ADLER GROUP

Q2

QUARTERLY FINANCIAL REPORT 2021

Key Figures Q2

Profit and loss statement

	For the six months ended		For the three months ended		For the year ended
In EUR thousand	**30 June 2021**	**30 June 2020**	**30 June 2021**	**30 June 2020**	**31 Dec 2020**
Income from rental activities	230,507	147,897	118,100	118,463	383,906
EBITDA from rental activities	112,545	77,302	58,331	59,595	187,014
EBITDA from rental activities margin	64.7%	67.3%	65.1%	68.6%	63.7%
EBITDA Total	167,190	82,538	107,037	64,119	247,349
FFO 1 (from rental activities)	67,750	44,311	35,423	32,853	107,128
FFO 2 (incl. disposal results and development activities)	94,082	49,547	72,474	37,377	126,654

Further KPIs

	30 June 2021	**31 Dec 2020**
Monthly in-place rent (EUR per m^2)	EUR 6.55	EUR 6.30
Total vacancy rate	3.8%	3.4%
Number of units	69,701	69,722
Like-for-like rental growth	4.3%	2.2%

Balance sheet

In EUR thousand except per share data	**30 June 2021**	**31 Dec 2020**
Fair value of properties	12,570,345	11,430,611
LTV	54.7%	53.4%
EPRA NRV	6,542,561	6,037,159
EPRA NRV per share (EUR)	55.68	51.38
EPRA NTA	4,949,897	4,442,583
EPRA NTA per share (EUR)	42.12	37.81

(*) Including ground floor commercial units and excluding units under renovation and development projects.

More future per m²

We want to ensure people have the living space they need – today and tomorrow. We provide affordable contemporary housing and create new visionary real estate projects that are fit for the future.

adler-group.com

ADLER GROUP

Content

1 | TO OUR SHAREHOLDERS
About the Company

Welcome to Adler Group

Adler Group is one of Germany's leading housing companies. With a portfolio comprising about 70,000 residential units spread out across the republic and a development pipeline boasting in excess of 10,000 flats in the country's top 7 cities, we are actively shaping the future of the German real estate market.

ADLER can look back on a long and distinguished history. As a manufacturer of bicycles, cars and typewriters the Company has been a household name since 1880 and has become a synonym for reliability and pioneering spirit. Adler Group aspires to nurture this spirit and as a housing company create living spaces where people feel comfortable and will wish to live for years to come.

We excel through our role as a pioneer in the field of technology and our pursuit of perfection. We are a modern company which goes about doing what it does best with true passion: the creation of holistic, visionary and sustainable living spaces.

As a brand that can fall back on a long tradition in Germany, we see ourselves as being an integral part of the society we live in. And we are here to stay.

RESIDENTIAL RENTAL PORTFOLIO

69,701
units

DEVELOPMENT PIPELINE

10,000
units

1 | TO OUR SHAREHOLDERS
Key Facts & Figures

What the Numbers say

Key facts & figures

FAIR VALUE OF PROPERTIES

12.6

billion EUR

More future per m²

ADLER GROUP

EPRA NRV

6,543

million EUR

RESIDENTIAL RENTAL PORTFOLIO

69,701

units

DEVELOPMENT PIPELINE

10,000

units

AVERAGE RESIDENTIAL RENT

TOP 13 CITIES

6.86

EUR/m²/month

AVERAGE RESIDENTIAL RENT

TOTAL

6.55

EUR/m²/month

RESIDENTIAL RENTAL PORTFOLIO

4.4

million m²

DEVELOPMENT PIPELINE

+1.0

million m²

1 | TO OUR SHAREHOLDERS
2021 Milestones

2021 Milestones

An overview

1 | TO OUR SHAREHOLDERS
2021 Milestones

2021 Milestones

Significant achievements since January

JANUARY

CAPITAL MEASURES

Successful placement of a EUR 1.5bn 5- and 8-year dual tranche bond

On 8 January 2021, the Group successfully placed a EUR 1.5 billion dual tranche bond comprising a EUR 700 million 5-year maturity with a 1.875% fixed coupon and a EUR 800 million 8-year maturity with a 2.25% fixed coupon. The Notes were placed with institutional investors across Europe with a total order book of EUR 4.0 billion. Together with existing liquidity, all upcoming debt maturities in 2021 are covered.

JANUARY

EUR
1.5bn
dual tranche bond

FEBRUARY

MARCH

APRIL

CORPORATE ACTIVITIES

Berlin rent freeze overturned by Germany's Constitutional Court

On 15 April 2021, the Federal Constitutional Court declared the Berlin rent freeze unconstitutional and obsolete. As 19,853 out of 69,712 of our flats are located in Berlin, which represents 54% of total gross asset value and 37% of net rental income, the court ruling has material impact on the business. Adler Group welcomes the unambiguous ruling as it restores legal certainty and confidence in the Berlin housing market, which is in the interest of tenants, housing providers and investors alike.

CORPORATE ACTIVITIES

Corporate structure further simplified

On 20 April 2021, WESTGRUND, a subsidiary of Adler Group, announced a squeeze-out of the remaining minority shareholders in order to further simplify the corporate structure. The shareholders will receive a cash compensation of EUR 13.24 per WESTGRUND share. The resolution of the transfer was passed at the extraordinary general meeting of WESTGRUND, which was held on 9 June 2021.

APRIL

EUR
13.24
cash compensation

1 | TO OUR SHAREHOLDERS
2021 Milestones

CAPITAL MEASURES

Successful refinancing through a placement of a EUR 500m 6-year bond

On 21 April 2021, the Group successfully placed a EUR 500 million single tranche bond with a 6-year maturity and a 2.25% fixed coupon under its newly established EMTN programme. The Notes were placed with institutional investors across Europe with a total order book of EUR 1.1 billion. The proceeds will be used to call and repay the EUR 450 million 9.625% high yield bond issued by Consus Real Estate AG which enabled the Group to realise EUR 33 million annualised financial synergies.

APRIL

EUR
500m
single tranche bond

CORPORATE ACTIVITIES

First ESG report - measurable goals set for future climate protection

On 4 May 2021, Adler Group published its first ESG report in which a detailed ESG strategy is outlined for the entire Group. Three sustainability priorities were defined: sustainability in construction, sustainable relationships with tenants and employees, and sustainable management through digitalisation. The Company's goal is to reduce CO_2 emissions within the whole portfolio by 50% until 2030.

MAY

reduce CO_2 emissions by
50%
until 2030

MAY

CORPORATE ACTIVITIES

Great progress on build-to-hold projects

In June, Adler Group and the City of Hamburg agreed the urban development plan for the Holsten Quartier in Hamburg-Altona. The Group will build approximately 1,200 apartments. Currently, the project is valued with a GAV of EUR 364 million. Completion is expected by the end of 2026.

JUNE

Completion of
1,200
new flats
by end of 2026

JUNE

CORPORATE ACTIVITIES

AGM and dividend payment

On 29 June 2021, the Group held its annual General Meeting and declared a dividend payment of EUR 0.46 per share. The aggregate dividend amount of EUR 54,054,707 was paid out to our shareholders on 1 July 2021.

JUNE

EUR
54.0m
aggregate dividend payout

1 | TO OUR SHAREHOLDERS
2021 Milestones

JULY

CORPORATE ACTIVITIES

German Association of Sustainable Building membership

On 6 July 2021, Adler Group became a member of the German Association of Sustainable Building (DGNB). It has committed to ensuring that all new buildings will comply with the DGNB Gold standard or the comparable LEED standard, building carbon-neutral buildings for a better future.

CORPORATE ACTIVITIES

Global Compact Network membership

On 15 July 2021, Adler Group became an active member of the United Nations Global Compact. By taking this approach, the Company is particularly able to positively impact on eight selected principles.

PORTFOLIO DISPOSALS

Disposal of non-core office development project at book value

On 20 July 2021, Adler Group sold an office development project for EUR 185 million at book value to a project developer. The building was part of the upfront sales of the build-to-sell development pipeline, in a prime location in the financial metropolis Frankfurt. This disposal is an important milestone in the process of streamlining and simplifying the portfolio and strengthening the balance sheet in line with the Group's strategy.

JULY

EUR
185m
disposal of non-core development project

AUGUST

CORPORATE ACTIVITIES

Sustainalytics rating

On 16 August 2021, Sustainalytics assigned a new rating to Adler Group of 10.7, ranking the Company as the 46th best real estate company in Sustainalytics' global coverage of 1,001 real estate companies. This is a very strong rating and positions the Company in the top 5% of the real estate coverage in terms of ESG.

AUGUST

New ESG rating
Top 5%
of global real estate companies

1 | TO OUR SHAREHOLDERS
Adler Group Share

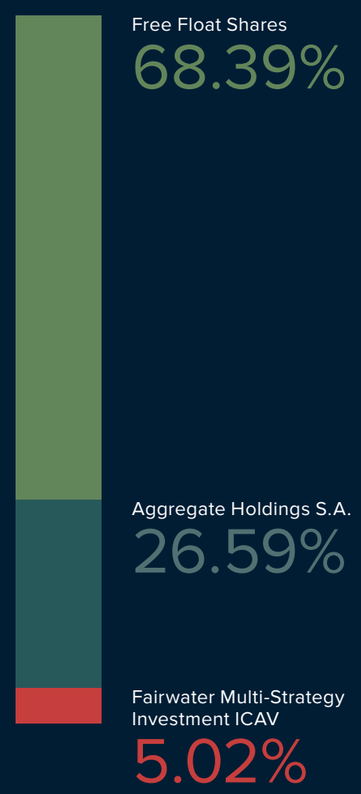
Adler Group Share

The share

Share information

1st day of trading	23 July 2015
Subscription price	EUR 20.00
Price as at 30 June 2021	EUR 22.18
Highest share price LTM	EUR 29.00
Lowest share price LTM	EUR 20.66
Total number of shares	117.5 million
ISIN	LU1250154413
WKN	A14U78
Symbol	ADJ
Class	Dematerialised shares
Free float	68.39%
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



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 2021, the shares traded between EUR 20.66 and EUR 29.00. 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 2021, the total number of outstanding shares of Adler Group amounts to 117.5 million. Currently, the main shareholders with holdings of over 5% are(*): Aggregate Holdings S.A. (26.59%) and Fairwater Multi-Strategy Investment ICAV (5.02%). The remaining 68.39% free float shares are mainly held by institutional investors.

Dividend policy

As a dividend policy, the Company intends to pay dividends in an amount of approximately 50% of FFO 1. In accordance with this dividend policy, the amount shall be distributed as annual dividends to the shareholders. The distribution of dividends is subject to a respective resolution of the annual General Meeting (AGM).

For the 2020 financial year, the Company paid out a dividend amounting to 50% of FFO 1 realised in full year 2020. This equalled EUR 54 million or EUR 0.46 per share and was confirmed by the shareholders at the AGM in June 2021.

(*) According to the most recent official notifications received from the shareholders.

Interim Management Report

2 Interim Management Report

2 | INTERIM MANAGEMENT REPORT
Fundamentals of the Group

Fundamentals of the Group

Business model

Adler Group S.A. is a well-diversified pan German residential real estate company with properties valued at EUR 12.6 billion. We hold and manage approximately 70,000 apartments across Germany, with an additional 10,000 units under development in Germany's top 7 cities.

Our business model focuses on asset and portfolio management, property and facility management and identifying residential properties throughout Germany that present opportunities to create value by increasing rents and decreasing vacancy. With our strategic land bank in the top 7 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 approximately 10,000 new residential units in a strategic effort to address the ongoing housing shortage in Germany. Our 1,390 operational employees are based in our office in Berlin as well as in several locations across 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.

By focussing on increasing rents through active asset management and targeted investments to modernise, we 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 without CAPEX investment. In addition, we continuously review rent potentials and pursue growth beyond the rent tables through targeted CAPEX investments to modernise, refurbish and/or re-position our properties allowing for higher rent levels. Lastly, we reduce the portfolio vacancy through active marketing with an approach tailored to the respective micro-location.

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

By disposing of non-core assets, we aim at streamlining our rental portfolio by increasing our focus on medium-sized and large 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.

In 2020, we combined our business with ADLER Real Estate AG ("ADLER") and Consus Real Estate AG ("Consus") in order to create one of the largest listed residential real estate companies in Germany. Through the integration of the assets held by ADLER, we have grown and diversified our business and by integrating Consus, we have secured a clear and profitable organic growth path, which rests upon our high-quality build-to-hold development pipeline with a gross asset value (GAV) of EUR 1.7 billion. We aim to develop approximately 1.0 million m^2 of additional rental area across more than 10,000 additional rental units in Germany's top 7 cities over the next 6-8 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 capital structure and further reduce the Group's weighted average cost of debt by refinancing expensive debt with more attractive secured or unsecured debt instruments.

Our financial policy includes a target of LTV below 50% in the medium-term, without equity raising requirements. This is to be achieved via the following measures: (1) the sale of identified non-core assets in line with the strategic focus of the Group, (2) projects being forward sold to institutional purchasers prior to the start of construction, thereby minimising development risks and pre funding the developments, and further development profits from condo sales, (3) German residential properties continue to be considered a safe haven, and we expect positive valuation effects at least in line with like-for-like rental growth and (4) operational performance of the newly formed combined Group. Ultimately, it is our focus to obtain an investment grade credit rating.

We will leverage operational and financial synergies to be realised from streamlining our operations and financial discipline.

By integrating ADLER and Consus into Adler Group, it allows us to capitalise on significant run-rate synergies with reduced debt and simplified capital structure.

We target continuous dividends with a payout ratio of up to 50% of our annual FFO 1 (from rental activities).

Our portfolio and operational excellence combined with our sustainable financing strategy allows us to distribute stable dividends on an annual basis with a targeted payout ratio of up to 50% of FFO 1 (from rental activities).

