



Adler Real Estate AG

Potential from refinancing and internalisation

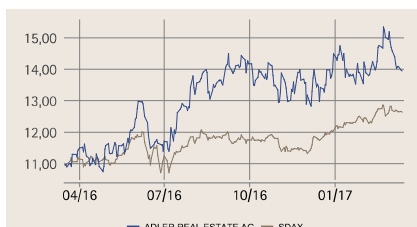
16/03/2017

| | |
|------------------|---------|
| Buy | (n.a.) |
| 16.50 EUR | (- EUR) |

| | |
|-------------------|-------------|
| Close 14/03/2017 | 13.96 EUR |
| Bloomberg: ADL GY | WKN: 500800 |
| Sector | Real Estate |

Share price performance

| | |
|--------------|-----------|
| 52 week high | 15.34 EUR |
| 52 week low | 10.75 EUR |
| Compared to | SDAX |
| YTD | -8.6% |
| 1 month | -1.9% |
| 12 months | 11.0% |



Share data

| | |
|--------------------|-------|
| EV (m EUR; 2017) | 2,447 |
| Market Cap (m EUR) | 665.6 |
| No. of shares (m) | 47.7 |
| Free float | 42.4% |

Next event

| | |
|----------------|------------|
| Annual Results | 24/03/2017 |
|----------------|------------|

Change in model

| | Sales | FFO | EPS |
|-------|-------|-----|-----|
| 2016e | --- | --- | --- |
| 2017e | --- | --- | --- |
| 2018e | --- | --- | --- |

Analyst

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See end of document for disclaimer.

We believe that Adler Real Estate, which owns roughly 50,000 residential units in Northern and Western Germany, offers great potential for operating earnings improvements. This primarily stems from the maturing and repayment of very expensive refinancing and the restructuring programme. We initiate our coverage with a BUY rating and a price target of € 16.50.

INVESTMENT CASE

Adler Real Estate has relatively weak operating profitability due to high refinancing costs, external property management and a highly diversified portfolio with isolated units scattered across locations in numerous cases. We expect operating earnings to improve significantly going forward. The company's new management has prioritised the optimisation of the current portfolio, and its subsidiary Accentro is now focusing on the privatisation business. In addition, property and facility management will be internalised and refinancing costs reduced. We expect debt levels to be lowered substantially in 2017 (sale of the shareholding in Conwert), and we see a significant improvement in the FFOpS. The FFO margin is set to double by 2019, in our view. At the same time, rental income should continue to trend upwards despite the portfolio optimisation.

CATALYSTS

The quarterly operating results are set to trend upwards thanks to rising rents, improving efficiency and falling refinancing costs.

VALUATION

Our price target of € 16.50 stems from our valuation model based on implicit valuation reserves. Adler is trading at a discount to the NAV, but it appears expensive in terms of P/FFO. However, the FFO does not take account of Accentro's privatisation business.

| in m EUR | 2015 | 2016e | 2017e | 2018e | 2019e |
|---------------------------|-------|-------|-------|-------|-------|
| Sales | 131.6 | 168.8 | 170.6 | 173.1 | 177.3 |
| FFO | 16.0 | 24.9 | 34.5 | 43.1 | 52.3 |
| FFO margin | 12.2% | 14.7% | 20.2% | 24.9% | 29.5% |
| Net financial debt | 2,093 | 2,183 | 1,700 | 1,652 | 1,579 |
| Net asset value per share | 14.39 | 14.42 | 15.39 | 16.53 | 17.79 |
| FFOEPS (in EUR) | 0.40 | 0.43 | 0.55 | 0.67 | 0.82 |
| DPS (in EUR) | 0.00 | 0.00 | 0.00 | 0.00 | 0.20 |
| Dividend yield | 0.0% | 0.0% | 0.0% | 0.0% | 1.4% |
| EV/EBITDA | 15.7 | 10.6 | 13.0 | 14.7 | 14.2 |
| P/NAV | 1.0 | 1.0 | 0.9 | 0.8 | 0.8 |
| P/FFO | 35.1 | 34.0 | 25.4 | 20.7 | 17.1 |

Source: Company information, Bankhaus Lampe Research estimates

Company overview

SWOT

Strengths/Opportunities

- High potential to reduce interest costs
- Portfolio internalisation and optimisation could greatly improve margins
- Sale of the Conwert stake to reduce LTV below the 60% mark
- Rising rents and reduction in vacancy
- Accentro with high margins in the privatisation business

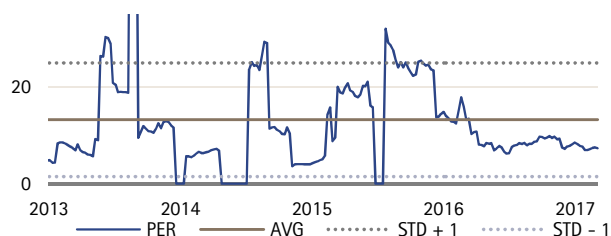
MANAGEMENT

- Arndt Krienen (CEO)
- Sven-Christian Frank (COO)

SHORT-TERM GUIDANCE

- FFO 2016 about € 25 m

HISTORICAL P/E



COMPANY EVENTS

Next event: 24/03/2017 Annual Results

KEY RATIOS

| | 15 | 16e | 17e | 18e | 19e |
|-------------------|--------|--------|--------|--------|--------|
| ROCE | 6.1% | 9.1% | 6.4% | 6.0% | 5.9% |
| Gross Yield | 5.8% | 6.8% | 6.8% | 6.8% | 6.9% |
| EBITDA margin | 135.8% | 173.6% | 110.7% | 103.2% | 102.8% |
| FFO-Marge | 12.2% | 14.7% | 20.2% | 24.9% | 29.5% |
| FFO-Yield | 2.8% | 3.0% | 3.6% | 4.1% | 4.6% |
| Equity ratio | 25.3% | 27.4% | 31.9% | 33.9% | 36.0% |
| Net gearing | 2.7 | 2.4 | 1.7 | 1.5 | 1.3 |
| Net debt / EBITDA | 11.7 | 7.5 | 9.0 | 9.2 | 8.7 |
| Interest cover | -2.1 | -3.0 | -2.4 | -2.4 | -2.7 |

Weaknesses/Threats (Risks)

- Portfolio with high exposure to regions with weaker growth potential (Wilhelmshaven, Duisburg)
- Privatisation business with higher volatility
- Many locations with quite a few units
- Comparatively high LTV and high average interest costs
- Two shareholders with stake of more than 20% each

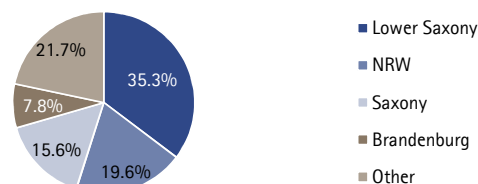
COMPANY BACKGROUND

Adler Real Estate owns ~50,000 residential units mainly in Northern and Western Germany. Having grown very strongly between 2013 and 2015, Adler is now focusing on operational and financial consolidation, helped by the sale of the Conwert stake. Internalisation of property and facility management and much lower interest costs should greatly improve the operating results. Via its subsidiary Accentro Adler Real Estate is actively privatising residential units on its own account and servicing third parties.

MEDIUM-TERM GUIDANCE

- -

LOCATIONS 30/09/2016



MAJOR SHAREHOLDERS (%)

| | |
|------------------|------|
| Klaus Wecken | 25.2 |
| Mezzanine IX | 21.1 |
| Thomas Bergander | 6.3 |

BHL VS. CONSENSUS

| | 16e | 17e | 18e |
|-------------------|-------|-------|-------|
| Sales (in m EUR) | | | |
| BHL | 168.8 | 170.6 | 173.1 |
| Consensus | 164.0 | 172.0 | 177.0 |
| EBITDA (in m EUR) | | | |
| BHL | 292.9 | 188.9 | 178.6 |
| Consensus | 258.0 | 190.1 | 175.8 |
| EPS (EUR) | | | |
| BHL | 1.74 | 0.81 | 0.96 |
| Consensus | 2.52 | 1.36 | 1.61 |

Source: Company information, FactSet, BHL estimates

Investment Case

Very strong growth

With portfolio additions and the takeover of Westgrund and Estavis, Adler Real Estate expanded strongly in the period 2012-2015. It now has a property portfolio of close to 50,000 units. The company is now optimising a collection of real estate it snatched up rather opportunistically in some cases. In this context, the inflow of funds from the sale of the 25% stake in Conwert is helping to improve and reduce the cost of previously expensive refinancing. In addition, the company is now managing its property portfolio internally, which we believe will lead to higher rents and a lower vacancy rate.

Active privatisation business

Accentro's privatisation business is also doing very well. In 2013/14, the company only reported a PBT of less than € 1 m. It has now achieved a net profit of € 26.5 m for 2016. Accentro parted company with its portfolio business altogether at the end of 2016 and now holds properties as inventory almost exclusively for the purpose of privatisation.

BUSINESS MODEL (PORTFOLIO AND TRADING)

Adler Real Estate has activities not only in the traditional portfolio business; it also sells privatisation portfolios for its own account or on commission for third parties.

Acquisition criteria: Little need for investment with strong potential

With its acquisitions between 2013 and 2015, the former manufacturer of bicycles, motorcycles, cars and typewriters has grown from a property developer to a large holder of German residential real estate. The most substantial developments include the acquisition of a residential property portfolio in Duisburg-Rheinhausen, the acquisition of Jade Housing Company in Wilhelmshaven, and the takeover of Estavis (now Accentro) and Westgrund.

The company primarily bought portfolios with

- little to catch up in terms of investment
- potential for vacancy reduction
- potential for rent increases of at least 3-5%

These are preferably located in "B-rated" cities on the outskirts of prosperous metropolitan areas and in regions with good specialist labour density. All in all, Adler Real Estate offers affordable housing for tenants from the medium-to-low income segments.

