ADLER REAL ESTATE

ANNUAL REPORT

2021

/// KEY FIGURES

In EUR millions Consolidated Statement of Income	2021	2020
Net rental income	225.6	239.7
Earnings from property lettings	190.8	211.2
Earnings from the sale of properties	0.6	12.1
EBIT	375.8	353.3
Consolidated net profit from continuing operations	74.6	195.1
Consolidated net profit	76.6	-304.4
FFO I	71.4	85.9
FFO I per share in EUR (fully diluted)[1)]	0.65	1.05
Consolidated Balance Sheet	**31.12.2021[3)]**	**31.12.2020**
Investment Properties (including inventories)	3,413.1	5,020.1
EPRA NRV (adjusted and fully diluted)	2,330.2	2,324.2
EPRA NRV per share in EUR (adjusted and fully diluted)[1)]	21.30	19.93
LTV in %[2)]	28.5	51.2
WACD	2.04	1.94
Cashflow	**2021**	**2020**
Net cash flow from operating activities	18.8	149.2
– of which from continuing operations	18.8	144.1
Net cash flow from investing activities	1,105.8	-145.0
– of which from continuing operations	1,105.8	-18.9
Net cash flow from financing activities	-976.2	-57.4
– of which from continuing operations	-976.2	-204.5
Employees	**31.12.2021**	**31.12.2020**
Number of employees	775	843
FTEs (Full-time equivalents)	723	778
Portfolio[4)]	**2021**	**2020**
Portfolio (units)	10,010	52,178
– of which residential	9,833	51,389
– of which commercial	177	789
Average rent (EUR /month/sqm)	6.96	6
Vacancy rate (%)	2.0	4.3
Fair value investment properties incl. inventories (EUR m)	1,676	5,020
Net rental income (EUR m)	52.9	219.9

1) Based on the number of shares outstanding as at balance sheet date
2) 2020: Excluding convertible bonds
3) Pro forma calculaton on assumption that subgroup Brack Capital Properties (BCP) was not treated as held for sale
4) Not including those rental units which have been regrouped to the balance sheet position „Non-current assets held for sale

/// CONTENT

/// PORTFOLIO

THE PROPERTY PORTFOLIO

At the end of 2021, ADLER Real Estate AG held a total of 10,010 rental units that are to be held on a permanent basis and are therefore recognized as investment properties in the balance sheet. They are mainly located in North Rhine-Westphalia and Berlin and cover a total area of 643,000 square meters. Rental units from the portfolio sales agreed at the end of 2021 are no longer included in this number because they have either been disposed of or reclassified to the balance sheet item "Non-current assets held for sale". The same applies to BCP's holdings, as ADLER has agreed on an option to sell them.

The operational performance data for the portfolio consisting of the remaining investment properties was as follows in 2021: The contracted rent/square meter/month averaged EUR 6.96 at the end of the reporting period, the vacancy rate (excluding units under renovation) reached 2,01 percent.

The fair value of this portfolio calculated according to IFRS amounted to EUR 1,662.8 million at the end of 2021, compared to EUR 4,951.8 million at the end of the previous year when the portfolio was still much larger. The fair value of the properties continued to rise in 2021, by EUR 225.2 million as reported in the consolidated statement of comprehensive income. However, this value includes the sub-portfolios that have already been sold or are in the process of being sold. The same applies to investments in maintenance and modernization, for which ADLER spent EUR 83.9 million in 2021 (2020: EUR 71.0 million). EUR 15.8 million of this related to ongoing maintenance, EUR 68.1 million to renovation and modernization measures which can be capitalised.

Regional focus shifting

ADLER holds properties mainly in Lower Saxony, North Rhine-Westfalia and in the eastern states of Germany. On average, apartments have a size of 60 square meters and are well adapted to the needs of the the main target group, tenants with average to below average incomes. Considering the two portfolio sales which encompassed mainly rental units in Lower Saxony and the eastern part of Germany, the regional focus of ADLER´s portfolio has shifted to Berlin and North Rhine-Westfalia.

In line with the Group´s strategy to reach the politically determined climatic goals, ADLER will, in the coming years, increase its investments in energetic modernisation of buildings and in substituting actual energy sources by sustainable ones. The targets read: Reduction of greenhouse gases by half until 2030 and modernising at least 2 percent of the buildings per year. In this setting, ADLER expects to invest a low double digit miilion amount per year into sustainability.

/// THE ADLER SHARE

Shares no longer playing a major role on the stock exchange

ADLER shares are no longer playing a major role on stock exchange price lists following the takeover by Adler Group in 2020. The free float declined further following the debt-to-equity swap, which was resolved in the fourth quarter of 2020 and completed in the first quarter of 2021. Adler Group held 96.7 percent of ADLER's shares as at 30 September 2021. Brokerage houses no longer issue reports on ADLER.

After the integration into Adler Group, ADLER has discontinued its investor relations activities. However, as long as it is listed as an independent public limited company, ADLER will continue to meet its associated obligations, which include quarterly reporting.

/// REPORT OF THE SUPERVISORY BOARD

Dear Shareholders,

In the past financial year, the Supervisory Board of ADLER Real Estate AG performed the duties assigned to it by law and the Articles of Association on an ongoing basis. These duties were carried out both in regular meetings and in individual discussions. The Supervisory Board supported the Management Board in an advisory capacity and monitored its activity. To this end, the Supervisory Board ensured it was informed about the company's financial position and has adopted appropriate resolutions. The Supervisory Board was in regular contact with the Management Board outside the meeting framework as well and was kept continually informed about the latest business developments. The Supervisory Board was directly involved in all decisions of fundamental importance to the company or the Group.

Changes in composition

In the 2021 financial year, the Management Board of ADLER Real Estate AG returned to its original number of three members after Tomas de Vargas Machuca left the board at the end of 2020. Thierry Beaudemoulin has been appointed to the Management Board effective April 1, 2021 and has assumed the duties of COO. There were no personnel changes on the Supervisory Board in 2021.

Claus Jorgensen left the Supervisory Board effective March 14, 2022. At the request of the Management Board of ADLER Real Estate AG, Dr. Peter Maser was nominated as a further member of the Supervisory Board with effect from March 14, 2022.

Supervisory Board meetings

The Management Board reports to the Supervisory Board at regular joint meetings. These are based on written reports submitted by the Management Board. With these reports, the Supervisory Board was kept informed both about the overall situation of the company and its subsidiaries and about individual matters of greater importance. The course of business, the company's situation, profitability and liquidity and its intended business policy and other fundamental matters of corporate management formed the key focuses of discussions, as did the situation of the Group's subsidiaries.

In the 2021 financial year, a total of four regular Supervisory Board meetings were held, which were planned as face-to-face meetings, but were all held in the form of video conferences due to the various restrictions to contain the corona pandemic.These took place on 24 March, 30 June, 16 September and 14 December. An additional Supervisory Board meeting, the only item on the agenda of which was the squeeze out of the Group company Westgrund AG, was scheduled for April 19, 2021. All members of the Supervisory Board attended these meetings of the Supervisory Board. In addition, further resolutions were passed in the context of extraordinary meetings or video/telephone conferences as well as circular resolutions. All members of the Supervisory Board also took part in these resolutions. Further discussions of the Supervisory Board served the exchange of information without resolutions being taken.

As, pursuant to the Articles of Association, the company's Supervisory Board comprises only three members, no committees have been formed. Within the framework of their activities, all Supervisory Board members addressed all of the tasks incumbent on the Supervisory Board.

Accordingly, all matters brought to the attention of the Supervisory Board and proposed resolutions were discussed and decided by the Supervisory Board as a whole. Following a proper review, the Supervisory Board consented to all transactions and measures requiring its approval as far as possible.

The Management Board provided the Supervisory Board with written quarterly reports on the course and status of business, the company's and the group´s profitability and liquidity, the business policies pursued and other fundamental matters of corporate planning.

Key focuses of activities

At its regular meetings, the Supervisory Board focused consistently on significant questions relating to corporate strategy, corporate planning and business development for the Group and the company as well as questions relating to financial and investment planning. The Board also dealt with risk and compliance reporting.

One focus of the Supervisory Board's activities was supporting measures to squeeze out the Group company Westgrund AG, which was then also resolved at an extraordinary general meeting of the company in the middle of the year. In the run-up to the repayment of the convertible bond in July 2021, dealing with activist shareholders was an important issue. In addition, the Supervisory Board accompanied the Management Board's efforts to reduce the comparatively high receivables from earlier asset sales, the payment terms of which had already been extended in some cases. Towards the end of the year, the Supervisory Board then focused on the allegations of Viceroy Research LLC against the company and the changes in the strategic objectives of the parent company, the Adler Group, which provided for the sale of larger sub-portfolios.

German Corporate Governance Code (DCGK)

Like the Management Board, the Supervisory Board is convinced that the German Corporate Governance Code (DCGK) sets out internationally and nationally recognised standards for good and responsible corporate management, which serve to enhance the management and supervision of publicly listed companies in Germany.

The provisions governing the management and supervision of publicly listed companies in Germany as pooled in the DCGK, as well as the recommendations and suggestions included in the Code in regard to internationally and nationally recognised standards of good and responsible corporate management, have been implemented at the company since 2002, i.e. the year of introduction of the Code, by the Management and Supervisory Boards of ADLER Real Estate AG. These provisions were implemented with few exceptions, and this practice has been retained in each case in the years since. To the extent that the provisions of the DCGK in its respectively valid form have not been complied with, this has been explained in the Declaration of Conformity pursuant to § 161 of the German Stock Corporation Act. This declaration has been made permanently available in its respectively valid version in the Investor Relations section of the company's website. Insofar as deviations from the provisions of the DCGK have occurred during the year, the Declaration of Conformity was updated accordingly.

ADLER Real Estate AG publishes its Declaration of Conformity on its website upon publication of its Corporate Governance Declaration pursuant to § 289f of the German Commercial Code (HGB).

In December 2021 and in March 2022, the Management Board and Supervisory Board jointly issued an updated Declaration of Conformity in accordance with Section 161 of the German Stock Corporation Act, which is published on the company's website. The act implementing the Second Shareholders' Rights Directive (ARUG II), which came into effect on 1 January 2020, and the new version of the German Corporate Governance Code 2020 were continuously monitored and are taken into account to the necessary extent in the work of the Supervisory Board.

There were no indications of any conflicts of interest on the part of either the Supervisory Board or the Management Board in the 2021 financial year.

2021 annual and consolidated financial statements

The annual financial statements of ADLER Real Estate AG prepared by the Management Board and the consolidated financial statements, including the combined management report, for the 2021 financial year have each been audited by KPMG AG Wirtschaftspruefungsgesellschaft, Frankfurt, the audit company elected by the Annual General Meeting on 14 December 2021. The financial statements were issued with a disclaimer of opinion because the auditor was not in a position to express an opinion.

The annual financial statements (HGB) and the consolidated financial statements (IFRS), including the combined management report, were submitted to the Supervisory Board for review, as were the auditor's reports on its audit of the annual and consolidated financial statements. At the meeting held to adopt the financial statements on April 30, 2022, the Supervisory Board discussed the documents relating to the annual financial and consolidated financial statements and reports with the Management Board. Its focus lay particularly on matters pertaining to the valuation of current and non-current assets, and in-depth discussions on this point were held. At this meeting, the auditor reported on the key findings of its audits and was on hand to provide the Supervisory Board with additional information. Based on its own review of the annual financial statements, consolidated financial statements and the combined management report, the Supervisory Board endorsed the auditor's findings and raised no objections following the final results of its review. By resolution dated April 30, 2022, the Supervisory Board approved the annual financial statements, which were thereby adopted pursuant to § 172 of the German Stock Corporation Act, and the consolidated financial statements.

Members of the Supervisory Board

Pursuant to § 96 AktG, the Supervisory Board comprises shareholder representatives.

The Supervisory Board would like to thank the employees of the Adler Group for their achievements, their commitment and their loyalty.

Berlin, April 2022

Martin Billhardt

Supervisory Board Chairman

/// COMBINED MANAGEMENT REPORT 2021

/// COMBINED MANAGEMENT REPORT 2021

1. GROUP FUNDAMENTALS OF ADLER REAL ESTATE AG

BUSINESS MODEL

ADLER is one of Germany's leading residential property companies with a focus on affordable housing. Its portfolio is primarily located in – or on the outskirts of – large and growing conurbations. All of the Group's properties and business operations are located in Germany. The Group's residential portfolio has been built up by acquiring individual portfolios or shares in property-holding companies.

ADLER's core business model is the long-term letting of flats and the generation of sustainable cash flows with a selective exposure to project developments with a 'build and hold' strategy, preferably in 'A' cities. To maximise long-term profitability, ADLER's residential real estate management business is complemented with advantageous acquisitions and disposals. All main functions relating to property management are carried out through the staff of Adler Group, of which ADLER has been part of since the middle of 2020. The daily management of the portfolio continues to be in the hands of group companies like ADLER Wohnen Service GmbH, ADLER Gebaeude Service GmbH and ADLER Energie Service GmbH. The BCP portfolio is currently managed by the group company RT Facility Management GmbH.

Residential real estate portfolio

ADLER's portfolio is largely composed of small to medium-sized residential units. The apartments have an average size of slightly over 60 square metres and are particularly well suited to the needs of the company's target group, namely tenants with low to medium incomes.

In order to maintain and improve the quality of its residential units, ADLER invests a mid double digit million amount of euros year after year.

Acquisition strategy

Following its integration into Adler Group, ADLER will no longer pursue its former independent acquisition strategy but will instead follow the overall strategy of the new Group.

ADLER regularly streamlines its portfolio as part of its portfolio optimisation process selling properties which do not fit the company strategy any longer.

Financing strategy

Following its integration into the new Adler Group, ADLER has ceased to pursue an independent financing strategy, but rather is subject to decisions taken by the new Group.

As part of Adler Group, ADLER has favourable access to both the market for secured bank debt and the market for unsecured financing.

MANAGEMENT SYSTEM

Financial performance indicators

The main financial performance indicators used by ADLER are: EPRA net reinstatement value (EPRA NRV, adjusted for goodwill and fully diluted), funds from operations I (FFO I) to indicate cash-flow-based operating earnings and loan-to-value (LTV) to indicate financial stability calculated as net debt/gross asset value.

Non-financial performance indicators

Numerous non-financial performance indicators are regularly monitored within the Group's property management activities. These indicators include the occupancy rate, the number of contract termination notices received from tenants, the number of new rental agreements, compliance with time schedules for maintenance measures, the availability of property managers and so forth.

Non-financial key figures also play a major role in the decisions concerning property portfolios. Factors such as changes in local infrastructure, expected demographic developments and potential changes in regional labour markets all influence future growth in the value of properties.

Other non-financial performance indicators recorded at ADLER are included in the non-financial reporting. These are not used for active management of the company. From 2020, ADLER is part of Adler Group's non-financial reporting, which is made available on the Adler Group's website.

EMPLOYEES

As the group holding company, ADLER has Management Board members but no employees. Operational tasks relating to central administration and portfolio management are performed within the Group by employees of Adler Group who are employed by other group companies and with whom corresponding service contracts exist.

RESEARCH AND DEVELOPMENT

As a real estate group, ADLER does not perform any research and development functions in the traditional sense. However, insights from regular market analyses form an important basis for all of the company's and Group's operating activities.

2. ECONOMIC REPORT

MACROECONOMIC AND SECTOR-SPECIFIC SETTINGS

2021, the German economy grew by 2.7 percent as compared to the same period of the previous year showing a significant recoverya after last year´s recession. In this environment, the real estate industry has again proven to be very resilient. While the inflation rate rose to 3.1 percent in 2021, rents, as determined by the cost of living index, were only 1.3 percent higher than in the previous year. In 2020, rents had increased by 1.4 percent while the inflation rate stayed as low as 0.5 percent.

Legal framework

At the end of June 2021, the federal government passed the rent index reform law. Accordingly, cities with more than 50,000 inhabitants are obliged to draw up a rent index in future. In addition, the new law obliges tenants and landlords to provide information about the amount of the rent they charge or pay. Rent indexes serve as a reference to determine local comparative rents.

In addition, at the end of June 2021, the amendment to the Climate Protection Act, which became necessary after the ruling by the Federal Constitutional Court, was passed. It stipulates that the goal of greenhouse gas neutrality shall be achieved as early as 2045, five years ahead of original plans. Accordingly, greenhouse gas emissions are to be reduced not just by 50 percent, but by 65 percent until 2030. The Climate Protection Act is flanked by an emergency program worth EUR eight billion. With this money many activities are to be promoted, such as the decarbonization of industry, climate-friendly mobility, sustainable forest and agriculture as well as energetic building renovation.

In connection with the amendment to the Climate Protection Act, the question of who should bear the CO_2 taxes on the heating energy used in rental apartments was also discussed in the political arena. Several models were discussed, some of which also provided for partial financing by the landlord. A final decision has been postponed to the next legislative period. Until then, tenants will bear the CO_2 taxes alone.

In the course of the general elections on September 26, 2021, the majority of voters in Berlin decided in favour of a referendum proposing the expropriation of real estate companies owning more than 3,000 rental units. Whether such a proposal will lead to corresponding political decisions in the future is hard to predict.

ECONOMIC DEVELOPMENT OF THE GROUP

On 8 January 2021, Adler Group S.A. placed a EUR 1.5 billion fixed-rate senior unsecured bond with institutional investors throughout Europe. The proceeds have been used in particular to repurchase ADLER bonds worth EUR 330 million that would have matured in December 2021.

The debt-to-equity swap agreed in the fourth quarter of 2020 was completed on 23 February 2021. The resulting capital increase was entered in the commercial register.

Towards the end of the third quarter, the sale of the shares in the Brack Capital Properties (BCP) development project in Dusseldorf/Gerresheim, which had already taken place in 2019, was cancelled. As a result, investment properties increased by EUR 270 million and financial liabilities to banks by EUR 148 million. Income from fair value adjustments was negatively affected by EUR 126 million, while the liabilities from deferred taxes were reduced by EUR 20 million.

On 11 October 2021, Adler Group and LEG Immobilien SE signed a term sheet setting out the key points of a transaction regarding the sale of a total of 15,535 rental units which all belong to ADLER Real Estate. The transaction has been concluded successfully at the turn of the year.

On 26 October 2021, Adler Group signed another term sheet with KKR/Velerio setting out the key points of a transaction regarding a total of 14,368 units. These units too belong to ADLER Real Estate. The transaction has been concluded successfully in Janauary 2022.

On 1 December 2021, Adler Group sold an approx. percent stake in Brack Capital Properties N.V. to LEG Grundstücksverwaltung GmbH. In addition, ADLER Real Estate has irrevocably undertaken vis-à-vis LEG to tender its remaining shares as part of a public tender offer by LEG for shares in BCP, provided that the price per share offered is not less than EUR 157.00 (EUR 765 million for the remaining ADLER stake) and that the (first) acceptance period ends no later than 30 September 2022.

3. RESULT FROM OPERATIONS, NET ASSETS AND FINANCIAL POSITION

RESULTS FROM OPERATIONS

ADLER generates its income almost exclusively from the management of its existing properties. This is the main focus of its business model.

In EUR millions	**2021**	**2020**
Gross rental income	337.8	354.7
– of which net rental income	225.6	239.7
Expenses from property lettings	-147.0	-143.5
Earnings from property lettings	**190.8**	**211.2**
Income from the sale of properties	1,428.7	836.5
Expenses from the sale of properties	-1,428.1	-824.4
Earnings from the sale of properties	**0.6**	**12.1**
Personnel expenses	-40.5	-45.0
Other operating income	83.3	19.2
Other operating expenses	-50.3	-78.4
Income from fair value adjustments of investment properties	225.2	239.5
Depreciation and amortisation	-33.3	-5.3
Earnings before interest and taxes (EBIT)	**375.8**	**353.3**
Financial result	-244.5	-70.9
Net income from at-equity valued investment associates	0.1	-5.9
Earnings before taxes (EBT)	**131.4**	**276.5**
Income taxes	-56.8	-81.4
Net consolidated result from continuing operation	**74.6**	**195.1**
Earnings after tax from discontinued operation	0.0	-499.5
Net consolidated result	**74.6**	**-304.4**

Earnings from property lettings decreased due to fewer property holdings

2021, gross rental income amounted to EUR 337.8 million. This was 4.8 percent lower than in the previous year (2020: EUR 354.7 million). Net rental income was down 5.9 percent year-on-year at EUR 225.6 million (2020: EUR 239.7 million). The decline in gross rental income and net rental income is mainly attributable to the fact that the disposals of non-core sub-portfolios in the second half of last year resulted in a reduction of nearly 9 percent in the overall portfolio. The portfolio sales at the end of 2020 have not yet had an effect here, since no rights and obligations were passed before the turn of the year.

A positive effect on gross and net rental income resulted from the fact that operating performance continued to improve.

Earnings from property lettings decreased slightly in 2021 compared to the previous year, reaching EUR 190.8 million (2020: EUR 211.2 million).

Low earnings from the sale of properties

2021, 1,605 residential units were transferred for which the sales and purchase agreement had already been signed in the previous year. Also, some commercial properties of subsidiary BCP were sold. At the end of the reporting period a portfolio of 15,500 units was sold. In total, these transactions resulted in income from the sale of properties of EUR 0.6 million.

Stable income from fair value adjustments of investment properties

Fair value valuations of investment properties resulted in income of EUR 225.2 million in 2021, a little less than in the previous year (2020: EUR 239,5 million). Herein contained is a negative contribution of EUR 126.0 million resulting from the cancellation of the sale of shares in BCP´s Dusseldorf/Gerresheim development project. The fair value adjustments reflect the improved operating performance as well as the ongoing positive market developments and the impact of the Federal Constitutional Court's ruling on the Berlin rent cap too.

Overall decrease in expenses

Overall, the expense items declined iin 2021. Personnel expenses decreased by 10.0 percent to EUR 40.5 million (2020: EUR 45.0 million). Other operating expenses fell to EUR 50.3 million (2020: EUR 78.4 million), which is mainly due to the fact that in the previous year, in the course of the acquisition of the ADO Group and the subsequent takeover bid by the Adler Group, extensive one-off expenses for Legal and consulting services were incurred.

Other operating income in 2021 was significantly higher than in the previous year as it includes the deconsolidation gains in connection with the portfolio transaction at the end of the year in the amount of EUR 73.8 million.

EBIT above previous year

After taking into account all non-financial expenses, earnings before interest and taxes (EBIT) came to EUR 375.8 million in 2021(2020: EUR 353.3 million).

Financial result and EBT below previous year

At minus EUR 244.5 million, the financial result for 2021 was lower than in the previous year (2020: minus EUR 70.9 million). This reflects the fact that, in 2021, several expenses had to be borne like prepayment penalties in the course of refinancing measures, value adjustements of financial assets and negative currency effects. In the previous year, however, comparatively high one-off financial income was generated from the subsequent valuation of the remaining shares in the Adler Group and the refinancing of ADO Group loans. Current financial expenses from the handling of bank loans and bonds, on the other hand, continued to decline.

Due to the decline in the financial result, earnings before taxes (EBT) too were lower than in the previous year. EBT came to EUR 131.4 million in 2021 (2020: EUR 276.5 million). Income tax expenses amounted to EUR 56.8 million (2020: EUR 81.4 million). The majority of these income tax expenses can be attributed to deferred taxes and are not recognised as cash.

Consolidated net profit from continuing operation totalled EUR 74.6 million in 2021 (2020: EUR 195.1 million), of which EUR 69.2 million were attributable to shareholders in the parent company (2020: EUR 145.8 million).

Segment reporting

In its segment reporting, ADLER distinguishes between "Rental" and "Other" segments. The "Rental" segment includes all ADLER's portfolios through the letting of which ADLER aims to generate long-term gross rental income. Gross rental income and the expenses associated with the letting business reflect the activities of the Group's Asset and Property Management, which manages residential units held in the portfolio in technical and commercial terms. This segment also includes the expenses for craftsmen and caretaker services, which are provided by the Group's Facility Management. To a limited extent, the segment also comprises commercial properties of BCP and project developments held for sale that are intended to be sold to third parties and are thus not intended to be transferred to the rental portfolio after completion.

Group activities that do not constitute stand-alone segments are pooled in the "Other" column. These mainly involve historic holdings relating to development projects that are still in the process of being sold off following the Group's realignment.

The following table shows the allocation of income and earnings, operating and financial expenses and results to the segments.

ADLER Group	**Rental**		**Other**		**Group**	
In EUR millions	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
Gross rental income and income from the sale of properties	1,766.3	1,191.0	0.1	0.2	1,766.4	1,191.2
– of which gross rental income	337.6	354.5	0.1	0.2	337.7	354.7
– of which income from sales	1,428.7	836.5	0.0	0.0	1,428.7	836.5
Change in the value of investment property	225.2	239.5	0.0	0.0	225.2	239.5
Earnings before interest and taxes (EBIT)	**375.9**	**353.3**	**-0.1**	**0.0**	**375.8**	**353.3**
Net income from at-equity-valued investment associates	0.1	-5.9	0.0	0.0	0.1	-5.9
Financial result	**-244.5**	**-71.1**	**0.0**	**0.1**	**-244.5**	**-71.0**
Earnings before taxes (EBT)	**131.4**	**276.4**	**0.0**	**0.1**	**131.4**	**276.5**

Funds from operations (FFO I) stable

As is customary in the real estate sector, ADLER refers to funds from operations (FFO) as its major cash-flow-based performance indicator in order to assess the profitability of its operating business. FFO I represents the performance of the property letting business.

As is documented in the overview provided below, FFO I is determined by first calculating earnings before interest, taxes, depreciation and amortisation, impairment losses and income from fair value adjustments of investment properties (EBITDA IFRS), and then adjusting this figure to exclude non-recurring and extra-ordinary items (adjusted EBITDA). The adjustments made involve items that are of a non-periodic nature, recur irregularly, are not typical for operations, or are non-cash-effective. These relate, in particular, to the optimisation and development of existing and new business fields and business processes, acquisition and integration expenses arising in the context of acquisitions, refinancing expenses and capital-related measures and further one-off items such as settlements and impairments of receivables. Interest expenses directly incurred in connection with the operating business are then deducted from this adjusted EBITDA figure (FFO I interest charges), as are any earnings generated from the sale of properties and current income taxes. Any investments made to maintain the condition of the properties but have not been capitalised are then added.

In EUR millions		2021	2020
Consolidated net profit		**74.6**	**-304.4**
of which from continuing operations		**74.6**	**195.1**
+	Financial result	244.5	92.3
	of which from continuing operations	244.5	70.9
+	Income taxes	56.8	79.7
	of which from continuing operations	56.8	81.3
+	Depreciation and amortisation	33.3	5.7
	of which from continuing operations	33.3	5.3
–	Income from measurement of investment properties	225.2	239.5
	of which from continuing operations	225.2	239.5
–	Net income from at-equity-valued investment associates	0.1	-5.9
	of which from continuing operations	0.1	-5.9
EBITDA IFRS (continuing and discontinued operations)		**183.9**	**-360.3**
+/–	Non-recurring and extraordinary items	3.9	542.4
Adjusted EBITA[3)]		**187.8**	**182.1**
–	Interest expense FFO	57.1	54.2
–	Current income taxes	3.7	5.0
–	Earnings before interest and taxes from the sale of properties, discontinued operations and minority interests	55.6	37.1
FFO I		**71.4**	**85.9**
Number of shares (basic)[1)]		109,416,860	73,658,680
FFO I per share (basic)		0.65	1.17
Number of shares (diluted)[2)]		109,416,860	81,482,427
FFO I per share (diluted)		0.65	1.05

[1)] 109,416,860 shares as at balance sheet date (previous year: 73,658,680)
[2)] Plus 0 shares from assumed conversion of convertible bonds with entitlement to conversion (previous year: 7,823,747)
[3)] Substantial investments are shown in the non-recurring and extraordinary items; the previous year was adjusted.

Non-recurring and extraordinary items are structured as follows:

Non-recurring and extraordinary items In EUR millions	2021	2020
Non-cash income/expenses and one-off payments	-6.5	37.6
Costs of acquisition/integration/sale	2.1	499.2
Preservation capex	7.7	3.3
Optimisation of business model, structuring	0.6	2.3
Total of non-recurring and extraordinary items	**3.9**	**542.4**

The FFO I interest charge is derived as follows:

Interest expense FFO I In EUR millions	2021	2020
Interest income	20.1	89.7
Interest expenses	-264.6	-182.0
Total interest income (continued and discontinued operations)	**-244.5**	**-92.3**
Adjustments		
Prepayment compensation and provision costs	45.2	8.3
Effects of measurement of primary financial instruments	10.6	28.3
Other adjustments	131.6	1.5
Interest expenses FFO I	**-57.1**	**-54.2**

Calculated this way, FFO I for 2021 amounted to EUR 71.4 million. FFO I per share was EUR 0.65 as at 31 December 2021, on a diluted basis as well as on an undiluted basis. Due to the substantial increase in capital stock in the interim, this was significantly lower than a year earlier.

NET ASSETS

In EUR millions	31.12.2021	as percentage of total assets	31.12.2021 adjusted[1)]	as percentage of total assets angepasst[1)]	31.12.2020	as percentage of total assets
Non-current assets	**1,822.7**	**32.6**	**3,541.3**	**63.4**	**5,578.4**	**88.7**
– of which investments properties	1,662.8	29.8	3,349.2	60.0	4,951.8	78.7
Current assets	**793.4**	**14.2**	**905.9**	**16.2**	**601.1**	**9.6**
– of which inventories	13.2	0.2	63.9	1.1	68.3	1.1
– of which cash and cash equivalents investments	296.8	5.3	321.7	5.8	149.9	2.4
Non-current assets held for sale	**2,968.6**	**53.2**	**1,137.5**	**20.4**	**112.8**	**1.7**
Assets	**5,584.7**	**100.0**	**5,584.7**	**100.0**	**6,292.3**	**100.0**
Equity	**2,144.0**	**38.4**	**2,144.0**	**38.4**	**1,580.8**	**25.1**
– of which capital stock	109.4	2.0	109.4	2.0	73.7	1.2
– of which capital reserve	772.6	13.8	772.6	13.8	280.2	4.5
– of which net retained profit	830.3	14.9	830.3	14.9	761.1	12.1
– of which non-controlling interests	431.7	7.7	431.7	7.7	465.8	7.4
Contributions made to carry out geh capital increase decided	**0.0**	**0.0**	**0.0**	**0.0**	**478.2**	**7.6**
Non-current liabilities	**2,023.9**	**36.2**	**2,600.0**	**46.6**	**3,073.3**	**48.8**
– of which liabilities from bonds	1,088.8	19.5	1,151.7	20.6	1,549.0	24.6
– of which financial liabilities to banks	703.8	12.6	1,059.1	19.0	1,039.2	16.5
Current liabilities	**551.5**	**9.9**	**840.6**	**15.1**	**1,132.8**	**18.0**
– of which liabilities from convertible bonds	0.0	0.0	0.0	0.0	97.4	1.5
– of which liabilities from bonds	421.9	7.6	433.5	7.8	530.3	8.4
– of which financial liabilities to banks	35.5	0.6	282.5	5.1	367.3	5.8
Liabilities held for sale	**865.3**	**15.5**	**0.0**	**0.0**	**27.2**	**0.5**
Equity and liabilities	**5,584.7**	**100.0**	**5,584.7**	**100.0**	**6,292.3**	**100.0**

[1)] Pro forma consolidated balance sheet in which the BCP subgroup is not considered a disposal group according to IFRS 5

On December 1, 2021, ADLER Real Estate has irrevocably undertaken to deliver its shares held in BCP as part of a public purchase offer by LEG for shares in BCP, provided certain conditions are met. As a result, BCP's assets have been reclassified to non-current assets held for sale and BCP's liabilities to liabilities held for sale. At the same time, a pro-forma balance sheet shows how the individual balance sheet items would appear if BCP were not considered a disposal group according to IFRS. This pro forma calculation will not be commented on further.

As at the reporting date of 31 December 2021, ADLER had net assets totalling EUR 5,584.7 million, 11.3 percent less than at the end of the previous year (EUR 6,292.3 million).

Decrease in investment properties

The main reason for the reduction in total assets is that assets were sold during the year under review. As a result, investment properties decreased significantly, even though positive market valuations continued to be achieved in 2021 and refurbishment and modernization measures were capitalized. The reversal of the sale of shares in the Gerresheim project at BCP also led to an addition. However, there was a reclassification of around 2.8 billion in investment properties to non-current assets held for sale. This relates to the portfolio sale, which only became effective after the end of the year, and the properties of BCP, whose assets and liabilities are also up for sale.

Current assets amounted to EUR 793.4 million as of the balance sheet date. The change compared to the beginning of the year is mainly explained by incoming payments for other current assets and a new loan to Adler Group S.A. Inventories were down because they were part of the portfolio sale at year-end.

Increase in shareholders' equity and equity ratio

Shareholders' equity amounted to EUR 2,144.0 million at the end of December 2021. The increase compared with the end of the previous year (EUR 1,580.8 million) is mainly attributable to the debt-to-equity swap that had been concluded in the first half of the year. As a result, the equity ratio increased by 13.3 percentage points to 38.4 percent.

Strong decrease in liabilities

Liabilities decreased significantly by EUR 792.6 million in 2021 as a result of the disposals and the repayment of the 2011/2021 bond. Non-current liabilities fell by EUR 1,049.4 million, while current liabilities, which included the 2011/2021 bond, fell by EUR 581.3 million. By contrast, liabilities held for sale increased by EUR 838.0 million. This includes all of BCP's liabilities, including those that were assumed during the course of the year with the reversal of the sale of shares in the Gerresheim project.