RESIDENTIAL RENTAL PORTFOLIO

69,701

units

OPERATIONAL EMPLOYEES

1,390

people

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's articles of association. 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 2021, the Board comprised as follows:

Dr. Peter Maser, Chairman
Independent Director

Mr Maximilian Rienecker
Director

Mr Thierry Beaudemoulin
Director

Ms Arzu Akkemik
Independent Director

Dr. Michael Bütter
Independent Director

Mr Claus Jørgensen
Independent Director

Mr Thilo Schmid
Independent Director

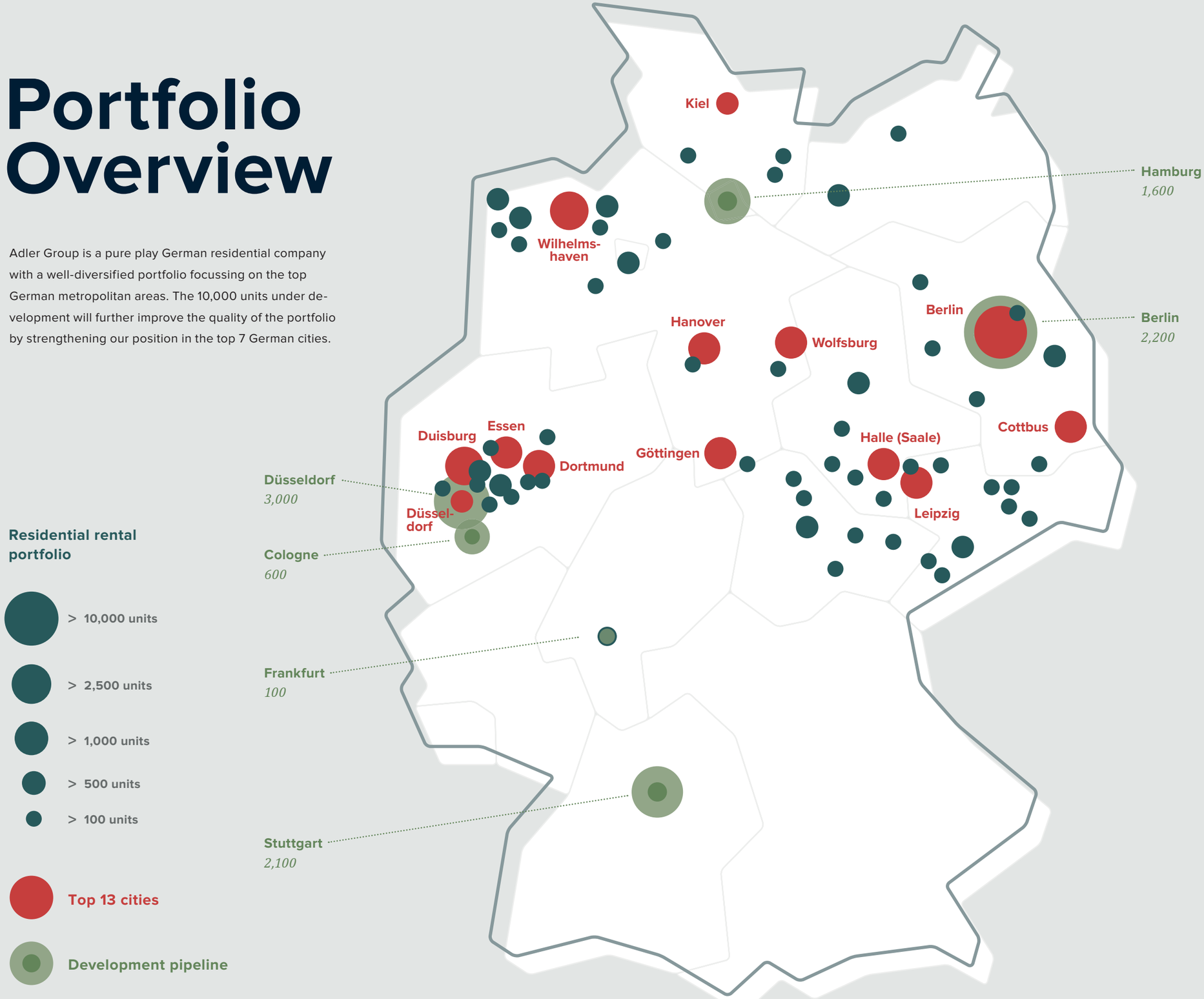
Mr Thomas Zinnöcker
Independent Director

Note: the composition of the Board remains unchanged as at the time of publication of this report.

2 | INTERIM MANAGEMENT REPORT
Portfolio Overview

Portfolio Overview

Adler Group is a pure play German residential company with a well-diversified portfolio focussing on the top German metropolitan areas. The 10,000 units under development will further improve the quality of the portfolio by strengthening our position in the top 7 German cities.



RESIDENTIAL RENTAL PORTFOLIO

TOTAL PORTFOLIO

69,701

units

RESIDENTIAL RENTAL PORTFOLIO

TOP 13 CITIES

48,285

units

DEVELOPMENT PIPELINE

10,000

units

Portfolio overview(*)

Location	Fair value EUR m H1 21	Fair value EUR/m² H1 21	Units	Lettable area m²	NRI(**) EUR m H1 21	Rental yield (in-place rent)	Vacancy H1 21	Vacancy Δ YoY	H1 21 Avg. rent EUR/m²/ month	NRI Δ YoY LFL	Rever-sionary potential
Berlin	4,768	3,468	19,873	1,374,960	129.5	2.7%	1.7%	(0.9%)	7.88	4.0%	23.5%
Leipzig	499	1,961	4,746	254,601	18.1	3.6%	2.7%	(2.6%)	6.12	3.5%	20.8%
Wilhelmshaven	430	1,060	6,890	405,194	26.2	6.1%	5.6%	(0.9%)	5.67	9.2%	12.8%
Duisburg	372	1,219	4,923	305,003	20.5	5.5%	1.8%	(1.5%)	5.71	2.9%	10.2%
Wolfsburg	174	1,984	1,301	87,614	6.5	3.7%	1.4%	(0.9%)	6.53	(1.3%)	36.1%
Göttingen	158	1,856	1,377	85,238	6.1	3.9%	0.9%	(0.8%)	6.11	(1.1%)	35.8%
Dortmund	157	1,534	1,770	102,251	7.6	4.8%	1.3%	(3.5%)	6.25	8.4%	16.6%
Hanover	138	2,180	1,112	63,253	5.6	4.1%	1.5%	(0.7%)	7.37	2.7%	21.7%
Kiel	131	1,963	970	66,768	5.8	4.4%	0.6%	(1.1%)	7.20	5.7%	18.0%
Düsseldorf	128	3,474	577	36,779	3.7	2.9%	1.8%	(0.5%)	8.47	3.5%	24.0%
Halle (Saale)	101	953	1,856	105,810	5.9	5.8%	10.9%	(1.9%)	5.34	6.1%	19.0%
Essen	101	1,517	1,043	66,341	4.8	4.7%	2.5%	(0.9%)	6.08	3.0%	20.0%
Cottbus	92	848	1,847	108,773	6.3	6.9%	7.5%	0.5%	5.22	7.8%	13.2%
Top 13 total	**7,248**	**2,367**	**48,285**	**3,062,586**	**246.6**	**3.4%**	**2.8%**	**(1.2%)**	**6.86**	**4.4%**	**20.9%**
Other	1,637	1,218	21,416	1,343,997	87.4	5.3%	6.1%	(2.4%)	5.80	4.2%	17.1%
Total(*)	**8,885**	**2,016**	**69,701**	**4,406,583**	**334.0**	**3.8%**	**3.8%**	**(1.8%)**	**6.55**	**4.3%**	**19.9%**

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

AVERAGE RESIDENTIAL IN-PLACE RENT

EUR/M²/MONTH

6.55

LIKE-FOR-LIKE RENTAL GROWTH

4.3%

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

The vacancy rate shows the ratio of m² of vacant units in our properties to total m². Vacancy rate is used as an indicator of the current letting performance.

The in-place rent per m² 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 2021	31 Dec 2020
Number of units	69,701	69,722
Average rent/m²/month	EUR 6.55	EUR 6.30
Vacancy	3.8%	3.4%

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

The average rent per m² increased to EUR 6.55 in the course of the year, while the vacancy rate marginally increased to 3.8% mainly driven by seasonal effects.

Like-for-like rental growth(*)

In %	LTM(**) 30 June 2021	1 Jan - 31 Dec 2020
Like-for-like rental growth	4.3%	2.2%

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

As expected, after the Berlin rent freeze was cancelled, Berlin assets have seen a catch-up effect, achieving like-for-like rental growth of 4.0%. Like-for-like rental growth for the entire portfolio for Q2 2021 stood at 4.3%.

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 m²	1 Jan - 30 June 2021	1 Jan - 31 Dec 2020
Maintenance	2.8	6.3
CAPEX(*)	13.1	24.4
Total	**15.9**	**30.7**

(*) Includes EUR 2.4 of modernisation CAPEX.

Maintenance and CAPEX

In EUR million	1 Jan - 30 June 2021	1 Jan - 31 Dec 2020
Maintenance	12.5	30.5
CAPEX(*)	58.0	118.4
Total	**70.5**	**148.9**

(*) Includes EUR 10.8 million of modernisation CAPEX.

Total investment in the portfolio amounted to EUR 70.5 million resulting in the maintenance and CAPEX cost per m² in the first six months of 2021 of EUR 15.9.

Vacancy split

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

Vacancy(*)

	30 June 2021	31 Dec 2020
Total vacancy (units)	2,859	2,523
Total vacancy (m²)	167,722	149,369
Vacancy rate (top 13)	2.8%	2.3%
Total vacancy rate	3.8%	3.4%

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

VACANCY RATE

TOP 13 CITIES

2.8%

VACANCY RATE

TOTAL PORTFOLIO

3.8%

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 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 trading properties[1)]
(–)	Fair value of financial instruments[2)]
(–)	Deferred taxes[3)]

= EPRA NAV

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

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 tax 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 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 privatisations to EBITDA from rental activities. It is used to assess the recurring earnings potential of the business as a whole.

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.

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)]
(+)	Fair value gain from build-to-hold development[10)]
=	**EBITDA Total**
(–)	Net cash interest[11)]
(+/–)	Other net financial costs[12)]
(–)	Depreciation and amortisation
(+)	Change in fair value of investment properties
(+/–)	Other expenses/income[13)]
(–)	Net income from at-equity valued investment[14)]

= 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 of trading property (condominiums).

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

11) 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.

12) 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 11) above.

13) 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.

14) 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, the 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[15)]
(–)	Current income taxes relating to rental activities[16)]
(–)	Interest of minority shareholders[17)]

= FFO 1 (from rental activities)

15) 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.

16) Only current income taxes relating to rental activities.

17) Interest of minority shareholders in ADLER's subsidiary Brack Capital Properties N.V. ("BCP") as ADLER's share is only 68.8%.

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

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

EBITDA Total

(–)	Net cash interest[11)]
(–)	Current income taxes[18)]
(–)	Interest of minority shareholders[17)]

= FFO 2 (incl. disposal results and development activities)

18) Current income taxes as presented in the financial statements exclude the deferred taxes and current taxes 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, bonds and other financial liabilities 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 and in this regard the comparative figures for the previous period were also adjusted. The net financial liabilities are adjusted for selected financial assets like purchase price receivables, granted loans and bonds held. The fair value of the properties is adjusted for property, plant and equipment used for energy management services and for investments in real estate companies.

Calculation of LTV

Bonds, other loans and borrowings and other financial liabilities

(+)	Convertible bonds
(–)	Cash and cash equivalents
(–)	Selected financial assets[19)]
(–)	Contract assets
(–)	Assets and liabilities classified as held for sale
=	**Net financial liabilities**
(+)	Fair value of properties[20)]
(+)	Investment in real estate companies[21)]
=	**GAV (Gross Asset Value)**

= Loan-to-value ratio (LTV ratio)

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

20) 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.

21) Including investment in financial instruments and investments in associated companies 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, the level of the Group's indebtedness and of cash flow generated by the Group's business.

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

Profit situation

At the beginning of the second quarter of 2020, the Adler Group gained control of ADLER and its subsidiaries and consolidated the company and its subsidiaries for the first time. At the beginning of the third quarter of 2020, the Adler Group gained control of Consus and its subsidiaries and consolidated the company and its subsidiaries for the first time. A comparison with the previous year's figures is therefore only possible to a limited extent.

Following the consolidation of ADLER at the beginning of the second quarter 2020, the consolidation of Consus at the beginning of the third quarter 2020 and the fall of the "Mietendeckel" (Berlin rent freeze) in April 2021, revenue for the first six months in 2021 has increased significantly compared to the same period last year. Disposals of non-core assets had an offsetting effect.

Income from rental activities and EBITDA from rental activities increased considerably in the first half of the year on a year-on-year basis mainly due to the first-time consolidation of ADLER and the unconstitutionality of the Berlin rent freeze.

At 30 June 2021 the net interest-bearing debt amounted to around EUR 7.8 billion. As at Q2 2021, our average interest rate on all outstanding debt is 2.1%, with a weighted average maturity of 4.3 years and an interest coverage ratio of 2.6(*). The weighted average cost of debt on Consus side is around 3.8% with an average maturity of 1.4 years.

The illustrated EBT calculation deviates from the financial performance table in the half-year financial report as at 30 June 2020 for the purpose of comparability. In particular, the effects from the changes in fair value, other expenses, other income and one-off overhead costs have been included.

INCOME FROM RENTAL ACTIVITIES

EUR

230.5

million

(*) 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

	For the six months ended		For the three months ended		For the year ended
In EUR thousand	**30 June 2021**	**30 June 2020**	**30 June 2021**	**30 June 2020**	**31 Dec 2020**
Net rental income	174,017	114,791	89,669	86,887	293,387
Income from facility services and recharged utilities costs	56,490	33,106	28,431	31,576	90,519
Income from rental activities	**230,507**	**147,897**	**118,100**	**118,463**	**383,906**
Cost from rental activities	(89,920)	(53,858)	(45,292)	(47,469)	(153,274)
Net operating income (NOI) from rental activities	**140,587**	**94,039**	**72,808**	**70,994**	**230,633**
NOI from rental activities margin (%)	**80.8%**	**81.9%**	**81.2%**	**81.7%**	**78.6%**
Overhead costs from rental activities	(28,043)	(16,737)	(14,478)	(11,399)	(43,619)
EBITDA from rental activities	**112,545**	**77,302**	**58,331**	**59,595**	**187,014**
EBITDA margin from rental activities (%)	**64.7%**	**67.3%**	**65.1%**	**68.6%**	**63.7%**

EBITDA Total

	For the six months ended		For the three months ended		For the year ended
In EUR thousand	**30 June 2021**	**30 June 2020**	**30 June 2021**	**30 June 2020**	**31 Dec 2020**
Income from rental activities	230,507	147,897	118,100	118,463	383,906
Income from property development	58,908	23,970	13,338	23,970	134,634
Income from other services	4,878	-	(1,173)	-	14,893
Income from real estate inventory disposed of	-	-	-	-	218,667
Income from sale of trading properties	4,917	2,751	2,977	563	6,637
Revenue	**299,210**	**174,618**	**133,242**	**142,996**	**758,737**
Cost from rental activities	(89,920)	(53,858)	(45,292)	(47,469)	(153,274)
Other operational costs from development and privatisation sales	(65,556)	(20,322)	(25,054)	(18,921)	(330,162)
Net operating income (NOI)	**143,734**	**100,438**	**62,896**	**76,606**	**275,302**
Overhead costs from rental activities	(28,043)	(16,737)	(14,478)	(11,399)	(43,619)
Overhead costs from development and privatisation sales	(9,886)	(1,163)	(2,765)	(1,088)	(24,114)
Fair value gain from build-to-hold development	61,384	-	61,384	-	39,780
EBITDA Total	**167,190**	**82,538**	**107,037**	**64,119**	**247,349**
Net cash interest	(54,869)	(28,322)	(23,060)	(22,617)	(101,954)
Other net financial costs	(102,538)	(125,961)	(75,448)	(108,322)	(88,112)
Depreciation and amortisation	(7,584)	(2,741)	(3,743)	(2,376)	(11,304)
Other income/(expenses)	19,737	47,457	36,723	47,167	(65,667)
Change in valuation	478,568	141,228	277,673	141,228	373,895
Net income from at-equity valued investments	(100)	364	(100)	364	(5,666)
EBT	**500,404**	**114,563**	**319,083**	**119,563**	**348,542**

FFO 1

EUR

67.8

million

FFO

FFO 1 (from rental activities)

In EUR thousand	For the six months ended 30 June 2021	For the six months ended 30 June 2020	For the three months ended 30 June 2021	For the three months ended 30 June 2020	For the year ended 31 Dec 2020
EBITDA from rental activities	112,545	77,302	58,331	59,595	187,014
Net cash interest	(37,719)	(28,322)	(18,738)	(22,617)	(70,157)
Current income taxes	(3,234)	(2,718)	(2,287)	(2,173)	(3,648)
Interest of minority shareholders	(3,843)	(1,952)	(1,883)	(1,952)	(6,080)
FFO 1 (from rental activities)	**67,750**	**44,311**	**35,423**	**32,853**	**107,128**
No. of shares(*)	117,510	50,111	117,510	56,094	79,771
FFO 1 per share	**0.58**	**0.88**	**0.30**	**0.59**	**1.34**

(*) 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 2021	For the six months ended 30 June 2020	For the three months ended 30 June 2021	For the three months ended 30 June 2020	For the year ended 31 Dec 2020
EBITDA Total	167,190	82,538	107,037	64,119	247,349
Net cash interest	(54,869)	(28,322)	(23,060)	(22,617)	(101,954)
Current income taxes	(14,396)	(2,718)	(9,620)	(2,173)	(12,660)
Interest of minority shareholders	(3,843)	(1,952)	(1,883)	(1,952)	(6,080)
FFO 2	**94,082**	**49,547**	**72,474**	**37,377**	**126,654**
No. of shares(*)	117,510	50,111	117,510	56,094	79,771
FFO 2 per share	**0.80**	**0.99**	**0.62**	**0.67**	**1.59**

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

Financial and asset position

The Group's total assets increased by EUR 709 million compared to 31 December 2020, rising from EUR 14.8 billion to EUR 15.5 billion as at 30 June 2021. The Company has updated the fair value of the properties based on a third-party valuation.