Much progress has been made

| Portfolio location | Year of acquisition | Units | sqm | Vacancy | | | Net cold rent (€/sqm) | | |
|---|---------------------|-------|---------|----------------|-------|--------------|-----------------------|------|------------|
| | | | | at acquisition | now | change in pp | at acquisition | now | delta in % |
| Ludwigshafen | 2007 | 548 | 35,539 | 4.4% | 4.4% | 0.0% | 4.71 | 7.20 | 53% |
| Sundern | 2007 | 106 | 6,114 | 8.4% | 1.3% | -7.1% | 4.50 | 4.72 | 5% |
| Bremerhaven, Detmold, Norden | 2007 | 257 | 15,486 | 12.8% | 4.6% | -8.2% | 4.80 | 5.14 | 7% |
| Bad Bodenteich | 2008 | 82 | 5,500 | 17.2% | 10.6% | -6.6% | 3.40 | 4.54 | 34% |
| Nordenham | 2010 | 75 | 5,121 | 14.5% | 4.3% | -10.2% | 5.05 | 5.11 | 1% |
| Berlin | 2012 | 270 | 16,138 | 5.1% | 1.6% | -3.5% | 5.10 | 5.42 | 6% |
| Berlin | 2013 | 1,092 | 75,132 | 10.8% | 1.1% | -9.7% | 4.95 | 5.52 | 12% |
| Leipzig, Chemnitz, Dresden, Erfurt, Jena | 2014 | 1,196 | 76,992 | 7.8% | 9.0% | 1.2% | 5.16 | 5.44 | 5% |
| Schwerin, Leipzig, Norden, Halle, Kyritz | 2015 | 9,485 | 589,512 | 9.3% | 8.8% | -0.5% | 4.60 | 4.77 | 4% |
| Lüdenscheid | 2012 | 150 | 9,054 | 10.7% | 11.7% | 1.0% | 4.29 | 4.68 | 9% |
| Dortmund, Duisburg | 2013 | 4,297 | 268,835 | 3.3% | 2.2% | -1.1% | 5.05 | 5.40 | 7% |
| Dresden, Pirna, Meißen, Chemnitz | 2013 | 1,208 | 72,290 | 16.4% | 13.6% | -2.8% | 4.65 | 4.80 | 3% |
| Schwelm | 2014 | 197 | 14,906 | 29.4% | 21.1% | -8.3% | 4.22 | 4.61 | 9% |
| Helmstedt, Schöningen | 2014 | 2,305 | 134,187 | 14.4% | 14.9% | 0.5% | 4.61 | 5.01 | 9% |
| Bad Salzuflen, Jüterbog, Weißenfels | 2014 | 1,121 | 77,190 | 8.5% | 10.2% | 1.7% | 4.77 | 4.98 | 4% |
| Frankfurt am Main, Gera, Bochum, Dortmund | 2014 | 2,279 | 169,222 | 7.0% | 9.8% | 2.8% | 4.95 | 5.25 | 6% |
| Saalfeld | 2014 | 282 | 17,057 | 13.1% | 12.0% | -1.1% | 4.15 | 4.46 | 7% |
| Wuppertal, Chemnitz, Krefeld | 2014 | 2,689 | 178,300 | 22.0% | 11.0% | -11.0% | 4.64 | 4.98 | 7% |
| Hof | 2014 | 33 | 2,963 | 57.6% | 18.7% | -38.9% | 4.11 | 4.72 | 15% |
| Itzehoe | 2014 | 338 | 17,545 | 9.5% | 11.5% | 2.0% | 6.08 | 7.03 | 16% |
| Bernau | 2014 | 175 | 13,677 | 0.6% | 1.2% | 0.6% | 4.84 | 5.45 | 13% |
| Wilhelmshaven | 2015 | 6,737 | 394,569 | 7.1% | 7.2% | 0.1% | 4.56 | 4.87 | 7% |
| Rostock, Kiel, Bad Bramstadt, Lübeck | 2013 | 599 | 30,506 | 7.9% | 3.1% | -4.8% | 6.71 | 6.96 | 4% |

Source: Adler Real Estate

Higher rents and occupancy rates

In most cases, the company managed to reduce the vacancy rate and increase rents after the acquisition. For example, the vacancy rate in the Berlin Spandau portfolio was reduced by 9.7 percentage points to 1.1%, and rents for these properties were increased by 11.6% at the same time. The vacancy rate in the Duisburg portfolio was lowered from 3.3% to 2.2%, while rents were lifted by 6.9%. Among the larger portfolios, however, the company did not manage to reduce the vacancy rate in Wilhelmshaven, although it did raise the contractual rent for the portfolio acquired in 2015 by 6.8%.

According to our calculations, Adler Real Estate managed to increase the rental income from the above portfolios by 4.2% p.a. on average, which given their locations was not an easy undertaking, in our view. The strongest portfolio improvements year-over-year were achieved in Hof, Schwelm and Wuppertal/Chemnitz/Krefeld, followed by Berlin Spandau. Unfortunately, the portfolios in Hof and Schwelm are relatively small.

Investing to reduce vacancy rates

With an additional investment and modernisation programme of € 15 m, the company intends to refurbish 1,500 unoccupied residential dwellings (3.2% of total residential units), which we believe will have a positive impact on occupancy rate and regular rental income.

Improvement also boosts valuations

The reduction in vacancy rate and property management costs, paired with higher rents, comes with a respectable increase in net rental income. The value of the portfolio properties thereby rises, which allows for longer-term refinancing at lower costs.

INTERNALISATION OF ADMINISTRATION AND FACILITY MANAGEMENT

During the growth phase, the company relied on external management services, but it is now gradually transferring its portfolios to internal management (Adler Wohnen Service GmbH - AWS) with the exception of the properties in remote locations. The plan ultimately is for AWS to have a presence at five locations with a staff of about 150 employees. The transfer to in-house management should be completed by the end of 2017.

Nucleus of Jade Immobilien Management

The nucleus of the in-house management unit stems from Jade Immobilien Management (JIM). This subsidiary does not just manage its own portfolio in Wilhelmshaven, it also administers around 1,000 dwellings for third parties. Jade Immobilien Management will remain a legally independent unit under the AWS umbrella because it was originally an urban housing company.

However, the residential units in Helmstedt/Schöninge were also always managed by their own company (WBG GmbH). The management of Adler portfolios in Wolfsburg, Braunschweig and Göttinge were also transferred to this company.

Uniform housing management system

The expansion of AWS will be simplified by the takeover of the external service provider KKL, which also manages the company's properties in Berlin. In addition, and JIM, WBG and KKL already all work with the same housing management system (WODIS Sigma from Aareon).

Facility management by Arcadio

Caretaker and manual trade services (painting, plumbing) are being increasingly performed by the company's own subsidiary Arcadio. Arcadio currently has around 150 employees and should ultimately grow to roughly 250 employees based on the current portfolio.

Ultimately, the internalisation of housing management and other services should be associated with greater efficiency.

THE PORTFOLIO

Regional focus in Lower Saxony and North-Rhine Westphalia

In September 2016, Adler Real Estate owned 46,551 residential units and 1,111 commercial units in its portfolio. This does not include the Accentro portfolio that is to be privatised and includes another 1,500 units. Around 70% of the properties in the portfolio are located in three German federal states: Lower Saxony (34.8%), North-Rhine Westphalia (19.8%) and Saxony (15.7%).

One quarter of Wilhelmshaven's residents live in Adler properties

With 7,044 units, Wilhelmshaven is the biggest single location (15.1% in terms of the number of dwellings). The properties here are concentrated quite strongly in the inner city and the Fedderwardergroden district (~ 2,500 units). Adler provides homes for around 19,000 people and therefore around a quarter of the population in the Lower Saxony port (75,995 inhabitants in 2015), Germany's largest naval base (more than 8,000 service personnel). In addition to the demand arising for the city, as of April 2017 the company will provide Germany's armed forces with 68 housing units for 150 young service personnel.

Other major locations

There are 4,162 units in Duisburg (close to 9%). Larger portfolio concentrations are also in the urban triangle of Leipzig/Halle/Borna (4,263 units), Helmstedt and the neighbouring town of Schöningen (2,335 units). Cottbus in the state of Brandenburg has 1,868 units, Berlin has 1,662 units and Wolfsburg has 1,302 units.

The seven locations above therefore represent almost 50% of the property portfolio. Conversely, however, this also means that the remaining properties are widely distributed and loosely concentrated on a number of locations.

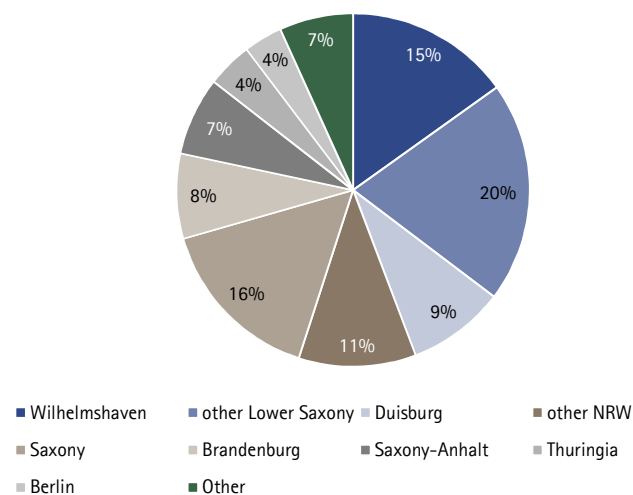
About 10% non-core

The property portfolio is divided into core properties (about 42,000 units) and around 4,500 units that are non-core and are to be sold off. In many cases, these properties are also broadly distributed across Germany. Overall, the properties up for sale also have a high vacancy rate of 25.9%. Consequently, they are registered in the company's books at a value of only € 617 / sqm (core properties € 826 / sqm).

In September, the property portfolio had the following characteristics.

- The average rent was € 4.99 / sqm per month (end of 2015: € 4.93 / sqm)
- The vacancy rate was 10.7% (11.2%)
- At the end of September, the 47,662 residential units in the portfolio were valued at around 800 €/sqm (€ 735 / sqm), which corresponds to 14.7x (14.0x) the rental income.
- For the first nine months of 2016, maintenance and modernisation costs came to € 30.1 m. Projected for the year, this comes to a level of € 13.30 / sqm (FY 2015: € 36.1 m or € 15.74 / sqm), which is customary for the sector.

Regional distribution



Source: Adler Real Estate

Purchases close to Bremen

At the beginning of March 2017, the company announced it had purchased 692 dwellings in Osterholz-Scharmbeck and Schwanewede. These communities are in Lower Saxony within commuting distance of the Hanseatic City of Bremen. This acquisition increases the company's focus on Lower Saxony and increases its portfolio concentration overall.

