ADLER GROUP

Q2

QUARTERLY FINANCIAL REPORT 2022

Key Figures Q2

Profit and loss statement

In EUR thousand	For the six months ended 30 June 2022	30 June 2021(*)	For the three months ended 30 June 2022	30 June 2021	For the year ended 31 Dec 2021
Income from rental activities	195,429	230,507	87,678	118,100	495,092
EBITDA from rental activities	85,879	112,545	37,243	58,331	227,748
EBITDA from rental activities margin	65.7%	64.7%	62.3%	65.1%	65.8%
EBITDA Total	(10,150)	110,313	(53,359)	84,990	208,246
FFO 1 (from rental activities)	49,907	67,750	20,158	35,423	137,072
FFO 2 (incl. disposal results and development activities)	(67,006)	37,205	(81,853)	50,427	60,883

(*) Previous year's figures adjusted according to IAS 8, please refer to Note 3, Subchapter C.

Further KPIs

Residential(*)	30 June 2022	31 Dec 2021
Monthly in-place rent (EUR per m^2)	EUR 7.47	EUR 7.45
Total vacancy rate	1.6%	1.1%
Number of units	26,243	27,469
Like-for-like rental growth	2.3%	2.5%

(*) All values include ground floor commercial units and exclude units under renovation and development projects.

Balance sheet

In EUR thousand except per share data	30 June 2022(*)	31 Dec 2021(*)
Fair value of properties	9,500,769	9,965,420
LTV	58.0%	50.9%
EPRA NRV	3,771,942	4,649,372
EPRA NRV per share (EUR)	32.10	39.57
EPRA NTA	3,534,797	4,268,575
EPRA NTA per share (EUR)	30.08	36.33

(*) Adjusted for BCP IFRS 5 illustration which has been disregarded; the corresponding line items have been reversed into respective balance sheet positions.

Content

Welcome to Adler Group

The Adler Group owns and manages approximately 26,000 residential rental units throughout Germany and has a development pipeline of approximately 6,000 new flats in Germany's top cities.

We want to ensure people have the living space they need – today and tomorrow. That is why we provide affordable contemporary housing and realise real estate projects that are fit for the future.

RESIDENTIAL RENTAL PORTFOLIO

26,243
units

DEVELOPMENT PIPELINE

c. 6,000
units

2022 Milestones

Significant achievements to date

PORTFOLIO DISPOSALS

Additional portfolio disposal to accelerate deleveraging

On 13 January 2022, Adler Group signs a contract with KKR/Velero over a portfolio sale of approximately 14,400 residential and commercial units, predominantly located in medium-sized cities in eastern Germany. The agreed purchase price corresponds to a valuation of the portfolio of EUR 1.05 billion which is a premium on the book value reported as at 30 September 2021. Expected net cash proceeds amount to approximately EUR 600 million.

With this transaction, Adler Group further accelerates the reduction of leverage and simultaneously sharpens its focus on residential properties in Germany's largest cities.

JANUARY

EUR

>1.0bn

disposal of yielding assets

2022 JANUARY

FEBRUARY

CORPORATE ACTIVITIES

Prof. Dr. A. Stefan Kirsten becomes Chairman of the Board

On 16 February 2022, Prof. Dr. A. Stefan Kirsten is elected as new Chairman of the Board and Dr. Peter Maser becomes Deputy Chairman. Stefan Kirsten has an extensive track record in the German real estate industry. He served as CFO for Deutsche Annington from 2011 to 2018 and oversaw the merger with Gagfah and subsequent transformation into Vonovia.

MARCH

APRIL

CORPORATE ACTIVITIES

Changes in the Board of Directors

On 30 April 2022, the whole 2021 Board collectively offers its resignation. Four resignations are accepted by the Chairman. The Board of Directors now consists of Prof. Dr. A. Stefan Kirsten (Chairman), Thierry Beaudemoulin (CEO), Thilo Schmid and Thomas Zinnöcker.

MAY

CORPORATE ACTIVITIES

Improving compliance

On 17 May 2022, the Board mandates PricewaterhouseCoopers to support Adler Group in developing a robust compliance framework.

JUNE

CORPORATE ACTIVITIES

Thomas Echelmeyer takes over CFO position

On 1 June 2022, Thomas Echelmeyer joins the Senior Management of Adler Group as interim Chief Financial Officer on a consulting basis. He holds this position temporarily until the CFO position is filled permanently. Thomas Echelmeyer has worked as an auditor and tax consultant since 1986, as well as a partner at Arthur Andersen and EY. In 2007, he moved to the real estate industry and served as CFO of GWH Immobilien Holding GmbH and other real estate companies.

CORPORATE ACTIVITIES

Squeeze out process of the minority shareholders of ADLER Real Estate initiated

On 23 June 2022, Adler Group submits the formal request to ADLER Real Estate that the extraordinary general meeting of ADLER Real Estate shall resolve to transfer the shares of the remaining minority shareholders to Adler Group for an appropriate cash settlement (so-called squeeze out). Adler Group considers this step to be an important milestone in the ongoing integration process as well as a considerable simplification of the corporate structure.

PORTFOLIO DISPOSALS

Adler Group sells portfolio in Berlin to ADLER Real Estate

On 24 June 2022, the Group announces the sale of a portfolio of residential properties in Berlin. The portfolio comprises around 1,400 residential units in Berlin and has a market value of EUR 326 million according to the evaluation by CBRE as at 31 March 2022. The transaction relates to the optimisation of processes and structures within the Adler Group and its subsidiaries and is therefore in the best interests of the companies.

JUNE

EUR
326m
market value

CORPORATE ACTIVITIES

AGM confirms the Board of Directors

On 29 June 2022, the annual General Meeting of Adler Group adopts all proposed resolutions by a clear majority. The appointment of Prof. Dr. A. Stefan Kirsten as director of the Company is confirmed for a three-year period. Furthermore, the shareholders approve the re-appointment of Thierry Beaudemoulin, Thilo Schmid, and Thomas Zinnöcker, in each case for a three-year period.

PORTFOLIO DISPOSALS

Portfolio disposal in Berlin

On 30 June 2022, Adler Group and its joint venture partner announce the sale of the Waypoint portfolio. The portfolio comprises around 1,200 residential and commercial units. Considering the purchase price portion attributable to the joint venture partner and other minority interests as well as taking into account deferred taxes, Adler Group will realise a capital inflow of approximately EUR 170 million.

JUNE

portfolio
1,200
residential and commercial units

JULY

AUGUST

PORTFOLIO DISPOSALS

Successful sale of two development projects

On 11 August 2022, Adler Group announces the completed sale of the development projects Ostend Quartier and Westend Ensemble – Upper West – Lea B, both located in Frankfurt am Main, with combined cash proceeds of c. EUR 166 million. In a challenging market environment, Adler Group sold these projects with a combined discount to Gross Asset Value (GAV) as per 31 December 2021 of around 13.6%. It underscores Adler Group's ability to deliver on its pledge of further improving its liquidity position in 2022 and beyond.

AUGUST

EUR
166m
combined cash proceeds

Adler Group Share

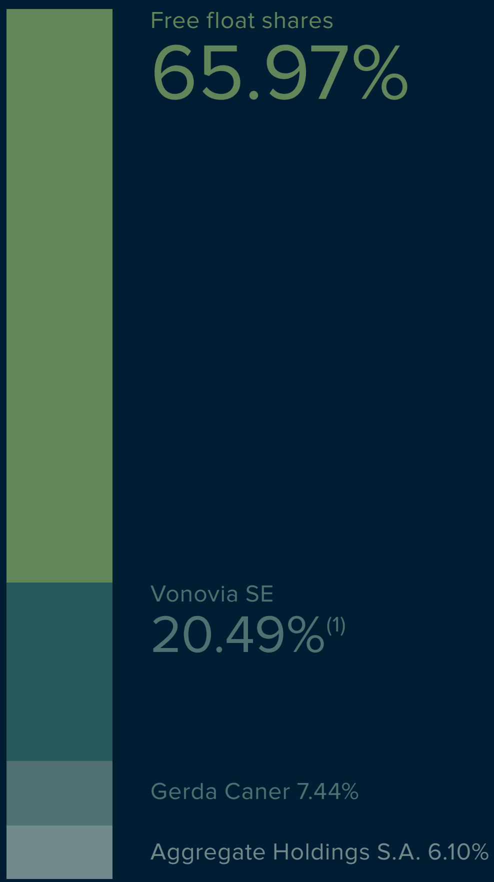
The share

Share information (as at 30 June 2022)

1st day of trading	23 July 2015
Subscription price	EUR 20.00
Price at the end of Q2 2022	EUR 3.77
Highest share price LTM	EUR 23.66
Lowest share price LTM	EUR 3.68
Total number of shares	117.5 million
ISIN	LU1250154413
WKN	A14U78
Symbol	ADJ
Class	Dematerialised shares
Free float	65.97%
Stock exchange	Frankfurt Stock Exchange
Market segment	Prime Standard
Market index	SDAX
ERPA indices	FTSE EPRA / NAREIT Global Index, FTSE EPRA / NAREIT Developed Europe Index, FTSE EPRA / NAREIT Germany Index

Shareholder structure

(as at 30 June 2022)



Key stock market data

Adler Group shares are traded on the Prime Standard of the Frankfurt Stock Exchange. During the 12 months ended 30 June 2022, the shares traded between EUR 3.68 and EUR 23.66. Adler Group shares are included in the SDAX index of Deutsche Börse and the relevant real estate sector indices of the EPRA index family.

Shareholder structure

As at 30 June 2022, the total number of outstanding shares of Adler Group amounts to 117.5 million. Currently, the main shareholders with holdings of over 5% are: Vonovia SE (20.49%) , Gerda Caner (7.44%) and Aggregate Holdings S.A. (6.10%)(1). The remaining 65.97% free float shares are mainly held by institutional investors.

Dividend

For reasons of prudence, the Board of Directors has previously decided not to submit a dividend proposal to the shareholders of Adler Group until an unqualified audit opinion has been issued and will therefore not make any forward-looking statement on the dividend until further notice.

(1) According to the official notifications received from the shareholders.

Opportunities and Risk Report

Regarding the actual risk and opportunity situation, the company refers to the detailed risks and opportunities report in the annual report 2021 as well as the following issues after its publication.

Risks related to the disclaimer of opinion for the 2021 financial statements

As a result of the final report of KPMG Forensic on the allegations made by a short seller and their own audit procedures, KPMG issued a disclaimer of opinion for the consolidated financial statements and the annual accounts 2021 for Adler Group. According to KPMG, it has not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated and annual accounts. It is Adler Group's clearly stated goal to take all steps to cure the disclaimer of opinion issued by KPMG for the 2021 financial statements in order to obtain an unqualified audit opinion for 2022.

On 17 May 2022, KPMG informed Adler Group that they will not be available for an audit of the FY2022 financial statements. Adler Group immediately initiated a process to search for a new auditor.

On 29 June 2022, Adler Group S.A. announced the launch of a tender for the mandate to audit its stand-alone and consolidated financial statements for the financial year 2022. The tender ended on 13 July 2022. In that time, no applications were received. Due to lack of replies to the tender, audit firms have been and will continue to be actively approached. Without an auditor, Adler Group's activities to secure future refinancing could potentially be jeopardised.

There is a risk that Adler Group is not able to cure the disclaimer of opinion for the 2021 financial statements and to obtain an unqualified or even any audit opinion for 2022. This could potentially jeopardise Adler Group's activities to secure refinancing over the course of 2023, especially with regard to ADLER Real Estate AG's (ADLER) bonds payable in 2023 and 2024, although the former is accounted for in the Company's cash projection until December 2023.

Since KPMG Forensic was not able to refute all allegations brought forward by a short seller and due to the resulting increased public scrutiny, there is a risk of lawsuits being filed by shareholders and bond holders of Adler Group and ADLER. According to press reports, on 5 May 2022 the Stuttgart law firm WEISSWERT Rechtsanwaltsgesellschaft mbH filed a lawsuit against Adler Group before the Regional Court of Frankfurt on behalf of a shareholder (source: www.finanznachrichten.de). At the same time, the law firm supposedly filed an application for the establishment of a model case under the German Capital Markets Model Case Act (Kapitalanleger-Musterverfahrensgesetz – KapMuG) against Adler Group. The aforementioned lawsuits have not yet been served, notified or otherwise delivered to Adler Group.

Adler Group is of the firm opinion that the published financial statements for 2021 and audit reports by KPMG fulfill the requirements under its bond terms.

BaFin request concerning ADLER Real Estate AG

In addition to the audit of ADLER's consolidated financial statements as at 31 December 2020, as well as the consolidated financial statements as at 31 December 2019, ADLER received the audit order on 22 June 2022, of the German Federal Financial Supervisory Authority (BaFin) for the consolidated financial statements as at 31 December 2021, and the combined management report for financial year 2021.

According to BaFin, the audit order is issued against the background that KPMG AG Wirtschaftsprüfungsgesellschaft, as auditor of ADLER, has refused to issue an audit opinion with respect to the consolidated financial statements of ADLER. The reason given by the auditor was that it was, in its view, not possible to assess with sufficient certainty whether transactions had taken place with other related parties and whether these transactions had been recorded completely and correctly. In the opinion of BaFin, there are thus concrete indications that relationships and transactions with related parties may not have been fully and correctly recorded and presented in the consolidated financial statements, contrary to International Accounting Standard (IAS) 24.

The Company welcomes the audit order as the BaFin audit and the expected findings from the review of the financial statements will make a further contribution to clarifying the allegations made against the Adler Group and its subsidiaries by a short seller, according to which related parties had exerted influence on transactions and business events.

In August 2022, ADLER appealed against a decision of BaFin which has decided within the scope of an error determination that the audited consolidated financial statements as at 31 December 2019, and the related combined management report for the financial year 2019 of ADLER Real Estate AG contain an accounting error pursuant to Section 109 (1) WpHG.

In essence, BaFin's derivation of the error finding is based on what BaFin considers to be an overvaluation of a real estate project, the "Glasmacherviertel" project. The Adler Group and ADLER had repeatedly pointed out publicly that it considered the valuation, which had been audited and certified several times in the consolidated financial statements, to be proper and correct. Furthermore, the valuation was carried out by a professional, independent expert. ADLER and Adler Group also argued accordingly in its statement to BaFin. However, it is apparent that the Adler Group, ADLER and BaFin have different opinions on this matter, which are now being clarified by legal action.

Adler Group S.A. received information requests from the CSSF relating to questions within the framework of CSSF's examination of the 2020 consolidated and stand-alone financial statements of Adler Group S.A. as well as interim financial statements as at 30 June 2021 and allegations published in a report by the Viceroy Research Group on 6 October 2021 (the Viceroy Report), which the Company answered in a timely manner. CSSF is currently reviewing the Company's latest set of provided responses.

Covenants

Adler Group‘s existing debt facilities require compliance with certain financial and maintenance covenants.

In the case of financing arrangements with LBBW (outstanding amounts of three loans totalling to EUR 371.3 million, maturity 30 June 2025) and Commerzbank (outstanding amount of EUR 97.5 million, maturity on 31 March 2028), there is a right of termination in connection with consolidated financial statements being published. Waivers are currently in place and will be negotiated with both institutions on a rolling basis.

Due to Adler Group's interest coverage ratio (ICR) falling below 1.8x, the incurrence of external financial indebtedness by Adler Group and its subsidiaries is prohibited by Adler Group's bond covenants until such ratio reaches at least 1.8x again. The ICR-based financial indebtedness incurrence test is included in all currently outstanding bonds (other than a convertible bond) of Adler Group S.A. for a total amount of EUR 3.2 billion. The ICR covenant in question is an incurrence covenant. No termination rights of the bondholders result from a lower ICR ratio and there is no positive requirement to achieve a higher ICR ratio at any time. It has been communicated throughout the Group that no new external financial indebtedness may be incurred.

In addition and as in the first quarter, the Unencumbered Asset Ratio (UAR) did not meet the required threshold in the second quarter. Like the ICR covenant, the UAR is incurrence based and the same considerations apply, though notably only one of Adler Group's outstanding bonds includes a UAR-based incurrence restriction.

