

# Annual General Meeting 2022

29 June 2022



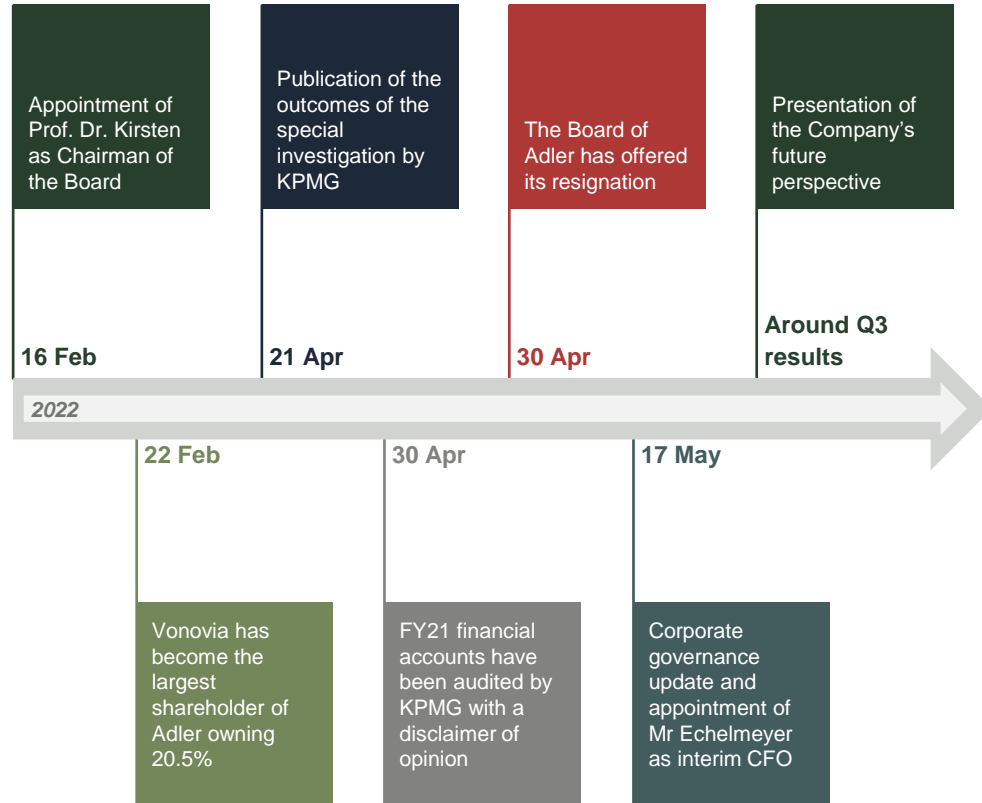
# Content

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# Corporate Governance Update

*Implementation of solutions on track*

## Recent events



## Most recent progress

- **Management:**
  - Appointment of Mr Echelmeyer as interim CFO (on a consultancy basis), started on 1 June, and ongoing search for permanent CFO.
- **Structures & Processes:**
  - Continuous reorganisation and improvement of the Group.
  - PwC appointed to set up a compliance framework.
  - No distribution of a dividend for 2021 due to disclaimer of opinion.
- **Auditor:**
  - Start of tender process for appointing a new auditor after KPMG is no longer available to audit the 2022 consolidated financial statements of the Company.
  - Aim to obtain an unqualified audit opinion for 2022.
- **Legal:**
  - No criminal relevance revealed by special investigation.
  - External examination of other legal claims against the Company and its bodies ongoing.
- **Regulatory Situation:**
  - Full co-operation and transparency offered to regulatory supervisors and finance committee of Bundestag.

# Key Highlights Q1 2022

*Robust operational performance, sufficient liquidity position*

## PORTFOLIO PERFORMANCE



- **+2.1% like-for-like rental growth<sup>1</sup>**
- Avg. residential **rent €7.46/sqm/month**
- **+1.4% like-for-like fair value uplift** in the yielding portfolio<sup>1</sup> compared to FY 2021
- **Vacancy** decreased to **1.2%**, from 3.8% last year<sup>1</sup>

## FINANCIAL PERFORMANCE



- Lower NRI and FFO 1 on the back of the disposal of non-strategic assets:
  - NRI: -16% to **€71m<sup>1</sup>**
  - FFO 1: -8% to **€30m<sup>1</sup>**
- NTA per share stands at **€35.72**
- LTV stands at **52.0%**
- Average cost of debt at **2.2%**
- Cash position of **€760m** at Q1 2022<sup>2</sup>

## DEVELOPMENT PROGRESS



- **€71m GAV** condominium and forward sales projects successfully handed over to the buyers in Q1: Magnolia (Dessauer Str.) and Dreizeit – Wohnen an der Villa Berg
- Sale of Späthstraße development project is signed in Q1
- Sale of Westend Ensemble – Upper West – LEA B is signed in April 2022
- Exclusivity or LOI granted for Covent Garden, Eurohaus, UpperNord Tower VauVau and UpperNord Office
- Plan approvals for Holsten Quartier and VAI Campus are under discussion, alternatives are being explored

