ADLER
REAL ESTATE

THE KEY TO AFFORDABLE LIVING

Interim Report as at 30 Sept. 2019

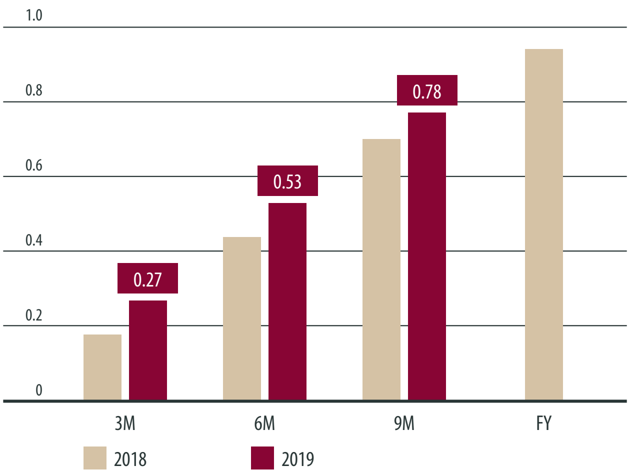
Q3

/// KEY FINANCIAL AND PROPERTY FIGURES

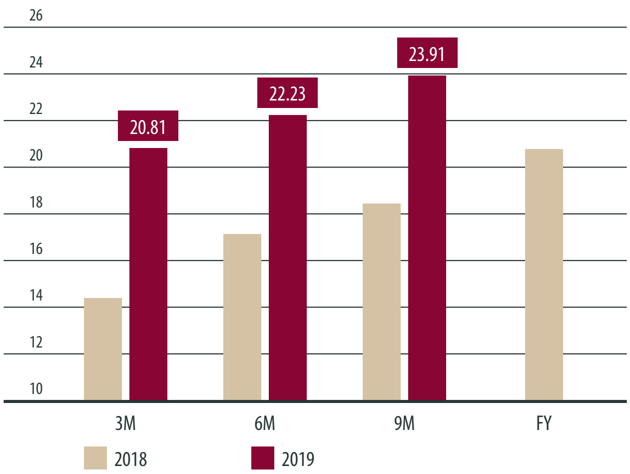
In EUR millions Consolidated statement of income	9M 2019	9M 2018
Net rental income	187.7	173.3
Earnings from property lettings	163.9	151.9
Earnings from the sale of properties	-3.5	4.3
EBIT	430.6	352.8
Consolidated net profit from continuing operations	272.3	164.3
Consolidated net profit	272.5	164.6
FFO I	62.0	54.9
FFO I per share in EUR (fully diluted)[1]	0.78	0.70
Consolidated balance sheet	**30.09.2019**	**31.12.2018**
Investment Properties (including inventories)	4,904.2	5,077.2
EPRA NAV (excl. goodwill and fully diluted)	1,909.8	1,639.0
EPRA NAV per share in EUR (excl. goodwill and fully diluted)[1]	23.91	20.77
LTV in % [2]	56.2	61.4
Cash flow	**9M 2019**	**9M 2018**
Net cash flow from operating activities	70.9	94.8
of which from continuing operations	70.7	94.5
Net cash flow from investing activities	37.2	-591.6
of which from continuing operations	37.2	-591.6
Net cash flow from financing activities	-76.8	205.2
of which from continuing operations	-76.8	205.2
Employees	**30.09.2019**	**31.12.2018**
Number of employees	904	828
Full-time equivalents	828	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

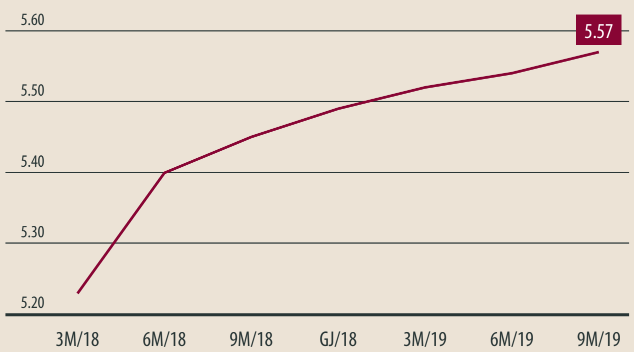
FFO I/SHARE FULLY DILUTED in EUR



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

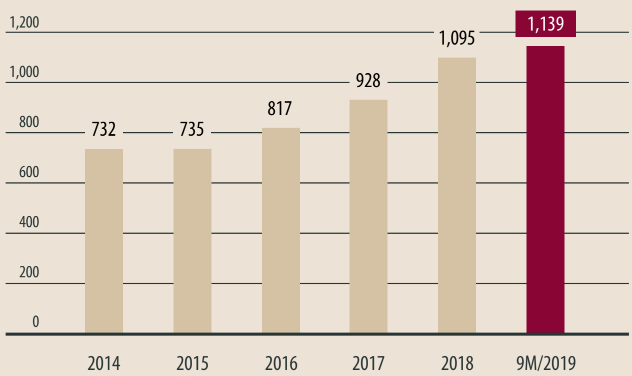


AVERAGE RENT[1] in EUR/sqm/month



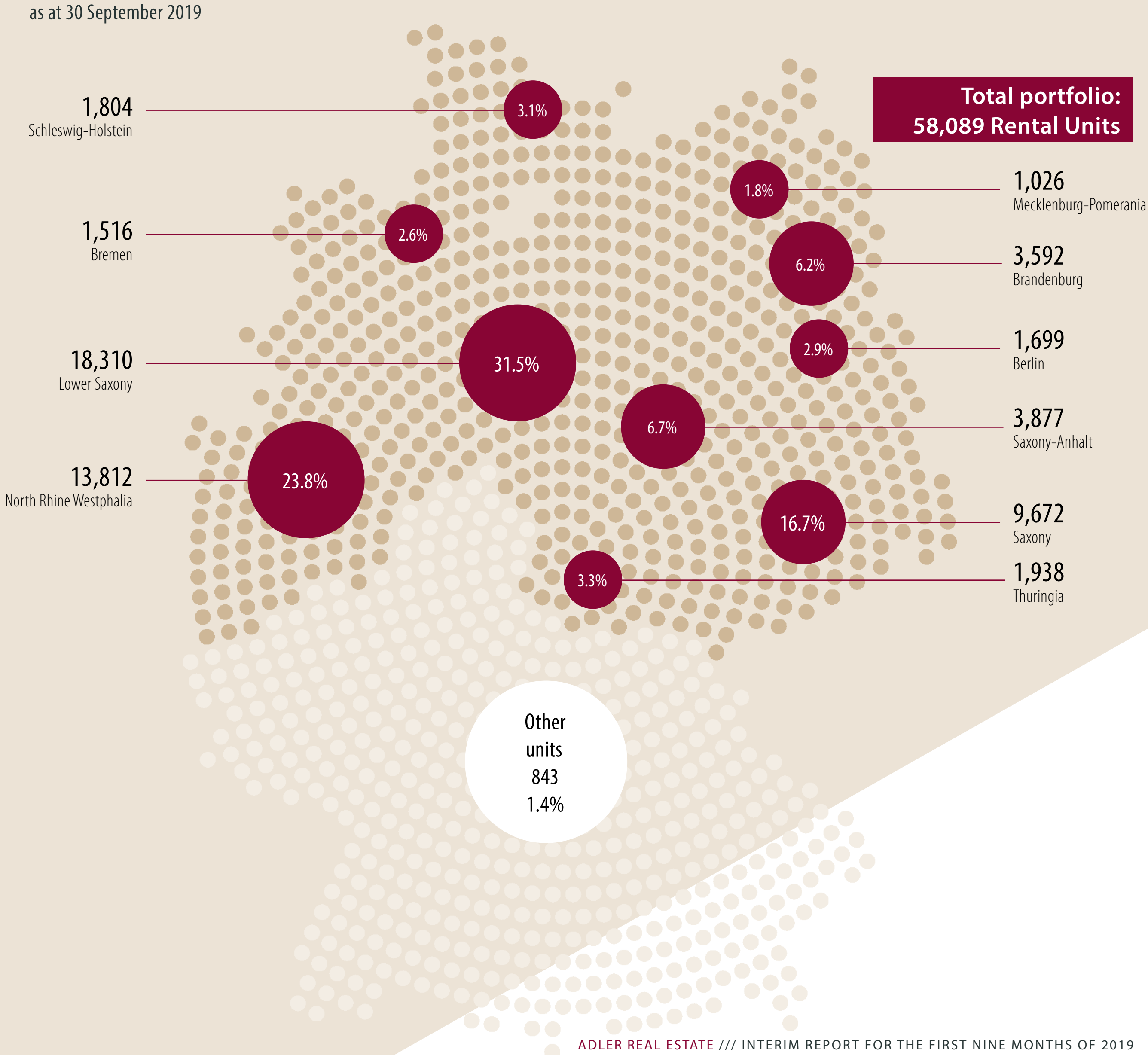
[1] 2018 core portfolio

FAIR VALUE/sqm in EUR



Rental units

as at 30 September 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 continued to make solid progress in 2019 as evidenced by strong Q3 operational and financial performance. During Q3 we agreed to acquire a 33 percent stake in ADO Properties through the acquisition of ADO Group for c. EUR 708 million and made a disposal, via Brack Capital, of a development site in Dusseldorf for EUR 375 million.

OPERATIONAL PERFORMANCE

On the operating side, net rental income grew by 8.2 percent YoY to EUR 187.7 million (Q3 2018: EUR 173.4 million). FFO I improved by 12.9 percent from EUR 54.9 million in Q3 2018 to EUR 62.0 million in Q3 2019. Fully diluted EPRA NAV (excluding goodwill) per share also increased to EUR 23.91, up 15.1 percent on FY 2018 (EUR 20.77) and significantly higher than the Q3 2018 figure.

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

PORTFOLIO ACTIVITY

We continued to move closer towards remaining a pure German residential real estate company with further sales completed during Q3.

Retail sales // In addition to the two transactions announced during the first half of the year, in October, we sold another retail asset in Borken with a GAV of EUR 19.4 million. We expect to complete this sale over the next three months as per customary market conditions.

As of November 2019, we have sold c. 71% (GAV of EUR 341.1 million) of BCP's retail assets at an average discount of c. 3 percent to book value. We are in negotiations for the remaining assets in the portfolio with GAV of EUR 138.9 million. We expect to sell another part of the remaining retail portfolio by the end of 2019 or Q1 2020.

Members of the Executive Committee

CARSTEN WOLFF
Head of Accounting and Finance

FLORIAN SITTA
Head of Legal

TINA KLADNIK
Head of Investor Relations

ANJA GOTTHARDT
Head of Portfolio Management

PEER HOFFMANN
Head of Financing

Development sales // In September we entered into a binding sale and purchase agreement with private real estate investors via Brack Capital Properties (BCP) to dispose of one of the development projects in Dusseldorf. BCP will retain a 25 percent interest in the venture and the on-going management of the project. The sale price of EUR 375 million represents an 83 percent premium to the H1 2019 reported book value and the proceeds amount to approximately EUR 195 million for the 75 percent stake after repayment of allocated debt.

