decreased by EUR 310.5 million due to the sale of the first and the reclassification of the second tranche of BCP's commercial portfolio to non-current assets held for sale. An increase resulted from valuation gains, investments in modernisation and investments in project development properties. In balance, a decrease of EUR 74.1 million or 1.5 percent to EUR 4,915.0 million was shown in this position of the balance sheet.

The control over the rental units of the non-core portfolio was transferred in the first half of 2019. Following receipt of the first partial payments, ADLER recognises non-current receivables from the buyers of EUR 97.0 million as at 30 June 2019. The respective properties, which have been recognised under non-current assets held for sale as at 31 December 2018, have been disposed of in the amount of EUR 179.2 million in the first quarter of 2019.

As at the balance sheet date, current assets amounted to EUR 560 million, EUR 122.4 million more than at the beginning of the year. Current assets comprised EUR 149.7 million in receivables against the buyer of the shares in ACCENTRO which ADLER had sold already at the end of 2017. Payment had been postponed, however, several times due to a mutual understanding. These receivables bore a customary interest. However, cash and cash equivalents had already increased significantly to EUR 176.2 million at the reporting date.

Non-current assets held for sale as of 30 June 2019 mainly comprise the second tranche of BCP's commercial properties, the transfer of which is expected to take place in the third quarter of 2019.

Shareholders' equity strengthened

Shareholders' equity amounted to EUR 1,691.5 million at the end of the first half of 2019. The increase compared to the end of the previous year (EUR 1,579.6 million) is mainly attributable to the net retained profit. The shareholders' equity ratio reached 28.3 percent.

Non-current Liabilities decreased; current liabilities increased

Non-current liabilities decreased in the course of the year by EUR 18.4 million to EUR 3,953.6 million as at 30 June 2019. At EUR 331.7 million, current liabilities at mid-year 2019 were higher than at year-end 2018 (EUR 304.5 million).

The change in liabilities is attributable to several effects. Liabilities related to the first tranche of BCP´s retail portfolio have been released in the course of the share deal as agreed upon. In connection with the sale of non-core properties, liabilities on these properties were partly repaid in the first quarter. At the same time, an advance payment for the non-core properties received in the previous year was offset against the purchase price receivables when rights and obligations were transferred. The effects mentioned above have partly been offset by the fact that, while EUR 400 million was raised via the 2019/2022 bond, only EUR 300 million was paid back through the premature call of the 2015/2020 bond. In addition, non-current liabilities to banks were reclassified as current liabilities due to the upcoming repayments, in particular in connection with the sale of the second tranche of BCP's commercial portfolio in terms of an asset deal.

Net financial liabilities amounted to EUR 3,566.9 million at the end of the first half of 2019, down EUR 94.7 million on the figure at the end of the previous year (EUR 3,661.6 million).

Further decrease in loan to value (LTV)

ADLER calculates LTV as the ratio of adjusted net financial liabilities (financial liabilities adjusted for cash and cash equivalents, non-current assets held for sale, selected financial instruments, purchase price receivables and advance payments minus liabilities held for sale) to ADLER's total property assets, as is customary in the industry. Assuming that the convertible bonds outstanding at the reporting date were converted into shares, the LTV according to this calculation was 58.7 percent at the mid-year stage, 2.7 percentage points lower than at the end of 2018.

In EUR millions		30.06.2019	31.12.2018
Convertible bonds		121.7	119.3
+	Bonds	2,096.6	2,001.4
+	Financial liabilities to banks	1,524.8	1,618.6
–	Cash and cash equivalents	176.2	77.7
=	**Net financial liabilities**	**3,566.9**	**3,661.6**
–	Non-current assets held for sale, financial instruments, purchase price receivables and advance payments minus liabilities associated with assets held for sale[1]	489.2	424.1
=	**Adjusted net financial liabilities**	**3,077.7**	**3,237.5**
Investment properties		4,915.0	4,989.1
+	Inventories	93.2	88.1
+	Property, plant and equipment for property management and advance payments	24.7	2.5
+	Shares in real estate companies	3.1	3.0
=	**Gross asset value**	**5,036.0**	**5,082.7**
LTV including convertible bonds in %		61.1	63.7
LTV excluding convertible bonds in %		58.7	61.4

[1] Purchase price receivables including interest from the sale of ACCENTRO amounting to EUR 149.7 million (previous year: EUR 149.9 million); non-current assets held for sale amounting to EUR 144.3 million (previous year: EUR 198.2 million); equity instruments measured at fair value amounting to EUR 40.3 million (previous year: EUR 37.0 million) and debt instruments amounting to EUR 13.8 million (previous year: EUR 14.6 million); borrowings / loans to property-holding companies amounting to EUR 123.4 million (previous year: EUR 24.9 million), advance payments amounting to EUR 17.8 (previous year: EUR 0.0 million) and liabilities held for sale amounting to EUR 0.0 million (previous year: EUR 0.5 million)

In the second quarter, ADLER successfully implemented major refinancing measures. The 2015/2020 bond yielding 4.75 percent interest was refinanced through a new bond with a coupon of 1.5 percent, bringing the average cost of debt for all of the ADLER Group's liabilities (WACD = weighted average cost of debt) down from 2.23 percent to 2.08 percent in the course of the first half-year.

Net asset value (EPRA NAV) higher

Net asset value (EPRA NAV), adjusted for goodwill and fully diluted, which is calculated in accordance with the guidelines issued by the European Public Real Estate Association (EPRA), reached EUR 1,754.2 million at the end of the first half of 2019. This represents a significant increase on the figure at the end of 2018 (EUR 1,639.0 million).

Based on the total number of existing shares in circulation at the balance sheet date less treasury shares, fully diluted and adjusted EPRA NAV per share amounted to EUR 22.23 as at 30 June 2019 (end of 2018: EUR 20.77).