Financial position

In EUR thousand	30 June 2021	31 Dec 2020
Investment properties and advances related to investment properties	10,937,490	10,110,842
Other non-current assets	1,696,502	1,839,086
Non-current assets	**12,633,992**	**11,949,928**
Cash and cash deposits	369,874	371,574
Inventories	1,514,982	1,254,460
Other current assets	1,010,376	1,122,316
Current assets	**2,895,232**	**2,748,350**
Non-current assets held for sale	**17,081**	**139,361**
Total assets	**15,546,305**	**14,837,639**
Interest-bearing debts	8,179,214	7,965,429
Other liabilities	1,127,198	994,171
Deferred tax liabilities	1,048,932	933,226
Liabilities classified as available for sale	**12**	**27,271**
Total liabilities	**10,355,356**	**9,920,097**
Total equity attributable to owner of the Company	**4,426,945**	**4,145,531**
Non-controlling interests	763,992	772,011
Total equity	**5,190,937**	**4,917,542**
Total equity and liabilities	**15,546,305**	**14,837,639**

In the tables below 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 2021

In EUR thousand	NAV	NRV	NTA	NDV
Total equity attributable to owners of the Company	4,426,945	4,426,945	4,426,945	4,426,945
Revaluation of inventories	104,778	104,778	104,778	104,778
Deferred tax	1,130,236	1,130,236	965,521	-
Goodwill	-	-	(1,174,561)	(1,174,561)
Fair value of financial instruments	3,897	3,897	3,897	-
Fair value of fixed interest rate debt	-	-	-	(182,585)
Real estate transfer tax	-	876,706	623,318	-
EPRA NAV	**5,665,855**	**6,542,561**	**4,949,897**	**3,174,577**
No. of shares	117,510	117,510	117,510	117,510
EPRA NAV per share	**48.22**	**55.68**	**42.12**	**27.02**
Convertibles	98,311	98,311	98,311	98,311
EPRA NAV fully diluted	**5,764,166**	**6,640,872**	**5,048,208**	**3,272,888**
No. of shares (diluted)	118,694	118,694	118,694	118,694
EPRA NAV per share fully diluted	**48.56**	**55.95**	**42.53**	**27.57**

EPRA NAVs

31 Dec 2020

In EUR thousand	NAV	NRV	NTA	NDV
Total equity attributable to owners of the Company	4,145,531	4,145,531	4,145,531	4,145,531
Revaluation of inventories	52,160	52,160	52,160	52,160
Deferred tax	1,010,868	1,010,868	868,304	-
Goodwill	-	-	(1,204,934)	(1,204,934)
Fair value of financial instruments	5,315	5,315	5,315	-
Fair value of fixed interest rate debt	-	-	-	(328,791)
Real estate transfer tax	-	823,284	576,483	-
EPRA NAV	**5,213,874**	**6,037,159**	**4,442,583**	**2,663,966**
No. of shares	117,510	117,510	117,510	117,510
EPRA NAV per share	**44.37**	**51.38**	**37.81**	**22.67**
Convertibles	97,623	97,623	97,623	97,623
EPRA NAV fully diluted	**5,311,497**	**6,134,782**	**4,540,205**	**2,761,588**
No. of shares (diluted)	119,427	119,427	119,427	119,427
EPRA NAV per share fully diluted	**44.47**	**51.37**	**38.02**	**23.12**

Loan-to-value

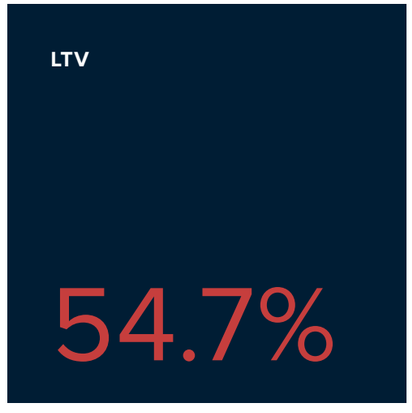
We fund our properties based on a conservative financing strategy with a mix of secured mortgage loans and capital market instruments.

In EUR thousand	30 June 2021	31 Dec 2020
Corporate bonds and other loans and borrowings	7,869,901	7,653,457
Convertible bonds	309,313	311,972
Cash and cash equivalents	(369,874)	(371,574)
Selected financial assets(*)	(735,329)	(1,194,587)
Net contract assets	(133,173)	(136,606)
Assets and liabilities classified as held for sale	(17,069)	(112,090)
Net financial liabilities	**6,923,769**	**6,150,293**
Fair value of properties (including advances)	12,570,345	11,430,611
Investment in real estate companies	84,716	84,816
Gross asset value (GAV)	**12,655,061**	**11,515,427**
Net loan-to-value	**54.7%**	**53.4%**
Net loan-to-value excluding convertibles	**52.3%**	**50.7%**

(*) Including net financial receivables (EUR 241 million), trade receivables from the sale of real estate investment (EUR 272 million) and other financial assets (EUR 222 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 54.7%.



2 | INTERIM MANAGEMENT REPORT
Material Events in the Reporting Period and Subsequent Events

Material Events in the Reporting Period and Subsequent Events

A. On 30 January 2020, the World Health Organisation (WHO) declared an international health emergency due to the outbreak of the coronavirus. Since 11 March 2020, the WHO has classified the spread of the coronavirus as a pandemic. Adler Group is continuously assessing the impact of Covid-19. The valuation of the investment properties, financial assets and financial liabilities as at 30 June 2021 as disclosed in these consolidated interim financial statements reflects the economic conditions in existence at that date. The Company does not expect the crisis to have any material impact on rental income. In Germany, rents are still continuing to rise and the demand for living space is increasing as well. This leads to a very low risk of losing tenants and a high occupancy rate due to a change in the general condition on the residential markets.

B. On 7 January 2021, Consus, a 94 percent subsidiary of the Group, successfully completed the disposal of 24 non-strategic projects. Together with proceeds received from the successful closing of the disposal of approximately 5,000 residential units as announced in September 2020, the Group generated total proceeds in the amount of EUR 850 million. These proceeds will be used to repay existing debt, to further smoothen the maturity profile and to reduce the average cost of debt.

C. On 8 January 2021, the Group successfully placed EUR 1.5 billion fixed rate senior unsecured notes comprising of two tranches, a EUR 700 million 5-year maturity with a 1.875 percent fixed coupon and a EUR 800 million 8-year maturity with a 2.25 percent fixed coupon. The proceeds of the issue of the Notes were used to repay existing indebtedness, to further smoothen and extend the Group's debt maturity profile and as a next step to achieve the targeted financial synergies. The Notes are rated BB+ with S&P. Subsequent to the placement, the Group redeemed approximately EUR 329 million of ADLER Real Estate AG's EUR 500 million bond due in December 2021.

D. In January 2021, BCP, a subsidiary of the Group, signed a refinancing agreement with a German banking corporation for a loan of approximately EUR 100.5 million. The loan bears an average annual interest rate of approximately 1.41% with maturity date in June 2023.

E. In January 2021, the outstanding amount under the bridge loan facility agreement (outstanding volume as at 31 December 2020: EUR 371 million) was repaid. As at the balance sheet date, no amounts were borrowed under the bridge loan facility agreement.

F. Upon entry into the commercial register on 23 February 2021, the debt-to-equity swap agreement concluded in 2020 became legally effective. As a result, the Group's share in ADLER Real Estate Aktiengesellschaft increased from approximately 93.9 percent to 96.6 percent. In the course of this transaction, Adler Group S.A. acquired 35,107,487 additional ADLER shares against contribution in kind of EUR 478 million. Due to the consolidation of ADLER, the step up did not have an impact on the Group's assets and liabilities. However, the Group adjusted the carrying amounts of the controlling and non-controlling interests to reflect the changes in the relative interests in the subsidiary accordingly.

G. On 15 March 2021, the Company signed a EUR 300 million syndicated revolving credit facility with JP Morgan, Deutsche Bank and Barclays as lenders for a 3-year term with two extension options, each for one year. At the same time the 3 bilateral RCFs with the same lenders were terminated. At the time of the approval of these consolidated financial statements no amounts were borrowed under the RCF.

H. In March 2021, Westgrund, a subsidiary of the Group, raised a secured loan of EUR 400 million with a 7-year term and a fixed interest rate of 1.6 percent, replacing the current outstanding loan of EUR 191 million due in December 2021.

I. In March and April 2021, the Group raised a secured banking loan of EUR 100 million in total. The loan has an interest rate of 1.25 percent p.a. and a maturity term to 2028.

J. On 16 April 2021, the Federal Constitutional Court in Karlsruhe ruled that Berlin's rent freeze is unconstitutional, thus declaring the highly controversial Act on Rent Restrictions in the Housing Sector in Berlin (MietenWoG Bln) incompatible with Basic Law and therefore null and void. In the opinion of the Second Senate of the Federal Constitutional Court, the state of Berlin had no right to limit rent levels by means of a so-called "rent freeze" in the German capital due to a lack of legislative competence, as the federal legislation had exhaustively regulated rent law in the German Civil Code (BGB). The Adler Group has offered its tenants individual solutions for repayments.

K. On 21 April 2021, Adler Group S.A. successfully placed EUR 500 million fixed rate senior unsecured notes with a 6-year maturity and a 2.25 percent fixed coupon under its newly established EMTN programme. The notes were placed with institutional investors across Europe with a total order book of EUR 1.1 billion. The proceeds of the issue of the notes will be used to call and repay the EUR 450 million 9.625 percent high yield bond issued by Consus Real Estate AG. In addition to the announced EUR 93.8 million run-rate financial synergies, which were realised as at the end of 31 March 2021, this refinancing will enable Adler Group to realise a further EUR 33 million of annualised financial synergies. It will have a positive impact on all debt KPIs, including average cost of debt, which is expected to come down to 2.2 percent, as well as extending the debt maturity profile to 4.5 years. The notes are rated BB+ with S&P, driven by the strong recovery rating of the bonds and influenced by Adler Group's valuable asset base.

L. On 17 May 2021, the Consus Bond 2019/2024 with a nominal outstanding amount of EUR 450 million was redeemed before its due date. In connection with the redemption, early repayment fees of EUR 21.7 million were incurred. The derecognition of the bond including the embedded derivative led to a net loss of EUR 24.6 million which is shown in net finance costs.

M. In the second quarter of 2021, Adler Group increased its shareholding in Consus from 93.9 percent to 96.9 percent. The Group adjusted the carrying amounts of the controlling and non-controlling interests to reflect the changes in the relative interests in the subsidiary accordingly.

N. On 25 June 2021, Adler Group established a commercial paper programme which allows the Company to issue short-term notes up to a maximum aggregate amount of

EUR 500 million for interim financings of general corporate purposes. As per the balance sheet date, no commercial papers were outstanding.

O. At the annual General Meeting of shareholders held on 29 June 2021, a dividend in an amount of EUR 0.46 per share (gross dividend in an aggregate amount of EUR 54.1 million) was declared.

P. On 20 July 2021, Adler Group S.A. sold 30,000 m^2 of the office development project in Frankfurt's banking district as part of the build-to-sell development pipeline (upfront sales) at EUR 185 million. Proceeds are expected to be received in Q4 of 2021 and will be used to repay debt in line with Group's de-levering strategy. The sale follows the previously announced corporate strategy of focussing on the core business of residential real estate.

Q. On 11 August 2021, the international rating agency Standard and Poor's (S&P) has published a full analysis report on Adler Group's "BB/stable" rating.

R. On 16 August 2021, Sustainalytics assigned a new ESG rating to Adler Group of 10.7, ranking the Group as the 46th best real estate company in Sustainalytics' global coverage of 1,001 real estate companies, positioning the Group in the top 5% of the real estate coverage. Adler Group has also become a member of the UN Global Compact and the German Association of Sustainable Building (DGNB), committing to build carbon-neutral buildings for a better future.

S. The Group learned that there are delays of the zoning plan approvals in connection with the already sold Gerresheim project in Düsseldorf (Glasmacherviertel GmbH & Co. KG) due to objections of the Deutsche Bahn AG. In the view of the Group, such objections are relatively common in the process of building a project in the size and scope of Gerresheim. The Group has been holding ongoing discussions with the Düsseldorf Municipality which is continuing to be supportive of the project and has expressed its interest in advancing the receipt of the required zoning approvals. Nevertheless, at the end of August, the Group learned that despite the progress in contacts between the Group and the Düsseldorf municipality, due to the prolongation of the negotiation between the Düsseldorf municipality and the German railway company, a further delay would occur in connection with the zooning plan. To the Group`s estimation and based on the information provided to it by the authorities in Germany, the approval is expected to be received during the first half of 2022. In order to prevent further delays due to the Deutsche Bahn AG objections, the Group is holding discussions with the Düsseldorf municipality on a possibility of dividing the zoning plan.

Following the above the Group has decided to prepare for the cancellation of the transaction. The Group informed the buyer that it desires to operate for the cancellation of the transaction and the buyer clarified that in light of the delays in the zoning plan approvals out of the authorities, it does not intend to object. The legal execution and completion of the cancellation of the transaction is subject among others, to the receipt of different approvals, including regulatory approvals, approval of the financing entities, tax authorities, etc. and is expected to take place in the third or fourth quarter of 2021.

Forecast Report

Forecast for 2021

For the 2021 financial year, Adler Group has raised its guidance for net rental income from the range of EUR 325-339 million to EUR 340-345 million on the back of the better-than-expected operational performance of the portfolio in cities outside Berlin as well as the cancellation of the Berlin rent freeze. Likewise, the FFO 1 guidance for 2021 was increased from EUR 127-133 million to EUR 135-140 million.

The Company has also added additional KPIs and targets to its guidance, all details of which are included in the table below, including the previous and the new guidance:

	New FY 2021 guidance as at 31 Aug 2021	**Previous FY 2021 guidance as at 31 Mar 2021**
Net rental income	EUR 340-345m	EUR 325-339m
FFO 1	EUR 135-140m	EUR 127-133m
Dividend	EUR 0.57-0.60 per share(*) 50% of FFO 1	50% of FFO 1
Mid-term Guidance		
LFL rental growth	approx. 3% p.a.	-
Medium-term LTV target	<50%	-

(*) Implied dividend range on basis of the FFO 1 guidance range of EUR 135-140m, and company dividend policy of 50% payout ratio, subject to final board approval and shareholder approval in the annual General Meeting in 2022.

Responsibility Statement

We confirm, to the best of our knowledge, that the Condensed Interim Financial Statements of Adler Group S.A. presented in this Q2 2021 Quarterly Financial Report, 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.