Loan to value (LTV)

ADLER calculates LTV as the ratio of adjusted net financial liabilities (financial liabilities adjusted for cash and cash equivalents, non-current assets held for sale, selected financial instruments, purchase price receivables and advance payments minus liabilities held for sale) to ADLER's total property assets, as is customary in the industry. LTV was 12.8 percent at the end of 2021

In EUR millions		31.12.2021	31.12.2021 adjusted[2]	31.12.2020
Convertible bonds		0.0	0.0	97.4
+	Bonds	1,510.7	1,585.2	2,079.3
+	Financial liabilities to banks	739.3	1,341.6	1,406.5
+	Financial liabilities to affiliated companies	0.0	0.0	22.6
–	Cash and cash equivalents	296.8	321.7	149.9
=	**Net financial liabilities**	**1,953.2**	**2,605.1**	**3,455.9**
–	Non-current assets held for sale and purchase price receivables, financial instruments minus liabilities associated with assets held for sale[1]	1,604.2	1,624.2	728.3
=	**Adjusted net financial liabilities**	**349.0**	**980.9**	**2,727.6**
Investment properties		1,662.8	3,349.2	4,951.8
+	Inventories	13.2	63.9	68.3
+	Property, plant and equipment for property management	12.9	12.9	16.4
+	Shares in real estate companies	10.5	17.3	99.7
+	Net financial liabilities of BCP[3]	1,023.5	0.0	0.0
=	**Gross asset value**	**2,722.9**	**3,443.3**	**5,136.2**
LTV including convertible bonds in %		12.8	28.5	53.1
LTV excluding convertible bonds in %		12.8	28.5	51.2

[1] Purchase price receivables including interest from the sale of ACCENTRO amounted to EUR 58.6 million (previous year: EUR 59.1 million); non-current assets held for sale excluding BCP amounted to EUR 1,079.9 million (previous year: EUR 112.8 million); equity instruments measured at fair value amounted to EUR 18.9 million (previous year: EUR 21.7 million) and debt instruments amounted to EUR 60.6 million (previous year: EUR 102.1 million); receivables/loans/loans to real estate companies amounted to EUR 386.2 million (previous year: EUR 459.8 million) and liabilities held for sale excluding BCP amounted to EUR 0 million (previous year: EUR 27.3 million)
[2] Based on a pro forma consolidated balance sheet in which the BCP subgroup is not considered a disposal group in accordance with IFRS 5
[3] Assets held for sale EUR 1,831.1 million (prior year: EUR 0.0 million) less liabilities held for sale EUR 865.3 million (prior year: EUR 0.0 million) of BCP subgroup

The average cost of debt for all the ADLER Group's liabilities (WACD = weighted average cost of debt) amounted to 2.04 percent as at 31 December 2021 (31 December 2020: 1.94 percent).

Decrease in net reinstatement value (EPRA NRV)

The net reinstatement value (EPRA NRV), adjusted for goodwill and fully diluted, which is calculated in accordance with the guidelines issued by the European Public Real Estate Association (EPRA), reached EUR 2,043.1 million as at 31 December 2021. It thus decreased by 12.1 percent compared with the figure at the end of 2020 (EUR 2,324.2 million).

Based on the total number of existing shares in circulation at the balance sheet date less treasury shares, diluted and adjusted EPRA NRV per share amounted to EUR 18.67 as at 31 December 2021 (31 December 2020: EUR 19.93).

In EUR millions	31.12.2021	31.12.2021 adjusted[3]	31.12.2020
Equity	**2,144.0**	**2,144.0**	**1,580.8**
Non-controlling interests	-431.7	-431.7	-465.8
Equity attributable to ADLER shareholders	**1,712.3**	**1,712.3**	**1,115.0**
Effect resulting from conversion of convertibles	0.0	0.0	96.2
Diluted equity of ADLER shareholders	**1,712.3**	**1,712.3**	**1,211.2**
Deferred tax liabilities on investment properties	281.7	442.3	519.2
Diff. between fair values and carrying amounts of inventory properties	0.0	-5.5	0.2
RETT on investment properties	94.9	191.8	282.7
Fair value of derivative financial instruments	1.3	1.3	3.1
Deferred taxes for derivative financial instruments	-0.4	-0.4	-0.9
EPRA NRV (diluted)	**2,089.8**	**2,341.8**	**2,015.5**
Goodwill - synergies	-46.7	-46.7	-169.4
Resolved capital increase	0.0	0.0	478.2[1]
Adjusted EPRA NRV (diluted)	**2,043.1**	**2,295.1**	**2,324.2**
Number of shares, diluted[2]	109,416,860	109,416,860	116,589,916
EPRA NRV per share (diluted) in EUR	**19.10**	**21.40**	**24.73**
Adjusted EPRA NRV per share (diluted) in EUR	**18.67**	**20.98**	**19.93**

[1] With the approval of the Supervisory Board, the Executive Board of ADLER had resolved on October 2, 2020 to exercise the authorized capital in the amount of EUR 35,107 thousand within the scope of a debt-equity swap announced by the Company on August 30, 2020 and to increase the Company's share capital entered in the commercial register accordingly. The necessary non-cash capital increase in the amount of EUR 478,163k was entered in the commercial register on February 23, 2021

[2] 109,416,860 shares as at balance sheet date (previous year: 73,658,680) plus assumed conversion of 0 outstanding convertibles entitled to be converted (previous year: 7,823,747) and plus the 0 shares newly created by the capital increase through contributions in kind (previous year: 35,107,489).

[3] Based on a pro forma consolidated balance sheet in which the BCP subgroup is not considered a disposal group in accordance with IFRS 5

FINANCIAL POSITION

In EUR millions	2021	2020
Cash flow from operating activities	18.8	149.2
– of which from continuing operations	18.8	144.1
Cash flow from investing activities	1,105.8	-145.0
– of which from continuing operations	1,105.8	-18.9
Cash flow from financing activities	-976.2	-57.4
– of which from continuing operations	-976.2	-204.5
Change in cash and cash equivalents due to changes in scope of consolidation	0.0	-413.7
Non-cash effective change in cash and cash equivalents from impairment losses	-1.5	-0.3
Non-cash effective change in cash and cash equivalents from currency translation	0.0	-7.9
Cash and cash equivalents at beginning of period	149.9	625.0
Cash and cash equivalents at end of period	296.8	149.9

After adjusting for non-cash income and expenses and taking into account the changes in working capital and investments in inventories (trading portfolio), the Group achieved a cash flow of EUR 18.8 million from operating activities (2020: EUR 149.2 million).

The cash flow from investing activities amounts to EUR 1,105.8 million (2020: cash outflow of EUR 145.0 million). At EUR 1,520.2 million, this mainly results from the sale of investment properties. In contrast, outflows resulted from payments for investments in investment properties in the amount of EUR 165.6 million and the issue of loans to the Adler Group in the amount of EUR 265.2 million.

The cash outflow from financing activities amounts to EUR 976.2 million (2020: EUR 57.4 million). The Group used the proceeds from the sale of investment properties to repay loans of EUR 725,1 million, bonds of EUR 511.3 million and convertible bonds of EUR 90.3 million. In addition, interest payments amounted to EUR 130.1 million. In the financial year, the Group took out loans in the amount of EUR 508.6 million. Inflows and outflows from loans and borrowings from affiliated companies relate to loans received from the Adler Group and interest and principal payments made to the Adler Group

As at 31 December 2021, the ADLER Group had cash and cash equivalents of EUR 296.8 million (31 December 2020: EUR 149.9 million).

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

OVERALL SUMMARY OF BUSINESS PERFORMANCE AND POSITION OF GROUP

Given the successful implementation of the Group's realignment after the business combination with Adler Group, the optimisation of the portfolio, the solid financing structure and the financing facilities secured on a long-term basis, the business performance and position of the Group are assessed as positive. The foundations have been laid for strong performance in the future.

4. EVENTS AFTER THE BALANCE SHEET DATE

On January 13, 2022, the contract to sell more than 14,400 residential and commercial units to a subsidiary of KKR & Co. Inc. was completed. The sale will be executed until the end of 2022 by selling individual properties in terms of an asset deal.

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

On March 14, 2022 Dr. Peter Maser was appointed member of the Supervisory Board of ADLER Real Estate AG following Claus Joergensen who left for personal reasons.

On March 30, 2022 ADLER signed a loan agreement on the granting of a loan in an amount of EUR 265 million to its majority shareholder, ADLER Group S.A. It bears an at arm's length interest rate. The Company's excess liquidity obtained in the course of transactions is thus used efficiently.

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

On April 19, 2022 the outstanding bond 2019/2022 has been repaid at maturity in the full amount of EUR 400 million.

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

No further events with the potential to significantly influence the earnings, assets and financial position of ADLER occurred between the end of the period under report and the editorial deadline for this report. The company's business performance up to the reporting date confirms the statements made in its report on expected developments.

5. REPORT ON EXPECTED DEVELOPMENTS

The statements made concerning the expected development in key financials for the 2022 financial year are based on current planning at ADLER, which includes all group companies.

General conditions remain stable

On the basis of expected ongoing economic growth, ADLER expects the macroeconomic conditions for companies in the property sector to remain stable overall in 2022 and demand housing fo continue to exceed supply at least in the main metropolitan areas. In addition, the many fugitives from the Ukraine war need shelter, even if it may only be temporary.

For 2022, the expectation of a sustainable high occupancy rate therefore again appears to be justified. The same applies to the assumption that there will continue to be scope for rent adjustments.

Stay successful with smaller portfolio

With last year´s transactions, ADLER has adjusted and downsized its portfolio considerably. This will inevitably have an impact on net rental income and FFO I. ADLER therefore expects 2022 net rental income in the range of EUR 94 to 98 million and 2022 FFO I in the range of EUR 18 to 19 million. This forecast is based on the assumption that BCP will not be part of ADLER anymore.

ADLER no longer makes forecasts for LTV after becoming part of the Adler Group, because these are made at Group level. The NRV is also not forecast because it is largely dependent on valuations over which ADLER has no influence.

	2021 reported	2021 guided	Δ reported to guided
Net Rental Income (EUR m)	225.6	225 to 230	reached
FFO I (EUR m)	71.4	70 to 75	reached

Previous year's forecasts met and partly exceeded

ADLER was able to meet and partly exceed the 2021 targets it had set itself. Net rental incomeand FFO I came out within the target corridor. Overall, the forecasts for 2021 provided an accurate picture of the future economic development of ADLER Real Estate AG.

6. ADDITIONAL STATUTORY DISCLOSURE

Supplementary disclosures pursuant to Section 289a (1) and Section 315a (1) of the German Commercial Code (HGB)

Composition of subscribed capital

The fully paid-up capital stock of ADLER Real Estate AG amounted to EUR 73,658,680 as at 31 December 2020 (previous year: EUR 71,063,743) and was divided into 73,658,680 no-par bearer shares (previous year: 71,063,743). All shares confer the same rights. Each share grants one vote and determines the bearer's interest in the company's net profit.

Restrictions on voting rights and transfers of shares

No restrictions have been agreed in respect of voting rights or transfers of shares.

Direct or indirect voting rights exceeding 10 percent

The company is aware of the following direct or indirect equity interests accounting for more than 10 percent of voting rights at the end of 2020:
An equity interest in Adler Group S.A., Luxembourg, Grand Duchy of Luxembourg, comprising 70,759,977 voting rights in total. This equates to a share of 93.86 percent in the capital stock on the balance sheet date.

Shares with special rights granting powers of control

There are no shares in the company with special rights granting powers of control.

Type of voting right control for employee shareholdings

Like other shareholders, employees with an interest in ADLER's capital stock exercise their rights of control in accordance with statutory provisions and the Articles of Association. There is no indirect voting right control.

Statutory provisions and provisions of the Articles of Association regarding the appointment and dismissal of members of the Management Board and amendments to the Articles of Association

The appointment and dismissal of Management Board members is based on Sections 84 and 85 of the German Stock Corporation Act (AktG). Accordingly, Management Board members are generally appointed by the Supervisory Board for a maximum term of five years and cannot be called from office unless for an important reason. Repeated terms in office, or extensions of terms in office, in each case by five years, are permitted. In addition, Section 7 of the Articles of Association stipulates that the number of Management Board members is determined by the Supervisory Board and that the Management Board consists of one or more persons.

In accordance with Section 179 (2) AktG in connection with Section 22 of the Articles of Association of the company, amendments to the Articles of Association that do not concern a change in the purpose of the company require a resolution of the Annual General Meeting, which requires a simple majority of the capital stock represented in the vote. The Supervisory Board is also authorised, under Section 16 of the Articles of Association, to resolve changes to the Articles of Association that relate solely to the wording.

Powers of the Management Board to issue and buy back shares

Authorisation to acquire treasury shares

By resolution adopted by the Annual General Meeting of ADLER Real Estate Aktiengesellschaft on 11 June 2019, the Management Board is authorised until 10 June 2024 to acquire and dispose of treasury shares up to a total of 10 percent of the capital stock and to use the treasury shares thereby acquired to the exclusion of shareholders' subscription rights. The treasury shares acquired on the basis of this resolution may also be retired. The full wording of the resolution is stated in the invitation to the Annual General Meeting published in the Federal Gazette (Bundesanzeiger) on 29 April 2019. By 2019, the company acquired 2,583,232 treasury shares through three share buyback programmes on the basis of older share buyback authorisations. In 2019, 980,000 of these treasury shares were used as acquisition currency to acquire a property portfolio. In 2020, a further 1,603,232 treasury shares were transferred to Adler Group S.A. as part of a debt-to-equity swap. As at the balance sheet date of 31 December 2020, there were no remaining treasury shares in the company.

Authorised capital as per Section 4 (2) of the Articles of Association

At the company's annual general meeting on December 15, 2020, the creation of new authorized capital was resolved. According to the new Section 4 (2) of the Articles of Association, the Management Board is authorized to increase the Company's share capital with the consent of the Supervisory Board up to and including December 14, 2025 on one or more occasions by up to a total of EUR 20,000,000.00 against cash and/or to increase contributions in kind by issuing up to 20,000,000 new no-par value bearer shares with a proportionate amount of the share capital of EUR 1.00 each. The Executive Board is authorized, with the consent of the Supervisory Board, to exclude the shareholders' subscription rights in the cases specified in the new Section 4 (2) of the Articles of Association. The new authorized capital was entered in the Berlin-Charlottenburg commercial register on March 4, 2021.

Authorised capital as per Section 4 (3) of the Articles of Association

Pursuant to Section 4 (3) of the Articles of Association, the Management Board is authorised until 10 June 2024, subject to the approval of the Supervisory Board, to increase the company's capital stock on one or several occasions by a total of up to EUR 23,000,000 by issuing up to 23,000,000 new no-par bearer shares in return for cash contributions or contributions in kind. The Management Board is authorised, subject to the approval of the Supervisory Board, to exclude shareholders' subscription rights in the cases listed in Section 4 (3) of the Articles of Association.

On 29 September 2020, the Management Board resolved, with the approval of the Supervisory Board on 2 October 2020, to utilise the authorised capital pursuant to Section 4 (2) of the Articles of Association and the authorised capital pursuant to Section 4 (3) of the Articles of Association for an increase in share capital against contributions in kind excluding shareholders' subscription rights as part of a debt-to-equity-swap with Adler Group S.A. In the context of the debt-to-equity-swap, the authorised capital pursuant to Section 4 (2) of the Articles of Association was fully utilised in the amount of EUR 12,500,000.00 and the authorised capital pursuant to Section 4 (3) of the Articles of Association was utilised in the amount of EUR 22,607,487.00. This means there is only EUR 392,513.00 left available of the authorised capital pursuant to Section 4 (3) of the Articles of Association. The utilisation of the authorised capital meant that the company's capital stock entered in the Commercial Register was increased from the current level of EUR 71,063,743.00 to EUR 106,171,230.00 through the issue of 35,107,487 new shares. This capital measure was entered in the Commercial Register of Berlin-Charlottenburg on 23 February 2021.

Contingent capital as per Section 4 (4) of the Articles of Association

Pursuant to Section 4 (4) of the Articles of Association, the company's capital stock is contingently increased by up to EUR 22,000,000 by issuing up to 22,000,000 new no-par bearer shares (Contingent Capital 2019).

The contingent capital increase exclusively serves to issue shares to the bearers of warrant or convertible bonds issued until 10 June 2024 on the basis of the authorisation granted by the Annual General Meeting on 11 June 2019.

In accordance with the terms and conditions of the respective warrant and/or convertible bonds, the contingent capital increase also serves to issue shares to bearers of warrant and/or conversion bonds furnished with warrant and/or conversion obligations. The contingent capital increase is only executed to the extent that the bearers of warrant and/or convertible bonds exercise their option and conversion rights, or that the bearers of warrant or convertible bonds obliged to exercise their options or convert their bonds meet such obligations to exercise their options or convert their bonds, to the extent that the option or conversion rights are not satisfied by issuing treasury shares or that other forms of settlement are not drawn on to satisfy the respective claims. The new shares enjoy dividend entitlements from the beginning of the financial year in which they are issued, for all financial years for which the Annual General Meeting has not yet adopted any resolutions in respect of the appropriation of profit.

Contingent capital as per Section 4 (5) of the Articles of Association

Pursuant to Section 4 (5) of the Articles of Association, the company's capital stock is contingently increased by up to EUR 12,000,000 by issuing up to 12,000,000 new no-par bearer shares (Contingent Capital 2015/I).

The contingent capital increase exclusively serves to issue shares to the bearers of warrant or convertible bonds issued until 21 May 2020 on the basis of the authorisation granted by the Annual General Meeting on 22 May 2015 in the version set out in the authorisation adopted by the Annual General Meeting on 9 June 2016.

In accordance with the terms and conditions of the warrant and convertible bonds, the contingent capital increase also serves to issue shares to the bearers of warrant or convertible bonds furnished with option or conversion obligations. The contingent capital increase is only executed to the extent that the bearers of warrant and/or convertible bonds exercise their option and conversion rights, or that the bearers of warrant or convertible bonds obliged to exercise their options or convert their bonds meet such obligations to exercise their options or convert their bonds, to the extent that the option or conversion rights are not satisfied by issuing treasury shares or that other forms of settlement are not drawn on to satisfy the respective claims. The new shares enjoy dividend entitlements from the beginning of the financial year in which they are issued, for all financial years for which the Annual General Meeting has not yet adopted any resolutions in respect of the appropriation of profit.

Following the exercising of conversion rights in connection with the 2016/2021 convertible bond issued on 19 July 2016 (ISIN DE000A161XW6), Contingent Capital 2015/I still amounted to EUR 8,142,544 on the balance sheet date.

Authorisation to issue warrant and/or convertible bonds

2019 Authorisation

By resolution adopted by the Annual General Meeting on 11 June 2016, the Management Board is authorised, subject to approval by the Supervisory Board, to issue, on one or more occasions up to and including 10 June 2024, bearer or registered warrant and/or convertible bonds with a total nominal amount of up to EUR 700,000,000 with a maximum term of ten years, and to grant the bearers of warrant and/or convertible bonds warrant or conversion rights to up to 22,000,000 new no-par bearer shares in the company in accordance with the more detailed terms and conditions of the warrant or convertible bonds.

Shareholders are intrinsically entitled to subscription rights to the warrant or convertible bonds. The Management Board is nevertheless authorised, subject to approval by the Supervisory Board, to exclude shareholders' entitlement to subscribe to warrant or convertible bonds in specific cases. The Management Board is also authorised to stipulate all further details relating to the issue and furnishing of warrant and convertible bonds and their specific terms and conditions.

Significant arrangements subject to a change of control following a takeover bid and their repercussions

Bond conditions of the corporate bonds and convertible bonds issued by ADLER Real Estate AG provide for the fact that the respective bond creditors are entitled to demand premature redemption of their bonds on the conditions set out in the terms of the respective bonds in the event of any potential change of control as a result of a takeover bid. The convertible bonds may also be converted at an adjusted conversion price set out in the terms of the bonds. Agreements subject to a change of control also exist with members of the Management Board and certain employees.

Compensation agreements with the members of the Management Board or with employees in the event of a takeover bid

Each Management Board member has special termination rights, should a change of control event occur. The respective Management Board member is entitled to receive a settlement payment corresponding to the capitalised basic compensation for the originally agreed remaining term of their employment contract, limited to a maximum of two years, should these special termination rights be exercised.

Supervisory Board compensation

The Extraordinary General Meeting held by the company on 15 October 2015 adopted a resolution determining that, alongside the reimbursement of their expenses, each member of the Supervisory Board should receive fixed annual compensation, the amount of which should be determined by the Annual General Meeting. The company's Annual General Meeting on 7 June 2017 set the Supervisory Board compensation as follows: for the 2017 financial year and subsequent financial years, alongside the reimbursement of their expenses, each Supervisory Board member shall receive annual compensation of EUR 50,000. The Chairman receives EUR 100,000 and his deputy receives EUR 75,000.

Should this compensation and reimbursement of expenses be subject to VAT, then this is also reimbursed by the company in cases where it can be separately invoiced by the Supervisory Board member. Furthermore, the company pays the insurance premiums for the liability insurance taken out to cover the activities of its Supervisory Board members (D&O insurance).

Corporate governance declaration pursuant to § 289f HGB and § 315d HGB

The corporate governance declaration is published annually in the Investor Relations/Corporate Governance section of the company's website and can be found at the following URL:
http://adler-ag.com/investor-relations/corporate-governance/declaration-of-corporate-governance

Closing declaration of the Management Board in the dependency report (section 312 (3) sentence 1 AktG)

In accordance with Section 312 AktG, the Management Board has prepared a report on relationships with affiliated companies and made the following declaration in it: The Management Board declares that, based on the circumstances known to the Management Board at the time the legal transactions were carried out, ADLER Real Estate AG has received appropriate consideration for every legal transaction. Measures in the interest of or at the instigation of the controlling company or its affiliated companies have not been taken and have not been omitted.

7. REMUNERATION REPORT

REMUNERATION REPORT OF ADLER REAL ESTATE AKTIENGESELLSCHAFT FOR FINANCIAL YEAR 2021

This remuneration report describes the remuneration granted and owed individually to the acting members of the Management Board and Supervisory Board of ADLER Real Estate Aktiengesellschaft in financial year 2021 in the period from 1 January 2021 to 31 December 2021. The other acting members of the Company's Management Board did not receive any remuneration from ADLER Real Estate Aktiengesellschaft, but received third-party benefits in accordance with section 162(2) no. 1 of the AktG. The report provides a detailed and individualised explanation of the structure and amount of the individual components of Executive Board and Supervisory Board compensation. The remuneration report was prepared jointly by the Executive Board and the Supervisory Board and is based on the requirements of the German Stock Corporation Act (§ 162 AktG) and complies with the applicable recommendations of the German Corporate Governance Code (DCGK). Clear, comprehensible and transparent reporting is very important to both the Executive Board and the Supervisory Board.

The description of the remuneration systems for the members of the Management Board and Supervisory Board of ADLER Real Estate Aktiengesellschaft is also available on the company´s website at https://adler-ag.com/en/investor-relations-3/.

Berlin, 30 April 2022

Compensation of the members of the Management Board of ADLER Real Estate Aktiengesellschaft

The remuneration of the members of the Management Board of ADLER Real Estate Aktiengesellschaft (hereinafter: Management Board members) for the financial year 2021 described below is based on the remuneration system resolved by the Supervisory Board in its meeting on 27 October 2021 pursuant to § 87a (1) AktG and approved by the Annual General Meeting on 14 December 2021 with a majority of 99.39 percent of the votes cast. Pursuant to § 120a (1) sentence 1 AktG, the Annual General Meeting of a listed company shall resolve on the approval of the remuneration system for the members of the Management Board presented by the Supervisory Board whenever there is a material change to the remuneration system, but at least every four years, i.e. at the latest at the Annual General Meeting in 2025. The remuneration system shall apply to all Management Board employment contracts that are extended or newly concluded by ADLER Real Estate Aktiengesellschaft after the approval by the Annual General Meeting on 14 December 2021. For financial year 2021, the new remuneration system has not yet been applied to any member of the Executive Board, as all Executive Board contracts were concluded or extended before 1 October 2021. A full description of the Executive Board remuneration system is publicly available at https://adler-ag.com/investor-relations/.

Strategy and compensation

As a leading residential property company in Germany with a focus on affordable housing, ADLER Real Estate Aktiengesellschaft's portfolio consists primarily of properties in large and growing metropolitan areas in northern, eastern and western Germany as well as their outlying districts, and offers significant potential for appreciation in terms of valuation gains, vacancy reduction and rent increases. The business strategy is to let flats on a long-term basis and generate sustainable cash flows. It is complemented by selected development projects, preferably in A-cities. In order to ensure profitability in the long term, ADLER Real Estate Aktiengesellschaft supplements or changes its residential property portfolio through acquisitions and sales when the opportunity arises. The Executive Board's remuneration system is designed to promote the implementation of the corporate strategy and long-term development of the Company while avoiding disproportionate risks. To this end, the right incentives are to be set for increasing earnings and revenue growth as well as other relevant strategic issues aimed at the Company's sustainable development.

In designing the remuneration system for Executive Board members, the Supervisory Board was guided by the following principles:

- Compliance with the provisions of stock corporation law as well as the principles of good corporate gove rnance;
- Focus on performance-related compensation based on clear and unambiguous criteria;
- Alignment of variable compensation with the business strategy of ADLER Real Estate Aktiengesellschaft;

- Consideration of the remuneration of comparable companies in the real estate sector;
- Promotion of a sustainable and long-term development of ADLER Real Estate Aktiengesellschaft; and
- Consideration of market practice and remuneration levels within the Group, where appropriate.

Change in the composition of the Executive Board and the Supervisory Board

Thierry Beaudemoulin, born in Montreuil in 1971, Master in Regional and Urban Strategy (Institut d'Etudes Politiques de Paris), has been a member of the Management Board of ADLER Real Estate Aktiengesellschaft since 1 April 2021. He has taken over the role of Co-CEO alongside Maximilian Rienecker, as well as the sole role of Chief Operating Officer (COO) from fellow Executive Board member Sven-Christian Frank. Sven-Christian Frank, who has been a member of the Executive Board since 9 June 2016, now performs the function of Chief Legal Officer (CLO) as of 1 April 2021.

Thierry Beaudemoulin worked for real estate companies in France, the Netherlands, Belgium and Spain. In Germany, he was CEO of Covivio Germany and CEO of ADO Properties S.A. before ADO Properties S.A. merged with ADLER Real Estate Aktiengesellschaft. Thierry Beaudemoulin has been active in the real estate sector for more than twenty years.

There were no changes in the composition of the company's Supervisory Board in the 2021 financial year.

Remuneration system at a glance

Pursuant to § 87 para. 1 of the German Stock Corporation Act (AktG), the supervisory board determines the total remuneration for each individual member of the executive board and defines a target total remuneration for each member of the executive board. In doing so, it ensures that the total remuneration is commensurate with the tasks and performance of the respective member of the executive board and the situation of the company and does not exceed the customary remuneration without special reasons.

In addition, the supervisory board shall ensure that the target total remuneration is geared towards the long-term and sustainable development of the company and that the long-term variable remuneration components have a multi-year assessment basis. If variable remuneration is granted, the performance criteria relevant for the variable short-term remuneration components shall be determined by the supervisory board for each member of the executive board, guided primarily by strategic objectives in addition to operational ones. In doing so, the supervisory board shall determine the extent to which targets are authoritative individually and for all members of the executive board collectively. Subsequent changes to the target values or the comparison parameters are limited to extraordinary events that lead to a significant change in the parameters of the variable short-term remuneration components, such as a merger or the acquisition or sale of significant assets. After the end of the financial year, the Supervisory Board determines the amount of the individual remuneration components to be paid out for the financial year depending on the achievement of targets. In doing so, the Supervisory Board ensures that the Executive Board remuneration is comprehensible in terms of reason and amount. The amount of the total remuneration is regularly reviewed by the supervisory board for appropriateness. In doing so, the Supervisory Board reviews the appropriateness and customary nature of the remuneration, also taking into account the remuneration structure within ADLER Real Estate Aktiengesellschaft, to the extent that this is reasonable in view of the employee structure and number, and decides on any need for adjustment.

In addition, the supervisory board reserves the right, pursuant to section 87 (2) sentence 2 AktG, to temporarily deviate from the remuneration system if this is necessary in the interest of the long-term well-being of the company. Depending on the situation of the individual case, this may concern the individual remuneration components, but also the other components of the remuneration system.

If the supervisory board deems a deviation from the remuneration system necessary in the interest of the long-term welfare of the company, the supervisory board shall pass a resolution on this, present the deviation in the remuneration report (§ 162 AktG) and inform the next ordinary general meeting about the temporary deviation and the reasons for it.

The regulations of the German Stock Corporation Act and the German Corporate Governance Code on the treatment of conflicts of interest for the members of the Supervisory Board are observed both in the course of the establishment and implementation of the remuneration system and in its ongoing review. If conflicts of interest exist, the members of the Supervisory Board concerned disclose them to the Chairman of the Supervisory Board and abstain from voting in the corresponding votes. In addition, the Chairman of the Supervisory Board reports any conflicts of interest that have arisen and how they have been handled to the Annual General Meeting of ADLER Real Estate Aktiengesellschaft. If the conflicts of interest are material and not merely temporary, they lead to a termination of the Supervisory Board mandate.

With regard to the remuneration structure, the relative shares of the individual remuneration components in the target total remuneration should be structured in such a way that the (partial) sum of the annual fixed salary, non-cash benefits and other benefits and any long-term variable remuneration components exceeds any short-term variable remuneration components. This is intended to avoid an excessively short-term orientation of the target total remuneration and at the same time to ensure that the target total remuneration as a whole is geared towards the sustainable and long-term development of the Company in accordance with ADLER's business strategy.

The total remuneration of the Executive Board may consist of the following fixed and variable remuneration components and is presented as follows:

Fixed remuneration components

	Basic remuneration	Remuneration in kind
Strategy	The basic remuneration ensures an appropriate basic income, taking into account the qualifications of the Executive Board member and the area of responsibility, to attract and retain qualified Executive Board members while avoiding inappropriate risk.	Costs incurred in direct connection with Executive Board activities are reimbursed within the scope of what is customary in the market.
Structure in the remuneration system	Annual fixed salary based on the tasks of the respective Executive Board member and taking into account the individual role of the Executive Board member within the Executive Board, experience, area of responsibility and market conditions.	- Company car - Communication equipment (mobile phone) - Subsidies for statutory or private social insurance (especially pension, health and long-term care insurance) - Payment of accident insurance costs in the event of death or disability
Payment	In monthly intalments	Assumption of benefits in kind and fringe benefits depending on the benefits claimed.
Application in fiscal year 2021	The basic remuneration was paid in monthly instalments.	The payment of benefits in kind was made depending on the benefits claimed.

Variable remuneration components

	Short-term variable remuneration (Annual bonus)	Long-term variable remuneration (Share-based)
Strategy	Members of the Executive Board should consistently align their actions with the company's business strategy and focus on the goal of long-term letting of flats and the generation of sustainable cash flows. The respective individual goals take into account the special expertise and distribution of responsibilities within the Executive Board.	The long-term variable compensation ensures that the members of the Management Board align their actions with a long-term increase in the value of ADLER Real Estate Aktiengesellschaft, and thus not only contribute to the implementation of the business strategy, but also serve the interests of the shareholders at the same time. This is ensured by the link to the share price, the formulation of demanding and objectively verifiable performance targets and, last but not least, a vesting period of several years, whereby the long-term incentive ("LTI") is used to participate in future increases in the Company's enterprise value and, conversely, in the event of poor performance and the absence of an increase in the Company's value, a lower long-term variable remuneration is selected.
Structure in the remuneration system	- The Supervisory Board sets targets for each financial year and each Executive Board member - If target is exceeded - Short Term Incentive ("STI") up to 200 per cent of the agreed STI. - Non-financial performance criteria result from environmental, employee or social concerns - Financial performance criteria take into account the development of the share price, the consolidated result in relation to planning and target figures as well as the occupancy rate and the development of key figures such as EBITDA, EPRA NRV, LTV (loan to value) and weighted average cost of debt.	If subscription rights are granted, they must relate to shares of ADLER Real Estate Aktiengesellschaft or a company affiliated with ADLER Real Estate Aktiengesellschaft in accordance with § 192 (2) no. 3 AktG. The LTI should be geared towards the long-term and sustainable development of the company and have a multi-year assessment basis. The LTI must contain ambitious and objectively verifiable performance targets, specify clearly defined acquisition and exercise periods and, in the case of share subscription rights, provide for a waiting period of at least four years before they can be exercised for the first time (cf. § 193 (2) no. 4 AktG).
	Additional bonus at the discretion of the Supervisory Board to reflect exceptional performance.	
Application in fiscal year 2021	The members of the Executive Board receive short-term variable remuneration, 60 per cent of which is based on the achievement of predefined targets for the respective financial year.	The members of the Management Board receive long-term variable remuneration, 40 percent of which is based on the achievement of predefined targets over a period of several years in order to achieve the sustainable further development of ADLER Real Estate Aktiengesellschaft. The variable remuneration is limited in amount and structured in such a way that both positive and negative developments can be taken into account.