Portfolio growth possible

The company also announced that it is examining the acquisition of about 10,000 units via portfolios. This means that, contrary to the assumptions in our model, another portfolio expansion is possible.

Growth, both absolute and in terms of margin**ACCENTRO MAKING MAJOR EARNINGS CONTRIBUTION**

Accentro enjoys success in the privatisation of residential properties. Its business is focused on the German capital of Berlin, where more than 80% of the book value of the privatisation portfolio is located. Accentro makes a major contribution to the earnings and liquidity of the Adler group.

High margins in privatisation business

The number of units sold in the privatisation business has risen strongly and the margin achieved has even more than doubled from 20.8% to more than 45% despite the sale of the portfolio as a whole in Q3 2016. The sale of the portfolio (419 residential units for € 51 m) envisaged for privatisation has brought Accentro a net profit of ~ € 10 m.

Portfolio trading has come to an end

The Trading business essentially deals with the sale of property portfolios that were originally developed as portfolio assets. Besides the profitable sale of an 1,174-unit portfolio in Berlin-Hohenschönhausen, these properties were largely sold at book value. The remaining 3,073 existing properties were bundled into a property company, of which a majority stake has been transferred to Adler at the end of 2016. This means that the trading business can be regarded as finished.

Substantial earnings contributions from Accentro**Privatisation**

| | | FY 2014 | FY 2015 | 2016 |
|------------|-----|---------|---------|-------|
| Units sold | no. | 142 | 476 | 976 |
| Revenues | € m | 17.4 | 31.4 | 116.9 |
| Costs | € m | 14.4 | 25.9 | 80.5 |
| Result | € m | 3.0 | 5.5 | 36.4 |
| Margin | % | 20.8 | 21.3 | 45.1 |

Trading

| | | FY 2014 | FY 2015 | 2016 |
|------------|-----|---------|---------|------|
| Units sold | no. | 282 | 1130 | 717 |
| Revenues | € m | 31.9 | 101.8 | 19.7 |
| Costs | € m | 32.0 | 86.0 | 19.9 |
| Result | € m | 0.0 | 26.0 | -0.2 |
| Margin | % | 0.0 | 30.2 | -1.0 |

Source: Adler Real Estate

In 2016, Accentro generated group net profit worth € 26.5 m. It still needs to be stressed that in 2016 Accentro was also very busy making purchases for the privatisation business. In 2016, it registered 1,765 notary-certified acquisitions (+57%) mostly located in Berlin (1,292 units).

Model based on 750 units

In the privatisation business, we assume that Accentro can in future sell around 750 units p.a., with a margin north of 35%. Our calculations indicate this will lead to a

gross earnings contribution of more than € 20 m, which after operating expenses and interest expenses should bring a double-digit contribution to the Adler group's earnings. Further growth potential arises as Accentro teams up with project developers in the marketing of new-build projects.

For FY 2017, Accentro forecasts substantial (double-digit) revenue growth (2016: € 116.9 m from the sale of inventory properties and € 6.6 m from rental income) and a marginal EBIT increase to € 34-36 m (2016: € 33.9 m).

BUSINESS PERFORMANCE

2015 gross income + 158%

Adler Real Estate grew very strongly in 2014 and 2015. For instance, the residential property portfolio increased from 7,800 units at the end of 2013 to 48,218 Adler-owned rental units and 1,934 units up for privatisation at Accentro. Compared with 2014 the gross rental income (rental income and ancillary costs) increased by 158%. The previously negative FFO1 improved by ~ € 17 m.

FFO expected to reach € 25 m in 2016

The company expects the gross income to increase by a further 20% to roughly € 260 m in 2016. Adler believes the FFO1 will come to around € 25 m, which clearly represents much above-average growth.

After the company reported good figures for the first nine months, we have no doubt that the FFO forecast will be achieved.

Earnings forecast

| € '000 | 2014 | 2015 | 2016E | 2017E | 2018E | 2019E |
|--|----------------|----------------|----------------|----------------|----------------|----------------|
| Revenues from property management | 83,882 | 216,640 | 252,050 | 255,701 | 259,886 | 266,650 |
| Net cold rents | 56,053 | 131,581 | 168,750 | 170,610 | 173,093 | 177,303 |
| Service charges | 26,743 | 82,163 | 80,000 | 81,691 | 83,294 | 85,746 |
| Other income from property management | 1,086 | 2,896 | 3,300 | 3,400 | 3,500 | 3,600 |
| Expenses from property management | -51,810 | -125,052 | -135,500 | -115,077 | -107,505 | -108,258 |
| Ancillary costs | -36,719 | -103,613 | -108,000 | -93,077 | -85,005 | -85,758 |
| Maintenance | -14,641 | -21,139 | -26,500 | -21,000 | -21,500 | -21,500 |
| Other expenses | -450 | -300 | -1,000 | -1,000 | -1,000 | -1,000 |
| Earnings from property management | 32,072 | 91,588 | 116,550 | 140,624 | 152,381 | 158,391 |
| Income from the sale of properties | 56,822 | 168,154 | 159,500 | 185,000 | 142,000 | 144,000 |
| Income from the sale of properties (inventories) | 40,718 | 44,752 | 120,000 | 93,000 | 95,000 | 97,000 |
| Income from the sale of investment properties | 14,600 | 121,088 | 38,000 | 90,000 | 45,000 | 45,000 |
| Real estate brokerage | 1,504 | 2,314 | 1,500 | 2,000 | 2,000 | 2,000 |
| Expenses from the sale of properties | -54,435 | -144,688 | -123,600 | -160,100 | -116,100 | -117,100 |
| Book values inventories | -37,262 | -37,822 | -81,000 | -69,000 | -70,000 | -71,000 |
| Book values investment properties | -14,446 | -103,407 | -39,000 | -88,000 | -44,000 | -44,000 |
| Cost associated with the sale of properties | -1,724 | -2,517 | -2,500 | -2,000 | -1,000 | -1,000 |
| Expenses from real estate brokerage | -1,003 | -942 | -1,100 | -1,100 | -1,100 | -1,100 |
| Earnings from the sale of properties | 2,387 | 23,466 | 35,900 | 24,900 | 25,900 | 26,900 |
| Personnel expenses | -5,024 | -13,191 | -18,500 | -22,500 | -30,700 | -31,000 |
| Other operating income | 29,718 | 49,859 | 5,000 | 0 | 0 | 0 |
| Other operating expenses | -21,145 | -32,965 | -47,175 | -20,000 | -17,500 | -15,000 |
| Valuation result investment properties | 132,934 | 58,860 | 200,000 | 64,750 | 47,436 | 41,790 |
| Depreciation | -497 | -1,030 | -1,100 | -1,100 | -1,100 | -1,100 |
| EBIT | 170,445 | 176,587 | 290,675 | 186,674 | 176,417 | 179,981 |
| Financial income | 1,579 | 2,908 | 2,000 | 1 | 1 | 1 |
| Financial expenses | -41,088 | -84,342 | -97,000 | -78,888 | -73,878 | -66,713 |
| Prepayment penalties | 0 | 0 | -20,000 | -12,100 | 0 | 0 |
| At equity result | 1,824 | -330 | 11,147 | 0 | 0 | 0 |
| EBT | 132,760 | 94,823 | 186,822 | 95,688 | 102,540 | 113,270 |
| Cash taxes | -476 | -1,977 | -18,900 | -11,160 | -11,560 | -11,960 |
| Deferred taxes | -20,713 | -14,561 | -38,000 | -19,538 | -14,314 | -12,610 |
| Consolidated net profit | 111,571 | 78,285 | 129,922 | 64,989 | 76,666 | 88,700 |
| Minorities | -2,351 | -6,166 | -12,000 | -6,003 | -7,081 | -8,193 |
| Attributable result | 109,220 | 72,119 | 117,922 | 58,987 | 69,585 | 80,507 |
| No. of shares average | 23,486 | 39,489 | 58,286 | 62,868 | 64,052 | 64,052 |
| No. of shares end of period | 31,877 | 46,103 | 58,287 | 62,869 | 64,052 | 64,052 |
| dilution | 7,494 | 7,342 | 5,765 | 11,183 | 10,000 | 10,000 |
| No. of shares fully diluted | 30,980 | 46,831 | 64,051 | 74,052 | 74,052 | 74,052 |
| EPS | 4.65 | 1.83 | 2.02 | 0.94 | 1.09 | 1.26 |
| EPS diluted | 3.53 | 1.54 | 1.84 | 0.80 | 0.94 | 1.09 |
| DPS | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.20 |

Source: Adler Real Estate, BHL Research estimates

Model assumption 2017, no portfolio growth ...

For 2017, we only assume a slight increase in rental income. Although a purchase was made close to Bremen and the company is in different phases of negotiations for the acquisition of around 10,000 residential units, to be on the safe side, our model does not assume that divestments from non-core areas will be replaced by new acquisitions. Instead, we assume that the existing portfolio will shrink by about 1,000 units.

...but greater efficiency and lower financing expenses

However, the reduction of the portfolio should be more than offset by the lowering of the vacancy rate and rent increases in the remaining properties. The lower

vacancy rate should also bring efficiency gains. We expect the interest expenses to fall substantially because the proceeds from the sale of the Conwert holding has been used to reduce debt. In particular, high-interest debt can be paid back in April.

Bolt-on acquisitions should be able to offset divestments in the non-core business in 2018. We therefore anticipate higher growth in rental income. If the financing expenses continue to fall, the FFO should increase to over € 40 m.

We anticipate similar growth in 2019, and we believe the FFO should then go above € 50 m.