Maximilian Rienecker
CO-CHIEF EXECUTIVE OFFICER

Thierry Beaudemoulin
CO-CHIEF EXECUTIVE OFFICER

Condensed Consolidated Interim Financial Statements

3 Condensed Consolidated Interim Financial Statements

3 | CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
Report of the Réviseur d'Entreprises agréé

To the Shareholders of

Adler Group S.A. | 1B Heienhaff | L-1736 Senningerberg | Grand Duchy of Luxembourg

Report of the Réviseur d'Entreprises agréé on the Review of Interim Financial Information

Introduction

We have reviewed the accompanying condensed consolidated interim statement of financial position of Adler Group S.A. ("the Company") as at 30 June 2021, the condensed consolidated interim statements of profit or loss, comprehensive income, changes in equity and cash flows for the six month period ended 30 June 2021, and notes to the interim financial information ("the condensed consolidated interim financial information"). Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with IAS 34, "Interim Financial Reporting" as adopted by the European Union. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" as adopted, for Luxembourg, by the Institut des Réviseurs d'Entreprises. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information as at 30 June 2021, is not prepared, in all material respects, in accordance with IAS 34, "Interim Financial Reporting" as adopted by the European Union.

Luxembourg, 30 August 2021

KPMG Luxembourg
Société coopérative
Cabinet de révision agréé

Bobbi Jean Breboneria
Partner

Condensed Consolidated Interim Statement of Financial Position

In EUR thousand	Note	30 June 2021	31 Dec 2020
Assets			
Non-current assets			
Investment properties	5A	10,935,397	10,108,888
Investments in financial instruments		23,013	23,219
Investments accounted under the equity method	5B	84,716	84,816
Advances related to investment properties		2,093	1,954
Property, plant and equipment		35,242	36,663
Other financial assets	5C	317,340	416,207
Restricted bank deposits		25,386	34,587
Deferred expenses		780	342
Right-of-use assets		15,217	17,858
Goodwill	4B	1,174,561	1,204,934
Other intangible assets		3,812	4,538
Contract assets	5D	10,939	8,044
Deferred tax assets		5,496	7,878
Total non-current assets		**12,633,992**	**11,949,928**
Current assets			
Inventories	5E	1,514,982	1,254,460
Restricted bank deposits		48,798	62,633
Trade receivables	5F	364,371	424,998
Other receivables	5G	466,797	477,248
Contract assets	5D	128,850	154,432
Cash and cash equivalents		369,874	371,574
Advances paid on inventories		1,560	3,005
Total current assets		**2,895,232**	**2,748,350**
Non-current assets held for sale	5H	17,081	139,361
Total assets		**15,546,305**	**14,837,639**

In EUR thousand	Note	30 June 2021	31 Dec 2020
Shareholders' equity			
Share capital		146	146
Share premium		1,844,164	1,892,145
Reserves		200,847	197,551
Retained earnings		2,381,788	2,055,689
Total equity attributable to owners of the Company		**4,426,945**	**4,145,531**
Non-controlling interests		**763,992**	**772,011**
Total equity		**5,190,937**	**4,917,542**
Liabilities			
Non-current liabilities			
Corporate bonds	5I	4,263,269	3,216,058
Convertible bonds	5I	214,243	212,485
Other loans and borrowings	5J	2,690,176	2,658,653
Other financial liabilities		33,180	38,878
Derivatives		5,659	20,848
Pension provisions		1,857	1,817
Lease liabilities		20,208	25,714
Other payables		11,790	11,905
Contract liabilities		-	-
Deferred tax liabilities		1,048,932	933,226
Total non-current liabilities		**8,289,314**	**7,119,584**
Current liabilities			
Corporate bonds	5I	577,682	512,904
Convertible bonds	5I	95,070	99,487
Other loans and borrowings	5J	338,774	1,265,842
Other financial liabilities		1,915	1,915
Trade payables		75,514	118,610
Other payables	5K	729,917	440,842
Lease liabilities		7,384	8,019
Prepayments received	5L	232,838	299,361
Contract liabilities	5D	6,616	25,870
Derivatives		332	392
Total current liabilities		**2,066,042**	**2,773,242**
Non-current liabilities held for sale	5H	12	27,271
Total shareholders' equity and liabilities		**15,546,305**	**14,837,639**

Maximilian Rienecker
CO-CHIEF EXECUTIVE OFFICER

Thierry Beaudemoulin
CO-CHIEF EXECUTIVE OFFICER

Date of approval: 30 August 2021

Condensed Consolidated Interim Statement of Profit or Loss

In EUR thousand	Note	For the six months ended 30 June 2021	2020	For the three months ended 30 June 2021	2020
Revenue	6A	299,210	174,618	133,242	142,996
Cost of operations	6B	(146,855)	(74,180)	(54,216)	(66,390)
Gross profit		**152,355**	**100,438**	**79,026**	**76,606**
General and administrative expenses	6C	(61,437)	(26,985)	(28,037)	(20,749)
Other expenses	6D	(12,098)	(24,942)	(7,651)	(18,890)
Other income	6E	39,139	78,743	35,295	71,943
Changes in fair value of investment properties		539,952	141,228	339,057	141,228
Results from operating activities		**657,911**	**268,482**	**417,690**	**250,138**
Finance income	6F	124,942	4,323	102,539	2,313
Finance costs	6F	(282,349)	(158,606)	(201,047)	(133,252)
Net finance income / (costs)		**(157,407)**	**(154,283)**	**(98,508)**	**(130,939)**
Net income (losses) from investments in associated companies		(100)	364	(100)	364
Profit / (loss) before tax		**500,404**	**114,563**	**319,082**	**119,563**
Income tax benefit (expenses)		(112,182)	(28,873)	(71,196)	(30,896)
Profit / (loss) for the period		**388,222**	**85,690**	**247,886**	**88,667**
Profit attributable to:					
Owners of the Company		325,704	57,241	211,319	58,871
Non-controlling interests		62,518	28,449	36,567	29,796
Profit / (loss) for the period		**388,222**	**85,690**	**247,886**	**88,667**
Earnings per share in EUR (undiluted)		**2.77**	**1.14**	**1.80**	**1.05**
Earnings per share in EUR (diluted)		**2.71**	**1.07**	**1.77**	**1.00**

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Condensed Consolidated Interim Statement of Comprehensive Income

In EUR thousand	Note	For the six months ended 30 June 2021	2020	For the three months ended 30 June 2021	2020
Profit / (loss) for the period		**388,222**	**85,690**	**247,886**	**88,667**
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		360	534	188	480
Related tax		98	(64)	36	(57)
Currency translation reserve		3,162	-	1,183	-
Reserve from financial assets measured at fair value through other comprehensive income		(384)	-	953	-
Items that may not be reclassified subsequently to profit or loss					
Reserve from financial assets measured at fair value through other comprehensive income		-	(47,066)	-	25,636
Total other comprehensive income / (loss)		**3,297**	**(46,596)**	**2,326**	**26,058**
Total comprehensive income for the period		**391,519**	**39,094**	**250,212**	**114,725**
attributable to:					
Owners of the Company		329,001	10,645	213,645	84,929
Non-controlling interests		62,518	28,449	36,567	29,796
Total comprehensive income for the period		**391,519**	**39,094**	**250,212**	**114,725**

3 | CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
Condensed Consolidated Interim Statement of Cash Flows

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**	**2021**	**2020**	**2021**	**2020**
Cash flows from operating activities					
Profit / (loss) for the period		388,222	85,690	247,886	88,667
Adjustments for:					
Depreciation		7,404	2,793	3,538	2,418
Profit from disposal of portfolio		-	3,859	-	3,859
Change in fair value of investment properties	5A	(539,952)	(141,228)	(339,057)	(141,228)
Non-cash other income and expense		2,772	(74,788)	(976)	(74,788)
Change in contract assets		6,688	-	18,540	-
Non-cash income from at-equity valued investment associates		100	(364)	100	(364)
Change in contract liabilities		(26,986)	-	(18,334)	-
Net finance costs / (income)	6F	157,407	154,283	98,508	130,939
Income tax expense		112,182	28,873	71,196	30,896
Share-based payments		378	227	189	164
Change in short-term restricted bank deposits related to tenants		(447)	(20,664)	(1,920)	(20,419)
Change in long-term restricted bank deposits from condominium sales		1,525	(400)	(355)	4,492
Change in trade receivables		37,613	(367,015)	(77,240)	(366,201)
Change in other receivables		79,622	4,449	70,019	(211)
Change in inventories		(260,870)	1,135	(229,951)	379
Change in advances received		(66,524)	-	(75,673)	-
Change in trade payables		(1,466)	370,310	85,773	368,536
Change in other payables		69,897	(23,247)	89,304	(13,887)
Income tax paid		(7,204)	(601)	(4,372)	(1,104)
Net cash from operating activities		**(39,639)**	**23,312**	**(62,825)**	**12,148**
Cash flows from investing activities					
Purchase of and CAPEX on investment properties	5A	(140,156)	(55,273)	(70,556)	(52,733)
Advances paid for purchase of investment properties		-	6,300	-	-
Grant of long-term loans		(3,704)	(43,542)	1	-
Proceeds from disposals of investment properties		165,530	38,022	24,066	38,022
Investments in financial instruments		(103,515)	(89,185)	(43,232)	(49,026)

		For the six months ended 30 June		For the three months ended 30 June	
In EUR thousand	**Note**	**2021**	**2020**	**2021**	**2020**
Proceeds from divestments in financial assets		38,986	-	38,986	-
Purchase of and CAPEX on property, plant and equipment		(1,591)	(773)	(883)	(707)
Interest received		2,835	18	2,834	-
Proceeds from sale of fixed assets		698	-	87	-
Acquisition of subsidiaries, net of acquired cash		-	(64,235)	-	(14,235)
Change in short-term restricted bank deposits, net		4,950	(608)	85	(4,684)
Net cash from (used in) investing activities		**(35,967)**	**(209,276)**	**(48,612)**	**(83,363)**
Cash flows from financing activities					
Acquisition of non-controlling interests		(60,461)	(6,258)	(41,300)	-
Repayment of bonds	5I	(779,580)	(15,583)	(450,000)	(15,583)
Long-term loans received	5J	573,977	1,323,190	(40,204)	1,323,190
Repayment of long-term loans	5J	(1,355,542)	(1,282,894)	(111,826)	(1,280,191)
Proceeds from issuance of corporate bonds, net	5I	1,951,053	-	490,115	-
Short-term loans received		-	175,000	-	-
Upfront fees paid for credit facilities		(1,039)	(217)	(1,011)	(49)
Repayment of short-term loans		(54,768)	-	(3)	-
Interest paid		(167,277)	(39,120)	(93,935)	(35,854)
Payment of lease liabilities		(4,748)	(1,483)	(2,285)	(1,274)
Tax payments		(15,360)	-	-	-
Issuance costs		-	-	-	-
Transaction costs		(11,485)	(6,656)	(7,751)	(2,591)
Prepaid costs of raising debt		(864)	(26,397)	-	(8,979)
Net cash from (used in) financing activities		**73,906**	**119,582**	**(258,200)**	**(21,331)**
Change in cash and cash equivalents during the period		**(1,700)**	**(66,382)**	**(369,637)**	**(92,546)**
Net cash and cash equivalents acquired as a result of the business combination		-	75,095	-	75,095
Cash and cash equivalents at the beginning of the period		**371,574**	**387,558**	**739,508**	**413,722**
Cash and cash equivalents at the end of the period		**369,874**	**396,271**	**369,871**	**396,271**

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 asset 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**
Total comprehensive income / (loss) for the period										
Profit / (loss) for the period	-	-	-	-	-	-	325,704	325,704	62,518	388,222
Other comprehensive income / (loss), net of tax	-	-	520	3,162	-	(385)	-	3,297	-	3,297
Total comprehensive income / (loss) for the period	**-**	**-**	**520**	**3,162**	**-**	**(385)**	**325,704**	**329,001**	**62,518**	**391,519**
Transactions with owners, recognised directly in equity										
Change relating to business combination ADLER	-	-	-	-	-	-	-	-	-	-
Change relating to business combination Consus	-	-	-	-	-	-	-	-	-	-
Issuance of ordinary shares, net	-	-	-	-	-	-	-	-	-	-
Changes in ownership interest without a change of control	-	6,074	-	-	-	-	-	6,074	(69,616)	(63,542)
Change in consolidation scope related to sale	-	-	-	-	-	-	17	17	(920)	(903)
Changes in put option	-	-	-	-	-	-	-	-	-	-
Dividend distributed	-	(54,054)	-	-	-	-		(54,054)	-	(54,054)
Share-based payments	-	-	-	-	-	-	378	378	-	378
Balance as at 30 June 2021	**146**	**1,844,164**	**148**	**(399)**	**315,746**	**(114,648)**	**2,381,788**	**4,426,945**	**763,992**	**5,190,937**

In EUR thousand	Share capital	Share premium	Treasury shares	Hedging reserve	Other capital reserves	Reserve financial asset measured at FVTOCI	Retained earnings	Total	Non-controlling interests	Total equity
Balance as at 1 January 2020	**55**	**500,608**	**-**	**(850)**	**319,044**	**(67,510)**	**1,895,445**	**2,646,792**	**51,653**	**2,698,445**
Total comprehensive income / (loss) for the period										
Profit / (loss) for the period	-	-		-	-	-	57,241	57,241	28,449	85,690
Other comprehensive income / (loss), net of tax	-	-		470	-	(47,066)	-	(46,596)	-	(46,596)
Total comprehensive income / (loss) for the period	**-**	**-**		**470**	**-**	**(47,066)**	**57,241**	**10,645**	**28,449**	**39,094**
Transactions with owners, recognised directly in equity										
Change relating to business combination	34	600,396	(319,423)	-	-	-	-	281,007	409,898	690,905
Transaction with non-controlling interest without a change of control	-	-		-	-	-	-	-	(8,961)	(8,961)
Changes in put option	-	-	-	-	(3,298)	-	-	(3,298)	48,715	45,417
Share-based payments	-	-	-	-	-	-	227	227	-	227
Balance as at 30 June 2020	**89**	**1,101,004**	**(319,423)**	**(380)**	**315,746**	**(114,576)**	**1,952,913**	**2,935,374**	**529,754**	**3,465,128**

Note 1 – Adler Group S.A.

Adler Group S.A. (the "Company" or "Adler Group"), previously known as "ADO Properties S.A.", is a public limited liability company (*société anonyme*) incorporated under Luxembourg law. The address of the Company's registered office is Aerogolf Center, 1B Heienhaff, L-1736 Senningerberg, Luxembourg.

By decision of the General Meeting of shareholders dated 29 September 2020, the Company changed its name from "ADO Properties S.A" to "Adler Group S.A." (B-197554).

On 9 April 2020 the Company completed a business combination and took control of ADLER Real Estate AG (Note 4).

On 2 July 2020 the Company completed a business combination and took control of Consus Real Estate AG (Note 4).

After the business combinations with ADLER Real Estate AG and Consus Real Estate AG, the Company platform covers the entire real estate value chain, from acquisition of land, planning and development of projects to property management and letting of residential units throughout Germany.

The condensed consolidated interim financial statements of the Company as at 30 June 2021 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 2020.

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 30 August 2021.

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 2020.

For impairment purposes, Goodwill acquired in the business combination with Consus must be allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination. The allocation of the goodwill was not completed as at the balance sheet date. We refer to Note 4.

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 2020. 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 2020.

Initial application of new standards, amendments to standards and interpretations

As from 1 January 2021, the Group applies the new standards and amendments to standards described below:

- Amendments to IFRS 7 *Financial Instruments: Disclosures,* IFRS 9 *Financial Instruments,* IFRS 16 *Leases and* IAS 39 *Financial Instruments: Recognition and Measurement (Phase II: Interest Rate Benchmark Reform)*

The Phase II amendments provide specific guidance on how to treat financial assets and financial liabilities where the basis for determining the contractual cash flows changes as a result of the IBOR reform. The Group has initially adopted the amendment from 1 January 2021, but it does not have a material effect on the Group's condensed consolidated interim financial statements.