✓ **Strong rental growth drives valuation uplift**  
*2.1% LFL rent increase during the first quarter.*

✓ **Strong cash position**  
*Cash reserve amounting to c. €600m by end of May 2022<sup>2</sup>.*

✓ **Upcoming debt maturities well covered**  
*€400m bond repaid in April, sufficient liquidity to service debt obligations.*

✓ **Execution of portfolio disposals well on track**  
*97% of assets closed and transferred to KKR by the end of May 2022.*

*1. Compared to Q1 2021; 2. Excludes cash BCP which is classified as assets held for sale.*

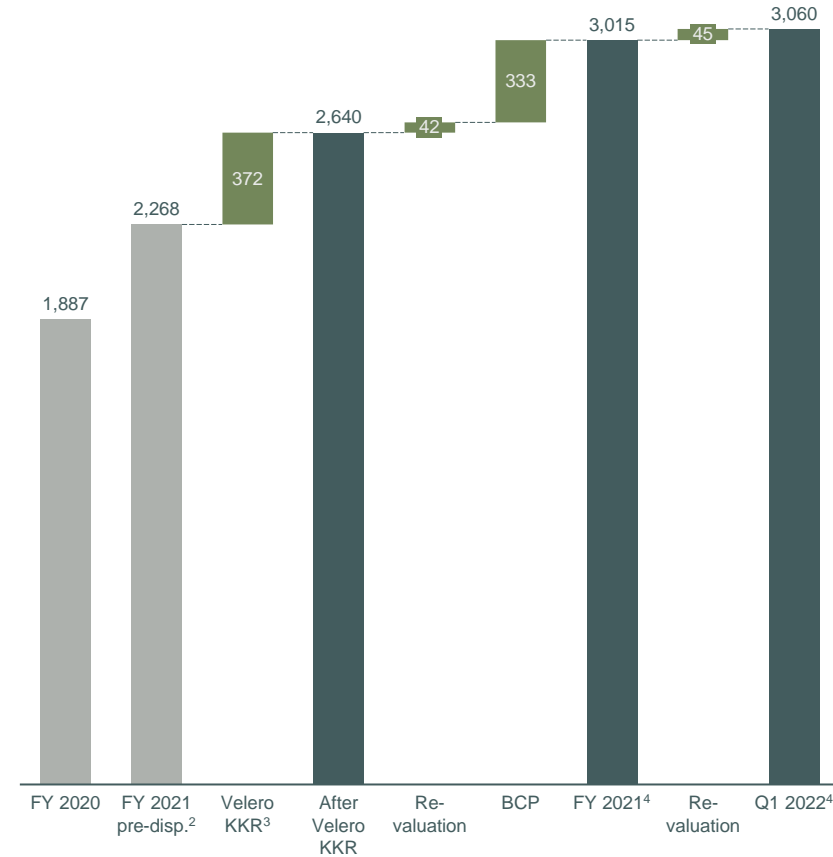
# Continuous Increase in Portfolio Quality

*Post non-strategic disposals, a high-quality portfolio remains anchored in Berlin*

Standing assets as per Q1 2022<sup>1</sup>



Fair value (€/sqm)



GAV

**€5.7bn**

standing assets<sup>4</sup>

LFL fair value growth

**1.4%**

to FY 2021<sup>4</sup>

Total number of units<sup>4</sup>

**27,443**

of which

**19,804**

in Berlin

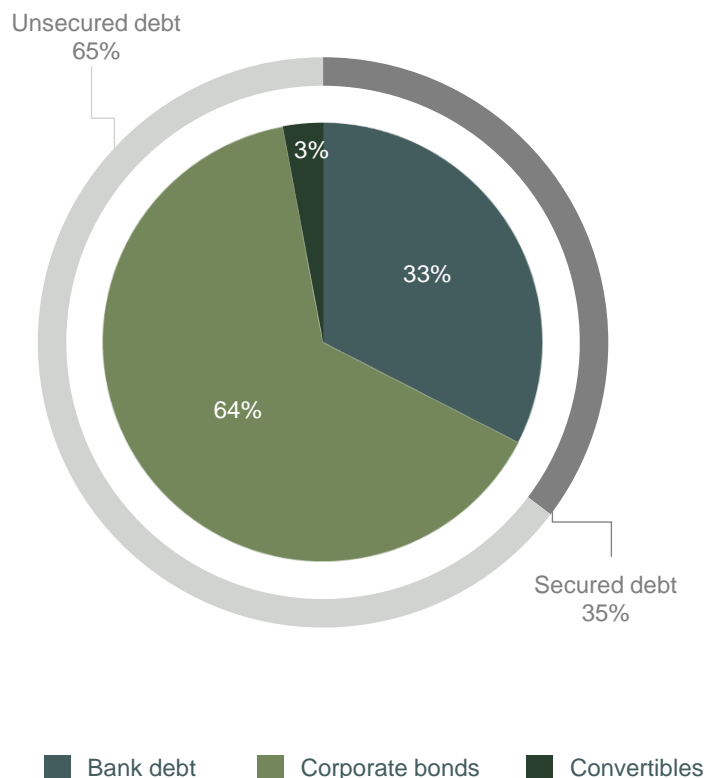
1. Includes current locations with at least 100 rental units; 2. Post completion of the LEG transaction; 3. Transaction signed as per 12 January 2022, corresponding assets excluded from yielding asset portfolio and allocated to assets held for sale (97% closed as per end of May); 4. Following Velero/KKR completion and assuming BCP completion.