FFO projection

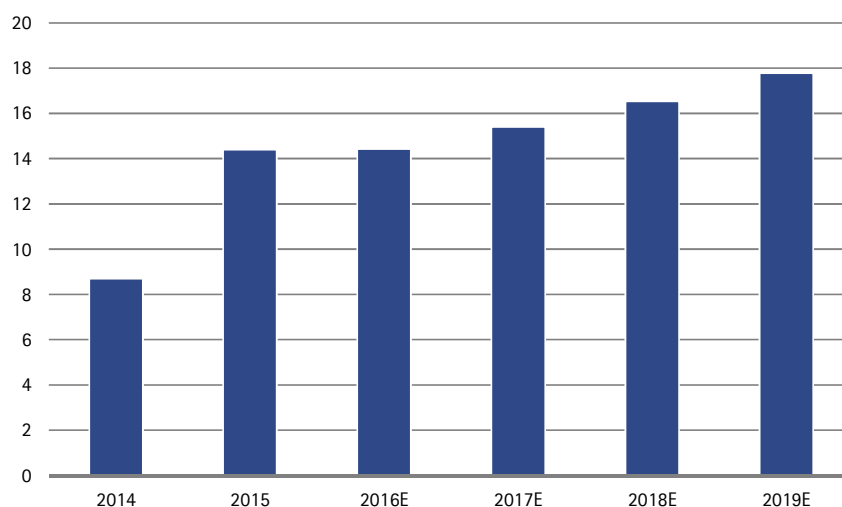
| € '000 | 2014 | 2015 | 2016E | 2017E | 2018E | 2019E |
|--|---------------|---------------|---------------|---------------|---------------|---------------|
| EBITDA IFRS | 38,008 | 118,757 | 91,775 | 123,024 | 130,081 | 139,291 |
| Adjustments | -10,800 | -23,100 | 32,000 | 8,200 | 6,000 | 0 |
| EBITDA adj. | 27,208 | 95,657 | 123,775 | 131,224 | 136,081 | 139,291 |
| Interest payments FFO | -32,500 | -64,300 | -75,000 | -78,887 | -73,877 | -66,712 |
| value increasing maintenance | 6,800 | 9,100 | 9,500 | 9,000 | 9,000 | 9,000 |
| Cash taxes | -476 | -1,000 | -1,400 | -1,960 | -2,160 | -2,360 |
| Other (Accentro trading business) | -2,100 | -23,466 | -32,000 | -24,900 | -25,900 | -26,900 |
| FFO1 | -1,068 | 15,991 | 24,875 | 34,478 | 43,144 | 52,320 |
| Result after tax from the sale of properties | 700 | 20,100 | 22,500 | 15,700 | 16,500 | 17,320 |
| Interest payments at equity | 0 | 0 | -4,240 | 0 | 0 | 0 |
| Realised valuation gains | 0 | 8,500 | 5,000 | 0 | 0 | 0 |
| Cash result from at equity | 1,800 | -300 | 8,060 | 0 | 0 | 0 |
| FFO2 | 1,432 | 44,291 | 56,195 | 50,178 | 59,644 | 69,640 |
| No. of shares average | 23,486 | 39,489 | 58,286 | 62,868 | 64,052 | 64,052 |
| No. of shares end of period | 31,877 | 46,103 | 58,287 | 62,869 | 64,052 | 64,052 |
| dilution | 7,494 | 7,342 | 5,765 | 11,183 | 10,000 | 10,000 |
| No. of shares fully diluted | 30,980 | 46,831 | 64,051 | 74,052 | 74,052 | 74,052 |
| FFO1pS | -0.05 | 0.40 | 0.43 | 0.55 | 0.67 | 0.82 |
| FFO1pS diluted | -0.03 | 0.34 | 0.39 | 0.47 | 0.58 | 0.71 |
| FFO2pS | 0.06 | 1.12 | 0.96 | 0.80 | 0.93 | 1.09 |
| FFO2pS diluted | 0.05 | 0.95 | 0.88 | 0.68 | 0.81 | 0.94 |

Source: Adler Real Estate, BHL Research estimates

NAV adjusted for goodwill

As a result of cheap acquisitions and steady improvements in vacancy rate and rental income, Adler Real Estate can point to a marked increase in the NAV per share. In 2015, the mandatory convertible bond issued in connection with the purchase of the Conwert holding also helped to increase the NAV. Due to the higher number of shares and the write-down on Conwert, we only expect a marginal increase in the NAV/share for 2016. In our NAV model, however, we strip out a € 130 m adjustment to the goodwill, which lowers the NAVpS by ~ € 2. However, besides the valuation reserves in the inventory assets, Accentro's privatisation business does not impact the NAV.

Projection of the NAV per share



Source: Adler Real Estate, BHL Research estimates

Detailed NAV projection

| € '000 | 2014 | 2015 | 2016E | 2017E | 2018E | 2019E |
|--------------------------------|---------|----------|-----------|-----------|-----------|-----------|
| Shareholders equity | 291,401 | 719,357 | 854,150 | 922,301 | 996,213 | 1,076,720 |
| Deferred taxes | 48,500 | 114,800 | 149,553 | 169,091 | 183,405 | 196,015 |
| Valuation reserves inventories | 10,750 | 40,600 | 30,600 | 30,600 | 30,600 | 30,600 |
| Derivatives | 977 | 4,700 | 6,330 | 6,330 | 6,330 | 6,330 |
| NAV (EPRA) | 351,628 | 879,457 | 1,040,633 | 1,128,322 | 1,216,548 | 1,309,665 |
| Goodwill | -27,081 | -130,552 | -130,552 | -130,552 | -130,552 | -130,552 |
| NAV | 324,547 | 748,905 | 910,081 | 997,770 | 1,085,996 | 1,179,113 |
| Conversion effect | 17,971 | 20,398 | 13,492 | 142,228 | 137,900 | 137,900 |
| NAV incl. Conversion | 342,518 | 769,303 | 923,573 | 1,139,997 | 1,223,896 | 1,317,013 |
| NAVpS | 8.70 | 14.39 | 14.42 | 15.39 | 16.53 | 17.79 |
| EPRA-NAVpS | 11.03 | 15.51 | 16.46 | 19.84 | 21.15 | 22.60 |

Source: Adler Real Estate, BHL Research estimates

Portfolio improvement adding value

For the more distant future, however, we have not applied any further valuation gains due to interest-boosting valuation multiples. However, we do see further increases in the value of the real-estate portfolio due to lower vacancy rates and higher rents. The operational improvements also have a positive impact on the NAV.

Expected value of the existing portfolio

| | 2014 | 2015 | 2016E | 2017E | 2018E | 2019E |
|----------------------------|---------|---------|---------|---------|---------|---------|
| Units | 24086 | 48218 | 47662 | 46665 | 46665 | 46665 |
| rental space (sqm) | 1545768 | 3042498 | 3002946 | 2939946 | 2939946 | 2939946 |
| average size of unit (sqm) | 64.18 | 63.10 | 63.01 | 63.00 | 63.00 | 63.00 |
| Average rent/month/sqm (€) | 5.02 | 4.93 | 5.02 | 5.11 | 5.20 | 5.30 |
| Occupancy | 87.2% | 88.8% | 90.8% | 91.5% | 92.2% | 92.8% |
| Vacancy | 12.8% | 11.2% | 9.2% | 8.5% | 7.8% | 7.2% |
| Annual rents (€ '000) | 81235 | 159835 | 164255 | 164966 | 169220 | 173387 |
| Property value (€ '000) | 1170509 | 2270187 | 2474991 | 2495741 | 2543177 | 2584967 |
| Value per sqm (€) | 757 | 746 | 824 | 849 | 865 | 879 |
| Rent multiplier | 14.4 | 14.2 | 15.1 | 15.1 | 15.0 | 14.9 |

Source: Adler Real Estate,, BHL Research estimates

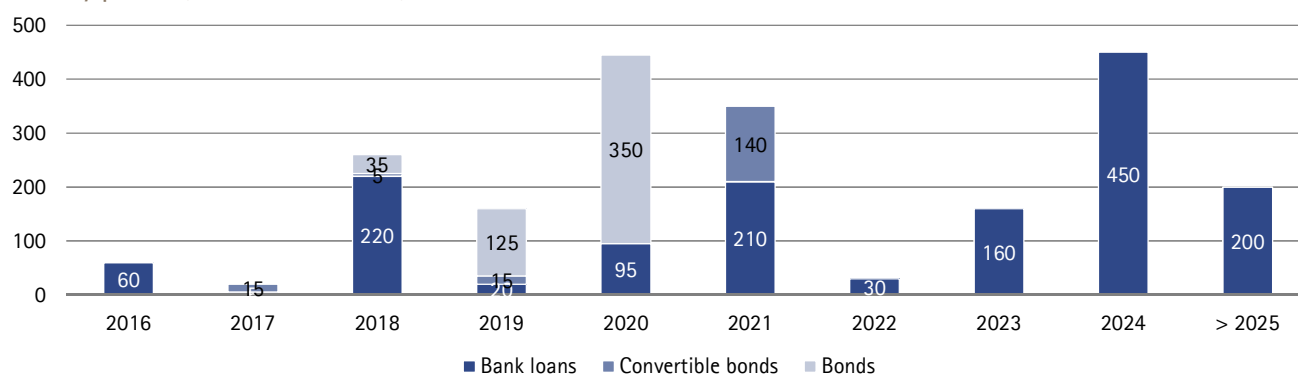
Conwert permits substantial improvement of refinancing structure

REFINANCING OFFERS GREAT POTENTIAL

As per 30/9/2016, Adler Real Estate still has a comparatively short-term and expensive refinancing structure. The average interest burden amounts to 3.8% (while its rivals in the residential sector mostly have interest burdens of less than 2%) and the LTV is high at 61.9%.

What up to now has proven to be a disadvantage is benefiting Adler Real Estate – all the more so as it receives the proceeds from the Conwert sale. Expensive financing arrangements can be paid off, which is set to boost the FFO growth and substantially improve the weak refinancing structure.

Maturity profile (30/09/2016 in € m)



Source: Adler Real Estate

The sale of its stake in Conwert is worth € 422 m to Adler Real Estate. Following the repayment of a loan, which itself was taken out to pay for the stake, this will still leave more than € 200 m available for other purposes. The LTV should then be 55-56%.

Repayment of expensive refinancing

Fortunately, the € 130 m bond with a coupon of 6% can be redeemed early at a rate of 101.5% by 01/04/2017. As of 26 June 2017, Adler can also redeem the 9.25% Accentro bond early at a rate of 101.5%. The 8.75% Adler bond (€ 35 m) will mature in 2018.

Overall, we expect the interest burden to reduce from about € 97 m in 2016 to € 67 m in 2019.