Retraction of LEG from BCP transaction

On the basis of a corresponding resolution of the management board of LEG Immobilien SE (LEG), LEG Grundstücksverwaltung GmbH decided on 3 August 2022, not to submit a public purchase offer for the shares of Brack Capital Properties N.V. (BCP). LEG Grundstücksverwaltung GmbH will thus definitively not make use of the tender commitment concluded with ADLER Real Estate AG on 1 December 2021, with the obligation to deliver 63.0% of the shares in BCP in the event of a public acquisition offer by LEG for BCP.

The management board of ADLER is continuing to evaluate further options for the investment in BCP. In view of the very high quality of BCP's portfolio, ADLER is confident of finding a good solution within a reasonable period of time.

Adler Group and ADLER have already been working on alternatives to be able to achieve the cash inflow envisaged through the sale of the BCP investment by other means, if necessary.

Upfront transactions

On 11 August 2022, Adler Group announced the completed sale of the development projects Ostend Quartier and Westend Ensemble – Upper West – Lea B, both located in Frankfurt am Main. Both projects were formerly owned by Adler Group’s subsidiary Consus Real Estate AG. The two projects were sold in separate transactions to institutional investors. Both transactions closed in August and the combined cash proceeds of approx. EUR 166 million have been received. The project debt, including interest in the amount of EUR 65 million related to one transaction, was fully repaid.

In a challenging market environment, Adler Group sold these projects with a combined discount to Gross Asset Value (GAV) as per 31 December 2021 of around 13.6%. There is the risk that further projects will be sold below book value.

Statement regarding the overall risk situation:

From today's perspective, the Senior Management does not see an immediate risk that could jeopardise the continued existence of the Adler Group as a going concern in terms of its results of operations and/or net assets. However, the liquidity position for 2023 depends on the successful closing of upfront sales. With the decision of LEG to not submit a public purchase offer for the shares of BCP, the management board of ADLER Real Estate AG will have to evaluate further options for the investment in BCP. Additionally, due to the covenants falling below the thresholds no additional third party debt financing can be obtained without needing to procure waivers or consents of appicable creditors. Although the risk profile of Adler Group's underlying operating activities is overall not atypical for the portfolio/property management and project development business models, the overall risk position (especially in the project development business and at Group level) is increased due to group-specific risk factors (e.g., reputation, human resources), financing-related risk factors (especially the effects from the raised allegations in the short seller attack, the subsequent forensic investigation and the disclaimer of opinion for the 2021 financial statements as well as the latest BaFin examination and interim order) and the current political and economic environment, including the price increases in construction and energy costs and potential shortage in energy and gas supply in autumn and winter 2022.

At the end of July 2022, ADLER published the agenda for its annual General Meeting on 31 August 2022. Among other things, the management board is to be authorised to sell up to 22,301 apartments and commercial units from ADLER's portfolio. This authorisation is to be valid until the next annual General Meeting. Moreover, upfront sales of Consus Real Estate AG, which are not classified as "build-to-hold", are potential options, even if the sales price is below book value.

Interim Management Report

2 Interim Management Report

Fundamentals of the Group

Business model

Adler Group S.A. is a well-diversified residential real estate company with properties in Germany valued at EUR 9.5 billion. We hold and manage approximately 26,000 apartments in our core portfolio, with an additional 6,000 units under development in Germany's top cities.

Our business model focuses on asset and portfolio management, property and facility management and on identifying residential properties throughout Germany that present opportunities to create value by increasing rents and decreasing vacancies. With our strategic landbank in the top German cities and our highly experienced development platform, we expect the build-to-hold development projects to be completed over the next 6–8 years. We will deliver new residential units in a strategic effort to address the ongoing housing shortage in Germany. Our 775 operational employees are based in several locations across Luxembourg and Germany bringing us closer to our assets and tenants.

Objectives and strategy

We focus on actively managing our core portfolio to grow earnings and improve EBITDA margins

We focus on increasing rents through active asset management and targeted investments to modernise, refurbish and re-position our properties, while constantly screening and anticipating developments in different sub-markets. Our strategy to realise upside potential consists of the following approaches: We pursue regular rent increases up to the market levels (i) within the regulatory and legal limits as well as (ii) through tenant fluctuation. In addition, we continuously review rent potentials and pur-

RESIDENTIAL RENTAL PORTFOLIO

26,243

units

OPERATIONAL EMPLOYEES

775

people

sue growth beyond the rent tables through targeted CAPEX investments to modernise, refurbish and/or reposition our properties allowing for higher rent levels. Lastly, we reduce portfolio vacancy through active marketing with an approach tailored to the respective micro-location. Our strategy allows and also leads us to choose high quality tenants, which continuously improves our tenant structure by maintaining our portfolio assets at the market standard suitable for current demand.

We seek to optimise our portfolio and recycle capital through selective investments and disposals

By disposing of non-core assets, we aim to streamline our rental portfolio by increasing our focus on medium and large-size cities where we can manage a critical mass of assets and simultaneously improve our profitability and portfolio KPIs. By selling selected assets at book value or above, we aim to continuously demonstrate the resilience of the German residential real estate market. Active capital recycling enables us to fund the construction of our development pipeline, which will further improve the quality of our portfolio.

Furthermore, we also expect to benefit from Consus' ongoing forward sales and condominium sales of its development projects to yield NAV accretive growth over the next three to four years.

We are committed to adding value through development and modernisation thereby driving organic growth

Through the integration of ADLER and Consus, we have grown and diversified our business by securing a clear and profitable organic growth path which rests upon our high quality build-to-hold development pipeline with a current gross asset value (GAV) of EUR 800 million. We aim to develop approximately 500,000 m^2 of additional rental area across 6,000 additional rental units in Germany's top cities over the next ten years. In addition to that, selected CAPEX and modernisation measures in our core portfolio will elevate the quality of our rental portfolio and simultaneously improve the energy efficiency.

We plan to further simplify our capital structure

We intend to simplify our capital structure. Our financial policy includes a sustainable target of LTV below 50% in the medium-term, without equity raising requirements.

Dividend

For reasons of prudence, the Board of Directors has previously decided not to submit a dividend proposal to the shareholders of Adler Group until an unqualified audit opinion has been issued and will therefore not make any forward-looking statement on the dividend until further notice.

Corporate Governance

The Company's corporate governance practices are governed by Luxembourg Law (particularly the Luxembourg law of 10 August 1915 on commercial companies, as amended) and the Company Articles. As a Luxembourg company with its shares admitted to trading on the regulated market (Prime Standard) of the Frankfurt Stock Exchange, the Company is not subject to any specific mandatory corporate governance rules. The corporate governance practices applied by the Company are those applied under general Luxembourg law.

Composition of the Board

As at 30 June 2022, the Board comprised as follows:

Prof. Dr. A. Stefan Kirsten, Chairman
Independent Director

Mr Thierry Beaudemoulin
Director

Mr Thilo Schmid
Independent Director

Mr Thomas Zinnöcker
Independent Director

Portfolio Overview

Business performance highlights

As at 30 June 2022, our residential rental portfolio has a strong focus on Berlin as well as some other larger cities primarily in North Rhine-Westphalia such as Duisburg and Düsseldorf.

The size of the residential rental portfolio has decreased significantly due to a large portfolio disposal completed in 2021 as well as further portfolio disposals in 2022 which have partly been carried out already with corresponding assets being reclassified to assets held for sale as at 30 June 2022.

The figures shown in this section show the residential core portfolio and do not comprise any assets classified as held for sale (with the exception of maintenance and CAPEX figures which are based on the total residential portfolio in H1 2022).

Portfolio overview(*)

Location	Fair value EUR m H1 22	Fair value EUR/m² H1 22	Units	Lettable area m²	NRI(**) EUR m H1 22	Rental yield (in-place rent)	Vacancy H1 22	Vacancy Δ YoY LFL	H1 22 Avg. rent EUR/m²/ month	NRI Δ YoY LFL	Rever-sionary potential
Berlin	4,722	3,657	18,604	1,291,369	124.5	2.6%	1.2%	(0.5%)	8.08	2.7%	22.4%
Other	721	1,481	7,639	486,898	33.6	4.7%	2.5%	0.1%	5.89	1.0%	15.7%
Total	**5,443**	**3,061**	**26,243**	**1,778,267**	**158.2**	**2.9%**	**1.6%**	**(0.3%)**	**7.47**	**2.3%**	**21.0%**

(*) All values include ground floor commercial units and exclude units under renovation and development projects.
(**) Annualised net rental income.

In addition to our financial performance indicators, we also use the following non-financial operating performance indicators.

The vacancy rate shows the ratio of m^2 of vacant units in our properties to total m^2. Vacancy rate is used as an indicator of the current letting performance.

The in-place rent per m^2 provides an insight into the average rental income from the rented properties. It serves as an indicator of the current letting performance.

The like-for-like rental growth is the change rate of the net rents generated by the like-for-like residential portfolio over the last 12 months.

All of the above-described non-financial performance indicators are key drivers for the development of rental income.

The total amounts spent on maintenance and CAPEX in relation to the total lettable area of our portfolio are further operational figures to ensure an appropriate level of investment in our real estate portfolio.

Portfolio performance

Residential portfolio(*)

	30 June 2022	31 Dec 2021
Number of units	26,243	27,469
Average rent/m^2/month	EUR 7.47	EUR 7.45
Vacancy	1.6%	1.1%

(*) All values include ground floor commercial units and exclude units under renovation and development projects.

The average rent per m^2 increased to EUR 7.47 in the course of the year, while the vacancy rate marginally increased to 1.6% due to seasonal effects.

AVERAGE RESIDENTIAL IN-PLACE RENT

EUR/M^2/MONTH

7.47

LIKE-FOR-LIKE RENTAL GROWTH

2.3%

Like-for-like rental growth(*)

In %	LTM(**) 30 June 2022	1 Jan - 31 Dec 2021
Like-for-like rental growth	2.3%	2.5%

(*) All values include ground floor commercial units and exclude units under renovation and development projects.
(**) Last 12 months (LTM).

Like-for-like rental growth of our Berlin portfolio amounted to 2.6% while like-for-like rental growth of the remaining portfolio stood at 1.0%.

Our fully integrated active asset management is focused on rental growth and employs dedicated strategies to drive all relevant components. In units that require modernisation, we invest CAPEX to improve quality to meet today's standards and regulations. Applying the relevant regulatory framework accurately and efficiently is key to our success in maximising rental growth for our let units.

Maintenance and CAPEX

In EUR per m^2	1 Jan - 30 June 2022	1 Jan - 31 Dec 2021
Maintenance	2.0	5.2
CAPEX	7.6	21.8
Total	**9.6**	**27.0**

Maintenance and CAPEX

In EUR million	1 Jan - 30 June 2022	1 Jan - 31 Dec 2021
Maintenance	6.0	23.1
CAPEX	23.5	97.1
Total	**29.5**	**120.2**

Total investment in the portfolio amounted to EUR 29.5 million resulting in the maintenance and CAPEX cost per m^2 in the first six months of 2022 amounting to EUR 9.6. Please note that both maintenance and CAPEX figures cover investments in the total yielding asset portfolio (including assets classified as held for sale).

Vacancy split

Our active asset management aims to minimise our vacancy rate while keeping the necessary flexibility for our portfolio optimisation.

Vacancy(*)

	30 June 2022	31 Dec 2021
Total vacancy (units)	415	309
Total vacancy (m^2)	27,381	20,360
Total vacancy rate	1.6%	1.1%

(*) All values include ground floor commercial units and exclude units under renovation and development projects.

VACANCY RATE

TOTAL PORTFOLIO

1.6%

Financial Overview

Financial performance indicators

The European Public Real Estate Association (EPRA) changed its definition of net asset value (NAV) in October 2019 and it was applied for the first time in the 2020 financial year. The key figures NAV and NNNAV have been replaced by three new figures: Net Reinstatement Value (NRV), Net Tangible Asset (NTA) and Net Disposal Value (NDV).

In addition to the new EPRA NAV metrics, we continue to show EPRA NAV based on the previous EPRA Best Practice Recommendations (BPRs).

EPRA NAV represents the fair value of net assets on an ongoing, long-term basis. Assets and liabilities that are not expected to crystallise in normal circumstances, such as the fair value of financial hedging derivatives and deferred taxes on property valuation surpluses, are therefore excluded. Similarly, trading properties are adjusted to their fair value under the EPRA NAV measure.

EPRA NAV makes adjustments to IFRS NAV to provide stakeholders with the most relevant information on the fair value of the assets and liabilities within a true real estate investment company with a long-term investment strategy.

Adler Group has an outstanding convertible bond, which might be converted into equity at maturity. To take this fact into account, we present all the NAV metrics on a diluted basis as well which includes the fair value of the convertible bond and the fully diluted number of shares at the corresponding reporting date.

Calculation of EPRA NAV

Total equity attributable to owners of the Company	
(+)	Revaluation of inventories[1]
(–)	Fair value of financial instruments[2]
(–)	Deferred taxes[3]
= **EPRA NAV**	

1) Difference between inventories carried in the balance sheet at cost (IAS 2) and the fair value of inventories.

2) Fair value of financial instruments that are used for hedging purposes where the Company has the intention of keeping the hedge position until the end of the contractual duration.

3) For EPRA NAV and EPRA NRV: Deferred taxes as per the IFRS balance sheet in respect of the difference between the fair value and the tax book value of investment property, development property held for investment, intangible assets, or other non-current investments.

For EPRA NTA: Only deferred taxes relating to the proportion of the portfolio that is intended to be held in the long-run and not sold are excluded.

The objective of the EPRA NRV measure is to highlight the value of net assets on a long-term basis. Assets and liabilities which are not expected to crystallise in normal circumstances, such as the fair value movements on financial hedging derivatives and deferred taxes on property valuation surpluses, are therefore excluded. Since the indicator also aims at reflecting what would be needed to recreate the Company through the investment markets based on its current capital and financing structure, related costs (such as real estate transfer taxes) are included.

Calculation of EPRA NRV

Total equity attributable to owners of the Company

(+)	Revaluation of inventories[1)]
(–)	Fair value of financial instruments[2)]
(–)	Deferred taxes[3)]
(+)	Real estate transfer tax[4)]

= **EPRA NRV**

4) For EPRA NRV: Real Estate Transfer Tax on investment properties is the gross value as provided in the valuation certificate (i.e., the value prior to any deduction of purchasers' costs).
For EPRA NTA: The Company has a history of successfully completing share deals; and there is a reasonable expectation that the Company can also do so in the future. Therefore, transfer tax optimisation adjustment has been used by applying the implied average transfer tax consistently achieved in the past.

The underlying assumption behind the EPRA Net Tangible Assets calculation assumes that entities buy and sell assets, thereby crystallising certain levels of deferred tax liability.

Calculation of EPRA NTA

Total equity attributable to owners of the Company

(+)	Revaluation of inventories[1)]
(–)	Fair value of financial instruments[2)]
(–)	Deferred taxes[3)]
(–)	Goodwill
(+)	Real estate transfer tax[4)]

= **EPRA NTA**

EPRA Net Disposal Value presents a scenario where deferred tax, financial instruments and certain other adjustments are calculated as to the full extent of their liability, including tax exposure not reflected in the balance sheet, net of any resulting tax. This measure should not be viewed as a "liquidation NAV" because, in many cases, fair values do not represent liquidation values.

Calculation of EPRA NDV

Total equity attributable to owners of the Company

(+)	Revaluation of inventories[1)]
(–)	Fair value of fixed interest rate debt[5)]
(–)	Goodwill

= **EPRA NDV**

5) The difference between the fair value of fixed interest rate debt and book value included in the balance sheet as per IFRS.

NOI (net operating income) equals total revenue from the property portfolio less all reasonably necessary operating expenses. Aside from rent, a property might also generate revenue from parking and service fees. NOI is used to track the real estate portfolio's capability of generating income.

EBITDA from rental activities is an indicator of a company's financial performance and is calculated by deducting the overhead costs from NOI. It is used as a proxy to assess the recurring earnings potential of the letting business.