# Overview of Debt KPIs as per Q1 2022

## Debt KPIs for Q1 2022

Total nominal interest-bearing debt (€m)	7,640
<b>Net LTV</b>	<b>52.0%<sup>1,2</sup></b>
ICR (x)	2.2 <sup>2</sup>
Fixed / hedged debt	98.6%
Unsecured debt	64.7%
<b>Weighted average cost of debt</b>	<b>2.2%</b>
Weighted average maturity	3.7
Corporate rating S&P <sup>4</sup>	CCC/Negative
Bond rating S&P <sup>4</sup>	CCC

## Sources of funding



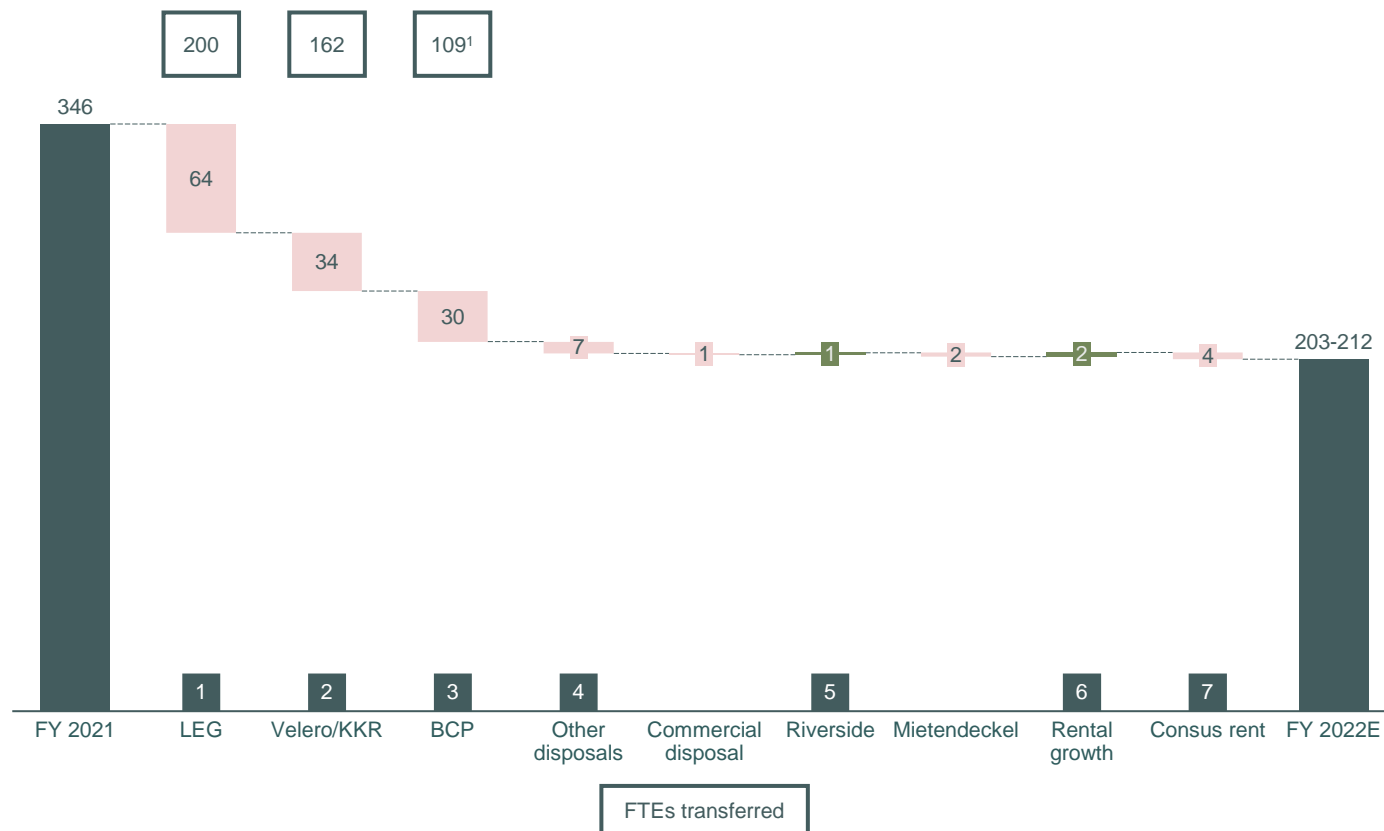
## Bond covenants

Covenants	Required level	Q1 2022	FY 2021	
<b>LTV</b> (Financial indebtedness / total assets)	<60%	51.3% <sup>2</sup>	54.5% <sup>2</sup>	✓
<b>Secured LTV</b> (Secured debt / total assets)	<45%	19.9% <sup>2</sup>	21.3% <sup>2</sup>	✓
<b>ICR</b> (LTM Adj. EBITDA / LTM net cash interest)	>1.8x	2.2x	2.1x	✓
<b>Unencumbered assets<sup>3</sup></b> (Unencumbered assets / unsecured debt)	>125%	124.7%	114.5%	⚠

1. Includes convertibles; 2. BCP IFRS 5 adjustment to assets/liabilities held for sale and corresponding line items reversed into respective balance sheet positions for reporting purposes; 3. Applies only to the following instruments: Adler Group S.A. bond (€400m, 1.5% coupon, maturity 26 July 2024) and Adler Group S.A. promissory note tranches (total volume €24.5m, maturity 2023–2028, WACD 2.22%); 4. Updated as per 5 May 2022 following disclaimer of opinion issued by former auditor KPMG.