Options to redeem higher interest bonds

| | Volume (€ m) | Maturity | Nominal interest (%) | Early repayment | Conditions for early repayment |
|--------------------------|--------------|------------|----------------------|----------------------------|---|
| Bonds | | | | | |
| 2013/18 | 35 | 03.04.2018 | 8.75 | no | |
| 2014/19 | 50+50+30=130 | 01.04.2019 | 6.00 | only in total | 103.5 vom 01.04.2016 - 01.04.2017 101.5 vom 01.04.2017 - 01.04.2018 100.0 ab 01.04.2018 |
| 2015/20 | 300+50=350 | 08.04.2020 | 4.75 | any time | 104.75 up to 08.04.2019 from capital raising, max. 35% of total volume 100.0 ab 08.04.2019 |
| 2013/18 Accentro | 10 | 14.11.2018 | 9.25 | from 26.6.2017 onwards | 101.5 |
| Convertible bonds | | | | | |
| 2013/17 | 10 | 30.06.2017 | 6.00 | any time | at nominal value wenn outstanding amount falls below 30% |
| 2013/18 | 11.25 | 10.12.2018 | 6.00 | any time | at nominal value wenn outstanding amount falls below 30% |
| 2016/2021 | 138 | 29.06.2021 | 2.50 | from 19.7.2019 onwards | at nominal value, when share price is higher than 130% of the exercise price at 20 out of 30 trading days |
| 2014/19 Accentro | 15 | 27.03.2019 | 6.25 | hen only small amount left | |

Source: Adler Real Estate

RISKS**Portfolio valuation**

The main risk for Adler Real Estate lies in how the value of the real estate portfolio develops. The valuation hinges on the general value of residential real estate in the individual locations as well as the development of rental income. In addition, residential real estate is more dependent on administrative regulation than commercial real estate, which can also affect the value of the investments.

Increase in interest rates

As Adler Real Estate also uses debt capital to finance its business, sharp increases in interest rates can have a considerable negative impact on the company's value even though its refinancing arrangements are usually long term.

Slower property trading

The company's subsidiary Accentro recently reported that the trading business was lively. Should this weaken substantially, there could also be a slowdown in transactions. In addition, this could necessitate value impairments in the inventory properties.

Lack of progress

If Adler Real Estate does not continue to reduce vacancy rates and increase rents in future, the expected value appreciation of the portfolios to be optimised will not materialise, in our view.

Company valuation

We consider that the company's weaker location quality is offset by:

- the higher operating growth potential resulting from the initiated structural improvements and the expiry of expensive refinancing,
- the Accentro privatisation business, which is not adequately reflected in the NAV and not at all in the FFO.

Overall, we arrive at a price target of € 16.50 for the share and initiate our coverage with a BUY rating.

PRICE/FFO

Due to its high refinancing costs, the current efficiency disadvantages and the non-consideration of the Accentro business in this multiple, Adler Real Estate is also well below average for the sector.

Share price / FFO

| Company | Price € | FFO | | | | P/FFO | | | |
|---------------------|----------|------|-------|-------|-------|-------|-------|-------|-------|
| | 14.03.17 | 2015 | 2016E | 2017E | 2018E | 2015 | 2016E | 2017E | 2018E |
| Deutsche EuroShop | 37.83 | 2.29 | 2.30 | 2.39 | 2.36 | 16.5 | 16.4 | 15.8 | 16.0 |
| DIC Asset | 9.28 | 0.69 | 0.69 | 0.87 | 0.88 | 13.4 | 13.4 | 10.7 | 10.5 |
| VIB Vermögen | 19.90 | 1.27 | 1.33 | 1.43 | 1.66 | 15.7 | 15.0 | 13.9 | 12.0 |
| Hamborner REIT | 9.09 | 0.53 | 0.54 | 0.57 | 0.68 | 17.2 | 16.8 | 16.0 | 13.4 |
| TLG Immobilien | 17.87 | 1.03 | 1.14 | 1.18 | 1.30 | 17.3 | 15.7 | 15.1 | 13.7 |
| Alstria Office REIT | 11.45 | 0.61 | 0.76 | 0.70 | 0.74 | 18.8 | 15.1 | 16.4 | 15.5 |
| Aroundtown | 4.21 | 0.17 | 0.24 | 0.31 | 0.36 | 24.8 | 17.5 | 13.6 | 11.7 |
| Deutsche Wohnen | 31.34 | 0.94 | 1.15 | 1.28 | 1.34 | 33.3 | 27.2 | 24.5 | 23.4 |
| Vonovia | 32.19 | 1.35 | 1.53 | 1.81 | 1.93 | 23.8 | 21.0 | 17.8 | 16.7 |
| LEG | 75.12 | 3.53 | 4.25 | 4.61 | 4.97 | 21.3 | 17.7 | 16.3 | 15.1 |
| TAG Immobilien | 12.49 | 0.62 | 0.72 | 0.77 | 0.83 | 20.1 | 17.3 | 16.2 | 15.0 |
| Adler Real Estate | 13.96 | 0.40 | 0.43 | 0.55 | 0.67 | 34.9 | 32.5 | 25.4 | 20.8 |
| Grand City | 16.87 | 0.77 | 0.89 | 1.03 | 1.20 | 21.9 | 19.0 | 16.4 | 14.1 |
| Average Residential | | | | | | 25.9 | 22.5 | 19.4 | 17.5 |
| Average | | | | | | 20.3 | 17.7 | 16.0 | 14.8 |

Source: Respective company, Bankhaus Lampe Research estimates

DIVIDEND YIELD

One clearly negative point is that Adler Real Estate is not yet a payer of dividends. In our estimates, we have assumed a dividend will be paid for 2019.

Dividend yield

| Company | Price € 14.03.17 | Dividend | | | | Dividend yield | | | |
|---------------------|---------------------|----------|-------|-------|-------|----------------|-------|-------|-------|
| | | 2015 | 2016E | 2017E | 2018E | 2015 | 2016E | 2017E | 2018E |
| Deutsche EuroShop | 37.83 | 1.35 | 1.40 | 1.45 | 1.50 | 3.6% | 3.7% | 3.8% | 4.0% |
| DIC Asset | 9.28 | 0.37 | 0.40 | 0.42 | 0.44 | 4.0% | 4.3% | 4.5% | 4.7% |
| VIB Vermögen | 19.90 | 0.51 | 0.54 | 0.57 | 0.62 | 2.6% | 2.7% | 2.9% | 3.1% |
| Hamborner REIT | 9.09 | 0.42 | 0.43 | 0.44 | 0.46 | 4.6% | 4.7% | 4.8% | 5.1% |
| TLG Immobilien | 17.87 | 0.72 | 0.80 | 0.87 | 0.94 | 4.0% | 4.5% | 4.9% | 5.3% |
| Alstria Office REIT | 11.45 | 0.50 | 0.52 | 0.52 | 0.54 | 4.4% | 4.5% | 4.5% | 4.7% |
| Aroundtown | 4.21 | 0.05 | 0.07 | 0.09 | 0.10 | 1.2% | 1.7% | 2.1% | 2.4% |
| Patrizia | 17.63 | 0.00 | 0.00 | 0.30 | 0.40 | 0.0% | 0.0% | 1.7% | 2.3% |
| Deutsche Wohnen | 31.34 | 0.54 | 0.74 | 0.83 | 0.87 | 1.7% | 2.4% | 2.6% | 2.8% |
| Vonovia | 32.19 | 0.94 | 1.12 | 1.34 | 1.43 | 2.9% | 3.5% | 4.2% | 4.4% |
| LEG | 75.12 | 2.26 | 2.76 | 3.00 | 3.23 | 3.0% | 3.7% | 4.0% | 4.3% |
| TAG Immobilien | 12.49 | 0.55 | 0.57 | 0.60 | 0.63 | 4.4% | 4.6% | 4.8% | 5.0% |
| Adler Real Estate | 13.96 | 0.00 | 0.00 | 0.00 | 0.00 | 0.0% | 0.0% | 0.0% | 0.0% |
| Grand City | 16.87 | 0.24 | 0.50 | 0.59 | 0.68 | 1.4% | 3.0% | 3.5% | 4.0% |
| Average Residential | | | | | | 2.2% | 2.8% | 3.2% | 3.4% |
| Average | | | | | | 2.7% | 3.1% | 3.5% | 3.7% |

Source: Respective company, Bankhaus Lampe Research estimates

NAV

Adler Real Estate is the only residential property company in our coverage that is trading at a discount to the NAV and is good value in this respect. If the value of the Accentro business were included, which we cautiously put at € 2.09 per share, we believe that the discount to the NAV would even increase.

Share price / NAV

| Company | Price € 14.03.17 | P/NAV | | | NAV | | |
|--------------------------|---------------------|-------|-------|-------|-------|-------|-------|
| | | 2016E | 2017E | 2018E | 2016E | 2017E | 2018E |
| Deutsche EuroShop | 37.83 | 0.89 | 0.88 | 0.86 | 42.71 | 43.11 | 44.06 |
| DIC Asset | 9.28 | 0.72 | 0.69 | 0.67 | 12.83 | 13.41 | 13.82 |
| VIB Vermögen | 19.90 | 1.17 | 1.09 | 1.02 | 17.08 | 18.27 | 19.56 |
| Hamborner REIT | 9.09 | 0.94 | 0.93 | 0.91 | 9.64 | 9.78 | 10.00 |
| TLG Immobilien | 17.87 | 0.97 | 0.95 | 0.92 | 18.49 | 18.86 | 19.38 |
| Alstria Office REIT | 11.45 | 1.01 | 0.99 | 0.98 | 11.31 | 11.58 | 11.68 |
| Aroundtown | 4.21 | 0.88 | 0.79 | 0.72 | 4.79 | 5.33 | 5.86 |
| Deutsche Wohnen | 31.34 | 1.07 | 0.98 | 0.93 | 29.22 | 31.95 | 33.68 |
| Vonovia | 32.19 | 1.05 | 1.01 | 0.98 | 30.63 | 31.97 | 32.85 |
| LEG Immobilien | 75.12 | 1.12 | 1.05 | 1.03 | 67.15 | 71.33 | 73.16 |
| TAG Immobilien | 12.49 | 1.26 | 1.14 | 1.08 | 9.95 | 10.98 | 11.52 |
| Adler Real Estate | 13.96 | 0.97 | 0.91 | 0.84 | 14.42 | 15.39 | 16.53 |
| Grand City Prop. | 16.87 | 1.03 | 0.90 | 0.81 | 16.41 | 18.71 | 20.83 |
| Average Residential | | 1.08 | 1.00 | 0.95 | | | |
| Average without Patrizia | | 1.01 | 0.95 | 0.90 | | | |

Source: Respective company, Bankhaus Lampe Research estimates

IMPLICIT RESERVES IN REAL ESTATE ASSETS

As per 30/09/2016, the company reported a comparatively high level of debt with an LTV of 61.9%. The proceeds from the sale of the Conwert stake, however, will already bring a major improvement in Q1 2017 (55-56%). The implicit reserves paint a slightly worse picture than the straightforward P/NAV ratio. At this point in time, Adler is no longer the top company in the residential business.