Other essential components of the remuneration system

	Maximum remuneration	Malus /Clawback
Strategy	Avoidance of unreasonably high payouts	Creation of opportunities to reduce Executive Board remuneration
Structure in the remuneration system	The maximum remuneration per Executive Board member is limited to EUR 900,000.00 for each financial year.	In addition to the possibility of reducing Management Board compensation as regulated in § 87 (2) AktG, the employment contracts shall provide that in the event of culpable breaches of duty by a Management Board member that result in damage to ADLER Real Estate Aktiengesellschaft, the Supervisory Board shall be entitled to withhold or reclaim all variable compensation for the financial year in question.
Application in fiscal year 2021	No application in the 2021 financial year	No application in the 2021 financial year

	Benefits in the event of illness	Benefits in the event of termination of the activity	Secondary activities
Strategy	Cover in the event of illness should be possible after weighing up the interests of the company.	Setting an upper limit for benefits on the occasion of the premature termination of Executive Board activities in order to avoid unreasonably high compensation payments.	Secondary activities which do not conflict with the interests of the Company shall be permitted.
Structure in the remuneration system	In the event of temporary incapacity to work through no fault of the employee, the fixed annual salary may be paid for a maximum period of up to 12 months. In the event of an incapacity for work that is not merely temporary, the fixed annual salary may be paid until the end of the calendar year in question.	If the employment contract is terminated before the end of its term for reasons for which the Executive Board member is not responsible, the amount of remuneration still outstanding and to be granted shall be limited to two annual salaries. If, on the other hand, the employment contract is terminated before the end of its term for reasons for which the member of the executive board is responsible, the remuneration claims shall lapse completely.	Remuneration at affiliated companies, e.g. in the context of dual mandates on the Executive Board or comparable positions, shall not be taken into account.
Application in fiscal year 2021	No application in the 2021 financial year	No application in the 2021 financial year	No application in the 2021 financial year

Executive Board Remuneration System until 14 December 2021

Prior to the introduction of the current remuneration system, the remuneration of the Executive Board members was carried out in accordance with the principles outlined below, whereby the system was applied exclusively to Mr Sven-Christian Frank in the 2021 financial year. The other acting members of the Executive Board did not receive any remuneration from the company in the 2021 financial year, but received remuneration from Group companies.

Remuneration of the Executive Board consists of a non-performance-related fixed annual salary, which is paid out as a salary in equal monthly instalments, and the non-cash benefit from the provision of company cars and the reimbursement of health and long-term care insurance. In addition, the Executive Board receives reimbursement for expenses incurred in the exercise of the office in a proven amount.

In addition to the basic annual remuneration, the members of the Management Board receive variable remuneration, 60 percent of which is based on the achievement of predefined targets for the respective financial year and 40 percent of which is based on the achievement of predefined targets with a multi-year observation period in order to achieve the sustainable further development of ADLER Real Estate Aktiengesellschaft.

The variable remuneration for a financial year consists of an annual bonus (STI) and a multi-year bonus (LTI). The STI is intended to reward the achievement of targets in the respective bonus year and the LTI is intended to ensure that targets are achieved on a sustainable basis.

The variable remuneration for Mr. Frank amounts to a total of EUR 250,000.00 per bonus year, i.e. for STI and LTI together, assuming a target achievement level of 100 percent.

The degree of target achievement can range from 0 percent to 125 percent. In the case of several individual targets, the average of the degrees of target achievement for all individual targets is taken as the basis for the degree of target achievement. If the degree of target achievement is less than 80 percent, there is no entitlement to variable remuneration. In the event that the respective agreed targets are exceeded, i.e. a degree of target achievement of more than 100 percent in total is achieved, the amount of variable remuneration is limited to a maximum of 125 percent of the variable remuneration amount.

In determining the degree of target achievement, the Supervisory Board has a margin of judgement within the limits of fairness. In addition, the Supervisory Board is entitled at any time to grant an additional bonus at its discretion.

Target agreement/setting

The Supervisory Board concludes a written target agreement with the Executive Board members in the planning meeting in December of the year preceding the bonus year, taking into account the Executive Board's plans. In case of the occurrence of extraordinary circumstances, the target agreement can be adjusted in the joint balance sheet meeting (usually in March of the following year).

The target agreement contains the respective targets and target values for the STI and LTI as well as, in the case of several targets, a percentage weighting of the targets in relation to each other. These criteria result from the importance of the targets for ADLER Real Estate Aktiengesellschaft and the strategy in the respective financial year.

If an agreement on targets is not reached within one month of the date on which you received the targets, the Supervisory Board may unilaterally determine the targets, target sizes and the weighting of the targets in relation to each other at its reasonable discretion.

Short Term Incentive (STI)

60 percent of the variable remuneration is allocated to the STI. This is intended to reward the achievement of targets in the respective bonus year.

The STI is calculated and paid out by 31 March of the respective following year after the degree of target achievement has been determined (due date).

Long Term Incentive (LTI)

40 percent of the variable remuneration is allocated to the LTI. The objective of the LTI is the sustainable performance of ADLER Real Estate Aktiengesellschaft. The LTI is calculated after determining the degree of target achievement by 31 March of the respective following year.

Payment of the LTI is deferred and is then made in annual instalments of one third of the total amount. The annual instalment is due for payment no later than 31 March of the respective calendar year, for the first time one year after the determination of the degree of target achievement (payment date).

A prerequisite for the payment of each instalment is that the target achievement to be rewarded by the LTI continues to have a sustainable effect at the respective payment date.

The sustainability is verified by an ex-post evaluation of the target achievement, which can lead to a reduction of the outstanding partial amounts or even to their complete forfeiture (malus regulation); an increase of the LTI through the ex-post evaluation is excluded. A reduction / forfeiture within the framework of the ex-post consideration is possible in particular in the event of

- a significant decline in the financial performance of ADLER Real Estate Aktiengesellschaft,
- the existence of evidence of misconduct or serious misconduct on the part of a member of the Management Board, in particular with regard to rules or regulations which either (i) serve the purpose of avoiding the taking of unreasonable risks, (ii) serve the implementation of ADLER Real Estate Aktiengesellschaft's risk management, (iii) serve the purpose of complying with or protecting the business strategy, objectives, values, interests of ADLER Real Estate AG or its shareholders, or (iv) serve the purpose of avoiding or combating conflicts of interest and comparable unethical or illegal conduct. (iv) serves to avoid or combat conflicts of interest and comparable unethical or illegal conduct, whether or not this has led to disciplinary measures, and (viii) serves to prevent or combat conflicts of interest and comparable unethical or illegal conduct, whether or not this has led to disciplinary measures, as well as
- the significant failure of the functional area assigned to the Executive Board member for management within the business distribution.

In determining whether and to what extent the partial amounts of the LTI due for payment should be reduced, the Supervisory Board may take into account whether and to what extent the Management Board member had influence on or control over management responsibility for or supervisory responsibility for the achievement of results or targets, whether internal control systems failed, in particular if the Management Board member violated internal risk limits, processes or procedures, and what economic consequences the Management Board member's conduct had for ADLER Real Estate Aktiengesellschaft.

In addition to the above factors, the Supervisory Board considers all relevant factors and circumstances of the individual case when deciding whether to adjust the partial amounts of the LTI.

The Supervisory Board may further decide that during an ongoing investigation the payment of the LTI is suspended until the investigation is completed.

If the aforementioned conditions for a reduction/adjustment exist, the supervisory board may also decide to reclaim partial amounts of the LTI already paid.

The variable remuneration is also subject to revocation and amendment in order to be able to react appropriately to circumstances or conditions affecting the business of ADLER Real Estate Aktiengesellschaft. In this context, the Supervisory Board reserves the right to adjust the maximum amount of variable remuneration, targets and objectives not yet due for payment at its reasonable discretion. Such an adjustment may be triggered in particular by the above-mentioned reasons.

If an employment relationship ends before the end of the bonus year, the respective Executive Board member is entitled to a pro rata variable STI remuneration (pro rata temporis) in accordance with the target achievement on the regular due date. LTI partial amounts that have not yet fallen due are then due for payment on the specified payment dates.

The variable remuneration is reduced pro rata temporis for absences exceeding a period of three months.

The remuneration of Mr Sven-Christian Frank is currently based on the model described.

Target remuneration and remuneration structure

In the planning meeting in December of the year preceding the 2021 business year, the Supervisory Board determined a written target remuneration with the Executive Board members, taking into account the plans (especially the future guidance) of the Executive Board. In doing so, the Supervisory Board took into account the function of the individual Executive Board member and, accordingly, the different requirements and tasks. This can be adjusted in the event of extraordinary circumstances occurring in the joint balance sheet meeting (usually in March of the financial year in question).

The remuneration of the Management Board of ADLER Real Estate Aktiengesellschaft consists primarily of fixed and variable components. The target total compensation is a target compensation amount that is paid upon the achievement of predefined targets and is intended to provide incentives for good corporate performance as well as collective and individual performance.

Target compensation Sven-Christian Frank (CLO) at a target achievement level of 100 percent

	2021		2020	
	in EUR	**in %**	**in EUR**	**in %**
Basic remuneration	375,000.00	59.06	375,000.00	59.06
Ancillary benefits	10,000.00*	1.57	10,000.00*	1.57
Total	**385,000.00**	**60.63**	**385,000.00**	**60.63**
STI 2020	-	-	150,000.00	-
STI 2021	150,000.00	23.62	-	23.62
LTI 2020 - 2023	-	-	100,000.00	-
LTI 2021 - 2024	100,000.00	15.75	-	15.75
Total remuneration	**635,000.00**	**100**	**635,000.00**	**100**

*) Payment of benefits in kind and fringe benefits is not limited in amount and is paid depending on the benefits claimed

The basic remuneration and the variable remuneration are limited in amount, the fringe benefits and expense reimbursements are granted according to utilisation.

Appropriateness of Executive Board remuneration

In accordance with the remuneration system, the Supervisory Board conducts a review of the market appropriateness of the Executive Board's remuneration at regular intervals, taking into account market appropriateness and remuneration levels within the Group, as far as this is reasonable.

Maximum remuneration

The currently valid remuneration structure for the Executive Board members provides for a fixed basic remuneration. Fringe benefits and expense reimbursements are granted according to utilisation.

In addition, the variable remuneration is limited in amount to a target achievement level of 125 percent.

The remuneration of the Executive Board members in the 2021 financial year did not exceed this limit in each case.

Fixed remuneration in the 2021 financial year

The members of the Executive Board received the following fixed remuneration from the company in the 2021 financial year:

Member of the Board	Basic remuneration (fix)
Sven-Christian Frank	EUR 37,.000.00

Variable remuneration in the 2021 financial year

The variable remuneration paid in 2021 relates to the Executive Board activities in 2020. According to the resolution of the Supervisory Board, the targets for 2020 were met in full, resulting in the entitlement to the variable remuneration. For the 2021 financial year, no target agreement within the meaning of the employment contract between the Supervisory Board and the Executive Board has been concluded to date. Rather, the payment of variable remuneration was completely terminated after the target agreement and an amount of EUR 166,666.67 was agreed as the final payment for the 2021 financial year in order to settle the claim to the long-term incentive for the past in accordance with the Supervisory Board resolution. This agreement does not provide for any further payments from the termination of the agreement for the following financial years.

In the 2021 business year, no use was made of the possibility to reclaim variable remuneration components.

Third-party benefits pursuant to section 162 (2) no. 1 AktG

In the financial year 2021, Mr Maximilian Rienecker received benefits exclusively from ADO Properties GmbH and Adler Group S.A. in the amounts shown below.

In the financial year 2021, Mr Thierry Beaudemoulin exclusively received benefits from Adler Group S.A. in the amounts shown below.

In addition to the Company's benefits, Mr. Sven-Christan Frank also received benefits from Adler Properties GmbH in the amount of a fixed monthly sum of EUR 200.00 in the 2021 financial year and additionally invoiced Adler Group S.A. for receivables in the amount of a fixed monthly sum of EUR 3,500.00. The benefits and benefits granted and owed are shown in their entirety in the table below.

The services provided by ADO Properties GmbH and Adler Group S.A. are services within the Group and thus third-party benefits pursuant to section 162 (2) no. 1 of the AktG.

Adler Group S.A. is the parent company of the Adler Group. Adler Properties GmbH is in turn a 100 percent subsidiary of Adler Group S.A. Adler Real Estate AG is a 96.72 percent subsidiary of Adler Group S.A.

Remuneration granted and owed in the 2021 financial year

Pursuant to the provisions of § 162 para. 1 sentence 1 AktG, the remuneration report must report on the remuneration granted and owed to each individual current or former member of the executive board and supervisory board in the last financial year.

Accordingly, granted remuneration comprises the de facto inflow into the assets of the board member, irrespective of the legal basis and its effectiveness. The term remuneration owed includes remuneration that has become due in the past financial year but has not yet accrued in this financial year.

The remuneration granted and owed to the members of the Executive Board in the 2021 financial year is shown in the following table:

		Sven-Christian Frank		Maximilian Rienecker		Thierry Beaudemoulin	
	Company	**absolute (EUR)**	**in %**	**absolute (EUR)**	**in %**	**absolute (EUR)**	**in %**
Fix	Adler Group S.A.*	42,000.00	70.55	60,000.00	60.57	600,000.00	65.09
	Adler Real Estate AG	375,000.00		0.00		0.00	
	Adler Properties GmbH*	2,400.00		540,000.00		0.00	
In kind	Adler Group S.A.*	0.00	1.41	42,000.00	4.24	34,332.00	3.72
	Adler Real Estate AG	8,392.11		0.00		0.00	
	Adler Properties GmbH*	0.00		0.00		0.00	
STI	Adler Group S.A.*	0.00	16.82	256,027.00	31.45	287,408.00	31.19
	Adler Real Estate AG	100,000.00**		0.00		0.00	
	Adler Properties GmbH*	0.00		55,533.00**		0.00	
LTI	Adler Group S.A.*	0.00	11.22	0.00	3.74	0.00	0.00
	Adler Real Estate AG	66,670.00**		0.00		0.00	
	Adler Properties GmbH*	0.00		37,022.00**		0.00	
Other Incentives	Adler Group S.A.*	0.00	0.00	0.00	0.00	0.00	0.00
	Adler Real Estate AG	0.00		0.00		0.00	
	Adler Properties GmbH*	0.00		0.00		0.00	
SARs	Adler Group S.A.*	0.00	0.00	0.00	0.00	0.00	0.00
	Adler Real Estate AG	0.00		0.00		0.00	
	Adler Properties GmbH*	0.00		0.00			
Total		**594,462.11**	**100.00**	**990,582.00**	**100.00**	**921,740.00**	**100.00**

*) The benefits are benefits within the Group and thus third-party benefits pursuant to § 162 para. 2 no. 1 of the German Stock Corporation Act (AktG).
**) The entitlement to these payments already arose in 2020, the payment was only made in the 2021 financial year.

Remuneration of former Executive Board members in the 2021 financial year

Former members of the company's Executive Board did not receive any remuneration in the 2021 financial year.

Remuneration of the Supervisory Board

The remuneration of the company's Supervisory Board is governed by Article 17 of the Articles of Association and is as follows:

§ 17 Remuneration of the Supervisory Board

1. Each member of the Supervisory Board shall receive an annual remuneration in addition to the reimbursement of his expenses. The amount of the remuneration shall be determined by the general meeting. The General Meeting shall decide for the first time on the amount of the remuneration of the Supervisory Board for the financial year ending on 31 December 2016, which may be paid in quarterly instalments.

2. The Company shall also pay the insurance premiums for the liability insurance covering the activities of the members of the Supervisory Board.

3. If the remuneration and the reimbursement of expenses are subject to value added tax, this shall be reimbursed by the company if it can be invoiced separately by the member of the supervisory board.

The Annual General Meeting last passed a resolution on the amount of remuneration for the members of the Supervisory Board on 7 June 2017 as follows, and the Annual General Meeting of the Company on 14 December 2021 confirmed this remuneration.

In addition to reimbursement of their expenses, each member of the Supervisory Board receives annual remuneration of EUR 50,000.00 for the current 2017 financial year and subsequent financial years.

The Chairman of the Supervisory Board receives EUR 100,000.00.

The Deputy Chairman of the Supervisory Board receives EUR 75,000.00.

The system underlying the remuneration of the Supervisory Board is as follows:

The remuneration of the Supervisory Board is purely fixed in accordance with the suggestion G.18 sentence 1 of the GCGC. There are no variable remuneration components.

The fixed remuneration currently amounts to EUR 50,000.00 per year, with the Chairman of the Supervisory Board receiving twice this amount and his deputy receiving one and a half times this amount. Additional annual remuneration for chairmanship and membership of a committee is not granted.

With this arrangement, in accordance with recommendation G.17 of the GCGC, the higher time expenditure of the chairperson and deputy chairperson of the Supervisory Board is appropriately taken into account. No attendance fee is paid. There are no remuneration-related agreements between the company and the Supervisory Board members that go beyond the provision of the Articles of Association. There is no further compensation in the event of resignation or a provision regarding compensation after the term of office. ADLER Real Estate Aktiengesellschaft reimburses each member of the Supervisory Board for expenses reasonably incurred in the exercise of their Supervisory Board mandate as well as any value-added tax payable on their remuneration and expenses. In addition, the members of the Supervisory Board are included in a pecuniary loss liability insurance policy for board members maintained by the Company, the premium for which is paid by ADLER Real Estate Aktiengesellschaft. The structure of the Supervisory Board's remuneration, which provides exclusively for fixed compensation, strengthens the independence of the Supervisory Board. The amount of Supervisory Board remuneration is in line with the market, taking into account the Supervisory Board remuneration of other listed companies in Germany. Thus, the Supervisory Board remuneration promotes the long-term development of ADLER Real Estate Aktiengesellschaft. The Supervisory Board reviews at regular intervals, at the latest every four years, whether the remuneration of its members is appropriate, taking into account their duties and the Company's situation. The Supervisory Board has the option of making a horizontal market comparison and/or a vertical comparison with the remuneration of the Company's employees. Due to the special nature of the work of the supervisory board, a vertical comparison with the remuneration of the company's employees is generally not used when reviewing the remuneration of the supervisory board. Depending on the outcome of a review, the supervisory board, together with the executive board, may submit a proposal to the general meeting to adjust the supervisory board's remuneration. The rules for dealing with conflicts of interest set out in the rules of procedure for the Executive Board and the Supervisory Board are observed in the procedures for establishing, implementing and reviewing the remuneration system.

For the individual members of the Supervisory Board, the following remuneration resulted in accordance with § 162 para. 1 sentence 1 of the German Stock Corporation Act (AktG) for the 2021 and 2022 financial years. Accordingly, the Supervisory Board remuneration for the 2021 financial year is considered to be granted remuneration, and the remuneration for the 2022 financial year is considered to be owed remuneration.

Supervisory Board	Chairman **Martin Billhardt**		Deputy chairman **Thilo Schmidt**		**Claus Joergensen**	
	absolute (EUR)	**in %**	**absolute (EUR)**	**in %**	**absolute (EUR)**	**in %**
Fix	100,000.00	91.63	75,000.00	100.00	50,000.00	100.00
In kind	9,135.43	8.37	0.00	0.00	0.00	0.00
Total	**109,135.43**	**100.00**	**75,000.00**	**100.00**	**50,000.00**	**100.00**

The remuneration and reimbursement of expenses granted in the 2021 financial year were subject to VAT. These were each invoiced separately by the Supervisory Board members and were thus reimbursed by the company. The amount spent for this purpose totalled EUR 41,633.13.

Comparative presentation of the earnings trend and the annual change in remuneration

Pursuant to § 162 (1) sentence 2 no. 2 of the German Stock Corporation Act (AktG), the following overview presents the annual changes in the compensation granted and owed to the members of the Management Board and the Supervisory Board, as well as the annual change in the earnings performance of ADLER Real Estate Aktiengesellschaft over the past five financial years. The Company itself has no employees.

The comparison group thus consists of the employees of ADLER Real Estate Service GmbH. For the comparison group, different activities from normal business operations as well as different hierarchy levels were taken into account. To determine the average values, the total gross values for the month of April of the respective financial year were extrapolated to 12 months and then divided by the number of employees in the respective month of April.

The size of the comparison group is subject to minor fluctuations due to possible entries and exits and, from 2020 onwards, due to various staff transfers in connection with the merger. No industrial employees were taken into account in this calculation.

The key figure of ADLER Real Estate Aktiengesellschaft's net income for the year is used for the Company's earnings performance.

Earnings development

Fiscal year	2018 2018 vs. 2017	2019 2019 vs. 2018	2020 2020 vs. 2019	2021 2021 vs. 2020
Consolidates net profit (Percentage change vs. previous year)	133%	11%	-183%	136%

Executive Board Remuneration – Current Member

Fiscal year	2018 2018 vs. 2017	2019 2019 vs. 2018	2020 2020 vs. 2019	2021 2021 vs. 2020
Maximilian Rienecker (since 22 December 2017)	172%	8%	230%	56%*
Thierry Beaudemoulin (since 1 April 2021)	-	-	-	-
Sven-Christian Frank (since 9 June 2016)	-74%	-15%	71%	-43%

Executive Board Remuneration – Retired Members

Fiscal year	2018 2018 vs. 2017	2019 2019 vs. 2018	2020 2020 vs. 2019	2021 2021 vs. 2020
Arndt Krienen (until 27 December 2017)	-43%	-	-	-
Tomas de Vargas Machuca (until 15 December 2020)	-	-8%	-	-

Supervisory Board Remuneration – Current Members

Fiscal year	2018 2018 vs. 2017	2019 2019 vs. 2018	2020 2020 vs. 2019	2021 2021 vs. 2020
Martin Billhardt (since 20 March 2020)	-	-	-	31%
Thilo Schmid (since 3 April 2014)	28%	14%	0%	0%
Dr. Peter Maser (since 14 March 2022)	-	-	-	-

Supervisory Board Remuneration – Retired Members

Fiscal year	2018 2018 vs. 2017	2019 2019 vs. 2018	2020 2020 vs. 2019	2021 2021 vs. 2020
Dr. Dirk Hoffmann (until 29 February 2020)	4%	-3%	-83%	-
Thomas Katzuba von Urbisch (until 30 May 2018)	-58%	-	-	-
Claus Joergensen (since 30 May 2018)	-	72%	0%	-9%

Average employee compensation on a full-time equivalent basis

Fiscal year	2018 2018 vs. 2017	2019 2019 vs. 2018	2020 2020 vs. 2019	2021 2021 vs. 2020
Size of the comparison group	48	57	66	59
Average annual remuneration	64,204.30 €	68,321.46 €	72,474.09 €	71,083.46 €
Percentage change vs. previous year	0.8%	6.4%	6.1%	-1.9%

*) This is a third-party remuneration (see above).

The comparison group consists of the employees of ADLER Real Estate Service GmbH. Different activities from normal business operations and different hierarchical levels were taken into account for the comparison group. To determine the average values, the total gross values for the month of April of the respective financial year were extrapolated to 12 months and then divided by the number of employees in the respective month of April.

The size of the comparison group is subject to minor fluctuations due to possible entries and exits and, from 2020 onwards, due to various staff transfers in connection with the merger. No industrial employees were taken into account in this calculation.

8. REPORT ON RISKS AND OPPORTUNITIES

RISK REPORT

Risk management system

Pursuant to Section 91 (2) of the German Stock Corporation Act, the Management Board is expected to take appropriate measures, particularly to set up a monitoring system, to ensure that developments that could jeopardise the company's continued existence (risks) are identified at an early stage.

By establishing the Adler Group including ADLER Real Estate AG and its affiliates as well as Consus Real Estate AG and its affiliates during 2020, a harmonised and uniform risk management system was developed as follows:

Risk management at the Adler Group is understood to mean all organisational regulations and measures needed to identify business risks at an early stage and to address them in good time with suitable countermeasures and to implement the risk strategy at the Adler Group. Undetected risks, which are thus uncontrolled or not addressed, may pose a considerable potential risk but are reduced by systematic risk management.

For this reason, ADLER, as part of Adler Group, pursues a risk policy that takes account of the companyGroup's risk-bearing capacity.

The harmonized risk management system introduced at the end of 2020 was reviewed to determine whether it is appropriate for the current risk environment, the size, and the requirements of the Adler Group. As part of V2.0 of the risk manual, the risk catalog was essentially expanded to include new single risks as well as a 7th risk category "Sustainability risks".

The most important elements of risk management include a well-considered risk strategy, a responsible risk organisation, regular risk identification and assessment, and meaningful reporting as the basis for introducing effective measures. These include frequent discussions and regular meetings, controlling reports, internal approval processes for far-reaching decisions and checking mechanisms such as the dual control principle. The effectiveness of risk management is also reviewed on an ongoing basis by Internal Auditing and any potential for improvement identified. The primary objective of the Group-wide risk management system, whose functionality is safeguarded by regular internal and external reviews, is to secure the ADLER's existence over the long term as part of Adler Group.

The further perfected risk management system is documented in the Adler Group-wide risk management handbook. The risk management handbook acts as a guideline and thus takes on a steering function for the Management Board. In addition to being a source of information, it also makes a record of the obligation to continuously implement risk management, making it an integral part of Group-wide corporate governance. Together with the extended risk catalogue and the defined risk organisation, it forms the basis of the current risk assessment as of 31 December 2021.

The risk management handbook sets out the risk organisation and responsibilities, the risk management process including risk identification and assessment, monitoring of the risk management system and risk reporting, as described below.

Risk organisation and responsibilities

The Management Board bears overall responsibility for risk management, making decisions on the risk management structure and process organisation and the resources allocated to it. It defines the risk strategy and risk policies of ADLER as part of Adler Group as well as the risk management procedures. Part of the risk strategy involves drawing up the guidelines for operational risk management, including the setting of loss limits, which if exceeded trigger a requirement to introduce mandatory risk management measures, or tolerance limits for risk acceptance. The findings of the risk management system documented in the reporting are signed off by the Management Board and taken into account in managing the company.

The Supervisory Board regularly monitors the risks and reviews the effectiveness of the current risk management and internal control procedures.

The risk owners are responsible for identifying, assessing, documenting, managing and communicating all material risks in their areas of responsibility.

Risk management process

The department Central Risk Management coordinates the risk management process, checks the plausibility of and consolidates the risk identification and risk assessment findings of the risk officers and prepares the regular report for the Management Board and Supervisory Board of ADLER Real Estate AG. There is also an internal ad hoc reporting process for material risks and risks that jeopardise the company’s existence.

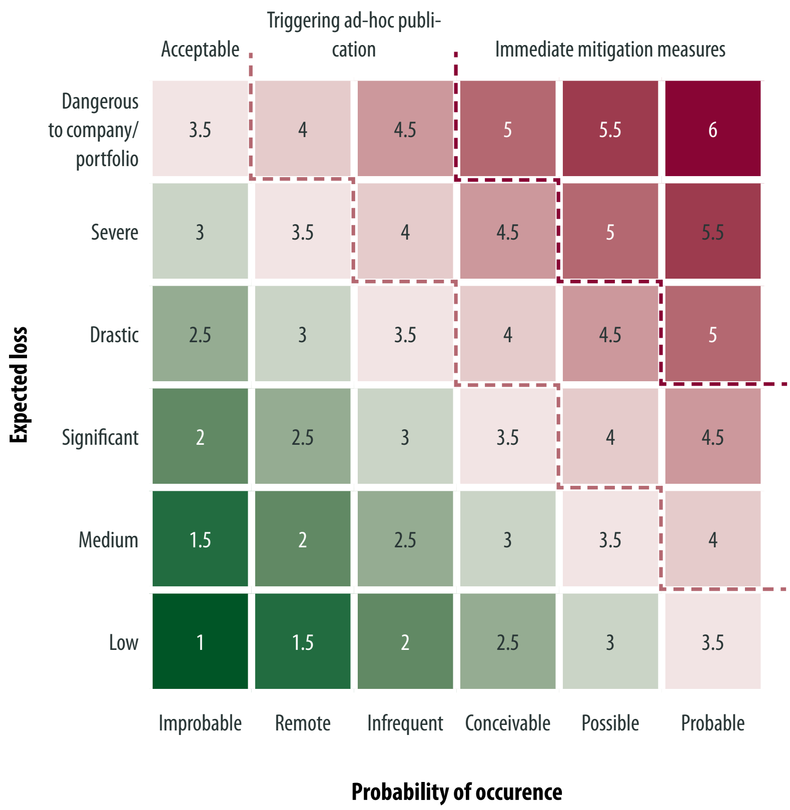
The Management Board is therefore able to systematically identify and assess material risks in or to the company at an early stage and take appropriate action. Potential risks to corporate value or development will be detected early. An early warning system is established as yet another component of risk identification within the risk management system. Its purpose is to identify risks through early warning indicators to enable risk averting measures to be taken in advance.

Risk identification assessment

Risks are assigned to six risk categories and assessed using a scoring model with six categories of loss exposure and six levels of probabilities of occurrence. Risk assessment is thus carried out by targeted measurement and by an assessment of risks identified. On the basis of the scoring model, the effects on the ADLER's assets, expenses and income, liquidity and image can be measured directly.. They are also used to assess the relevance of the measured risks in order to identify significant risks, focusing on compliance with risk limits or thresholds.

Risks are assigned to one of the following six categories:
- Macroeconomic and sector-specific conditions
- Strategic risks
- Financial and financing risks
- Property management risks (incl. project developments)
- Company-specific risks
- Sustainability risks

The risk score is defined by assessing the expected loss and the probability of occurrence, each one out of six classes. During the assessment, the risks are assigned a score, which is the mean value of the loss class and the probability of occurrence.



Monitoring of risk management system

The risk management system is monitored on a regular basis and adjusted/developed based on changes within the environment and the company. The purpose of risk monitoring is to check that the risk management measures taken are having the desired effect and that the risk exposures being considered meet the specified target values once the management measurements have been implemented. Required adjustments to the key elements of the risk management system are recorded in the risk management handbook on an ongoing basis.

Risk reporting

Material risks are documented on a quarterly basis in the risk report to the Management Board. The Supervisory Board is regularly provided with in-depth information on the company's business performance and the status of the risk management system and its ongoing improvement. The most important aim of risk reporting is to inform the decision-makers about risk-related developments in a complete, proper and timely manner, taking into account aspects of materiality. This provides a basis for identifying risks in good time and initiating countermeasures at an early stage. New risks with a significant impact on the company or highly negative changes are subject to ad hoc reporting to the Management Board and Supervisory Board.

Internal control system

The internal control system (ICS) is a sub-sector of the risk management system. Control measures may avoid or reduce risks. The Management Board is responsible for setting up, monitoring, checking the effectiveness of, and for further developing the ICS.

The key objectives of the accounting-related ICS, as defined by the relevant regulations, are
- to ensure the profitability of business activities and to protect the company's assets;
- to ensure the reliability of internal and external accounting;
- to comply with the relevant legal regulations, in particular to ensure conformity of the consolidated financial statements and the group management report with the standards.

The Accounting and Reporting Division of ADLER is responsible for the guideline competence for a uniform and standardised application of the accounting regulations according to the International Financial and Reporting Standards (IFRS) and is also responsible for the content in the financial statement preparation process. The data required for the notes to the consolidated financial statements and the management report are aggregated and prepared at Group level.

One key aspect determining the correctness and reliability of financial reporting involves the deliberate segregation of administration, execution, invoicing and approval functions. ADLER safeguards this by appropriately assigning responsibilities. To ensure that assets are accurately valued in line with market standards; ADLER draws on the expertise of external service providers specialising in property valuation.

In cooperation with the Management Board and the Supervisory Board, the external auditors draw up a risk-oriented audit plan and check whether the legal framework and guidelines for control and risk management have been applied. The functionality and effectiveness of the defined controls are thus monitored. The audit report's addressees are the Management Board and the Supervisory Board, enabling the Boards to eliminate possible errors and improve the ICS.

Risk assessment as at the balance sheet date of 31 December 2021

The risk assessment as at 31 December 2021 was performed in accordance with the ADLER´s evolved risk management system. The following section presents the risks and management measures for avoiding, reducing and passing on risks that are particularly relevant from the ADLER's perspective.

ADLER is exposed to a range of different risks that, either individually or in aggregate, could have an adverse effect on the Group's net assets, financial position, and results of operations, or on its business performance moving forward. All risks that ADLER considers relevant are outlined below. Determining their importance also involves setting out the possible effects on ADLER.

A risk is considered relevant if it has a score of more than 3.0 and very relevant if it has a score of greater than or equal to 4.0. The following risk assessment combines risk categories and sub-categories – where appropriate – but also addresses individual risks.

The most significant individual risks for ADLER are as follows:

	Risks Subcategories	Risk Categories	Valuation
1.	Public relations risks	Group / company specific risks	6.13
2.	Liquidity risk	Financial and financing risks	5.50
3.	Risks in the controlling process	Financial and financing risks	4.75
4.	Central purchasing	Group / company specific risks	4.63
5.	Risks in the project phase "build & deliver"	Risks from development activities	4.61
6.	Human resources risks	Group / company specific risks	4.48
7.	Economic development (national)	General economy and industry specific risk factors	4.25
8.	Real estate market risk	General economy and industry specific risk factors	4.25
9.	Project and property development	Strategic risks	4.25
10.	Risks from company and shareholder structure	Strategic risks	4.25
11.	Capital structure risks	Financial and financing risks	4.25
12.	Decline of external investment ratings	Financial and financing risks	4.25
13.	Capital market risk	General economy and industry specific risk factors	4.00
14.	Portfolio growth	Strategic risks	4.00

The significant increase in risk scores in comparison to year-end 2020 is attributable to higher risk assessments by the respective risk owners due to the changes in the underlying risk environment and the subsequently resulting correlation surcharges.

Alongside general risks that apply to all companies, the ADLER is exposed in particular to property-specific risks resulting from the purchase, management and sale of property holdings and to real economic and financial risks associated therewith.