# Guidance: Net rental income for FY 2022E of €203-212m

NRI in the range of €203-212m for existing portfolio for FY 2022E



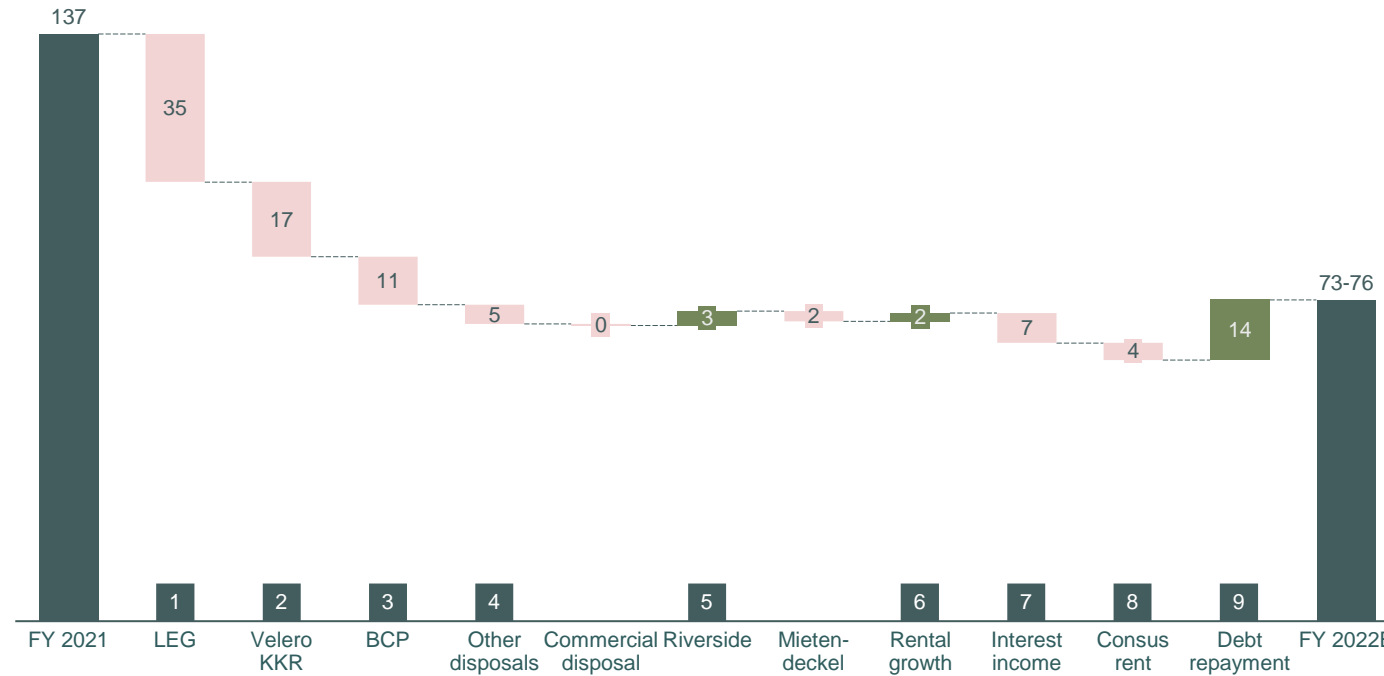
## Comments

- 1 Sale of approximately 15,500 units in northern regions to LEG for €1.3bn
- 2 Sale of approximately 14,400 units in eastern regions to Velero/KKR for €1.0bn. 97% of the assets have been transferred to Velero/KKR as per the end of April
- 3 Rental income from BCP assets are accounted for until the end of June on the back of the anticipated public takeover by LEG. In December 2021, Adler Real Estate irrevocably undertook vis-à-vis LEG to tender its remaining shares provided that the expected offer price is €157.00 and that the (first) acceptance period ends no later than 30 September 2022
- 4 Additional single sales and non-strategic asset disposals for an expected amount of €250m
- 5 Carry-over effect of the previous Riverside project completion
- 6 Like-for-like rental growth of the remaining portfolio anticipated to amount to c. 2.5% throughout FY 2022
- 7 Relates to the rent from the commercial part of the projects sold

1. Expected FTE to be transferred as per 31 December 2021.

# Guidance: FFO 1 for FY 2022E of €73-76m

FFO 1 in the range of €73-76m for existing portfolio for FY 2022E



## Comments

- 1 Sale of approximately 15,500 units in northern regions to LEG for €1.3bn
- 2 Sale of approximately 14,400 units in eastern regions to Velero/KKR for €1.0bn. 97% of the assets have been transferred to Velero/KKR as per the end of April
- 3 Rental income from BCP assets are accounted for until the end of June on the back of the anticipated public takeover by LEG. In December 2021, Adler Real Estate irrevocably undertook vis-à-vis LEG to tender its remaining shares provided that the expected offer price is €157.00 and that the acceptance period ends no later than 30 September 2022
- 4 Additional single sales and non-strategic asset disposals for an expected amount of €250m
- 5 Carry-over effect of the previous Riverside project completion
- 6 Like-for-like rental growth of the remaining portfolio anticipated to amount to c. 2.5% throughout FY 2022
- 7 Lowest interest income compared to 2021 due to lower debt outstanding
- 8 Relates to the rent from the commercial part of the projects sold