Acquisitons // In July 2019, we also opportunistically used 980,000 of ADLER's treasury shares to purchase 61 residential units in Potsdam and Berlin with a GAV of EUR 37 million. Treasury shares were exchanged at a price of EUR 14.5 per share, which represents a 20.8 percent premium to the then closing share price of EUR 12.00. Following this transaction some 1,603,232 treasury shares remain outstanding

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.

ADO GROUP ACQUISITION

The merger with ADO Group announced in Q3 is well under way and within the timeline initially indicated. This transformational transaction will create a German residential company with a combined real estate portfolio with a gross asset value (GAV) of EUR 8.6 billion (EUR 6.2 bn on a proportional consolidation basis). It will deliver greater scale and geographical diversification as well as speed up de-levegering process and accelerate changes to our dividend policy. ADLER will be looking to pass on the dividend received from ADO Properties to its own shareholders. The purchase price represents an 18 percent discount to ADO Properties' H1 2019 reported EPRA NAV and implied underlying residential real estate asset value of EUR 2,088/sqm, which we believe is an exceptional entry price for good quality assets in Berlin.

ADLER has already received merger control clearance and approval for the merger by ADO Group's shareholders following a vote at its EGM on 7 November 2019. The merger is expected, therefore, to close on 8-10 December 2019, 30 days after the EGM as required by Israeli law.

We continue to monitor the political landscape and ongoing calls for residential rent controls across Germany. More stringent controls would impact on our capital investment programme, which is focussed on improving the quality of our residential units which in turn benefits our residents. We acknowledge the need for balance between the rental increases that this investment merits with affordability.

Best regards,

Tomas de Vargas Machuca
Co-CEO

Maximilian Rienecker
Co-CEO

Sven-Christian Frank
COO

FOCUS PAYS OFF

In times of ever increasing rents, our business model is working better than ever. From the very beginning, we have focused on providing people affordable homes on the periphery of conurbations. This has put us in a favourable position. And we are now reaping the benefits of growing demand in cities and have been able to further consolidate our position in the market for affordable rental apartments.

/// PORTFOLIO

/// ADLER ON THE CAPITAL MARKETS

/// PORTFOLIO

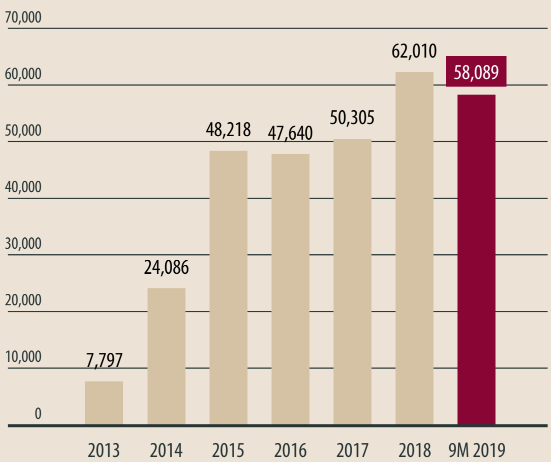
THE PROPERTY PORTFOLIO

At the end of the third quarter 2019, ADLER's portfolio, including BCP, comprised 58,089 core quality rental units totalling 3.5 million square metres with an annualised net rent (including parking spaces and other areas) of EUR 221.1 million. The fair value of the total portfolio (investment properties and inventories) was EUR 4,904.2 million. The regional focus is on Lower Saxony (18,310 units), North Rhine-Westphalia (13,812 units) and Saxony (9,672 units).

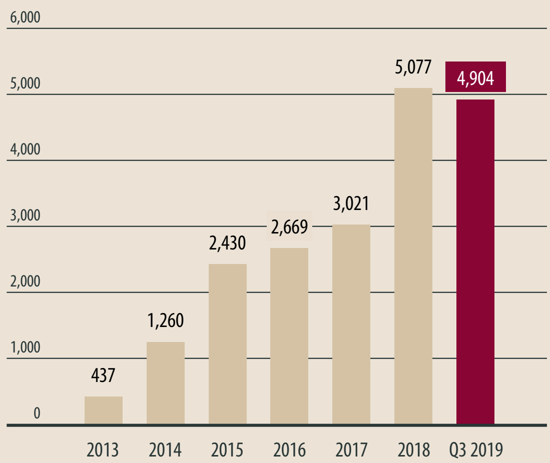
ADLER's residential portfolio also includes a small number of associated commercial units, mainly shops and offices of a type that is often found in city-centre residential properties. As at the end of the third quarter of 2019, we held 934 of these units which accounted for 1.6 percent of the properties held for permanent letting.

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

PORTFOLIO
(Investment properties, units)



FAIR VALUE INVESTMENT PROPERTIES
including inventories in EUR millions



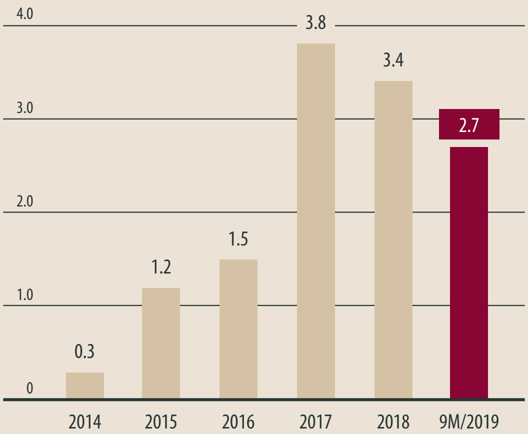
Further improvement in operating performance data

In the first nine months of the year, the Group once again improved its operating performance. As of 30 September 2019, the average contractually agreed rent per square metre per month amounted to EUR 5.57 for the core portfolio (excluding non-core residential assets), an increase of EUR 0.12 compared to EUR 5.45 in Q3, 2019.

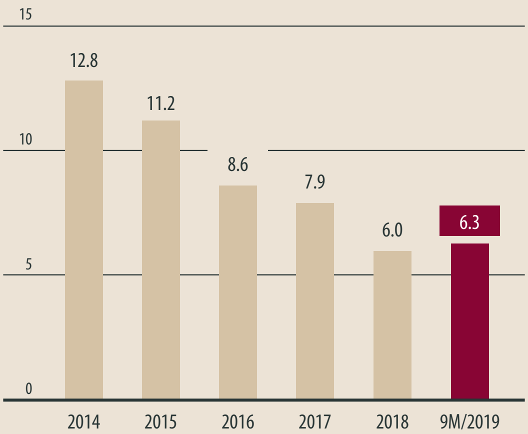
The vacancy for the core portfolio rate decreased to 6.3 percent at the end of the Q3 2019, a year-on-year improvement of 0.5 percentage points (9M 2018: 6.8 percent).

Net rental income increased by 2.7 percent on a like-for-like basis.

LIKE-FOR-LIKE RENTAL GROWTH in %



VACANCY RATE in %



Fair value gain due to improved operations

The fair value of the total portfolio (investment properties plus inventories) calculated in accordance with IFRS was EUR 4,904.2 million at the end of Q3, 2019 as compared to EUR 5,077.2 million at the end of Q3, 2019. The decrease reflects the fact that approximatively two-thirds of the commercial properties of BCP were sold. Fair value gains relating to the revaluation of developments and investment properties had a positive impact on results. In the first nine months of 2019, ADLER invested EUR 65.8 million in maintenance and modernisation measures (previous year: EUR 35.4 million), of which EUR 17.7 million related to ongoing maintenance work and EUR 48.1 million to renovation and modernisation measures which can be capitalised.

Key focus on Lower Saxony and North Rhine-Westphalia

ADLER owns core quality properties located on the edges of larger conurbations. This is particularly apparent in North Rhine-Westphalia, where all of the company's properties are in the Ruhr, which is still Germany's largest industrial region. In Lower Saxony, the property holdings are mainly located in the Wolfsburg/Braunschweig/Helmstedt region, a traditionally strong region in economic terms, and in Wilhelmshaven, a city which 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 which are now benefiting from growth as a consequence of the significant infrastructure investments made in these areas over the last 20 years.

Property holdings with core quality 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 core plus locations. Peripheral locations benefit extensively 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 tends to automatically shift to the surrounding areas.

Focus on small to medium-sized residential units

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

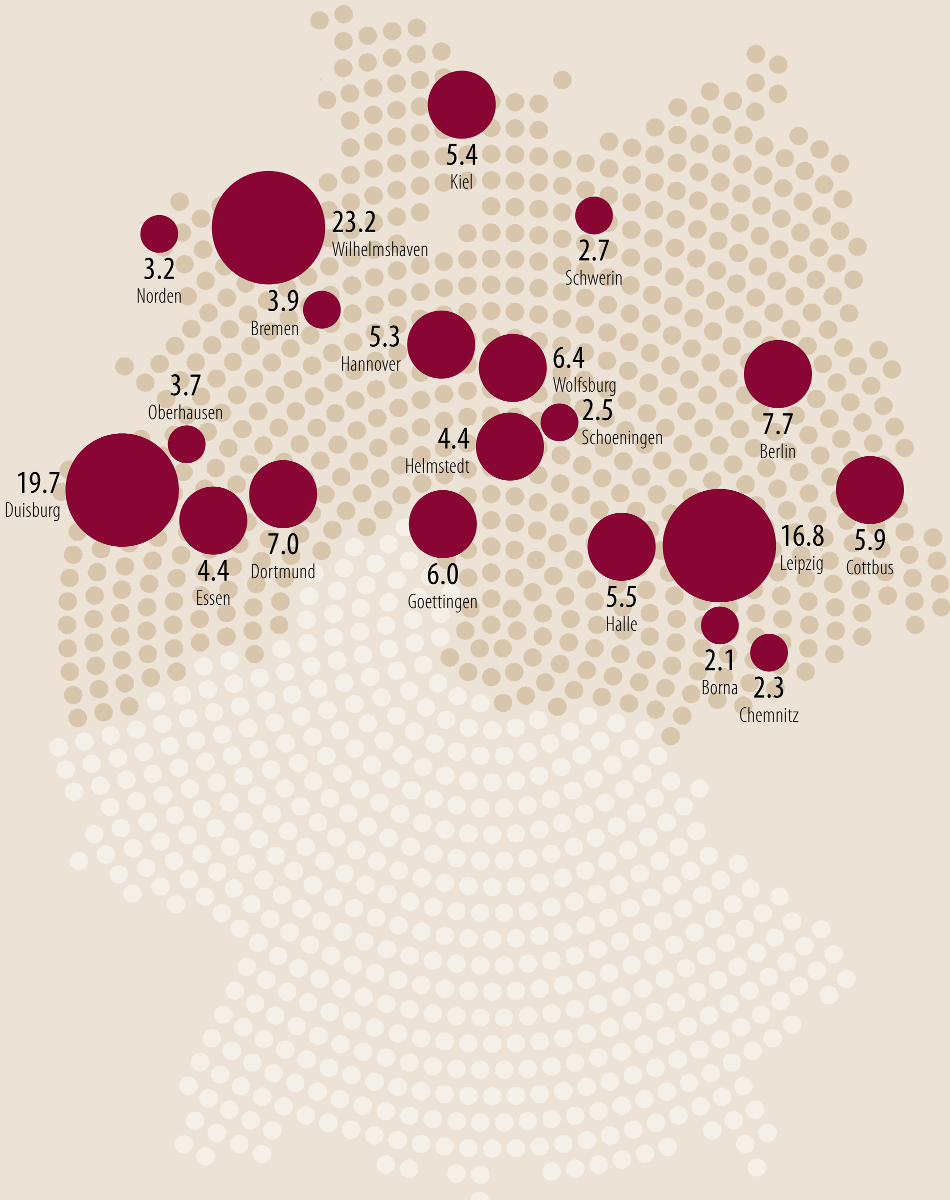
Size of apartment	Units	% of total units	Rent/sqm/ month in EUR
< 45 sqm	8,774	15.4	6.46
≥ 45 and < 60 sqm	19,477	34.1	5.48
≥ 60 and < 75 sqm	19,775	34.6	5.46
≥ 75 and < 90 sqm	7,217	12.6	5.39
> 90 sqm	1,912	3.3	5.28
Total	**57,155**	**100.0**	**5.54**