Macroeconomic and industry-related conditions as well as (social)political environment

Risks related to negative change in the market

Real estate markets, however, are generally susceptible to changes in the overall economy. Consequently, our business is affected by factors affecting the general economic environment, such as interest rates, levels of public debt, GDP, higher inflation rates and political and financial market conditions, primarily in Germany and our various submarkets. These factors play an important role in determining property values, rent levels, re-letting periods, overall demand, vacancy rates and turnover rates in these markets and submarkets. In addition, local and regional variations of these factors may cause their impact to vary significantly across our residential real estate portfolio. The continuing uncertainty regarding the development of the global economy, for example, due to the ongoing sovereign debt crises and inflation and deflation risks in many parts of the world, particularly in Europe, and the quantitative easing announced by the European Central Bank, may result in economic instability, limited access to debt and equity financing and possible defaults by our counterparties. Facing various dependencies from international markets, espaecially China and Russia, raw material and services for building maintenance and development as well as energy at reasonable prices might be become less available. With the outbreak of the Ukraine war due to invasion and bombardment by the Russian army and the associated sanctions by Europe and the USA at the end of February 2022, there is a risk that the economic situation will worsen. No statements can be made about the actual effects at the time of reporting.

Due to the existing high demand for affordable living space in conurbations, the Management Board assesses the risk of negative changes in the macroeconomic and property sector framework and the impact on net assets, financial position and results of operations as very relevant.

Risk related to change in the political and socio-political environment

The most important factors of the political environment for companies are the organization and stability of a region's political system. This includes, in particular, the stability and reliability of political bodies and their role in shaping economic life (intervention, subsidies, competition policy, trade policy, etc.). The risk of the political environment describes the risk of a negative change in the political framework conditions at federal and, state level, such as changes in government and the associated political programs as well as referendums that require corresponding political action.

Our operating business is subject to the general legal environment in Germany. Any disadvantageous changes in the legal environment, such as mandatory environmental modernisation provisions, restrictions regarding modernisation measures or provisions (including taxes) that result in the incurrence of costs in the event of a property sale may be detrimental to us. German laws protecting residential tenants and existing restrictions on the rate of rental increases could make it more difficult to increase the rents of the residential units we own.

Changes in legislation and regulatory frameworks relating to construction, energy efficiency, the duty to implement safety precautions and tenant protection can affect the economic viability of planned measures or necessitate previously unplanned measures. The monetary impact of such requirements can usually be calculated in advance on account of the corresponding implementation periods, and are thus included in the Company's business planning.

Regulatory intervention in tenancy law may affect the financial position of a residential property company. The legislative amendment adopted by the Federal Government in 2015 with regard to moderation of rent increases in Berlin restricts the scope for rent increases upon the re-letting of living space.

Other legislative amendments are regularly the subject of discussion. The possibility that further regulatory amendments may be implemented cannot be excluded in the wake of the German parliamentary election. In addition, we could be adversely affected by changes to public building law, which could restrict our ability to manage our properties in the way we had previously expected.

The development of the age structure and changes in mindset as well as the way of living and working of the population has a major impact on various areas of ADLER's economic activities.

As the initiative "Deutsche Wohnen & Co. enteignen" managed to collect more than the required 175,000 valid supporter signatures by June 25, 2021, a referendum on expropriation took place on September 26, 2021. On election day, 57.6% of the voters supported the socialization of private housing by big real estate companies. Based on this result, it is likely that an expert commission will be set up to evaluate an implementation of such a legislation. Based on their recommendations which are expected to be presented within the next twelve months, the Senat of Berlin will likely decide on how to proceed.

On December 21, 2021, Franziska Giffey was elected Governing Mayor. In the coalition agreement, the red-green-red state government undertakes to convene an "Expert:innenkommission" whose task is to implement the referendum. Exactly one month after the election of Franziska Giffey as Governing Mayor, the initiative "ExpDeutsche Wohnen and Co. enteignen" presents its requirements for the expropriation commission in a press conference. The focus of the commission should be clearly on the implementation of the referendum. The governing mayor initiated an alliance for new housing construction and affordable housing. According to a joint statement at the start of talks on the Alliance for New Housing Construction and Affordable Housing, ambitious targets are to be set for new housing construction, affordable housing is to be preserved, and modernizations are to be implemented in a socially and climate-compatible manner.

Ukraine conflict

With the Ukraine conflict starting, the risk owner have been asked b to assess additional risks resulting from Ukraine this new political situation as an event after the reporting date.

In the rental business, higher energy costs will lead to increased costs on the tenant side and thus affect the basis of ADLER's business ("ancillary costs as a second rent"). The question will be how the state wants to protect low-income earners from the cost increases, e.g., through increased housing cost subsidies. This will only really become apparent next winter, and till then, solutions might have been compiled that will make the company more independent of Russian gas and oil supplies on the one hand and prevent cost explosions on the other.

Possible consequences of the conflict for the development business might be rising costs, especially energy costs, and thus also rising construction costs, which will affect the projects, but does not consider the consequences of the shortage of employees, including sub-subcontractors, and the resulting impact on ongoing projects due to the return of Ukrainian employees to Ukraine to be of primary importance. In the area of construction or service framework agreements, the purchasing department is not aware of any framework agreements with Russian companies.

When checking business partners, particular attention must be paid to sanctions lists in the near future in light of the Ukraine crisis, as many Russian oligarchs will end up on them or already have.

ADLER and Adler Group does not have any financing arrangements with Russian banks. Portfolio financing is not affected. The existing guaranteed line with RBI AG is undrawn and not of strategic importance. RBI has a high exposure to Russia, which could influence future business policy.

In the short term, market fluctuations make possible refinancing more difficult. As a company with a weaker credit rating, Adler Group might be affected. However, as (re)financing is not planned this will not affect Adler Group in the short to medium term. In addition, Russian investors drop out as potential investors.

In the area of staff development/training, there may be a need for a higher budget for e.g.
- Training opportunities such as German courses for refugees who have been hired
- Measures for psychological support of employees and coping measures
- Psychological risk assessments

There is an increased risk of key personnel being removed due to additional emotional and psychological stress or direct links to the prevailing conflict. In addition, there could be an increase in sick leave due to additional emotional and psychological stress caused by the prevailing conflict, as well as the possible loss of employees who are directly affected. The absence of fellow employees may also be due to time off for voluntary work, e.g. in refugee aid.

Discrimination against Russian colleagues may occur in the workforce simply because they are Russian and thus become victims of the general mood towards Russia or take a pro-Russian stance in the present conflict and express this.

The Adler Group including ADLER wants to contribute to alleviating the immediate need at least a little. Therefore, the Adler Group will provide apartments from our holdings in Berlin for the accommodation of refugees. The central organization will be taken over by KAURI CAB in coordination with the Adler Group rental department. The non-profit placement platform "Wohnungswirtschaft hilft" (Housing Industry Helps) was created specifically for this purpose.

The Management Board considers potential risks derived from political and socio-political environment to have a relevant effect on the asset, financial, earnings as well as liquidity position of ADLER.

Capital market risks

The uncertain consequences of political instability have already caused additional volatility in the financial markets. Since the Company relies on access to the financial markets in order to refinance our debt liabilities and gain access to new financing, ongoing political uncertainty and any worsening of the economic environment may reduce the Companyand ist parent company's ability to refinance the existing and future liabilities or gain access to new financing, in each case on favourable terms or at all.

Poor communication with the capital market creates a risk of failing the capital market's expectations and thus damaging Adler Group's reputation. The Company is therefore in frequent communication with investors and analysts through calls on quarterly, half year and annual results, participation in equity forums and direct communications at roadshows.

Adler Group S.A. is the subject of a report published on October 6, 2021, by the company "Viceroy Research", which is backed by the short-selling investor Fraser Perring. This report contains allegations that Adler Group has rejected in the strongest possible terms. This report put severe pressure on Adler Group's share price and bond prices. This case indicates the increasing risk of potential shortseller activities.

The Management Board considers potential risks derived from capital market to have a very relevant effect on the asset, financial, earnings as well as liquidity position of ADLER as listed company.

Pandemic risk

On 30 January 2020, the World Health Organization (WHO) designated the coronavirus outbreak a public health emergency of international concern. Since 11 March 2020, the WHO has classified the spread of coronavirus as a pandemic. The rapid spread of coronavirus has led to a deterioration in the political, socio-economic and financial situation in Germany, which, in turn, could have a negative impact on our company. Any widespread public health crisis, including coronavirus and future pandemics, has the potential to place our tenants in a position in which they are unable to pay their rent on time or at all, drag down the fair value of our properties, trigger a considerable decline in the overall rent level in the affected areas and, ultimately, limit our ability to obtain debt and equity capital at attractive terms if at all. The further spread of coronavirus and the ramifications for ADLER's business are being evaluated continuously.

Because of the pandemic, fewer on-site appointments can take place than before, which makes it more difficult to perform property management. The longer the coronavirus pandemic disrupts social life in Germany, the more likely that ADLER could encounter a risk in the future of a deterioration in its property management and letting services.

Although the evidently effective measures of the emergency brake for the containment of the Covid 19 pandemic, which came into force on April 25,2021, by amendment of the Infection Protection Act, and the continuing vaccinations in the population could not avoid the 4th wave of high infections, but this risk did not seem likely to effect the company's businessby end of 2021. Since November 2021, the new mutation of COVID-19, Omicron, is accountable for a high infection rate and shortfall of staff in various sectors. In 2022, with the wide spreading of the Covid-mutation Omikron change the pandemic risk to be relevant for ADLER. Due to the higher rate of breakthrough infections among vaccinated people, it is possible that ADLER will experience an increasing number of concurrent infections and/or quarantine orders among its employees, which can negatively affect the business processes (outcomes and timelines).

Further impact of the coronavirus on the overall economy in Germany is uncertain at the time the financial statements were prepared and could be even more considerable.

The Management Board considers potential risks derived from macroeconomic and industry-related conditions as well as (social)political environment to have a relevant effect on the asset, financial, earnings as well as liquidity position of ADLER.

Strategic risks

Risk arising from the company type and shareholder structure

Risks arising from the company's form as a listed stock corporation include not only the requirements of stock corporation and stock exchange law such as publication and reporting obligations and formalities in connection with the Annual General Meeting, but also the recommendations of the Corporate Governance Code. Listed company are in the focus of the financial authorities trying to detect breaches to their obligations. Any violation or breach of these laws and regulations could affect the overall reputation of the ADLER and the Adler Group and, depending on the case, expose the company to administrative or judicial proceedings, which could result in adverse judgments and administrative fines. Mid-November 2021 ADLER received a letter from BaFin that the panel DPR/FREP would be dissolved with effect as of December 31, 2021 and ordered that BaFin would conduct the audit of ADLER's consolidated financial statements as of 31 December 2020 as well as the consolidated financial statements as of December 31, 2019, including the respective related combined management reports instead of DPR. On December 6, 2021 BaFin sent the first set of questions, (mostly on valuation items) which have been duly answered by ADLER. On February 10, 2022 BaFin followed up with the second set of questions which are currently in the process of being answered by ADLER.

The composition of the shareholder structure and the economic interests and reputation of the main shareholder are also important for the company. It plays a role here whether investors want to invest sustainably and are available to the company as capital providers in the long term, if necessary also via additional capital in the context of capital increases, or whether they only want to maximize their profit in the short term – via rising share prices The KYC process required in particular by financial institutions could lead to negative effects on the company due to the poor reputation of the main shareholder, for example.

The Management Board assesses the risk from the company form and the impact on net assets, financial position and results of operations as very relevant.

Risks in relation to ADLER's integration to Adler Group (formerly ADO Properties or Adler Properties)

We expect the integrations to be a multi-year process that requires significant human and financial resources. The successful integration of the existing workforces, IT systems, corporate cultures and corporate structures as well as the introduction of joint processes are essential to the success of the Company. The integration will be time-consuming and costly and could negatively affect our business operations and/or those of Adler Group.

Difficulties during the integration process may include the administration of a significantly larger group, including the size of the portfolio and number of assets as well as development projects, the combinations, standardisations, harmonisation and streamlining of the business activities and processes, including the services offered to tenants and customers, and the coordination of the accounting, IT, communications and administrative systems in the Group. In addition, problems of coping with potential differences in the corporate cultures and leadership philosophies may occur. The integration of ADLER and Consus in Adler Group might result in unforeseen and unexpected obligations and, could lead to a complete or partial forfeiture of tax loss carryforwards, and the acquisition of 95% or more of the shares of the companies could trigger RETT.

Due to the ongoing harmonization and reorganisation in the Adler Group,, the Management Board assesses the integration risk and the impact on net assets, financial position and results of operations as irrelevant.

Financial and financing risks

Deterioration in the external corporate rating

Ratings assigned to the Adler Group as ADLER's parent company by rating agencies are an indicator of the Company's ability to meet its obligations in a timely manner. Rating agencies may change, suspend or withdraw their ratings at short notice. The credit ratings of the Company may be downgraded or withdrawn in the future as a result of the Consus Real Estate acquisition or factors that are beyond our control, such as a deterioration in the real estate or financial markets, or weakened financial performance by the Company, or future exposure to the development business, which is characterised by increased capital expenditure and leveraged financial profiles.

On November 10, 2020, Adler Group S.A. successfully placed an unsecured six-year bond with a fixed coupon of 2.75 percent as well as a new bond in early 2021 in the amount of EUR 1.5 billion and the EUR 500 million bond under the new EMTN program. Due to the strong recovery rating of the bonds and the high asset base of Adler Group S.A., the bonds are rated BB+ by Standard & Poor's. On August 11, 2021, Standard & Poor's confirmed the "BB" credit rating but downgraded the rating to "B+" on October 11, 2021, based on "business uncertainty and tightening liquidity, following the Viceroy report".

On February 11, 2022, Standard & Poor's downgraded the rating of Adler Group to "B-" based on further delay in its plan to sell its nonstrategic development projects, after the recent disposals of income-generating residential real estate assets of about EUR 1.05 billion to KKR & Co. Inc. and Velero Immobilien AG and successful close of LEG Immobilien AG (LEG) transaction.

S & P believes that Adler Groups's cash flow volatility has increased significantly due to its increasing dependency on the development portfolio, which continues to underperform due to delayed sales and project deliveries. According to S & P, this creates further uncertainty on EBITDA and cash flow generation and could impinge on the company's ratios beyond base case forecast. Adler's recent announcement of a likely delay in publishing its full-year 2021 annual accounts due to a forensic investigation by KPMG creates further shakiness. Adler Group's liquidity is considered less than adequate. S&P believes that the recent sale of yielding assets will help Adler to cover its liquidity needs for the next 12 months. However, the rating agency still sees hurdles in terms of Adler Group's access to the capital markets. To meet its medium- to long-term funding needs, the company may remain dependent on the successful execution of asset sales or the receipt of the outstanding receivables.

Any further negative change in the credit rating of the Company may make future financings and debt issuances by Adler Group more difficult and expensive, and may require to, among other things, provide increased collateral or other security if they are able to access additional financing at all. A downgrade or withdrawal of the credit ratings of the Company may also result in a breach of certain financial covenants in their respective credit lines, financing arrangements and/or debt issuances, and may have a material adverse effect on Adler Group's and ADLER's businesses.

The Management Board assesses the risk of a deterioration in the external corporate rating and the impact on net assets, financial position and results of operations as very relevant.

Valuation risk

Most of the Adler Group's total assets consist of investment properties, development projects and goodwill, which are sensitive to changes in valuation parameters. The valuation of real estate is a central issue for real estate stock corporations. The valuation is mainly influenced by the discount/capitalization rate, market rent and vacancy rate parameters. In this respect, there is a risk that the value of real estate portfolios will have to be adjusted if the parameters develop unfavorably. In addition, there is an inherent risk that the values determined by the experts may not be realized on the market. As of 31 December 2021, the Adler Group has recorded real estate property in the amount of EUR 1,662,8 million.

Given the size of the ADLER's gross asset value, the impact of rising interest rates on the IFRS value of investment properties alone is quite considerable. For example, if the discount and capitalisation rates were each to increase by 0.25 percentage points, this could have a negative impact of around 8.46 % on the value of investment properties. Adler Goup considers a possible negative change in interest rates, on its own, to be a risk of considerable importance.

The Management Board assesses the risk of a deterioration in market value development and the impact on net assets, financial position and results of operations as irrelevant.

(Re)financing risk and risk from capital structure

As a property company with a high share of borrowing, ADLER is automatically exposed to the risk that the financing required for acquisition projects will not be obtained. However, there are currently still no signs of restrictive lending policies on the part of banks. To ensure that its (re)financing risk is reduced, ADLER cooperates with several banks, institutional investors on the capital market and private investors. The Group is therefore not dependent on any individual creditor. Furthermore, ADLER draws on various forms of financing instruments, such as mortgage loans, corporate bonds and convertible bonds. Thus, it has gained various forms of access to the capital market that can also be drawn on independently of each other. Contracts for derivative financial instruments are, if at all, only concluded with financial institutions with high credit ratings.

Although the European Central Bank's interest rate remains at a low level, interest rate hikes can be observed on the capital market and among commercial banks due to higher risk provisions by banks and increasing risk aversion among commercial banks and institutional investors. Even if there is a moderate rise in interest rates again, the expectation is that even in the foreseeable future – provided there is sufficient collateral – follow-up financing is likely to be more favourable than expiring financing. In this respect, ADLER expects refinancing to have a positive effect on cash flow and FFO I. Any refinancing concentrations are countered by timely solutions and measures, including within Adler Group.

Although not currently the case, in the light of the allegations raised by Viceroy, by our level of debt could lead banks to refuse the granting of new loans, make new loans available to us only on less favourable financial terms, refuse the extension of existing credit lines, or could lead banks to only extend them on less favourable terms or to require us to furnish additional security until the accusations are invalidated and a clean auditor's opinion is issued along with the certified financial statements for the 2021 reporting period.

The Management Board assesses the (re)financing risk and the impact on net assets, financial position and results of operations as very relevant.

Risk of non-compliance with financial covenants

The company's existing debt facilities require compliance with certain financial and maintenance covenants, some of which require us not to exceed a certain maximum Loan-to-Value ("LTV"), which could be negatively affected by revaluations, and/or require us to maintain a minimum debt service coverage ratio. Its failure to comply with such covenants could trigger the respective creditor's right to terminate the relevant financing arrangement or require us to repay part of our debt to cure a breach in the covenants or may lead to higher interest payments.

An internal control process has been implemented at ADLER to ensure compliance with financial covenants. Any non-compliance with or delays in covenants during the reporting period were clarified with lenders and did not result in any financing becoming due prematurely. There are no indications that financial covenants of bonds and real estate financings will not be complied with in future.

The Management Board assesses the risk of non-compliance with covenants and the impact on net assets, financial position and results of operations as relevant.

Negative change in interest rates

The Adler Group borrows money – with the exception of the BCP and ADO Group bonds issued in New Israeli Shekels – solely in its functional currency and is therefore exposed to interest rate risks in euros only.

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The current economic environment is characterised by low interest rates and comparatively high valuations of residential real estate portfolios in Germany. A change in general interest rate levels may increase our financing costs, and the values of our properties and the prices at which we are able to sell our properties may decrease. We attempt to mitigate interest rate risk by entering into hedging agreements; therefore, we are exposed to the risks associated with the valuation of hedging instruments and hedge counterparties and the hedging agreement may not be effective. The tendencies towards lower interest rates by the European Central Bank are becoming more apparent due to the coronavirus crisis. As at 31 December 2021, the vast majority of the financial liabilities' interest rates at ADLER and Adler Group was fixed or hedged.

The Management Board assesses the risk of a negative change in interest rates and the impact on net assets, financial position and results of operations as irrelevant.

Process-related risks in controlling

By establishing the Adler Group in 2020, also the various controlling processes at Adler Group (former ADO), ADLER and Consus must be harmonized or newly implemented based on information requests of the Senior Management. The harmonization and optimization of the controlling processes were still ongoing, including staffing and IT environment. Since December 31, 2020, further harmonization and optimization of a common system, established responsibilities and timelines, required information and links to the operating activities have been achieved. However, due to ongoing vacant positions in the middle management and fluctuations, milestones could not be achieved, and the risk has increased for the December 31, 2021, reporting date.

The Management Board considers the process-related risks in controlling and the effects on the net assets, financial position and results of operations to be very relevant.

Property management risks

Reduction in the market rent

ADLER relies significantly on earnings from rentals. As a result, the performance outcomes depend largely on the amount of rental income generated, vacancies, rent reductions, collection losses and the expenses we incur in generating such rents. The rental income is impacted predominantly by rents charged and vacancy levels. Rents and real estate prices, in turn, depend largely on economic and business conditions in Germany in general and in the real estate market in particular. Increased rent restrictions could adversely affect the results of Adler Group's operations.

Due to the existing high demand for affordable living space in conurbations, the Management Board assesses the risk of reduction in the market rent, e.g. by the coalition contract, and the impact on net assets, financial position and results of operations as relevant.

Increase in the vacancy rate

Another risk of considerable importance and possible impact on the value of the property portfolio and ADLER´s earning power is – in its own right – the increase in the vacancy rate of rental units. When viewed in isolation, ADLER sees this risk as significant in principle. As above-average vacancy rates are being recorded in sub-portfolios, countermeasures were required to stop further increases. ADLER is pursuing a policy of targeted investment in its own residential lettings portfolio with the aim of reducing these vacancy rates. However, the utilisation of construction companies, technical service providers and even internal technical capacities also proved to be an important factor for vacancy management also in the 2021 financial year. ADLER's portfolio is largely composed of small to medium-sized residential units. The apartments have an average size of slightly over 60 square metres and are particularly well suited to the needs of the company's target group, namely tenants with low to medium incomes. For ADLER, this alignment makes economic sense. Its properties satisfy the trend, which has been observed for some time now, towards an increase in the number of single-person households in Germany. Moreover, the risk of tenants with low incomes defaulting on their rent payments is reduced as they can obtain support from social security providers if they are unable to settle their rent arrears from their own income. Furthermore, this category of affordable living space is also increasingly sought-after by municipalities and local councils on the lookout for permanent homes for people with particular needs.

ADLER is lowering its vacancy risk by implementing ongoing maintenance measures and programmes.

Due to the existing high demand for affordable living space in conurbations, the Management Board assesses the vacancy rate risk and the impact on net assets, financial position and results of operations as irrelevant.

Maintenance and modernisation risk

ADLER is exposed to risks relating to the structural condition of the properties and their maintenance, repair and modernisation. In order to maintain demand for a rental property and generate adequate long-term returns, the condition of a property must be maintained, repaired and/or upgraded to a standard that meets market demand and complies with environmental laws.

Although the company continually monitors the condition of its properties and has established a reporting system to monitor and budget for the necessary maintenance and modernisation measures, numerous factors could lead to significant cost overruns or unexpected cost increases for maintenance and modernisation measures. If these measures do not result in a significant reduction in the vacancy rate of these properties upon completion of the renovation and refurbishment work, this could have a negative impact on our financial results compared with our business plan. In addition to lost gross rental income, additional fixed and ancillary costs incurred to maintain the vacant residential units could reduce our operating earnings.

Due to the building stock and the age of the properties, the Management Board assesses the maintenance and modernisation risk and the impact on net assets, financial position, and results of operations as relevant.

Risk from development projects

The development of real estate projects involves specific significant risks to which the Company is exposed to. The Company may overestimate the value of and/or the business opportunities due to numerous factors, in particular the inability to identify all risks associated with the development of real estate properties.

Risks relating to land and buildings in the Buy and Plan phases

A key factor contributing to ADLER's future growth and profitability is the ability to identify and, at financially attractive prices, acquire plots of land or properties utilising ADLER's sourcing network, in particular through the individual contacts of its branches. There can, however, be no assurance that Consus' sourcing network will be able to continue identifying acquisition targets or that Consus will be able to maintain its sourcing network in the future. In addition, ADLER's ability to acquire plots of land or real estate properties for its business may be adversely affected by the willingness of sellers to sell at financially attractive prices, the availability of acquisition financing, regulatory requirements, including those relating to building, zoning and environmental laws and various other market conditions. In addition, the emergence of competitors with similar business models and strategies may lead to an increasing demand for suitable real estate properties and may, therefore, lead to an increase in the acquisition costs for development opportunities or affect Consus' acquisition opportunities.

In connection with the acquisition of plots of land or properties, ADLER is exposed to risks caused by the condition of the real estate property and the inaccurate assessment thereof. Consus may not be able to identify all material risks in connection with the due diligence processes it conducts. Due to market competition and limited time frames between introduction of an acquisition opportunity onto the market and the transaction closing date, Consus' ability to evaluate acquisition opportunities and to engage in a diligent analysis of the specifics and constraints imposed by a seller may be limited. There can be no assurance that Consus has been or will be in a position to accurately identify, examine and evaluate all risks associated with an acquisition.

ADLER has to acquire a variety of approvals from local authorities, including land-use plans (Bebauungspläne) and building permits (Baugenehmigungen). Any such delay could result in significant cost increases and, ultimately, negatively affect the profitability of ADLER's business operations.

Risks relating to construction costs and delays in the build and deliver phase

ADLER is also exposed to various risks relating to defective construction work or the use or installation of defective construction materials by third-party suppliers or contractors. The warranty, guarantee or indemnity protection set forth in its contracts with such third-party suppliers and contractors, and the arrangements with insurance providers to insure against certain risks, may prove to be insufficient or may not adequately protect against relevant risks. Furthermore, it may not be able to enforce claims in the respective amount, or at all, due to the third-party contractor's or supplier's insolvency, or for other reasons.

In addition, unanticipated cost overruns and substantial delays can arise in a development project due to numerous factors, including increases in the acquisition costs for land, lack of availability and increases in the costs of building materials, adverse events affecting contractors and sub-contractors (e.g. their employees not being granted entry into Germany due to the coronavirus or their insolvency), increases in the costs of professional service providers, unidentified property defects, and unforeseen technical and ground conditions. In particular, higher building costs than expected may arise due to the current labour market in Germany, which exhibits a shortage of qualified personnel in the construction sector.

The Management Board assesses development risks and the impact on net assets, financial position and results of operations as very relevant.

Company-specific risks

Organisational risks

Our ability to manage our operations and growth requires the continuous improvement of operational, financial and management controls, reporting systems and procedures.

ADLER employs and works together with a large number of service providers, including energy providers, providers of minor repairs and maintenance services and construction companies and therefore is dependent on their performance. If the services from third-party providers are not performed in accordance with their contractual obligations or services are not performed as scheduled or if the quality of work falls below applicable standards, ADLER may face claims from tenants or from purchasers of individual residential units and may be exposed to delays and additional expenses.

The Management Board assesses organisational risks and the impact on net assets, financial position and results of operations as relevant.

Tax risk

ADLER's takeover by ADO Properties S.A. (now Adler Group S.A.) resulted in the loss of loss carryforwards for ADLER's property holding companies, as defined in Section 8c of the German Corporation Tax Act, if there are no more hidden reserves. As a result of the takeover by Adler Group S.A., tax loss carryforwards of EUR 142.9 million and interest carryforwards of EUR 60.5 million were lost. This could lead to an increase in the tax burden.

As a result of the complete takeover by Adler Group S.A., there is also a real estate transfer tax risk of approximately EUR 7.6 million. This risk can be reduced to around EUR 1.0 million by activating RETT blockers (already initiated by the tax advisors). Where the new legal situation (real estate transfer tax reform) already needs to be taken into account for the transaction, the current RETT blocker structure is not sufficient and, in this case, all properties of the ADLER Real Estate AG Group (except for BCP as there is only roughly a 70 percent interest) would have to pay real estate transfer tax.

ADLER fulfils its tax compliance obligations by keeping an extensive record of process documentation, which has now almost been completed. This process documentation covers the tax strategy, which is based on the tax organisation handbook. The Adler Group has currently outsourced its tax-related support to two tax consultancy companies, which keep ADLER informed at regular monthly meetings. At the start of 2021, a project to develop a standardised tax compliance management system was initiated at Adler Group level.

The Management Board assesses tax risks and the impact on net assets, financial position and results of operations as relevant.

Public relations and reputation risks

If the Company is unable to maintain its reputation and high level of customer service, tenant satisfaction and demand for our services and properties could suffer. In particular, if the Adler Group's reputation is harmed, it may become more difficult for us to let residential units and could lead to delays in rental payments or the termination of rental contracts by our tenants as well as finalising and selling development projects.

Any reputational damage due to the Company's inability to meet customer service expectations could consequently limit the ability to retain existing and attract new tenants and buyers. Furthermore, harm to the Company's reputation could impair the ability to raise capital on favourable terms or at all. Any downturn in tenant satisfaction, demand for our services and properties and any damage to our reputation could have a material adverse effect on ADLER's business, net assets, financial condition, results of operations, cash flows and prospects.

Portfolio optimization

On October 4, 2021, Adler Group S.A. announced that the company has initiated a review of strategic options for its yielding real estate portfolio which could result in a sale of a material part of its yielding assets. Proceeds from such disposals aim to significantly reduce leverage also to return capital to bond and equity holders.

Shortly after the announcement, Adler Group S.A. is the subject of a report published on October 6, 2021, by the company "Viceroy Research", which is backed by the short-selling investor Fraser Perring. This report contains allegations that Adler Group has rejected in the strongest possible terms. A central accusation is that the property values stated by Adler Group in its balance sheets are inflated. This accusation is refuted by the fact that the property values stated were determined by independent, market-leading property valuers and independently verified by financing banks. Contrary to the Viceroy Report, Adler Group has sold several portfolios to institutional investors in the past twelve months alone, where the purchase price was higher than the balance sheet value reported by Adler Group.

In Q4 2021, Adler Group initiated a special forensic investigation conducted by KPMG to fully enlighten the accusations in the Viceroy report. End of January 2022, ADLER Group S.A. was informed by its auditor KPMG Luxembourg that due to the ongoing special forensic investigation into the allegations made in the Viceroy Research Report, which is expected to be completed before an audit opinion is issued, it is highly unlikely that the audit of the consolidated financial statements would be completed in time for the audited consolidated financial statements to still be published by March 31, 2022.

Despite the statement and the announcement of profitable transactions, there has been an increase in negative press for the Adler Group. There is therefore a risk of a (further) deterioration of the Company's reputation among the various stakeholders, such as equity and debt investors, authorities, business partners and the public, which may lead to an impairment of the operating business due to a lack and/or price increase of financial and operational resources by suppliers and service providers.

The Management Board assesses the communication and reputation risk and the impact on net assets, financial position and results of operations as very relevant.

Transaction risk

Following its integration into the new Adler Group, ADLER will no longer pursue its former independent acquisition strategy, but will instead follow the overall strategy of the new Group. Up to now, ADLER intended to expand its residential portfolio further through acquisitions of shares in companies as well as individual portfolios or assets, and thus focused its investments on residential property portfolios with core market quality. When suitable market opportunities arose, ADLER also supplemented its portfolio by investing in core plus locations in mid-sized cities or cities such as Berlin or Leipzig in order to benefit from diversification and value growth in these markets.

ACCENTRO

In the 2017 financial year, ADLER sold its investment in ACCENTRO Real Estate AG, Berlin. The remaining purchase price of EUR 55.6 million was due for payment by end of 2019, following the granting of an extended payment term and the interim payment of EUR 97.9 million in the 2019 financial year. Management and Supervicsory Board resolved on March 24, 2021 to extend the payment period for the remaining receiable until September 30, 2021, but no payment has been made. The purchaser has, however, reconciled the outstanding receivable with ADLER and asked to draft a release letter for the purchase price collateral to be issued in conjunction with the purchase price payment. This release letter is currently being prepared and a timely settlement is expected. In Q4 2021, another payment of EUR 3.3 million was received. As of December 31, 2021, the purchase price receivable from the acquirer including interest claims amounted to approximately EUR 58.6 million.

ADLER considers the receivable to be secure. Nevertheless, a potential receivables risk is present.

BCP

ADLER acquired just under 70 percent of shares in BCP in April 2018. BCP is a company based in the Netherlands and listed on the Tel Aviv Stock Exchange, Israel. Its continued integration into the Adler Group poses certain risks. On the one hand, the capitalised earnings value risk of the investment itself is recognised and assessed; on the other, the operational risks of BCP's property portfolios and project developments are also recorded. ADLER indirectly incurs the usual project development risks on account of BCP's project developments. BCP has since contractually divested a significant number of commercial properties and a 75 percent interest in its major property development in Gerresheim. At the time these consolidated financial statements are being prepared, this poses two areas of risk as outlined below:

Disposal of a significant number of BCP commercial properties

In the process of divesting further parts of BCP's commercial portfolio, a second tranche was notarised with effect from 28 June 2019. Four Brack Group companies disposed of seven commercial properties with a total value of EUR 98.2 million. A further three Brack Group companies disposed of three commercial properties with a total value of EUR 30.4 million in an agreement dated 28 June 2019. The agreements concerning the ten commercial properties in total have a total volume of around EUR 128.6 million.

To date, transactions involving six of the ten properties have closed. The transactions of four commercial properties were expected to close in April/May 2020. The agreements that have not yet been closed have a total volume of around EUR 50.0 million. Reasons for the transactions not having closed yet include long lists of demands for documents for which the sellers require input from the tenant before they can respond. This gives rise to earnings and liquidity risks and risks of potential rescission of the agreements.

The commercial properties that currently remain are more difficult to sell. Consideration is being given to the possibility of no longer selling them or repurposing them. Risks associated with this include anticipated losses in a disposal scenario or costs for repurposing. As at the reporting date, the remaining commercial assets were revalued at current value.

Disposal of 75 percent interest in project development in Gerresheim

In an agreement dated 22 September 2019/26 December 2019, Brack Capital Germany (Netherlands) XLVIII B.V. sold its 75 percent interest in Glasmacherviertel GmbH & Co. KG, Gerresheim, Dusseldorf, with effect from 1 June 2019 and took over existing bank loans and former shareholder loans for a total purchase price of EUR 213.75 million. The value of the real estate assets (project development) has been set at EUR 375 million. Closing and payment of the agreed four purchase price instalments were partly dependent on approvals that are still pending. Transfer of power of control has executed at the end of the first quarter of 2020 and the first installment in the amount of EUR 36.0 million has been paid by the purchaser.