In EUR millions	30.06.2019	31.12.2018
Equity	**1,691.5**	**1,579.6**
Non-controlling interests	-377.7	-362.2
Equity attributable to ADLER shareholders	**1,313.8**	**1,217.4**
Deferred tax liabilities on investment properties	478.1	465.1
Goodwill from deferred taxes on investment properties[1]	0.0	0.0
Difference between fair values and carrying amounts of inventory properties	8.3	5.3
Fair value of derivative financial instruments	7.0	6.3
Deferred taxes for derivative financial instruments	-2.1	-1.9
EPRA NAV[1]	**1,805.1**	**1,692.3**
Goodwill from synergies[1]	-170.8	-170.8
Adjusted EPRA NAV	**1,634.3**	**1,521.5**
Diluted EPRA NAV[1]	**1,924.9**	**1,809.8**
Adjusted diluted EPRA NAV	**1,754.2**	**1,639.0**
Number of shares, basic[2]	68,480,390	66,480,390
EPRA NAV per share (basic) in EUR[1]	**26.36**	**24.71**
Number of shares, diluted[3]	78,899,195	78,899,195
EPRA NAV per share (diluted) in EUR[1]	**24.40**	**22.94**
Adjusted EPRA NAV per share (diluted) in EUR	**22.23**	**20.77**

[1] Disclosure incl. previous year adjusted as the purchase price allocation BCP has been completed. Goodwill results entirely from synergies.
[2] 68,480,390 shares as at balance sheet date (previous year: 68,480,390)
[3] Plus 10,418,805 shares from assumed conversion of all other convertible bonds with entitlement to conversion (previous year: 10,418,805)

FINANCIAL POSITION

In EUR millions	6M 2019	6M 2018
Cash flow from operating activities	44.1	66.0
– of which from continuing operations	43.9	65.7
Cash flow from investing activities	24.9	-492.2
– of which from continuing operations	24.9	-492.2
Cash flow from financing activities	29.5	189.2
– of which from continuing operations	29.5	189.2
Cash-effective change in cash and cash equivalents	98.5	-237.0
Non-cash-effective change in cash and cash equivalents	0.0	-0.1
Cash and cash equivalents at beginning of period	77.7	368.2
Cash and cash equivalents at end of period	176.2	131.1

Cash flow from operating activities came to EUR 43.9 million in the first half of 2019. In the same period of the previous year, cash flow from continuing operations was EUR 65.7 million. The decrease is primarily attributable to BCP's operating business and in particular to tax payments.

There was an inflow of funds from investing activities of EUR 24.9 million in the first half of 2019 relating primarily to disposals of the non-core portfolio and the BCP commercial portfolio as well as to investments in investment properties. The outflow of funds of EUR 492.2 million in the corresponding period of the previous year was attributable mainly to the acquisition of BCP.

There was an inflow of funds from investing activities of EUR 29.5 million in the first half of 2019. In particular, the placement of the EUR 400 million 2019/2022 bond was only partly offset by the premature repayment of the EUR 300 million 2015/2020 bond. In the previous year, there was an inflow of funds of EUR 189.2 million.

As at 30 June 2019, the ADLER Group had financial funds (cash and cash equivalents) of EUR 176.2 million (previous year: EUR 131.1 million).

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

OVERALL SUMMARY OF BUSINESS PERFORMANCE AND POSITION OF GROUP

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

SERVICE IS INCLUDED IN RENTS

It makes no difference whether the apartment is affordable or a little more expensive – if the electricity fails, the heating doesn't work properly or the staircase lighting is defective, help needs to be quickly available. Reported deficiencies are forwarded directly to the relevant people thanks to a central service number and call centre. And on site, our own employees or contracted craftsmen will take care of correcting the fault in a professional manner.

/// CONSOLIDATED BALANCE SHEET

(IFRS) as at 30 June 2019

In EUR thousands	**30.06.2019**	**31.12.2018**
Assets	**5,976,815**	**5,856,631**
Non-current assets	**5,272,472**	**5,220,772**
Goodwill	170,758	170,758
Intangible assets	604	612
Property, plant and equipment	16,109	7,578
Investment properties	4,914,990	4,989,054
Loans to associated companies	105,796	7,667
Investments in associated companies	3,067	3,070
Other financial investments	40,298	37,019
Other non-current assets	17,527	2,480
Deferred tax assets	3,322	2,535
Current assets	**560,059**	**437,677**
Inventories	93,235	88,096
Trade receivables	30,765	25,898
Income tax receivables	2,553	5,549
Other current assets	257,319	240,480
Cash and cash equivalents	176,187	77,655
Non-current assets held for sale	**144,284**	**198,182**

In EUR thousands	30.06.2019	31.12.2018
Equity and liabilities	**5,976,815**	**5,856,631**
Shareholders' equity	**1,691,488**	**1,579,631**
Capital stock	71,064	71,064
Treasury shares	-2,583	-2,583
	68,480	68,480
Capital reserves	309,328	309,233
Retained earnings	-4,479	-3,264
Currency translation reserves	89	88
Net retained profit	940,381	842,888
Equity attributable to owners of the parent company	1,313,800	1,217,426
Non-controlling interests	377,687	362,205
Non-current liabilities	**3,953,638**	**3,971,980**
Pension provisions	3,616	3,714
Deferred tax liabilities	399,208	380,794
Other provisions	3,754	3,900
Liabilities from convertible bonds	119,825	117,516
Liabilities from bonds	2,067,153	1,961,112
Financial liabilities to banks	1,322,359	1,476,187
Other non-current liabilities	37,723	28,756
Current liabilities	**331,677**	**304,526**
Other provisions	25	25
Income tax liabilities	5,210	12,921
Liabilities from convertible bonds	1,837	1,756
Liabilities from bonds	29,443	40,259
Financial liabilities to banks	202,433	142,408
Trade payables	40,411	47,440
Other current liabilities	52,318	59,717
Liabilities held for sale	**12**	**495**

/// CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(IFRS) for the period from 1 January to 30 June 2019