- Amendments to IFRS 4 *Insurance Contracts*

The objective of the amendments is to allow qualifying entities to continue to defer the application of IFRS 9. The amendments have no relevance in the Group.

Following amendments to standards are issued by the International Accounting Standards Board (IASB) which have not been endorsed yet in the EU:

- Amendment to IAS 1 *Presentation of Financial Statements* (regarding the classification of liabilities as current or non-current)

The amendment clarifies the existing requirements for classifying liabilities as current or non-current in the statement of financial position. The amendment will take effect in reporting periods beginning on 1 January, 2023. Early adoption is permitted. The amendment will be applied retrospectively, including an amendment to comparative figures. The Group has not yet begun examining the implications of applying the amendment to the financial statements.

- Amendments to IAS 1 *Presentation of Financial Statements* and IFRS Practice Statement 2 *Disclosure of Accounting policies*

IASB issued the "Disclosure of Accounting Policies" (Amendments to IAS 1 and IFRS Practice Statement 2) with amendments that are intended to help preparers in deciding which accounting policies to disclose in their financial statements. The amendments are effective for the annual periods beginning on or after 1 January 2023. The Group has not yet begun examining the implications of applying the amendment to the financial statements.

- Amendments to IFRS 3 *Business Combinations,* IAS 16 *Property, Plant and Equipment,* IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and annual improvements 2018-2020

The package of amendments includes narrow-scope amendments to three standards as well as annual improvements, which are changes that clarify the wording or correct minor consequences, oversights or conflicts between requirements in the standards. In the Group's assessment, no material effect on the Group's financial statements is expected as a result of the implementation of these amendments.

- Amendments to IAS 8 *Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates*

The amendments introduced the definition of accounting estimates and included other amendments to IAS 8 to help entities distinguish changes in accounting estimates from changes in accounting policies. In the Group's

assessment, no material effect on the Group's financial statements is expected as a result of the implementation of these amendments.

- Amendments to IFRS 16 *Leases*; Covid-19-Related Rent Concessions beyond 30 June 2021

The amendment provides lessees with an exemption from assessing whether a Covid-19-related rent concession is a lease modification. The exemption was originally applicable on lease payments on or before 30 June 2021 and has been extended to 30 June 2022. In the Group's assessment, no material effect on the Group's financial statements is expected as a result of the implementation of these amendments.

- Amendments to IAS 12 *Income Taxes:* Deferred Tax related to Assets and Liabilities arising from a Single Transaction (issued on 7 May 2021)

The amendment to IAS 12 provides a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences. In the Group's assessment, no material effect on the Group's financial statements is expected as a result of the implementation of these amendments.

Note 4 - Acquisitions and changes in consolidation scope

Adler Group S.A. increased its stake in ADLER Real Estate Aktiengesellschaft from approximately 93.9 percent to 96.6 percent through a debt-to-equity swap. In the course of this transaction, Adler Group S.A. acquired 35,107,487 additional ADLER shares against a contribution in kind of EUR 478 million. In addition, the Company increased its majority holding in Consus from approximately 94.0 percent to 96.9 percent. Accordingly, the Group adjusted the carrying amounts of the controlling and non-controlling interests to reflect the changes in the relative interests in the subsidiaries according to IFRS 10.B96. The resulting net gain of EUR 7,346 was directly recognised in equity (share premium).

Due to a share deal, TPL Erlangen S.à r.l. was deconsolidated and the related assets of EUR 12.8 million and liabilities of EUR 11.7 million were derecognised.

Prior year's acquisitions

A. Acquisition of ADLER Real Estate Aktiengesellschaft

On 9 April 2020, the Company acquired 91.93 percent stake in ADLER Real Estate Aktiengesellschaft ("ADLER") by way of a voluntary tender offer. Consideration was EUR 601.1 million, measured at Adler Group's closing share price as at acquisition date. ADLER is a well-established residential property holder. Around 92 percent of the investment properties belong to the residential portfolio. As at 1 April 2020, ADLER held approximately 58,000 rental units totalling 3.5 million m^2. The regional focus of the Group's properties is primarily Lower Saxony, North Rhine-Westphalia and Saxony. ADLER's portfolio comprises small and medium-sized residential units.

The final purchase price allocation resulted in a negative difference of EUR 74.8 million, which was recognised as other income in 2020.

B. Acquisition of Consus Real Estate Aktiengesellschaft

On 2 July 2020, the Group increased its stake in Consus Real Estate AG from approximately 21.8 percent to 65.1 percent by way of issuing new shares and re-issuing of treasury shares under a call option with a major shareholder of Consus. In total the equity purchase price amounted to EUR 595.4 million. In December 2020, the Group further increased its stake in Consus from approximately 65.0 percent to 94.0 percent by issuing new shares.

Consus is a leading real estate developer in Germany's top 9 cities. Development of rental housing and forward sales are the core elements of Consus' business model. Real estate projects are generally forward sold to institutional buyers prior to construction, such as pension funds or insurance companies. Consus operates an integrated project development platform, which creates significant competitive advantages. This platform enables Consus to cover the entire value chain.

Identifiable assets acquired and liabilities assumed

The allocation of the total purchase price to the acquired assets and liabilities at the time of initial consolidation is based on an external valuation report commissioned for this purpose to determine the fair values of these assets and liabilities.

In the second quarter of 2021, the purchase price allocation was finalised. Following final fair values were assigned to the acquired assets and liabilities at the time of initial consolidation, including the adjustments required for the provisional amounts reported as at 31 December 2020:

In EUR thousand	Provisional amounts as at 31 December 2020	Adjustments	Final amounts as at 30 June 2021
Investment properties	1,123,409	-	1,123,409
Inventories	1,426,867	51,387	1,478,254
Contract assets	255,291	-	255,291
Trade receivables	399,046	-	399,046
Investment in associated companies	20,725	-	20,725
Other intangible assets	38,994	-	38,994
Property, plant and equipment	10,175	-	10,175
Financial receivables and other financial assets	283,026	(7,888)	275,138
Right-of-use assets	10,184	-	10,184
Other assets	195	-	195
Cash and cash equivalents	103,284	-	103,284
Acquired assets	**3,671,196**	**43,499**	**3,714,695**
Corporate bonds	556,407	-	556,407
Convertible bonds	165,905	-	165,905
Other loans and borrowings	2,041,375	-	2,041,375
Other financial liabilities	271,107	-	271,107
Provisions	103,402	-	103,402
Deferred tax liabilities	109,492	13,126	122,618
Trade payables	127,849	-	127,849
Other payables	97,333	-	97,333
Prepayments received	330,773	-	330,773
Contract liabilities	25,002	-	25,002
Assumed liabilities	**3,828,645**	**13,126**	**3,841,771**
Fair value of acquired net assets	**(157,449)**	**30,373**	**(127,076)**
Pre-existing relationship	100,890	-	100,890
Non-controlling interests	351,146	-	351,146
Equity purchase price (consideration)	595,449	-	595,449
Goodwill	**1,204,934**	**(30,373)**	**1,174,561**

3 | CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
Notes to the Condensed Consolidated Interim Financial Statements

The real estate assets of Consus comprise the accounting categories 'Inventories' (IAS 2), 'Investment property' (IAS 40) and 'Contract assets' (IFRS 15). Valuations for the investment properties and most inventories were performed by the independent appraiser NAI Apollo as at 30 June 2020. No significant events occurred until the valuation date of 2 July 2020. In addition, analysis and calculations were performed as at 2 July 2020. Values have been compared to market information available and to project information (including sales status). Effects of the Covid-19 pandemic to the business of Consus as well as to the fair values are considered insignificant. Given the fact that the developments are mostly sold in the medium to long-term future, short-term effects on prices within each asset type may not affect the disposal prices of the developments. Thus, planned cash flows from asset disposals may be delayed in the short term, but not significantly affected in the medium and long term. The majority of developments are to be finished and disposed of in the medium and long-term future.

Within the transaction context, certain project developments (EUR 1,040.8 million) are planned to remain within the Company in the long run and not be sold to third parties. From Group's accounting perspective, these project developments have been classified as investment properties.

Some inventory assets (EUR 359.1 million) were part of the transfer agreement, so no valuation was performed by NAI Apollo. Based on the estimate of the final purchase price in the contract, the book value was considered to be an adequate estimation of fair value.

The land value for assets that have been forward sold (EUR 268.4 million) is included in inventories. The land will be transferred only after the project is completed. Sales and advances related to the building are considered in contract assets and liabilities. The fair value of the land component was estimated on the basis of the NAI appraisal reports, and in comparison with standard land values.

The differences of the book values to the acquisition cost or the expected revenue on land as at the date of the forward sale are immaterial. Therefore, the book values adequately reflect the fair values in the case of forward sales.

The book value of contract assets (EUR 255.3 million) is related to forward sales and condo sales. It reflects the expected sales price of the entire building or the condos for sale that has materialised due to the construction progress as at valuation date, minus advances paid. The fair value has been measured based on the expected sales price as well as development costs and - in the case of condo sales - actual revenue. Sales prices and total costs are based on management expectations.

In October 2019 Consus signed a purchase agreement regarding the acquisition of a development project. However, the closing of the transaction was in August 2020. As at 2 July 2020 the fair value of the development project amounts to EUR 172.8 million. With respect to the purchase price of EUR 138.5 million, an advantageous contract of EUR 34.3 million was considered in the PPA. After closing of the transaction, the intangible asset was transferred to investment properties.

The carrying amounts of the acquired trade receivables, mainly relating to real estate inventories disposed of and forward sales, already consider any necessary valuation adjustments and correspond to their fair values. The gross value of trade receivables due totalled EUR 399.4 million, of which EUR 0.4 million are expected to be uncollectible.

The fair values of assumed traded corporate bonds and traded convertible bonds are determined with their quoted market prices. The fair values of other financial liabilities including untraded loans and borrowings are measured by applying the discounted cash flow (DCF) method where future cash flows are discounted on the valuation date.

The convertible bond contains an embedded derivative (conversion right) that is bifurcated and accounted for separately from the debt host contract at fair value. The conversion right is measured using an option price model. The fair value of the entire instrument (quoted price x volume) includes both the liability component without any conversion feature as well as the fair value of the conversion right (a financial liability). Therefore, the fair value of the liability component without any conversion feature corresponds to the difference of the fair value of the entire instrument and the fair value of the conversion right.

Several prepayment options are identified in the corporate bond and loan agreements which empower the entity to repay the complete outstanding amount (plus possibly an exit fee) at any time during the term. These embedded derivatives are bifurcated and accounted for separately as financial assets. The embedded prepayment options are measured by using an option price model. The fair value of the entire instrument (quoted price x volume) includes both the liability component without any prepayment feature and the fair value of the prepayment option (a financial asset). Therefore, the fair value of the liability component without any prepayment feature corresponds to the sum of the fair value of the entire instrument and the fair value of the prepayment option.

The fair value of the conversion right (derivatives) is estimated to be at EUR 8.7 million and the fair value of the prepayment options (other financial assets) is estimated to be at EUR 80.8 million.

A provision for onerous contracts (EUR 64.4m) is considered that is related to projects with potential adverse margin expectations. The position is based on managements' expectations on sales and revenues for individual projects.

For all other assets and liabilities, it is verified that the fair values correspond to their carrying amounts.

The book value of Consus' indirect non-controlling interests (NCI) as at 2 July 2020 is EUR 23.1 million. Adler Group's choice in accounting policy is to measure direct non-controlling interests at fair value which have been determined with a fair value of EUR 327.9 million at the acquisition date. In determining the non-controlling interests, indirect non-controlling interests are added together.

The purchase price allocation results in a positive difference of EUR 1,175 million, which has been recognised as Goodwill. It represents the expected earnings potential of the acquired development platform as well the operating and financial synergies from a fully integrated real estate platform covering the entire real estate value chain from acquisition of land, planning and development of projects to property management and letting of residential units throughout Germany.

The Goodwill cannot be deducted for tax purposes. The initial allocation of Goodwill to cash generating units has not been completed yet due to the ongoing integration of Consus into the Group. The annual impairment test for Goodwill as well as the allocation to the cash generating units will be finalised in the second half of 2021.

Based on the assessment of all available information, there was no indication that the Goodwill may be impaired as at the balance sheet date.

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

A. Investment properties

Investment properties - residential / commercial

In EUR thousand	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Balance as at 1 January	**8,396,307**	**3,624,453**
Additions arising from business combination	-	4,643,232
Additions by way of acquiring assets	629	-
Capital expenditure	60,158	130,766
Transfer from investment properties to property, plant and equipment	-	(3,337)
Transfer from investment properties to assets of disposal groups classified as held for sale	(25,901)	(437,434)
Transfer from/to investment properties residential / commercial from/to property developments	(3,600)	67,242
Disposal of subsidiaries	(4,000)	-
Fair value adjustments	478,567	371,385
Balance as at the end of the reporting period	**8,902,160**	**8,396,307**

Investment properties – project developments

In EUR thousand	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Balance as at 1 January	**1,712,581**	**-**
Additions arising from business combination (Note 5)	-	1,409,924
Additions by way of acquiring assets	-	20,406
Transfer to investment properties from intangible assets	-	34,300
Investments in project development properties under construction (acquisition and building costs)	59,597	211,426
Transfer to investment properties from inventories	196,075	62,764
Transfer from/to investment properties residential / commercial from/to property developments	3,600	(67,242)
Transfer from investment properties to assets of disposal groups classified as held for sale	-	(1,286)
Fair value adjustments	61,384	42,289
Balance as at the end of the reporting period	**2,033,237**	**1,712,581**

The transfer to investment properties from inventories relates to the reversal of forward sales projects in 2021. Consequently no enforceable rights exist any longer and IFRS 15 is no longer applicable. As a result of this, the previously balanced contract assets amounting to EUR 224.4 million and prepayments amounting to EUR 179.1 million have been separated again and already recognised revenues of EUR 22.5 million have been reversed against the contract assets. The already expensed costs of operations amounting to EUR 54.2 million have been capitalised. The previously recognised provisions for contingent losses for these projects were reversed against other income amounting to EUR 31.4 million. The reversal results in an increase of inventories of EUR 403.4 million. This increase includes compensation liabilities to the former buyer (interest expenses and incidental costs) as well as already existing inventories of EUR 115.0 million for performance obligations for the land bank. The received prepayments for the land bank of EUR 87.0 million and the prepayments for the buildings amounting to EUR 179.1 million were reclassified to the other payables (current). From a Group perspective, two projects shall be continued as build-to-hold and are reclassified from inventories to the investment properties. The reclassification results in a valuation gain of EUR 26.1 million. The other two projects are to be sold and remain therefore in inventories with a value of EUR 280.9 million.

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 this properties at an earlier date.

The fair value of the residential investment properties as at 30 June 2021 was determined by 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 (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 or marketing costs).

Since the beginning of 2019, there has been a public discussion about a rental freeze proposition for rental apartments in Berlin. On 30 January 2020, the Berlin Parliament ("Berliner Abgeordnetenhaus") enacted the law for rent control in the housing sector ("MietenWoG Bln"). The law came into force on 23 February 2020 through publication in the Berlin bulletin for legislation ("Berliner Gesetzes- und Verordnungsblatt"). Berlin has been the first federal state to pass such a law. The Federal Constitutional Court in Karlsruhe has recently ruled that Berlin's rent freeze is unconstitutional, thus by declaring the highly controversial Act on Rent Restrictions in the Housing Sector in Berlin (MietenWog Bln) incompatible with the Basic Law and therefore null and avoid. The clarity on the rental freeze has been considered by CBRE and NAI Apollo and had a positive impact on the valuation of the residential portfolio in Berlin.