Due to delays in the establishment of the land development and zoning plans, in October 2021, ADLER and BCP has engaged with the buyer in Heads of Terms according to which the transaction shall be canceled. BCP has already applied for a binding ruling from the fiscal authorities in Germany with respect to the tax aspects of the cancellation transaction. The Parties shall then mutually agree on the structure, terms and procedure of a reversal of the transaction.

On December 28, 2021, the parties mutually agreed to rescind and reverse the share purchase agreement with effect as of the date of execution of the agreement fully and completely.

Beginning of December 2021, ADLER has sold an approximately 7% stake in Brack Capital Properties N.V. (“BCP”) to a subsidiary of LEG IMMOBILIEN SE (“LEG”) for a purchase price of EUR 75 million. The purchase price corresponds to the EPRA NAV per share as of September 30, 2021.

In addition, ADLER has irrevocably undertaken vis-à-vis LEG to tender its remaining shares as part of a public tender offer by LEG for shares in BCP, provided that the price per share offered is not less than EUR 157.00 (EUR 765 million for the remaining ADLER stake) and that the (first) acceptance period ends no later than 30 September 2022. As consideration, LEG will immediately pay – in addition to the purchase price – a premium of EUR 7.5 million.

Ceasar and Apollo

At the end of the second quarter of 2020, ADLER and the co-investor entered into a binding agreement with another investor, which provides for the sale of all shares in Caesar JV Immobilienbesitz und Verwaltungs GmbH. Accordingly, the shares held were reclassified under assets held for sale (EUR 4.0 million). The agreement also stipulates that ADLER will be fully compensated for the remaining receivables, including interest, from Caesar JV Immobilienbesitz und Verwaltungs GmbH. As of December 31, 2021, total receivables from Caesar amounted to EUR 27.8 million. If the sale no longer takes place the presentation of the shares under asset held for sale must be reversed and the shares to be assessed in accordance with the equity portion. Unfortunately, the company does not have any closing data for Caesar as of December 31, 2021, so far.

Furthermore, as of December 31, 2021, there were non-interest-bearing receivables from AB Immobilien B.V., Amsterdam, in the amount of EUR 15.0 million, considering default risks (excluding default risks – December 31, 2021: EUR 34.3 million). Based on information from the portfolio management a valuation allowance in the amount of EUR 19.4 million has been recognized. With the notarization of the sale of the remaining properties in Q4 2021 it has become foreseeable that upon payment in 2022 the receivables will not be settled in full.

LEG

On November30/December 1, 2021, Adler Group and LEG Immobilien SE (“LEG”) signed a contract regarding the sale of a total of 15,500 rental units.

The transaction is based on a real estate portfolio value in an amount of EUR 1.290 billion. This is above the respective book values as of 30 June 2021. The transaction was executed by way of a share deal.

On December 29, 2021, Adler Group successfully closed the sale.

KKR

End of October 2021, Adler Group continued its sales process and had signed a term sheet with a leading alternative investment firm setting out the key points of a transaction regarding a total of 14,368 units. These units are mainly located in the Eastern part of Germany. According to the term sheet, the agreed real estate value for the portfolio amounts to more than EUR 1 billion.

On January 13, 2022, Adler Group announced the signing of an agreement with KKR, a leading global investment firm, on the sale of approximately 14,400 residential and commercial units, predominantly located in medium-sized cities in eastern Germany. The transaction is structured as asset deal. The agreed purchase price corresponds to a valuation of the portfolio of EUR 1.05 billion and thus a premium on the book value reported as of 30 September 2021 and independently appraised by CBRE.

Due to the protracted closing and payment of the purchase prices, the Management Board assesses the transaction risk and the impact on net assets, financial position and results of operations as relevant.

IT risks

Information technology systems are essential for the Company's business operations and success. Any interruptions in, failures of, or damage to the information technology systems or the voice-over-internet protocol telephony system could lead to delays or interruptions in our business processes such as the outage of our customer service or rental hotlines. In addition, the Company outsources some of its information technology services.

Any interruptions or failures by the provider of such services could lead to business process delays and negatively affect our information technology system. In particular, our information technology systems may be vulnerable to security breaches and cyber attacks from unauthorised persons outside and within ADLER. Any malfunction or impairment of our computer systems could interrupt our operations, lead to increased costs and may result in lost revenueIf our information technology system and/or backups were to fail, we would have to recreate existing databases, which would be time-consuming and expensive.

The Management Board assesses the IT risk and the impact on net assets, financial position and results of operations as irrelevant.

Personnel risks

Like any other company, the ADLER is also exposed to risks inherent in its own organisational structures (management and organisational risks). ADLER has a lean management and organisational structure. The resultant benefits in terms of lower personnel expenses are countered by the risk of losing staff performing key functions. Having competent, engaged and motivated employees is an essential requirement for the Adler Group's success. The company could be exposed to the risk that managers or other top-level employees leave the company and it is not able to replace them promptly by recruiting sufficiently qualified staff.

ADLER counters personnel risks in particular through a defined selection process and through various induction measures taken when employees join the Group (such as providing them with a welcome folder and instructions). However, the shortage of skilled workers is also becoming increasingly more evident in the property sector.

The Management Board assesses the personnel risk and the impact on net assets, financial position and results of operations as very relevant.

Regulatory and legal risks

Legal risks arise whenever private contracts such as letting arrangements, the purchase or sale of properties, financing agreements with banks, capital market activities or company law agreements are involved. Legal risks also arise in connection with the company's obligation to comply with a wide variety of requirements, laws and conditions governing property ownership and management. ADLER has secured suitable personnel resources to deal with its legal affairs and avoid legal risks. Where necessary, in individual cases, the Group also draws on external expertise. Any risks becoming apparent in connection with legal disputes are accounted for by recognising an appropriate volume of provisions in the accounts.

ADLER´s business performance may be affected by various external factors, in some cases unforeseeable, which lie outside the company's control, such as acts of terrorism or natural disasters. Prospective earnings from the rental and trading of property may also be affected, either positively or negatively, by political decisions in respect of monetary policy, tax policy, rental law or the subsidisation of housing construction.

The Management Board assesses legal risks and the impact on net assets, financial position and results of operations as irrelevant.

Risks related to central purchasing

ADLER relies on a wide range of suppliers in its daily operations. The risk describes the danger of being tied to a specific supplier on the basis of long-term contracts, of (regional) suppliers unilaterally imposing price increases due to monopoly positions or dependency, or of a key supplier becoming insolvent without an equivalent substitute product.

Purchasing guidelines usually only describes the generally applicable or expected principles and criteria of a process. However, it can only be assumed in the rarest of cases that all processes are regulated in a guideline, since there are special cases which are too rare to have been described when the guideline was created or which were not considered during the creation of the guideline. At the same time, there is a risk that the specifications of the purchasing guideline will be violated, either consciously or unconsciously, during the awarding of contracts.
These circumstances include

- (Follow-up) negotiations without central purchasing or without timely involvement of central purchasing,
- Risk of non-compliance with approval limits when awarding contracts,
- Risk of non-uniform award of contracts to craftsmen / service providers,
- Risk of improper use of funds.

The Board of Management considers the purchasing risks and the impact on the net assets, financial position and results of operations to be very relevant.

Sustainability risks

The topic of sustainability is becoming increasingly important and is therefore moving further and further into the focus of general perception and socially increased expectations of the sustainability performance of companies, including from the environmentally conscious sustainably oriented Generation Y as potential employees. As a real estate group, ADLER is aware of this responsibility towards employees, tenants, investors, service providers and business partners. This also includes the creation and implementation of holistic values, which at the same time serve the long-term interests of the company and should be safeguarded through ongoing measures. Insufficient consideration of sustainable action leads to risks such as loss of reputation and damage to the image of the Adler Group as well as capital market risks, e.g., obtaining a good ESG score as a prerequisite for sustainable financing opportunities, and political as well as regulatory risks, e.g., additional costs in the event of increased CO2 emissions.

The Adler Group has made a commitment to sustainability in its external presentation, but there are various risks that this will not be achieved to the desired extent. The sustainability risks are divided into the following areas:

Strategic, organisational and reporting risks

In the Group strategy redefined in 2021, "Excellence in ESG (sustainability)" was defined as one of the central development paths, alongside "Portfolio excellence" and "Excellence in digitalization". The strategic paths permeate the entire value chain of the Adler Group and thus point the way to achieving the targeted vision.

There is a risk that these self-imposed targets cannot be achieved with the measures planned for this purpose and that there will be a negative impact on the reputation of the Adler Group. Also for the acceptance and value of green bonds, the Adler Group must (be able to) achieve the statutory and self-imposed targets. Otherwise, there is a risk that planned green bond issues cannot be made or cannot be made to the desired extent.

In order to achieve the self-imposed goals, it is necessary to initiate or implement suitable measures within a certain period of time. For this purpose, an appropriate organization that harmonizes and controls these measures must be set up. Sufficient budgets must be released for the measures, financial resources and personnel trained in sustainability issues must be made available. There is a risk that these measures will not be implemented, will not be implemented to a sufficient extent, will be implemented too late or will not achieve the desired goal due to a lack of resources or personnel in the relevant areas.

As a listed company with its registered office in Luxembourg, the Adler Group has a duty to regularly disclose non-financial information on sustainability within the company. The accuracy of this information is essentially based on the uniform, complete and correct recording and evaluation of the data required for this purpose. There is a risk that the status report on the achievement of the self-imposed or legally prescribed targets may not be correct.

The ESG rating has become an important evaluation criterion for a company. In addition to profitability, security and liquidity, sustainability also takes into account the ethical and sustainable values of potential investors (stakeholders). Sustainability is also becoming an increasingly relevant criterion for business partners and employees when establishing or continuing business and contractual relationships. As the ESG rating deteriorates, there is a risk that the company's reputation for sustainability among stakeholders will suffer.

Environmental risks

The environmental aspect is an important criterion in the ADLER's portfolio optimization and development projects.

When planning new properties, new neighborhoods or entire urban districts, the green quality of buildings can be specified from the outset by using materials with a particularly favorable CO_2 footprint, employing new construction techniques that avoid CO_2-intensive building materials, or giving preference to the use of recycled materials.

Furthermore, the use of climate-neutral heating systems, consumption-reducing water systems, provision of selective waste collection and consideration of climate-friendly waste collection should avoid further operational environmental risks.

With the green deal, the European Union (EU) has formulated important sustainability goals – including climate neutrality, an improved circular economy, and greater renovation and upgrading of buildings in this sense. Since beginning of 2021, the price for CO_2 is part of the German government's climate protection programme. A compromise proposal is based on the efficiency class of the buildings and distributes the costs between the parties depending on the energy condition of the building. Due to the age of the buildings and the low modernisation rate in the Adler Group portfolio to date, this could result in a cost risk if apportionability is overturned and the increased costs from the CO_2 price should not be passed on to the tenants.

The risk is that the requirements cannot be met or cannot be met in a timely manner resulting in additional costs or fines. Furthermore, the environmental protection measures may make a positive contribution to the Adler Group's ESG goals, but that the overall profitability of individual measures or the Adler Group as a whole may decline.

Social risks

The area of social sustainability also permeates the entire value chain of the Adler Group and ADLER. While in the area of Manage & Service the focus is particularly on existing tenants, the aim of real estate development is to design a sustainable and needs-oriented neighborhood development at an early stage.

The approach of social sustainability is also directed at our own employees as well as the company as such and thus also at the business partners and suppliers of Adler Group.

The neighborhood management is intended to help promote neighborhoods with special development needs, to bring together stakeholders from various areas of administration, local politics, private business, local associations, civic clubs and non-organized residents, to strengthen the economic and social structure of neighborhoods through joint activity and to actively involve residents in this process in the sense of helping them to help themselves.

There is a risk that the needs of investors and future tenants will not be met, despite early involvement of the various interest groups, appropriate planning of redevelopment measures and new buildings, and architecture oriented toward health and well-being.

Companies must be and remain innovative in order to hold their own in the market. Positive differentiation from competitors or positive customer experiences with a company contribute to customer satisfaction and customer loyalty. The Adler Group has an interest in retaining tenants for the long term and keeping vacancies low. The Adler Group is convinced that this can best be achieved through high service quality and customer orientation. The activities in cooperation with municipalities, welfare organizations or non-profit associations to advise tenants on matters concerning authorities, to overcome language barriers, to create accessibility, to organize childcare and to create meeting places cannot lead to the desired result of increasing tenant satisfaction.

Dealing with employees in a respectful and appreciative manner is more than just complying with the law. It is also a question of corporate culture, which can be actively shaped in the spirit of good cooperation. When employees feel involved, have a say and find their job fulfilling, this increases motivation, promotes employee loyalty and supports innovation processes. There is a risk that the promotional measures to increase employee satisfaction, e.g. harmonized and attractive remuneration models, interesting development opportunities, training and development measures, flexibilization of working models to reconcile family and career, are not sufficient to be perceived as an attractive employer and thus to attract and retain qualified employees.

Managing and developing real estate entails certain health and safety related risks. A significant incident or a general deterioration in our standards could put our employees, customers, contractors or the general public at risk of injury or death and could lead to litigation, significant penalties or damage to our reputation. The Adler Group attaches particular importance to health and safety in the company's business. The area of occupational safety and health management is directly assigned to the Chief Legal Officer of the Adler Group and accordingly enjoys high priority. Despite appropriate guidelines, training and instruction as well as ongoing controls, there is a risk that our own employees as well as employees of business partners may be exposed to hazards and harm on the premises and construction sites of our real estate development.

The globalized economy in particular, with increasingly complex supply chains and growing competitive pressure, harbors the risk of human rights violations. Companies therefore have an increasing responsibility to effectively protect these rights in their own business activities and along the value chain. When selecting business partners, not only economic aspects such as price and quality of the products and services offered are taken into account, but also the quality of the suppliers in terms of sustainability and social responsibility, e.g. observance of human rights, e.g. no child labor, occupational health and safety, appropriate remuneration, etc. However, there is a risk that due to a lack of information or deception in the contractor information, an appropriate selection of business partners and sufficient control along the entire supply and service chain is not possible.

Governance and compliance risks

There is no guarantee that the Company's risk management or compliance systems are sufficient to manage the risks faced by ADLER. The Company may be faced with risks that were previously unknown, unrecognised, underestimated or unconsidered, and our risk management or compliance systems may function incorrectly or fail. Inappropriate risk management or compliance measures may cause irregularities leading to, among other things, cash losses or delays in completion of development projects, or to official investigations or third-party claims against us, which in turn could have significant financial, reputational and other consequences.

The EU General Data Protection Regulation (GDPR), which came into force in May 2018, introduced extensive documentation obligations and considerably higher transparency requirements, which affect not only initial data collection but also the monitoring and investigation once personal data has been collected. The Adler Group implemented the new requirements of GDPR in order to ensure its compliance. It also continually adapts and redesigns its processes to this end. Additionally, although the Company strives to comply with all applicable laws, regulations and legal obligations relating to data usage and data protection, it is possible that these laws, regulations and other obligations may be interpreted and applied in a manner that is inconsistent with our practices. Non-compliance may lead to large fines, which would be calculated on the basis of the revenues of the Adler Group.

The infringement of provisions of capital markets legislation, such as the Wertpapierhandelsgesetz, (WpHG) and the Market Abuse Regulation (MAR), by the listed companies within the Adler Group may also lead to large fines.

Supported by the department Compliance & Risk Management, the Chief Compliance Officer informs management, employees and business partners about relevant provisions of capital markets legislation and the consequences of any infringement of those regulations.

Any non-compliance by the Adler Group with the applicable regulations could lead to fines and other sanctions.

The Management Board regards sustainability risks and its effects on the asset, expenses and income, liquidity position as well as image as relevant.

Summary of the Adler Group's risk situation

The above significant and even drastic risks and the additional further risks currently do not jeopardise the continued existence of ADLER Real Estate AG and Adler Group management either individually or cumulatively. ADLER is confident that it will succeed in managing the existing threats to its existence and challenges associated with these risks in future as well and will develop countermeasures to avert any threat to its existence in good time.

OPPORTUNITY REPORT

As part of the ADLER Group's opportunity policy, those responsible regularly assess the entrepreneurial opportunities for the entire Group. The key opportunities that are closely related to the risks are described before.

Since the completion of the combination between ADO Properties S.A. (now Adler Group S.A.), ADLER and Consus came into effect, many measures have been initiated to establish a uniform structure, harmonise processes and to combine various activities wherever economically feasible. Opportunities arise not only from the fact that costs can be reduced in larger organisations through economies of scale, they can also result from more favourable financing conditions. Further synergies might arise if the Adler Group can negotiate lower prices for goods and services. Finally, the new Group also becomes more attractive on the labour market because it offers more and better opportunities for promotion.

Opportunities related to macroeconomic and industry-related conditions as well as (social)political environment

Positive change in the macroeconomic and real estate environment

ADLER and Adler Group continued to present its financial stability in the 2021 financial year. The consolidation of the organisational structure, the creation of improved processes and the implementation towards an integrated real estate group with the entire value chain show first economic successes. The Adler Group has thus moved up into the group of major German listed real estate companies.

Despite persistent corona pandemic, the high demand for apartments remains unbroken. It continues to be driven by the same factors that have been significant in previous years: demographic change, the increasing number of single-person households and the continuing tendency of people to seek out cities and avoid the countryside. While there continues to be a trend toward urban flight to the outskirts of major cities, this trend is being eclipsed by influxes of people from abroad - whether people from other European countries looking for work in Germany or people coming to Germany from countries outside Europe to seek asylum here.

Moreover, the growing demand in the area of "affordable" housing, in which the ADLER is active, is hardly matched by new supply. Although apartments have been built and approved again in 2021, the price of newly built apartments is far higher than that of existing apartments. Rental price differentials are correspondingly high. For price-sensitive tenants, living in apartments of the type that the Adler Group can offer is therefore usually the better alternative.

Strategic opportunities

Strategic focussing and disposal of portfolio

After having been approached by several large institutional real estate investors showing strong interest, Beginning of October 2021 Adler Group S.A. has initiated a review of strategic options for its yielding real estate portfolio which could result in the sale of a material part of its yielding assets. Proceeds from such disposals aim to significantly reduce leverage and also to return capital to bond and equity holders.

On December 29, 2021, the company successfully closed the sale of approximately 15,500 units to a subsidiary of LEG IMMOBILIEN SE With this disposal, Adler Group takes the next step towards a more sharpened portfolio approach focussing on Germany's prospering big cities. The net proceeds will mainly be used for further deleveraging of the company.

Mid of January 2022, Adler Group announced the signing of an agreement with KKR, a leading global investment firm, on the sale of approximately 14,400 residential and commercial units, predominantly located in medium-sized cities in eastern Germany. The transaction is structured as asset deal. The agreed purchase price corresponds to a valuation of the portfolio of €1.05 billion. With the cash inflow, Adler Group will further deliver on its objective of deleveraging its balance sheet and achieve its strategic goal of reducing the loan-to-value ratio (LTV) to below 50%.

With the successful reduction of the LTV, Adler Group will be able to reduce its interest charges and payments and its future liquidity requirements. This also enables improvements of the company' s external rating which may result in a higher attractiveness for investors.

Integration

When defining its integration and business strategy and preparing short- and medium-term plan as the new Adler Group, the Company identified potentials that have been reflected appropriately based on the corresponding assumptions and scenarios on sociological and political trends as well as regulatory and financing environment. With the ongoing harmonization of internal guidelines and processes during 2021, the company expects to further improve efficiency.

Due to scenarios with more positive conditions, ADLER's business development might have more favourable results than stated in the Company's plans.

Digitalisation in the real estate industry and the company organisation

The Adler Group sees further digitalisation as an opportunity to make administrative processes more efficient and thereby permanently reduce administrative expenses, in particular for the uniform recording of all tenant as well as property and project development data and as a basis for timely and comprehensive reporting and controlling of all real estate activities by implementing standardised ERP management systems. Also, the digitalisation of company internal processes, e.g., in the financial and personal management, offers efficiency potentials.

The associated increase in efficiency is also expected to have a positive impact on ADLER's cost structure.

The Company sees further potential to automate manual and error-prone work through projects driving digitalisation. The qualified employees who process and are responsible for these areas can thus be entrusted with tasks that cannot be automated. Further harmonisation and optimisation efforts at ADLER will continue to drive digitalisation in general.

Financial and financing opportunities

Given continuing favourable conditions on the capital and banking market with sustained low interest rates, the Adler Group will have the opportunity to further the structure and conditions of the Group's financial liabilities.

Improvement of external corporate rating

On August 11, 2021, Standard & Poor's confirmed the "BB" credit rating but downgraded the rating to "B+" on October 11, 2021 as well as to "B-" on February 11, 2022, due to "business uncertainty and tightening liquidity, following the Viceroy report".

A re-improvement of the rating is targeted facing a better LTV after the strategic focussing end of 2021 and beginning of 2022. The importance of the Adler Group's external corporate rating is considered material by the Management Board and the Supervisory Board. The improvement of the rating and the receipt of a so-called investment grade rating entail opportunities for the Adler Group regarding further (re-)financing on the capital market. These opportunities are highly significant. An investment grade rating is often a basic prerequisite for institutional investors to even consider a possible investment.

(Re)financing opportunity

The current interest rate level, the good rating and any expiring fixed interest rates continue to provide ADLER via the Adler Group with opportunities for further good financing on the capital market and with commercial banks. Thus, average debt financing could be further reduced, as already shown by the placement of the bonds at the beginning of 2021. However, no longer at the level of previous years.

Positive change in interest rates

The possibility of taking advantage of lower interest rates also offers Adler Group financial opportunities ww. The declining interest rates observed in recent years lead to lower discount and capitalisation rates for property valuations. This in turn leads to higher IFRS values (fair values). Sensitivity considerations in the reduction of the discount and capitalisation rates by 0.25 percentage points each have led to an increase in IFRS values (residential investment properties) of around 10.28 % at the ADLER. In this context, however, the parameters of market rent and vacancy rates must also be considered, which could reinforce this development or have the opposite effect.

Opportunities from the operating business

Operational opportunities of the integrated real estate company

ADLER a spart of Adler Group sees a significant opportunity to improve occupancy rates and rental income in the expansion of the value chain through the creation of its own apartments - also through the acquisition of the real estate developer Consus in 2020. In addition to the renovation of vacant residential units to make them marketable again and able to be rented at reasonable prices, the creation of new apartments that meet current standards also opens more rental potential. Almost all housing portfolios are managed in-house: organisation of the integration of rental housing management and billing as well as extensive management by means of its own facility management has been implemented. Cost savings and further economies of scale are being achieved and will continue to be increased gradually due to ADLER Real Estate AG's own administration and management of property portfolios within the main process of property management. In addition, a Group company has in the meantime taken energy purchasing and energy supply for the residential portfolios of the entire Adler Group into its own hands.

Almost all residential portfolios have been managed in-house since the 2019 financial year. The integration of rental apartment management and billing as well as largely in-house facility management has been implemented. By managing and servicing the real estate portfolios in-house as part of the Adler Group's main portfolio management process, cost savings and further economies of scale are being realised and successively leveraged further. However, the challenge of attracting sufficiently qualified personnel remains.

Increase in market rent

Rising market prices can currently be observed everywhere. ADLER can also report a moderate increase in its average rental prices in the 2021 financial year. In this respect ADLER believes that there is also a chance that rising market prices will have a positive impact on the IFRS values of the investment properties in the future. The continued high demand for residential space with hardly any improvement in supply because of low building permits and full utilisation of construction companies is leading to rising market rents and thus to higher fair values of the properties. In the future, however, a further increase in market rent and IFRS property values will tend to occur at a quicker pace than in the past.

Reduction in vacancy rate

Through intensive modernisation programmes in previously vacant residential units, ADLER was able to achieve significant improvements in earnings and reductions in vacancies in past financial years as well as in 2021. The financial opportunities were reflected on the one hand in the higher profitability of the company's own real estate portfolio and on the other hand in lower vacancy costs as a result of letting. In addition, residential complexes become more attractive as a result of higher occupancy rates and as a result of investments also in the neighbourhoods, and fluctuation decreases, which leads to further savings (leasing commissions, renovations after leasing, temporary vacancy).

Opportunities when buying and selling real estate

Currently, the opportunities to purchase real estate at favourable prices are increasingly dwindling. For this reason, the Adler Group is looking for new ways of acquiring real estate, which could be realised after the takeover of Consus into the Adler Group.

Due to the many years of industry experience of the Management Board and the good network, ADLER nevertheless has an appropriate portfolio of potential investments, which are evaluated on an ongoing basis and, if necessary, examined in more detail as part of due diligence.

Following the strategic focussing of Adler Group in 2021, a further streamlining of the portfolio to focus on the core business and to increase profitability may lead to income and/or cash inflows for further debt repayment and improvement of the LTV also for ADLER.

Company-specific opportunities

Further harmonisation and development of common processes and guidelines, the implementation of a single IT landscape and streamlining of the Adler Group tax structure might provide more opportunities than expected for ADLER.

In connection with creating the new Adler Group, the Company developed a new HR development concept with harmonised standards and processes for all employees in the Group. Further opportunities include actively shaping the recruitment of new staff to fill vacant positions with highly skilled and motivated people. Embedded in a Group-wide value-based change management, various projects have been initiated to implement and strengthen a common Adler Group culture. These measures bring further opportunities as the appeal of the Company as an employer does increase.

Opportunies by sustainability

The ever-increasing interest of investors, business partners, tenants and employees in sustainable business practices creates significant opportunities for a company that acts sustainably. Sustainability combined with a good ESG rating offers the Adler Group and thus ADLER expanded financing opportunities, greater attractiveness as a landlord and employer. In addition, investors are also increasingly looking for sustainable, environmentally compatible, and socially responsible investments. This trend can also be observed in the construction sector and is leading to increased pressure for energy-efficient, cost-saving building solutions. Political intervention in the form of legislative initiatives and subsidies is adding to this pressure. ADLER is also is tapping into this trend with its innovative concepts in neighbourhood development.

True to Adler Group's vision "More future per m2", ADLER's goal is to achieve an improvement in quality of life. By using sustainable, ecological building materials as well as energy concepts, ADLER contributes to the conservation of scarce resources and uses of renewable energies.

What is true for the development projects also offers opportunities in the existing portfolio. The ambitious roadmap to half the greenhouse gas emissions resulting from the portfolio until 2030 is a reaction to the changes in the regulatory framework. But it will improve the competitiveness of the existing portfolio in the rental markets as energetically refurbished apartments come with lower ancillary costs for heat and energy and at the same time provide much higher quality and comfort. Opportunities appear to be even better for companies which lead the market in this process.

Overall assessment of the risks and opportunities by the Management Board

The Management Board and the Supervisory Board of ADLER have assessed and discussed the risks throughout the last year. Risks were assessed very cautiously, and opportunities were viewed with reserved optimism.

From today's perspective, the Management Board does not see any risks that could endanger the existence of the company or its earnings, assets and/or financial position. Overall, this results in a risk profile that is usual for the real estate business. By analysing early warning indicators and risks at an early stage, ADLER is able to react in good time by taking appropriate countermeasures and mitigating negative effects. At this stage, it can be said that the risk prognosis is positive and that there are many opportunities for ADLER to exploit in the medium and long term.

Concluding remark

This Opportunities and Risk Report contains forward-looking statements and information. These forward-looking statements may be identified by words such as 'expects,' 'intends,' 'will,' or words of similar meaning. Such statements are based on our current expectations, assessments and assumptions about future developments and events and, therefore, are naturally subject to uncertainties and risks. The actual developments and events may differ significantly both positively and negatively from the forward-looking statements so that the expected, anticipated, intended, believed or estimated developments and events may, in retrospect, prove to be incorrect.

9. REPORTING FOR ADLER REAL ESTATE AG ACCORDING TO GERMAN COMMERCIAL LAW

The management report of ADLER Real Estate AG (ADLER AG) is combined with the group management report of ADLER AG according to Section 315 (5) of the German Commercial Code (Handelsgesetzbuch – HGB) in connection with Section 298 (2) HGB (combined management report). In addition to the reporting on the Adler Group, the development of ADLER AG is presented below.

In contrast to the consolidated financial statements, the annual financial statements of ADLER AG are not prepared in accordance with the International Financial Reporting Standards (IFRS), but instead according to the rules of the German Commercial Code (HGB) in compliance with the additional provisions of the German Stock Corporation Act (AktG).

9.1 BUSINESS FUNDAMENTALS AND ECONOMIC REPORT

ADLER AG conducts its business through independent subsidiaries. As an operating investment holding company, the company provides customary management, administrative and financing functions to its group companies. ADLER AG is integrated into the Group-wide management system.

Due to the connections between ADLER AG and the group companies, macroeconomic and industry-specific developments as well as company-related economic development correspond to those of the Group.

9.2 RESULTS FROM OPERATIONS, NET ASSETS AND FINANCIAL POSITION

Result of operations

Due to its holding function, ADLER AG's results from operations are essentially characterised by cost allocations to subsidiaries and their functional expenses and financial costs.

In EUR millions	2021	2020
Turnover	3.4	3.1
Other operating income	23.6	10.2
Personnel expenses	-0.3	-2.2
Other operating expenses	-21.9	-52.8
Income from participations	1.0	0.0
Income from securities and lending of financial assets	53.3	64.1
Other financial and similar income	13.1	16.2
Depreciation on financial assets and on securities from currents assets	-4.1	-490.7
Other financial and similar expenses	-58.1	-64.8
Income taxes	-0.5	0.0
Earnings after taxes	**9.5**	**-517.0**
Other taxes	0.0	0.0
Net result	**9.5**	**-517.0**
Loss carried forward from previous year	-500.5	-3.1
Purchase of treasure shares	0.0	19.5
Net accumulated loss	**-491.0**	**-500.5**

In the 2021 financial year, ADLER AG generated revenue amounting to EUR 3.4 million (previous year: EUR 3.1 million) from services to group companies.

Other operating income increased year-on-year by EUR 13.4 million to EUR 23.6 million. This resulted mainly from the sale of 524,292 shares in Brack Capital Properties N. V., Tel Aviv/Israel, to LEG Grundstücksverwaltung GmbH, Düsseldorf, with income of EUR 19.9 million. Write-ups from reversals of impairment losses on securities were not realised in 2021 (previous year: EUR 5.6 million). The merger of subsidiary MüBau Real Estate GmbH, Hamburg, into ADLER AG resulted in a one-time merger gain of EUR 2.8 million.

Personnel expenses amounted to EUR 0.3 million, compared with EUR 2.2 million in the previous year. Since April 2020, the personnel expenses of two Management Board members have been recognised in the parent company Adler Group and passed on to ADLER AG as a fee.

Other operating expenses decreased year-on-year by EUR 30.9 million to EUR 21.9 million. The decrease compared with the previous year is primarily as a result of legal and consulting costs, which totalled EUR 3.5 million (previous year: EUR 42.0 million). By contrast, expenses for the early repayment of bonds were reflected in expenses at EUR 4.0 million (previous year: EUR 0.0 million).

The company generated income of EUR 66.4 million (previous year: EUR 80.3 million) from loans to group companies and current financial and security investments. The decrease compared with the previous year relates primarily to lower loans to Münchener Baugesellschaft mbH during the year.

This income is offset by interest expenses of EUR 58.1 million (previous year: EUR 64.8 million), which mainly result from issued bonds, convertible bonds repaid in the 2021 financial year and other financial liabilities. Interest expenses for bonds and convertible bonds decreased by EUR 7.4 million, particularly as a result of the maturity of two bonds in 2021, and thus account for the main decrease in this item. In contrast, interest expenses to affiliated companies of ADLER AG increased significantly by EUR 3.8 million.

Write-downs on financial assets and securities classified as current assets amounted to EUR 4.1 million in the 2021 financial year and thus decreased significantly compared with the previous year (previous year: EUR 490.7 million). The previous year included in particular extraordinary write-downs on the shares in ADO Group amounting to EUR 486.9 million and on securities held as fixed assets amounting to EUR 3.6 million. The write-downs on ADO Group shares had become necessary in the previous year after ADO Group had transferred its interest to Adler Group. On 2 July 2020, the Supervisory Board of ADLER AG approved the finalisation of a share transfer and procurement contract between ADLER AG and its parent company, Adler Group. The contract concerned the transfer of the remaining interest in ADLER Group held by ADO Group as a subsidiary of ADLER AG to Aggregate Holdings S.A. “Aggregate”) within the framework of the option agreement in place between Adler Group and Aggregate dated 15 December 2019. Under the terms of the share transfer and procurement contract, ADLER AG made a commitment to Adler Group to sign a further share transfer and procurement contract with ADO Group, under which ADO Group will pledge to ADLER AG to transfer the 14,692,889 Adler Group shares that it holds to Aggregate upon instruction from ADLER AG. Adler Group granted consideration for the transfer of the shares from ADO Group to Aggregate, which was equivalent to the fair value of the Adler Group shares on the transfer date of 2 July 2020 (EUR 348.2 million). Particularly as the stock market price of Adler Group had decreased significantly at the time of the transfer, partly in the wake of the COVID-19 pandemic, this resulted in a disposal loss for ADO Group. The original acquisition costs for the ADO Group shares, including incidental acquisition costs, had been EUR 718.5 million at the end of 2019.

ADLER AG reports a net profit of EUR 9.5 million for the 2021 financial year (previous year: net loss of EUR 517.0 million).

After taking into account the loss carryforward of EUR 500.5 million, ADLER AG consequently reports a net accumulated loss of EUR 491.0 million for the 2021 financial year (previous year: EUR 500.5 million).