In EUR thousands	**6M 2019**	**6M 2018**	**Q2 2019**	**Q2 2018**
Gross rental income	187,408	166,712	92,543	98,638
Expenses from property lettings	-74,883	-70,164	-35,541	-41,029
Earnings from property lettings	**112,525**	**96,548**	**57,002**	**57,610**
Income from the sale of properties	378,873	24,382	192,793	21,305
Expenses from the sale of properties	-387,771	-21,263	-201,259	-19,124
Earnings from the sale of properties	**-8,898**	**3,119**	**-8,466**	**2,181**
Personnel expenses	-20,285	-13,849	-10,468	-7,757
Other operating income	4,188	4,271	2,179	3,016
Other operating expenses	-24,092	-34,602	-14,211	-23,581
Income from fair value adjustments of investment properties	152,577	146,611	142,917	124,224
Depreciation and amortisation	-1,959	-521	-1,054	-286
Earnings before interest and taxes (EBIT)	**214,057**	**201,577**	**167,900**	**155,407**
Financial income	5,357	4,592	1,705	2,327
Financial costs	-72,305	-96,471	-29,325	-39,986
Net income from at-equity valued investment associates	0	0	0	0
Earnings before taxes (EBT)	**147,108**	**109,698**	**140,280**	**117,748**
Income taxes	-33,508	-44,438	-41,353	-40,080
Consolidated net profit from continuing operations	**113,600**	**65,260**	**98,927**	**77,668**
Earnings after taxes of discontinued operations	248	263	248	658
Consolidated net profit	**113,848**	**65,523**	**99,175**	**78,326**
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	0	2	-1	4
Change in value of interests in companies accounted for under at-equity	0	0	0	0
Change in value of financial assets at fair value	-1,214	-226	-1,217	96
Capital stock OCI	0	-32	0	-32
Deferred taxes OCI	0	10	0	10
OCI gains/losses reclassifiable into profit or loss	**-1,214**	**-246**	**-1,218**	**78**
Total comprehensive income	**112,634**	**65,277**	**97,957**	**78,404**

In EUR thousands	6M 2019	6M 2018	Q2 2019	Q2 2018
Carry-over total comprehensive income	**112,634**	**65,277**	**97,957**	**78,404**
Net profit from continuing operations:				
Owners of the parent company	97,245	53,299	82,687	69,914
Non-controlling interests	16,355	11,961	16,240	8,754
Consolidated net profit attributable to:				
Owners of the parent company	97,493	53,562	82,935	69,572
Non-controlling interests	16,355	11,961	16,240	8,754
Total comprehensive income attributable to:				
Owners of the parent company	96,279	53,316	81,717	69,650
Non-controlling interests	16,355	11,961	16,240	8,754
Earnings per share, basic in EUR (consolidated net profit from continuing operations)	1.42	0.80	1.21	1.03
Earnings per share, diluted in EUR (consolidated net profit from continuing operations)	1.27	0.71	1.07	0.89
Earnings per share, basic in EUR (consolidated net profit)	1.42	0.80	1.21	1.04
Earnings per share, diluted in EUR (consolidated net profit)	1.27	0.72	1.07	0.90

/// CONSOLIDATED STATEMENT OF CASH FLOWS

(IFRS) for the period from 1 January to 30 June 2019

In EUR thousands		6 M 2019	6 M 2018
Earnings before interest and taxes (EBIT) – continuing and discontinued operations		214,057	201,577
+	Depreciation and amortisation	1,959	521
–/+	Net income from fair value adjustments of investment properties	-152,577	-146,611
–/+	Non-cash income/expenses	4,916	5,597
–/+	Changes in provisions and accrued liabilities	-244	-186
–/+	Increase/decrease in inventories, trade receivables and other assets not attributable to investment or financing activities	-86,161	-2,419
–/+	Decrease/increase in trade payables and other liabilities not attributable to investment or financing activities	73,240	3,561
+	Interest received	51	98
+	Dividends received	248	263
+/–	Tax payments	-6,251	-397
=	**Operating cash flow before de-/reinvestment into the trading portfolio**	**49,238**	**62,004**
–/+	Increase/decrease in inventories (commercial properties)	-5,139	3,956
=	**Net cash flow from operating activities**	**44,099**	**65,960**
	thereof continuing operations	43,851	65,697
	thereof discontinued operations	248	263
–	Acquisition of subsidiaries, net of cash acquired	0	-472,278
+	Disposal of subsidiaries, net of cash disposed	67,030	17,107
–	Purchase of investment properties	-88,688	-56,175
+	Disposal of investment properties, net of cash disposed	77,707	27,570
–	Purchase of property, plant and equipment and intangible assets	-3,496	-1,665
+	Disposal of property, plant and equipment and intangible assets	218	0
–	Payments into short-term deposits	-14,781	-6,790
+	Proceeds from short term deposits	0	0
+	Proceeds from deinvestments of financial assets	0	14
–	Investments in financial assets	-1,100	0
+	Proceeds from the repayment of long-term receivables from associated companies	500	0
–	Payments for long-term receivables from associated companies	-12,500	0
=	**Net cash flows from investing activities**	**24,890**	**-492,217**
	thereof continuing operations	24,890	-492,217
	thereof discontinued operations	0	0

	In EUR thousands	6 M 2019	6 M 2018
–	Payments for acquisition of treasury shares including acquisition costs	0	-15,604
–	Transactions with non-controlling interests	-731	0
–	Dividends paid to non-controlling interests	0	-5,368
–	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	400,000	789,953
–	Repayment of bonds	-299,997	-234,203
–	Payments from issuing debt	-5,599	-23,596
–	Interest payments	-56,850	-75,909
+	Proceeds from bank loans	48,962	636,371
–	Repayment of bank loans	-54,614	-882,409
–	Repayment of leasing liabilities	-1,075	0
–	Payment of interest portion of lease liabilities	-553	0
=	**Net cash flows from financing activities**	**29,543**	**189,224**
	of which from continuing operations	29,543	189,224
	of which from discontinued operations	0	0

	In EUR thousands	6M 2019	6M 2018
	Reconciliation to Consolidated Balance Sheet		
	Cash and cash equivalents at beginning of periods	**77,655**	**368,233**
	Non-cash changes in cash and cash equivalents	0	-188
	Net cash flow from operating activities	44,099	65,960
	Net cash flow from investing activities	24,890	-492,217
	Net cash flow from financing activities	29,543	189,224
=	**Cash and cash equivalents at end of periods**	**176,187**	**131,082**

/// CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(IFRS) for the period from 1 January to 30 June 2019

In EUR thousands	Capital stock	Treasury shares	Capital reserves
As at 1 January 2018	**57,548**	**-1,392**	**350,203**
Consolidated net profit	0	-1	0
Other comprehensive income (OCI) – reclassifiable	0	0	0
Other comprehensive income (OCI) – non-reclassifiable	0	0	0
IFRS 9 conversion	0	0	0
Change in scope of consolidation	0	0	0
Dividend	0	0	0
Acquisition of treasury shares	0	-1,190	0
Conversion of convertible bonds	124	0	1,194
As at 30 June 2018	**57,672**	**-2,583**	**351,397**
As at 1 January 2019	**71,064**	**-2,583**	**309,233**
Consolidated net profit	0	0	0
Other comprehensive income (OCI) – reclassifiable	0	0	0
Other comprehensive income (OCI) – non-reclassifiable	0	0	0
Increase/decrease in shareholding with no change in status	0	0	95
Change in scope of consolidation	0	0	0
Acquisition of treasury shares	0	0	0
Conversion of convertible bonds	0	0	0
As at 30 June 2019	**71,064**	**-2,583**	**309,328**

Retained earnings	Currency translation reserves	Net retained profit	Equity attributable to the owners of the parent company	Non-controlling interests	Total equity
-1,310	**86**	**555,442**	**960,576**	**76,924**	**1,037,500**
0	0	53,562	53,562	11,961	65,522
-248	1	0	-247	0	-247
0	0	0	0	0	0
-1,081	0	0	-1,081	-38	-1,119
0	0	0	0	225,666	225,666
0	0	0	0	-5,368	-5,368
0	0	-14,399	-15,589	0	-15,589
0	0	0	1,318	0	1,318
-2,639	**87**	**594,605**	**998,539**	**309,145**	**1,307,684**
-3,264	**88**	**842,888**	**1,217,426**	**362,205**	**1,579,631**
0	0	97,493	97,493	16,355	113,848
-1,215	1	0	-1,214	0	-1.214
0	0	0	0	0	0
0	0	0	95	-873	-778
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
-4,479	**89**	**940,381**	**1,313,800**	**377,687**	**1,691,488**

RENOVATION MUST ALSO BE AFFORDABLE

The costs of renovation and modernisation, especially of older rental properties, are not always easy to calculate. If these get out of hand, it would come at the expense of economic efficiency or of the tenants, because rents would then rise unnecessarily. However, this risk is low, because we have many years of experience as building owners and therefore have the appropriate expertise for tendering such work and selecting appropriate partners.

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

/// SELECTED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (IFRS) AS AT 30 JUNE 2019

GENERAL INFORMATION

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

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

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

BASIS OF ACCOUNTING

Basis of preparation

The interim consolidated financial statements as at 30 June 2019 have been prepared in accordance with International Financial Reporting Standards (IFRS), which are mandatory in the European Union. The consolidated financial statements, comprising the consolidated balance sheet, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated cash flow statement and selected note disclosures, also take particular account of the requirements of IAS 34 "Interim Financial Reporting".

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

With economic effect as of 30 November 2017, ADLER lost its controlling influence over ACCENTRO and its subsidiaries by selling the majority of the shares in that company.

With the sale of the majority stake in ACCENTRO, ADLER discontinued its trading segment and reported the remaining investment in ACCENTRO under non-current assets held for sale. The Consolidated Statement of Comprehensive Income shows only continuing operations in the respective items, while the discontinued operations trading segment is aggregated in a total (earnings after tax from discontinued operations; see page 62). With regard to the Consolidated Statement of Cash Flows, cash flows from operating, investing and financing activities are shown in relation to continuing and discontinued operations.

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

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

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

The Group applied the following new and revised IFRS standards and interpretations in the 2019 financial year:

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

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

IFRS 16 – Leases

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

ADLER applied IFRS 16 for the first time as at 1 January 2019 using the modified retrospective method. There was no cumulative effect from the first-time application of IFRS 16 which would have been recognised as an adjustment to the opening balance of retained earnings as at 1 January 2019. Comparative information for previous periods has not been restated. ADLER uses the simplification approach to maintain the definition of a lease for the transition. This means that the Group applies IFRS 16 to all contracts that have been concluded before 1 January 2019 and have been identified as leases in accordance with IAS 17 and IFRIC 4. ADLER uses the simplified approach for short-term leases (less than 12 months) and leases for which the underlying asset is of low value and will recognise the lease payments as an expense when incurred over the lease term. The weighted average Boundary interest rate for lease liabilities recognised as of January 1, 2019 was 3.0 percent p. a.

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

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

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

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

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

The tables below summarise the impact of the application of IFRS 16 on the relevant items of the consolidated balance sheet as at 30 June 2019 and the consolidated statement of comprehensive income for the period from 1 January to 30 June 2019. There were no other material implications on the Consolidated Statement of Cash Flows for the reporting period.