EBITDA Total can be derived by adding the net profit from project development activities, the fair value gain from build-to-hold development and the net profit from privatisations to EBITDA from rental activities.

In addition, we present the NOI margin from rental activities – calculated as NOI divided by net rental income, as well as EBITDA margin from rental activities – calculated as EBITDA from rental activities divided by net rental income. These metrics are useful to analyse the operational efficiency at real estate portfolio level as well as at Company level.

Calculation of EBITDA (from rental activities)

	Net rental income
(+)	Income from facility services and recharged utilities costs
=	**Income from rental activities**
(–)	Cost from rental activities[6)]
=	**Net operating income (NOI) from rental activities**
(–)	Overhead costs from rental activities[7)]
=	**EBITDA from rental activities**

6) Cost from rental activities is the aggregate amount of (a) Salaries and other expenses related to rental activities; (b) Net cost of utilities recharged; and (c) Property operations and maintenance, excluding one-off costs. Adjustments for one-off costs include items that are of a non-periodic nature, recur irregularly, are not typical for operations, or are non-cash-effective.

7) Overhead costs from rental activities represent the "General and administrative expenses" from the profit or loss statement excluding one-off costs and depreciation and amortisation relating to rental activities. Adjustments for one-off costs include items that are of a non-periodic nature, recur irregularly, are not typical for operations, or are non-cash-effective like impairment losses on trade receivables.

Calculation of EBITDA Total

	Income from rental activities
(+)	Income from property development
(+)	Income from real estate inventories disposed of
(+)	Income from other services
(+)	Income from selling of trading properties
=	**Revenue**
(–)	Cost from rental activities[6)]
(–)	Other operational costs from development and privatisation sales[8)]
=	**Net operating income (NOI)**
(–)	Overhead costs from rental activities[7)]
(–)	Overhead costs from development and privatisation sales[9)]
(+)	Profit from portfolio sales[10)]
(+)	Fair value gain from build-to-hold development[11)]
=	**EBITDA Total**
(–)	Net cash interest[12)]
(+/–)	Other net financial costs[13)]
(–)	Depreciation and amortisation
(+)	Change in fair value of investment properties
(+/–)	Other expenses/income[14)]
(–)	Net income from at-equity valued investment[15)]
=	**EBT**

8) Other operational costs from development and privatisation sales is the aggregate amount of (a) Costs of real estate inventories disposed of; (b) Costs of property development; and (c) Costs of selling trading property (condominiums) excluding one-off costs and depreciation and amortisation. Adjustments for one-off costs include items that are of a non-periodic nature, recur irregularly, are not typical for operations, or are non-cash effective.

9) Overhead costs from development and privatisation sales represent the "General and administrative expenses" from the profit or loss statement excluding one-off costs and depreciation and amortisation excluding costs relating to rental activities. Adjustments for one-off costs include items that are of a non-periodic nature, recur irregularly, are not typical for operations, or are non-cash effective.

10) Profit from portfolio sales includes the disposals of IAS 40 properties. This position compares the proceeds generated from the disposal with the last recognised book value and also deducts the related costs of this sale.

11) Our internally developed build-to-hold portfolio allows the Company to generate fair value gain.

12) Net cash interest is equal to "Interest on other loans and borrowings", excluding day-1 fair value non-cash adjustment and interest capitalised for development projects, plus the nominal interest expense on bonds.

13) Other net financial costs is equal to the total "Net finance costs" from the profit or loss statement less "Net cash interest" as calculated in footnote 12) above.

14) Other expenses/income relates to adjustments for one-off costs which include items that are of a non-periodic nature, recur irregularly, are not typical for operations, or are non-cash-effective.

15) Net income from at-equity valued investment from the profit and loss statement.

Starting with EBITDA from rental activities, we calculate the main performance figure in the sector, FFO 1 (from rental activities). This KPI serves as an indicator of the sustained operational earnings power after cash interest expenses and current income taxes of our letting business.

Calculation of FFO 1 (from rental activities)

EBITDA from rental activities	
(–)	Net cash interest relating to rental activities[16]
(–)	Current income taxes relating to rental activities[17]
(–)	Interest of minority shareholders[18]
= FFO 1 (from rental activities)	

16) Net cash interest relating to rental activities is equal to "Interest on other loans and borrowings" relating to rental activities, excluding day-1 fair value non-cash adjustment, plus the nominal interest expense on bonds.

17) Only current income taxes relating to rental activities.

18) Interest of minority shareholders in ADLER's subsidiary Brack Capital Properties N.V. ("BCP") as ADLER's share is only 62.78% as at 31 December 2021.

Starting from EBITDA Total, we calculate FFO 2 (incl. disposal results and development activities). FFO 2 is used to indicate the total operational earning power.

Calculation of FFO 2 (incl. disposal results and development activities)

EBITDA Total	
(–)	Net cash interest[12]
(–)	Current income taxes[19]
(–)	Interest of minority shareholders[18]
= FFO 2 (incl. disposal results and development activities)	

19) Current income taxes as presented in the financial statements exclude the income tax relating to the disposal of the non-core portfolio.

The loan-to-value ratio (LTV ratio) indicates the degree to which the net financial liabilities, calculated as the book value of the interest-bearing loans and borrowings plus bonds less cash and cash equivalents, are covered by the fair market value of the real estate portfolio. This indicator helps us to ensure a sustainable ratio of borrowings compared to the fair value of our real estate portfolio.

The LTV ratio was adjusted to align with the methodology of ADLER Real Estate AG. The net financial liabilities are adjusted for selected financial assets like purchase price receivables and financial assets, among others. The fair value of the properties includes advances paid in respect of investment properties and is adjusted for property, plant and equipment used for energy management and property management services and for investments in real estate companies.

Calculation of LTV

Bonds, other loans and borrowings	
(+)	Convertible bonds
(–)	Cash and cash equivalents
(–)	Selected financial assets[20]
(–)	Contract assets
(–)	Assets and liabilities classified as held for sale
=	**Net financial liabilities**
(+)	Fair value of properties[21]
(+)	Investment in real estate companies[22]
=	**GAV (Gross Asset Value)**
= Loan-to-value ratio (LTV ratio)	

20) Including financial receivables, trade receivables from the sale of real estate investment and other financial assets.

21) Including investment properties and inventories at their fair value, advances paid in respect of investment properties as well as property, plant and equipment used for energy management and property management services at its book value as at the reporting date.

22) Including investments accounted under the equity method from the consolidated financial statements.

We believe that the alternative performance measures described in this section constitute the most important indicators for measuring the operating and financial performance of the Group's business.

We expect all of the above-described alternative performance measures to be of use for our investors in evaluating the Group's operating performance, the net value of the Group's property portfolio and the level of the Group's indebtedness.

Due to rounding, the figures reported in tables and cross references may deviate from their exact values as calculated.

Profit situation

EBITDA from rental activities decreased mainly in H1 2022 compared to 2021 as a result of the disposal of the Northern portfolio to LEG. EBITDA Total has decreased in 2022 compared to 2021 mainly due to lower income from rental activities and property development.

For H1 2022 the FFO 1 amounts to EUR 49.9 million and translates into a per share basis of EUR 0.42, whereas the FFO 2 accounts for EUR -67.0 million and EUR -0.57 per share.

As at 30 June 2022 the total interest-bearing nominal debt amounted to around EUR 7.1 billion. As at H1 2022, our average interest rate on all outstanding debt is 2.2%, with a weighted average maturity of 3.7 years and an interest coverage ratio of 0.7[*].

(*) The interest coverage ratio ("ICR") is defined as the EBITDA Total relative to the net cash interest in the most recent four consecutive quarters.

EBITDA

EBITDA from rental activities

In EUR thousand	For the six months ended		For the three months ended		For the year ended
	30 June 2022	**30 June 2021**	**30 June 2022**	**30 June 2021**	**31 Dec 2021**
Net rental income	130,787	174,017	59,737	89,669	346,188
Income from facility services and recharged utilities costs	64,642	56,490	27,941	28,431	148,904
Income from rental activities	**195,429**	**230,507**	**87,678**	**118,100**	**495,092**
Cost from rental activities	(80,018)	(89,920)	(36,344)	(45,292)	(216,775)
Net operating income (NOI) from rental activities	**115,411**	**140,587**	**51,334**	**72,808**	**278,317**
NOI from rental activities margin (%)	**88.2%**	**80.8%**	**85.9%**	**81.2%**	**80.4%**
Overhead costs from rental activities	(29,533)	(28,043)	(14,092)	(14,478)	(50,569)
EBITDA from rental activities	**85,879**	**112,545**	**37,243**	**58,331**	**227,748**
EBITDA margin from rental activities (%)	**65.7%**	**64.7%**	**62.3%**	**65.1%**	**65.8%**

EBITDA Total

In EUR thousand	For the six months ended 30 June 2022	For the six months ended 30 June 2021(*)	For the three months ended 30 June 2022	For the three months ended 30 June 2021	For the year ended 31 Dec 2021
Income from rental activities	195,429	230,507	87,678	118,100	495,092
Income from property development	9,558	58,908	(5,959)	13,338	122,969
Income from other services	7,767	4,878	2,274	(1,173)	18,126
Income from real estate inventory disposed of	17,000	218,667	17,000	-	502,108
Income from sale of trading properties	1,295	4,917	930	2,977	5,437
Revenue	**231,049**	**517,877**	**101,923**	**133,242**	**1,143,732**
Cost from rental activities	(80,018)	(89,920)	(36,344)	(45,292)	(216,775)
Other operational costs from development and privatisation sales	(54,120)	(319,052)	(31,997)	(25,054)	(611,416)
Net operating income (NOI)	**96,911**	**108,905**	**33,582**	**62,896**	**315,541**
Overhead costs from rental activities	(29,533)	(28,043)	(14,092)	(14,478)	(50,569)
Overhead costs from development and privatisation sales	(15,639)	(9,886)	(10,960)	(2,765)	(19,674)
Profit from portfolio sales(**)	-	-	-	-	45,638
Fair value gain from build-to-hold development(***)	(61,889)	39,337	(61,889)	39,337	(82,690)
EBITDA Total	**(10,150)**	**110,313**	**(53,359)**	**84,990**	**208,246**
Net cash interest	(45,456)	(54,869)	(22,677)	(23,060)	(97,903)
Other net financial costs	(374,832)	(102,538)	(343,793)	(75,448)	(284,566)
Depreciation and amortisation	(12,314)	(7,584)	(6,328)	(3,743)	(19,688)
Other income/(expenses)	(194,797)	19,737	(133,568)	36,723	(1,281,721)
Change in valuation	(85,559)	500,615	(154,877)	299,720	452,195
Net income from at-equity valued investments	538	(100)	192	(100)	758
EBT	**(722,569)**	**465,574**	**(714,410)**	**319,082**	**(1,022,680)**

(*) Previous year's figures adjusted according to IAS 8, please refer to Note 3, Subchapter C.
(**) Contains the profit stemming from the KKR/Velero transaction.
(***) Previous year's figures adjusted for reclassified projects.

INCOME FROM RENTAL ACTIVITIES

EUR

195.4

million

FFO

FFO 1 (from rental activities)

In EUR thousand	For the six months ended 30 June 2022	30 June 2021	For the three months ended 30 June 2022	30 June 2021	For the year ended 31 Dec 2021
EBITDA from rental activities	85,879	112,545	37,243	58,331	227,748
Net cash interest	(26,957)	(37,719)	(12,550)	(18,738)	(75,644)
Current income taxes	(4,138)	(3,234)	(2,098)	(2,287)	(5,600)
Interest of minority shareholders	(4,877)	(3,843)	(2,436)	(1,883)	(9,433)
FFO 1 (from rental activities)	**49,907**	**67,750**	**20,158**	**35,423**	**137,072**
No. of shares(*)	117,510	117,510	117,510	117,510	117,510
FFO 1 per share	**0.42**	**0.58**	**0.17**	**0.30**	**1.17**

(*) The number of shares is calculated as weighted average for the related period.

FFO 2 (incl. disposal results and development activities)

In EUR thousand	For the six months ended 30 June 2022	30 June 2021(*)	For the three months ended 30 June 2022	30 June 2021	For the year ended 31 Dec 2021
EBITDA Total	(10,150)	110,313	(53,359)	84,990	208,246
Net cash interest	(45,456)	(54,869)	(22,677)	(23,060)	(97,903)
Current income taxes	(6,524)	(14,396)	(3,381)	(9,620)	(40,027)
Interest of minority shareholders	(4,877)	(3,843)	(2,436)	(1,883)	(9,433)
FFO 2	**(67,006)**	**37,205**	**(81,853)**	**50,427**	**60,883**
No. of shares(**)	117,510	117,510	117,510	117,510	117,510
FFO 2 per share	**(0.57)**	**0.32**	**(0.70)**	**0.43**	**0.52**

(*) Previous year’s figures adjusted according to IAS 8, please refer to Note 3, Subchapter C.
(**) The number of shares is calculated as weighted average for the related period.

FFO 1

EUR

49.9

million

Financial and asset position

The Group's total assets decreased slightly from EUR 13.0 billion on 31 December 2021 to EUR 11.4 billion as at 30 June 2022. The Company has updated the fair value of the properties based on a third-party valuation.

Financial position

In EUR thousand	30 June 2022	31 Dec 2021
Investment properties and advances related to investment properties	6,834,206	7,115,862
Other non-current assets	347,497	337,179
Non-current assets	**7,181,703**	**7,453,041**
Cash and cash deposits	770,721	555,700
Inventories	1,067,292	1,093,454
Other current assets	386,823	916,541
Current assets	**2,224,836**	**2,565,695**
Non-current assets held for sale	**2,019,496**	**3,017,588**
Total assets	**11,426,035**	**13,036,324**
Interest-bearing debts	6,256,527	7,003,429
Other liabilities	718,316	730,540
Deferred tax liabilities	519,534	759,828
Liabilities classified as available for sale	**896,895**	**849,050**
Total liabilities	**8,391,272**	**9,342,847**
Total equity attributable to owner of the Company	**2,388,666**	**2,990,383**
Non-controlling interests	646,097	703,094
Total equity	**3,034,763**	**3,693,477**
Total equity and liabilities	**11,426,035**	**13,036,324**

In the following tables we present the new EPRA key figures as presented in the new EPRA BPRs and compare them with the previous EPRA NAV definition.

EPRA NAVs

30 June 2022(*)

In EUR thousand	NAV	NRV	NTA	NDV
Total equity attributable to owners of the Company	2,388,666	2,388,666	2,388,666	2,388,666
Revaluation of inventories	(100,348)	(100,348)	(100,348)	(100,348)
Deferred tax	808,980	808,980	762,797	-
Goodwill	-	-	-	-
Fair value of financial instruments	430	430	430	-
Fair value of fixed interest rate debt	-	-	-	1,798,021
Real estate transfer tax	-	674,213	483,252	-
EPRA NAV	**3,097,728**	**3,771,942**	**3,534,797**	**4,086,339**
No. of shares	117,510	117,510	117,510	117,510
EPRA NAV per share	**26.36**	**32.10**	**30.08**	**34.77**
Convertibles	99,750	99,750	99,750	99,750
EPRA NAV fully diluted	**3,197,479**	**3,871,692**	**3,634,547**	**4,186,089**
No. of shares (diluted)	118,694	118,694	118,694	118,694
EPRA NAV per share fully diluted	**26.94**	**32.62**	**30.62**	**35.27**

(*) Adjusted for BCP IFRS 5 illustration which has been disregarded; the corresponding line items have been reversed into respective balance sheet positions.