Implicit reserves

| Company | Price € | P/NAV | | | Implied reserves on | | |
|--------------------------|----------|-------|-------|-------|---------------------|---------|---------|
| | 14.03.17 | 2016E | 2017E | 2018E | NAV 16E | NAV 17E | NAV 18E |
| Deutsche EuroShop | 37.83 | 0.89 | 0.88 | 0.86 | 6.6% | 7.2% | 8.5% |
| DIC Asset | 9.28 | 0.72 | 0.69 | 0.67 | 11.4% | 13.2% | 14.6% |
| VIB Vermögen | 19.90 | 1.17 | 1.09 | 1.02 | -7.4% | -4.3% | -0.9% |
| Hamborner REIT | 9.09 | 0.94 | 0.93 | 0.91 | 4.0% | 5.0% | 6.6% |
| TLG Immobilien | 17.87 | 0.97 | 0.95 | 0.92 | 2.1% | 3.3% | 5.0% |
| Alstria Office REIT | 11.45 | 1.01 | 0.99 | 0.98 | -0.7% | 0.7% | 1.2% |
| Aroundtown | 4.21 | 0.88 | 0.79 | 0.72 | 6.7% | 12.9% | 19.1% |
| Deutsche Wohnen | 31.34 | 1.07 | 0.98 | 0.93 | -4.5% | 1.3% | 5.0% |
| Vonovia | 32.19 | 1.05 | 1.01 | 0.98 | -2.4% | -0.3% | 1.0% |
| LEG Immobilien | 75.12 | 1.12 | 1.05 | 1.03 | -6.0% | -2.8% | -1.5% |
| TAG Immobilien | 12.49 | 1.26 | 1.14 | 1.08 | -9.6% | -5.7% | -3.7% |
| Adler Real Estate | 13.96 | 0.97 | 0.91 | 0.84 | 1.1% | 3.5% | 6.3% |
| Grand City Prop. | 16.87 | 1.03 | 0.90 | 0.81 | -1.5% | 5.8% | 12.5% |
| Average Residential | | 1.08 | 1.00 | 0.95 | -3.8% | 0.3% | 3.3% |
| Average without Patrizia | | 1.01 | 0.95 | 0.90 | 0.0% | 3.1% | 5.7% |

Source: Respective company, Bankhaus Lampe Research estimates

PRICE TARGET CALCULATION

Our price target calculation is based on our NAV estimate for 2019 (excluding minorities and goodwill) and thus arrives at a figure of € 17.79.

Adjustment for Accentro

One problem when evaluating Adler Real Estate is that the business potential offered by its subsidiary Accentro is not adequately reflected in the NAV. For instance, Accentro is trading at almost twice its book value, even though this includes a goodwill item of more than € 17 m. This therefore requires an adjustment for our model based on the implicit valuation reserves.

In our view, we have conservatively applied 7x a sustainably achievable EBIT of € 25 m (Accentro forecast for 2017: € 34-36 m). We therefore arrive at a figure of € 175 m. However, from this we subtract valuation reserves in the inventory assets (€ 30.6 m), which were included in the NAV as per 30/09/2016.

Since the participation rate is 87%, we arrive at an adequately value of about € 125 m, or € 2.09 per share

We do not expect Adler Real Estate to pay a dividend before 2019. However, as we take account of dividends for the period 2016-2019 in our valuation, we also add our estimated dividend payments for the period 2016-2019 to the expected NAV, in this case € 0.20.

The dividend and Accentro-adjusted NAV for 2019 comes to € 20.08, and the "dividend-adjusted implicit valuation reserves" climb from 9.1% for the straightforward model to 14.5%.

Determination of price target

| | Share price / PT | Share price / | NAV / adj. NAV | Implicit valuation |
|------------------------------|------------------|---------------|----------------|--------------------|
| | (in €) | PT/NAV | | reserves |
| | 14/03/2017 | 2019E | 2019E | |
| Adler Real Estate | 13.96 | 0.78 | 17.79 | 9.1% |
| Adler Real Estates, adj. NAV | 13,96 | 0.70 | 20.08 | 14.5% |
| Adler Real Estates, adj. NAV | 16.30 | 0.81 | 20.08 | 9.0% |

Source: BHL Research

Price target € 16.50

The residential asset class has a positive effect on the risk profile. Besides this, the growth potential from the improvement and reduction in the cost of refinancing and the company's more efficient set-up has to be taken into account. Compared with the sector, however, the company has a much-stronger focus on locations with weaker demographic prospects, such as Duisburg and Wilhelmshaven, and it continues to have an above-average LTV of about 55%. Overall, we consider a risk premium of ~9% (the adjusted NAV arising from implicit valuation reserve in terms of the current real estate assets) to be appropriate. This brings us to a rounded price target of € 16.50. Since our price target is more than 10% above the current share price, we initiate our coverage of this stock with a BUY rating.

Key figures

Adler Real Estate AG – Income statement

| in m EUR | 2015 | 2016e | 2017e | 2018e | 2019e |
|--------------------------------------|-------|--------|-------|-------|-------|
| Sales | 131.6 | 168.8 | 170.6 | 173.1 | 177.3 |
| Cost of Sales | -40.0 | -52.2 | -30.0 | -20.7 | -18.9 |
| Gross profit | 91.6 | 116.6 | 140.6 | 152.4 | 158.4 |
| Sales and marketing | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| General and administration | -13.2 | -18.5 | -22.5 | -30.7 | -31.0 |
| Research and development | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other operating result | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| EBITDA | 178.6 | 292.9 | 188.9 | 178.6 | 182.2 |
| Depreciation | 1.0 | 1.1 | 1.1 | 1.1 | 1.1 |
| EBITA | 177.6 | 291.8 | 187.8 | 177.5 | 181.1 |
| Amortisation of goodwill | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Amortisation of intangible assets | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| EBIT | 177.6 | 291.8 | 187.8 | 177.5 | 181.1 |
| Financial result | -81.8 | -103.9 | -91.0 | -73.9 | -66.7 |
| Income on ordinary activities | 95.9 | 187.9 | 96.8 | 103.6 | 114.4 |
| Extraordinary income/loss | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| EBT | 95.9 | 187.9 | 96.8 | 103.6 | 114.4 |
| Taxes | -16.5 | -74.4 | -39.9 | -35.3 | -34.2 |
| Net income from cont. operations | 79.3 | 113.5 | 56.9 | 68.4 | 80.2 |
| Net income from discount. operations | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Minority interest | -6.2 | -12.0 | -6.0 | -7.1 | -8.2 |
| Net income (adj.) | 73.1 | 101.5 | 50.9 | 61.3 | 72.0 |
| No. of shares | 39.5 | 58.3 | 62.9 | 64.1 | 64.1 |
| EPS (in EUR) | 1.85 | 1.74 | 0.81 | 0.96 | 1.12 |

Source: Company information, Bankhaus Lampe Research estimates

| | 2015 | 2016e | 2017e | 2018e | 2019e |
|-------------------|--------|--------|--------|--------|--------|
| Gross margin | 69.6% | 69.1% | 82.4% | 88.0% | 89.3% |
| EBITDA margin | 135.8% | 173.6% | 110.7% | 103.2% | 102.8% |
| EBITA margin | 135.0% | 172.9% | 110.1% | 102.6% | 102.1% |
| EBIT margin | 135.0% | 172.9% | 110.1% | 102.6% | 102.1% |
| EBT margin | 72.8% | 111.4% | 56.7% | 59.9% | 64.5% |
| Net profit margin | 60.3% | 67.3% | 33.3% | 39.5% | 45.2% |
| Tax rate | 17.3% | 39.6% | 41.2% | 34.0% | 29.9% |

Source: Company information, Bankhaus Lampe Research estimates

| Growth rates yoy | 2015 | 2016e | 2017e | 2018e | 2019e |
|-------------------|--------|-------|--------|--------|-------|
| Sales | >100% | 28.2% | 1.1% | 1.5% | 2.4% |
| EBITDA | 4.2% | 63.9% | -35.5% | -5.4% | 2.0% |
| EBIT | 3.9% | 64.3% | -35.6% | -35.6% | 2.0% |
| EBT | -28.1% | 96.1% | -48.5% | 7.1% | 10.4% |
| Net income (adj.) | -33.3% | 38.8% | -49.9% | 20.4% | 17.5% |
| EPS | -60.3% | -6.0% | -53.5% | 18.2% | 17.5% |

Source: Company information, Bankhaus Lampe Research estimates

Adler Real Estate AG – Balance sheet

| Assets (in m EUR) | 2015 | 2016e | 2017e | 2018e | 2019e |
|--|-------|-------|-------|-------|-------|
| Fixed assets | 2,759 | 2,609 | 2,630 | 2,677 | 2,719 |
| Property, plant and equipment | 2,271 | 2,476 | 2,497 | 2,544 | 2,586 |
| Intangible assets | 131.9 | 131.5 | 131.5 | 131.5 | 131.5 |
| Financial assets | 354.6 | 1.1 | 1.1 | 1.1 | 1.1 |
| Other long-term assets | 0.9 | 0.2 | 0.2 | 0.2 | 0.2 |
| Current assets | 317.4 | 774.5 | 502.4 | 511.3 | 571.3 |
| Inventories | 159.7 | 155.1 | 155.1 | 155.1 | 155.1 |
| Accounts receivable | 16.3 | 17.9 | 17.9 | 17.9 | 17.9 |
| Other current assets | 91.9 | 523.6 | 106.6 | 106.6 | 106.6 |
| Securities | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Cash | 49.5 | 77.9 | 222.8 | 231.8 | 291.7 |
| Total assets | 3,076 | 3,384 | 3,132 | 3,189 | 3,290 |
| Equity and liabilities (in m EUR) | | | | | |
| Shareholders' equity | 777.9 | 925.6 | 999.7 | 1,081 | 1,183 |
| Shareholders' equity (before minority) | 719.4 | 854.2 | 922.3 | 996.2 | 1,077 |
| Minorities | 58.6 | 71.4 | 77.4 | 84.5 | 106.2 |
| Non-current liabilities | 1,980 | 2,081 | 1,962 | 1,938 | 1,937 |
| Pension provisions | 4.3 | 4.1 | 4.1 | 4.1 | 4.1 |
| Other provisions | 0.8 | 1.5 | 1.5 | 1.5 | 1.5 |
| Long-term financial debt | 1,885 | 1,948 | 1,809 | 1,770 | 1,757 |
| Other long-term debt | 90.6 | 128.0 | 147.5 | 161.8 | 174.4 |
| Current liabilities | 318.0 | 376.5 | 170.2 | 170.2 | 170.2 |
| Short-term debt | 257.4 | 313.5 | 113.5 | 113.5 | 113.5 |
| Other accruals short-term | 2.7 | 2.4 | 2.4 | 2.4 | 2.4 |
| Accounts payable | 20.2 | 16.8 | 16.8 | 16.8 | 16.8 |
| Other liabilities | 37.7 | 43.9 | 37.6 | 37.6 | 37.6 |
| Total equity and liabilities | 3,076 | 3,384 | 3,132 | 3,189 | 3,290 |