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 annual net rental income of EUR 23.2 million. Measured in terms of rental units, Duisburg is the next largest location, with 4,925 units and net rental income of EUR 19.7 million, and Leipzig, with 4,749 units and net rental income of EUR 16.8 million. 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[1)]

Location	Units	Area (sqm thousands)	Annualised NRI (EUR m)	Average rent per sqm/month (EUR)	Change YOY (%)
Wilhelmshaven	6,896	406.7	23.2	5.12	1.7
Duisburg	4,925	305.0	19.7	5.53	2.6
Leipzig	4,749	254.8	16.8	5.82	2.8
Cottbus	1,868	110.0	5.9	4.77	1.8
Halle (Saale)	1,858	105.9	5.5	4.91	2.5
Dortmund	1,770	102.3	7.0	5.82	3.8
Berlin	1,699	111.7	7.7	5.94	2.6
Goettingen	1,377	85.2	6.0	6.03	2.2
Wolfsburg	1,301	87.6	6.4	6.27	3.0
Helmstedt	1,219	70.7	4.4	5.24	1.1
Hanover	1,113	63.3	5.3	7.19	4.5
Essen	1,043	66.3	4.4	5.76	2.6
Kiel	970	66.8	5.4	6.75	2.8
Borna	900	50.2	2.1	4.69	1.8
Bremen	873	53.6	3.9	6.28	2.4
Schoeningen	846	50.2	2.5	5.02	-0.9
Chemnitz	836	52.5	2.3	4.80	1.9
Oberhausen	819	62.6	3.7	5.09	4.2
Schwerin	816	48.0	2.7	4.85	2.3
Norden	795	50.2	3.2	5.46	3.8
Top 20	**36,673**	**2,203.7**	**138.1**	**5.55**	**2.2**
Total	**58,089**	**3,546.6**	**221.1**	**5.57**	**2.3**

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 exclusively to handle marketing activities for vacant flats or flats that are due to become vacant. In 2019, ADLER's focus has been to coordinate and standardise the operational structures of ADLER and BCP.

ADLER expects that as a result of this tenant satisfaction will be significantly improved, in turn leading to reduced turnover rates. We are also working to improve communication with tenants, for example through 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
7.1	0.5	382.1	939	6.1	Wilhelmshaven
2.9	-0.6	327.8	1,075	6.0	Duisburg
5.4	0.0	380.8	1,495	4.4	Leipzig
6.6	-7.8	84.5	768	7.0	Cottbus
11.8	-2.8	88.6	836	6.2	Halle (Saale)
2.7	0.3	111.7	1,092	6.2	Dortmund
3.0	-0.1	253.7	2,270	3.0	Berlin
2.8	-1.6	124.2	1,457	4.8	Goettingen
2.5	-3.7	132.4	1,511	4.8	Wolfsburg
2.0	-2.0	65.4	925	6.7	Helmstedt
3.0	-2.0	118.6	1,875	4.5	Hanover
4.3	1.8	85.3	1,286	5.1	Essen
1.0	-0.9	96.7	1,448	5.5	Kiel
23.7	3.0	36.7	731	5.9	Borna
3.3	-0.7	72.4	1,350	5.4	Bremen
17.0	-2.7	40.6	809	6.2	Schoeningen
14.0	-5.8	42.7	814	5.5	Chemnitz
4.3	1.6	53.7	858	6.8	Oberhausen
4.8	-4.0	43.4	904	6.1	Schwerin
2.6	1.5	52.0	1,035	6.2	Norden
5.7	**-0.9**	**2,593.3**	**1,177**	**5.3**	**Top 20**
6.3	**-0.5**	**4,038.2**	**1,139**	**5.5**	**Total**

[1] Without developments

Projects

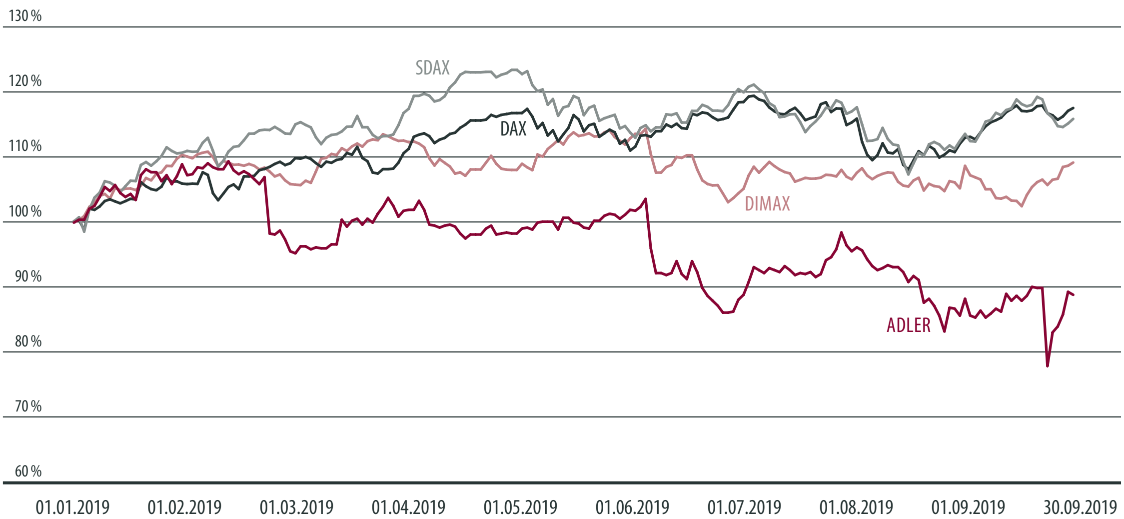
ADLER has also been investing in modernisation projects, such as adding floors to existing residential buildings in Goettingen and Wolfsburg, and in the construction of new facilities, such as Wasserstadt Mitte in Berlin. Flats at the latter locations will be ready for occupancy at the end of the year, and letting activities started in June. The acquisition of three neighbouring plots of land on the outskirts of Berlin near Schoenefeld 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 manages several development projects in Dusseldorf and Aachen, of which one has been sold. These projects will create urgently needed new living spaces, which is in many cases urgently needed. . One of the benefits of new construction is that all current requirements relating to energy efficiency and reducing CO2 are easily met – requirements which can only be achieved with difficulty or at higher costs in existing buildings.

/// ADLER ON THE CAPITAL MARKET

Real estate stocks affected by political decisions

The German stock market showed an overall positive performance in the first nine months 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, while the SDAX had increased by nearly 15 percent. Real estate stocks were on a similar trajectory up until mid-June, when they were strongly impacted by the announcement of the Berlin Senate to freeze 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. At the end of the reporting period though, share prices recovered to a certain degree so that the Solactive DIMAX, the index comprising Germany's main listed real estate companies, ended the first nine months of 2019 with an increase of c. 9 percent.

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

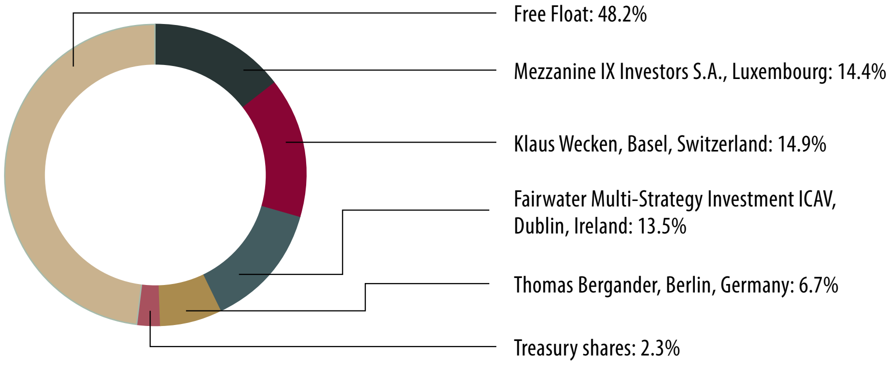


Number of shares slightly changed

In the first nine months of 2019, the number of shares increased marginally as in August a small number of the outstanding 2016/2021 convertible bonds were converted. As at the reporting date, shareholders' equity of ADLER Real Estate AG consisted of 71,063,743 shares with a nominal value of EUR 1.00 each, 121 more than at the beginning of the year.

Since Q2 2019, there were only slight changes to the shareholder structure. They relate nearly exclusively to the use of 980,000 treasury shares as transaction currency for the purchase of a real estate portfolio. Based on the notifications received by ADLER from shareholders when reaching the relevant thresholds, the shareholder structure as at 30 September 2019 was as follows:

SHAREHOLDER STRUCTURE AS AT 30 SEPTEMBER 2019



Investor relations strengthened

At the end of the 2018 financial year, ADLER realigned and strengthened its investor relations activities. Consequently, in 2019 the company intensified its contact with the capital markets. In the first nine months of the year, ADLER's management participated in more than 20 conferences and roadshows and held numerous one-on-one meetings.

For the first time, ADLER attended EPRA's Asian roadshow and organised its first Capital Markets aimed at giving investors the opportunity to visit some of ADLER´s properties in Berlin. Investors are also able to participate in regular conference calls held half yearly and when ADLER makes material announcements, such as the acquisition of ADO Group.

FLAT HIERARCHIES CUT COSTS

As our property portfolio has grown, so too has the demand for facility management services. And as the number of tenants has grown, so has the need for services in general. We are now able to offer both at an affordable price. This is possible because we have gradually developed our own facility and property management division with an organisational structure that is distinguished by flat hierarchies. This keeps costs low and our tenants happy.