- 9 Expected repayment of debt in FY 2022 results in a lower interest expense



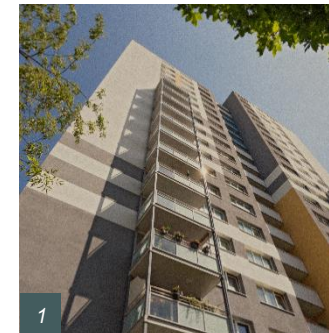
# Guidance for 2022 Confirmed

## Objectives

Full-year 2022 guidance	
Net rental income (€m)	€203-212m
FFO 1 (€m)	€73-76m
Dividend (€/share) 2022E	€0.32 implied <sup>1</sup> 50% of FFO 1

## Concluding remarks

- ✓ Yielding asset portfolio value increased by €79m resulting in a **+1.4% LFL value uplift** in the first three months of 2022 on the back of a +2.1% LFL rent increase.
- ✓ **Operational vacancy** of the total portfolio at a structurally low level of **1.2%<sup>2</sup>**.
- ✓ **Solid financial position**: c. €600m<sup>3</sup> cash balance as per end of May 2022 and upcoming maturities well covered.
- ✓ In process of **appointing new auditor**.
- ✓ Continued determination to improve corporate governance: reshaping and improvement of the Group, aiming for an unqualified audit opinion for 2022.
- ✓ **Strategy update** on the Company's future perspective expected around **Q3 2022 results**.



1 Arendsweg, Berlin

2 Alte Schönhauser Straße, Berlin

1. Implied dividend range on the basis of FFO guidance range of €73-76m, and Company dividend policy of 50% payout ratio, subject to final Board approval and shareholder approval in the 2022 annual General Meeting; 2. Following Velero/KKR completion and assuming BCP completion; 3. Excludes cash at BCP level.



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# Profit and loss statement

## P&L statement

<i>In € million</i>	FY 2021	FY 2020 <sup>1</sup>
Net rental income	346 <sup>1</sup>	293
Income from facility services and recharged utilities costs	149	91
Income from property development	123	135
Other revenue	538	22
<b>Revenue</b>	<b>1,144</b> <sup>2</sup>	<b>540</b>
Costs of operations	(1,132) <sup>3</sup>	(300)
<b>Gross profit</b>	<b>12</b>	<b>240</b>
General and administrative expenses	(123)	(107)
Other expenses	(1,129) <sup>4</sup>	(76)
Other income	184	109
Changes in fair value of investment properties	415 <sup>5</sup>	414
<b>Results from operating activities</b>	<b>(641)</b>	<b>579</b>
<b>Net finance income / (costs)</b>	<b>(382)</b>	<b>(190)</b>
Net income from investments in associated companies	1	(6)
Income tax expense	(142)	(121)
<b>Profit (loss) for the period</b>	<b>(1,165)</b>	<b>262</b>