Source: Company information, Bankhaus Lampe Research estimates

Adler Real Estate AG – Balance sheet structure

| Assets | 2015 | 2016e | 2017e | 2018e | 2019e |
|-------------------------------|-------|-------|-------|-------|-------|
| Fixed assets | 89.7% | 77.1% | 84.0% | 84.0% | 82.6% |
| Property, plant and equipment | 73.8% | 73.2% | 79.7% | 79.8% | 78.6% |
| Intangible assets | 4.3% | 3.9% | 4.2% | 4.1% | 4.0% |
| Current assets | 10.3% | 22.9% | 16.0% | 16.0% | 17.4% |
| Inventories | 5.2% | 4.6% | 5.0% | 4.9% | 4.7% |
| Accounts receivable | 0.5% | 0.5% | 0.6% | 0.6% | 0.5% |
| Cash | 1.6% | 2.3% | 7.1% | 7.3% | 8.9% |
| Equity and liabilities | | | | | |
| Shareholders' equity | 25.3% | 27.4% | 31.9% | 33.9% | 36.0% |
| Non-current liabilities | 64.4% | 61.5% | 62.6% | 60.8% | 58.9% |
| Pension provisions | 0.1% | 0.1% | 0.1% | 0.1% | 0.1% |
| Long-term financial debt | 61.3% | 57.6% | 57.8% | 55.5% | 53.4% |
| Current liabilities | 10.3% | 11.1% | 5.4% | 5.3% | 5.2% |
| Short-term debt | 8.4% | 9.3% | 3.6% | 3.6% | 3.4% |
| Accounts payable | 0.7% | 0.5% | 0.5% | 0.5% | 0.5% |

Source: Company information, Bankhaus Lampe Research estimates

Adler Real Estate AG – Cash flow statement

| in m EUR | 2015 | 2016e | 2017e | 2018e | 2019e |
|--|--------|--------|--------|--------|-------|
| Net income (adj.) | 73.1 | 101.5 | 50.9 | 61.3 | 72.0 |
| Depreciation | 1.0 | 1.1 | 1.1 | 1.1 | 1.1 |
| Amortisation of goodwill & intangible assets | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Change of provisions | 2.1 | -0.3 | 0.0 | 0.0 | 0.0 |
| Other | 10.8 | 48.6 | 55.8 | 59.4 | 66.6 |
| Operating Cash-flow before changes in w/c | 87.0 | 150.9 | 107.8 | 121.8 | 139.7 |
| Change in inventory | -46.9 | 4.5 | 0.0 | 0.0 | 0.0 |
| Change in accounts receivable | -10.7 | -433.2 | 417.0 | 0.0 | 0.0 |
| Change in accounts payable | -4.4 | 2.8 | -6.3 | 0.0 | 0.0 |
| Change in other working capital positions | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Operating Cash-flow | 25.0 | -275.0 | 518.5 | 121.8 | 139.7 |
| Capex, excluding maintenance | -153.3 | -37.3 | 44.0 | 0.0 | 0.0 |
| Payments for acquisitions | -355.3 | 0.0 | 0.0 | 0.0 | 0.0 |
| Financial investments | -13.7 | 264.0 | 0.0 | 0.0 | 0.0 |
| Income from asset disposals | 82.9 | 32.5 | 0.0 | 0.0 | 0.0 |
| Income from financial investments | 0.6 | 0.0 | 0.0 | 0.0 | 0.0 |
| Cash-flow from investing activities | -438.7 | 259.2 | 44.0 | 0.0 | 0.0 |
| Free cash-flow | -413.7 | -15.8 | 562.5 | 121.8 | 139.7 |
| Capital measures | -1.2 | 0.0 | 0.0 | 0.0 | 0.0 |
| Increase/decrease in debt position | 499.7 | 119.3 | -338.8 | -38.9 | -13.1 |
| Purchase of own shares | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other financing Cash-flow | -68.3 | -75.0 | -78.9 | -73.9 | -66.7 |
| Dividend paid | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Cash-flow from financing activities | 430.2 | 44.3 | -417.7 | -112.8 | -79.8 |
| Increase/ decrease in liquid assets | 16.4 | 28.4 | 144.9 | 9.0 | 60.0 |
| Effects of exchange rate changes | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Cash at beginning of period | 33.1 | 49.5 | 78.0 | 222.8 | 231.8 |
| Change in total cash and cash equivalents | 16.4 | 28.4 | 144.9 | 9.0 | 60.0 |
| Cash at end of period | 49.5 | 78.0 | 222.8 | 231.8 | 291.7 |

Source: Company information, Bankhaus Lampe Research estimates

Adler Real Estate AG – Ratios

| | 2015 | 2016e | 2017e | 2018e | 2019e |
|--|----------|----------|----------|----------|----------|
| Per Share Data | | | | | |
| EPS | 1.85 | 1.74 | 0.81 | 0.96 | 1.12 |
| Book value per share | 19.70 | 15.88 | 15.90 | 16.87 | 18.47 |
| Free Cash-flow per share | -10.48 | -0.27 | 8.95 | 1.90 | 2.18 |
| Dividend per share | 0.00 | 0.00 | 0.00 | 0.00 | 0.20 |
| Valuation ratios | | | | | |
| EV/Sales | 21.4 | 18.4 | 14.3 | 15.2 | 14.6 |
| EV/EBITDA | 15.7 | 10.6 | 13.0 | 14.7 | 14.2 |
| EV/EBIT | 15.8 | 10.6 | 13.0 | 14.8 | 14.3 |
| Price Earnings ratio (P/E) | 7.7 | 8.3 | 17.2 | 14.6 | 12.4 |
| Price to book (total equity) | 0.7 | 0.9 | 0.9 | 0.8 | 0.8 |
| Dividend yield | 0.0% | 0.0% | 0.0% | 0.0% | 1.4% |
| Profitability ratios | | | | | |
| EBITDA margin | 135.8% | 173.6% | 110.7% | 103.2% | 102.8% |
| EBIT margin | 135.0% | 172.9% | 110.1% | 102.6% | 102.1% |
| Net return on sales | 55.6% | 60.2% | 29.8% | 35.4% | 40.6% |
| Return on capital employed (ROCE) | 6.1% | 9.1% | 6.4% | 6.0% | 5.9% |
| Productivity ratios | | | | | |
| Capital turnover | 2,215.1% | 1,638.7% | 1,633.0% | 1,637.0% | 1,621.6% |
| Operating leverage | 0.0 | -0.6 | 0.4 | 0.1 | 0.0 |
| Sales per employee (in thousands) | 490,974 | 524,068 | 458,630 | 441,563 | 452,304 |
| EBIT per employee (in thousands) | 662,750 | 906,134 | 504,769 | 452,850 | 461,942 |
| Number of employees (in thousands) | 0.3 | 0.3 | 0.4 | 0.4 | 0.4 |
| Financial ratios | | | | | |
| Equity ratio | 25.3% | 27.4% | 31.9% | 33.9% | 36.0% |
| Net financial debt (in m EUR) | 2,093 | 2,183 | 1,700 | 1,652 | 1,579 |
| Net debt / Equity | 269.0% | 235.9% | 170.0% | 152.9% | 133.5% |
| Interest cover | -2.1 | -3.0 | -2.4 | -2.4 | -2.7 |
| Net debt / EBITDA | 11.71 | 7.46 | 9.00 | 9.25 | 8.67 |
| Working Capital (in m EUR) | 155.8 | 156.2 | 156.2 | 156.2 | 156.2 |
| Change Working Capital (in m EUR) | 59.7 | 0.4 | 0.0 | 0.0 | 0.0 |
| WC /sales | 118.4% | 92.6% | 91.6% | 90.3% | 88.1% |
| Stocks in days of sales | - | - | - | - | - |
| Trade debtors in days of sales | - | - | - | - | - |
| Trade creditors in days of COGS/Material cost | - | - | - | - | - |
| Cash conversion cycle | - | - | - | - | - |
| Invest. (property/plant/equity) / Depreciation | 14886.1% | 3391.3% | -4000.0% | 0.0% | 0.0% |
| Others | | | | | |
| Sales CAGR (last 3 years) | - | 148.3% | 44.9% | 9.6% | 1.7% |
| EBIT CAGR (last 3 years) | - | 65.5% | 3.2% | 0.0% | -14.7% |
| Net income CAGR (last 3 years) | - | 37.8% | -22.6% | -5.7% | -10.8% |
| Pay out ratio | 0.0% | 0.0% | 0.0% | 0.0% | 17.8% |
| Free cash-flow (in m EUR) | -413.7 | -15.8 | 562.5 | 121.8 | 139.7 |
| Free cash flow yield | -63.1% | -1.9% | 84.5% | 13.6% | 15.6% |

Source: Company information, Bankhaus Lampe Research estimates

Disclaimer

Analyst declaration

The relevant research analysts, as named on the front cover of this research report, certify that (a) all of the views expressed in this research report accurately reflect their personal views about the securities and companies mentioned in this research report; and (b) that no part of their compensation was, is or will be directly or indirectly related to the specific recommendation(s) or views expressed by them in this research report.