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

/// FUNDAMENTALS OF ADLER REAL ESTATE AG GROUP

BUSINESS MODEL

ADLER is one of Germany's leading residential property companies with a focus on affordable housing. Its portfolio is primarily located in – or on the outskirts of – large and growing conurbations in northern, eastern and western Germany and has considerable upside potential in terms of revaluation gains, vacancy reduction and rent uplifts. All of the Group's properties and business operations are located in Germany, and benefit from the high employment in 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 cash flows with a selective exposure to project developments with a 'build and hold' strategy in 'A cities' such as Wasserstadt Mitte in Berlin or the Grafenberg project in Dusseldorf. To maximise long-term profitability, ADLER's residential real estate management business is complemented with opportunistic acquisitions and disposals. Newly acquired assets initially have a higher vacancy rate which is reduced through active asset management. All main functions relating to property management are carried out internally through ADLER's own staff. This includes property, facility and energy management activities, which ADLER maintains through its subsidiaries ADLER Wohnen Service GmbH, ADLER 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 ADLER's business model. As a result, two-thirds of the total commercial portfolio have been sold and with the remaining assets actively being marketed for disposal.

Residential real estate portfolio

As at 30 September 2019, ADLER held a total of 58,089 rental units with a total space of 3.5 million square metres, a fair value of EUR 4,904.2 million and an annualised net rent (including parking spaces and other areas) of EUR 221.1 million. The regional focus is on Lower Saxony (18,310 units), North Rhine-Westphalia (13,812 units) and Saxony (9,672 units). The number of units declined as a result of the completion of sale of 3,700 non-core residential units in Q1 2019.

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

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

Acquisition strategy

ADLER intends to expand its residential portfolio further through future acquisitions of shares in companies as well as individual portfolios or assets and will continue to focus its investments on residential property portfolios with core market quality. When suitable market opportunities arise, ADLER will also supplement its portfolio by investing in 'core plus locations' in mid-sized cities or cities such as Berlin or Leipzig in order to benefit from diversification and value growth in these markets. The acquisition of ADO Group Ltd is 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 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 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 successfully reducing its average cost of debt.

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

Economic success sometimes also 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 a few external service providers with which ADLER still cooperates. These indicators include the occupancy rate, the number of contract termination notices received from tenants, the number of new rental agreements, compliance with time schedules for maintenance measures, the availability of property managers and so forth. Should actual figures significantly deviate from 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. Factors such as changes in local infrastructure, expected demographic developments and potential changes in regional labour markets all influence the future growth in value of properties. An awareness or assessment of these key figures is factored into all decisions around the acquisition of properties or property portfolios.

ADLER publishes further non-financial performance indicators in 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. 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. As a result of the internalisation of previously outsourced functions, the number of employees at the ADLER Group has increased from from 815 at the end of the Q3, 2018 to 904 full-time and part-time employees at the end of Q3 2019. The majority of these employees work in the property management (285 employees) and facility management (392 employees) divisions. BCP had 139 employees at the end of September 2019, most of whom focus on operating activities.

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, valuation companies and bank research departments. This information is supplemented by the internal experience gained from letting properties on site. Moreover, various developments in the construction sector and in building technology also have to be monitored and analysed, as do any changes in regulatory requirements. These insights form an important basis for all of the company's operating activities.

/// ECONOMIC REPORT

MACROECONOMIC AND SECTOR-SPECIFIC SETTINGS

In the first nine 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 and turned to a negative 0.1 percent in the second. Correspondingly, the outlook for the full year became more sombre. The leading German economic research institutes estimate 2019 growth in Germany will amount to 0.5 percent, 0.3 percentage points less than what they predicted in spring. The inflation rate is estimated to remain moderate at 1.4 percent, while the number of people in employment seems unaffected by the current slowdown and has increased to more than 45 million. It is not expected that the European Central Bank will raise interest rates for the time being.

Despite the slowing growth in overall economic activity, industry-specific settings for real estate companies appear to remain positive. The housing rental market again proved stable in the first nine months of 2019. According to the cost-of-living index, German rents were 1.4 percent higher nationwide in September 2019 as compared to the previous year, thus increasing slightly more than the total cost of living, which was 1.2 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. 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. Tenants no longer able or willing to pay higher rents look for alternatives and often move further away from city centres in order to reduce their rent. Moreover, the average figure does not take into account the fact that the development of rents under new and existing leases usually differs significantly.

Legal framework

In the first nine months of the current financial year, the legal framework changed in Berlin. The Berlin Senate passed a resolution to cap rents for the next five years with effect from the middle of the year. 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 for 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.

Uncertainty also persists in relation to the reform of property tax which was agreed by the German parliament in the middle of October 2019. The reform relates the tax base to the value of properties, but also contains an escape clause for federal states preferring a tax base solely relating to area. As a transition phase has been agreed upon until December 2024, the subsequent redistribution in the tax burden will only then become effective. It is the intention of the government to keep overall revenues from the property tax constant, although it cannot fully control property tax revenues since municipal and local councils autonomously set their own multipliers.

Although 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 further integrated into these corporate structures in 2019. After selling the non-core residential properties, ADLER will now focus intensively on maintaining its existing portfolio, increasing investment 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 issuance 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 sale of approximately 3,700 rental units, representing virtually the entire non-core residential portfolio was completed. 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, BCP began selling its commercial portfolio. Assets worth EUR 180.6 million were sold in a share deal, representing around 37 percent of the entire commercial portfolio. 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 BCP's commercial portfolio has been sold so far in 2019.

In mid-July, 980,000 treasury shares, valued at EUR 14.50 each, were used as payment for the acquisition of a portfolio of 61 rental units. The properties located in Berlin and Potsdam with an additional attractive development potential and were purchased for EUR 20.3 million.

In September 2019, ADLER signed a merger agreement to acquire all shares in ADO Group for a consideration of EUR 708 million, which will result in ADLER holding a 33 percent stake in ADO Properties.

In September 2019, ADLER has, via BCP, entered into a binding sale and purchase agreement with private real estate investors to dispose of one of the development projects in Dusseldorf for EUR 375 million, the proceeds of which amount to approximately EUR 195 million for the 75 percent stake after repayment of allocated debt.

/// REPORT ON RISKS AND OPPORTUNITIES

ADLER reported in detail on the risks and opportunities involved in its business activities in its 2018 Annual Report. ADLER has continued to 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, bought a small portfolio of 72 rental units partly for cash and partly for treasury shares and is in the process of acquiring the Israel-based ADO Group Ltd, which again holds roughly one-third of the shares in ADO Properties S.A. ADO Properties is active in the German market and particularly in Berlin.

On the risk side, political settings in the city of Berlin have changed with the resolution 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. It is as yet unclear though whether the city of Berlin is able to legally impose such a regulation at all as rental law is decided upon at the federal level. If this regulation is eventually imposed, however the possibility of other federal states following the Berlin example in one way or another cannot be completely ruled out.

It is still unclear whether and by how much the tax burden for individual properties will change as a consequence of the property tax bill now decided upon by the German government.

/// REPORT ON EXPECTED DEVELOPMENTS

ADLER 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, even though the German economic growth appears to be slowing.

The 2018 Annual Report also stated that net rental income is expected to reach about the same level in 2019 as it did 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 were sold in 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 had already been achieved at the mid-year stage in the wake of successful refinancing measures.

These statements are valid for ADLER's current status, but it is important to note that if the acquisition of ADO Group is closed before the end of the year as intended, and the transaction is subsequently fully or partly consolidated in the 2019 results, certain key financial indicators will change significantly, not least those related to the balance sheet. The impact on the profit and loss account 2019, however, will be minimal due to the acquisition taking place near the year end. ADLER does not regard it as legitimate to adapt its guidance before the transaction is finally closed.

/// REPORT ON EVENTS AFTER THE BALANCE SHEET DATE

The completion of the sale of the asset in Borken will take place over the next three months.

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 REMARKS

At the beginning of the second quarter of 2018, ADLER acquired nearly 70 percent of the shares in BCP, and has since then fully consolidated the company and its subsidiaries. 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. After the purchase price allocation was finalised along with the first-time allocation of goodwill, BCP was fully integrated into the rental segment.

As at 30 November 2017 (closing date), ADLER had 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. Since April 2018, BCP has also been part of the ADLER Group. The ADO Group Ltd acquisition agreed at the end of September 2019 is expected to close by the end of the year and its activities will be fully consolidated into ADLER's financial reporting.

In EUR millions	9M 2019	9M 2018
Gross rental income	277.9	258.5
of which net rental income	187.7	173.3
Expenses from property lettings	-114.0	-106.6
Earnings from property lettings	**163.9**	**151.9**
Income from the sale of properties	411.6	42.0
Expenses from the sale of properties	-415.1	-37.7
Earnings from the sale of properties	**-3.5**	**4.3**
Personnel expenses	-30.4	-23.1
Other operating income	5.4	6.4
Other operating expenses	-35.1	-47.5
Income from fair value adjustments of investment properties	334.6	261.7
Depreciation and amortisation	-4.3	-0.9
Earnings before interest and taxes (EBIT)	**430.6**	**352.8**
Financial result	-94.4	-108.9
Net income from at-equity valued investment associates	0.0	0.0
Earnings before taxes (EBT)	**336.2**	**243.9**
Income taxes	-63.9	-79.6
Net consolidated result from continuing operations	**272.3**	**164.3**
Earnings after tax from discontinued operations[1)]	0.2	0.3
Net consolidated result	**272.5**	**164.6**

[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 nine months of 2019, gross rental income increased by 7.5 percent to EUR 277.9 million,(Q3 2018: EUR 258.5 million). Net rental income was up 8.3 percent to EUR 187.7 million (Q3 2018: EUR 173.3 million). The increase in gross and net rental income is mainly attributable the effect of a 12-month consolidation of BCP's operations as compared to nine months in 2018, BCP contributed EUR 76.2 million in gross rental income (9M 2018: EUR 53.2 million) and EUR 56.4 million in net rental income (9M 2018: EUR 39.5 million). By contrast, income was reduced by the sale of the non-core portfolio of approximately 3,700 rental units which 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.

Continued improvements in our operating performance also had a positive effect on income and net rental income

At the end of the reporting period, the average contractually agreed rent per square metre per month amounted to EUR 5.57, EUR 0.12 higher than the figure for the same period of the previous year (9M 2018: EUR 5.45).

The vacancy rate was 0.5 percentage points lower at 6.3 percent at the end of the first nine months of 2019. (Q3 2018: 6.8 percent). The improvement in the operating performance indicators also reflects the fact that ADLER has internalised the property and facility management of all its property holdings.

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 6.9 percent to EUR 114.0 million in the first three quarters of the year. The increase is primarily attributable to the full year impact of BCP.

Net of expenses, earnings from property lettings was 7.9 percent higher at EUR 163.9 million in the first nine months of 2019 (Q3 2018: EUR 151.9 million).