Financial position and net assets

In EUR millions	31.12.2021	31.12.2020
Non-current assets	**2,319.2**	**2,102.8**
Financial assets	2,317.0	2,100.7
Property, plant and equipment	2.2	2.2
Current assets	**272.5**	**486.8**
Receivables against associated companies	51.6	108.8
Other assets	73.1	77.0
Other securities	123.5	288.3
Deposits	24.3	12.7
Deferred income	**4.7**	**8.8**
Assets	**2,596.4**	**2,598.4**
Equity	**262.4**	**244.7**
Capital stock (Previous year: minus treasury stock)	109.4	73.6
Capital reserve	644.0	193.4
Contributions made to carry out the capital increase decided	0.0	478.2
Net accumulated loss	-491.0	-500.5
Provisions	**2.0**	**1.8**
Liabilities	**2,332.0**	**2,351.9**
Liabilities from convertibles and bonds	1,522.5	2,122.6
Financial liabilities to banks	0.0	0.0
Trade payables	0.5	3.6
Liabilities against associated companies	801.4	224.7
Other liabilities	7.6	1.0
Equity and liabilities	**2,596.4**	**2,598.4**

ADLER AG's total assets decreased only insignificantly by EUR 2.0 million year-on-year.

In the reporting year, the subsidiary MüBau Real Estate GmbH was merged into ADLER AG, which means that there are no longer any shares in the company (previous year: EUR 1.2 million) and no liabilities to the company (EUR 3.2 million).

ADLER AG has a loan liability including accrued interest to ADO Group in the amount of EUR 176.7 million (previous year: EUR 195.3 million), which was reduced by a partial repayment of EUR 24.6 million in February 2021.

The previous year's liabilities to Adler Group and a subsidiary in the amount of EUR 22.6 million including interest were repaid at the beginning of 2021. As at 29 December 2021, ADLER AG granted Adler Group a loan in the amount of EUR 265.2 million, which is due on 29 December 2022 and bears interest at 2,8444% p.a. This loan is recognised under loans as at the balance sheet date.

Because ADLER AG is a group parent company, its assets consist primarily of financial assets. As at the balance sheet date, these amounted to a carrying amount of EUR 2,317.0 million (previous year: EUR 2,100.7 million) and accounted for around 89 percent of total assets (previous year: around 81 percent).

Financial assets include the following:

- EUR 921.7 million (previous year: EUR 943.9 million) for Muenchener Baugesellschaft mbH, of which EUR 7.7 million (previous year: EUR 7.7 million) is for the shareholding and EUR 914.0 million (previous year: EUR 936.2 million) is for loans to this company.

- EUR 232.2 million (previous year: EUR 232.2 million) for the ADO Group shareholding.

- EUR 512.2 million (previous year: EUR 567.3 million) to BCP after pro rata sale of 524,292 shares in 2021.

- EUR 299.3 million (previous year: EUR 266.4 million) to the investment in Westgrund Holding GmbH (formerly WESTGRUND AG) following the squeeze-out in 2021.

- EUR 52.6 million (previous year: EUR 51.7 million) for Eurohaus Frankfurt AG, of which EUR 31.8 million (previous year: EUR 31.8 million) for the shareholding and EUR 20.8 million (previous year: EUR 19.9 million) for loans to this company.

- EUR 265.3 million (previous year: EUR 0.0 million) for a loan including accrued interest to Adler Group, which is due at December 29, 2022.

- EUR 8.1 million (previous year: EUR 12.3 million) for a fixed-interest bond with a term until November 2025.

Receivables from affiliated and group companies decreased by EUR 57.2 million to EUR 51.6 million. The change mainly results from the fact that receivables from current netting against Muenchener Baugesellschaft (previous year: EUR 34.7 million) were transferred to liabilities.

At EUR 58.6 million (previous year: EUR 59.1 million), other assets include in particular the still pending remaining purchase price receivable, including interest claims from the sale of the shares in ACCENTRO Real Estate AG in 2017. In the year under review, interest income EUR 2,714k (previous year: EUR 2,866k) on the receivable bearing interest at market rates was recognised. An interest payment of EUR 3,250k was made. The company is in an exchange with the debtor regarding the settlement of the remaining receivable. Based on these discussions, the payment deadline, which expired on 30 September 2021, was extended to 31 May 2022.

Other securities classified as current assets amounting to a total of EUR 123.5 million (previous year: EUR 288.3 million) include acquired interest-bearing promissory note loans of EUR 117.7 million (previous year: EUR 254.7 million). The repayment of promissory note loans in the financial year amounting to EUR 137,014k were made at carrying amount. As in the previous year, the remaining shares in ACCENTRO (4.8 percent of the diluted share capital) are reported at an unchanged volume of EUR 5.7 million. In the previous year, bonds of EUR 27.9 million were also held as a short-term investment, which were sold in full in 2021.

As at the balance sheet date, deposits with banks amounted to EUR 24.3 million (previous year: EUR 12.7 million).

Prepaid expenses of EUR 4.7 million (previous year: EUR 8.8 million) essentially comprise the premium resulting from the issue of bonds.

Equity increased by EUR 17.7 million to EUR 262.4 million (previous year: EUR 244.7 million). In the previous year, a non-cash capital increase of EUR 478.2 million was already made by Adler Group S.A. and recognised in a special item in equity. Upon entry in the commercial register on 23 February 2021, EUR 35.1 million of this contribution was transferred to capital stock and EUR 443.1 million to capital reserve. Furthermore, the capital stock increased by EUR 0.7 million and the capital reserve by EUR 7.5 million due to the exercise of conversion rights. Capital stock of EUR 109.4 million and capital reserve of EUR 644.0 million are therefore reported as at 31 December 2021. The net profit of EUR 9.5 million (previous year: net loss of EUR 517.0 million) had a comparatively minor effect on equity and reduced the net accumulated loss to EUR 491.0 million (previous year: EUR 500.5 million). The equity ratio amounts to 10.0 percent (previous year: 9.4 percent) as at the balance sheet date.

Provisions increased by EUR 0.2 million to EUR 2.0 million (previous year: EUR 1.8 million). As in the previous year, provisions are mainly recognised for outstanding invoices.

Liabilities decreased slightly overall by EUR 19.9 million to EUR 2,332.0 million (previous year: EUR 2,351.9 million). Liabilities from convertible bonds and bonds fell by EUR 600.1 million to EUR 1,522.5 million (previous year: EUR 2,122.6 million) mainly due to the scheduled repayment of a bond and a convertible bond in 2021. Liabilities to affiliated companies rose by EUR 576.7 million to EUR 801.4 million (previous year: EUR 224.7 million). This increase can mainly be attributed to financial liabilities to Westgrund AG (EUR 278.4 million) and Münchener Baugesellschaft mbH (EUR 339.1 million). In contrast, liabilities to Adler Group and its subsidiaries were reduced by EUR 36.0 million.

ADLER AG was able to meet its payment obligations at all times.

Overall summary of business performance and position of the company and the Group

The business performance was significantly influenced by changes in financial assets, with the pro rata disposal of shares in Brack Capital Properties N. V. contributing EUR 19.9 million to a positive result for the year. The disposal in financial assets from this transaction of EUR 55.1 million is offset by additions from the completed squeeze-out at Westgrund Holding GmbH (formerly Westgrund AG) in the amount of EUR 32.9 million. Extraordinary items from the previous year, such as the impairment of the shares in the ADO Group in the amount of EUR 486.9 million, which together with the increased legal and consulting expenses almost fully accounted for the high net loss, did not occur in 2021. The non-cash capital increase through contributions in kind by the majority shareholder, which was already resolved at the end of 2020 and entered in the commercial register at the beginning of 2021, fully offset the previous year's result (EUR 517.0 million). After registration of the non-cash capital increase and the issue of further shares, subscribed capital increased by EUR 35.8 million and capital reserve by EUR 450.5 million. In total, equity increased to EUR 262.4 million (previous year: EUR 244.7 million). Given the further development of the existing property portfolios, the future strategic sales of property portfolios, the improving financing structure and the financing facilities secured on a long-term basis, the positions of the company and Group are therefore assessed as positive. The foundations have been laid for strong performance in the future..

9.3 REPORT ON EVENTS AFTER THE BALANCE SHEET DATE

Significant events after the balance sheet date correspond to the matters described in the report on post-balance sheet date events of the Adler Group.

9.4 REPORT ON EXPECTED DEVELOPMENTS

The expectations for ADLER AG are reflected in the forecast of the Adler Group due to its links with the Group companies.

The previous year's forecast, which called for an annual result at the level of the previous year excluding impairment losses (net loss of around EUR 26.0 million), was exceeded, particularly due to the extraordinary effect of the sale of shares in Brack Capital Properties B.V. (around EUR 19.9 million).

Since the success of business activity is initially only evident in the subsidiaries, but expenses are mainly incurred within the framework of the holding structure, ADLER AG expects the annual result in the single-entity financial statements for the 2022 financial year to be consistent with the reporting year's level, excluding the result from the sale of the remaining BCP shares.

9.5 REPORT ON RISKS AND OPPORTUNITIES

As the parent company of the Adler Group, ADLER AG is integrated into the group risk management system and the group accounting-related internal control system. ADLER AG's business development is essentially subject to the same opportunities and risks as the Adler Group.

Berlin, 30 April 2022

Maximilian Rienecker CEO	Thierry Beaudemoulin COO	Sven-Christian Frank CLO

/// CONSOLIDATED BALANCE SHEET

/// CONSOLIDATED STATEMENT OF INCOME AND ACCUMULATED EARNINGS

/// CONSOLIDATED CASH FLOW STATEMENT

/// CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

/// CONSOLIDATED BALANCE SHEET

(IFRS) as at 31 December 2021

In EUR ´000	Note	31.12.2021	31.12.2020
Assets		**5,584,662**	**6,292,313**
Non-current assets		**1,822,655**	**5,578,424**
Goodwill	8.1	46,699	169,439
Intangible assets	8.1	282	485
Property, plant and equipment	8.2	18,438	22,276
Investment properties	8.3	1,662,824	4,951,790
Receivables from and Loans to associated companies	8.4	0	103,270
Investments in associated companies	8.5	10,489	63,585
Other financial investments	8.6	79,375	131,832
Other non-current assets	8.6	1,987	135,185
Deferred tax assets	8.7	2,561	563
Current assets		**793,382**	**601,097**
Inventories	8.8	13,213	68,257
Trade receivables	8.9	17,587	23,669
Receivables from affiliated companies	8.9	270,105	548
Income tax receivables		7,062	4,165
Other current assets	8.9	188,608	354,602
Cash and cash equivalents	8.10	296,807	149,857
Non-current assets held for sale	8.11	**2,968,624**	**112,791**

In EUR ´000	Note	**31.12.2021**	**31.12.2020**
Equity and liabilities		**5,584,662**	**6,292,313**
Shareholders' equity		**2,144,018**	**1,580,770**
Capital stock	8.12	109,417	73,659
Treasury shares	8.12	0	0
		109,417	73,659
Capital reserve	8.13	783,332	331,696
Retained earnings	8.14	-875	-877
Other reserves	8.15	-9,860	-50,583
Net retained profit		830,263	761,112
Equity attributable to owners of the parent company		1,712,277	1,115,007
Non-controlling interests	8.16	431,741	465,763
Contributions made to carry out the capital increase decided	8.17	**0**	**478,164**
Non-current liabilities		**2,023,897**	**3,073,299**
Pension provisions	8.18	1,067	1,131
Deferred tax liabilities	8.7	222,304	459,478
Other provisions	8.19	5	3,026
Liabilities from bonds	8.21	1,088,780	1,548,970
Financial liabilities to banks	8.22	703,830	1,039,179
Other non-current liabilities	8.23	7,911	21,514
Current liabilities		**551,488**	**1,132,809**
Other provisions	8.19	248	282
Income tax liabilities	8.25	14,760	35,013
Liabilities from convertible bonds	8.20	0	97,384
Liabilities from bonds	8.21	421,893	530,340
Financial liabilities to banks	8.22	35,483	367,339
Financial liabilities to affiliated companies	8.24	0	22,551
Trade payables	8.25	27,432	32,246
Other current liabilities	8.25	51,673	47,654
Liabilities held for sale	8.11	**865,259**	**27,271**

/// CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(IFRS) for the period from 1 January to 31 December 2021

In EUR '000	Note	2021	2020
Gross rental income	9.1	337,758	354,680
Expenses from property lettings	9.2	-147,007	-143,510
Earnings from property lettings		**190,751**	**211,171**
Income from the sale of properties	9.3	1,428,702	836,514
Expenses from the sale of properties	9.4	-1,428,061	-824,430
Earnings from the sale of properties		**641**	**12,084**
Personnel expenses	9.5	-40,548	-45,009
Other operating income	9.6	83,314	19,256
Other operating expenses	9.7	-50,269	-78,352
Income from fair value adjustments of investment properties	9,8	225,207	239,461
Depreciation and amortisation	9.9	-33,272	-5,318
Earnings before interest and tax (EBIT)		**375,824**	**353,293**
Financial income	9.10	20,082	87,603
Financial costs	9.11	-264,604	-158,539
Net income from at-equity-valued investment associates	9.12	83	-5,901
Earnings before tax (EBT)		**131,385**	**276,456**
Income taxes	9.13	-56,827	-81,349
Consolidated net profit from continuing operations		**74,558**	**195,107**
Consolidated net profit of discontinued operations	9.14	0	-499,527
Consolidated net profit		**74,558**	**-304,420**
Actuarial gains/losses before taxes		3	-19
Deferred taxes on actuarial gains/losses		-1	6
OCI gains/losses not reclassifiable into profit or loss		**2**	**-13**
Gains/losses from currency translation	8.15	27,448	-3,077
Change in value of financial assets measured at fair value	11.1	-4,049	2,251
OCI gains/losses reclassifiable into profit or loss		**23,399**	**-826**
OCI gains/losses from continuing operations		**23,401**	**-839**
OCI gains/losses of descontinued operations	9.14	0	-72,820
Total comprehensive income from continuing operations		**97,959**	**194,268**
Total comprehensive income of discontinued operations	9.14	0	-572,347
Total comprehensive income		**97,959**	**-378,079**

In EUR '000	Note	2021	2020
Carry-over total comprehensive income		**97,959**	**-378,079**
Net profit from continuing operations:			
Owners of the parent company		69,152	145,825
Non-controlling interests		5,407	49,282
Consolidated net profit attributable to:			
Owners of the parent company		69,152	-351,943
Non-controlling interests		5,407	47,523
Total comprehensive income from continuing operations:			
Owners of the parent company		92,553	144,986
Non-controlling interests		5,407	49,282
Total comprehensive income attributable to:			
Owners of the parent company		92,553	-376,995
Non-controlling interests		5,407	-1,084
Earnings per share, basic in EUR (consolidated net profit from continuing operations)	9.15	0.66	2.05
Earnings per share, diluted in EUR (consolidated net profit from continuing operations)	9.15	0.69	1.90
Earnings per share, basic in EUR (consolidated net profit)	9.15	0.66	-4.94
Earnings per share, diluted in EUR (consolidated net profit)	9.15	0.69	-4.39

/// CONSOLIDATED STATEMENT OF CASH FLOWS

(IFRS) for the period from 1 January to 31 December 2021

In EUR '000		2021	2020
Earnings before interest and taxes (EBIT) – continuing and discontinued operations		375,824	-126,534
+	Depreciation and amortisation	33,272	5,694
–/+	Net income from fair value adjustments of investment properties	-225,207	-239,461
–/+	Non-cash income/expenses	-64,787	577,441
–/+	Changes in provisions and accrued liabilities	-3,275	-2,813
–/+	Increase/decrease in inventories, trade receivables and other assets not attributable to investment or financing activities	-103,943	235,281
–/+	Decrease/increase in trade payables and other liabilities not attributable to investment or financing activities	-33,967	-312,783
+	Interest received	5,398	1,790
+	Dividends received	0	0
+/–	Tax payments	-19,583	-8,516
=	**Operating cash flow before dis-/reinvestment into the trading portfolio**	**-36,268**	**130,099**
–/+	Increase/decrease in inventories (commercial properties)	55,027	19,051
=	**Net cash flow from operating activities**	**18,759**	**149,150**
	of which continuing operations	18,759	144,050
	of which discontinued operations	0	5,100
–	Acquisition of subsidiaries, net of cash acquired	1,114	-14,686
–	Purchase of investment properties	-165,631	-220,633
+	Disposal of investment properties	1,520,208	293,285
–	Purchase of property, plant and equipment and intangible assets	-2,505	-7,921
+	Disposal of property, plant and equipment and intangible assets	2,942	0
–	Payments into short-term deposits	0	-47,404
+	Proceeds from short-term deposits	37,485	25,603
+	Proceeds from disinvestment of financial assets	0	12,821
–	Investments in financial assets	-6,559	-186,059
–	Tax payments	-15,994	0
–	Payments from issuance of loans to associated companies	-265,221	0
=	**Net cash flows from investing activities**	**1,105,839**	**-144,994**
	of which continuing operations	1,105,839	-18,888
	of which discontinued operations	0	-126,106

	In EUR '000	2021	2020
–	Costs of issuing equity	0	-4,065
–	Transactions with non-controlling interests	4,099	42,926
–	Repayment of bonds	-511,298	-326,222
–	Repayment of convertible bonds	-90,264	0
–	Interest payments	-130,094	-83,114
+	Proceeds from bank loans	508,623	538,260
–	Repayment of bank loans	-725,049	-1,126,335
–	Repayment of leasing liabilities	-2,455	-2,989
–	Payment of interest portion of leasing liabilities	-783	-1,378
+	Proceeds from borrowings of loans and advances from affiliated companies	593,340	905,561
–	Repayment of borrowing of loans and advances to affiliated companies	-622,292	0
=	**Net cash flows from financing activities**	**-976,173**	**-57,356**
	of which from continuing operations	-976,173	-204,526
	of which from discontinued operations	0	147,170

	Reconciliation to Consolidated Balance Sheet		
	Cash and cash equivalents at beginning of periods	**149,857**	**624,973**
	Non-cash changes in cash and cash equivalents from impairment losses	-1,475	-308
	Non-cash changes in cash and cash equivalents from currency translation	0	-7,886
	Changes in cash and cash equivalents due to changes in the scope of consolidation	0	-413,722
	Net cash flow from operating activities	18,759	149,150
	Net cash flow from investing activities	1,105,839	-144,994
	Net cash flow from financing activities	-976,173	-57,356
=	**Cash and cash equivalents at end of periods**	**296,807**	**149,857**
	of which from continuing operations	296,807	149,857
	of which discontinued operations	0	0

/// CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(IFRS) for the period from 1 January to 31 December 2021

In EUR '000	Capital stock	Treasury Shares	Capital reserves
As at 1 January 2020	**71,064**	**-1,603**	**309,337**
Consolidated net profit	0	0	0
Other comprehensive income (OCI) – reclassifiable	0	0	0
Other comprehensive income (OCI) – non-reclassifiable	0	0	0
Other comprehensive income (OCI)	0	0	0
Increase/decrease in shareholding with no change in status	0	0	-6,419
Change in scope of consolidation	0	0	0
Transfer of treasury shares	0	1,603	684
Transfer to reserves	0	0	0
Conversion of convertible bonds	2,595	0	28,094
As at 31 December 2020	**73,659**	**0**	**331,696**
As at 1 January 2021	**73,659**	**0**	**331,696**
Consolidated net profit	0	0	0
Other comprehensive income (OCI) – reclassifiable	0	0	0
Other comprehensive income (OCI) – non-reclassifiable	0	0	0
Other comprehensive income (OCI)	0	0	0
Capital increase in kind	35,107	0	443,056
Increase/decrease in shareholding with no change in status	0	0	1,122
Change in scope of consolidation	0	0	0
Dividend	0	0	0
Conversion of convertible bonds	651	0	7,457
As at 31 December 2021	**109,417**	**0**	**783,332**

Retained earnings	Other Reserves	Net retained profit	Equity attributable to the owners of the parent company	Non-controlling inerests	Total equity
-864	**-25,573**	**1,093,506**	**1,445,865**	**2,101,992**	**3,547,857**
0	0	-351,943	-351,943	47,523	-304,420
0	-826	0	-826	0	-826
-13	-24,213	0	-24,226	-48,510	-72,736
-13	-25,039	0	-25,052	-48,510	-73,562
0	0	0	-6,419	130,346	123,927
0	30	0	30	-1,765,909	-1,765,879
0	0	19,549	21,836	0	21,836
0	0	0	0	321	321
0	0	0	30,689	0	30,689
-877	**-50,583**	**761,112**	**1,115,007**	**465,763**	**1,580,770**
-877	**-50,583**	**761,112**	**1,115,007**	**465,763**	**1,580,770**
0	0	69,151	69,151	5,407	74,558
0	23,400	0	23,400	0	23,400
2	0	0	2	0	2
2	23,400	0	23,402	0	23,402
0	0	0	478,163	0	478,163
0	17,212	0	18,334	19,830	38,164
0	111	0	111	-55,420	-55,309
0	0	0	0	-3,838	-3,838
0	0	0	8,108	0	8,108
-875	**-9,860**	**830,263**	**1,712,277**	**431,741**	**2,144,018**

/// NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2021

/// NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

ADLER Real Estate Aktiengesellschaft (hereinafter "ADLER") is the parent company of the Group and has its legal domicile at Karlsbad 11, Berlin, Germany. The Company is entered in the Commercial Register of Charlottenburg District Court under HRB 180360. The ultimate parent company of ADLER is Adler Group S.A. (hereinafter referred to as Adler Group) with its registered office in Luxembourg, 1B Heienhaff L-1736 Senningerberg Its financial year is the calendar year.

ADLER is a publicly listed real estate company focusing on establishing and developing a substantial and profitable property portfolio. Its activities centre on the acquisition, development and management of residential properties throughout Germany. In addition to this, ADLER selectively expands its portfolio through new-build project developments.

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

The consolidated financial statements and the group management report were approved for publication by the Management Board, subject to approval by the Supervisory Board, on 30 April 2022.

2. BASIS OF ACCOUNTING

2.1 Basis for the preparation of financial statements

ADLER's consolidated financial statements as at 31 December 2021 have been prepared in accordance with the International Financial Reporting Standards (IFRS) effective in the European Union and the provisions of § 315e (1) of the Handelsgesetzbuch (HGB – German Commercial Code). The requirements of the standards applied have been met and the financial statements represent a true and fair view of the company's net assets, financial position and result of operations.

The financial years of the parent company, its subsidiaries and associates are equivalent to the calendar year. The financial statements of subsidiaries have been prepared on the basis of uniform accounting policies. The Statement of Comprehensive Income has been prepared using the total cost method.

The preparation of the consolidated financial statements requires the use of discretionary decisions, estimates and assumptions in respect of recognition and measurement. The areas that are more subject to judgement and complexity and those areas where assumptions and estimates are of decisive significance for the consolidated financial statements are presented in Note 6.

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

2.2 Accounting standards applicable for the first time in the 2021 financial year

The Group applied the following new and revised IFRS standards and interpretations in the 2021 financial year:

Standard/ Interpretation	Title	IASB Effective Date[1)]	Initial application date in the EU[1)]
Amend. IFRS 9, IAS 39, IFRS 7, IFRS 4, IFRS 16	Interest Rate Benchmark Reform (Phase 2)	1 January 2021	1 January 2021
Amendments to IRFS 4	Extension of the temporary exemption from the application of IFRS 9	1 January 2021	1 January 2021
Amendments to IFRS 16	Rental concessions related to the coronavirus pandemic after 30 June 2021	1 April 2021	1 April 2021

[1)] For financial years beginning on or after this date

Amendment IFRS 16

The amendment extends the application period of the "Lease concessions related to the coronavirus pandemic" amendment issued in May 2020 and effective from 1 June 2020 by one additional year. With the amendment to IFRS 16 "Leases", users are exempt from assessing whether a lease modification is given by a lease concession related to the coronavirus pandemic. Accordingly, it is accounted for not as a lease modification but as a variable lease payment and the application of this exemption must be disclosed. The amendments have no impact on the consolidated financial statements.

The first-time application of the other amendments, more specifically the Interest Rate Benchmark Reform – Phase 2 and the amendment to IFRS 4, did not have any material impact on the consolidated financial statements either.

2.3 Standards and interpretations not prematurely applied

A number of amendments and clarifications to existing standards and interpretations were also adopted, but these are not expected to have any material implications for the consolidated financial statements.

Standard/Interpretation	Title	IASB Effective Date[1]	Initial application date in the EU[1]
Endorsed by the EU:			
Amend. IFRS 3, IAS 16, IAS 37	Business combinations, property, plant and equipment, provisions, contingent liabilities and contingent assets	1 January 2022	1 January 2022
Annual improvement process (2018-2020)	Amendments to IFRS 1, IFRS 9, IAS 41 and IFRS 16	1 January 2022	1 January 2022
IFRS 17 und Amend. IFRS 17	Insurance contracts	1 January 2023	1 January 2023
EU endorsement still pending:			
Amendments to IAS 1	Classification of Liabilities as Current or Non-Current	1 January 2023	expected 1 January 2023
Amend. IAS 1, IFRS Practise Statement 2	Disclosure of accounting and valuation methods	1 January 2023	expected 1 January 2023
Amendments to IAS 8	Definition of accounting estimates	1 January 2023	expected 1 January 2023
Amendments to IAS 12	Deferred taxes relating to assets and liabilities arising from a single transaction	1 January 2023	expected 1 January 2023
Amendments to IFRS 17	Transitional provisions concerning the comparative figures in the first reporting year	1 January 2023	expected 1 January 2023

[1] For financial years beginning on or after this date

Amendment IFRS 3, IAS 16 and IAS 37

The amendment to IAS 37 Provisions, Contingent Liabilities and Contingent Assets includes a clarification of the definition of fulfilment costs. Accordingly, the costs that an entity recognises in assessing whether a contract will be loss-making include directly attributable costs and costs that would not be incurred in the absence of the contract. The amendments to IFRS 3 Business Combinations relate exclusively to an adjustment of the reference to the conceptual framework. The amendments to IAS 16 Property, Plant and Equipment clarify that costs and income arising from the production and sale of items produced during the preparation of an asset are to be recognised in profit or loss. These amounts are not to be included in the acquisition costs. ADLER will apply these changes as soon as they come into effect. ADLER does not expect any material implications on its consolidated financial statements.

Annual Improvements (2018–2020)

The amendments to the annual improvements process (2018–2020 cycle) include minor amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41 and will have no material impact on the consolidated financial statements.

Amendments to IAS 1

The amendments clarify that, for the purpose of classifying liabilities as current or non-current, the entity's existing rights as at the balance sheet date are decisive. Management's expectations or intentions regarding the actual exercise of the right and potential early prepayments are therefore not to be taken into account. ADLER does not expect any material implications on its consolidated financial statements, since the resulting clarifications have already been observed by ADLER.

Amendment to IAS 1, IFRS Practise Statement 2

The amendments clarify which accounting policies are to be disclosed in the notes. In the future, material accounting policies are to be disclosed instead of significant ones. In doing so, not only the amount is to be considered, but all information that the users of the financial statements need in order to understand other material information in the financial statements.

ADLER expects a stronger focus on accounting policies that are material to ADLER's business model.

Amendment to IAS 8

The amendment is intended to help differentiate changes in accounting estimates from changes in accounting policies. The amendment defines accounting estimates as "monetary amounts in the financial statements that are subject to measurement uncertainty". ADLER does not expect any material impact on the consolidated financial statements.

Amendment to IAS 12

The amendments clarify how deferred taxes on transactions such as leases and standstill obligations are to be accounted for. For this purpose, a reverse exception to the first-time adoption exception is implemented. Accordingly, deferred taxes are to be recognised on transactions in which both deductible and taxable temporary differences arise upon initial recognition, resulting in the recognition of deferred tax assets and liabilities in the same amount. ADLER does not expect any material impact on the consolidated financial statements.

The first-time application of these standards, announcements or amendments to the standard is not expected to have a material impact on the consolidated financial statements.

3. BASIS OF CONSOLIDATION

3.1 Subsidiaries

Subsidiaries involve all entities (including special purpose entities) controlled by ADLER. The Group assumes control over a company when it is exposed to variable returns or has a right to such returns and the ability to influence those returns by way of its influence over the company. It is generally the case that control is accompanied by a share of voting rights of more than 50 percent. When assessing whether the Group has control, account is taken of the existence and effect of potential voting rights that are currently exercisable or convertible and of a potential de facto control even though voting rights are less than 50 percent of the total. Subsidiaries are fully consolidated from the date on which control passes to the parent company. They are deconsolidated if control ceases.

All material subsidiaries are included in the consolidated financial statements (see Note 4 Investments in subsidiaries).

In the case of company acquisitions, an assessment is made as to whether the respective acquisition constitutes a business combination pursuant to IFRS 3 or merely an acquisition of a group of assets and liabilities that do not constitute a business.

Company acquisitions meeting the IFRS 3 definition are recognised using the purchase method. This involves allocating the cost of the company acquisition to individually-identifiable assets, liabilities and contingent liabilities in accordance with their fair values. Any surplus between the consideration given and the net assets is recognised as goodwill, while any corresponding deficit is charged to earnings. Incidental acquisition costs are expensed.

Shares in the net assets of subsidiaries that are not attributable to ADLER are recognised as separate components of equity under non-controlling interests. When calculating the share of consolidated net profit attributable to non-controlling interests, account is also taken of consolidation entries recognised through profit or loss. Non-controlling interests in partnerships are recognised under other liabilities.

The acquisition of property companies and project development companies that do not constitute businesses pursuant to IFRS 3 are presented as the direct acquisition of assets and liabilities (asset deal). This involves allocating the costs of acquiring the company to individually-identifiable assets and liabilities based on their fair values. As a result, the acquisition of property companies and project development companies does not produce any positive or negative goodwill from capital consolidation. The sale of property companies is accordingly presented as an asset deal, in particular with regard to the properties sold.

When preparing the consolidated financial statements, intragroup receivables, liabilities and results are eliminated within the consolidation of debt, expense and income items. The income and expenses resulting from intragroup transfers of assets are also eliminated. Accounting policies at subsidiaries are based on uniform group-wide standards.

3.2 Joint arrangements

Joint arrangements are based on contractual arrangements according to which two or more partners undertake an economic activity that is subject to joint control. Joint control exists when the partners have to work together to manage the relevant activities of the joint arrangement and decisions require the unanimous consent of the partners involved. A joint arrangement constitutes a joint venture when the partners exercising joint control have rights to the net assets of the arrangement. Where, by contrast, the partners have direct rights to the assets attributable to the joint arrangement and assume obligations for its liabilities, the arrangement constitutes a joint operation.

Where a joint arrangement is embodied by a legally independent partnership or corporation with its own corporate assets, as a result of which ADLER's interest only results in a prorated claim to the net assets of the company, such an arrangement generally constitutes a joint venture. In the case of joint arrangements taking the form of a company under German civil law (such as associations) for which the legal form does not in itself result in an asset and financial structure separate from the partners, the decision as to whether the arrangement constitutes a joint venture or a joint operation is taken by additionally referring to the contractual provisions and the object of the joint arrangement.

Should neither the legal form nor the contractual provisions or other factors or circumstances indicate whether ADLER has direct rights over the assets or obligations for the liabilities of the joint arrangement in question, such an arrangement constitutes a joint venture.

Joint ventures are companies whose financial and business policies can be controlled by the Group directly or indirectly in conjunction with one or more third parties. Interests in joint ventures are recognised using the at-equity method.

The information provided on the recognition of joint ventures also applies to the recognition of associated companies.

3.3 Associated companies

Investments over which ADLER exerts significant influence – generally as a result of shareholdings between 20 percent and 50 percent – are basically measured using the at-equity method. For investments requiring measurement at equity, the acquisition cost is increased or decreased each year by the changes in equity attributable to the Group. Upon the initial inclusion of investments measured using the at-equity method, any differential amounts resulting from first-time consolidation are treated in the same way as goodwill relating to fully consolidated companies.

Gains and losses from transactions between group companies and associates are eliminated based on the Group's share in the associates. Gains and losses from transactions between associates are not eliminated.

4. SCOPE OF CONSOLIDATION, BUSINESS COMBINATIONS AND PROPERTY COMPANIES

Shares in subsidiaries

Including the parent company, the scope of consolidation comprises a total of 206 (31 December 2020: 226) fully consolidated companies. The Group owns no real estate outside Germany.

The consolidated group has developed as follows:

Quantity	2021	2020
As of 01.01.	226	433
Additions	1	1
Disposals	17	206
Mergers/accruals	4	2
As of 31.12.	**206**	**226**

In the reporting period, 17 companies were deconsolidated. Four companies were merged with other companies in the consolidated group and one company was dissolved.

Assets of EUR 12,784k and liabilities of EUR 11,748k of TPL Erlangen S.à r.l. were disposed of as part of a share deal due to the loss of controlling influence with effect from 28 February 2021.

Magnus Achte Immobilienbesitz und Verwaltungs GmbH was disposed of on 1 April 2021 as part of a share deal after the loss of control. Based on the preliminary purchase prices, the disposal of the company resulted in a deconsolidation loss of EUR 198k, which is reported under other operating expenses.

Following the departure of a shareholder, MBG Dallwo GmbH & Co. KG merged in the second Quarter 2021 with the remaining shareholder in the consolidated group. In the third quarter, MÜBAU Real Estate GmbH was merged into ADLER, in the fourth quarter MBG Beteiligungsgesellschaft mbH & Co. KG was merged into MBG Wohnbau Verwaltungsgesellschaft mbH and the same subsequently into Muenchener Wohnbau GmbH. This did not affect the Group's net assets, financial position and results of operations.