The outbreak of the coronavirus ("Covid-19"), declared by World Health Organisation as a "Global Pandemic" on 11 March 2020 has impacted financial markets and market activities in many sectors. According to CBRE, despite Covid-19, the mismatch between supply and demand in the bigger cities in Germany is still evident. The valuation experts even expect that a higher immigration from EU countries as well as significant negative economic impacts due to the novel coronavirus will lead to additional demand for residential space in midterm. As a result, the defensive and stable residential asset class could be even more sought after than before this crisis. CBRE records interest from investors for German residential property with a strong equity capital background. In terms of

market sentiment, the valuation experts still observe some strong interest in the residential sector, even though the number of transactions has decreased.

Valuation experts have considered the impact of the rental freeze, the Federal Constitutional Court's recent ruling to annul the rental freeze for properties located in Berlin as well as the impact of Covid-19 on the fair values. Based on the above, for certain major German cities, the overall fair values at portfolio level as at 30 June 2021 are increasing.

The fair value adjustment in the first six months of the year 2021 for the residential portfolio of Adler Group was positive at EUR 484.4 million despite the impact of Covid-19. CBRE has incorporated changes in the cash flow of the DCF model due to the Federal Court's recent ruling on the rental freeze. The remaining commercial portfolio, which is planned to be sold, has been affected by the measures to contain the coronavirus, so they were given a negative fair value adjustment of EUR 5.8 million in 2021. Adler Group recognised a fair value increase of EUR 28.8 million for project developments in 2021.

The following tables outline the key valuation parameters for residential properties as at 30 June 2021 and as at 31 December 2020.

Location	Berlin	Leipzig	Wilhelms-haven	Duisburg	Wolfsburg	Göttingen	Dortmund	Hanover
Balance as at 30 June 2021								
Value per m² (EUR)	3,468	1,961	1,060	1,219	1,984	1,856	1,534	2,180
Average residential in-place rent	7.88	6.12	5.67	5.71	6.53	6.11	6.25	7.37
CBRE market rent (EUR/m²)	9.31	7.11	5.97	6.13	8.41	8.09	7.13	8.65
Avg. new letting rent (EUR/m²)	8.10	7.32	6.02	6.15	7.77	7.62	7.29	8.58
Multiplier (current rent)	36.81	27.66	16.22	18.10	26.62	25.78	20.75	24.68
Multiplier (CBRE market rent)	29.81	22.90	14.38	16.42	19.56	18.99	17.80	20.27
Multiplier (new letting rent)	35.20	26.30	15.09	17.52	24.73	24.28	20.25	23.88
Discount rate (%)	4.30%	4.40%	5.27%	4.97%	4.41%	4.09%	4.96%	4.76%
Capitalisation interest rate (%)	2.36%	2.90%	3.80%	3.74%	2.91%	2.59%	3.50%	3.26%
Vacancy rate (%)	1.70%	2.70%	5.60%	1.80%	1.40%	0.90%	1.30%	1.50%
Fair value (TEUR)	4,730,057	499,280	433,611	371,660	173,840	158,180	156,890	137,900

Location	Kiel	Düsseldorf	Halle (Saale)	Essen	Cottbus	Other	Total
Balance as at 30 June 2021							
Value per m² (EUR)	1,963	3,474	953	1,517	848	1,218	**2,016**
Average residential in-place rent	7.20	8.47	5.34	6.08	5.22	5.80	**6.55**
CBRE market rent (EUR/m²)	8.40	10.49	5.42	7.02	5.49	6.27	**7.34**
Avg. new letting rent (EUR/m²)	8.45	10.49	5.54	7.11	5.53	6.11	**6.90**
Multiplier (current rent)	22.71	34.18	17.23	21.08	14.55	18.50	**26.50**
Multiplier (CBRE market rent)	19.24	27.57	14.48	17.57	12.85	15.80	**22.10**
Multiplier (new letting rent)	22.41	33.50	14.79	19.98	13.41	16.90	**24.96**
Discount rate (%)	4.93%	3.73%	4.54%	5.10%	5.12%	4.87%	**4.52%**
Capitalisation interest rate (%)	3.43%	2.24%	3.79%	3.60%	4.37%	4.37%	**2.88%**
Vacancy rate (%)	0.60%	1.80%	10.90%	2.50%	7.50%	6.10%	**3.80%**
Fair Value (TEUR)	131,070	127,769	100,850	100,650	92,250	1,639,952	**8,853,960**

Location	Berlin	Leipzig	Wilhelms-haven	Duisburg	Wolfsburg	Göttingen	Dortmund	Hanover
Balance as at 31 December 2020								
Value per m² (EUR)	3,229.73	1,791.54	1,006.00	1,140.40	1,781.60	1,715.56	1,404.59	2,049.85
Average residential in-place rent	7.30	6.07	5.53	5.67	6.47	6.12	6.20	7.33
CBRE market rent (EUR/m²)	6.54	7.11	5.84	6.05	8.41	8.09	6.98	8.65
Avg. new letting rent (EUR/m²)	9.03	7.20	5.94	6.03	7.63	7.26	7.40	8.42
Multiplier (current rent)	37.32	25.24	15.88	16.99	23.63	23.34	19.29	23.24
Multiplier (CBRE market rent)	37.43	20.93	14.11	15.56	17.61	17.50	16.63	18.98
Multiplier (new letting rent)	35.76	24.35	15.08	16.56	22.66	22.53	18.77	22.51
Discount rate (%)	4.14%	4.70%	5.36%	5.27%	4.53%	4.22%	5.26%	5.00%
Capitalisation interest rate (%)	2.20%	3.20%	4.11%	4.04%	3.03%	2.72%	3.81%	3.50%
Vacancy rate (%)	1.6%	2.0%	3.4%	1.3%	1.9%	1.1%	1.0%	0.7%
Fair value (TEUR)	4,450,345	456,340	412,942	347,825	156,110	146,230	143,620	130,830

Location	Kiel	Düsseldorf	Halle (Saale)	Essen	Cottbus	Other	Total
Balance as at 31 December 2020							
Value per m² (EUR)	1,861.67	3,225.89	891.59	1,403.43	812.50	1,118.36	**1,869.29**
Average residential in-place rent	7.14	8.35	5.22	5.93	5.13	5.71	**6.30**
CBRE market rent (EUR/m²)	8.39	10.20	5.42	7.01	5.39	6.22	**6.49**
Avg. new letting rent (EUR/m²)	8.53	10.08	5.23	7.15	5.56	6.12	**6.87**
Multiplier (current rent)	21.86	32.41	16.61	19.82	14.24	17.70	**25.76**
Multiplier (CBRE market rent)	18.26	26.35	13.55	16.39	12.52	15.06	**23.20**
Multiplier (new letting rent)	21.56	31.67	14.04	19.16	13.16	16.27	**24.38**
Discount rate (%)	5.13%	3.87%	4.84%	5.36%	5.32%	5.05%	**4.53%**
Capitalisation interest rate (%)	3.63%	2.38%	4.09%	3.87%	4.57%	3.97%	**2.91%**
Vacancy rate (%)	0.6%	1.7%	12.3%	1.1%	6.7%	5.7%	**3.4%**
Fair value (TEUR)	124,300	118,837	94,450	93,820	88,330	1,564,919	**8,328,898**

The following table outlines the key valuation parameters for commercial properties as at 30 June 2021 and as at 31 December 2020.

Valuation parameters for investment properties — commercial	**30 June 2021**	**31 December 2020**
Discount rate (%)	7.04	6.93
Capitalisation interest rate (%)	6.11	6.07
Vacancy rate (%)	9.35	7.20
Market value per m² (EUR/m²)	1,007	1,030
Fair value of commercial properties (TEUR)	48,200	67,409

The following table outlines the key valuation parameters for investment properties under construction (development) as at 30 June 2021 and as at 31 December 2020.

Valuation parameters for investment properties under construction	30 June 2021	31 December 2020
Market rent, weighted average (EUR)	18.59	17.98
Project development costs (EUR per m² p.a.)	3,486	3,345
Capitalisation interest rate, weighted average (in %)	2.90	3.01

It is noted that according to the methodology applied in the valuations, the estimated cash flow 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.

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

as per 30 June 2021	Change in parameters	In EUR thousand	Change in values %
Average new letting rent (EUR/m²)	10%	618,585	7.0%
Vacancy rate (%)	1%	(130,880)	(1.5%)
Discount and capitalisation rate (%)	25bps	(738,008)	(8.7%)
as per 31 December 2020			
Average new letting rent (EUR/m²)	10%	395,417	4.7%
Vacancy rate (%)	1%	(121,447)	(1.5%)
Discount and capitalisation rate (%)	25bps	(737,302)	(8.8%)

Investment properties – commercial

as per 30 June 2021	Discount and cap rate		Void month		Market rent	
Change in parameters	0.25%	(0.25%)	3	(3)	5.0%	(5.0%)
Change of fair value in EUR thousand	(2,550)	2,690	(820)	810	2,440	(2,550)
as per 31 December 2020						
Change in parameters	0.25%	(0.25%)	3	(3)	5.0%	(5.0%)
Change of fair value in EUR thousand	(3,080)	3,510	(710)	810	3,320	(3,120)

Investment properties - project development (under construction)

as per 30 June 2021	Market rent		Capitalisation rate		Construction costs	
Change in parameters	(10%)	10%	(0.25%)	0.25%	(10%)	10%
Change of fair value in EUR thousand	(482,000)	405,330	391,440	(410,220)	307,900	(307,630)
as per 31 December 2020						
Change in parameters	(10%)	10%	(0.25%)	0.25%	(10%)	10%
Change of fair value in EUR thousand	(345,807)	345,707	354,990	(297,773)	291,509	(291,709)

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.

B. Investments accounted under the equity method

In EUR thousand	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Balance as at 1 January	84,816	-
Additions arising from business combination (Note 4)	-	96,448
Share of gain and losses (at equity result)	(100)	(5,666)
Investments	-	-
Disposals	-	(2,011)
Transfer to non-current assets held for sale (IFRS 5)	-	(3,955)
Balance as at the end of the reporting period	**84,716**	**84,816**

The main investments in associated companies are ACCENTRO Real Estate AG, Glasmacherviertel GmbH & Co. KG and MAP Liegenschaften GmbH.

C. Other financial assets

Other financial assets include the following items:

In EUR thousand	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Receivables against third parties	186,264	180,301
Receivables against associated companies and other related parties	109,256	104,133
Prepayment options	2,173	112,109
Other financial assets against related parties	11,762	12,524
Call option on NCI	7,885	7,140
Total	**317,340**	**416,207**

The Group has receivables against third parties in an amount of EUR 186.3 million and against associated companies in an amount of EUR 109.3 million. In addition to these receivables, other financial assets also include options for early repurchase of bonds and loans from Consus, an option for purchasing the non-controlling interests and bonds that are held as part of a business model, the aim of which is both to hold financial assets for the collection of contractual cash flows and to sell financial assets if necessary.

The receivables against third parties were impacted by the following circumstances:

On 6 February 2020 Adler Group granted an interest-bearing loan with a nominal amount of EUR 46.3 million to Taurecon Invest IX GmbH ("Taurecon"). The loan has a term until 15 February 2023 and an interest rate of 3.50% p.a. This loan is classified as a financial asset and measured at fair value through profit and loss because it does not meet the "solely payment of principal and interest" criteria. The valuation model is based on a univariate Monte-Carlo simulation. As at 30 June 2021, the fair value of the loan amounts to EUR 38.1 million (prior year end: EUR 36.6 million). As at 30 June 2020 this receivable was reported under loans granted in the balance sheet. The disclosure has been adjusted.

The remaining purchase price receivables of ADLER from the sale of the 75% stake in Glasmacherviertel GmbH & Co. KG against the buyer were deferred, subject to customary interest and collateral. For payment of the purchase price receivables, it was agreed that each instalment payment would be due when certain project development milestones, which are determined but not yet fixed regarding the timing, are met. Accounting for default risks and interest, a receivable of EUR 134.5 million (as at 31 December 2020: EUR 133.2 million) from the buyer was recognised as at the balance sheet date.

The receivables from associated companies are mainly based on the following circumstances:

On 27 December 2018, ADLER closed a binding agreement with Bension Elliot Capital Management LLP which involves the sale of around 2,300 rental units to the jointly controlled AB Immobilien B.V., Amsterdam/Netherlands, in which ADLER holds 25 percent. Until the sale of the properties to third parties, ADLER remains responsible for asset, property and facility management. In addition, ADLER is participating in the potential additional proceeds from final disposal of real estate properties by joint venture. The properties had a value of EUR 117,700 thousand. The transfer of control over the rental units was already effective in Q1 2020 (before the Group acquired ADLER). The agreement over the sale of approximately 2,300 rental units to AB Immobilien B.V. does not include significant financing components since the remaining consideration after partial payment is variable. The amount and timing of the consideration depends on the resale of the properties to the third parties, which ADLER does not have significant influence on. However, the latest settlement date is scheduled on 31 December 2028. As at 30 June 2021 ADLER shows receivables against AB Immobilien B.V. in the amount of EUR 32.0 million (as at 31 December 2020: EUR 32.5 million) net of impairment allowances.

In the course of the acquisition of ADLER, the Group acquired an interest-bearing loan against the investee Glasmacherviertel GmbH & Co, KG, Düsseldorf. On the balance sheet date, the loan including accrued interests amounts to EUR 74.6 million (as at 31 December 2020: EUR 66.9 million) net of impairment allowances. Interest income in the reporting period amounts to EUR 1.6 million.

At the balance sheet date, other financial assets also include receivables against other related parties in an amount of EUR 0.5 million (as at 31 December 2020: EUR 0.9 million).

Options for early repurchase of bonds and loans relate to the following:

Consus placed the bond 2019/2024 in two tranches with a total nominal amount of EUR 450,000 thousand, from which a derivative (option for early repurchase of the bond) was split off and measured at fair value through profit or loss. Due to the redemption of the bond during the period, the remaining fair value of the derivative (EUR 90.4 million) has been derecognised (fair value as at 31 December 2020: EUR 96.7 million).

In some cases, the other loans and borrowings raised by Consus contain embedded derivatives which must be measured at fair value through profit or loss separately from their host contract. These embedded derivatives are termination options that allow Consus to repay the respective liabilities before the actual due date. Termination options are assessed using an option pricing model (binomial model). The main input factors in the option price model used are volatility and the refinancing interest rate on the valuation date. As at 30 June 2021, the fair value of the derivatives was EUR 2.2 million (as at 31 December 2020: EUR 15.4 million).

Other financial assets include bonds of an associated company that are held as part of a business model, the aim of which is both to hold financial assets for the collection of contractual cash flows and to sell financial assets if necessary. These debt instruments are therefore measured at fair value with changes in other comprehensive income. As at 30 June 2021, the fair value amounted to EUR 11.8 million (as at 31 December 2020: EUR 12.5 million) based on the market price. Interest income in the reporting period amounts to EUR 0.3 million.