Streamlining the portfolio impacts earnings from the sale of properties

The sale of the first and second tranches of the BCP retail portfolio had a negative impact of EUR 8.7 million on earnings from the sale of properties, which amounted to minus EUR 3.5 million (9M 2018: EUR 4.3 million).

Positive contribution from fair value adjustments

At EUR 334.6 million, income from fair value adjustments of investment properties was again positive during the first nine months of 2019 (9M 2018: EUR 261.7 million). This mainly resulted from the fact that a development project in Dusseldorf, which is in the process of being sold, was revalued to the sale. Fair value adjustments of investment properties are excludedfrom the calculation of funds from operations.

Personnel expenses increased with rises in staff numbers

Personnel expenses came to EUR 30.4 million in the first three quarters of 2019. In the same period of the previous year, they amounted to EUR 23.1 million. The majority of this increase is attributable to the full year impact of BCP as well as the internalisation of property and facilities management activities. As a result, the Group had a total of 904 employees as at 30 September 2019, 89 more than a year earlier.
Other operating expenses reduced to EUR 35.1 million in the first nine months of 2019 (9M 2018: EUR 47.5 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 nine months of the previous year related to the acquisition of BCP and its financing.

Other operating income amounted to EUR 5.4 million in the first nine months as compared to (EUR 6.4 million).

EBIT increased

After deducting all non-financial expenses, earnings before income and taxes (EBIT) for the first nine months of 2019 amounted to EUR 430.6 million. Compared to the same period of the previous year (EUR 352.8 million), this represents an increase of 22.1 percent. BCP´s contribution to EBIT amounted to EUR 255.9 million (9M 2018: EUR 72.1 million) due to the income from fair value adjustments relating to the development project in Dusseldorf held for sale.

Improved financial result

At minus EUR 94.4 million, the financial result for the first nine months of 2019 was significantly better than the equivalent figure for the same period of the previous year (minus EUR 108.9 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 three quarters of 2019, earnings before tax (EBT) was EUR 336.2 million, to which BCP contributed EUR 218.9 million. In the same period of the previous year, EBT was EUR 243.9 million, to which BCP had contributed EUR 71.8 million.

In terms of taxes, expenses amounted to EUR 63.9 million in the first nine months of 2019, while tax expenses were EUR 79.6 million in the same period 2018. The vast majority, amounting to EUR 55.9 million or 87.5 percent, is related to non-cash-effective deferred taxes; only EUR 8.0 million or 12.5 percent of tax expenses are cash effective.

Consolidated net profit for the first nine months of 2019 was EUR 272.5 million (9M 2018: EUR 164.6 million), of which EUR 272.3 million was allocated to continuing operations. Of the consolidated net profit, EUR 209.2 million was attributable to shareholders in the parent company (9M 2018: EUR 131.5 million).

Segment reporting

After finalisation of the purchase price allocation along with the first-time allocation of goodwill, BCP was fully integrated into the rental segment. Figures for the previous year have been adjusted accordingly.

The rental segment includes all of 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. 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.

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 each segment.

ADLER Group	Rental		Other		Group	
In EUR millions	**9M 2019**	**9M 2018**	**9M 2019**	**9M 2018**	**9M 2019**	**9M 2018**
Gross rental income and income from the sale of properties	689.4	300.3	0.1	0.1	689.5	300.4
of which gross rental income	277.9	258.4	0.0	0.1	277.9	258.5
of which income from disposals	411.6	42.0	0.0	0.0	411.6	42.0
Change in the value of investment properties	334.6	261.7	0.0	0.0	334.6	261.7
Earnings before interest and taxes (EBIT)	**430.5**	**352.9**	**0.1**	**-0,1**	**430.6**	**352.8**
Income from investments accounted for using the at-equity method	0.0	0.0	0.0	0.0	0.0	0.0
Financial result	**-94.5**	**-108.9**	**0.1**	**0.0**	**-94.4**	**-108.9**
Earnings before taxes (EBT)	**336.0**	**244.0**	**0.2**	**-0.1**	**336.2**	**243.9**

Funds from operations (FFO) 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	9M 2019	9M 2018
Consolidated net profit		**272.5**	**164.6**
of which from continuing operations		**272.3**	**164.3**
+	Financial result	94.4	108.9
	of which from continuing operations	94.4	108.9
+	Income taxes	63.9	79.6
	of which from continuing operations	63.9	79.6
+	Depreciation and amortisation	4.3	0.9
	of which from continuing operations	4.3	0.9
–	Income from fair value adjustment of investment properties	334.6	261.7
	of which from continuing operations	334.6	261.7
–	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)		**100.3**	**92.0**
+/–	Non-recurring and extraordinary items	28.3	27.2
Adjusted EBITDA		**128.6**	**119.2**
–	Interest expense FFO	50.8	51.7
–	Current income taxes	3.8	1.8
+	Substance-preserving investments	1.8	0.0
–	Earnings before interest and taxes from the sale of properties, discontinued operations and minority interests	13.8	10.8
FFO I		**62.0**	**54.9**
Number of shares (basic)[1)]		69,460,511	67,284,095
FFO I per share (basic)		0.90	0.82
Number of shares (diluted)[2)]		79,879,195	78,909,694
FFO I per share (diluted)		0.78	0.70

[1)] 69,460,511 shares as at balance sheet date (previous year: 55,587,016, plus 11,697,079 shares from assumed conversion of mandatory convertible bonds which are considered as equity).
[2)] Plus 10,418,684 shares from assumed conversion of all other convertible bonds with entitlement to conversion (previous year: 11,625,599).

Non-recurring and extraordinary items are structured as follows:

Non-recurring and extraordinary items In EUR millions	9M 2019	9M 2018
Non-cash income/expenses and one-off payments	15.4	4.9
Costs of acquisition/integration	9.3	13.6
Optimisation of business model, structuring	3.6	8.7
Total non-recurring and extraordinary items	**28.3**	**27.2**

The FFO interest charge is derived as follows:

Interest expense FFO In EUR millions	9M 2019	9M 2018
Interest income	9.2	12.6
Interest expenses	-103.6	-121.5
Total interest income (continuing and discontinued operations)	**-94.4**	**-108.9**
Adjustments		
Prepayment compensation and provision costs	10.7	42.8
Effects of measurement of primary financial instruments	12.1	16.5
Other adjustments	20.8	-2.1
Interest expenses FFO	**50.8**	**51.7**

In the reporting period, currency effects (EUR 12.9 million) and amortisation on financial assets (EUR 5.8 million) were recognised in other adjustments.

Calculated this way, FFO for the first nine months of 2019 amounted to EUR 62.0 million, of which EUR 20.2 million was contributed by BCP. This was EUR 7.1 million or 12.9 percent more than in the same period of the previous year (EUR 54.9 million with a contribution from BCP of EUR 15.1 million).

Calculated on an undiluted basis, FFO per share was EUR 0.90 as at 30 September 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 was EUR 0.78.

NET ASSETS

In EUR millions	30.09.2019	as percentage of total assets	31.12.2018	as percentage of total assets
Non-current assets	**5,189.4**	**85.0**	**5,220.8**	**89.1**
of which investments properties	4,811.9	78.8	4,989.1	85.2
Current assets	**397.4**	**6.5**	**437.6**	**7.5**
of which inventories	92.3	1.5	88.1	1.5
of which cash and cash equivalent investments	108.8	1.8	77.7	1.3
Non-current assets held for sale	**521.1**	**8.5**	**198.2**	**3.4**
Assets	**6,107.9**	**100.0**	**5,856.6**	**100.0**
Equity	**1,772.7**	**29.0**	**1,579.6**	**27.0**
of which capital stock	71.1	1.2	68.5	1.2
of which capital reserves	309.3	5.1	309.2	5.3
of which net retained profit	1,064.3	17.4	842.9	14.4
of which non-controlling interests	335.0	5.5	362.2	6.2
Non-current liabilities	**3,888.5**	**63.7**	**3,972.0**	**67.8**
of which liabilities from convertible bonds	121.0	2.0	117.5	2.0
of which liabilities from bonds	2,059.2	33.7	1,961.1	33.5
of which financial liabilities to banks	1,237.4	20.3	1,476.2	25.2
Current liabilities	**356.6**	**5.8**	**304.5**	**5.2**
of which financial liabilities to banks	225.1	3.7	142.4	2.4
Liabilities held for sale	**90.1**	**1.5**	**0.5**	**0.0**
Equity and liabilities	**6,107.9**	**100.0**	**5,856.6**	**100.0**

During the first nine months of 2019, total assets increased slightly. As at the reporting date, ADLER assets were EUR 6,107.9 million, 4.3 percent more than at the end of the previous year (EUR 5,856.6 million).

Slight decrease in investment properties due to disposals

Over the course of the year, investment properties decreased due to the sale of around two-thirds of BCP's commercial portfolio and the intended sale of a development project of BCP which has been reclassified under assets held for sale. An increase resulted from the acquisition of a small portfolio of 72 units and a landbank for a development project, valuation gains, investments in modernisation and investments in project development properties. In balance, a decrease of EUR 177.2 million or 3.6 percent to EUR 4,811.9 million was shown in this position of the balance sheet.

Control over the rental units of the non-core portfolio was transferred in the first quarter of 2019. Following receipt of the first partial payments, ADLER recognises non-current receivables from the buyers of EUR 88.0 million as at 30 September 2019. The respective properties, which were recognised under non-current assets held for sale as at 31 December 2018, were disposed of in the amount of EUR 179.2 million in the first quarter of 2019.

As at the balance sheet date, current assets were EUR 397.4 million, EUR 40.2 million less than at the beginning of the year. Current assets comprised EUR 55.6 million in receivables against the buyer of the shares in ACCENTRO which ADLER had already sold at the end of 2017. Payment had, however, been postponed. In July 2019, the buyer made a further partial payment of EUR 95.0 million, while the remaining receivables are expected to be settled by the end of the year. These receivables bear a customary interest.

Cash and cash equivalents were EUR 108.8 million at the reporting date.

Non-current assets held for sale as of 30 September 2019 mainly comprise the second tranche of BCP's commercial properties, for which the closing is expected soon, and the development project in Dusseldorf, which is intended to be sold to finance the ADO Group Ltd transaction.

Shareholders' equity strengthened

Shareholders' equity amounted to EUR 1,772.7 million at the end of the third quarter of 2019. The increase compared to the end of the previous year (EUR 1,579.6 million) is mainly attributable to the positive net profit, but also to the fact that 980,000 treasury shares were used to finance an acquisition at a value of EUR 14.50 each. The shareholders' equity ratio reached 29.0 percent. Moreover, shares of non-controlling interests in several group companies of BCP have been acquired, amounting to a total of EUR 89.9 million.

Non-current liabilities decreased; current liabilities increased

Non-current liabilities decreased in the course of the year by EUR 83.5 million to EUR 3,888.5 million as at 30 September 2019. At EUR 356.6 million, current liabilities at the end of the third quarter 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. Liabilities against banks related to the development project in Dusseldorf have been transferred to liabilities held for sale since the transaction is structured as a share deal.