Impact on Consolidated Balance Sheet in EUR thousands	without application of IFRS 16	Adaptations	with application of IFRS 16
30 June 2019			
Assets			
Property, plant and equipment	9,925	6,184	16,109
Investment properties	4,911,684	3,306	4,914,990
Total assets	**5,967,325**	**9,490**	**5,976,815**
Equity and liabilities			
Total equity	**1,691,508**	**-20**	**1,691,488**
Deferred tax liabilities	399,216	-8	399,208
Other non-current liabilities	30,361	7,362	37,723
Other current liabilities	50,162	2,156	52,318
Total liabilities	**4,275,817**	**9,510**	**4,285,327**
Total assets	**5,967,325**	**9,490**	**5,976,815**

Impact on consolidated statement of comprehensive income in EUR thousands	without application of IFRS 16	Adaptations	with application of IFRS 16
1 January to 30 June 2019			
Earnings from property lettings	112,392	133	112,525
Other operating expenses	-25,226	1,134	-24,092
Depreciations and amortisation	-877	-1,082	-1,959
Earnings before interest and taxes (EBIT)	**213,872**	**185**	**214,057**
Financial expenses	-72,092	-213	-72,305
Earnings before taxes (EBT)	**147,136**	**-28**	**147,108**
Income taxes	-33,516	8	-33,508
Consolidated net profit	**113,868**	**-20**	**113,848**

IFRIC 23 – Uncertainty over Income Tax Treatments

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

BASIS OF CONSOLIDATION

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

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

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

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

SCOPE OF CONSOLIDATION AND BUSINESS COMBINATIONS

Including the parent company, the scope of consolidation includes a total of 225 companies (31 December 2018: 229) that are fully consolidated and seven companies that are recognised at equity (as at 31 December 2018: 7).

After the withdrawal of a shareholder, ADLER Real Estate Properties GmbH & Co. KG was accrued to the remaining shareholders in the scope of consolidation in the first quarter of 2019. This did not have any implications for the Group's net assets, financial position or results of operations.

As a result of the binding sales and purchase agreement concluded in the first quarter of 2019 concerning the sale of three commercial units in Rostock, Celle and Castrop-Rauxel, three property companies of Brack Capital Properties N.V. (BCP) were disposed of in the second quarter of 2019. As part of the agreed share deal, BCP holds 10.1 percent of the shares in each of these companies.

SEGMENT REPORTING

In its segment reporting, ADLER has so far distinguished between the Rental, BCP, and other segments. BCP, the majority of which was acquired in April 2018, was initially presented as an independent segment in accordance with internal reporting to the Management Board. Upon completion of the purchase price allocation and the first-time allocation of goodwill, BCP was integrated into the Rental segment. The comparative figures have been adjusted accordingly.

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

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

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

Income and EBIT for the period from 1 January 2019 to 30 June 2019 and for the previous year's comparative period are broken down as follows:

ADLER Group	Rental		Other		Group	
In EUR thousands – 6 months/H1	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Gross rental income and income from the sale of properties	566,188	191,001	93	93	566,281	191,094
– thereof gross rental income	187,315	166,619	93	93	187,408	166,712
– thereof income from sales	387,873	24,382	0	0	378,873	24,382
Change in the value of investment property	152,577	146,611	0	0	152,577	146,611
Earnings before interest and taxes (EBIT)	**214,014**	**201,675**	**43**	**-98**	**214,057**	**201,577**
Income from investments accounted for using the equity method	0	0	0	0	0	0
Financial result	**-67,005**	**-91,902**	**57**	**23**	**-66,948**	**-91,879**
Earnings before taxes (EBT)	**147,006**	**109,773**	**102**	**-75**	**147,108**	**109,698**

Revenues in the Rental segment amounted to EUR 566,188k (EUR 191,001k). The year-on-year increase of EUR 375,187k is primarily attributable to the sale of the non-core portfolio and BCP commercial units. In addition, BCP has only been included in the Group since the second quarter of 2018. Changes in the value of investment property amounted to EUR 152,577k (EUR 146,611k) in the first six months of the year. Six-month EBIT in the Rental segment amounted to EUR 214,014k (EUR 201,675k), while earnings before taxes came to EUR 147,006k (EUR 109,773k).

Group earnings before taxes were negatively affected by one-off items. In connection with the disposal of the BCP commercial units, one-off expenses of EUR 8,656k were incurred. There were also one-off expenses of EUR 12,666k (EUR 55,519k) for the early repayment of financial liabilities and bonds. Net financial expenses of EUR 3,734k (net financial income of EUR 21k) are due to the measurement of financial instruments at fair value in the reporting period. There were also net foreign exchange losses of EUR 5,424k (net foreign exchange profit of EUR 2,094k) related to BCP bonds.

Income and EBIT for the period from 1 April 2019 to 30 June 2019 and for the previous year's comparative period are broken down as follows:

ADLER Group In EUR thousands – 3 months/Q2	Rental		Other		Group	
	2019	2018	2019	2018	2019	2018
Gross rental income and income from the sale of properties	285,290	119,898	46	46	285,336	119,944
– thereof gross rental income	92,497	98,593	46	46	92,543	98,639
– thereof income from sales	192,793	21,305	0	0	192,793	21,305
Change in the value of investment property	142,917	124,224	0	0	142,917	124,224
Earnings before interest and taxes (EBIT)	**167,907**	**155,460**	**-7**	**-53**	**167,900**	**155,407**
Income from investments accounted for using the equity method	0	0	0	0	0	0
Financial result	**-27,650**	**-37,673**	**31**	**14**	**-27,619**	**-37,659**
Earnings before taxes (EBT)	**140,254**	**117,787**	**26**	**-39**	**140,280**	**117,748**

Segment assets, segment liabilities and segment investments were structured as follows as at 30 June 2019:

ADLER Group In EUR thousands as at 30 June 2019	Rental	Other	Consolidation	Group
Segment assets	5,960,770	4,840	-4,501	5,961,109
Investments accounted for using the equity method	3,067	0	0	3,067
Total segment assets	**5,963,837**	**4,840**	**-4,501**	**5,964,176**
Non-current assets held for sale	0	0	0	12,639
Segment liabilities	**4,284,770**	**5,058**	**-4,501**	**4,285,327**
Segment investments	**81,876**	**0**	**0**	**81,876**

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

ADLER Group In EUR thousands as at 31 December 2018	Rental	Other	Consolidation	Group
Segment assets	5,841,192	4,691	-4,961	5,840,922
Investments accounted for using the equity method	3,070	0	0	3,070
Total segment assets	**5,844,262**	**4,691**	**-4,961**	**5,843,992**
Non-current assets held for sale	-	-	-	12,639
Segment liabilities	**4,276,965**	**4,997**	**-4,961**	**4,277,001**
Segment investments	**165,128**	**0**	**0**	**165,128**

SELECTED NOTES ON THE CONSOLIDATED BALANCE SHEET

Property, plant and equipment

The increase in the carrying amount of property, plant and equipment to EUR 16,109k (31 December 2018: EUR 7,578k) is attributable to an amount of EUR 6,184k for the accounting for rights of use of assets under leases in accordance with IFRS 16.