## Comments

- 1** Compared to FY 2020, net rental income in FY 2021 improved to €346m mainly due to the consolidation of ADLER Real Estate into the Group as per April 2020, partly offset by various disposals throughout FY 2020. Furthermore, net rental income growth was also driven by organic rental growth for the overall portfolio and the development project Riverside being fully leased
- 2** Apart from the net rental income, the Group's overall revenue has increased compared to FY 2020 due to various sources of income streams relating to charged costs of utilities and facility services of €149m, property development income of €123m and other revenues of €538m mainly attributable to the completion and disposal of projects
- 3** As result of the updated selling prices, an impairment of €227m was recognized.
- 4** Other expenses mainly comprise the impairment of goodwill in an amount of €1,083m
- 5** Changes in the fair value of investment properties for FY 2021 amount to €415m mainly relating to the yielding asset portfolio (€624m) and partially offset by the negative revaluation losses of development projects that are classified investment properties under IFRS (€209m)

# Balance sheet

## Balance sheet

<i>In € million</i>	FY 2021		FY 2020 <sup>1</sup>
Investment properties including advances	7,116	1	10,111
Goodwill	91	2	1,205
Other non-current assets	231		634
<b>Non-current assets</b>	<b>7,438</b>		<b>11,950</b>
Cash and cash equivalents	556	3	376
Inventories	1,093		1,559
Other current assets	931		888
<b>Current assets</b>	<b>2,581</b>	4	<b>2,822</b>
<b>Non-current assets held for sale</b>	<b>3,018</b>	5	<b>139</b>
<b>Total assets</b>	<b>13,036</b>		<b>14,912</b>
Interest-bearing debts	7,003		8,010
Other liabilities	731		1,030
Deferred tax liabilities	760		944
Liabilities classified as available for sale	849		27
<b>Total liabilities</b>	<b>9,343</b>		<b>10,012</b>
<b>Total equity attributable to owners of the Company</b>	<b>2,990</b>		<b>4,126</b>
Non-controlling interests	703		774
<b>Total equity</b>	<b>3,693</b>	6	<b>4,900</b>
<b>Total equity and liabilities</b>	<b>13,036</b>		<b>14,912</b>

## Comments

- 1 The fair values of the build-to-hold project developments and the yielding investment properties show the impact of the disposal of the northern portfolio to LEG and the reclassification of the Velero/KKR and BCP portfolios to non-current assets held for sale
- 2 The goodwill relates to the acquisition of Consus and was tested for impairment as per 31 December 2021. Following the impairment, the remaining goodwill in the consolidated balance sheet of Adler Group as per 31 December 2021 amounts to €91.4m
- 3 The cash and cash equivalents item has increased by €180m compared to FY 2020 figures
- 4 Apart from the cash item, current assets contains inventories relating to the Group's privatisation assets and build-to-sell project developments which have increased due to broad reclassification of the development pipeline. The remaining refers to restricted bank deposits, receivables and contract assets, among others
- 5 Non-current assets held for sale comprises the assets in the Velero/KKR and BCP transactions as well as a number of non-strategic assets
- 6 The Group's total equity has decreased to €3,693m mainly on the back of negative net income resulting from the impairment of goodwill

# FFO 1 and FFO 2

## FFO 1 calculation

<i>In € million, except per share data</i>	FY 2021	FY 2020 <sup>1</sup>
Net rental income	346	293
Income from facility services and recharged utilities costs	149	91
<b>Income from rental activities</b>	<b>495</b>	<b>384</b>
Costs from rental activities	(217)	(153)
<b>Net operating income (NOI) from rental activities</b>	<b>278</b>	<b>231</b>
Overhead costs from rental activities	(51)	(44)
<b>EBITDA from rental activities</b>	<b>228</b> <sup>1</sup>	<b>187</b>
Net cash interest	(76)	(70)
Current income taxes	(6)	(4)
Interest of minority shareholders	(9)	(6)
<b>FFO 1 (from rental activities)</b>	<b>137</b> <sup>2</sup>	<b>107</b>
No. of shares(*)	118	80
<b>FFO 1 per share</b>	<b>1.17</b> <sup>2</sup>	<b>1.34</b>

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

## FFO 2 calculation

<i>In € million, except per share data</i>	FY 2021	FY 2020 <sup>1</sup>
EBITDA total	208 <sup>1</sup>	282
Net cash interest	(98)	(102)
Current income taxes	(40)	(13)
Interest of minority shareholders	(9)	(6)
<b>FFO 2</b>	<b>61</b> <sup>2</sup>	<b>161</b>
No. of shares(*)	118	80
<b>FFO 2 per share</b>	<b>0.52</b> <sup>2</sup>	<b>2.02</b>