Adjusted net financial liabilities amounted to EUR 2,910.5 million at the end of the third quarter of 2019, down EUR 327.0 million on the figure at the end of the previous year (EUR 3,237.5 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 56.2 percent at the end of September, 5.2 percentage points lower than at the end of 2018.

	In EUR millions	**30.09.2019**	**31.12.2018**
Convertible bonds		122.1	119.3
+	Bonds	2,099.9	2,001.4
+	Financial liabilities to banks	1,462.5	1,618.6
–	Cash and cash equivalents	108.8	77.7
=	**Net financial liabilities**	**3,575.7**	**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]	665.2	424.1
=	**Adjusted net financial liabilities**	**2,910.5**	**3,237.5**
Investment properties		4,811.9	4,989.1
+	Inventories	92.3	88.1
+	Property, plant and equipment for property management and advance payments	48.9	2.5
+	Shares in real estate companies	12.3	3.0
=	**Gross asset value**	**4,965.4**	**5,082.7**
LTV including convertible bonds in %		58.6	63.7
LTV excluding convertible bonds in %		56.2	61.4

[1] Purchase price receivables including interest from the sale of ACCENTRO amounting to EUR 55.6 million (previous year: EUR 149.9 million); non-current assets held for sale amounting to EUR 521.1 million (previous year: EUR 198.2 million); equity instruments measured at fair value amounting to EUR 37.7 million (previous year: EUR 37.0 million) and debt instruments amounting to EUR 12.1 million (previous year: EUR 14.6 million); borrowings/loans to property-holding companies amounting to EUR 115.8 million (previous year: EUR 24.9 million), advance payments amounting to EUR 13.0 (previous year: EUR 0.0 million) and liabilities held for sale amounting to EUR 90.1 million (previous year: EUR 0.5 million)

In the first nine months of 2019, ADLER successfully implemented major refinancing measures. Most importantly, the 2015/2020 bond yielding 4.75 percent interest was refinanced through a new bond with a coupon of 1.5 percent in the second quarter, 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 2.05 percent in the course of the first three quarters.

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 EPRA, reached EUR 1,909.8 million at the end of the third quarter 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 23.91 as at 30 September 2019 (end of 2018: EUR 20.77).

In EUR millions	30.09.2019	31.12.2018
Equity	**1,772.7**	**1,579.6**
Non-controlling interests	-335.0	-362.2
Equity attributable to ADLER shareholders	**1,437.7**	**1,217.4**
Deferred tax liabilities on investment properties	509.4	465.1
Goodwill from deferred taxes on investment properties[1]	0.0	0.0
Difference between fair values and carrying amounts of inventory properties	7.9	5.3
Fair value of derivative financial instruments	4.7	6.3
Deferred taxes for derivative financial instruments	-1.4	-1.9
EPRA NAV[1]	**1,958.2**	**1,692.3**
Goodwill from synergies[1]	-169.4	-170.8
Adjusted EPRA NAV	**1,788.8**	**1,521.5**
Diluted EPRA NAV[1]	**2,079.2**	**1,809.8**
Adjusted diluted EPRA NAV	**1,909.8**	**1,639.0**
Number of shares, basic[2]	69,460,511	68,480,390
EPRA NAV per share (basic) in EUR[1]	**28.19**	**24.71**
Number of shares, diluted[3]	79,879,195	78,899,195
EPRA NAV per share (diluted) in EUR[1]	**26.03**	**22.94**
Adjusted EPRA NAV per share (diluted) in EUR	**23.91**	**20.77**

[1] Disclosure incl. previous year adjusted as the purchase price allocation BCP has been completed; goodwill results entirely from synergies.
[2] 69,460,511 shares as at balance sheet date (previous year: 68,480,390)
[3] Plus 10,418,684 shares from assumed conversion of all other convertible bonds with entitlement to conversion (previous year: 10,418,805)

FINANCIAL POSITION

In EUR millions	9M 2019	9M 2018
Cash flow from operating activities	70.9	94.8
– of which from continuing operations	70.7	94.5
Cash flow from investing activities	37.2	-591.6
– of which from continuing operations	37.2	-591.6
Cash flow from financing activities	-76.8	205.2
– of which from continuing operations	-76.8	205.2
Cash-effective change in cash and cash equivalents	31.3	-291.6
Non-cash-effective change in cash and cash equivalents	-0.2	-0.1
Cash and cash equivalents at beginning of period	77.7	368.2
Cash and cash equivalents at end of period	108.8	76.5

Cash flow from operating activities came to EUR 70.7 million in the first nine months of 2019. In the same period of the previous year, cash flow from continuing operations was EUR 94.5 million. The decrease is primarily attributable to BCP's operating business and in particular to tax payments.

There was a net inflow of funds from investing activities of EUR 37.2 million in the first three quarters of 2019 relating primarily to disposals of the non-core portfolio and the BCP commercial portfolio, as well as the further payment received for the sale of the shares in ACCENTRO. Outflows resulted from investments in investment properties. The outflow of funds of EUR 591.6 million in the corresponding period of the previous year was attributable mainly to the acquisition of BCP.

From January to September 2019, there was an outflow of funds from investing activities of EUR 76.8 million. At the beginning of the third quarter, shares of non-controlling interests in several group companies of BCP were acquired, amounting to a total of EUR 90.8 million. The placement of the EUR 400 million 2019/2022 bond had a positive impact, though as it 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 205.2 million.

As at 30 September 2019, the ADLER Group had financial funds (cash and cash equivalents) of EUR 108.8 million (previous year: EUR 76.5 million).

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

OVERALL SUMMARY OF BUSINESS PERFORMANCE AND POSITION OF GROUP

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

RENOVATION REDUCES RISK

The substance and quality of our real estate holdings play a pivotal role when it comes to the price-performance ratio of our rental properties. We therefore invest in our property to retain its value. Modernisation, renovation and maintenance play a key role in our business. We keep the fittings, fixtures and furnishings of our properties up to modern standards, thus reducing the risk of malfunctioning household appliances and installations. Our long-time experience in technical building and estate management helps a lot in this regard.

/// CONSOLIDATED BALANCE SHEET

(IFRS) as at 30 September 2019

In EUR thousands	30.09.2019	31.12.2018
Assets	**6,107,884**	**5,856,631**
Non-current assets	**5,189,429**	**5,220,772**
Goodwill	169,439	170,758
Intangible assets	624	612
Property, plant and equipment	16,950	7,578
Investment properties	4,811,899	4,989,054
Loans to associated companies	97,698	7,667
Investments in associated companies	12,368	3,070
Other financial investments	37,668	37,019
Other non-current assets	40,615	2,480
Deferred tax assets	2,168	2,535
Current assets	**397,360**	**437,677**
Inventories	92,309	88,096
Trade receivables	36,387	25,898
Income tax receivables	3,145	5,549
Other current assets	156,733	240,480
Cash and cash equivalents	108,786	77,655
Non-current assets held for sale	**521,094**	**198,182**

In EUR thousands	**30.09.2019**	**31.12.2018**
Equity and liabilities	**6,107,884**	**5,856,631**
Shareholders' equity	**1,772,668**	**1,579,631**
Capital stock	71,064	71,064
Treasury shares	-1,603	-2,583
	69,461	68,480
Capital reserves	309,338	309,233
Retained earnings	-5,509	-3,264
Currency translation reserves	0	88
Net retained profit	1,064,345	842,888
Equity attributable to owners of the parent company	1,437,635	1,217,426
Non-controlling interests	335,033	362,205
Non-current liabilities	**3,888,552**	**3,971,980**
Pension provisions	3,567	3,714
Deferred tax liabilities	426,817	380,794
Other provisions	3,844	3,900
Liabilities from convertible bonds	121,026	117,516
Liabilities from bonds	2,059,187	1,961,112
Financial liabilities to banks	1,237,418	1,476,187
Other non-current liabilities	36,693	28,756
Current liabilities	**356,602**	**304,526**
Other provisions	31	25
Income tax liabilities	4,555	12,921
Liabilities from convertible bonds	1,078	1,756
Liabilities from bonds	40,686	40,259
Financial liabilities to banks	225,117	142,408
Trade payables	34,959	47,440
Other current liabilities	50,176	59,717
Liabilities held for sale	**90,062**	**495**

/// CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

In EUR thousands	9M 2019	9M 2018	Q3 2019	Q3 2018
Gross rental income	277,935	258,453	90,527	91,741
Expenses from property lettings	-114,006	-106,573	-39,123	-36,409
Earnings from property lettings	**163,929**	**151,880**	**51,404**	**55,332**
Income from the sale of properties	411,648	41,953	32,775	17,571
Expenses from the sale of properties	-415,161	-37,657	-27,390	-16,394
Earnings from the sale of properties	**-3,513**	**4,296**	**5,385**	**1,177**
Personnel expenses	-30,396	-23,072	-10,112	-9,223
Other operating income	5,442	6,370	1,254	2,099
Other operating expenses	-35,174	-47,454	-11,082	-12,852
Income from fair value adjustments of investment properties	334,605	261,699	182,028	115,088
Depreciation and amortisation	-4,339	-883	-2,380	-362
Earnings before interest and taxes (EBIT)	**430,554**	**352,836**	**216,497**	**151,259**
Financial income	9,239	12,193	3,882	7,601
Financial costs	-103,611	-121,067	-31,306	-24,596
Net income from at-equity valued investment associates	0	0	0	0
Earnings before taxes (EBT)	**336,182**	**243,962**	**189,073**	**134,264**
Income taxes	-63,960	-79,569	-30,451	-35,131
Consolidated net profit from continuing operations	**272,222**	**164,393**	**158,622**	**99,133**
Earnings after taxes of discontinued operations	248	263	0	0
Consolidated net profit	**272,470**	**164,656**	**158,622**	**99,133**
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	-88	2	-89	0
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	-2,246	-161	-1,031	65
Capital stock OCI	0	-32	0	0
Deferred taxes OCI	0	10	0	0
OCI gains/losses reclassifiable into profit or loss	**-2,334**	**-181**	**-1,120**	**65**
Total comprehensive income	**270,136**	**164,475**	**157,502**	**99,198**

In EUR thousands	9M 2019	9M 2018	Q3 2019	Q3 2018
Carry-over total comprehensive income	**270,136**	**164,475**	**157,502**	**99,198**
Net profit from continuing operations:				
Owners of the parent company	208,930	131,226	111,686	77,927
Non-controlling interests	63,292	33,167	46,936	21,206
Consolidated net profit attributable to:				
Owners of the parent company	209,178	131,489	111,686	77,927
Non-controlling interests	63,292	33,167	46,936	21,206
Total comprehensive income attributable to:				
Owners of the parent company	206,844	131,308	110,566	77,992
Non-controlling interests	63,292	33,167	46,936	21,206
Earnings per share, basic in EUR (consolidated net profit from continuing operations)	3.04	1.96	1.62	1.17
Earnings per share, diluted in EUR (consolidated net profit from continuing operations)	2.70	1.73	1.43	1.01
Earnings per share, basic in EUR (consolidated net profit)	3.04	1.97	1.62	1.17
Earnings per share, diluted in EUR (consolidated net profit)	2.70	1.73	1.43	1.01