EPRA NAVs

31 Dec 2021(*)

In EUR thousand	NAV	NRV	NTA	NDV
Total equity attributable to owners of the Company	2,990,383	2,990,383	2,990,383	2,990,383
Revaluation of inventories	8,167	8,167	8,167	8,167
Deferred tax	947,757	947,757	857,403	-
Goodwill	-	-	(91,400)	(91,400)
Fair value of financial instruments	2,412	2,412	2,412	-
Fair value of fixed interest rate debt	-	-	-	435,476
Real estate transfer tax	-	700,654	501,611	-
EPRA NAV	**3,948,718**	**4,649,372**	**4,268,575**	**3,342,626**
No. of shares	117,510	117,510	117,510	117,510
EPRA NAV per share	**33.60**	**39.57**	**36.33**	**28.45**
Convertibles	99,025	99,025	99,025	99,025
EPRA NAV fully diluted	**4,047,743**	**4,748,397**	**4,367,600**	**3,441,651**
No. of shares (diluted)	118,694	118,694	118,694	118,694
EPRA NAV per share fully diluted	**34.10**	**40.01**	**36.80**	**29.00**

(*) Adjusted for BCP IFRS 5 illustration which has been disregarded; the corresponding line items have been reversed into respective balance sheet positions.

Loan-to-value

We fund our properties based on a conservative financing strategy with a mix of secured mortgage loans and capital market instruments.

In EUR thousand	30 June 2022(*)	31 Dec 2021(*)
Corporate bonds and other loans and borrowings	6,716,584	7,439,732
Convertible bonds	218,799	216,941
Cash and cash equivalents	(900,969)	(580,561)
Selected financial assets(**)	(354,262)	(745,310)
Net contract assets	(33,522)	(46,128)
Assets and liabilities classified as held for sale	(123,058)	(1,193,284)
Net financial liabilities	**5,523,572**	**5,091,390**
Fair value of properties (including advances)	9,500,769	9,965,420
Investment in real estate companies	28,554	32,395
Gross asset value (GAV)	**9,529,323**	**9,997,815**
Net loan-to-value	**58.0%**	**50.9%**
Net loan-to-value excluding convertibles	**55.7%**	**48.8%**

(*) Adjusted for BCP IFRS 5 illustration which has been disregarded; the corresponding line items have been reversed into respective balance sheet positions.
(**) Including financial receivables (EUR 262 million), trade receivables from the sale of real estate investment (EUR 20 million) and other financial assets (EUR 72 million).

For the LTV calculation, the net financial liabilities are adjusted for selected financial assets like purchase price receivables, among others. The fair value of the properties including advances is adjusted for property, plant and equipment used for energy management and property management services and for investments in real estate companies.

As at the reporting date, our net loan-to-value (LTV) was 58.0%.

LTV

58.0%

Forecast Report

Forecast for 2022

Following significant disposals made from the yielding asset portfolio, we expect to generate net rental income for 2022 in the range of EUR 233–242 million and FFO 1 in the range of EUR 84–88 million. The adjustment compared to prior forecast (NRI EUR 203–212 million and FFO 1 EUR 73–76 million) relates to the inclusion of BCP in H2 2022.

For reasons of prudence, the Board of Directors has previously decided not to submit a dividend proposal to the shareholders of Adler Group until an unqualified audit opinion has been issued and will therefore not make any forward-looking statement on the dividend until further notice.

Responsibility Statement

I confirm, to the best of my knowledge, that the Condensed Interim Financial Statements of Adler Group S.A. presented in this Q2 2022 Quarterly Financial Statements, prepared in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board and as adopted by the European Union, give a true and fair view of the net assets, financial and earnings position of the Company, and that the Interim Management Report includes a fair review of the development of the business, and describes the main opportunities, risks and uncertainties associated with the Company for the remaining six months of the year.

Thierry Beaudemoulin

CEO

Condensed Consolidated Interim Financial Statements

3 Condensed Consolidated Interim Financial Statements

Condensed Consolidated Interim Statement of Financial Position

In EUR thousand	Note	30 June 2022	31 Dec 2021
Assets			
Non-current assets			
Investment properties	5B	6,830,737	7,113,859
Investments in financial instruments		20,267	20,228
Investments accounted under the equity method	5C	28,554	32,395
Advances related to investment properties		3,469	2,003
Property, plant and equipment		29,704	30,028
Other financial assets	5D	178,249	73,063
Derivatives		9,038	10,433
Restricted bank deposits		43,115	42,060
Deferred expenses		-	1,602
Right-of-use assets		12,492	14,764
Goodwill	5A	-	91,400
Other intangible assets		1,387	3,023
Contract assets	5E	18,502	12,510
Deferred tax assets		6,189	5,673
Total non-current assets		**7,181,703**	**7,453,041**
Current assets			
Inventories	5F	1,067,292	1,093,454
Restricted bank deposits		46,821	29,400
Trade receivables	5G	125,519	379,118
Other receivables and financial assets	5H	143,253	423,412
Contract assets	5E	52,425	69,727
Cash and cash equivalents		770,721	555,700
Advances paid on inventories		18,805	14,884
Total current assets		**2,224,836**	**2,565,695**
Non-current assets held for sale	5I	2,019,496	3,017,588
Total assets		**11,426,035**	**13,036,324**

In EUR thousand	Note	30 June 2022	31 Dec 2021
Shareholders' equity			
Share capital		146	146
Share premium		1,844,765	1,844,765
Reserves		200,493	217,788
Retained earnings		343,262	927,684
Total equity attributable to owners of the Company		**2,388,666**	**2,990,383**
Non-controlling interests		**646,097**	**703,094**
Total equity		**3,034,763**	**3,693,477**
Liabilities			
Non-current liabilities			
Corporate bonds	5J	3,726,290	4,211,305
Convertible bonds	5J	99,750	99,025
Other loans and borrowings	5K	1,465,660	2,056,810
Other financial liabilities		16,579	25,253
Derivatives		430	2,412
Pension provisions		1,391	1,363
Lease liabilities		9,586	10,186
Other payables		7,655	8,815
Deferred tax liabilities		519,534	759,828
Total non-current liabilities		**5,846,875**	**7,174,997**
Current liabilities			
Corporate bonds	5J	496,212	399,047
Convertible bonds	5J	119,049	117,916
Other loans and borrowings	5K	349,566	119,326
Other financial liabilities		1,915	1,915
Trade payables		86,482	76,383
Other payables	5L	392,938	357,065
Provisions	5L	83,352	73,865
Lease liabilities		4,975	6,815
Prepayments received	5M	75,608	92,132
Contract liabilities	5E	37,405	36,109
Derivatives		-	38,227
Total current liabilities		**1,647,502**	**1,318,800**
Non-current liabilities held for sale	5I	896,895	849,050
Total shareholders' equity and liabilities		**11,426,035**	**13,036,324**

Date of approval: 29 August 2022

Thierry Beaudemoulin

CHIEF EXECUTIVE OFFICER

Condensed Consolidated Interim Statement of Profit or Loss

In EUR thousand	Note	For the six months ended 30 June 2022	2021(*)	For the three months ended 30 June 2022	2021
Revenue	6A	231,049	517,877	101,923	133,242
Cost of operations	6B	(218,792)	(400,352)	(134,534)	(54,216)
Gross profit		**12,257**	**117,525**	**(32,611)**	**79,026**
General and administrative expenses	6C	(72,509)	(61,437)	(40,727)	(28,037)
Other expenses	6D	(137,572)	(12,098)	(93,802)	(7,651)
Other income	6E	42,453	39,139	35,774	35,295
Changes in fair value of investment properties	5B	(147,448)	539,952	(216,766)	339,057
Results from operating activities		**(302,819)**	**623,081**	**(348,132)**	**417,690**
Finance income	6F	67,929	124,942	46,536	102,539
Finance costs	6F	(113,125)	(279,261)	(413,006)	(198,949)
Impairments on trade and other receivables		(375,092)	(3,088)	-	(2,098)
Net finance income / (costs)		**(420,288)**	**(157,407)**	**(366,470)**	**(98,508)**
Net income (losses) from investments in associated companies		538	(100)	192	(100)
Profit before tax		**(722,569)**	**465,574**	**(714,410)**	**319,082**
Income tax expense		118,184	(110,228)	120,148	(71,196)
Profit for the period		**(604,385)**	**355,346**	**(594,262)**	**247,886**
Profit attributable to:					
Owners of the Company		(581,037)	294,505	(579,064)	211,319
Non-controlling interests		(23,348)	60,841	(15,198)	36,567
Profit for the period		**(604,385)**	**355,346**	**(594,262)**	**247,886**
Earnings per share in EUR (undiluted)		**(4.94)**	**2.54**	**(4.55)**	**1.80**
Earnings per share in EUR (diluted)		**(4.94)**	**2.48**	**(4.55)**	**1.77**

(*) Previous year's figures adjusted according to IAS 8, please refer to Note 3, Subchapter C

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Condensed Consolidated Interim Statement of Comprehensive Income

		For the six months ended 30 June		For the three months ended 30 June	
In EUR thousand	**Note**	**2022**	**2021 (*)**	**2022**	**2021**
Profit for the period		**(604,385)**	**355,346**	**(594,262)**	**247,886**
Items that may be reclassified subsequently to profit or loss					
Hedging reserve classified to profit or loss, net of tax		-	61	-	(34)
Effective portion of changes in fair value of cash flow hedges		729	360	309	188
Related tax		169	98	71	36
Currency translation reserve		(6,682)	3,162	(6,880)	1,183
Reserve from financial assets measured at fair value through other comprehensive income		(11,511)	(384)	(5,975)	953
Total other comprehensive income / (loss)		**(17,295)**	**3,297**	**(12,475)**	**2,326**
Total comprehensive income for the period		**(621,680)**	**358,643**	**(606,737)**	**250,212**
attributable to:					
Owners of the Company		(598,332)	297,802	(591,539)	213,645
Non-controlling interests		(23,348)	60,841	(15,198)	36,567
Total comprehensive income for the period		**(621,680)**	**358,643**	**(606,737)**	**250,212**

(*) Previous year's figures adjusted according to IAS 8, please refer to Note 3, Subchapter C

Condensed Consolidated Interim Statement of Cash Flows

		For the six months ended 30 June		For the three months ended 30 June	
In EUR thousand	**Note**	**2022**	**2021 (*)**	**2022**	**2021**
Cash flows from operating activities					
Profit for the period		(604,385)	355,346	(594,262)	247,886
Adjustments for:					
Depreciation		12,207	7,404	6,318	3,538
Change in fair value of investment properties	5B	147,448	(539,952)	216,766	(339,057)
Profit from selling portfolio	4	(18,896)	-	(18,896)	-
Non-cash other income and expense		73,228	2,772	38,930	(976)
Change in contract assets		11,310	6,945	9,057	18,540
Change in contract liabilities		1,296	(26,986)	4,803	(18,334)
Non-cash income from at-equity valued investment associates		(538)	100	(192)	100
Net finance costs / (income)	6F	420,288	157,407	366,470	98,508
Income tax expense		(118,184)	110,228	(120,148)	71,196
Share-based payments		2	378	(187)	189
Change in short-term restricted bank deposits related to tenants		1,411	(447)	(2,490)	(1,920)
Change in long-term restricted bank deposits from condominium sales		818	1,525	-	(355)
Change in trade receivables		194,469	(183,265)	173,607	(77,240)
Change in other receivables		3,482	81,245	59,508	70,019
Change in inventories		23,677	24,397	42,121	(229,951)
Change in advances received		(16,524)	(67,930)	(2,024)	(75,673)
Change in trade payables		(120,729)	(4,379)	(105,430)	85,773
Change in other payables		(27,078)	38,325	(37,841)	89,304
Income tax paid		(25,966)	(7,204)	(7,569)	(4,372)
Net cash from operating activities		**(42,664)**	**(44,091)**	**28,541**	**(62,825)**
Cash flows from investing activities					
Purchase of and CAPEX on investment properties		(93,666)	(140,156)	(56,474)	(70,556)
Advances paid for purchase of investment properties		-	-	(15)	-
Grant of long-term loans		-	(3,704)	-	1
Proceeds from disposals of investment properties	5I	1,063,948	165,530	401,435	24,066
Proceeds from selling portfolio	4	243,198	-	243,198	-

		For the six months ended 30 June		For the three months ended 30 June	
In EUR thousand	**Note**	**2022**	**2021 (*)**	**2022**	**2021**
Investments in financial instruments		-	(103,515)	-	(43,232)
Purchase of and CAPEX on property, plant and equipment		(1,155)	(1,591)	(490)	(883)
Interest received		3,375	2,835	(216)	2,834
Proceeds from sale of financial instruments		64,950	38,986	39	38,986
Proceeds from sale of fixed assets		(596)	698	(771)	87
Change in short-term restricted bank deposits, net		(20,874)	4,950	(3,755)	85
Net cash from (used in) investing activities		**1,259,180**	**(35,967)**	**582,951**	**(48,612)**
Cash flows from financing activities					
Acquisition of non-controlling interests	4	(37,038)	(60,461)	(37,038)	(41,300)
Repayment of bonds	5J	(400,000)	(779,580)	(400,000)	(450,000)
Long-term loans received		11,369	573,977	1,398	(40,204)
Repayment of long-term loans	5K	(496,464)	(1,355,542)	(159,991)	(111,826)
Proceeds from issuance of corporate bonds, net		162,518	1,951,053	-	490,115
Upfront fees paid for credit facilities		(560)	(1,039)	(122)	(1,011)
Repayment of short-term loans		-	(54,768)	-	(3)
Interest paid		(104,183)	(167,277)	(53,574)	(93,935)
Payment of lease liabilities		(3,690)	(4,748)	(1,833)	(2,285)
Transaction costs		(27,978)	(11,485)	(128)	(7,751)
Prepaid costs of raising debt		(741)	(864)	504	-
Tax payments		-	(15,360)	-	-
Net cash from (used in) financing activities		**(896,767)**	**73,906**	**(650,784)**	**(258,200)**
Change in cash and cash equivalents during the period		**319,749**	**(6,152)**	**(39,292)**	**(369,637)**
Changes in the carrying amount of cash and cash equivalents that are presented among assets held for sale as part of a disposal group		**(104,728)**	**-**	**49,853**	**-**
Cash and cash equivalents at the beginning of the period		**555,700**	**371,574**	**760,160**	**739,508**
Cash and cash equivalents at the end of the period		**770,721**	**369,874**	**770,721**	**369,871**

(*) Previous year's figures adjusted according to IAS 8, please refer to Note 3, Subchapter C

Condensed Consolidated Interim Statement of Changes in Equity

In EUR thousand	Share capital	Share premium	Hedging reserve	Currency translation reserve	Other capital reserves	Reserve financial assets measured at FVTOCI	Retained earnings	Total	Non-controlling interests	Total equity
Balance as at 1 January 2022	**146**	**1,844,765**	**573**	**24,803**	**315,746**	**(123,334)**	**927,684**	**2,990,383**	**703,094**	**3,693,477**
Total comprehensive income for the period										
Profit for the period	-	-	-	-	-	-	(581,037)	(581,037)	(23,348)	(604,385)
Other comprehensive income, net of tax	-	-	898	(6,682)	-	(11,511)	-	(17,295)	-	(17,295)
Total comprehensive income (loss) for the period	**-**	**-**	**898**	**(6,682)**	**-**	**(11,511)**	**(581,037)**	**(598,332)**	**(23,348)**	**(621,680)**
Transactions with owners, recognised directly in equity										
Transactions with non-controlling interest without a change in control (Note 5D)	-	-	-	-	-	-	-	-	-	-
Change in the scope of consolidation	-	-	-	-	-	-	(3,387)	(3,387)	(33,649)	(37,036)
Share-based payment	-	-	-	-	-	-	2	2	-	2
Balance as at 30 June 2022	**146**	**1,844,765**	**1,471**	**18,121**	**315,746**	**(134,845)**	**343,262**	**2,388,666**	**646,097**	**3,034,763**

In EUR thousand	Share capital	Share premium	Hedging reserve	Currency translation reserve	Other capital reserves	Reserve financial assets measured at FVTOCI	Retained earnings	Total	Non-controlling interests	Total equity
Balance as at 1 January 2021	**146**	**1,892,144**	**(372)**	**(3,560)**	**315,746**	**(114,263)**	**2,055,689**	**4,145,530**	**772,010**	**4,917,540**
Adjustment according to IAS 8					(50,843)		31,099	(19,744)	2,182	(17,562)
Balance as at 1 January 2021 (*)	**146**	**1,892,144**	**(372)**	**(3,560)**	**264,903**	**(114,263)**	**2,086,788**	**4,125,786**	**774,192**	**4,899,978**
Total comprehensive income for the period										
Profit for the period	-	-	-	-	-	-	294,505	294,505	60,841	355,346
Other comprehensive income, net of tax	-	-	519	3,162	-	(384)	-	3,297	-	3,297
Total comprehensive income (loss) for the period	**-**	**-**	**519**	**3,162**	**-**	**(384)**	**294,505**	**297,802**	**60,841**	**358,643**
Transactions with owners, recognised directly in equity										
Transactions with non-controlling interest without a change in control	-	6,074	-	-	-	-	-	6,074	(69,616)	(63,542)
Change in consolidation scope related to sale	-	-	-	-	-	-	17	17	(920)	(903)
Share-based payment	-	-	-	-	-	-	378	378	-	378
Balance as at 30 June 2021 (*)	**146**	**1,844,164**	**147**	**(398)**	**315,746**	**(114,647)**	**2,350,589**	**4,395,747**	**762,315**	**5,158,062**

(*) Previous year's figures adjusted according to IAS 8, please refer to Note 3, Subchapter C

Note 1 – Adler Group S.A.