Investment properties

The carrying amount of investment properties amounted to EUR 4,914,990k as at the balance sheet date (31 December 2018: EUR 4,989,054k). The additions were chiefly due to EUR 54,053k for investments in project development properties, with EUR 27,823k from capitalisable modernisation measures, EUR 3,306k from the first-time application of leaseholds in accordance with IFRS 16 and measurement results of EUR 152,577k. These items were countered by disposals, including IFRS 5 reclassified items, amounting to EUR 311,824k.

Receivables and loans to associated companies

The increase in the carrying amount of receivables and loans to associated companies to EUR 105,796k (31 December 2018: EUR 7,667k) is due to EUR 97,029k for the disposal of the non-core portfolio of approximately 3,700 rental units, which ADLER disposed of in two separate transactions in December 2018.

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

The remaining receivables from the sale of approximately 1,400 rental units to Caesar JV Immobilienbesitz und Verwaltungs GmbH are deferred and are due to be paid by 1 December 2022 at the latest, subject to customary interest and collateral. A partial payment of EUR 16,000k must be made by 1 December 2020 at the latest. As at the balance sheet date, ADLER recognises receivables including interest claims against Caesar JV Immobilienbesitz und Verwaltungs GmbH of EUR 45,726k.

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

Other financial investments

In the 2018 financial year, ADLER acquired 4.1 percent of the shares in a project development company for residential properties based in Germany through its subsidiary BCP. The shares were classified as financial assets at fair value through profit or loss and recognised under other financial assets. As at 30 June 2019, based on the stock market price, the fair value amounted to EUR 33,804k (31 December 2018: EUR 37,019k). The change in value of EUR 3.215k is recognised under financial expenses.

Furthermore, as part of the sale of three commercial units, the remaining shares (in each case 10.1 percent) in the property companies of BCP in the amount of EUR 6,494k are recognised.

Other non-current assets

Other non-current assets mainly include advance payments in connection with the expansion of existing residential estates in Göttingen and Wolfsburg and the acquisition of land on the outskirts of Berlin near Schönefeld Airport.

Cash and cash equivalents

Cash and cash equivalents amounted to EUR 176,187k at the balance sheet date, as against EUR 77,655k at the end of the previous year. EUR 41,218k (EUR 44,262k) is subject to restraints on disposal. ADLER can dispose of these resources, but they are intended for a special use.

Non-current assets held for sale

In connection with the sale of the majority of the shares in ACCENTRO and the sale of the Trading segment, ADLER carried out a transitional consolidation on 30 November 2017 and included the remaining investment in ACCENTRO of 6.2 percent as an associated company in accordance with IAS 28 in the consolidated financial statements. Shares were measured in accordance with IFRS 10 at fair value (stock market price) amounting to EUR 12,639k at the date of transitional consolidation and reported under non-current assets held for sale. ADLER continues to expect a short-term disposal of the remaining investment in ACCENTRO as these remaining shares are expected to be acquired or sold as part of the sale of the majority of the shares and extension of the relevant payment period until the end of 2019. As at the balance sheet date, the fair value less costs to sell was higher than the book value, meaning that no valuation allowance had to be made. ADLER received a dividend of EUR 248k for the remaining share in ACCENTRO in the period under report.

The other non-current assets held for sale include primarily properties recognised at a value of EUR 131,645k (31 December 2018: EUR 185,543k), for which notarial purchase contracts were available at the balance sheet date. The disposal of the non-current assets held for sale in the previous year did not have any material impact on earnings, as the assets were already measured at fair value. This corresponded to the sale price for the properties less related expenses. In detail, the following developments occurred:

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

Through its subsidiary BCP, ADLER signed a binding sales and purchase agreement with an established London-based private equity company specialising in real estate on 25 March 2019. The agreement concerns the sale of three commercial units in Rostock, Celle and Castrop-Rauxel. Due to the sale of the commercial units, investment properties of EUR 181,862k, other current assets of EUR 1,840k, financial liabilities to banks of EUR 105,484k, deferred tax liabilities of EUR 12,564k and trade payables/other liabilities of EUR 7,592k are classified as non-current assets held for sale or liabilities held for sale and reclassified accordingly. In the second quarter, following the transfer of control, these assets and liabilities were disposed of in corresponding amounts.

At the end of June 2019, ADLER concluded a binding purchase agreement with the Redos Group, Hamburg, as a representative of Union Investment Real Estate GmbH, Hamburg, via its subsidiary BCP. The object of the agreement is the sale of eleven commercial units in Bad Aibling, Vilshofen, Dreieich, Kassel, Laatzen, Leverkusen, Düsseldorf, Cologne, Bad Segeberg, Emden and Witten. Due to the sale of the commercial units, investment properties of EUR 128,641k are classified as non-current assets held for sale and reclassified accordingly.

Shareholders' equity

The capital stock of ADLER AG amounted to EUR 71,064k as at 30 June 2019 (31 December 2018: EUR 71,064k) and is divided into 71,063,622 no-par ordinary shares (31 December 2018: 71,063,622) with one voting right per share.

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

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

Deferred taxes

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

Liabilities for convertible bonds

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

In EUR thousands	30.06.2019	31.12.2018
2016/2021 convertible bond	121,662	119,272
Total	**121,662**	**119,272**
– thereof non-current	119,825	117,516
– thereof current	1,837	1,756

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

Liabilities for bonds

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

In EUR thousands	30.06.2019	31.12.2018
2015/2020 bond	0	299,052
2017/2021 bond	497,350	492,278
2017/2024 bond	296,897	300,630
2018/2023 bond	491,797	495,317
2018/2026 bond	293,897	297,946
2019/2022 bond	395,982	0
2011/2020 bond BCP (A)	30,241	29,188
2013/2024 bond BCP (B)	50,585	48,636
2014/2026 bond BCP (C)	39,847	38,324
Total	**2,096,596**	**2,001,371**
– thereof non-current	2,067,153	1,961,112
– thereof current	29,443	40,259

In April 2019, ADLER successfully placed a corporate bond of EUR 400,000k with a coupon of 1.5 percent with institutional investors in Europe. The bond has a three-year term and matures in April 2022. The net issue proceeds serve exclusively to refinance existing liabilities. In this context, in mid-April, the 2015/2020 corporate bond which still had a volume of EUR 300 million was terminated early. It was repaid in June 2019 at nominal value.