D. 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 2021 (Unaudited)	31 December 2020 (Audited)
Gross contract assets – non-current	10,939	8,044
Prepayments received on non-current gross contract assets	-	-
Net contract assets – non-current	**10,939**	**8,044**
Gross contract assets – current	476,756	428,315
Prepayments received on current gross contract assets	(347,907)	(273,883)
Net contract asset – current	**128,849**	**154,432**
Gross contract assets – current	188,547	230,903
Prepayments received on current gross contract assets	(195,163)	(256,773)
Net contract liabilities - current	**(6,616)**	**(25,870)**
Net contract assets (liabilities)	**133,173**	**136,607**

E. Inventories

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

In EUR thousand	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Real Estate "Trading properties (condominiums)"	19,129	21,791
Real Estate "Institutional"	998,645	771,188
Real Estate "Parking"	26,372	23,523
Real Estate "Apartment for sale"	428,134	421,395
Real Estate "Other construction work"	32,186	7,705
Other inventories: excl. development	10,517	7,858
Total balance	**1,514,982**	**1,254,460**

Interest expenses capitalised in the inventories amount to EUR 41,154 thousand (prior year: EUR 44,332 thousand).

F. Trade receivables

As at the reporting date trade receivables mainly consist of rental receivables (EUR 48,628 thousand; as at 31 December 2020: EUR 38,407 thousand), receivables from the sale of real estate inventories (EUR 272,389 thousand; as at 31 December 2020: EUR 325,055 thousand) and receivables from property development (EUR 42,289 thousand; as at 31 December 2020: EUR 59,782 thousand).

G. Other receivables – current

In EUR thousand	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Advances to suppliers	2.152	354
Prepaid expenses	7,372	3,650
VAT	4,318	1,597
Receivables from share purchase agreements (SPAs)	60,443	59,127
Receivables from sale of non-controlling interests	130,981	130,981
Notary escrow receivables from the sale of properties	2,707	75,178
Receivables against associated companies	32,121	44,636
Other receivables against third parties	21,858	23,869
Current loans against third parties	36,165	53,386
Current deposits	114,545	28,140
Insurance	1,779	1,685
Income tax receivables	14,790	14,743
Assets recognised from costs to obtain or fulfill a contract	504	7,774
Prepayment options	-	2,036
Current loans to other related parties or companies	22,943	22,419
Other current assets	14,119	7,674
Total	**466,797**	**477,249**

Other current receivables consist of financial receivables with a book value of EUR 423,536 thousand (as at 31 December 2020: EUR 439,731 thousand) and other assets with a book value of EUR 43,261 thousand (as at 31 December 2020: EUR 37,518 thousand).

Oher current receivables mainly include the following items:

As at the reporting date, other current receivables include residual receivables of EUR 60.4 million including interest (as at 31 December 2020: EUR 59.1 million) against the buyer of the shares in ACCENTRO which ADLER had sold at the end of 2017. The payment period ending on 31 December 2020 was extended to 30 September 2021. If the extended payment period expires without success, the existing collateral could be realised to cover the outstanding purchase price claim. Due to collateral which ADLER could utilise in the event of creditor's non-performance, there is no material default risk.

The receivables from the sale of non-controlling interests relate to the sale of non-controlling interests in a number of subsidiaries without losing control.

The decrease in the notary escrow receivables from the sale of properties is due to received payments from the sale of 5,064 residential and commercial units to an international real estate investor. The remaining amount of EUR 2.7 million will be transferred after the balance sheet date when all payment conditions have been fulfilled.

As at the reporting date, other current receivables include short-term purchase price receivables from the sale of investment properties and additional short-term loans of EUR 32.1 million in total (as at 31 December 2020: EUR 44.6 million) against an associated company. The Group recognised an interest income of EUR 0.4 million in the reporting period.

Receivables against other related parties include a non-interest bearing short-term loan with an amount of EUR 22.4 million from Consus to Aggregate Holdings S.A., the main shareholder of Adler Group.

Incremental costs of obtaining forward sales contracts were recognised by Consus and presented in other receivables with a remaining book value of EUR 0.5 million (as at 31 December 2020: EUR 7.8 million) on the balance sheet date. The asset is amortised on a straight-line basis over the lifetime of the specific contract to which it relates. The corresponding expenses during the period amounted to EUR 7.5 million.

The increase in current deposits is due to short-term financial instruments.

H. Non-current assets held for sale

Non-current assets held for sale include shares in an associated company with a value of EUR 4.0 million due to the binding sale and purchase agreement. The remaining non-current assets held for sale mainly include real estate properties, for which notarised purchase agreements in place without transfer of control on the balance sheet date. Non-current liabilities held for sale mainly include the liabilities associated with non-current assets held for sale, such as in the event of share deals.

In detail, the following significant developments took place with regard to the other non-current assets and non-current liabilities held for sale:

In 2020 ADLER, entered into a binding purchase agreement with an investor to dispose of 1,605 residential and commercial properties via a share and asset deal. Due to the asset deal, investment properties of EUR 25.3 million were reclassified as non-current assets held for sale. As at 31 December 2020 due to the share deal, assets of EUR 52.9 million (thereof EUR 50.5 million investment properties) and liabilities of EUR 27.5 million (thereof EUR 20.3 million bank loans, EUR 5.2 million deferred tax liabilities) were reclassified according to IFRS 5. The control over the non-current assets and liabilities held for sale was transferred at the beginning of April 2021.

In 2021, control over further commercial units of ADLER held for sale with a value of EUR 20.9 million was transferred.

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Notes to the Condensed Consolidated Interim Financial Statements

I. Corporate bonds and convertible bonds

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

In EUR thousand	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Adler Group Bond 2017/2024	398,258	397,977
Adler Group Convertible Bond 2018/2023	98,311	97,623
Adler Group Bond 2020/2025	392,051	391,164
Adler Group Bond 2020/2026	389,895	389,051
Adler Group Bond 2021/2026	684,834	-
Adler Group Bond 2021/2029	777,307	-
Adler Group Bond 2021/2027	489,579	-
ADLER Convertible Bond 2016/2021	94,641	99,062
ADLER Bond 2017/2021	169,839	506,444
ADLER Bond 2017/2024	290,778	289,111
ADLER Bond 2018/2023	491,756	489,571
ADLER Bond 2018/2026	285,645	284,307
ADLER Bond 2019/2022	397,452	395,887
BCP Bond 2013/2024 (B)	38,150	36,814
BCP Bond 2014/2026 (C)	35,408	25,381
Consus Bond 2019/2024	-	523,255
Consus Convertible Bond 2019/2022	116,361	115,287
Total balance	**5,150,265**	**4,040,934**

On 8 January 2021, the Company placed EUR 1,500 million fixed rate senior unsecured notes comprising of two tranches, a EUR 700 million 5-year maturity with a 1.875 percent fixed coupon and a EUR 800 million 8-year maturity with a 2.25 percent fixed coupon. The proceeds of the issues were used to repay existing indebtedness, including buybacks. Subsequent to the placement, ADLER Real Estate AG made a public tender offer to redeem its EUR 500 million bond due in December 2021 which was accepted by approximately 66 percent of bondholders. After the redemption, the nominal amount outstanding is EUR 170.4 million on the balance sheet date. The carrying amount of the bond has been adjusted to account for the extinguished portion of the bond.

On 21 April 2021, Adler Group S.A. placed EUR 500 million fixed rate senior unsecured notes with a 6-year maturity and a 2.25 percent fixed coupon under its newly established EMTN programme. The proceeds of the issue of the notes were used to call and repay the EUR 450 million 9.625 percent high yield bond issued by Consus Real Estate AG (Consus Bond 2019/2024). In connection with redemption, early repayment fees of EUR 21.7 million were incurred. The derecognition of the bond without the embedded derivative led to a gain of EUR 65.8 million which has been presented in finance income.

As at 30 June 2021, the Company is fully compliant with all covenant requirements.

J. Other loans and borrowings

As at 30 June 2021, 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 2.1 percent per annum (as at 30 June 2020: 1.6 percent and as at 31 December 2020: 3.1 percent). The average maturity of other loans and borrowings is 4.3 years (as at 30 June 2020: 3.5 years and as at 31 December 2020: 3.5 years). As at 30 June 2021, under the existing loan agreements, the Group is fully compliant with its obligations (including loan covenants) to the financing banks.

During January 2021, BCP, a subsidiary of the Group signed a refinancing agreement with a German banking corporation for a loan of approximately EUR 100.5 million. The loan bears an average annual interest rate of approximately 1.41% with maturity date in June 2023.

Westgrund, a subsidiary of the Group, raised a secured loan of EUR 400 million with a 7-year term and a fixed interest rate of 1.6 percent, replacing the current outstanding loan of EUR 191 million due in December 2021.

On 15 March 2021, the Group signed a EUR 300 million syndicated revolving credit facility with a 3-year term and two extension options, each for one year. At the same time the 3 bilateral RCFs with the same lenders were terminated. The interest rate is variable. The relating upfront fees were recognised under deferred expenses in the condensed consolidated interim statement of financial position and will be amortised over five years. On the balance sheet date no amounts were borrowed under the RCF.

In March 2021, the Group raised a secured banking loan of EUR 100 million. The loan has an interest rate of 1.25 percent p.a. and a maturity term to 2028.

Over the reporting period, Adler Group S.A. bought back some of the Consus' high-yield project-related bonds and promissory notes in the volume of EUR 83.4 million. This resulted in finance income of EUR 14.5 million.

The outstanding amount under bridge loan facility agreement (outstanding volume as at 31 December 2020: EUR 371 million) has been repaid in the first quarter. On the balance sheet date, no amounts were borrowed under bridge loan facility agreement.

All loans with the exception of the revolving credit facility are secured with the assets (investment properties and inventory properties, financial assets, trade and other receivables, cash and cash equivalents).

K. Other payables - current

In EUR thousand	30 June 2021 (Unaudited)	31 December 2020 (Audited)
Accrued expenses	71,626	70,662
Accrued interest payable	62,583	84,630
Tenants' deposits	31,217	31,195
Deferred income	1,875	6,145
Income tax payables	75,232	77,039
VAT	4,608	14,160
Contingent losses development contracts	43,196	69,696
Transaction costs related to sale of commercial properties	2,604	6,150
Purchase price liabilities	312,588	27,219
Other payables due to associated companies	17,343	17,467
Dividend payable due to shareholders	54,055	-
Other payables due to other related parties	-	183
Other financial liabilities	8,856	10,425
Other non-financial liabilities	44,133	25,872
Total	**729,917**	**440,842**

Other current payables consist of financial liabilities with a book value of EUR 494,607 thousand (as at 31 December 2020: EUR 178,424 thousand) and non-financial liabilities with a book value of EUR 235,309 thousand (as at 31 December 2020: EUR 262,417 thousand).

The purchase price liabilities include the prepayments received and the compensation liabilities which have to be paid back to the former buyers of the reversed forward sales (EUR 299.4 million).

L. Prepayments received

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

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

A. Revenue

In EUR thousand	For the six months ended 30 June 2021 (Unaudited)	30 June 2020 (Unaudited)
Net rental income	174,017	114,791
Income from charged costs of utilities	42,426	22,819
Income from facility services	14,064	10,287
Income from property development	58,908	23,970
Sale of trading properties (condominiums)	4,917	2,751
Income from real estate inventories disposed of	-	-
Revenue other	4,878	-
Total	**299,210**	**174,618**

During the quarter no new forward sales contracts were signed. Income from property development resulted from the building progress on existing forward sale.

Income from property development was reduced in 2021 by EUR 22.5 million because of the reversal of forward sales contracts.

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 — For the six months ended 30 June 2021

1 Jan – 30 June 2021	Residential property management	Privatisation	ADLER	Consus	Consolidation	**Total**
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 other	-	-	-	4,878	-	4,878
Revenue from contracts with customers (IFRS 15)	**5,579**	**4,917**	**54,571**	**55,485**	**(4,079)**	**116,473**
thereof: products and services transferred at a point in time	-	4,917	-	7,433	-	12,350
thereof products and services transferred over time	5,579	-	54,571	48,052	(4,079)	104,123
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**	**58,718**	**(4,079)**	**299,210**

(*) Includes land tax and building insurance.

In EUR thousand — For the six months ended 30 June 2020

1 Jan - 30 June 2020	Residential property management	Privatisation	ADLER	**Total**
Revenue from charged costs of utilities and facility services	3,445	-	23,583	27,028
Revenue from sale of trading properties (condominiums)	-	2,751	-	2,751
Revenue from property development contracts	-	-	23,970	23,970
Revenue from real estate inventories disposed of	-	-	-	-
Revenue other	-	-	-	-
Revenue from contracts with customers (IFRS 15)	**3,445**	**2,751**	**47,553**	**53,749**
thereof: products and services transferred at a point in time	-	2,751	-	2,751
thereof products and services transferred over time	3,445	-	47,553	50,998
Rental income (IFRS 16)	55,172	206	59,413	114,791
Revenue from ancillary costs (IFRS 16)(*)	-	-	6,078	6,078
Rental income (IFRS 16)	**55,172**	**206**	**65,491**	**120,869**
Revenues (IFRS 15/IFRS 16)	**58,617**	**2,957**	**113,044**	**174,618**

(*) Includes land tax and building insurance.

B. Cost of operations

In EUR thousand	For the six months ended 30 June 2021 (Unaudited)	30 June 2020 (Unaudited)
Salaries and other expenses	19,386	13,679
Costs of apportionable utilities	53,440	25,051
Costs of utilities recharged, net	260	544
Costs of property development	45,381	16,322
Costs of real estate inventory disposed of	-	-
Costs of sale of trading properties (condominiums)	2,561	2,040
Property operations and maintenance	22,696	16,544
Other costs of operations	3,131	-
Total	**146,855**	**74,180**

Costs of property development were reduced in 2021 by EUR 54.2 million because of the reversal of forward sales contracts.

C. General and administrative expenses

In EUR thousand	For the six months ended 30 June 2021 (Unaudited)	30 June 2020 (Unaudited)
Salaries and related expenses	14,687	7,879
Share-based payments	378	227
Directors fee	533	417
Rent	1,833	934
Professional services	13,279	5,046
Travelling	1,210	129
Office, communication and IT expenses	9,354	3,116
Advertising and marketing	685	-
Impairment loss on trade receivables	3,846	5,426
Depreciation	6,190	2,741
Services from parent company	-	6
Other	9,442	1,064
Total	**61,437**	**26,985**

D. Other expenses

Other expenses are mainly due to legal and consulting fees related to the integration of Adler Group, ADLER and Consus. The remaining other expenses mainly relate to expenses for selling investment properties held for sale and expenses from prior periods.

E. Other income

The previously recognised provision for contingent losses of the reversed forward sales projects amounting to EUR 31.4 million were released against other income. The remaining other income relates mainly to the derecognition of existing liabilities and income from prior periods.

F. Net finance costs

In EUR thousand	For the six months ended 30 June 2021 (Unaudited)	30 June 2020 (Unaudited)
Interest received	8,158	18
Change in fair value of derivative component of convertible bond	13,831	634
Change in fair value of other derivatives	351	-
Change in fair value of other financial asset - profit	746	-
Other finance income	101,856	3,671
Total finance income	124,942	4,323
Interest on bonds	(74,343)	(17,060)
Change in fair value of other derivatives	(21,984)	(554)
Expense from derecognition of derivatives	(90,399)	-
Change in fair value of investment in financial assets and other financial assets	-	(90,644)
Change in fair value of loans granted	(2,248)	(6,510)
Impairment of financial instruments	(3,088)	(1,141)
Interest on other loans and borrowings	(35,643)	(26,215)
One-off refinance costs	(28,389)	(7,444)
Net foreign exchange loss	(6,306)	-
Other finance expenses	(19,949)	(9,038)
Total finance costs	**(282,349)**	**(158,606)**
Total net finance costs	**(157,407)**	**(154,283)**

The Group received interest from associated companies in an amount of EUR 1,968 thousand.

An amount of EUR 41,154 thousand interest on other loans and borrowings was capitalised to investment properties and inventories under construction.