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

- 1** EBITDA from rental activities improved mainly on the back of an increased net rental income due to €228m
- 2** As per 31 December 2021, the FFO 1 amounts to €137m and translates into a per share basis of €1.17, whereas the FFO 2 accounts for €61m and €0.52 per share

# EPRA metrics

## EPRA metrics calculation

*In € million, except per share data*

EPRA Metrics	FY 2021				FY 2020 <sup>1</sup>			
	NAV	NRV	NTA	NDV	NAV	NRV	NTA	NDV
Total equity attributable to owners of the Company	2,990	2,990	2,990	2,990	4,122	4,122	4,122	4,122
Revaluation of inventories	8	8	8	8	52	52	52	52
Deferred tax	948	948	857	–	1,011	1,011	868	–
Goodwill	–	–	(91)	(91)	–	–	(1,205)	(1,205)
Fair value of financial instruments	2	2	2	–	5	5	5	–
Fair value of fixed interest rate debt	–	–	–	435	–	–	–	(329)
Real estate transfer tax	–	701	502	–	–	823	576	–
<b>Total</b>	<b>3,949</b>	<b>4,649</b>	<b>4,269</b>	<b>3,343</b>	<b>5,190</b>	<b>6,013</b>	<b>4,419</b>	<b>2,640</b>
No. of shares	118	118	118	118	118	118	118	118
<b>Total per share</b>	<b>33.60</b> <sup>1</sup>	<b>39.57</b> <sup>1</sup>	<b>36.33</b> <sup>2</sup>	<b>28.45</b> <sup>2</sup>	<b>44.17</b>	<b>51.17</b>	<b>37.60</b>	<b>22.47</b>
Convertibles	99	99	99	99	98	98	98	98
<b>Total fully diluted</b>	<b>4,048</b>	<b>4,748</b>	<b>4,368</b>	<b>3,442</b>	<b>5,288</b>	<b>6,111</b>	<b>4,516</b>	<b>2,738</b>
No. of shares (diluted)	119	119	119	119	119	119	119	119
<b>Total per share fully diluted</b>	<b>34.10</b>	<b>40.01</b>	<b>36.80</b>	<b>29.00</b>	<b>44.28</b>	<b>51.17</b>	<b>37.82</b>	<b>22.93</b>

<sup>1</sup> As per 31 December 2021, EPRA NAV and EPRA NRV amount to €3,949m or €33.60 per share and €4,649m or €39.57 per share. The decline compared to 2020 is largely driven by the c. €1.1bn goodwill impairment related to Consus

<sup>2</sup> The two NAV and NRV KPIs are complemented by the EPRA Net Tangible Assets (NTA) and the EPRA Net Disposal Value (NDV). The EPRA NTA assumes entities buy and sell assets, thereby crystallising certain levels of deferred tax liability, whereas the EPRA NDV represents the value under a disposal scenario, net of any resulting tax. As per 31 December 2021, the EPRA NTA is €36.33 per share and the EPRA NDV €28.45 per share

# Net LTV

## LTV calculation

<i>In € million</i>	FY 2021 <sup>1</sup>		FY 2020 <sup>2</sup>
Corporate bonds and other loans and borrowings	7,440		7,708
Convertible bonds	217		312
Cash and cash equivalents	(581)		(376)
Selected financial assets	(745)	1	(974)
Net contract assets	(46)	2	(137)
Assets and liabilities classified as held for sale	(1,193)		(112)
<b>Net financial liabilities</b>	<b>5,091</b>		<b>6,421</b>
Fair value of properties (including advances)	9,965	3	11,735
Investment in real estate companies	32		85
<b>Gross asset value (GAV)</b>	<b>9,998</b>		<b>11,820</b>
<b>Net loan-to-value</b>	<b>50.9%</b>	<b>4</b>	<b>54.3%</b>
<b>Net loan-to-value excluding convertibles</b>	<b>48.8%</b>		<b>51.7%</b>

## Comments

- 1 The selected financial assets have declined to €745m and contain purchase price receivables amongst others. They include 1) netted financial receivables (€312m) which were reduced due to the Gerresheim reversal, 2) trade receivables from the sale of real estate investments (€249m) and 3) other financial assets (€184m)
- 2 In relation to the Group's development activities, an adjustment is made for the net position of contract assets and liabilities, basically representing unbilled receivables
- 3 For FY 2021, fair value of properties (including advances) decreased to €9,965m, mainly reflecting the disposal of the northern and eastern portfolios to respectively LEG and Velero/KKR
- 4 As of 31 December 2021, our loan-to-value (LTV) excl. convertibles amounts to 48.8%. Adler Group pursues a sustainable financing strategy with an LTV target of below 50%



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# Overview of the Composition of the Board

## Current composition of the Board



**Prof. Dr. A. Stefan Kirsten**  
*Director, Chairman of the Board*  
*Chairman of the Nomin. & Compen. Committee*  
 Co-founder and CFO of Monarch