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

Financial liabilities to banks

Non-current financial liabilities to banks amounted to EUR 1,322,359k as at the balance sheet date (31 December 2018: EUR 1,476,187k). The decrease is mainly attributable to the sale of BCP commercial units and the reclassification to current financial liabilities due to repayments, in particular in connection with the sale of the second tranche of BCP's commercial portfolio.

Current financial liabilities to banks amounted to EUR 202,433k as at the balance sheet date (31 December 2018: EUR 142,408k).

SELECTED NOTES ON THE STATEMENT OF COMPREHENSIVE INCOME

Income from property lettings

Gross rental income is structured as follows:

In EUR thousands	6M 2019	6M 2018
Net rental income	127,150	109,138
Income from recoverable expenses	58,678	56,242
Other income from property management	1,580	1,332
Total	**187,408**	**166,712**

At EUR 39,125k, (previous year: EUR 19,668k), net rental income is attributable to an amount of EUR 13,263k (previous year: EUR 6,870k) from the income from recoverable expenses and EUR 0k (previous year: EUR 0k) from the business of BCP.

Expenses from property lettings

Expenses from property lettings are broken down as follows:

In EUR thousands	6M 2019	6M 2018
Apportionable and non-apportionable operating costs	64,956	60,445
Maintenance	9,779	9,466
Other property management expenses	148	253
Total	**74,883**	**70,164**

The operating costs resulted in TEUR 15,494 (previous year TEUR 8,082), maintenance expenses were TEUR 2,014 (previous year: TEUR 821) and the other expenses from the property management were TEUR 0 (previous year: TEUR 0) from the business of BCP.

Income from the sale of properties

Income from the sale of properties is structured as follows:

In EUR thousands	6M 2019	6M 2018
Income from the disposal of project development inventory properties	13,010	10,839
Income from the disposal of other inventory properties	81	0
Income from the disposal of investment properties	365,782	13,543
Total	**378,873**	**24,382**

As in the previous year, the income from the sale of project developments is fully attributable to BCP, while the income from the sale of investment properties totalled EUR 181,862k (previous year: EUR 0k).

The income from the sale of investment properties is attributable to the sale of the rental units in 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 thousands	6M 2019	6M 2018
Carrying amount of disposed project development inventory properties	13,285	8,316
Carrying amount of disposed other inventory properties	70	0
Carrying amount of disposed investment properties	365,722	12,638
Costs of disposal	8,694	309
Total	**387,771**	**21,263**

As in the previous year, the carrying amount of project developments is fully attributable to BCP; the carrying amount of investment properties amounted to EUR 181,862k (previous year: EUR 0k).

The carrying amount disposals from the sale of investment properties are attributable to the sale of the rental units of the non-core portfolio and the BCP commercial units.

The costs of disposal amounting to EUR 8,656k are attributable to expenses in connection with the disposal of the BCP commercial units.

Income from fair value adjustments of investment properties

Income from fair value adjustments of investment properties amounted to EUR 152,577k (previous year: EUR 146,611k) and comprises income of EUR 162,649k from fair value adjustments (previous year: EUR 150,370k) and expenses of EUR 10,072k for fair value adjustments (previous year: EUR 3,759k).

Financial expenses from the valuation of investment properties of EUR 57,822k are attributable to BCP in the year under review (previous year: EUR 1,108k).

Financial income

Financial income is structured as follows:

In EUR thousands	6M 2019	6M 2018
Interest income – financial assets measured at amortised cost	3,764	3,340
Interest income – financial assets at fair value through other comprehensive income	403	465
Net change in fair value of derivatives	1,134	787
Other financial income	56	0
Total	**5,357**	**4,592**

Financial income in the amount of EUR 1,134k (previous year: EUR 0k) is attributable to BCP in the year under report.

Financial expenses

Financial expenses are structured as follows:

In EUR thousands	6M 2019	6M 2018
Interest expenses – financial liabilities measured at amortised cost		
Interest expenses – bank loans	25,416	70,433
Interest expenses – bonds	31,513	22,641
Interest expenses – convertible bonds	4,022	4,159
Interest expenses – leasing	575	358
Interest expenses – other	179	180
Net change in fair value of derivatives	1,649	766
Net change in fair value of other financial instruments at fair value through profit or loss	3,215	0
Impairment of financial assets measured at amortised cost (loans, restricted funds, deposits at banks)	295	0
Impairment of financial assets at fair value with changes in other comprehensive income	4	0
Net foreign exchange losses/gain	5,424	-2,094
Accrued interest on provisions	5	6
Other financial expenses	8	22
Total	**72,305**	**96,471**

Financial expenses of EUR 26,615k are attributable to BCP in the year under review (previous year: EUR 1,650k).

The interest expenses for bonds include prepayment penalties and transaction costs that required immediate recognition as expenses due to the early repayment of financial liabilities to banks and other expenses related to the refinancing of EUR 9,766k (previous year: EUR 46,749k) in total.

The interest expenses for bonds include prepayment penalties and transaction costs that required immediate recognition as expenses due to the early repayment of bonds amounting to EUR 2,900k (previous year: EUR 8,770k).