Rating system

Shares are rated based upon analyst forecasts with regard to the performance of the share during a period of twelve months. The rating "Buy" within this general concept means that the share's forecast performance is at least 10%. "Hold" means a price movement in a bandwidth of -10% to 10%. "Sell" means that the share's forecast performance is less than -10%.

Explanation of valuation

Unless shown otherwise, the stated upside targets are based upon either a discounted cash-flow pricing or upon a comparison of the performance ratios of companies that the respective analyst considers to be comparable, or upon a combination of these two analyses. Analysts modify the result of this fundamental assessment to incorporate the potential trend in market sentiment.

Overview of changes in our recommendations/price targets in the previous twelve months for: Adler Real Estate AG (ADL GY), Close (14/03/2017): 13.96 EUR, Analyst: Dr. Georg Kanders (Analyst).

| Date of publication | Price at recommendation | Rating | Price target |
|---------------------|-------------------------|--------|--------------|
|---------------------|-------------------------|--------|--------------|

Overview of changes in our recommendations/price targets in the previous twelve months for: Arountown Property Holdings PLC (ALATP FP), Close (14/03/2017): 4.21 EUR, Analyst: Dr. Georg Kanders (Analyst).

| Date of publication | Price at recommendation | Rating | Price target |
|---------------------|-------------------------|--------|--------------|
| 03/03/2017 | 4.24 EUR | Buy | 5.60 EUR |
| 31/08/2016 | 4.79 EUR | Buy | 5.40 EUR |
| 07/07/2016 | 4.45 EUR | Buy | 5.30 EUR |
| 08/04/2016 | 4.39 EUR | Buy | 5.20 EUR |

Overview of changes in our recommendations/price targets in the previous twelve months for: DIC Asset AG (DIC GY), Close (14/03/2017): 9.28 EUR, Analyst: Dr. Georg Kanders (Analyst).

| Date of publication | Price at recommendation | Rating | Price target |
|---------------------|-------------------------|--------|--------------|
| 02/03/2017 | 9.46 EUR | Buy | 11.50 EUR |
| 04/01/2017 | 9.01 EUR | Buy | 11.00 EUR |
| 05/08/2016 | 8.68 EUR | Buy | 9.90 EUR |
| 22/04/2016 | 8.04 EUR | Buy | 9.50 EUR |

Overview of changes in our recommendations/price targets in the previous twelve months for: Deutsche EuroShop AG (DEQ GY), Close (14/03/2017): 37.83 EUR, Analyst: Dr. Georg Kanders (Analyst).

| Date of publication | Price at recommendation | Rating | Price target |
|---------------------|-------------------------|--------|--------------|
| 19/01/2017 | 38.46 EUR | Buy | 45.00 EUR |
| 13/12/2016 | 37.32 EUR | Buy | 44.00 EUR |
| 10/10/2016 | 38.79 EUR | Buy | 47.00 EUR |
| 23/03/2016 | 40.58 EUR | Buy | 45.00 EUR |

Overview of changes in our recommendations/price targets in the previous twelve months for: Deutsche Wohnen AG (DWINI GY), Close (14/03/2017): 31.34 EUR, Analyst: Dr. Georg Kanders (Analyst).

| Date of publication | Price at recommendation | Rating | Price target |
|---------------------|-------------------------|--------|--------------|
| 02/12/2016 | 27.99 EUR | Buy | 34.00 EUR |
| 16/08/2016 | 34.83 EUR | Hold | 34.00 EUR |
| 23/05/2016 | 27.88 EUR | Hold | 30.00 EUR |
| 12/04/2016 | 27.80 EUR | Hold | 28.00 EUR |
| 18/03/2016 | 26.35 EUR | Buy | 28.00 EUR |

Overview of changes in our recommendations/price targets in the previous twelve months for: Grand City Properties S.A. (GYC GY), Close (14/03/2017): 16.87 EUR, Analyst: Dr. Georg Kanders (Analyst).

| Date of publication | Price at recommendation | Rating | Price target |
|---------------------|-------------------------|--------|--------------|
| 15/12/2016 | 15.48 EUR | Buy | 21.00 EUR |
| 08/11/2016 | 16.29 EUR | Buy | 22.00 EUR |
| 22/08/2016 | 20.09 EUR | Buy | 23.00 EUR |
| 31/05/2016 | 19.00 EUR | Buy | 22.00 EUR |
| 01/04/2016 | 20.20 EUR | Buy | 23.00 EUR |
| 18/03/2016 | 20.39 EUR | Buy | 22.00 EUR |

Overview of changes in our recommendations/price targets in the previous twelve months for: HAMBORNER REIT AG (HAB GY), Close (14/03/2017): 9.09 EUR, Analyst: Dr. Georg Kanders (Analyst).

| Date of publication | Price at recommendation | Rating | Price target |
|---------------------|-------------------------|--------|--------------|
| 12/12/2016 | 8.57 EUR | Buy | 11.50 EUR |
| 24/08/2016 | 10.72 EUR | Buy | 12.00 EUR |
| 15/03/2016 | 9.44 EUR | Buy | 11.50 EUR |

Overview of changes in our recommendations/price targets in the previous twelve months for: LEG Immobilien AG (LEG GY), Close (14/03/2017): 75.12 EUR, Analyst: Dr. Georg Kanders (Analyst).

| Date of publication | Price at recommendation | Rating | Price target |
|---------------------|-------------------------|--------|--------------|
| 22/11/2016 | 70.30 EUR | Buy | 89.00 EUR |
| 15/08/2016 | 91.71 EUR | Hold | 92.00 EUR |
| 15/03/2016 | 79.15 EUR | Hold | 84.00 EUR |

Overview of changes in our recommendations/price targets in the previous twelve months for: PATRIZIA Immobilien AG (P1Z GY), Close (14/03/2017): 17.63 EUR, Analyst: Dr. Georg Kanders (Analyst).

| Date of publication | Price at recommendation | Rating | Price target |
|---------------------|-------------------------|--------|--------------|
| 15/11/2016 | 15.00 EUR | Buy | 18.00 EUR |
| 05/10/2016 | 19.33 EUR | Buy | 25.00 EUR |
| 17/03/2016 | 20.68 EUR | Buy | 24.55 EUR |

Overview of changes in our recommendations/price targets in the previous twelve months for: TAG Immobilien AG (TEG GY), Close (14/03/2017): 12.49 EUR, Analyst: Dr. Georg Kanders (Analyst).

| Date of publication | Price at recommendation | Rating | Price target |
|---------------------|-------------------------|--------|--------------|
| 06/01/2017 | 12.55 EUR | Hold | 13.50 EUR |
| 24/11/2016 | 11.66 EUR | Buy | 13.50 EUR |
| 07/10/2016 | 11.96 EUR | Buy | 14.50 EUR |
| 18/08/2016 | 12.70 EUR | Buy | 14.00 EUR |
| 21/03/2016 | 11.90 EUR | Buy | 13.00 EUR |

Overview of changes in our recommendations/price targets in the previous twelve months for: TLG Immobilien AG (TLG GY), Close (14/03/2017): 17.87 EUR, Analyst: Dr. Georg Kanders (Analyst).

| Date of publication | Price at recommendation | Rating | Price target |
|---------------------|-------------------------|--------|--------------|
| 30/11/2016 | 17.00 EUR | Buy | 22.00 EUR |
| 29/08/2016 | 19.98 EUR | Buy | 23.00 EUR |
| 24/05/2016 | 18.61 EUR | Buy | 22.00 EUR |
| 15/03/2016 | 18.43 EUR | Buy | 21.00 EUR |

Overview of changes in our recommendations/price targets in the previous twelve months for: VIB Vermögen AG (VIH GY), Close (14/03/2017): 19.90 EUR, Analyst: Dr. Georg Kanders (Analyst).

| Date of publication | Price at recommendation | Rating | Price target |
|---------------------|-------------------------|--------|--------------|
| 15/12/2016 | 19.20 EUR | Hold | 21.00 EUR |
| 27/07/2016 | 18.58 EUR | Buy | 21.00 EUR |
| 16/03/2016 | 16.50 EUR | Buy | 19.50 EUR |

Overview of changes in our recommendations/price targets in the previous twelve months for: Vonovia SE (VNA GY), Close (14/03/2017): 32.19 EUR, Analyst: Dr. Georg Kanders (Analyst).

| Date of publication | Price at recommendation | Rating | Price target |
|---------------------|-------------------------|--------|--------------|
| 22/11/2016 | 30.30 EUR | Buy | 41.00 EUR |
| 07/11/2016 | 31.72 EUR | Buy | 43.00 EUR |
| 09/08/2016 | 35.44 EUR | Buy | 41.00 EUR |
| 23/05/2016 | 30.27 EUR | Buy | 36.00 EUR |
| 06/05/2016 | 29.70 EUR | Buy | 35.00 EUR |

Overview of changes in our recommendations/price targets in the previous twelve months for: alstria office REIT-AG (AOX GY), Close (14/03/2017): 11.45 EUR, Analyst: Dr. Georg Kanders (Analyst).

| Date of publication | Price at recommendation | Rating | Price target |
|---------------------|-------------------------|--------|--------------|
| 20/01/2017 | 11.58 EUR | Hold | 13.00 EUR |
| 24/03/2016 | 12.60 EUR | Hold | 13.50 EUR |

The distribution of recommendations in our investments universe is currently as follows (date: 01/01/2017)

| Rating | Basis: all analysed companies | Basis: companies with investment banking relationships |
|--------------|-------------------------------|--|
| Buy | 49.0% | 75.0% |
| Hold | 46.0% | 25.0% |
| Sell | 5.0% | 0.0% |
| Under Review | 0.0% | 0.0% |

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| Company | Disclosure |
|----------------------------------|------------|
| Adler Real Estate AG | --- |
| Aroundtown Property Holdings PLC | --- |
| DIC Asset AG | --- |
| Deutsche EuroShop AG | --- |
| Deutsche Wohnen AG | --- |
| Grand City Properties S.A. | --- |
| HAMBORNER REIT AG | 3 |
| LEG Immobilien AG | --- |
| PATRIZIA Immobilien AG | --- |
| TAG Immobilien AG | --- |
| TLG Immobilien AG | --- |
| VIB Vermögen AG | 6 |
| Vonovia SE | --- |
| alstria office REIT-AG | --- |

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16 March 2017

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