ADLER Lux S.à.r.l. was dissolved in the third quarter. This did not affect the Group's net assets, financial position and results of operations.

Brack European Ingatlankezelö KFT, Budapest, Hungary was deconsolidated in the fourth quarter. This did not affect the Group's net assets, financial position or results of operations.

In August 2021, the Company learned that there are delays of the zoning plan approvals in connection with Gerresheimproject in Dusseldorf (Glasmacherviertel GmbH & Co. KG), which has already been sold, due to objections by Deutsche Bahn AG. Due to the delays of the zoning plan apprvals and the process initiated as a result to prepare a cancellation ofthe sales agreement, the Company reassessed its rights and obligations under the contract in particular its right to cancelthe agreement. As a conclusion the Company effectively controls the investee from Q3 2021 onwards. On 19 October 2021, ADLER and the (former) purchaser of the project signed a corresponding rescission agreement. Therfore, the Companyfully consolidated the Glasmacherviertel GmbH & Co. KG from Q3 2021 onwards. Previously, the investee had been held as an investment accounted for under the equity method. The investee's assets and liabilities consist primarily of investmentproperties with a fair value of EUR 270,000k and loans and borrowings with a carrying amount of approximately EUR 148,000k. The fair value measurement of the project resulted in a loss of approximately EUR 106,000k (after taking into account offsetting effects from the adjustment of liabilities for deferred taxes). The fair value was determined by the independent appraiser CBRE.

Under a purchase agreement dated 30 November/1 December 2021, Adler Group concluded a portfolio transaction with a subsidiary of LEG Immobilien SE for the sale of 15,500 units. The transaction will take place via a share sale with effect from 29 December 2021. As a result, ADLER lost a controlling influence over thirteen subsidiaries (AFP II Germany GmbH, HKA Grundstuecksverwaltungsgesellschaft mbH & Co. KG, HKA Verwaltungsgesellschaft mbH, Relda 38. Wohnen GmbH, Relda 45. Wohnen GmbH, Resident Baltic GmbH, Westgrund Immobilien GmbH, Westgrund Immobilien VIII. GmbH, Westgrund Wolfsburg GmbH, WBG Jade mbH, Zweite REO Real Estate Opportunities GmbH, Westgrund Niedersachsen Nord GmbH and Westgrund Niedersachsen Sued GmbH). The companies were deconsolidated as of 31 December 2021. The assets and liabilities of the companies were composed as follows:

In EUR ´000	**31.12.2021**
Goodwill	41,261
Property, plant and equipment	2,973
Investment properties	1,227,323
Trade receivables	4,777
Income tax receivables	392
Other current assets	1,365
Cash and cash equivalents	47,685
Total assets	**1,325,776**

In EUR ´000	**31.12.2021**
Pension provisions	0
Deferred tax liabilities	123,972
Financial liabilities to banks	555,585
Other non-current liabilities	9,919
Income tax liabilities	1,184
Trade payables	18,171
Other current liabilities	66,107
Total liabilities	**774,938**

Based on the preliminary purchase prices, the disposal of the 13 fully consolidated companies resulted in a deconsolidation gain of EUR 73,762k, which is reported under “Other operating income” (see 9.6, Other operating income). As a result of the deconsolidation, cash and cash equivalents as reported in the Consolidated Statement of Cash Flows decreased by EUR 47,685k.

With a purchase agreement dated 1 December 2021, Adler Group also sold around 7 percent of the shares held by ADLER in the subsidiary Brack Capital Properties N.V. (BCP) to a subsidiary of LEG Immobilien SE. At the same time, ADLER has undertaken to tender the remaining shares it holds in a public purchase offer by 30 September 2022 (hereinafter referred to as the Declaration of Commitment), provided that the purchase price does not fall below approximately EUR 765,000k. (Information on the accounting and valuation of the undertaking is provided in paragraphs 8.25, 9.11, 11.1.A, 11.1.B and 11.1.C). The transaction did not result in a loss of control over BCP (share reduction without loss of control). ADLER reports the net assets and liabilities of BCP as a disposal group in the financial statements as at 31 December 2021 (see Section 8.11).

In the previous year, ADLER lost its controlling influence over the Adler Group including its 198 subsidiaries on 9 April 2020 as a result of the completion of the successful takeover bid by Adler Group. The net assets and liabilities of Adler Group, which were reported under discontinued operations under non-current assets and liabilities held for sale from the balance sheet date of 31 December 2019 until the balance sheet date of 31 March 2020, were disposed of at the beginning of the second quarter of 2020. A further six companies were sold as share deals as part of portfolio transactions in the previous year, and Jade Immobilienmanagement GmbH was merged with ADLER Wohnen Service GmbH.

ADLER's shareholdings as at 31 December 2021, which also correspond to voting rights, are presented from page 194 onwards.

5. SPECIFIC ACCOUNTING POLICIES

5.1 Intangible assets and property, plant and equipment

Upon first-time recognition, separately purchased intangible assets are measured at cost. Following the initial recognition, intangible assets with finite useful lives are subject to straight-line amortisation over their expected useful lives, generally over three to five years, and are tested for impairment as soon as there are any indications of such. Impairments of intangible assets are recognised through profit or loss under depreciation, amortisation and impairment losses in the Statement of Comprehensive Income.

Intangible assets with indefinite useful lives, which include goodwill in particular, are not subject to scheduled amortisation. These assets are tested for impairment at least once a year, either on an individual asset or cash-generating group level. An impairment test is also performed should any triggering event occur.

Property, plant and equipment is recognised at cost, less accumulated depreciation and accumulated impairments. Cost includes expenses directly attributable to the acquisition. Subsequent acquisition or production costs are only capitalised if it is likely that future economic benefits will accrue to the company. Repair and maintenance costs are recognised as an expense in the financial year in which they are incurred.

Property, plant and equipment is subject to straight-line depreciation over its expected useful life, generally over three to 20 years (office equipment) or six to 13 years (vehicle fleet and outdoor facilities). The depreciation methods are reviewed and, if necessary, adjusted at each balance sheet date. Carrying amounts of property, plant and equipment are tested for impairment as soon as there are any indications that they exceed the respective recoverable amounts.

The residual values and remaining useful lives are reviewed and, if necessary, adjusted at each balance sheet date.

Gains and losses from disposals of assets are calculated as the difference between the income from disposals and the respective carrying amounts and are recognised through profit or loss.

5.2 Investment properties

Investment properties include all properties that are held on a long-term basis to generate gross rental income and value growth. In contrast to investment properties, inventories constitute assets which are held for sale in the ordinary course of business, which are in the process of production for such sale or which are used in the production process or in the rendering of services. Consequently, properties held for sale in the normal course of business or constructed or developed with the intention of being sold are outside the scope of IAS 40. These are recognised under inventories and are within the scope of IAS 2.

At the time of acquisition, investment properties are measured at their acquisition and production costs, including the ancillary costs of the acquisition. In subsequent periods, investment properties are measured at their fair values. Ongoing maintenance costs are recognised as an expense in the Statement of Comprehensive Income. Modernisation measures, if they extend beyond ongoing maintenance, are capitalised if it is likely that the company will derive an economic benefit from them in the future. Measurement results are presented in the Statement of Comprehensive Income under the item "Income from fair value adjustments of investment properties".

The fair value of a property is the price that would be received for the sale of the asset between knowledgeable, willing and independent market participants in an orderly transaction or, in the case of the transfer of a liability, the price that would be paid. The fair value basically implies the sale of the asset. It corresponds to the (theoretical) price to be paid to the seller for a (hypothetical) sale of a property at the measurement date.

For fair value adjustments of investment properties, ADLER refers to appraisals by independent external experts. The external surveyors determine fair values based on internationally accepted valuation methods using assumptions based on unobservable market data (Level 3 input factors of the fair value hierarchy). Further details on the determination of the fair values of investment properties are disclosed in Section 8.3.

Investment properties are derecognised when they are sold or unused over a sustained period of time and no future economic benefit is expected upon their retirement. Gains or losses resulting from disposal or discontinuation are recognised in the year of disposal or discontinuation. Gains or losses correspond to the difference between the disposal price and the carrying amount plus costs to sell.

Properties initially acquired for trading purposes and correspondingly allocated to inventories are reclassified to investment properties when it becomes apparent that their use has changed.

5.3 Impairment of intangible assets and property, plant and equipment

To the extent that they are definitively allocated upon acquisition to a cash-generating unit, intangible assets with indefinite useful lives or that are not yet ready for use are not subject to scheduled amortisation but rather are tested annually for impairment. Assets subject to scheduled amortisation are tested for impairments if events or changes in circumstances indicate that the carrying amount may no longer be recoverable. Impairment losses are recognised in the amount by which the carrying amount exceeds the recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For impairment-testing purposes, assets are aggregated at the lowest level for which cash flows can be separately identified (cash-generating units). Goodwill is reviewed at the level of a cash-generating unit or a group of cash-generating units to which the goodwill is allocated.

A cash-generating unit is the smallest group of assets that includes assets and generates cash flows that are largely independent of the cash flows generated by other assets or groups of assets. Goodwill acquired as part of a business combination is allocated to the cash-generating unit or group of cash-generating units that is expected to benefit from the synergies of the business combination.

The main cash-generating units defined at the Group relate to properties which as investment properties are already measured using the fair value model and therefore require no additional impairment testing. In the context of the Group's operating management, properties are aggregated in business units structured along geographical lines. As these regional business units (North, West, East, Central) represent the lowest level within the Company on which goodwill is monitored for internal management purposes, the annual impairment test is performed on the level of the regional business units. Assets are allocated to the business units based on the geographical location of the properties.

Assets may only be written up to a maximum of amortised cost. No write-ups are recognised for goodwill.

5.4 Financial assets

Trade receivables are recognised from the date on which they incurred. All other financial assets are recognised for the first time on the trade date if the Company becomes a party in accordance with the terms of the instrument.

Financial assets (except for trade receivables with no material financing component) are recognised for the first time at fair value. An item that is not measured at fair value through profit or loss will incur transaction costs that are directly attributable to its acquisition or issuance. Upon initial recognition, trade receivables with no material financing component are measured at their transaction price.

Upon initial recognition, a financial asset is classified and measured as follows:

- Financial assets at fair value through profit or loss – aafv.
- Financial assets at fair value through other comprehensive income – aafvoci.
- Financial assets measured at amortised cost – aac.

Financial assets are not reclassified after initial recognition unless the Group changes its business model to manage its financial assets. In this case, all relevant financial assets are reclassified on the first day of the period under report following the change to the business model.

A financial asset is measured at amortised cost if both of the following conditions are met and it has not been classified as "at fair value through profit or loss":

- It is held as part of a business model whose aim is to hold financial assets for collection of the contractual cash flows.
- The contractual terms and conditions governing a financial asset give rise to cash flows at fixed dates that are only payments of principal and interest on the principal amount outstanding.

A debt instrument is classified as "at fair value through other comprehensive income" if the two conditions below are met and it has not been classified as "at fair value through profit or loss":

- It is held as part of a business model in which the aim is both to hold financial assets for the collection of contractual cash flows and to sell financial assets.
- Its terms result in payment flows at fixed dates which are only payments of principal and interest on the principal amount outstanding.

Upon initial recognition of an equity instrument that is not held for trading, the Group may irrevocably choose to show consequential changes in the fair value of the instrument in other comprehensive income. This choice is made on a case-by-case basis for each equity instrument.

All financial assets that are not measured at amortised cost or at fair value through other comprehensive income are measured at fair value through profit or loss. This includes all derivative financial assets. Upon initial recognition, the Group may irrevocably choose to designate financial assets that would otherwise qualify for measurement at amortised cost or fair value through other comprehensive income as "at fair value through profit or loss" if that results in eliminating or significantly reducing accounting mismatches. This so-called fair value option was not exercised on the existing financial assets of the Adler Group.

ADLER makes an assessment of the goals of the business model in which the financial asset is held at a portfolio level, as this best reflects the way the business is managed and information is provided to management.

Financial assets held or managed for trading and whose performance is measured at fair value are measured at fair value through profit or loss.

For purposes of assessing whether the contractual cash flows are solely principal and interest payments, the "principal amount" is defined as the fair value of the financial asset upon initial recognition. "Interest" is defined as the consideration of the time value of money and the default risk associated with the principal amount over a period of time and other basic credit risks, costs and a profit margin. In assessing whether the contractual cash flows are exclusively interest and principal payments on the principal amount, the Group takes the contractual arrangements of the instrument into account. This includes an assessment of whether the financial asset includes a contractual arrangement that could change the timing or amount of the contractual cash flows so that they no longer meet these conditions.

ADLER derecognises a financial asset when the contractual rights to cash flows from the financial asset expire or when it transfers the rights to receive the cash flows in a transaction, at which point all material risks and rewards associated with the ownership of the financial asset will also be transferred. Derecognition also occurs if the Group neither transfers nor retains all material risks and rewards of ownership and does not retain control over the transferred asset.

Financial assets at fair value through profit or loss

Equity instruments (unless the option to recognise changes in value in other comprehensive income is declared irrevocable) and derivatives are always subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss in the Statement of Comprehensive Income.

Assets within this category are recognised as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

Financial assets measured at fair value through other comprehensive income

The correspondingly classified debt instruments are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairments are recognised in profit or loss. Other net gains or losses are recognised in other comprehensive income. Upon derecognition, the accumulated other comprehensive income is reclassified to profit or loss.

These assets are classified as current assets unless their maturity or realisation exceeds 12 months after the balance sheet date. They are otherwise recognised as non-current assets.

Financial assets measured at amortised cost

These financial assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairments are recognised in profit or loss. Gains or losses from the derecognition are recognised in profit or loss in the Consolidated Statement of Comprehensive Income.

They are classified as current assets unless their maturity exceeds 12 months after the balance sheet date. They are otherwise recognised as non-current assets. The effective interest method is applied only if the asset has a maturity of more than 12 months.

Impairments

ADLER recognises impairment losses on expected credit losses:

- For financial assets measured at amortised cost, and
- at fair value with changes in other comprehensive income.

ADLER measures the impairments in the amount of credit losses expected over the term, except for the following impairments, which are measured at the expected 12-month credit loss:

- Bonds with a low default risk at the balance sheet date and
- other debt instruments, including bank deposits, for which the default has not significantly increased since first-time recognition.

Impairment losses on trade receivables (rental receivables, receivables from the disposal of properties and contract assets) are always measured in the amount of the expected credit loss over the term. ADLER uses an impairment matrix to measure the expected credit losses of its rent receivables, which comprise a very large number of small balances. The loss rates are determined on the basis of an assumption based on the probability that a receivable advances through successive stages in the delay in payment. The assessment takes into account historical default rates depending on the past due status, and is updated over time as required.

In determining whether the default risk of a financial asset has increased significantly since initial recognition and in estimating expected credit losses, ADLER considers reasonable and reliable information that is relevant and available without disproportionate time and expense. This comprises both quantitative and qualitative information and analyses that are based on past experience and well-founded assessments, including forward-looking information.

In ADLER's view, a bond has a low default risk if its credit risk rating meets the global definition of "investment grade". ADLER continues to assume that the default risk of a financial asset has increased significantly if it is more than 30 days past its due date.

The Group considers a financial asset to have defaulted if it is unlikely that the borrower will be able to fully pay its credit commitment to the Group without the Group being able to resort to measures such as the realisation of collateral (if any is available).

Credit losses expected over the term are those that result from all possible default events during the expected life of the financial instrument. 12-month credit losses are the portion of expected credit losses resulting from default events that are possible within 12 months of the end of the reporting period (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period to be considered when estimating expected credit losses is the maximum contract period in which the Group is exposed to credit risk.

Expected credit losses are the probability-weighted estimates of credit losses. Credit losses are measured as the present value of the defaults (i.e. the difference between the payments owed to a company in accordance with the contract and the payments the company is expected to make). Expected credit losses are discounted at the effective interest rate of the financial asset. When assessing expected credit losses, existing collateral is taken into account.

At each balance sheet date, ADLER estimates whether financial assets at amortised cost or bonds at fair value through other comprehensive income with regard to credit rating are impaired. A financial asset is impaired if one or more events have an adverse effect on the expected future cash flows of the financial asset. Indicators that a financial asset has an impaired credit quality include the following observable data:

- Significant financial difficulties of the issuer or the borrower.
- A breach of contract, such as a default or more than 90 days overdue.
- Restructuring a loan by the Group that it would otherwise not consider.
- It is likely that the borrower will enter bankruptcy or other financial reorganisation.
- The disappearance of an active market for a security due to financial difficulties.

Impairment losses of financial assets in accordance with IFRS 9 are not disclosed in a separate item in the Consolidated Statement of Comprehensive Income for reasons of materiality, but as previously under other operating expenses (trade receivables) and financial costs (other debt instruments). Impairment losses of financial assets are recognised separately in the notes to the consolidated financial statements.

Impairment losses on financial assets that are measured at amortised cost are deducted from the gross carrying amount of the assets. For bonds that are measured at fair value through other comprehensive income, the impairment is reclassified from other comprehensive income to profit or loss.

The gross carrying amount of a financial asset is amortised if the Group does not reasonably believe that the financial asset is fully or partly feasible. Subsequent payments received on previously derecognised amounts are recognised in profit or loss as other operating income.

5.5 Derivative financial instruments

In particular, the Group uses interest rate hedges intended to hedge changes in interest rates. Interest hedging instruments are used to hedge interest rate risks while foreign currency derivatives are used to hedge currency risks. However, the derivative financial instruments are not currently reported as hedges.

Upon initial recognition and subsequent measurement, derivatives are measured at fair value. Relevant changes are recognised through profit or loss in the Statement of Comprehensive Income. The fair values of derivatives are determined using standard market valuation methods and take account of the market data available on the valuation date. (Level 3 input factors of the fair value hierarchy.)

5.6 Inventories

Properties acquired exclusively for the purpose of resale in the normal course of business or for development and resale are recognised as inventories. Other inventories, such as heating oil stocks, are also recognised in this line item.

These items are initially measured at acquisition or production cost. Acquisition costs include the purchase price of the property plus directly attributable ancillary costs, such as brokerage fees, land transfer tax, notarial fees and land register costs. Renovation costs that result in a significant improvement to the properties are capitalised. These inventories are subsequently measured at the lower of cost from acquisition or production costs or at their net realisable value. Net realisable value corresponds to the estimated selling price less estimated costs through to completion and the estimated required disposal costs.

5.7 Cash and cash equivalents

Cash and cash equivalents comprise cash, demand deposits and other short-term, highly liquid financial assets with an initial term of up to three months.

5.8 Non-current assets and liabilities held for sale

A non-current asset or a group of non-current assets is classified as "held for sale" if the associated carrying amount will predominantly be recovered via a sale transaction rather than through continued use, if the assets are available for immediate sale and the sale is considered highly probable. The shares have been measured at the lower of their previous carrying amount and their fair value less sales costs. These assets or groups of assets, as well as the associated liabilities, are reported separately in the balance sheet. Liabilities are classified as "held for sale" if they are connected to an asset held for sale and are also due to be acquired by a buyer.

ADLER recognises investment properties as non-current assets held for sale if there are notarised purchase agreements or purchase intentions signed by both parties as at the balance sheet date, but the transfer of ownership will not take place until the following period as agreed in the contract. Initial recognition takes place at the contractually agreed sale price and subsequently at fair value providing this is lower.

5.9 Shareholders' equity

Debt and equity instruments are classified as financial liabilities or equity on the basis of the economic substance of the contractual arrangements. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of the associated liabilities. Equity instruments are recognised in the amount of the issue proceeds, less directly attributable issuance costs. Issuance costs are costs that would not have been incurred if the equity instrument had not been issued. Such costs of an equity transaction, less all associated income tax benefits, are deducted from equity and directly offset against the capital reserves.

The components of a hybrid instrument issued by the Group (convertible bond) are separately recognised as financial liabilities and equity instruments in accordance with the economic substance of the arrangement. Upon issue, the fair value of the debt component is determined on the basis of the market interest rate applicable to a comparable non-convertible instrument. This amount is carried as a financial liability at amortised cost using the effective interest method through to settlement upon conversion or maturity of the respective instrument. The equity component is calculated by subtracting the value of the debt component from the fair value of the overall instrument. The resultant value, less income tax effects, is recognised under equity and is subsequently not measured.

5.10 Pension provisions

Provisions for pensions and similar obligations are measured by external actuaries using the projected unit credit method for defined benefit plans. Service cost is recognised under personnel expenses, while the interest portion of the increase in the provision is recognised in the financial result. Like deferred taxes, actuarial gains and losses arising in this regard are recognised under other comprehensive income. The amount recognised corresponds to the present value of the defined benefit obligation (DBO).

ADLER also pays contributions to state pension schemes in accordance with statutory provisions. Current payments for these defined contribution obligations are recognised within personnel expenses as social security contributions.

5.11 Other provisions

Other provisions are recognised for legal or constructive obligations to third parties which originated in the past and whose maturity or amount is uncertain, when it is probable that meeting the obligation will result in an outflow of resources at the Group and when the obligation amount can be reliably estimated.

ADLER recognises provisions for non-profitable contracts when the benefit expected from the contractual claim is lower than the unavoidable costs of fulfilling the contractual obligations.

Measurement is based on the best estimate of the current scope of the obligation as at the balance sheet date. Non-current provisions are recognised at their respective settlement amounts discounted (present value) as at the balance sheet date.

5.12 Financial liabilities

Financial liabilities are recognised for the first time on the trade date if the Company becomes a party in accordance with the terms of the instrument. Liabilities are classified as current liabilities when the Group does not have the unconditional right to defer the redemption of the liability to a time later than at least 12 months after the balance sheet date or if settlement is expected within 12 months of the balance sheet date.

Financial liabilities are classified and measured as financial liabilities measured at amortised cost (flac) or financial liabilities at fair value through profit or loss (lafv). A financial liability is classified as at fair value through profit or loss if it is classified as held for trading, is a derivative or is classified as such at initial recognition. The so-called fair value option was not exercised on the existing financial liabilities of the Adler Group.

Net gains or losses, including interest expenses related to financial liabilities at fair value through profit or loss, are recognised through profit or loss.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expenses and currency translation differences are recognised through profit or loss. Gains or losses from derecognition are also recognised through profit or loss.

When determining the fair value, the expected future cash flows are discounted using market interest rates with matching maturities. Individual characteristics of the financial instruments being measured are accounted for by way of standard credit rating and liquidity spreads.

The fair value of the financial liabilities is determined on the basis of the input factors in Levels 1, 2 and 3 of the fair value hierarchy.

The Group derecognises a financial liability when the contractual obligations are discharged, cancelled or expire. The Group also derecognises a financial liability when the obligations stipulated in the contract are changed and the cash flows of the adjusted liability are significantly different. In this case, a new financial liability is recognised based on the adjusted requirements for fair value. When a financial liability is derecognised, the difference between the carrying amount of the amortised liability and the consideration paid (including any transferred non-cash assets or liabilities assumed) is recognised in profit or loss.

5.13 Taxes

Current tax assets and tax liabilities are measured at the amount of refund or payment expected to or from the tax authorities based on the tax rate and tax laws applicable as at the balance sheet date.

In accordance with IAS 12, deferred taxes are recognised for all temporary differences between the tax base of the assets and liabilities and their carrying amounts in the IFRS financial statements – with the exception of deferred tax liabilities that arise from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affect neither the accounting profit nor taxable profit or loss – and for tax loss carryforwards. The exemption provided as per IAS 12.15(b) has been applied regarding the acquisition of property companies that have been included in the consolidated financial statements as acquisitions of groups of assets and liabilities rather than as a business combination in accordance with IFRS 3. Where the Group's acquisition costs exceed the tax carrying amounts, deferred taxes are only recognised for the difference between the fair values and the Group's acquisition costs.

The tax rates used to calculate deferred taxes are determined on the basis of currently valid statutory provisions. Unchanged from the previous year, application is made of tax rates of 15.0 percent for corporate income tax, 5.5 percent for the solidarity surcharge and 14.4 percent for trade tax for German group companies. Deferred tax assets for temporary differences and for tax loss carryforwards are recognised in the amount at which it is likely that temporary differences will be offset against future positive tax income and taking account of minimum taxation requirements. When measuring deferred taxes, account is taken of the expected implications of what is known as the extended property deduction on domestic trade tax.

No deferred taxes are recognised for taxable temporary differences, whether positive or negative, in connection with interests in group companies for as long as the Group is able to control their reversal and such differences will not be reversed in the foreseeable future.

Deferred tax assets and liabilities are offset against each other if the Group has a recoverable right to offset current tax assets against current tax liabilities and if such apply to income taxes of the same taxable entity and are levied by the same tax authority.

5.14 Leases

The Group is both a lessor and a lessee in the property letting business.

At the inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As a lessee

In particular, ADLER enters into leases for the following assets:

- Leasehold contracts for land (leaseholds)
- Leases for office space, garages and storage space (property)
- Leases for cars and commercial vehicles (vehicles)
- Leases for hardware and heating equipment (hardware and contracting)

For these leases, the right-of-use asset is recognised in the balance sheet, while a corresponding lease liability is recognised in the amount of the present value of all relevant lease payments. The right-of-use asset is subject to straight-line amortisation over the lease term and additionally adjusted for impairment losses, if necessary, and for certain remeasurements of the lease liability. The lease liability is amortised using the effective interest method.

ADLER reports right-of-use assets that do not meet the definition of investment property in its statement of financial position under property, plant and equipment and lease liabilities in other liabilities. Right-of-use assets to investment property (leaseholds in particular) measured at fair value in accordance with IAS 40 are also measured at fair value and reported under investment properties.

ADLER has decided not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Group recognises the lease payments in connection with these leases as an expense on a straight-line basis over the term of the lease.

As a lessor

If the Group is the lessor in a lease, it classifies each lease as a finance lease or an operating lease at inception of the contract.

ADLER leases its investment property. A lessor classifies these leases as operating leases as the lessee does not receive substantially all of the risks and rewards incidental to ownership. ADLER recognises lease payments for operating leases on a straight line basis over the term of the lease in gross rental income (net rental income).

When a lease is entered into or amended, the Group allocates the contractually agreed consideration based on relative stand alone selling prices. When an arrangement contains lease and non-lease components, the Group applies IFRS 15 to allocate the contractually-agreed consideration. A distinction must be made between those non-lease components of the continuing obligation in which the tenant does not receive a separate service, but has to replace ADLER in the context of accounting for operating costs (subject to IFRS 16), and those in which ADLER has a commitment to provide a service (subject to IFRS 15). Thus, revenue from the charge of property tax and building insurance expenses are now included in the scope of IFRS 16 in addition to net rental income.

The Group applies the derecognition and impairment requirements of IFRS 9 to its receivables and liabilities from the lease.

5.15 Revenue recognition

The Group's income from letting items of real estate (net rental income) is attributable to leases and is recognised based on the period in accordance with the terms of the underlying contracts. Rent and income are recognised if they are stipulated by contract and it is probable that the economic benefits will accrue to the Group. Since net rents are usually paid monthly in advance, rent is due immediately.

Income from charged operating costs is recognised based on the period corresponding to the underlying rendering of services, i.e. when control of the service has been transferred to the tenants. It is required that there are contractual arrangements with the tenants and that it is likely that the specified consideration will be received. Operating costs and their additional charges are recognised using the principal method. This is due in particular to ADLER's business model, which provides for a high share of in-house services relevant to operating costs. ADLER is regarded by the tenant as being primarily responsible for the provision of services and also has an inventory risk for all services that are not provided in-house. The reporting of expenses related to operating costs and the corresponding income from additional charges to the tenant are therefore reported as gross in the Consolidated Statement of Comprehensive Income. Liabilities from the payments of ancillary expenses are reported net with the receivables for the services that have not yet been invoiced, and the net amount is recognised under trade payables as "contract assets operating costs" or "liabilities from advance payments of operating costs". The tenants' advance payments of operating costs and the net rent are due monthly and are payable immediately.

Income from the sale of investment properties is recognised when the control has been transferred to the buyer; this is usually the case when transferring ownership rights, benefits and obligations arising from properties. When disposing of property companies, this date regularly coincides with the completion of the transfer of the respective shares. It is required that there are contractual arrangements with enforceable rights and obligations and that it is likely that the consideration specified will be received. The contracts in question provide for only this defined benefit obligation with a clearly defined consideration and the date of revenue recognition is specified in concrete terms.

In accordance with IFRS 15, ADLER recognises revenue from the sale of newly built apartments as part of project developments before the apartments are handed over to the buyers, as revenue is recognised over time in line with the progress of the project. Contractual arrangements with enforceable rights and obligations and receipt of the consideration specified are required for the recognition of income. The transaction price is determined separately for each performance obligation. The Company's performance obligation is to provide the buyer with the power of disposal of the respective apartment. Based on the existing contracts with the buyers and the legal situation in Germany, the apartments do not constitute assets with alternative use and the Company has an enforceable right to demand compensation for the services provided up to that point in time.

Interest income is recognised in proportion to time in accordance with the provisions of the underlying contracts taking into account the residual claim and the effective interest rate over the remaining term.

5.16 Currency translation

The consolidated financial statements are prepared in euros.

Foreign currency transactions are translated into the functional currency of the relevant group company using the exchange rate on the transaction date. Monetary foreign currency items are subsequently translated at the respective reporting date rate. The currency translation differences arising upon the settlement of foreign currency transactions and from the translation of monetary foreign currency items at the reporting date rate are recognised in the income statement under other operating income or expenses. The functional currency of the foreign companies is the respective national currency, as the foreign companies conduct their businesses independently in financial, economic and organisational terms.

At the end of the year, assets and liabilities at foreign companies are translated into euros using the relevant reporting date rates, while income and expenses at such companies are translated using annual average exchange rates. Equity components are translated using the historical exchange rates applicable from a group perspective upon the dates of their respective addition to the scope of consolidation. The currency translation differences thereby arising compared with the reporting date rates are recognised in equity in the "currency translation reserve" line item.

5.17 Residual interests and dividend distributions

In its consolidated financial statements, ADLER also includes subsidiaries that have the legal form of partnerships with non-controlling interests. Pursuant to IAS 32, the shareholder position attributable to these minorities requires recognition as a liability due to their statutory and non-excludable termination rights. When such liability arises, it is measured at the present value of the settlement claim attributable to the respective shareholder. This generally corresponds to the amount of capital contribution made by the shareholder. In subsequent periods, the liability is carried forward and adjusted to account for the company's earnings prior to the recognition of this liability within earnings. To the extent that it is not due to capital contributions or withdrawals, the change in the liability is recognised through profit or loss. Where the carry forward procedure results in an imputed claim against the shareholder, such procedure is deferred until it once again results in a liability due from the shareholder.

For the corporations included in the Group, liabilities for dividends to shareholders are generally only recognised in the period in which the corresponding resolution concerning the appropriation of profit is adopted by the relevant shareholders' meeting. Obligations for minimum profit distributions are deferred as liabilities.

5.18 Cash flow statement

The cash flow statement presents the development in the Group's payment flows in the financial year. In the consolidated financial statements, the cash flow from operating activities is calculated using the indirect method, with earnings before interest and tax (EBIT) being adjusted to exclude non-cash-effective items and include cash-effective items. The cash flow statement presents the cash flows from operating, investment and financing activities.

6. SIGNIFICANT DISCRETIONARY DECISIONS AND ESTIMATES

In preparing its consolidated financial statements, the Company makes assessments and assumptions concerning expected future developments based on the circumstances extant at the balance sheet date. The estimates derived on this basis may deviate from actual circumstances at a later point in time. In this case, the assumptions and the carrying amounts of the relevant assets or liabilities are adjusted as appropriate on a prospective basis.

The assumptions and estimates are continually reviewed and are based on past experience and other factors, including expectations concerning future events that seem reasonable in the given circumstances.

In applying accounting policies, the Management Board made the following estimates which significantly impact the amounts recognised in the consolidated financial statements:

- When testing goodwill for impairment, estimates have to be made concerning the recoverable amounts of the respective cash-generating units or group of cash-generating units. This corresponds to the higher of fair value less disposal costs and the value in use. When determining the value in use, the estimated future cash surpluses are discounted to their present values. This is based on the company planning adopted by the Management Board. For regional business units operating in the property management business, this particularly requires estimates to be made concerning future rental income, vacancy rates and maintenance and modernisation measures. Based on forecast market developments and past experience, the assumptions underlying these figures are factored into a planning horizon of up to ten years. The payment surpluses thereby determined are discounted to their present values, taking due account of market-based equity and debt financing costs, a market-based risk premium as well as a sustainable growth rate. The figure that best reflects the market value based on various scenarios and under consideration of all known input factors is reported in the consolidated financial statements (see also Section 8.1).

- A number of the Group's accounting policies and disclosures require the determination of fair values for financial and non-financial assets and liabilities. In determining the fair value of an asset or liability, the Group uses observable market data to the extent possible. Based on the input factors used in the valuation methods, fair values are categorised into different levels of the fair value hierarchy:

  Level 1: Quoted prices (unadjusted) in active markets for identical assets and liabilities
  Level 2: Valuation parameters that are not quoted prices considered in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e., derived from prices)
  Level 3: Valuation parameters for assets or liabilities that are not based on observable market data

  If the input factors used to determine the fair value of an asset or liability can be categorised into different levels of the fair value hierarchy, the fair value measurement is assigned in its entirety to the level of the fair value hierarchy that corresponds to the lowest input factor that is significant to the measurement as a whole.

Further explanations of the assumptions used in determining fair values are provided in Sections 5.2, 5.5, 8.3, 8.6, 8.20, 11.1 and 11.3.