Adler Group S.A. (the "Company" or "Adler Group") is a public limited liability company (société anonyme) incorporated under Luxembourg law. The address of the Company's registered office is 55 Allée Scheffer, 2520 Luxembourg, Grand Duchy of Luxembourg.

The Company is specialised in and focused on the purchase, management and development of income producing multi-family residential real estate. In addition to being accountable for the condition of its apartments and buildings, Adler Group S.A. assumes responsibility for the tenants, its own employees and the surrounding environment. The portfolio of Adler Group S.A. and its subsidiaries is situated in or on the outskirts of major urban areas with a significant portion in Berlin. Adler Group provides an integrated German residential platform that covers the entire real estate value chain, from acquisition of land, planning and development of projects to property management and letting of residential units in Germany.

The condensed consolidated interim financial statements of the Company as at 30 June 2022 and for the six-month period then ended comprise the Company and its subsidiaries (together referred to as the "Group").

Note 2 – Basis of preparation

A. Statement of compliance

The condensed consolidated interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting* as applicable in the European Union ("EU"). They do not include all the information required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant for understanding the changes in the Group's financial position and performance since the last annual consolidated financial statements as at and for the year ended 31 December 2021.

These condensed consolidated interim financial statements are presented in Euro ("EUR") and have been rounded to the nearest thousand except where otherwise indicated. Due to rounding, the figures reported in tables and cross-references may deviate from their exact values as calculated.

These condensed consolidated interim financial statements were authorised for issue by the Company's Board of Directors on 29 August 2022.

B. Use of judgments, estimates and fair value measurements

In preparing these condensed consolidated interim financial statements, management has made judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. This also applies to fair value measurements and the determination of fair values. Actual results may differ from these estimates.

Unless specified otherwise in the following sections, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that were applied to the consolidated financial statements as at and for the year ended 31 December 2021.

Note 3 – Accounting policies

The accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements for the year ended 31 December 2021. These condensed consolidated interim financial statements should therefore be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2021.

A. Initial application of new standards, amendments to standards and interpretations

The following new or amended standards and interpretations became effective and have been applied as per 1 January 2022 without any material impact on the consolidated financial statements.

- Amendment to IFRS 3 *Business Combinations*

The amendment conveys an update of the references made in IFRS 3 to the Conceptual Framework. It added to IFRS 3 the requirement to apply the principles of IAS 37 and IFRIC 21 on the identification of assets and liabilities resulting from transactions and events in the scope of those standards (interpretations). Finally, it added to IFRS 3 an explicit statement that an acquirer must not recognise contingent assets acquired in a business combination.

- Amendment to IAS 16 *Property, Plant and Equipment*

The amendment clarifies that an entity must not deduct from the cost of property, plant and equipment amounts received from selling items produced while the entity is preparing the asset for its intended use. Instead, an entity must recognise such sales proceeds and related cost in profit or loss.

- Amendment to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*

The amendment clarifies that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts.

- Annual Improvements 2018-2020

The pronouncement contains amendments to the IFRS Standards IFRS 1 *First-time Adoption of International Financial Reporting Standards*, IFRS 9 F*inancial Instruments*, IFRS 16 *Leases*, IAS 41 *Agriculture*.

B. New standards and interpretations not yet applied

Application of the following standards, interpretations and amendments was not mandatory for the 2022 financial year and the Group did not elect to apply them in advance. After a preliminary assessment the Group does not expect material impacts on the financial statements. The respective changes and their mandatory dates of implementation are outlined in the table below:

Standard/Interpretation	**Title**	**Endorsement status in the EU[1]**	**Effective date of initial application in the EU[1]**
Amendment to IAS 1	*Presentation of Financial Statements and IFRS Practice statement 2: Disclosure of Accounting policies*	endorsed on 3 March 2022	1 Jan 2023
Amendment to IAS 1	*Presentation of Financial Statements: Classification of Liabilities as Current or Non-current*	pending	pending
Amendment IAS 8	*Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates*	endorsed on 3 March 2022	1 Jan 2023
Amendment to IAS 12	*Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction*	endorsed on 11 August 2022	1 Jan 2023
IFRS 17	*Insurance Contracts*	endorsed on 23 November 2021	1 Jan 2023
Amendment to IFRS 17	*Insurance Contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information*	pending	pending

C. Correction of an Error (IAS 8)

Consus Real Estate AG, a subsidiary of Adler Group S.A. closed a package sale of several development projects in December 2020. As a result, 21 subsidiaries were deconsolidated in the Group's consolidated financial statements 2020.

A re-examination of the sale agreements in 2021 has revealed that there was no effective transfer of control to the new acquirer Ajos as at 31 December 2020. Rather, the transfer of control did not take place until 11 February 2021. Consequently, the previously disposed companies must continue to be shown as fully consolidated subsidiaries in the consolidated financial statements as at 31 December 2020, with deconsolidation and all related effects on the consolidated financial statements being reflected in Q1 2021.

In EUR thousand	31 Dec 2020	Adjustment	31 Dec 2020	31 Dec 2021
Assets				
Non-current assets	11,949,928	-	11,949,928	7,453,041
Current assets	2,748,350	74,021	2,822,371	5,583,283
thereof inventories	1,254,460	304,303	1,558,763	1,093,454
thereof trade receivables	424,998	(220,878)	204,120	379,118
Shareholders' equity and liabilities				
Equity	4,917,542	(17,563)	4,899,979	3,693,477
Non-current liabilities	7,119,584	10,995	7,130,579	7,174,997
thereof deferred tax liabilities	933,226	10,995	944,221	759,828
Current liabilities	2,773,242	80,589	2,853,831	1,318,800
thereof other loans and borrowings	1,265,842	44,697	1,310,539	119,326
thereof other payables	440,842	31,573	472,415	357,065

			For the six months ended 30 June	For the three months ended 30 June
in EUR thousand	**2021**	**Adjustment**	**2021**	**2021**
Profit and loss				
Revenue	299,210	218,667	517,877	133,242
Cost of operations	(146,855)	(253,496)	(400,351)	(54,216)
Results from operating activities	657,911	(34,829)	623,082	417,690
Profit before taxes	500,404	(34,829)	465,575	319,082
Profit after taxes	388,222	(32,875)	355,347	247,886
Cash flows				
Cash flow from operating activities	(39,639)	(4,452)	(44,091)	(62,825)
Cash flow from investing activities	(35,967)	-	(35,967)	(48,612)
Cash flow from financing activities	73,906	-	73,906	(258,200)
Change in cash and cash equivalents	(1,700)	(4,452)	(6,152)	(369,637)

Note 4 - Acquisitions and changes in consolidation scope

Deconsolidation

Adler Group S.A. has sold a portfolio of residential and commercial properties (“**Waypoint Portfolio**”) which comprises around 1,200 residential and commercial units located in Berlin. The sale was structured as a share deal including the entire shares in 24 property holding entities as well as the netted shareholder loans due from property companies. On 30 June 2022, the transaction was effectively completed due to transfer of control to the buyer. Based on the preliminary purchase price, the Group received proceeds of EUR 244,935 thousand (thereof shareholder loans of EUR 62,674 thousand). The shares in the property companies (99.9 percent in each) were directly held by the holding companies Yona Investment GmbH & Co. KG, Berlin, Yanshuf Investment GmbH & Co. KG, Berlin, Joysun 1 B.V. Netherlands, Joysun 2 B.V. Netherlands, in which Adler Group holds 60 percent with remaining shares held by non-controlling shareholders.

As a result of the transaction, the following entities were deconsolidated as at 30 June 2022:

- Joysun Nestorstraße Grundstücks GmbH, Berlin
- Joysun Rubenstraße Grundstücks GmbH, Berlin
- Yona Stettiner Straße Grundstücks GmbH, Berlin
- Yona Schulstraße Grundstücks GmbH, Berlin
- Yona Otawistraße Grundstücks GmbH, Berlin
- Yona Stromstraße Grundstücks GmbH, Berlin
- Yona Gutenbergstraße Grundstücks GmbH, Berlin
- Yona Kameruner Straße Grundstücks GmbH, Berlin
- Yona Shichauweg Grundstücks GmbH, Berlin
- Yona Alt-Tempelhof Grundstücks GmbH, Berlin
- Yona Gruberzeile Grundstücks GmbH, Berlin
- Yona Schloßstraße Grundstücks GmbH, Berlin
- Yona Lindauer Allee Grundstücks GmbH, Berlin
- Yona Nogatstraße Grundstücks GmbH, Berlin
- Yona Bötzowstraße 55 Grundstücks GmbH, Berlin
- Yona Herbststraße Grundstücks GmbH, Berlin
- Yona Danziger Straße Grundstücks GmbH, Berlin
- Yona Schönstraße Grundstücks GmbH, Berlin
- Yanshuf Kaiserstraße Grundstücks GmbH, Berlin
- Yanshuf Binzstraße Grundstücks GmbH, Berlin
- Yanshuf Antonienstraße Grundstücks GmbH, Berlin
- Yanshuf Seestraße Grundstücks GmbH, Berlin
- Yanshuf Hermannstraße Grundstücks GmbH, Berlin
- Yanshuf Schmidt-Ott-Straße Grundstücks GmbH, Berlin

The preliminary purchase price of EUR 244,935 thousand includes a repayment of intercompany debt at an amount of EUR 62,674 thousand and the purchase price agreed for the shares at an amount of EUR 182,261 thousand. The deconsolidation of the entities’ net assets resulted in a gain on deconsolidation of EUR 18,897 thousand, which is recognised in other income.

In EUR thousand	30 June 2022
Preliminary purchase price	244,935
less repayment of intercompany debt	(62,674)
Preliminary purchase price after repayment of intercompany debt	**182,261**
Net assets	
Property, plant and equipment	15
Investment properties	244,203
Trade receivables	249
Inventories	2,485
Other current assets	135
Cash and cash equivalents	1,737
Assets total	**248,824**
Deferred tax liabilities	20,641
Other non-current liabilities	1,616
Trade payables	575
Other current liabilities	62,627
Liabilities total	**85,459**
	163,365
Gain on deconsolidation	**18,896**

The purchase price is subject to customary purchase price adjustments after completion of the financial statements as per 30 June 2022.

Changes in non-controlling interests in subsidiaries

Following the asset deal with KKR & Co. ADLER Real Estate AG increased its controlling shareholdings in 14 of the respective property holding companies from 89.9 percent to 100.0 percent for a consideration of EUR 37,036 thousand. As a result, the non-controlling interests decreased by EUR 33,649 thousand. The net loss of EUR 3,387 thousand has been presented in retained earnings.

Other changes

In the second quarter of 2022, Energy AcquiCo I GmbH, Frankfurt am Main, a wholly-owned subsidiary of ADLER Real Estate Aktiengesellschaft, was merged with its parent company, Magnus Zweite Immobilienbesitz und Verwaltungs GmbH, Berlin. The merger did not have any impact on the consolidated financial statements of the Adler Group S.A.

In the second quarter 2022, SG Hamburg Holsten-Quartiere 1-13 UG (limited liability), Düsseldorf, and SG Hamburg Holsten-Quartiere 15-19 UG (limited liability), Düsseldorf, wholly-owned subsidiaries of Consus Projekt Development GmbH, Düsseldorf, were merged with SG Hamburg Holsten Quartiere 14. UG (limited liability), Düsseldorf. The merger did not have any impact on the consolidated financial statements of the Adler Group S.A.

Note 5 – Selected notes to the condensed consolidated interim statement of financial position

A. Goodwill

The goodwill arising from the acquisition of Consus totalling EUR 91,400 thousand was tested for impairment in accordance with the regulations of IAS 36.

The impairment test was carried out based on the value in use of the cash-generating unit (“CGU”) Consus, whereby the cash-generating unit is characterised by the development of real estate projects for Consus’ own portfolio as well as the sale to third parties. The value in use was derived from the estimated future free cash flows. The detailed planning is based on a ten-year detailed planning phase (including a forecast for the six months period ended 31 December 2022) specific to the CGU and a perpetual annuity for the subsequent period. The perpetual annuity takes into account a sustainable and anticipated average level of future annual financial surpluses (terminal value) after the detailed planning phase. The detailed planning period as well as the perpetual annuity include both contractually agreed development projects and new development projects planned with standard expected margins reflecting a sustainable business development.

Regarding the projects for Consus’ own portfolio as well as for the sale to third parties, the business plan considers the experience from previous years and management forecasts for the development of the property market. For the terminal value a sustainable growth rate of 2.00 percent was applied. The discount rates for the property development business and the rental business were derived separately. The beta factors for the two businesses were derived based on specific peer groups. A risk-free rate of 1.25 percent and a market risk premium of 7.50 percent was assumed. The discount rate before taxes is 8.21 percent (7.68 percent after tax) for the property development business and 4.78 percent (4.26 percent after tax) for the rental business.

Based on the planned free cash flows and the discount rates as described above, the resulting goodwill impairment is EUR 91,000 thousand.

The impairment of the CGU as at 30 June 2022 is predominantly triggered by the following factors:

- Higher construction costs for the contractually agreed projects in the current portfolio,
- Lower sales prices for the upfront sales due to the current market environment,
- Lower profitability for the other development projects (‘ODPs’) due to higher construction cost and uncertainty in the market,
- Higher cost of capital due to the changed capital market environment.

The business plan for the CGU mainly includes the components: current portfolio and other development projects (ODPs). The current portfolio refers to the contractually agreed projects currently being developed by the CGU. ODPs refer to new real estate projects. ODPs are planned with standard revenue, cost and margin assumptions. The assumed gross development volume of EUR 600 million p.a. reflects a level of projects that can be developed in the future and is based on the past performance of the CGU. The projects are planned to be sold as forward sales (FS). Assumptions regarding the margins as well as the development and payment profile are based on management’s experience.

B. Investment properties

Investment properties - residential / commercial

In EUR thousand	30 June 2022	31 Dec 2021
Balance as at 1 January	**5,566,469**	**8,396,307**
Additions by way of acquiring assets	-	127,864
Capital expenditure	42,434	145,880
Transfer from investment properties to assets of disposal groups classified as held for sale	(14,222)	(2,431,716)
Disposal of investment properties	-	(1,292,538)
Fair value adjustments	91,218	624,272
Other reclassifications	-	(3,600)
Changes in the scope of consolidation	(244,203)	-
Changes in the carrying amount of investment properties that are presented among assets held for sale as part of a disposal group	(38,419)	-
Balance as at the end of the reporting period	**5,403,277**	**5,566,469**

Investment properties – project developments

In EUR thousand	30 June 2022	31 Dec 2021
Balance as at 1 January	**1,547,390**	**1,712,581**
Additions by way of acquiring assets	-	42,508
Capital expenditure	36,754	121,204
Transfer to investment properties from inventories	-	97,735
Transfer from investment properties to assets of disposal groups classified as held for sale	(10,200)	(491,108)
Fair value adjustments	(238,666)	(209,130)
Other reclassifications	-	3,600
Changes in the scope of consolidation	-	270,000
Changes in the carrying amount of investment properties that are presented under assets held for sale as part of a disposal group	92,182	-
Balance as at the end of the reporting period	**1,427,460**	**1,547,390**

Interest expenses capitalised in the investment properties under development amount to EUR 18,803 thousand (prior period: EUR 16,117 thousand).