Earnings after taxes from discontinued operations

In EUR thousands	6M 2019	6M 2018
Income from property lettings	0	0
Expenses from property lettings	0	0
Earnings from property lettings	**0**	**0**
Income from the sale of properties	0	0
Expenses from the sale of properties	0	0
Earnings from the sale of properties	**0**	**0**
Personnel expenses	0	0
Other operating income	0	0
Other operating expenses	0	0
Income from fair value adjustments of investment properties	0	0
Depreciation and amortisation	0	0
Earnings before interest and taxes (EBIT)	**0**	**0**
Financial income	0	395
Financial expenses	0	-395
Income from at-equity valued investment associates	248	263
Earnings before taxes (EBT)	**248**	**263**
Income taxes	0	0
Earnings after tax from discontinued operations	**248**	**263**

Earnings per share

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

Income per share is structured as follows:

	6M 2019 Continuing operations	6M 2019 Discontinued operations	6M 2019 Total
Consolidated net earnings (in EUR thousands)	113,600	248	113,848
Consolidated net earnings without non-controlling interests	97,245	248	97,493
Expenses including deferred taxes on convertibles	2,808	0	2,808
Consolidated net earnings without non-controlling interests (diluted)	100,053	248	100,301
Number of shares (in thousands)			
Weighted number of subscribed shares	68,480	68,480	68,480
Effect of conversion of convertibles	10,419	10,419	10,419
Weighted number of shares (diluted)	78,899	78,899	78,899
Earnings per share (in EUR)			
Basic earnings per share	1.42	0	1.42
Diluted earnings per share	1.27	0	1.27

	6M 2018 Continuing operations	6M 2018 Discontinued operations	6M 2018 Total
Consolidated net earnings (in EUR thousands)	65,260	263	65,523
Consolidated net earnings without non-controlling interests	53,299	263	53,562
Expenses including deferred taxes on convertibles	2,924	0	2,924
Consolidated net earnings without non-controlling interests (diluted)	56,223	263	56,486
Number of shares (in thousands)			
Weighted number of subscribed shares	66,908	66,908	66,908
Effect of conversion of convertibles	12,089	12,089	12,089
Weighted number of shares (diluted)	78,997	78,997	78,997
Earnings per share (in EUR)			
Basic earnings per share	0.80	0.00	0.80
Diluted earnings per share	0.71	0.00	0.72

DISCLOSURES ON FINANCIAL INSTRUMENTS AND FAIR VALUE DISCLOSURES

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

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

OTHER DISCLOSURES

Related party disclosures

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

Financial risk management

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

Events after the balance sheet date

At the beginning of the third quarter, minority interests were acquired in several subsidiaries of BCP. The consideration for the transaction amounted to EUR 90.9 million.

As of 1 August 2019, ADLER acquired shares (in each case 94.9 percent) in two real estate companies that own a small portfolio of 72 residential units and land for project development. The companies do not operate as a business operation as defined in IFRS 3. The purchase price was paid partly in cash and partly through the transfer of 980,000 treasury shares, valued at EUR 14.50. The total purchase price for the portfolio was approximately EUR 20.3 million.

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, 14 August 2019

Tomas de Vargas Machuca Vorstand	Maximilian Rienecker Vorstand	Sven-Christian Frank Vorstand

/// LEGAL REMARK

This report contains future-oriented statements that reflect the current management views of ADLER Real Estate AG regarding future events. Every statement in this report that reflects intentions, assumptions, expectations or predictions, as well as the assumptions on which they are based, constitutes such a future-oriented statement. These statements are based on plans, estimates and forecasts currently available to the management of ADLER Real Estate AG. Therefore, they only apply to the day on which they are made. By their nature, future-oriented statements are subject to risks and uncertainty factors, and the actual developments can deviate considerably from the future-oriented statements or the events 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 measurement of investment property, associates measured at equity results and one-off and non-recurring items – an indicator of operating earnings excluding measurement and special items. (One-offs and non-recurring items comprise non-cash expenses and earnings, special payments, acquisition projects and integration expenses, expenses for refinancing and capital increases, as far as they have not been considered under capital procurement expenses, as well as expenses for the optimisation of the business model.)

FFO I

Funds from Operations I

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

EPRA

European Public Real Estate Association

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

EPRA – NAV

Net asset value based on EPRA

Equity allocable to shareholders adjusted to exclude deferred taxes, value differences between fair values and carrying amounts of real estate and present value of derivative financial instruments – an indicator of company value. As from H1 2019 ADLER provides EPRA NAV on a fully diluted basis and adjusted for goodwill.

LTV

Loan-to-value

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

Swap

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

Dilution of shares

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

WACD

Weighted average cost of debt

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

/// AT A GLANCE

Supervisory Board	
Dr Dirk Hoffmann	Chairman of the Supervisory Board
Thilo Schmid	Vice Chairman of the Supervisory Board
Claus Jorgensen	Member of the Supervisory Board
Management Board	
Tomas de Vargas Machuca	Member of the Management Board (Co-CEO)
Maximilian Rienecker	Member of the Management Board (Co-CEO)
Sven-Christian Frank	Member of the Management Board (COO)
Company Facts	
Legal domicile	Berlin Charlottenburg, Berlin HRB 180360 B
Address	ADLER Real Estate Aktiengesellschaft Joachimsthaler Straße 34 10719 Berlin Phone: +49 30 39 80 18 – 10 E-mail: info@adler-ag.com
Website	www.adler-ag.com
Investor Relations	Tina Kladnik Tel.: +49 30 398 01 81 23 E-mail: t.kladnik@adler-ag.com
Public Relations	Dr Rolf-Dieter Grass Tel.: +49 30 200 09 14 29 E-mail: r.grass@adler-ag.com
Capital stock	EUR 71,063,622[1)]
Classification	71,063,622[1)] no-par value shares
Arithmetical value	EUR 1 per share
Voting right	1 vote per share
Identification	WKN 500 800 ISIN DE0005008007 Ticker symbol ADL Reuters ADLG.DE
Designated sponsors	Baader Bank AG Kepler Cheuvreux HSBC Trinkaus & Burkhardt AG ODDO BHF AG
Stock exchanges	Xetra, Frankfurt am Main
Indices	SDAX, CDAX, GPR General Index, DIMAX
Financial year	Calendar year

1) As at 30 June 2019

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