/// CONSOLIDATED STATEMENT OF CASH FLOWS

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

	In EUR thousands	9M 2019	9M 2018
	Earnings before interest and taxes (EBIT) – continuing and discontinued operations	430,554	352,836
+	Depreciation and amortisation	4,339	883
–/+	Net income from fair value adjustments of investment properties	-334,605	-261,699
–/+	Non-cash income/expenses	6,018	7,373
–/+	Changes in provisions and accrued liabilities	-195	1
–/+	Increase/decrease in inventories, trade receivables and other assets not attributable to investment or financing activities	-360,554	946
–/+	Decrease/increase in trade payables and other liabilities not attributable to investment or financing activities	336,449	-3,345
+	Interest received	865	1,048
+	Dividends received	248	263
+/–	Tax payments	-7,997	-2,376
=	**Operating cash flow before dis-/reinvestment into the trading portfolio**	**75,122**	**95,930**
–/+	Increase/decrease in inventories (commercial properties)	-4,213	-1,142
=	**Net cash flow from operating activities**	**70,909**	**94,788**
	thereof continuing operations	70,661	94,525
	thereof discontinued operations	248	263
–	Acquisition of subsidiaries, net of cash acquired	-29,843	-472,278
+	Disposal of subsidiaries, net of cash disposed	162,030	17,107
–	Purchase of investment properties	-157,985	-117,245
+	Disposal of investment properties, net of cash disposed	77,993	29,419
–	Purchase of property, plant and equipment and intangible assets	-5,040	-2,856
+	Disposal of property, plant and equipment and intangible assets	299	0
–	Payments into short-term deposits	-11,281	-13,088
+	Proceeds from short-term deposits	15,064	2,313
+	Proceeds from disinvestment of financial assets	0	14
–	Investments in financial assets	-1,988	-35,000
+	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**	**37,249**	**-591,614**
	thereof continuing operations	37,249	-591,614
	thereof discontinued operations	0	0

	In EUR thousands	9M 2019	9M 2018
–	Payments for acquisition of treasury shares including acquisition costs	0	-15,604
–	Transactions with non-controlling interests	-91,538	0
–	Dividends paid to non-controlling interests	0	-6,055
–	Dividends paid to the owners of the company	0	-2,204
–	Payments for acquisition and repayment of convertible bonds	0	0
–	Proceeds from issue of bonds	400,000	791,151
–	Repayment of bonds	-315,177	-249,165
–	Payments from issuing debt	-5,599	-20,783
–	Interest payments	-63,179	-89,334
+	Proceeds from bank loans	65,192	686,057
–	Repayment of bank loans	-63,862	-888,823
–	Repayment of leasing liabilities	-1,676	0
–	Payment of interest portion of lease liabilities	-978	0
=	**Net cash flows from financing activities**	**-76,817**	**205,240**
	of which from continuing operations	-76,817	205,240
	of which from discontinued operations	0	0

	In EUR thousands		
	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	-210	-122
	Net cash flow from operating activities	70,909	94,788
	Net cash flow from investing activities	37,249	-591,614
	Net cash flow from financing activities	-76,817	205,240
=	**Cash and cash equivalents at end of periods**	**108,786**	**76,525**

/// CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(IFRS) for the period from 1 January to 30 September 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
Increase/decrease in shareholding with no change in status	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	622	0	6,354
As at 30 September 2018	**58,170**	**-2,583**	**356,557**
As at 1 January 2019	**71,064**	**-2,583**	**309,233**
Consolidated net profit	0	0	0
Other comprehensive income (OCI) – reclassifiable	0	0	0
Other comprehensive income (OCI) – non-reclassifiable	0	0	0
Increase/decrease in shareholding with no change in status	0	0	-847
Change in scope of consolidation	0	0	0
Transfer of treasury shares	0	980	951
Conversion of convertible bonds	0	0	1
As at 30 September 2019	**71,064**	**-1,603**	**309,338**

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	131,489	131,488	33,167	164,655
-183	2	0	-181	0	-181
0	0	0	0	0	0
-1,081	0	0	-1,081	-38	-1,119
0	0	0	0	-329	-329
0	0	0	0	225,657	225,657
0	0	-2,204	-2,204	-5,727	-7,930
0	0	-14,399	-15,589	0	-15,589
0	0	0	6,976	0	6,976
-2,574	**88**	**670,329**	**1,079,987**	**329,654**	**1,409,641**
-3,264	**88**	**842,888**	**1,217,426**	**362,205**	**1,579,631**
0	0	209,178	209,178	63,292	272,470
-2,245	-88	0	-2,333	0	-2,333
0	0	0	0	0	0
0	0	0	-847	-90,735	-91,582
0	0	0	0	271	271
0	0	12,279	14,210	0	14,210
0	0	0	1	0	1
-5,509	**0**	**1,064,345**	**1,437,635**	**335,033**	**1,772,668**

AFFORDABLE HOUSING IS THE BEST FORM OF TENANT PROTECTION

The relationship between landlords and tenants is based on mutual rights and obligations, transparency, goodwill and – last but not least – fair dealings. We have made it our mission to act as a service partner for our tenants, offer our rental apartments at fair prices and conduct ourselves as transparently as possible in every respect. Our tenants knowing that they are not being overcharged is the most effective form of tenant protection.

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

/// SELECTED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (IFRS) AS AT 30 SEPTEMBER 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 development projects.

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

BASIS OF ACCOUNTING

Basis of preparation

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

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

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 as a total (earnings after tax from discontinued operations; see page 66). With regard to the consolidated statement of cash flows, cash flows from operating, investing and financing activities are shown in relation to continuing and discontinued operations.

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

Further information about the accounting policies can be found in the consolidated financial statements as at 31 December 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 on 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 1 January 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 ADLER 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 medium- or high-value operating leases or those with terms longer than one year 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, expenses for liabilities that 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 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 September 2019 and the consolidated statement of comprehensive income for the period from 1 January to 30 September 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 September 2019			
Assets			
Property, plant and equipment	11,004	5,946	16,950
Investment properties	4,808,593	3,306	4,811,899
Total assets	**6,098,632**	**9,252**	**6,107,884**
Equity and liabilities			
Total equity	**1,772,693**	**-25**	**1,772,668**
Deferred tax liabilities	426,828	-11	426,817
Other non-current liabilities	29,633	7,060	36,693
Other current liabilities	47,948	2,228	50,176
Total liabilities	**4,325,939**	**9,277**	**4,335,216**
Total assets	**6,098,632**	**9,252**	**6,107,884**

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 September 2019			
Earnings from property lettings	163,724	205	163,929
Other operating expenses	-36,919	1,745	-35,174
Depreciations and amortisation	-2,675	-1,664	-4,339
Earnings before interest and taxes (EBIT)	**430,268**	**286**	**430,554**
Financial expenses	-103,289	-322	-103,611
Earnings before taxes (EBT)	**336,218**	**-36**	**336,182**
Income taxes	-63,971	11	-63,960
Consolidated net profit	**272,495**	**-25**	**272,470**

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 229 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 as part of a consolidation process 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.

In the third quarter, five companies were founded that are each expected to serve as intermediate holding companies in the rental segment. Two inactive companies (EAGLE BidCo GmbH and MBG Projektentwicklungsgesellschaft mbH) were merged into another company as part of a consolidation process. Another inactive company (Adler McKinney LLC) was liquidised. These measures did not have any material implications for the Group's net assets, financial position or results of operations.

In the third quarter, ADLER also acquired shares (in each case 94.9 percent) in two property companies (Spree Zweite Beteiligungs Ost GmbH and Spree Röbellweg 2-10 Verwaltungs GmbH) that between them 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 and, therefore, the acquisition has been presented as a direct real estate acquisition. The costs of acquiring each property company have been allocated to the individual identifiable assets and liabilities based on their fair values. Investment properties of EUR 38,849k and financial liabilities to banks of EUR 18,961k were acquired via these property 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 primarily 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 September 2019 and for the previous year's comparative period are broken down as follows:

ADLER Group	**Rental**		**Other**		**Group**	
In EUR thousands – 9 months/9M	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Gross rental income and income from the sale of properties	689,443	300,266	140	140	689,583	300,406
– thereof gross rental income	277,795	258,313	140	140	277,935	258,453
– thereof income from sales	411,648	41,953	0	0	411,648	41,953
Change in the value of investment property	334,605	261,699	0	0	334,605	261,699
Earnings before interest and taxes (EBIT)	**430,434**	**352,954**	**120**	**-118**	**430,554**	**352,836**
Income from investments accounted for using the equity method	0	0	0	0	0	0
Financial result	**-94,458**	**-108,909**	**86**	**36**	**-94,372**	**-108,874**
Earnings before taxes (EBT)	**335,972**	**244,046**	**209**	**-83**	**336,182**	**243,962**

Revenues in the rental segment amounted to EUR 689,443k (previous year: EUR 300,266k). The year-on-year increase of EUR 389,177k 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 344,605k (previous year: EUR 261,699k) in the first nine months of the year. Nine-month EBIT in the rental segment amounted to EUR 430,434k (previous year: EUR 352,954k), while earnings before taxes came to EUR 335,972k (previous year: EUR 244,046k).

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 13,616k (previous year: EUR 56,055k) for the early repayment of financial liabilities and bonds. Net financial expenses of EUR 3,987k (previous year: net financial income of EUR 5,993k) are due to the measurement of financial instruments at fair value in the reporting period. There were also net foreign exchange losses of EUR 12,969k (previous year: net foreign exchange profit of EUR 669k) related to BCP bonds.

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

ADLER Group In EUR thousands – 3 months/Q3	**Rental**		**Other**		**Group**	
	2019	**2018**	**2019**	**2018**	**2019**	**2018**
Gross rental income and income from the sale of properties	123,255	109,265	47	47	123,302	109,312
– thereof gross rental income	90,480	91,694	47	47	90,527	91,741
– thereof income from sales	32,775	17,571	0	0	32,775	17,571
Change in the value of investment property	182,028	115,088	0	0	182,028	115,088
Earnings before interest and taxes (EBIT)	**216,420**	**151,279**	**77**	**-20**	**216,497**	**151,259**
Income from investments accounted for using the equity method	0	0	0	0	0	0
Financial result	**-27,453**	**-17,008**	**29**	**13**	**-27,424**	**-16,995**
Earnings before taxes (EBT)	**188,966**	**134,272**	**107**	**-8**	**189,073**	**134,264**

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

ADLER Group In EUR thousands as at 30 September 2019	**Rental**	**Other**	**Consolidation**	**Group**
Segment assets	6,082,924	4,470	-4,517	6,082,877
Investments accounted for using the equity method	12,368	0	0	12,368
Total segment assets	**6,095,292**	**4,470**	**-4,517**	**6,095,245**
Non-current assets held for sale	-	-	-	12,639
Segment liabilities	**4,335,047**	**4,686**	**-4,517**	**4,335,216**
Segment investments	**173,655**	**0**	**0**	**173,655**

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 16,950k (31 December 2018: EUR 7,578k) is attributable to an amount of EUR 5,946k 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 4,811,899k as at the balance sheet date (31 December 2018: EUR 4,989,054k). The additions were due to EUR 73,793k for investments in project development properties, EUR 38,849k for the acquisition of property companies, EUR 46,869k for capitalisable modernisation measures, EUR 14,146k for the acquisition of an undeveloped site for project development, EUR 3,306k for the first-time application of leaseholds in accordance with IFRS 16 and EUR 334,605k for measurement results. These items were countered by disposals, including IFRS 5 reclassified items amounting to EUR 688,722k.