According to the Group's fair value valuation policies for investment properties, the investment properties generally undergo a detailed valuation as at 30 June and 31 December of each year unless the Group identified material changes in the value of these properties at an earlier date.

The fair value of the residential investment properties as at 30 June 2022 was determined by the valuation expert CBRE, an independent industry specialist that has appropriate, recognised professional qualification and up-to-date experience regarding the location and category of the properties. The fair value of the investment properties under construction (project development) was determined by the valuation expert NAI Apollo, an independent industry specialist with appropriate, recognised professional qualifications and up-to-date experience regarding the location and category of the properties.

The fair value measurement for all the investment properties has been categorised as Level 3 fair value due to prevailing use of unobservable inputs to the adopted valuation method.

The Group values its portfolio of residential investment properties using the discounted cash flow (DCF) method. Under the DCF methodology, the expected future income and costs of the property are forecasted over a period of 10 years and discounted to the date of valuation. The income mainly comprises expected rental income (current in-place rent, market rents as well as their development) taking vacancy losses into account. For investment properties under construction (project development), which will be held in the long term to generate gross rental income and capital appreciation after completion, the residual value method is applied. This approach is common to calculate the value of real estate developments in planning stage or still under construction. The approach is a deductive method to derive the market value of an undeveloped project according to its construction/development progress and represents the amount a market participant would be willing to pay for the property (land). The approach is based on the assumption that the market value of an ongoing project can be derived from an indicative market value less the anticipated costs for the realisation of the project (e.g., construction, marketing, financing costs).

According to CBRE, the volume of real estate transactions on the German real estate market increased slightly compared to the first half of 2021. However, the increase primarily results from a strong first quarter. The volume registered in the second quarter of 2022 fell below the second quarter of 2021 by one third. Global and economic turmoil led to an increased net initial yields in almost every asset class. Transaction volumes and other relevant evidence are still at levels where enough market evidence exists upon which to base opinions of fair value.

Based on the above, a positive fair value increase of EUR 91,218 thousand (for the six months ended June 2021: EUR 478,567 thousand) was recognised for the residential portfolio.

Due to cost increases and extended construction times, the fair values of the development portfolio have decreased by EUR 238,666 thousand (for the six months ended June 2021 an increase of EUR 61,384 thousand was recognised).

The following tables outline the key valuation parameters for residential properties as at 30 June 2022 and as at 31 December 2021.

	Location					
Balance as at 30 June 2022	**Berlin**	**Duisburg**	**Dort-mund**	**Düssel-dorf**	**Other**	**Total**
Value per m² (EUR)	3,982	1,378	1,909	3,421	1,452	3,675
Average residential in-place rent	8.81	5.72	6.39	8.78	5.89	8.46
CBRE market rent (EUR/m²)	9.73	6.25	7.18	10.27	6.65	9.35
Multiplier (current rent)	38.5	20.1	25.3	33.6	20.9	36.3
Multiplier (CBRE market rent)	31.6	18.1	21.6	28.0	17.1	30.0
Discount rate (%)	4.20	4.97	4.48	4.27	4.84	4.28
Capitalisation interest rate (%)	2.26	3.49	3.01	2.54	3.54	2.41
Market rental growth (%)	1.9	1.5	1.5	1.7	1.3	1.9
Vacancy rate (%)	0.5	2.0	1.6	1.0	2.4	0.7
Fair value (EUR thousand)	4,672,116	364,174	31,850	94,168	240,969	5,403,277

	Location					
Balance as at 31 Dec 2021	**Berlin**	**Duisburg**	**Dort-mund**	**Düssel-dorf**	**Other**	**Total**
Value per m² (EUR)	3,880	1,312	1,809	3,341	1,381	3,594
Average residential in-place rent	8.71	5.70	6.35	8.74	5.84	8.39
CBRE market rent (EUR/m²)	9.70	6.16	7.05	10.07	6.56	9.33
Multiplier (current rent)	37.6	19.1	23.4	32.7	19.6	35.5
Multiplier (CBRE market rent)	31.0	17.5	20.8	27.9	16.5	29.4
Discount rate (%)	4.22	5.12	4.62	4.00	4.98	4.31
Capitalisation interest rate (%)	2.29	3.64	3.14	2.52	3.70	2.44
Market rental growth (%)	2.4	1.7	1.7	1.7	1.5	2.8
Vacancy rate (%)	0.5	2.0	1.6	1.0	2.3	0.7
Fair value (EUR thousand)	4,871,499	346,882	30,290	91,998	225,800	5,566,469

The following table outlines the key valuation parameters for investment properties under construction (development) as at 30 June 2022 and as at 31 December 2021.

Valuation parameters for investment properties under construction	30 June 2022	31 Dec 2021
Market rent, weighted average (EUR)	14.73	14.51
Project development costs (EUR/m²)	3,927	3,583
Capitalisation interest rate, weighted average (in %) (*)	3.54	2.89

(*) The increase in the capitalisation interest rate is mainly attributable to the initial application of the gross interest method by NAI Apollo within a static model without impact on valuation results. Therefore, the interest rate is not comparable to the previous year.

It is noted that according to the methodology applied in the valuations for the residential properties, the estimated cash flows for the first ten years is capitalised based on the discount rate basis. Cash flows effective from the eleventh year onwards are capitalised based on the cap rate basis. When applying the residual method on development projects, the market value of the development projects has been determined by NAI Apollo by deducting all expected costs (construction, marketing, financing etc) from the final value of the completed project.

Sensitivity analysis

The main value drivers influenced by the market are the market rents and their development, current rent increases, the vacancy rate and interest rates. The effect of possible fluctuations in these parameters is shown separately for each parameter and group in the following table. Interactions between the parameters are possible but cannot be quantified due to the complexity of the interrelationships:

Investment properties – residential

		30 June 2022		31 Dec 2021	
	Change in parameters	In EUR thousand	in %	In EUR thousand	in %
Average new letting rent (EUR/m²)	10%	368,603	6.85	362,633	6.62
Vacancy rate (%)	1%	(71,263)	(1.32)	(70,735)	(1.29)
Discount and capitalisation rate (%)	25bps	(532,023)	(9.88)	(531,275)	(9.70)

Investment properties - project development (under construction)

		30 June 2022	31 Dec 2021
	Change in parameters	In EUR thousand	In EUR thousand
Market rent	(10%)	(263,400)	(349,800)
	10%	263,400	350,000
Capitalisation rate	(0.25%)	210,300	368,100
	0.25%	(180,600)	(306,300)
Construction costs	(10%)	231,000	309,200
	10%	(230,900)	(308,900)

Assuming all other variables remain constant, a negative change in the parameters at the same percentage would have a similar impact on the value, although in the opposite direction.

C. Investments accounted under the equity method

In EUR thousand	30 June 2022	31 Dec 2021
Balance as at 1 January	**32,395**	**84,816**
Share in profit and losses (at equity result)	538	758
Impairments	(5,130)	(1,436)
Transfer to consolidated entities	-	(51,743)
Balance as at the end of the reporting period	**28,554**	**32,395**

The main investments in associated companies are ACCENTRO Real Estate AG (ACCENTRO), Caesar JV Immobilienbesitz und Verwaltungs GmbH (Caesar) and MAP Liegenschaften GmbH (MAP). Caesar was reclassified from non-current assets held for sale as investors did not exercise the purchase option granted to them by 30 June 2022.

D. Other financial assets

Other financial assets include the following items:

In EUR thousand	2022	2021
Loans against non-controlling shareholders of subsidiaries	164,232	48,772
Investments in debt securities	11,442	22,885
Miscellaneous other financial assets	2,575	1,406
Balance as at 31 December	**178,249**	**73,063**

In March 2022, Adler Group agreed on a debt restructuring with two major non-controlling shareholders (Taurecon and Amelicaster). All receivables and loans against these shareholders have been combined under two loan agreements at market interest rates. The loans mature on 30 September 2024 and are secured by share liens. The loans include amounts formerly presented as receivables against non-controlling shareholders (other current receivables and financial assets) and as **loans to non-controlling shareholders** (which were classified as financial assets measured at fair value through profit and loss) in the year-end consolidated financial statements of the prior year. Part of the loan amount was off-set against payables due for the repurchase of minorities in the second quarter of 2022 (please see also Transactions with Minorities).

Investments in debt securities refer to bonds issued by Aggregate Holdings S.A. The bonds are measured at fair value through other comprehensive income. The decrease in value reflects the change in bond prices.

E. Contract assets and liabilities

Contract assets and liabilities mainly result from development contracts with customers. The following table provides information about contract assets and contract liabilities from contracts with customers:

In EUR thousand	30 June 2022	31 Dec 2021
Gross contract assets - non-current	18,502	12,510
Prepayments received on non-current contract balances	-	-
Net contract assets - non-current	**18,502**	**12,510**
Gross contract assets - current	195,986	196,430
Prepayments received on current contract balances	(143,561)	(126,703)
Net contract asset - current	**52,425**	**69,727**
Net contract liabilities - current	**(37,405)**	**(36,109)**

F. Inventories

Inventories also include the land from forward sales and can be broken down as follows:

In EUR thousand	30 June 2022	31 Dec 2021
Real Estate "Trading properties (condominiums)"	171,057	174,077
Real Estate "Institutional"	825,423	864,905
Real Estate "Parking"	36,850	35,490
Real Estate "Apartment for sale"	-	-
Real Estate "Other construction work"	23,116	7,536
Other inventories: excl. development	10,846	11,446
Total balance	**1,067,292**	**1,093,454**

Interest expenses capitalised in the inventories amount to EUR 18,803 thousand (prior period: EUR 16,117 thousand). Based on the updated estimates of the expected sales prices, a write-off of EUR 60,869 thousand was recognised in cost of operations. The expected sales prices were determined by the valuation expert NAI Apollo, an independent valuation expert with appropriate, recognised professional qualifications and up-to-date experience regarding the location and category of the properties.

G. Trade receivables

As at the reporting date, trade receivables mainly consist of rental receivables (EUR 54,434 thousand; 31 December 2021: EUR 27,784 thousand), receivables from the sale of real estate (EUR 20,000 thousand; 31 December 2021: EUR 261,106 thousand) and receivables from forward sales (EUR 51,085 thousand; 31 December 2021: EUR 90,228 thousand).

The decrease in receivables from the sale of real estate principally results from credit impairments in an amount of EUR 211,826 thousand as the Company changed its assessment of the credit risk inherent in receivables against Ajos RE 1 GmbH and the Gröner Group. In addition, an impairment of EUR 36,685 thousand was recognised for the receivables from forward sales. In total, an impairment of EUR 264,613 thousand has been recognised within the Consus segment.

H. Other receivables and financial assets – current

In EUR thousand	30 June 2022	31 Dec 2021
Receivables from income tax	12,090	18,249
Receivables from other taxes	13,433	13,003
Advances to suppliers	7,286	4,792
Prepaid expenses	5,541	3,706
Miscellaneous other receivables (non-financial)	817	6,427
Total other receivables (non-financial)	**39,167**	**46,177**
Receivables from portfolio sales	65,119	145,069
Receivables against non-controlling shareholders of subsidiaries	6,631	119,594
Receivables from other borrowings	19,618	38,234
Deposits	4,390	3,627
Miscellaneous other receivables (financial)	8,328	5,811
Other receivables (financial)	**104,086**	**312,335**
Short-term financial investments	-	64,900
Total other receivables and financial assets	**143,253**	**423,412**

Receivables from portfolio sales include receivables against AB Immobilien B.V. in an amount of EUR 9,203 thousand (31 December 2021: EUR 14,972 thousand) as well as against Caesar JV Immobilienbesitz und Verwaltungs GmbH in an amount of EUR 6,204 thousand (31 December 2021: EUR 27,802 thousand) and the controlling shareholder of ACCENTRO Real Estate AG in an amount of EUR 22,975 thousand (31 December 2021: EUR 58,592 thousand).

The decrease in receivables from portfolio sales principally results from credit impairments as the Company changed its credit assessment of the risk associaated with those receivables. In the course of discussions regarding financial restructuring of the controlling shareholder of ACCENTRO Real Estate AG, the Company agreed on an extension of maturity until 30 September 2022 and recorded an impairment of EUR 37,000 thousand. An impairment of EUR 22,000 thousand was recorded on the receivables against Caesar JV Immobilienbesitz und Verwaltungs GmbH (Caesar). The management of Caesar had concluded a purchase option with potential investors for the real estate portfolio of Caesar. The exercise period of that option ended unused on 30 June 2022. As a result, the Company revised its assessment of the recoverablility of the receivables against Caesar. The receivables against AB Immobilien B.V. have been written-down to the final repayment amount in accordance with the contractual agreements with the purchaser. An impairment loss of EUR 4,769 thousand was recorded in the reporting period. An impairment charge of EUR 18,850 thousand has been charged against receivables against entities sold to Ajos RE 1 GmbH.

The decrease in receivables from other borrowings is a result of an impairment at an amount of EUR 21,000 thousand on receivables against Aggregate. Short-term financial investments were fully repaid during the reporting period.

The reduction of receivables against non-controlling shareholders in subsidiaries is directly linked to the debt restructuring described in Note D.

I. Non-current assets and liabilities held for sale

Non-current assets held for sale include total assets of the BCP subgroup in an amount of EUR 1,887,832 thousand (31 December 2021: EUR 1,831,124 thousand), investment properties held for sale to KKR & Co. Inc. in an amount of EUR 18,865 thousand (31 December 2021: EUR 1,046,530 thousand) with a committment to complete the sale no later than 31 December 2022, share deal with Quarterback Joint Venture GmbH in an amount of EUR 83,534 thousand (31 December 2021: EUR 105,370 thousand) and other investment properties in an amount of EUR 29,265 thousand (31 December 2021: EUR 34,563 thousand).

On 1 December 2021 ADLER Real Estate AG irrevocably undertook vis-à-vis LEG Immobilien SE to tender its remaining shares in BCP as part of public tender offer by LEG, provided that the price per share offered is not less than EUR 157 (EUR 765 million). The first acceptance period ends not later than 30 September 2022. According to the assessment of the sales plan as per 31 December 2021, the Company classified BCP as a disposal group in accordance with IFRS 5. On 3 August 2022, LEG Immobilien SE announced that it decided to refrain from a public tender offer for shares of BCP. Such announcement being a non-adjusting event after the balance sheet date, the Company maintained the classification of BCP as a disposal group held for sale as of the reporting date. As a result of this, the criteria for the classification as held for sale is no longer met from 3 August 2022 onwards. The major classes of assets and associated liabilities of BCP comprise as follows:

In EUR thousand	30 June 2022	31 Dec 2021
Investment properties	1,647,372	1,686,330
Financial investments	6,525	13,344
Inventories	41,300	50,720
Other assets	62,387	55,869
Cash and cash equivalents	130,248	24,861
Assets total	**1,887,832**	**1,831,124**
Deferred tax liabilities	144,467	154,970
Liabilities from bonds	228,450	74,504
Liabilities to banks	450,406	602,267
Other liabilities	64,967	33,518
Liabilities total	**888,290**	**865,259**

The investment properties include income-generating residential real estate of EUR 1,289.3 million (31 December 2021: EUR 1,250.9 million), income-generating commercial real estate of EUR 32.6 million (31 December 2021: EUR 49.1 million) and development properties of EUR 325.5 million (31 December 2021: EUR 386.3 million). The fair value of these assets was determined by an independent external appraiser with appropriate, recognised professional qualifications and up-to-date experience regarding the location and category of the properties valued. The increase in the liabilities from bonds is due to the issue of BCP bonds by way of expansion (B series) in an amount of EUR 163.5 million.