Other finance income includes income from the derecognition of bonds and loans amounting to EUR 80.3 million. Other finance expenses include expenses from the derecognition of bonds and loans amounting to EUR 4.8 million.

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:

Carrying amounts according to IFRS 9

In EUR thousand	Category IFRS 9	Carrying amount balance sheet 30 June 2021	Amortised cost	Fair value through PL	Fair value through other comprehensive income	Carrying amounts according to IFRS 16/ IAS 28	Fair value 30 June 2021	Fair value hierarchy level
Assets								
Investments in financial instruments								
Investments in equity instruments - FVPL	aafvPL	23,013		23,013			23,013	Level 3
Investments in equity instruments - FVtOCI	aafvOCI							
Investments accounted under the equity method	n/a	84,716				84,716	-	n/a
Other financial assets								
Receivables due from associated companies	aac	108,767	108,767				108,767	1)
Receivables due from third parties	aac	148,678	148,678				148,678	1)
Other financial assets	aafvPL	45,960		45,960			45,960	Level 3
Investments in debt instruments	aafvOCI	11,762			11,762		11,762	Level 1
Derivatives (embedded)	aafvPL	2,173		2,173			2,173	Level 3
Restricted bank deposits	aac	74,184	74,184				74,184	1)
Trade receivables	aac	364,371	364,371				364,371	1)
Other receivables								
Other financial receivables at cost	aac	352,252	352,252				352,252	1)
Other financial receivables at fair value	aafvPL	114,545		114,545			114,545	Level 2
Cash and cash equivalents	aac	369,874	369,874				369,874	1)
Total financial assets		**1,700,295**	**1,418,126**	**185,691**	**11,762**	**84,716**	**1,615,579**	
Liabilities								
Corporate bonds	flac	4,840,951	4,840,951				4,946,147	Level 1
Convertible bonds	flac	309,313	309,313				318,557	Level 2
Other loans and borrowings	flac	3,028,950	3,028,950				3,097,096	Level 3
Other financial liabilities								
Other financial liabilities at fair value	lafv	2,533		2,533			2,533	Level 3
Other financial liabilities at cost	flac	32,562	32,562				32,562	1)
Derivatives	lafv	5,991		5,991			5,991	Level 3
Trade payables	flac	75,514	75,514				75,514	1)
Lease liabilities	n/a	27,592				27,592	-	n/a
Other payables								
Other financial payables	flac	494,607	494,607				494,607	1)
Total financial liabilities		**8,818,013**	**8,781,897**	**8,524**	**-**	**27,592**	**8,973,007**	

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.

Carrying amounts according to IFRS 9

In EUR thousand	Category IFRS 9	Carrying amount balance sheet 31 December 2020	Amortised cost	Fair value through PL	Fair value through other comprehensive income	Carrying amounts according to IFRS 16/ IAS 28	Fair value 31 December 2020	Fair value hierarchy level
Assets								
Investments in financial instruments								
Investments in equity instruments - FVPL	aafvPL	23,219		23,219			23,219	Level 3
Investments in equity instruments - FVtOCI	aafvOCI							
Investments accounted under the equity method	n/a	84,816				84,816	-	n/a
Other financial assets								
Receivables due from associated companies	aac	103,270	103,270				103,270	1)
Receivables due from third parties	aac	144,571	144,571				144,571	1)
Other financial assets	aafvPL	36,594		36,594			36,594	Level 3
Investments in debt instruments	aafvOCI	12,524			12,524		12,524	Level 1
Derivatives (embedded)	aafvPL	119,249		119,249			119,249	Level 3
Restricted bank deposits	aac	97,220	97,220				97,220	1)
Trade receivables	aac	424,998	424,998				424,998	1)
Other receivables								
Other financial receivables at cost	aac	417,312	417,312				417,312	1)
Other financial receivables at fair value	aafvPL	30,176		30,176			30,176	Level 2
Cash and cash equivalents	aac	371,574	371,574				371,574	1)
Total financial assets		**1,865,523**	**1,558,945**	**209,238**	**12,524**	**84,816**	**1,780,707**	
Liabilities								
Corporate bonds	flac	3,728,962	3,728,962				3,904,243	Level 1
Convertible bonds	flac	311,972	311,972				318,734	Level 2
Other loans and borrowings	flac	3,924,495	3,924,495				4,071,243	Level 3
Other financial liabilities								
Other financial liabilities at fair value	lafv	2,533		2,533			2,533	Level 3
Other financial liabilities at cost	flac	38,260	38,360				38,260	1)
Derivatives	lafv	21,240		21,240			21,240	Level 3
Trade payables	flac	118,610	118,610				118,610	1)
Lease liabilities	n/a	33,733				33,733	-	n/a
Other payables								
Other financial payables	flac	178,424	178,424				178,424	1)
Total financial liabilities		**8,358,229**	**8,300,723**	**23,773**	**-**	**33,733**	**8,653,287**	

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.

	IFRS 9 categories
aac	Financial assets measured at amortised costs
aafvPL	Financial assets at fair value through profit and loss
aafvOCI	Financial assets at fair value through other comprehensive income
flac	Financial liabilities measured at amortised costs
lafv	Financial liabilities at fair value through profit or loss
lafvOCI	Financial liabilities at fair value through other comprehensive income

Fair value for liabilities is estimated by discounting future cash flows by the market interest rate of the similar instruments on 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 34 regarding operating segments in the annual consolidated financial statements for the year ended 31 December 2020.

ADLER and Consus are preliminary presented as an independent segment in accordance with current internal reporting to the chief operating decision maker. It is intended to revisit the segment reporting once the businesses of its acquirees are fully integrated with that of Adler Group.

Information about reportable segments

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

For the six months ended 30 June 2021

In EUR thousand	Residential property management	Privatisation	ADLER	Consus	Consolidation	Total consolidated
External income from residential property management	61,335	192	167,583	3,234	(1,836)	230,507
External income from selling of trading properties (condominiums)	-	4,917	-	-	-	4,917
External income from selling of other real estate inventories	-	-	-	-	-	-
External income from property development	-	-	8,301	50,607	-	58,908
External income from service, maintenance and management activities	2,242	-	-	4,878	(2,242)	4,878
Consolidated revenue	**63,577**	**5,109**	**175,884**	**58,719**	**(4,078)**	**299,210**
Reportable segment gross profit	**53,597**	**2,509**	**82,448**	**17,881**	**(4,078)**	**152,355**
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						**500,404**
Income tax expense						112,182
Consolidated profit after tax						**388,222**

For the six months ended 30 June 2020

In EUR thousand	Residential property management	Privatisation	ADLER	Total consolidated
External income from residential property management	58,616	206	89,074	147,897
External income from selling condominiums	-	2,751	23,970	26,271
Consolidated revenue	**58,616**	**2,957**	**113,044**	**174,618**
Reportable segment gross profit	**46,953**	**860**	**52,624**	**100,438**
General and administrative expenses				(26,985)
Changes in fair value of investment properties				141,228
Other expenses				(24,942)
Other income				78,743
Finance income				4,323
Finance costs				(158,606)
Net income from at-equity-valued investments				364
Consolidated profit before tax				**114,563**
Income tax expense				(28,873)
Consolidated profit after tax				**85,690**

3 | CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
Notes to the Condensed Consolidated Interim Financial Statements

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

A. On 30 January 2020, the World Health Organisation (WHO) declared an international health emergency due to the outbreak of the coronavirus. Since 11 March 2020, the WHO has classified the spread of the coronavirus as a pandemic. Adler Group is continuously assessing the impact of Covid-19. The valuation of the investment properties, financial assets and financial liabilities as at 30 June 2021 as disclosed in these consolidated interim financial statements reflects the economic conditions in existence at that date. The Company does not expect the crisis to have any material impact on rental income. In Germany, rents are still continuing to rise and the demand for living space is increasing as well. This leads to a very low risk of losing tenants and a high occupancy rate due to a change in the general condition on the residential markets.

B. On 7 January 2021, Consus, a 94 percent subsidiary of the Group, successfully completed the disposal of 24 non-strategic projects. Together with proceeds received from the successful closing of the disposal of approximately 5,000 residential units as announced in September 2020, the Group generated total proceeds in the amount of EUR 850 million. These proceeds will be used to repay existing debt, to further smoothen the maturity profile and to reduce the average cost of debt.

C. On 8 January 2021, the Group successfully placed EUR 1.5 billion fixed rate senior unsecured notes comprising of two tranches, a EUR 700 million 5-year maturity with a 1.875 percent fixed coupon and a EUR 800 million 8-year maturity with a 2.25 percent fixed coupon. The proceeds of the issue of the Notes were used to repay existing indebtedness, to further smoothen and extend the Group's debt maturity profile and as a next step to achieve the targeted financial synergies. The Notes are rated BB+ with S&P. Subsequent to the placement, the Group redeemed approximately EUR 329 million of ADLER Real Estate AG's EUR 500 million bond due in December 2021.

D. In January 2021, BCP, a subsidiary of the Group, signed a refinancing agreement with a German banking corporation for a loan of approximately EUR 100.5 million. The loan bears an average annual interest rate of approximately 1.41% with maturity date in June 2023.

E. In January 2021, the outstanding amount under the bridge loan facility agreement (outstanding volume as at 31 December 2020: EUR 371 million) was repaid. As at the balance sheet date, no amounts were borrowed under the bridge loan facility agreement.

F. Upon entry into the commercial register on 23 February 2021, the debt-to-equity swap agreement concluded in 2020 became legally effective. As a result, the Group's share in ADLER Real Estate Aktiengesellschaft increased from approximately 93.9 percent to 96.6 percent. In the course of this transaction, Adler Group S.A. acquired 35,107,487 additional ADLER shares against contribution in kind of EUR 478 million. Due to the consolidation of ADLER, the step up did not have an impact on the Group's assets and liabilities. However, the Group adjusted the carrying amounts of the controlling and non-controlling interests to reflect the changes in the relative interests in the subsidiary accordingly.

G. On 15 March 2021, the Company signed a EUR 300 million syndicated revolving credit facility with JP Morgan, Deutsche Bank and Barclays as lenders for a 3-year term with two extension options, each for one year. At the same time the 3 bilateral RCFs with the same lenders were terminated. At the time of the approval of these consolidated financial statements no amounts were borrowed under the RCF.

H. In March 2021, Westgrund, a subsidiary of the Group, raised a secured loan of EUR 400 million with a 7-year term and a fixed interest rate of 1.6 percent, replacing the current outstanding loan of EUR 191 million due in December 2021.

I. In March and April 2021, the Group raised a secured banking loan of EUR 100 million in total. The loan has an interest rate of 1.25 percent p.a. and a maturity term to 2028.

J. On 16 April 2021, the Federal Constitutional Court in Karlsruhe ruled that Berlin's rent freeze is unconstitutional, thus declaring the highly controversial Act on Rent Restrictions in the Housing Sector in Berlin (MietenWoG Bln) incompatible with Basic Law and therefore null and void. In the opinion of the Second Senate of the Federal Constitutional Court, the state of Berlin had no right to limit rent levels by means of a so-called "rent freeze" in the German capital due to a lack of legislative competence, as the federal legislation had exhaustively regulated rent law in the German Civil Code (BGB). The Adler Group has offered its tenants individual solutions for repayments.

K. On 21 April 2021, Adler Group S.A. successfully placed EUR 500 million fixed rate senior unsecured notes with a 6-year maturity and a 2.25 percent fixed coupon under its newly established EMTN programme. The notes were placed with institutional investors across Europe with a total order book of EUR 1.1 billion. The proceeds of the issue of the notes will be used to call and repay the EUR 450 million 9.625 percent high yield bond issued by Consus Real Estate AG. In addition to the announced EUR 93.8 million run-rate financial synergies, which were realised as at the end of 31 March 2021, this refinancing will enable Adler Group to realise a further EUR 33 million of annualised financial synergies. It will have a positive impact on all debt KPIs, including average cost of debt, which is expected to come down to 2.2 percent, as well as extending the debt maturity profile to 4.5 years. The notes are rated BB+ with S&P, driven by the strong recovery rating of the bonds and influenced by Adler Group's valuable asset base.

L. On 17 May 2021, the Consus Bond 2019/2024 with a nominal outstanding amount of EUR 450 million was redeemed before its due date. In connection with the redemption, early repayment fees of EUR 21.7 million were incurred. The derecognition of the bond including the embedded derivative led to a net loss of EUR 24.6 million which is shown in net finance costs.

M. In the second quarter of 2021, Adler Group increased its shareholding in Consus from 93.9 percent to 96.9 percent. The Group adjusted the carrying amounts of the controlling and non-controlling interests to reflect the changes in the relative interests in the subsidiary accordingly.

N. On 25 June 2021, Adler Group established a commercial paper programme which allows the Company to issue short-term notes up to a maximum aggregate amount of EUR 500 million for interim financings of general corporate purposes. As per the balance sheet date, no commercial papers were outstanding.

O. At the annual General Meeting of shareholders held on 29 June 2021, a dividend in an amount of EUR 0.46 per share (gross dividend in an aggregate amount of EUR 54.1 million) was declared.

P. On 20 July 2021, Adler Group S.A. sold 30,000 m^2 of the office development project in Frankfurt's banking district as part of the build-to-sell development pipeline (upfront sales) at EUR 185 million. Proceeds are expected to be received in Q4 of 2021 and will be used to repay debt in line with Group's de-levering strategy. The sale follows the previously announced corporate strategy of focussing on the core business of residential real estate.

Q. On 11 August 2021, the international rating agency Standard and Poor's (S&P) has published a full analysis report on Adler Group's "BB/stable" rating.

R. On 16 August 2021, Sustainalytics assigned a new ESG rating to Adler Group of 10.7, ranking the Group as the 46th best real estate company in Sustainalytics' global coverage of 1,001 real estate companies, positioning the Group in the top 5% of the real estate coverage. Adler Group has also become a member of the UN Global Compact and the German Association of Sustainable Building (DGNB), committing to build carbon-neutral buildings for a better future.

S. The Group learned that there are delays of the zoning plan approvals in connection with the already sold Gerresheim project in Düsseldorf (Glasmacherviertel GmbH & Co. KG) due to objections of the Deutsche Bahn AG. In

the view of the Group, such objections are relatively common in the process of building a project in the size and scope of Gerresheim. The Group has been holding ongoing discussions with the Düsseldorf Municipality which is continuing to be supportive of the project and has expressed its interest in advancing the receipt of the required zoning approvals. Nevertheless, at the end of August, the Group learned that despite the progress in contacts between the Group and the Düsseldorf municipality, due to the prolongation of the negotiation between the Düsseldorf municipality and the German railway company, a further delay would occur in connection with the zooning plan. To the Group`s estimation and based on the information provided to it by the authorities in Germany, the approval is expected to be received during the first half of 2022. In order to prevent further delays due to the Deutsche Bahn AG objections, the Group is holding discussions with the Düsseldorf municipality on a possibility of dividing the zoning plan.

Following the above the Group has decided to prepare for the cancellation of the transaction. The Group informed the buyer that it desires to operate for the cancellation of the transaction and the buyer clarified that in light of the delays in the zoning plan approvals out of the authorities, it does not intend to object. The legal execution and completion of the cancellation of the transaction is subject among others, to the receipt of different approvals, including regulatory approvals, approval of the financing entities, tax authorities, etc. and is expected to take place in the third or fourth quarter of 2021.

Financial Calendar 2021

For Financial Calendar dates 2021 please visit

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ADLER GROUP

Adler Group S.A.

1B Heienhaff
1736 Senningerberg
Grand Duchy of Luxembourg

investorrelations@adler-group.com
www.adler-group.com

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