Receivables and loans to associated companies

The increase in the carrying amount of receivables and loans to associated companies to EUR 97,698k (31 December 2018: EUR 7,667k) is due to EUR 88,043k 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, pursuant to which ADLER sold 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, pursuant to which ADLER sold 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 have been 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 recognised receivables including interest claims against Caesar JV Immobilienbesitz und Verwaltungs GmbH of EUR 42,043k.

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 recognised receivables from AB Immobilien B.V. of EUR 46,000k.

Other financial investments

In the 2018 financial year, ADLER acquired 4.1 percent of the shares in a development project company for residential properties based in Germany through its subsidiary BCP. The shares were classified as financial assets at fair value through profit or loss and recognised under other financial assets. As at 30 September 2019, based on the stock market price, the fair value amounted to EUR 31,174k (31 December 2018: EUR 37,019k). The change in value of EUR 5,845k 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 Goettingen and Wolfsburg and the acquisition of land for project development and project development companies.

Other current assets

As of the balance sheet date, other current assets include residual receivables of EUR 55,557k against the buyer of the shares in ACCENTRO which ADLER had sold already at the end of 2017. Payment had been postponed several times in mutual understanding. In July 2019, the buyer made a further partial payment of EUR 95,000k, while the remaining receivables are expected to be settled by the end of the year. These receivables bear a customary interest.

Cash and cash equivalents

Cash and cash equivalents amounted to EUR 108,786k at the balance sheet date, as against EUR 77,655k at the end of the previous year. EUR 23,461k (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 primarily include properties recognised at a value of EUR 508,455k (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:

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 qualified as non-current assets held for sale or liabilities held for sale and were 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, Duesseldorf, Cologne, Bad Segeberg, Emden and Witten. Due to the sale of the commercial units, investment properties of EUR 128,641k qualified as non-current assets held for sale and were reclassified accordingly.

At the end of September 2019, ADLER concluded a binding share deal for the sale of a 75 percent shareholding to a project development company in Dusseldorf via its subsidiary BCP. The sale meant that investment properties of EUR 375,000k and financial liabilities to banks of EUR 90,000k qualified as non-current assets held for sale or liabilities held for sale and were reclassified accordingly. Goodwill of EUR 1,319k from the acquisition of BCP proportionally attributable to this project development company was also reclassified to non-current assets held for sale and then fully amortised.

Shareholders' equity

The capital stock of ADLER AG amounted to EUR 71,064k as at 30 September 2019 (31 December 2018: EUR 71,064k) and is divided into 71,063,743 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. The purchase price for the acquisition of property companies was paid partly through the transfer of 980,000 treasury shares, valued at EUR 14.50. The deduction from share capital was reversed up to the nominal amount of the transferred treasury shares. The difference between the nominal amount and the transfer amount was reallocated to net retained profit up to the amount that was offset. The remaining difference was allocated to the capital reserve.

At the beginning of the third quarter, minority interests amounting to EUR 89,865k were acquired in several subsidiaries of BCP. The consideration for the transaction was EUR 90,837k. As this was a share purchase with no change in status, the difference was offset against the capital reserve.

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 as part of a consolidation process 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	30.09.2019	31.12.2018
2016/2021 convertible bond	122,104	119,272
Total	**122,104**	**119,272**
– thereof non-current	121,026	117,516
– thereof current	1,078	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	30.09.2019	31.12.2018
2015/2020 bond	0	299,052
2017/2021 bond	499,934	492,278
2017/2024 bond	298,794	300,630
2018/2023 bond	494,775	495,317
2018/2026 bond	296,411	297,946
2019/2022 bond	397,949	0
2011/2020 bond BCP (A)	16,334	29,188
2013/2024 bond BCP (B)	53,929	48,636
2014/2026 bond BCP (C)	41,747	38,324
Total	**2,099,873**	**2,001,371**
– thereof non-current	2,059,187	1,961,112
– thereof current	40,686	40,259

In April 2019, ADLER successfully placed a corporate bond of EUR 400 million 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 are recognised under current liabilities.

Financial liabilities to banks

Non-current financial liabilities to banks amounted to EUR 1,237,418k 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. Financial liabilities were also reclassified to liabilities held for sale in connection with the sale of a BCP project development company.

Current financial liabilities to banks amounted to EUR 225,117k 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	9M 2019	9M 2018
Net rental income	187,677	173,361
Income from recoverable expenses	87,478	83,394
Other income from property management	2,780	1,699
Total	**277,935**	**258,454**

At EUR 56,440k (previous year: EUR 39,505k), net rental income is attributable to an amount of EUR 19,786k (previous year: EUR 13,685k) 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	9M 2019	9M 2018
Apportionable and non-apportionable operating costs	95,934	90,497
Maintenance	17,709	15,593
Other property management expenses	363	483
Total	**114,006**	**106,573**

The operating costs resulted in EUR 22,900k (previous year: EUR 16,073k), maintenance expenses were EUR 3,365k (previous year: EUR 1,551k) and the other expenses from the property management were EUR 0k (previous year: EUR 0k) from the business of BCP.

Income from the sale of properties

Income from the sale of properties is structured as follows:

In EUR thousands	9M 2019	9M 2018
Income from the disposal of project development inventory properties	45,471	23,041
Income from the disposal of other inventory properties	81	0
Income from the disposal of investment properties	366,096	18,913
Total	**411,648**	**41,954**

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 146k).

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	9M 2019	9M 2018
Carrying amount of disposed project development inventory properties	40,174	19,270
Carrying amount of disposed other inventory properties	70	0
Carrying amount of disposed investment properties	366,037	18,046
Costs of disposal	8,880	341
Total	**415,161**	**37,657**

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 (previous year: EUR 0k) 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 334,605k (previous year: EUR 261,699k) and comprises income of EUR 354,741k from fair value adjustments (previous year: EUR 265,476k) and expenses of EUR 20,136k for fair value adjustments (previous year: EUR 3,778k).

The result from the valuation of investment properties of EUR 226,725k are attributable to BCP in the year under review (previous year: EUR 40,917k).

Financial income

Financial income is structured as follows:

In EUR thousands	9M 2019	9M 2018
Interest income – financial assets measured at amortised cost	5,201	4,930
Interest income – financial assets at fair value through other comprehensive income	628	692
Net change in fair value of derivatives	3,186	1,451
Net change in fair value of other financial instruments at fair value through profit or loss	0	4,941
Reversal of value adjustments of financial assets measured at amortised cost (restricted funds, deposits at banks)	160	0
Other financial income	64	179
Total	**9,239**	**12,193**

Financial income in the amount of EUR 3,186k (previous year: EUR 4,944k) is attributable to BCP in the year under report.

Financial expenses

Financial expenses are structured as follows:

In EUR thousands	9M 2019	9M 2018
Interest expenses – financial liabilities measured at amortised cost		
Interest expenses – bank loans	32,907	70,017
Interest expenses – bonds	43,368	44,171
Interest expenses – convertible bonds	6,094	6,304
Interest expenses – leasing	831	537
Interest expenses – other	102	221
Net change in fair value of derivatives	1,330	399
Net change in fair value of other financial instruments at fair value through profit or loss	5,845	0
Impairment of financial assets measured at amortised cost (loans, restricted funds, deposits at banks)	153	0
Impairment of financial assets at fair value with changes in other comprehensive income	0	0
Net foreign exchange losses/gain	12,969	-669
Accrued interest on provisions	8	8
Other financial expenses	4	78
Total	**103,611**	**121,067**

Financial expenses of EUR 40,176k are attributable to BCP in the year under review (previous year: EUR 5,171k).

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 10,716k (previous year: EUR 47,285k) 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	9M 2019	9M 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. The calculation of basic earnings in the 2019 financial year was not affected by the expiration of the mandatory convertible bond at the end of 2018.

Income per share is structured as follows:

	9M 2019 Continuing operations	9M 2019 Discontinued operations	9M 2019 Total
Consolidated net earnings (in EUR thousands)	272,222	248	272,470
Consolidated net earnings without non-controlling interests	208,930	248	209,178
Expenses including deferred taxes on convertibles	4,255	0	4,255
Consolidated net earnings without non-controlling interests (diluted)	213,185	248	213,433
Number of shares (in thousands)			
Weighted number of subscribed shares	68,749	68,749	68,749
Effect of conversion of convertibles	10,419	10,419	10,419
Weighted number of shares (diluted)	79,168	79,168	79,168
Earnings per share (in EUR)			
Basic earnings per share	3.04	0.00	3.04
Diluted earnings per share	2.70	0.00	2.70

	9M 2018 Continuing operations	9M 2018 Discontinued operations	9M 2018 Total
Consolidated net earnings (in EUR thousands)	164,393	263	164,656
Consolidated net earnings without non-controlling interests	131,226	263	131,489
Expenses including deferred taxes on convertibles	4,424	0	4,424
Consolidated net earnings without non-controlling interests (diluted)	135,650	263	135,913
Number of shares (in thousands)			
Weighted number of subscribed shares	66,875	66,875	66,875
Effect of conversion of convertibles	11,626	11,626	11,626
Weighted number of shares (diluted)	78,501	78,501	78,501
Earnings per share (in EUR)			
Basic earnings per share	1.96	0.01	1.97
Diluted earnings per share	1.73	0.00	1.73

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 were 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

ADLER has initiated the necessary preparations for a rights issue in order to part-finance the acquisition of ADO Group Ltd. The transaction is still subject to several conditions and is expected to be closed before the year end. The capital measure is still intended to take place this year.

In addition to the two transactions of the retail portfolio of BCP announced during the first half of the year, ADLER sold another retail asset at the end of October. It relates to a retail asset in Borken with a book value of EUR 19.4 million. Closing is expected over the next 3 months as per customary market conditions.

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 November 2019

Tomas de Vargas Machuca
Vorstand

Maximilian Rienecker
Vorstand

Sven-Christian Frank
Vorstand

/// LEGAL REMARKS

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 71,063,743[1)]
Classification	71,063,743[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 September 2019

ADLER
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