As at 30 December 2021, Consus signed a purchase agreement with Quarterback Joint Venture GmbH for its shares in Frankfurt Ostend Immobilienentwicklungs GmbH, which has subsequently been shown as non-current assets held for sale. The associated assets of the project company, comprising primarily investment property, were measured in an amount of

EUR 83.5 million (31 December 2021: EUR 104.8 million). The change reflects the remeasurement of the investment properties according to the final price agreed with the buyer. The associated non-current liabilities amount to EUR 8.6 million.

The remainder of non-current assets and liabilities held for sale relates to the sale of real estate properties, for which notarised purchase agreements are in place without transfer of control as at the reporting date.

As at 31 December 2021, non-current assets held for sale included the at-equity investment in Caesar JV Immobilienbesitz und Verwaltungs GmbH in an amount of EUR 752 thousand. The carrying amount of the investment was reclassified to investments accounted under the equity method since a purchase option agreed with the potential investors expired unused on 30 June 2022.

J. Corporate bonds and convertible bonds

These liabilities are structured as follows as at the balance sheet date:

In EUR thousand	30 June 2022	31 Dec 2021
Adler Group Bond 2017/2024	398,815	398,529
Adler Group Convertible Bond 2018/2023	99,750	99,025
Adler Group Bond 2020/2025	393,880	392,959
Adler Group Bond 2020/2026	391,645	390,774
Adler Group Bond 2021/2026	688,033	686,444
Adler Group Bond 2021/2029	780,062	778,694
Adler Group Bond 2021/2027	491,257	490,418
ADLER Bond 2017/2024	294,214	292,512
ADLER Bond 2018/2023	496,212	493,977
ADLER Bond 2018/2026	288,384	286,999
ADLER Bond 2019/2022	-	399,047
Consus Convertible Bond 2019/2022	119,049	117,915
Total balance	**4,441,301**	**4,827,293**

In the second quarter of 2022, ADLER Real Estate AG fully repaid its bond (ADLER Bond 2019/2022) in the full amount of EUR 400 million on 19 April 2022, the maturity date.

The current portion of the corporate and convertible bonds amounts to EUR 615 million and is presented in current liabilities.

On 11 February 2022, the international rating agency Standard and Poor’s (S&P) lowered the long-term issuer credit rating on Adler to “B-” from “B+” and lowered the issue ratings on its senior unsecured debt to “B” from “BB-”. The ratings were placed on CreditWatch negative.

On 5 May 2022, the international rating agency Standard and Poor's (S&P) downgraded the issuer rating of Adler Group S.A. and ADLER Real Estate AG from B- to CCC with outlook negative. The ratings of the unsecured bonds were lowered from B to CCC. The ratings were removed from CreditWatch negative.

Adler Group undertakes to not incur any financial indebtedness after the issue date of the bonds, and will also ensure that its subsidiaries will not incur any financial indebtedness after the issue date of the bonds (except for refinancing existing financial indebtedness), if immediately after giving effect to the incurrence of such additional financial indebtedness (taking into account the application of the net proceeds of such incurrence), the following tests would not be met: (i) loan-to-value ratio (LTV) ≤ 60%; (ii) secured loan-to-value ratio ≤ 45%; (iii) interest coverage ratio (ICR) ≥ 1.8 and iv) unencumbered asset ratio ≥ 125%; the latter only applies to the following instruments: Adler Group S.A. bond (EUR 400 million, 1.5% coupon, maturity 26 July 2024) and Adler Group S.A. promissory note tranches (total volume EUR 24.5 million, maturity 2023 – 2028, WACD 2.30% as of 30 June 2022).

ADLER Real Estate AG undertakes to not incur any financial indebtedness after the issue date of the bonds, and will also ensure that its subsidiaries will not incur any financial indebtedness after the issue date of the bonds (except for re-financing existing financial indebtedness), if immediately after giving effect to the incurrence of such additional financial indebtedness (taking into account the application of the net proceeds of such incurrence), the following tests would not be met: (i) loan-to-value ratio (LTV) ≤ 60%; (ii) secured loan-to-value ratio ≤ 40%. Additionally, it is required from Adler RE to maintain the consolidated coverage ratio at or above 1.70 to 1.00 on 31 December 2020 and at or above 1.80 to 1.00 for any reporting date falling on or after 1 January 2021.

As at 30 June 2022, the Company was in compliance with all applicable financial covenants.

K. Other loans and borrowings

As at 30 June 2022, other loans and borrowings of Adler Group carry an average effective interest rate (i.e., considering the swap interest hedging effect from variable to fixed interest) of 2.18 percent per annum (as at 30 June 2021: 2.10 percent and as at 31 December 2021: 2.03 percent). The average maturity of other loans and borrowings is 3.7 years (as at 30 June 2021: 4.3 years and as at 31 December 2021: 4.6 years). As at 30 June 2022, under the existing loan agreements, the Group is either fully compliant with its obligations (including loan covenants) to the financing banks or they are suspended by mutual agreement with the banks.

The decrease in the loans and borrowings is particularly due to the repayment of the bank loans following the disposal of the investment properties during the reporting period.

All loans with the exception of an unsecured promissory note are secured with the assets (investment properties and inventory properties, financial assets, trade and other receivables, cash and cash equivalents).

L. Provisions and other payables

In EUR thousand	30 June 2022	31 Dec 2021
Provisions for litigations	76,178	77,975
Contingent losses from development contracts	83,352	73,865
Provisions	**159,530**	**151,840**
Income tax payables	175,104	81,988
Accrued expenses	22,191	48,297
Deferred income	3,672	4,288
Value added tax	2,449	2,244
Miscellaneous other payables (non-financial)	7,181	17,113
Total other payables (non-financial)	**210,597**	**153,930**
Accrued interest	56,474	69,720
Tenants' deposits	20,485	22,213
Other payables due to associated companies	18,468	16,120
Liability to minority shareholders	3,420	2,924
Purchase price liabilities	869	869
Miscellaneous other payables (financial)	6,447	13,314
Total other payables (financial)	**106,163**	**125,160**
Total other payables	**476,290**	**430,930**

M. Prepayments received

Prepayments received by the Group on contract assets and liabilities (development projects under the scope of IFRS 15) are included in the respective asset or liability balance. Prepayments received on inventories (development projects under the scope of IAS 2) and other assets are disclosed separately in the balance sheet.

Note 6 – Selected notes to the condensed consolidated interim statement of profit and loss

A. Revenue

	For the six months ended 30 June	
In EUR thousand	**2022**	**2021 (*)**
Net rental income	130,787	174,017
Income from charged costs of utilities	54,607	42,426
Income from facility services	10,035	14,064
Income from property development	9,558	58,908
Sale of trading properties (condominiums)	1,295	4,917
Income from real estate inventories disposed of	17,000	218,667
Revenue other	7,767	4,878
Total	**231,049**	**517,877**

(*) Previous year's figures adjusted according to IAS 8, please refer to Note 3, Subchapter C

The decrease in **net rental income** and **income from facility services** is a result of the portfolio sales completed since the fourth quarter of 2021. With regard to **income from charged cost of utilities**, the aforesaid effect is overcompensated by effects from general inflation and especially the increase in energy and gas prices, which Adler Group expects to recover from tenants. **Income from real estate inventories disposed of** for the six months ended 30 June 2021 included revenues from the RAFFA transaction.

Disaggregation of revenue

The following table presents the revenue streams and their allocation to the segments according to IFRS 15.114 in addition to rental income which represents a major source of income in the Group:

In EUR thousand						Segments
1 Jan - 30 June 2022	**Residential property management**	**Privatisation**	**ADLER**	**Consus**	**Consolidation**	**Total consolidated**
Revenue from charged costs of utilities and facility services	22,214		41,717		(7,850)	56,081
Revenue from sale of trading properties (condominiums)		1,295				1,295
Revenue from property development contracts				9,558		9,558
Revenue from real estate inventories disposed of				17,000		17,000
Revenue other				7,767		7,767
Revenue from contracts with customers (IFRS 15)	**22,214**	**1,295**	**41,717**	**34,325**	**(7,850)**	**91,701**
thereof: products and services transferred at a point in time		1,295		19,792		21,087
thereof products and services transferred over time	22,214		41,717	14,533	(7,850)	70,614
Rental income (IFRS 16)	54,880	-	71,079	4,828		130,787
Revenue from ancillary costs (IFRS 16)(*)	4,092	-	4,469	-	-	8,561
Rental income (IFRS 16)	**58,972**	**-**	**75,548**	**4,828**	**-**	**139,348**
Revenues (IFRS 15/IFRS 16)	**81,186**	**1,295**	**117,265**	**39,153**	**(7,850)**	**231,049**

(*) Includes land tax and building insurance.

In EUR thousand						Segments
1 Jan - 30 June 2021	**Residen-tial property manage-ment**	**Privat-isation**	**ADLER**	**Consus(**)**	**Consoli-dation**	**Total consoli-dated(**)**
Revenue from charged costs of utilities and facility services	5,579		46,270	-	(4,079)	47,770
Revenue from sale of trading properties (condominiums)	-	4,917	-	-	-	4,917
Revenue from property development contracts	-	-	8,301	50,607	-	58,908
Revenue from real estate inventories disposed of	-	-	-	218,667	-	218,667
Revenue other		-	-	4,878	-	4,878
Revenue from contracts with customers (IFRS 15)	**5,579**	**4,917**	**54,571**	**274,152**	**(4,079)**	**335,139**
thereof: products and services transferred at a point in time	-	4,917	-	7,433	(4,079)	8,271
thereof products and services transferred over time	5,579	-	54,571	266,719	-	326,868
Rental income (IFRS 16)	57,998	192	112,750	3,078	-	174,018
Revenue from ancillary costs (IFRS 16)(*)		-	8,564	155	-	8,719
Rental income (IFRS 16)	**57,998**	**192**	**121,314**	**3,233**	**-**	**182,737**
Revenues (IFRS 15/IFRS 16)	**63,577**	**5,109**	**175,885**	**277,385**	**(4,079)**	**517,876**

(*) Includes land tax and building insurance.

(**) Previous year's figures adjusted according to IAS 8, please refer to Note 3, Subchapter C

B. Cost of operations

	For the six months ended 30 June	
In EUR thousand	**2022**	**2021(*)**
Salaries and other expenses	10,815	19,386
Costs of apportionable utilities	64,953	53,440
Costs of utilities recharged, net	515	260
Costs of property development	40,567	45,381
Cost of real estate inventories disposed of	70,044	253,497
Costs of sale of trading properties (condominiums)	957	2,561
Property operations and maintenance	22,251	22,696
Other costs of operations	8,690	3,131
Total	**218,792**	**400,352**

(*) Previous year's figures adjusted according to IAS 8, please refer to Note 3, Subchapter C

Costs of real estate inventories disposed of include write-downs of inventories in an amount of EUR 60.9 million. EUR 28.4 million of the write-down relates to the decrease in the expected selling prices as per the updated valuation by NAI Apollo and EUR 32.5 million to the sales prices evidenced in the sale contracts.

C. General and administrative expenses

	For the six months ended 30 June	
In EUR thousand	**2022**	**2021(*)**
Salaries and related expenses	17,399	14,687
Share-based payments	328	378
Directors fee	709	533
Rent	1,304	1,833
Professional services	17,532	13,279
Traveling	1,019	1,210
Office, communication and IT expenses	9,012	9,354
Advertising and marketing	3,011	685
Impairment loss on trade receivables	1,915	3,846
Depreciation	11,831	6,190
Other	8,449	9,442
Total	**72,509**	**61,437**

(*) Previous year's figures adjusted according to IAS 8, please refer to Note 3, Subchapter C

D. Other expenses

Other expenses principally relate to the impairment of the remaining goodwill attributable to Consus in an amount of EUR 91.4 million. In addition, other expenses include real estate transfer taxes (RETT) in an amount of EUR 20.4 million due to the change in the ownership structure of the BCP following the purchase of additional BCP shares by LEG at the beginning of the year. The remainder relates to expenses for selling investment properties, one-off legal and consulting fees.

E. Other income

Other income includes an income of EUR 18.9 million due to the deconsolidation of the Waypoint portfolio in the reporting period. The remainder mainly relates to the derecognition of liabilities, income from prior periods and minor effects from deconsolidation of subsidiaries.

F. Net finance costs

	For the six months ended 30 June	
In EUR thousand	**2022**	**2021 (*)**
Interest received	13,886	8,158
Change in fair value of derivative component of convertible bond	-	13,831
Change in fair value of other derivatives	-	351
Change in fair value of other financial assets - profit	169	746
Income from derecognition of derivatives	37,965	-
Income from derecognition of financial instruments	10,163	-
Other finance income	5,746	101,856
Total finance income	**67,929**	**124,942**
Interest on bonds	(65,195)	(74,343)
Change in fair value of derivative component of convertible bond	(43)	-
Change in fair value of other derivatives	(544)	(21,984)
Expense from derecognition of derivatives	-	(90,399)
Change in fair value of loans granted	-	(2,248)
Interest on other loans and borrowings	(21,661)	(35,643)
One-off refinance costs	(12,638)	(28,389)
Net foreign exchange loss	(10,100)	(6,306)
Other finance expenses	(2,944)	(19,949)
Total finance costs	**(113,125)**	**(279,261)**
Impairments on trade and other receivables	(375,092)	(3,088)
Total net finance costs	**(420,288)**	**(157,407)**

(*) Previous year's figures adjusted according to IAS 8, please refer to Note 3, Subchapter C

Interest expenses in an amount of EUR 38,548 thousand (prior year: EUR 79,214 thousand) were capitalised to investment properties and inventories under construction.

The foreign exchange losses relate to valuation effects of bonds and convertible denominated in NIS.

Note 7 – Financial instruments

The following table shows an overview on different classes of financial instruments, their carrying amount, measurement basis, fair value and fair value hierarchy level:

30 Jun 22

In EUR thousand	Carrying amount	Amortised cost	Fair value through PL	Fair value through OCI	IFRS 16 / IAS 28	Fair value	Fair value hierarchy
Assets							
Investments in financial instruments							
Investments in equity instruments - FVPL	20,267	-	20,267	-	-	20,267	Level 3
Investments accounted under the equity method	28,554	-	-	-	28,554	-	n/a
Other financial assets							
Receivables due from associated companies	-	-	-	-	-	-	1)
Loans against non-controlling shareholders of subsidiaries	164,232	164,232	-	-	-	164,232	1)
Other financial assets	2,575	-	2,575	-	-	2,575	Level 3
Investments in debt securities	11,442	-	-	11,442	-	11,442	Level 1
Derivatives	9,038	-	9,038	-	-	9,038	Level 3
Restricted bank deposits	89,936	89,936	-	-	-	89,936	1)
Trade receivables	125,519	125,519	-	-	-	125,519	1)
Other receivables and financial assets							
Other financial receivables at cost	104,086	104,086	-	-	-	104,086	1)
Short-term financial investments		-	-	-	-		Level 3
Cash and cash equivalents	770,721	770,721	-	-	-	770,721	1)
Total financial assets	**1,326,370**	**1,254,494**	**31,880**	**11,442**	**28,554**	**1,297,816**	**1)**
Liabilities							
Corporate bonds	4,222,502	4,222,502	-	-	-	2,461,348	Level 1
Convertible bonds	218,799	218,799	-	-	-	185,222	Level 2
Other loans and borrowings	1,815,226	1,815,226	-	-	-	1,810,120	Level 3
Other financial liabilities							
Other financial liabilities at cost	18,494	18,494	-	-	-	18,494	1)
Derivatives	430	430	-	430	-	430	Level 3
Trade payables	86,483	86,483	-	-	-	86,483	1)
Lease liabilities	14,561	14,561	-	-	14,561	-	n/a
Other payables							
Other financial payables at cost	106,162	106,162	-	-	-	106,162	1)
Total financial liabilities	**6,482,657**	**6,482,657**	**-**	**430**	**14,561**	**4,668,259**	

1) The carrying amounts of certain financial assets and liabilities, including cash and cash equivalents, trade and other receivables, restricted and other bank deposits and trade and other payables are considered to be the same or proximate to their fair value due to their short-term nature.