**Thierry Beaudemoulin**  
*Director*  
*Daily Manager (Chief Executive Officer)*  
*Chairman of the Ad Hoc Committee*



**Thilo Schmid**  
*Director*  
*Chairman of the Audit Committee*

Investment Manager Care4 AG



**Thomas Zinnöcker**  
*Director*  
*Chairman of the Invest. & Finan. Committee*

Ex-CEO ISTA International

## Remarks

- ✓ New division of **responsibilities** among Board members
  
- ✓ Ongoing search for permanent CFO who will **be put forward for appointment as additional board member**



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# AGM resolutions – Financial results

## *Resolution I*

### **Approval of the stand-alone annual financial statements of the Company for the financial year ending 31 December 2021**

The General Meeting, after having reviewed the management report of the board of directors of the Company and the report of the independent auditor of the Company (including a disclaimer opinion), approves the stand-alone annual financial statements for the financial year ending 31 December 2021 in their entirety.

## *Resolution II*

### **Approval of the consolidated financial statements of the Company and its group for the financial year ending 31 December 2021**

The General Meeting, after having reviewed the management report of the board of directors of the Company and the report of the independent auditor of the Company (including a disclaimer opinion), approves the consolidated financial statements of the Company and its group for the financial year ending 31 December 2021 in their entirety.

## *Resolution III*

### **Approval of the allocation of the statutory financial results for the financial year ending 31 December 2021**

The General Meeting, upon proposal of the board of directors of the Company, resolves to carry forward a loss of EUR 1,835,906,579 according to the stand-alone financial statements of the Company to the next financial year.

# AGM resolutions – Board members (1/2)

*Resolution IV*

**Acknowledgement of the resignation of Mr. Thierry Beaudemoulin as director of the Company and re-appointment of Mr. Thierry Beaudemoulin as director of the Company for a period running from the date of this AGM until the annual general meeting to take place in the year 2025 (noting that Mr. Beaudemoulin had submitted his resignation to the Company with effect as of this AGM whilst accepting to stand for re-appointment at this AGM).**

The General Meeting acknowledges the resignation of Mr. Thierry Beaudemoulin as director of the Company with effect as of this AGM and approves the immediate re-appointment of Mr. Thierry Beaudemoulin as director of the Company for a period running from the date of this AGM until the annual general meeting to take place in the year 2025.

*Resolution V*

**Acknowledgement of the resignation of Mr. Thilo Schmid as director of the Company and re-appointment of Mr. Thilo Schmid as director of the Company for a period running from the date of this AGM until the annual general meeting to take place in the year 2025 (noting that Mr. Schmid had submitted his resignation to the Company with effect as of this AGM whilst accepting to stand for re-appointment at this AGM).**

The General Meeting acknowledges the resignation of Mr. Thilo Schmid as director of the Company with effect as of this AGM and approves the immediate re-appointment of Mr. Thilo Schmid as director of the Company for a period running from the date of this AGM until the annual general meeting to take place in the year 2025.

# AGM resolutions – Board members (2/2)

## *Resolution VI*

**Acknowledgement of the resignation of Mr. Thomas Zinnöcker as director of the Company and re-appointment of Mr. Thomas Zinnöcker as director of the Company for a period running from the date of this AGM until the annual general meeting to take place in the year 2025 (noting that Mr. Zinnöcker had submitted his resignation to the Company with effect as of this AGM whilst accepting to stand for re-appointment at this AGM).**

The General Meeting acknowledges the resignation of Mr. Thomas Zinnöcker as director of the Company with effect as of this AGM and approves the immediate re-appointment of Mr. Thomas Zinnöcker as director of the Company for a period running from the date of this AGM until the annual general meeting to take place in the year 2025.

## *Resolution VII*

**Confirmation of the appointment of Prof. Dr. Artur Stefan Kirsten as a director of the Company who was appointed by co-optation since the last general meeting of shareholders of the Company (for declaratory purposes only), and the appointment of Prof. Dr. Artur Stefan Kirsten as director of the Company for a period running from the date of this AGM until the annual general meeting to take place in the year 2025.**

The General Meeting resolves (i) for declaratory purposes only, to confirm the appointment of Prof. Dr. Artur Stefan Kirsten as a director of the Company who was appointed by co-optation since the last general meeting of shareholders of the Company, and (ii) to approve the immediate appointment of Prof. Dr. Artur Stefan Kirsten as director of the Company for a period running from the date of this AGM until the annual general meeting of the Company to take place in the year 2025.

# AGM resolutions – Remuneration

## *Resolution VIII*

**Approval (on an advisory and non-binding basis) of the remuneration report of the Company for the financial year ending 31 December 2021**

The General Meeting approves on an advisory non-binding basis the remuneration report of the Company for the financial year ending 31 December 2021 in its entirety.

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