31 Dec 21

In EUR thousand	Carrying amount	Amortised cost	Fair value through PL	Fair value through OCI	IFRS 16 / IAS 28	Fair value	Fair value hierar-chy
Assets							
Investments in financial instruments							
Investments in equity instruments - FVPL	20,228	-	20,228	-	-	20,228	Level 3
Investments accounted under the equity method	32,395	-	-	-	32,395	-	n/a
Other financial assets							
Receivables due from associated companies	-	-	-	-	-	-	1)
Receivables due from third parties	4,963	4,963	-	-	-	4,963	1)
Other financial assets	45,215	-	45,215	-	-	45,215	Level 3
Investments in debt securities	22,885	-	-	22,885	-	22,885	Level 1
Derivatives (embedded)	10,433	-	10,433	-	-	10,433	Level 3
Restricted bank deposits	71,460	71,460	-	-	-	71,460	1)
Trade receivables	379,118	379,118	-	-	-	379,118	1)
Other receivables							
Other financial receivables at cost	312,335	312,335	-	-	-	312,335	1)
Other financial receivables at fair value	64,900	-	64,900	-	-	64,900	Level 3
Cash and cash equivalents	555,700	555,700	-	-	-	555,700	1)
Total financial assets	**1,519,632**	**1,323,576**	**140,776**	**22,885**	**32,395**	**1,487,237**	
Liabilities							
Corporate bonds	4,610,352	4,610,352	-	-	-	4,138,155	Level 1
Convertible bonds	216,941	216,941	-	-	-	205,871	Level 2
Other loans and borrowings	2,176,136	2,176,136	-	-	-	2,181,516	Level 3
Other financial liabilities							
Other financial liabilities at cost	27,168	27,168	-	-	-	27,168	1)
Derivatives	40,639	-	40,639	-	-	40,639	Level 3
Trade payables	76,383	76,383	-	-	-	76,383	1)
Lease liabilities	17,001	-	-	-	17,001	-	n/a
Other payables							
Other financial payables at cost	125,159	125,159	-	-	-	125,159	1)
Total financial liabilities	**7,289,779**	**7,232,139**	**40,639**	**-**	**17,001**	**6,794,891**	

1) The carrying amounts of certain financial assets and liabilities, including cash and cash equivalents, trade and other receivables, restricted and other bank deposits and trade and other payables are considered to be the same or proximate to their fair value due to their short-term nature.

Fair value for liabilities is estimated by discounting future cash flows by the market interest rate of the similar instruments at the date of measurement. In respect of the liability component of convertible bonds, the market rate of interest is determined by bid and ask quotes in the market.

Note 8 – Segments reporting

The basis of segmentation and the measurement basis for segment profit or loss are the same as presented in Note 35 regarding operating segments in the annual consolidated financial statements for the year ended 31 December 2021.

ADLER and Consus are presented as an independent segment in accordance with current internal reporting to the chief operating decision maker.

Information about reportable segments

Information regarding the results of each reportable segment is included below.

In EUR thousand — Segments

1 Jan - 30 June 2022	**Residential property management**	**Privatisation**	**ADLER**	**Consus**	**Consoli-dation**	**Total conso-lidated**
External income from residential property management	81,186	-	117,265	4,828	(7,850)	195,429
External income from sale of trading properties (condominiums)	-	1,295	-	-	-	1,295
External income from selling of other real estate inventories	-	-	-	17,000	-	17,000
External income from property development	-	-	-	9,558	-	9,558
External income from service, maintenance and management	-	-	-	7,767	-	7,767
Consolidated revenue	**81,186**	**1,295**	**117,265**	**39,153**	**(7,850)**	**231,049**
Reportable segment gross profit	52,495	338	36,657	(75,514)	(1,719)	12,257
General and administrative expenses						(72,509)
Changes in fair value of investment properties						(147,448)
Other expenses						(137,572)
Other income						42,453
Finance income						67,886
Finance costs						(488,217)
Net income from at-equity valued investments						581
Consolidated profit before tax						**(722,569)**
Income tax expense						118,184
Consolidated profit after tax						**(604,385)**

In EUR thousand						Segments
1 Jan - 30 June 2021[1]	**Residential property management**	**Privatisation**	**ADLER**	**Consus(*)**	**Consoli-dation**	**Total conso-lidated(*)**
External income from residential property management	61,335	192	167,583	3,234	(1,836)	230,507
External income from sale of trading properties (condominiums)	-	4,917	-	-	-	4,917
External income from selling of other real estate inventories	-	-	-	218,667	-	218,667
External income from property development	-	-	8,301	50,607	-	58,908
External income from service, maintenance and management	2,242	-	-	4,878	(2,242)	4,878
Consolidated revenue	**63,577**	**5,109**	**175,884**	**277,386**	**(4,078)**	**517,877**
Reportable segment gross profit	53,597	2,509	82,448	(16,949)	(4,078)	117,527
General and administrative expenses						(61,437)
Changes in fair value of investment properties						539,952
Other expenses						(12,098)
Other income						39,139
Finance income						124,942
Finance costs						(282,349)
Net income from at-equity valued investments						(100)
Consolidated profit before tax						**465,576**
Income tax expense						(110,228)
Consolidated profit after tax						**355,348**

(*) Previous year's figures adjusted according to IAS 8, please refer to Note 3, Subchapter C

Note 9 – Material events in the reporting period and subsequent events

A. On 13 January 2022, Adler Group announced the signing of an agreement with KKR, a leading global investment firm, on the sale of approximately 14,400 residential and commercial units, predominantly located in medium-sized cities in eastern Germany. The transaction is structured as an asset deal. The agreed purchase price corresponds to a valuation of the portfolio of EUR 1.05 billion and thus a premium on the book value reported as at 30 September 2021 and independently appraised by CBRE. With this cash inflow, Adler Group delivered on its objective of deleveraging its balance sheet and will achieve its strategic goal of reducing the loan-to-value ratio (LTV) to below 50%. The signed agreement corresponds to the terms of the letter of intent concluded between Adler Group and KKR/Velero at the end of October 2021. Thus, the sale above book value provides further evidence of the intrinsic value of the Adler Group portfolio. As at the reporting date, the majority of the investment properties have already been transferred to the purchaser with the remaining portion shown in non-current assets held for sale (EUR 18.9 million). This portion is expected to be closed in 2022. Due to the fact that the investment properties were measured at the agreed sales price, the sale did not impact the profit of the reporting period, except costs of sales. Cash proceeds received were used to repay bank loans and borrowings in the amount of EUR 319 million. In this context, early repayment fees were incurred in the amount of EUR 10.7 million (presented as finance expenses).

B. Following the completion of the acquisition of the shares in Brack Capital Properties N.V. (“BCP”) by LEG on 6 January 2022, the Company estimates that in light of the real estate tax laws applicable in Germany, BCP’s subsidiaries may be subject to a tax liability as a result of the acquisition of the shares, for which a provision was set up at EUR 20.4 million during the reporting period. Despite the fact that the amount to be paid may be lower, BCP resolved to provide for the entire amount in the first quarter of 2022.

C. On 28 January 2022, Adler Group was informed by its statutory auditor KPMG Luxembourg that due to the ongoing forensic special investigation on the allegations made by the short seller report, which should be completed prior to the issuance of an audit opinion, it is highly unlikely that the audit of the financial statements can be concluded timely enough to allow for a publication of the audited financial statements by 31 March 2022.

D. On 31 January 2022, Dr. Michael Bütter tendered his resignation from the Board of Directors of Adler Group with effective date of 31 January 2022. This resignation was driven by the recent decision of the supervisory board of Union Investment Real Estate GmbH to assign Dr. Bütter additional areas of responsibility within the regulated real estate division of Union Investment with the approval of the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht, BaFin). After due consideration by all relevant parties, there is a consensus that these new responsibilities within Union Investment Real Estate GmbH could potentially give rise to conflicts of interest, which must be avoided in the interests of both companies.

E. On 16 February 2022, the members of the Board of Directors of Adler Group appointed Prof. Dr. A. Stefan Kirsten as a new member of the Board of Directors and elected him as Chairman of the Board of Directors with immediate effect. The previous Chairman of the Board of Directors, Dr. Peter Maser, was elected as Deputy Chairman.

F. On 11 February 2022, the international rating agency Standard and Poor’s (S&P) lowered the long-term issuer credit rating on Adler to “B-” from “B+” and lowered the issue ratings on its senior unsecured debt to “B” from “BB-”. The ratings were placed on CreditWatch negative.

G. In May 2020, Consus sold seven non-strategic predominantly commercial development projects to Partners Immobilien Capital Management for a purchase price of EUR 313 million. The transfer of the project companies holding these seven development projects was closed in December 2020. By year-end 2021, Consus had only received part of the purchase price. Based on the reassessment of the receivable as at the reporting date, in particular the timing and the credit risk involved, the entire receivable in an amount of EUR 197.8 million has been impaired. This amount comprises the trade receivables from disposal in an amount of EUR 165.3 million and other receivables in an amount of EUR 32.5 million.

H. In first half year of 2022, Adler Group agreed on a debt restructuring with two major non-controlling shareholders in its subsidiaries (Taurecon and Amelicaster). All receivables and loans against these shareholders have been combined under two loan agreements at market interest rates. The loans mature on 30 September 2024 and are secured by share liens. As at 31 December 2021, one loan granted to Taurecon Invest IX GmbH (nominal amount as at 31 December 2021 EUR 46.3 million) was measured at fair value through profit and loss ("FVtPL") due to the borrower's settlement option in shares. In the reporting period, this loan was turned into a plain loan agreement (i.e., no settlement option) and includes collateral as well. The amendment resulted in the derecognition of this loan measured at FVtPL which resulted in an income of EUR 12.3 million (presented as finance income). As a result of this amendment, this loan meets the "solely payment of principal and interest criteria" and has been measured at cost subsequently.

I. During March 2022, BCP completed a private placement of NIS 528,440,367 par value of debentures (Series B) by way of expansion of the registered series. This corresponds to a nominal amount of approximately EUR 150 million with an effective interest rate of approximately 1%. The gross proceeds from the private placement of approximately EUR 163.5 million were received during the reporting period. This led to an increase in the cas cash proceeds of EUR 162.5 million and to an increase in the bonds by EUR 163.5 million. Due to the reclassification as held for sale (IFRS 5), the amount has been included in non-current liabilities held for sale and in the cash flows of the disposal group separately.

J. Current derivatives liabilities include the written call option granted by ADLER to LEG Immobilien SE to tender its remaining shares in BCP at a minimum tender offer price of EUR 157 per share. The option has been initially measured at a transaction price of EUR 7.5 million. As at the reporting date, the fair value of the option amounts to EUR 0.3 million (EUR 38.2 million as at 31 December 2021). The decrease in fair value has been presented in finance income (EUR 37.9 million).

K. On 4 April 2022, the new federal government decided that from 2023 landlords would also have to contribute to the CO_2 levy on heating costs. A staged model is planned, which sets the share of landlords in inverse relation to the energy efficiency of the building.

L. As announced on 16 March 2022, ADLER Real Estate AG repaid its bond (ISIN XS1843441491) in the full amount of EUR 400 million on 19 April 2022, the maturity date.

M. On 21 April 2022, Adler Group announced that KPMG Forensic had provided the Company with the final report of its comprehensive review of the allegations of Viceroy Research LLC. This report was published on the website of the Company on 22 April 2022. KPMG Forensic did not find evidence that there were systematic fraudulent and looting transactions with allegedly related parties. However, KPMG Forensic identified deficiencies in the documentation and the processes handling those transactions. Prof. Dr. Kirsten, Chairman of the Board of Directors of Adler Group, announced a programme to address the identified weaknesses in structure and process on 22 April 2022. First results of this programme were published prior to the annual General Meeting of the Company on 29 June 2022.

N. Due to the disclaimer of opinion by the auditor on the consolidated financial statements and the annual accounts of Adler Group S.A., all members of the Board of Directors who held a mandate in 2021 offered their resignation on 30 April 2022 with immediate effect. For the continuity of the Company the resignations of Thilo Schmid, Thomas Zinnöcker as well as of Co-CEO

Thierry Beaudemoulin were only accepted with effect as of the date of the general meeting of the Company on 29 June 2022. The Board of Directors now consists of the Chairman of the Board of Directors Prof. Dr. A. Stefan Kirsten, the CEO and Daily Manager Thierry Beaudemoulin, Thilo Schmid and Thomas Zinnöcker. At the General Meeting the Board then stood for re-election.

O. On 3 May 2022, the Company issued a declaration of rescission regarding the sales contract of the development project Offenbach-Kaiserlei. The Company expects to sell this project to another investor in the course of the year.

P. On 5 May 2022, the international rating agency Standard and Poor's (S&P) downgraded the issuer rating of Adler Group S.A. and ADLER Real Estate AG from B- to CCC with outlook negative. The rating of the unsecured bonds was lowered from B to CCC. The ratings were removed from CreditWatch negative.

Q. On 17 May 2022, the Company announced that effective 1 June 2022, Thomas Echelmeyer will join the Senior Management of Adler Group as interim Chief Financial Officer (CFO). He will hold this position temporarily until the CFO position is finally filled. The process to find a permanent CFO is underway.

Also the Company announced that the Board of Directors concluded that it is not advisable for the Company to pay a dividend in the light of the existing disclaimer of opinion by the auditor. Accordingly, the Board will recommend to the AGM to not pay a dividend for the financial year 2021.

Furthermore, the Company announced that KPMG Luxembourg Société anonyme ("KPMG") informed the Company that KPMG is not available to audit the 2022 standalone and consolidated financial statements of the Company. The Company has initiated a selection process to appoint a new auditor for the Company.

R. On 29 June 2022, the annual General Meeting (AGM) was held. All proposed resolutions were adopted with a majority ranging from 89.20% to 99.998% and all Board members were confirmed for a period of three years until the AGM in 2025.

Furthermore, the Company launched a tender for the mandate to audit its stand-alone and consolidated financial statements for the financial year 2022. The tender ended on 13 July 2022. In that time, no applications had been received. Thereafter the Company started a process to invite auditing firms individually. This process is still ongoing.

S. In August 2022, ADLER Real Estate AG appealed against the decision of the German Federal Financial Supervisory Authority ("BaFin") relating to the finding of an error in ADLER Real Estate AG's consolidated financial statements as 31 December 2019. In essence, BaFin's derivation of the error finding is based on what BaFin considers to be an overvaluation of the "Glasmacherviertel" real estate project. Adler Group and ADLER Real Estate AG repeatedly pointed out publicly that the property valuations were carried out by a professional, independent expert. In addition, the valuations included in the consolidated financial statements of the Adler Group have been audited and certified on several occasions.

T. On 3 August 2022, LEG Immobilien SE announced it will refrain from the acquisition of further shares in ADLER Real Estate AG's subsidiary Brack Capital Properties N.V. ("BCP"). The Senior Management of the Group together with ADLER Real Estate AG are evaluating further options for the value of the investment in BCP, taking into account the interests of all stakeholders. In view of the high quality of the portfolio, Adler Group is confident of finding a solution within a reasonable period of time. In the spirit of forward-looking planning, Adler Group and ADLER Real Estate AG have also been working on alternatives to achieve the cash inflow envisaged through the sale of the BCP investment by other means, if necessary.

U. On 14 August 2022, the Board of ADLER Real Estate AG decided to extend the loan agreement for the granting of a loan in the amount of EUR 200 million to its subsidiary BCP. The amendment agreement postpones the due date for repayment of the loan from 23 May 2023 to 29 December 2023. At the same time, the period within which the loan commitments that have not yet been called can be called has been extended. The extension of the loan agreement provides BCP with additional flexibility in its financing. To date EUR 100 million of the EUR 200 million have been drawn.

Financial Calendar 2022

Adler Group S.A.

29 November 2022	**Publication Q3 2022 Results**
30 November 2022	**German Equity Forum**

Online Financial Calendar

www.adler-group.com

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