- The fair values of investment properties are determined by independent experts using internationally accepted valuation methods. The valuation results are based on estimates of expected rental income, vacancy rates, maintenance and modernisation measures, applicable discount rates and capitalisation rates. Residual value methods are used for properties under construction and development projects. In addition to the input factors mentioned above, additional estimates are required for the construction costs still to be incurred and for deductions for risk and profit.

- Estimates also characterise the determination of the impairment of financial assets. In this context, the default risks of financial assets must be assessed and the respective expected credit losses estimated.

- When recognising revenue, it must be assessed whether the specified consideration is likely to be received. Revenue recognition for sales of newly built apartments as part of project developments is based on the period corresponding to the degree of completion or performance progress. In this context, the company estimates the costs required to complete the project to determine the amount of revenue expected to be realised.

In applying accounting policies, the Management Board made the following discretionary decisions that materially impact the amounts recognised in the consolidated financial statements:

- In respect of the properties held by the Group, the Management Board has to decide at each balance sheet date whether these assets are to be held for long-term rental and value appreciation purposes or rather classified as held for sale. Depending on this decision, the properties are reported as investment properties, under inventories or as non-current assets held for sale.

7. SEGMENT REPORTING

The 'Rental' segment includes all ADLER's portfolios, through the letting of which ADLER Real Estate AG aims to generate long-term gross rental income. Gross rental income and the expenses associated with the letting business reflect the activities of the Group's Asset and Property Management, which manages residential units held in the portfolio in technical and commercial terms. This segment also includes the expenses for craftsmen and caretaker services which are provided by the Group's internal Facility Management. To a lesser extent, this item also includes BCP's commercial properties held for sale and project developments that are sold to non-group companies and which are therefore not to be added to the portfolio after completion.

Other group activities that do not constitute standalone segments are pooled in the "Other" column. These are mainly historic holdings relating to development projects that have been in the remainder of the process since the Group's realignment.

Segment reporting based on the trading segment is consistent with the internal reporting system to ADLER's Management Board, which is the top management body pursuant to IFRS (management approach). The Group only trades in properties that are located in Germany. No geographical segmentation has been performed.

Income and EBIT are structured as follows:

ADLER Group	**Rental**		**Other**		**Group**	
In EUR ´000	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
Gross rental income and income from the sale of properties	1,766,319	1,191,013	141	181	1,766,460	1,191,194
– of which gross rental income	337,617	354,499	141	181	337,758	354,680
– of which income from sales	1,428,702	836,514	0	0	1,428,702	836,514
Change in the value of investment property	225,207	239,461	0	0	225,207	239,461
Earnings before interest and taxes (EBIT)	**375,905**	**353,312**	**-81**	**-19**	**375,824**	**353,293**
Net income from at-equity-valued investment associates	83	-5,901		0	83	-5,901
Financial result	**-244,547**	**-71,054**	**25**	**117**	**-244,522**	**-70,937**
Earnings before taxes (EBT)	**131,354**	**276,352**	**31**	**104**	**131,385**	**276,456**

Financial income and expenses are not reported to the Executive Board by segment.

Depreciation of property, plant and equipment, financial assets and amortisation of intangible assets break down as follows:

ADLER Group In EUR ´000	Rental		Other		Group	
	2021	2020	2021	2020	2021	2020
Depreciation of property, plant and equipment	4,562	4,608	0	0	4,562	4,608
Depreciation of financial assets	4,640	0	0	0	4,640	0
Amortisation of intangible assets	24,070	247	0	0	24,070	247

Income and EBIT were broken down in the previous year as follows:

ADLER Group In EUR ´000	Rental 2021	Other 2021	Consolidation 2021	Group 2021
Assets per segment	5,574,164	1,396	-1,387	5,574,173
Result of investments accounted for using the equity method	10,489	0	0	10,489
Total segment assets	**5,584,653**	**1,396**	**-1,387**	**5,584,662**
Segment liabilities	**3,442,000**	**31**	**-1,387**	**3,440,644**
Segment investments	**128,320**	**0**	**0**	**128,320**

In the previous year, segment assets, segment liabilities and segment investments were structured as follows:

ADLER Group In EUR ´000	Rental 2020	Other 2020	Consolidation 2020	Group 2020
Assets per segment	6,228,687	4,579	-4,538	6,228,728
Result of investments accounted for using the equity method	63,585	0	0	63,585
Total segment assets	**6,292,272**	**4,579**	**-4,538**	**6,292,313**
Segment liabilities	**4,233,297**	**4,620**	**-4,538**	**4,233,379**
Segment investments	**222,089**	**0**	**0**	**222,089**

Segment assets mainly comprise property, plant and equipment, investment properties and receivables due from third parties and the "Other" segment. Goodwill of EUR 46,699k (31 December 2020: EUR 169,439k) is recognised in the Rental segment. Please refer to the comments under Note 8.1, Goodwill, intangible assets.

Segment liabilities mainly comprise financial liabilities, operating liabilities and liabilities due to the "Other" segment.

The intragroup balances between the reportable segment "Rental" and the "Other" column are eliminated in the "Consolidation" column. Segment investments include additions to property, plant and equipment, intangible assets, investment properties, properties recognised under inventories (primarily at BCP) and investments in associated companies.

8. NOTES TO THE CONSOLIDATED BALANCE SHEET

8.1 Goodwill and intangible assets

In EUR '000 2021	Goodwill	Other intangible assets
Carrying amounts 01.01.2021	**169,439**	**485**
Additions (+)	0	26
Disposals (–)	-41,261	-
Reclassifications IFRS 5 due to sale	-57,638	-
Depreciation current year (–)	-23,841	-229
Carrying amounts 31.12.2021	**46,699**	**282**

In EUR '000 2020	Goodwill	Other intangible assets
Carrying amounts 01.01.2020	**169,439**	**584**
Additions (+)	0	148
Depreciation current year (–)	0	-247
Reclassification	0	0
Carrying amounts 31.12.2020	**169,439**	**485**

Goodwill of EUR 101,198k is attributable to the acquisition of WESTGRUND in June 2015 and EUR 69,560k to the acquisition of BCP in April 2019. Allocation has been made to the regional business units (North, Middle, West, East) of the Rental segment.

In the 2021 financial year, a partial amount of goodwill was disposed of as a result of the deconsolidation of the companies sold to LEG Immobilien SE. The disposal was made in accordance with the ratio of the property values disposed of to the property values remaining in the Group. At the time of preparation of the consolidated financial statements, the purchase agreement relating to the property portfolio sold to KKR had already been signed (see also Note 8.11). As a result of this transaction, a further partial amount of goodwill was classified as uncollectible and written off. The write-down was also made in the ratio of the property values disposed of to the property values remaining in the Group. In addition, the portion of goodwill attributable to the BCP subgroup was reclassified to assets held for sale in line with the presentation of the subgroup's assets and liabilities as a disposal group (see Note 8.11).

Mandatory annual impairment testing for goodwill of the Rental segment was performed in the fourth quarter of the year under report. To determine the recoverable amounts of the business divisions, the respective values in use were first calculated by comparison with the measurement of investment properties (see comments in Note 8.3) on the basis of company planning adopted by the Management Board with a planning horizon of ten years. Perpetuity figures were computed on the basis of the cash inflows in the final year covered by the planning. The planning was determined by reference to factors which can be influenced and those which cannot.

The Management Board determined the cash flows budgeted for the detailed planning stage on the basis of the positive developments shown by the business model in the past and of expectations as to future market developments. For the regional business divisions within the Rental segment, the key value drivers are the planned increase in rent per square metre (target rent) and the reduction in the vacancy rate.

Due to ADLER's business model, the Covid-19 pandemic crisis did not have any material impact on the business at this time and is not expected to have any at this time.

Further major parameters used to determine the recoverable amounts include weighted average costs of capital (WACC) before taxes and the sustainable growth assumed for perpetuity. The WACC are derived from market-based costs of equity and debt capital weighted to account for the company's capital structure. These were calculated using the capital asset pricing model (CAPM) as used in theory and practice. This involves accounting for a risk-free interest rate, a market-based risk premium (market risk premium and beta factor) and a risk premium from industrial bonds. The market risk premium used was left on on 7.5 percent in the year under review (31 December 2020: 7.5 percent). The calculation was performed by reference to comparative peer group data. The sustainable growth rate presents the market development expected in the future. With regard to the regional business units, the figures have been based on developments in actual rents.

Cash-generating units as of 31.12.2021	North	Central	West	East	Total
Goodwill in EUR ´000	0	0	24,825	21,874	46,699
WACC before tax in %	0.0	0.0	3.5	3.5	-
Sustainable growth rate in %	0.0	0.0	1.0	1.0	-

Cash-generating units as of 31.12.2020	North	Central	West	East	Total
Goodwill in EUR ´000	32,223	22,894	62,526	51,796	169,439
WACC before tax in %	3.6	3.6	3.6	3.6	-
Sustainable growth rate in %	1.0	1.0	1.0	1.0	-

The impairment test performed in the fourth quarter of the year identified significant surplus cover of the carrying amounts in all business divisions. The recoverability of goodwill was confirmed. Sensitivity analyses were performed to test the impact of changes in key parameters while retaining the other assumptions.

In the year under review, a 1.0 percentage point decrease in the target rent (in EUR/square metre rental area) would trigger a complete impairment in all business units. An increase in the vacancy rate (as a percentage of the target rent) by 1.0 percentage point would not lead to an impairment of the book value for any of the divisions. A 0.5 percentage point increase in the weighted average cost of capital (WACC) would result in a complete impairment in all business units. A 0.5 percentage point reduction in the sustainable growth rate would not trigger a complete impairment in the West division only.

In the previous year, a 1.0 percentage point decrease in the target rent (in EUR/square metre of rental area) for the business units would not have triggered any impairment of the respective carrying amount, with the exception of the North business unit. In the North business unit, this would have resulted in a complete impairment of goodwill. An increase in the vacancy rate (as a percentage of the target rent) by 1.0 percentage point would not have led to an impairment of the book value for any of the divisions. A 0.5 percentage point increase in the weighted average cost of capital (WACC) would have resulted in a complete impairment of goodwill in all business units except East. The same would have applied to a 0.5 percentage point reduction in the sustainable growth rate, although here, too, no impairment losses would have been expected for the CGU West.

8.2 Property, plant and equipment

in EUR '000	2021	2020
Carrying amounts 01.01.	**22,276**	**19,348**
Additions (+)	5,430	8,786
Depreciation current year (–)	-4,562	-4,608
Reclassifications (+/-)	-56	0
Disposals (–)	-4,650	-1,250
Carrying amounts 31.12.	**18,438**	**22,276**

The disclosures according to IFRS 16 on the rights of use to assets in the context of leases are presented in Section 12 of the notes to the consolidated financial statements.

8.3 Investment properties

In EUR '000	Let Investment properties	Project development properties	Total 2021
Carrying amounts 01.01.	**4,622,986**	**328,805**	**4,951,790**
Additions through investment properties/property companies (+)	0	0	0
Other additions (+)	244,086	318,505	562,591
Result fair value measurement	249,454	-24,247	225,207
Reclassifications IFRS 5 (+/-)	-2,401,917	-386,308	-2,788,225
Reclassifications (+/-)	-3,600	3,600	0
Disposals (-)	-1,288,538	0	-1,288,538
Carrying amounts 31.12.	**1,422,470**	**240,355**	**1,662,824**

In EUR '000	Let Investment properties	Project development properties	Total 2020
Carrying amounts 01.01.	**4,634,567**	**285,442**	**4,920,008**
Additions through investment properties/property companies (+)	0	95,756	95,756
Other additions (+)	125,273	12,340	137,613
Result fair value measurement	236,952	2,509	239,461
Reclassifications IFRS 5 (+/-)	-441,048	0	-441,048
Reclassifications (+/-)	67,242	-67,242	0
Carrying amounts 31.12.	**4,622,986**	**328,805**	**4,951,790**

Investment properties are divided into let existing properties and project development properties. The latter are properties under construction that are to be held long-term after completion in order to generate gross rental income and capital appreciation.

Investment properties are encumbered with land charges provided as security for liabilities to banks.

EUR 318,505k of the additions resulted from investments in project development properties under construction, with EUR 116,822k from modernisation measures that can be capitalised and EUR 127,264k from other additions.

In the 2021 financial year, income from the valuation of investment properties was generated in the amount of EUR 225,207k (2020: EUR 239,461k). Negative valuation effects result from the value adjustments in connection with the renewed inclusion of Glasmacherviertel GmbH &. Co. KG in the consolidated financial statements (see section 4) in the amount of EUR 126,807k.

The IFRS 5 reclassifications relate to properties classified in accordance with IFRS 5 as non-current assets held for sale. The other reclassifications relate to project development properties that were transferred to the let investment properties upon completion.

The Statement of Comprehensive Income includes the following material amounts for investment properties:

In EUR '000	2021	2020
Income from property management	337,758	354,680
Expenses from property management	-147,007	-143,510
Earnings from property management	**190,751**	**211,170**

The fair values of individual properties and property portfolios are determined on the basis of discounted future cash flows using the DCF method. The residual value method is used for project development properties.

The Management Board is responsible for determining the measurement methods and processes used at the Group and for coordinating the relevant processes. Properties are measured by external surveyors based on the data as at the measurement date, much of which is provided by ADLER's Asset Management department. This way, it is ensured that the properties are measured in line with market conditions and as at the reporting date. The year-on-year changes in fair values are subject to plausibility reviews by the Group Accounting and Asset Management departments. The results of the measurement process are then discussed with the Management Board.

Let investment Properties – DCF method

The DCF method involves discounting the cash flows expected to be generated by a property to the measurement date. To this end, the cash flows from the respective properties are determined for a detailed planning period (ten years). These involve the net balance of expected inflows and outflows of cash. While inflows generally relate to net rents, the (gross) outgoing payments particularly involve the operating costs borne by the owner. The net cash flows for each period are then discounted to the balance sheet date through application of a market-based, property-specific discount rate. This results in the capitalised value of the net cash flows for the respective period. A potential discounted disposal value (terminal value) is forecast for the property at the end of the detailed planning period. This reflects the price most likely to be achievable at the end of the detailed planning period. This involves capitalising the discounted net cash flows as perpetuity figures through application of the capitalisation rate of the respective property (exit rate). The sum of the discounted cash flows and the discounted potential disposal value provides the gross value of the property to be assessed. Market-specific transaction costs incurred by any potential buyer and quantified at 6,75 percent to 10.6 percent are then deducted from this gross value (31 December 2020: 4.8 percent to 10.6 percent), following which the properties are recognised at net value.

The following overview presents the significant assumptions and results used to determine the fair values of investment properties when measuring them using the DCF method:

Valuation parameters	Unit	Average	Range
Discount rate	%	4.60	3.95-5.6
Capitalisation rate	%	2.89	2.15-4.5
Maintenance costs	EUR/sqm	10.30	8.80-13.30
Administrative expenses	EUR/per rental unit/ year	255.95	215-300
Stabilised vacancy rate	%	1.15	0.38-7.0
CBRE Market rent	EUR/sqm	9.98	5.75-19.5
Market rent growth p.a.	%	2.43	1.5-3.00
Valuation results			
Actual rent multiplier		29.50	17.25-40.98
Market value per sqm	EUR/sqm	3,784.89	1,175.13-8,887.31

The stabilised vacancy rate comprises temporary vacancies that are not considered to be marketable as well as fluctuation-related vacancies.

In the previous year, measurement was based on the following parameters:

Valuation parameters	Unit	Average	Range
Discount rate	%	4.89	3.90-5.95
Capitalisation rate	%	3.54	2.10-4.90
Maintenance costs	EUR/sqm	9.66	8.25-10.75
Administrative expenses	EUR/per rental unit/ year	251.90	200-350
Stabilised vacancy rate	%	2.62	0.00-7.50
CBRE Market rent	EUR/sqm	7.84	5.25-25
Market rent growth p.a.	%	1.46	0.6-2.5
Valuation results			
Actual rent multiplier		20.66	12.61-40.30
Market value per sqm	EUR/sqm	1,408.10	681.00-7,808.00

Various parameters were used when determining the discount rate. The discount rate comprises the base rate and a risk premium. The risk premium represents an interest rate suitable to the specific sub-segment, the type of use and the quality of the property. These assessments were made by reference to current market data and official documents, as well as to information from the valuation committee. The risk premium therefore varies from property to property.

The valuation parameters stated above represent averages weighted by market value. None of the margins stated account for exceptional individual cases. The assumptions used to value existing properties were made by an independent surveyor based on his longstanding professional experience. The surveys commissioned by the Group are governed by the requirements of the Royal Institution of Chartered Surveyors (RICS).

The chosen interest rate, underlying market rents and stabilised occupancy rates were identified as the main value drivers influenced by the market. The effects of potential fluctuations in these parameters are presented separately in the table below. Interaction between these parameters is possible. Given the complexity of the relationships involved, however, the effects of such interaction are not quantifiable. In the reporting year, the following effects resulted in the event of possible fluctuations in the respective valuation parameters.

	Discount/ and Capitalisation rate		Market rent		Vacancy rate	
	-0.25 PP	+0.25 PP	-10.0 %	+10.0 %	-1.0 PP	+1.0 PP
Change in value						
In EUR ´000	146,012	-120,165	-128,466	100,694	14,792	-19,784
in %	10.28	-8.46	-9.05	7.09	1.04	-1.39

In the previous year (excluding BCP commercial properties), the following effects resulted in the event of possible fluctuations in the respective valuation parameters:

	Capitalisation rate		Market rent		Vacancy rate	
	-0.5 PP	+0.5 PP	-10.0 %	+10.0 %	-1.0 PP	+1.0 PP
Change in value						
In EUR ´000	-332,771	391,874	305,370	-403,743	-73,186	64,318
in %	-7.31	8.61	6.71	-8.89	-1.61	1.41

The following effects resulted for BCP's commercial properties in previous year in the event of possible fluctuations in the respective valuation parameters:

	Discount/ and Capitalisation rate		Market rent		Vacancy month	
	+ 0.25 %	- 0.25 %	+ 5.0 %	-5.0 %	+3.0	-3.0
Change in value						
In EUR ´000	-3,080	3,510	3,320	-3,120	-710	810
in %	-4.55	5.18	4.90	-4.61	-1.05	1.20

The following overview presents the geographical distribution of the property portfolios broken down by rental area, market values and the main parameters used in the valuation methods outlined above (excluding project developments with a market value of EUR 244,644k and undeveloped land):

	Total rental area in sqm	Discount rate in %	Capitalisation rate in %	Actual rent multiplier	Stabilised vacancy rate in %	Market value 20201 in EUR '000
Lower Saxony	22,320	5.12	4.15	16.84	3.39	24,200
North Rhine-Westphalia	471,035	4.91	3.47	21.33	1.80	640,680
Saxony	9,650	4.67	3.99	17.25	4.79	7,440
Saxony-Anhalt	6,698	4.26	3.35	20.47	4.85	7,200
Berlin	163,375	4.32	2.32	37.14	0.43	741,950
Other	1,720	4.06	3.56	15.82	6.88	1,280
Total	**674,798**	**4.60**	**2.89**	**29.46**	**1.15**	**1,422,750**

In the previous year, the geographical distribution of the property portfolios was as follows:

	Total rental area in sqm	Discount rate in %	Capitalisation rate in %	Actual rent multiplier	Stabilised vacancy rate in %	Market value 2020 in EUR '000
Lower Saxony	921,263	5.06	3.73	18.68	2.89	1,172,508
North Rhine-Westphalia	809,000	5.18	3.84	18.50	2.83	1,014,677
Saxony	504,628	4.71	3.45	22.01	3.74	692,760
Saxony-Anhalt	222,096	4.74	4.04	16.87	5.95	202,355
Brandenburg	216,281	4.86	3.98	16.44	4.11	218,079
Berlin	163,677	4.35	2.35	40.47	1.21	689,410
Other	392,729	5.00	3.80	19.43	3.45	557,925
Total	**3,229,674**	**4.89**	**3.54**	**20.66**	**2.62**	**4,547,714**

Project development properties – Residual value method

The determination of the fair value of properties under construction – which are held in the long term for the purpose of generating gross rental income and capital appreciation after completion – takes place using the residual value method, since the value of these properties is primarily determined by the value of the specific development concept. In the case of the residual value method, an indicative market value of the finished and leased object is initially determined on the basis of the future expected annual net income using the DCF method. All remaining costs that are incurred in connection with the preparation of the project are deducted from this value. These possible costs include all construction costs, building ancillary costs, fees, financing costs, marketing costs and incidental acquisition costs. There is also a risk deduction for risk and profit.

The following overview presents the significant assumptions used to determine the fair values of investment properties when measuring them using the residual value method:

Valuation parameters	Unit	Average	Range
Capitalisation rate	%	2.89	2.72-3.17
Calculated construction costs of the net rentable area	EUR/sqm	4,305.05	3,282-7,598
Risk deduction for risk and profit	%	10.25	44,875.00
Multiplier gross annual profit		29.08	26.7-30.5

In the previous year, the valuations were based on the following parameters:

Valuation parameters	Unit	Average	Range
Capitalisation rate	%	2.71	1.88-3.48
Calculated construction costs of the net rentable area	EUR/sqm	3,904.90	2,214.31-5,928.00
Risk deduction for risk and profit	%	10.07	10.00-12.00
Multiplier gross annual profit		28.45	24.95-33.09

The risk deduction for risk and profit relates to the yet-to-be-generated added value of the respective project.

The chosen interest rate, underlying market rents and calculated construction costs were identified as the main value drivers influenced by the market. The effects of potential fluctuations in these parameters are presented separately in the table below:

	Capitalisation rate		Market rent		Calculated Building[1)]	
	-0.5 PP	+0.5 PP	-10.0 %	+10.0 %	-10.0 %	+10.0 %
Change in value						
In EUR ´000	50,800	-35,400	-23,300	23,400	12,300	-12,000
in %	44.10	-30.80	-20.20	20.30	10.70	-10.40

[1)] Without consideration of potential project guarantees

In the previous year, the following effects resulted from possible fluctuations of the respective measurement parameters:

	Capitalisation rate		Market rent		Calculated Building[1)]	
	-0.5 PP	+0.5 PP	-10.0 %	+10.0 %	-10.0 %	+10.0 %
Change in value						
In EUR ´000	76,520	-53,012	-48,947	48,834	30,027	-30,139
in %	56.16	-38.90	-26.76	26.70	16.42	-16.48

[1)] Without consideration of potential project guarantees

Project development properties – DCF method

For projects that are already very advanced, the DCF method used for existing properties is applied. In the previous year, one project was valued using the DCF method. As of 31 December 2021, this project is reported under assets available for sale (see disclosure in section 8.11). In the previous year, the fair value was EUR 5,600k, the outstanding expenses amounted to EUR 188k in 2020.

The following overview shows the main assumptions used in determining the fair value of these projects in the context of the valuation using the DCF method.

In the previous year, the valuations were based on the following parameters:

Valuation parameters	Unit	Value
Discount rate	%	2.75
Capitalisation rate	%	3.50
Maintenance costs	EUR/sqm	14.25
Administrative expenses	EUR/unit/year	203.77
Valuation results		
Actual rent multiplier		22.9
Market value per sqm	EUR/sqm	4,108.58

The selected interest rate and the underlying market rents were identified as significant value drivers influenced by the market. The effects of possible fluctuations in these parameters are shown below in isolation from each other. Interactions between the parameters are possible, but cannot be quantified due to the complexity of the relationship. In the previous year, the following effects resulted from possible fluctuations of the respective measurement parameters:

	Capitalisation rate		Market Rent	
	-0.5 PP	+0.5 PP	-10.0 %	+10.0 %
Change in value				
In EUR ´000	200	-300	-500	500
in %	3.57	-5.36	-8.93	8.93

8.4 Receivables and loans to associated companies

As at 31 December 2020, receivables from and loans to associated companies included non-current receivables from AB Immobilien B.V. in the amount of EUR 32,494k, loans to Glasmacherviertel GmbH & Co. KG in an amount of EUR 66,882k and miscellaneous loans.

In the 2021 financial year, Glasmacherviertel GmbH & Co. KG was again included in the scope of consolidation (see Section 4). The aforementioned loans have been eliminated in this context in the course of debt consolidation. Receivables from AB Immobilien B.V. amounting to EUR 14,972k are reported under other current assets as at 31 December 2021 (see Section 8.9). The miscellaneous loans included as at 31 December 2020 relate to the BCP subgroup, which is reported as a disposal group as at 31 December 2021 (see Section 8.11).

8.5 Investments in associates and joint ventures

Three companies were included in the consolidated financial statements using the equity method as at the balance sheet date (31 December 2020: five companies). Two associates (31 December 2020: two) have not been included at equity due to materiality considerations.

in EUR '000	2021	2020
Carrying amounts 01.01.	**63,585**	**23,432**
Other additions	0	52,019
Other disposals	-51,743	-2,011
Share of gains and losses (at-equity result)	83	-5,901
Impairments	-1,436	0
Other results attributable to the Group	0	0
Reclassifications	0	-3,955
Carrying amounts 31.12.	**10,489**	**63,585**

The main investments in associated companies are ACCENTRO and AB Immobilien B.V.

ACCENTRO is a listed public limited company that primarily manages (buying and selling) residential property and individual apartments as well as the brokerage business associated with residential privatisation. The company is recognised as an associate in the consolidated financial statements due to its ability to exercise significant influence through a member of the Supervisory Board.

The investment in ACCENTRO developed as follows:

in EUR '000	2021	2020
Carrying amounts 01.01.	**11,557**	**11,286**
Share of gains and losses (at equity result)	345	271
Impairments	-1,436	0
Carrying amounts 31.12.	**10,466**	**11,557**

The tables below contain the combined financial information of ACCENTRO based on the last published IFRS consolidated financial statements:

In EUR ´000	30.09.2021	31.12.2020
Assets		
Non-current assets	385,969	311,348
– of which goodwill	17,776	17,776
Current assets	571,813	550,640
– of which inventories	384,861	409,505
– of which cash and cash equivalents	72,441	56,541
Equity and liabilities		
Equity	260,535	247,101
Non-current liabilities	519,001	402,448
– of which financial liabilities to banks	162,201	148,063
– of which liabilities from bonds	346,095	245,265
Current liabilities	178,246	212,438
– of which financial liabilities to banks	109,785	168,760
– of which liabilities from bonds	3,327	3,446

In EUR ´000	9M 2021	2020
Earnings from sale of inventories	28,671	19,625
Earnings from property lettings	3,111	4,854
Earnings from services	875	871
EBIT	31,015	34,767
EBT	14,349	24,313
Consolidated net profit	9,647	18,055

In EUR ´000	9M 2021	2020
Cash flow from operating activities	47,222	-32,655
Cash flow from investing activities	-67,333	-99,617
Cash flow from financing activities	34,151	163,672
Change in cash and cash equivalents	14,040	31,400

AB Immobilien B.V. is a property company that pursues the objective of selling its assets at a profit. The interest (25 percent) was still classified as immaterial in the previous year and developed as follows:

In EUR '000	2021	2020
Carrying amounts 01.01.	**0**	**5,369**
Other additions	0	0
Share of gains and losses (at equity result)	0	-5,369
Carrying amounts 31.12.	**0**	**0**

The tables below contain the combined financial information of AB Immobilien B.V.:

In EUR ´000	31.12.2021	31.12.2020
Assets		
Non-current assets	2	6
Current assets	45,698	92,931
Equity and liabilities		
Equity	-7,376	-3,329
Non-current liabilities	11,670	53,669
Current liabilities	41,406	42,597

In EUR ´000	2021	2020
Earnings form property lettings	71	-1,488
Earnings from the sale of properties	2,076	-4,071
EBIT (Earnings before interest and taxes)	-2,362	-6,516
Net profit	-3,713	-8,906

Caesar JV Immobilienbesitz und Verwaltungs GmbH is a property company whose objective is to generate income from letting and, where applicable, also selling its properties. The interest (25 percent) developed as follows:

In EUR '000	2021	2020
Carrying amounts 01.01.	**0**	**3,723**
Other additions	0	0
Share of gains and losses (at equity result)	0	232
Reclassifications IFRS 5 due to sale	0	-3,955
Carrying amounts 31.12.	**0**	**0**

The shares in Caesar JV Immobilienbesitz und Verwaltungs GmbH, with a value of EUR 3,955k, were reclassified to non-current assets held for sale as of 31 December 2020 due to a binding sale and purchase agreement.

The tables below contain the combined financial information of Caesar JV Immobilienbesitz und Verwaltungs GmbH:

In EUR ´000	31.12.2021	31.12.2020
Assets		
Non-current assets	73,473	72,348
Current assets	16,073	19,182
Equity and liabilities		
Equity	3,153	3,348
Non-current liabilities	71,420	79,046
Current liabilities	14,973	9,136

In EUR ´000	2021	2020
Earnings form property lettings	-263	5,079
EBIT (Earnings before interest and taxes)	948	3,238
Net profit	-195	522

In the previous year, Glasmacherviertel GmbH & Co. KG was reported under investments in associates and joint ventures. The company was reincluded in the scope of consolidation as at 30 September 2021. For details and explanations of this transaction, please refer to Section 4. As at 31 December 2021, the company is reported together with the other assets and liabilities of the BCP subgroup under assets available for sale (see Section 8.11).

The Group still holds investments in one (31 December 2020: three) other associate that is not of material significance. The carrying amounts and the share of profit and other comprehensive income of these companies are presented in aggregated form in the table below:

In EUR ´000	2021	2020
Carrying amount of shares on not-vital-at-equity consolidated companies	**23**	**285**
Group‘s share in the result of non-vital-at-equity companies:		
– Profit from continuing operations	0	262
– Other results	0	0
Total result	**0**	**262**

The prorated share of profit and loss at the companies included using the equity method has been recognised in full in 2021. There are no accumulated unrecognised losses.

8.6 Other financial investments and other non-current assets

In the 2018 financial year, ADLER acquired 4,870,891 (3.6 percent) of the shares in a project development company based in Germany through its subsidiary BCP. The shares were classified as financial assets at fair value through profit or loss and recognised under other financial assets. As at 31 December 2021, based on the stock market price, the fair value amounted to EUR 6,819k (31 December 2020: EUR 36,093k). The change in value year on year of EUR 29,274k is recognised under financial expenses. The investment belongs to the BCP disposal group and is reported under assets available for sale (see Section 8.11).

Other financial assets at the balance sheet date also include debt instruments (bonds) of an associated company with a term until 9 November 2025, which are held as part of a business model whose objective is both to hold the financial assets in order to collect the contractual cash flows and to sell them if necessary. The debt instruments are therefore measured at fair value with changes in other comprehensive income. The interest rate is 6.88 percent p.a., and semi-annual interest payments are scheduled. As of 31 December 2021, the fair value based on the stock market price amounts to EUR 8,078 k (31 December 2020 EUR 12,519k). The change in value results in the amount of EUR 4,441 from a devaluation to the closing rate, which was recognised in other comprehensive income. In the previous year, revaluations to the closing rate of EUR 2,301k were recognised in other comprehensive income. ADLER received interest income of EUR 662k (2020: EUR 994k) and from these bonds in the reporting year.

ADLER also holds roughly 38 percent in a convertible bond issued by Adler Group with a term until 23 November 2023. The interest rate is 1.25 percent p.a., and interest payments are due semi-annually. The conversion right is an embedded derivative, so that the convertible bond is classified as a financial asset measured at fair value and reported under other financial assets. As of 31 December 2021, the fair value amounts to EUR 52,370 (31 December 2020: EUR 61,487k). Changes in value of EUR 139k (2020: EUR 3,330k) are reported under financial income and EUR 9,256k (2020: EUR 7,640k) under financial expenses. In the reporting year, ADLER generated interest income in the amount of EUR 1,308k (2020:EUR 635k) from the convertible bond.

Furthermore, as part of the sale of residential and commercial units, the remaining shares (in each case 10.1 percent) in the property companies in the amount of EUR 18,927k (31 December 2020: EUR 21,733k) are recognised under other financial assets. They are measured at fair value through profit or loss. EUR 6,495k belong to the disposal group of BCP and are reported under assets available for sale (see section 8.11).

In the previous year, other non-current assets of EUR 133,230k comprised the receivables remaining after payment of the first purchase price instalment from the sale of 75 percent of the shares in Glasmacherviertel GmbH & Co. KG. In the 2021 financial year, the company was again included in the scope of consolidation (see Section 4). The aforementioned receivables have been eliminated in this context in the course of debt consolidation.

Miscellaneous other non-current assets include advance payments of EUR 1,987k (31 December 2020: EUR 1,848k) in connection with project developments.

8.7 Deferred taxes

Deferred tax assets (+) and liabilities (-) are composed as follows:

In EUR ´000	2021	2020
Tax loss carryforwards (deferred tax assets)	58,280	87,021
Valuation of other liabilities (deferred tax assets)	-139	1,030
Valuation of pension provisions (deferred tax assets)	65	69
Valuation of (convertible) bonds (deferred tax assets)	0	1,033
Valuation of financial liabilities (deferred tax assets)	2,933	8,170
Valuation of rights of use leasing liabilities (deferred tax assets)	6	7
Valuation of investment properties/inventories (deferred tax liabilities)	-281,229	-519,188
Valuation of (convertible) bonds (deferred tax liabilities)	-2,157	-4,553
Accrual of financing costs (deferred tax liabilities)	-13	-1,742
Other	2,510	-30,762
Total deferred tax assets	61,145	97,329
Total deferred tax liabilities	-280,888	-556,245
	-58,584	-96,766
Offsetting	58,584	96,766
Reported deferred tax assets	**2,561**	**563**
Reported deferred tax liabilities	**-222,305**	**-459,478**

Deferred tax assets are recognised for tax losses carried forward to the extent that there are deferred tax liabilities that can be netted against them. The loss carryforwards relate exclusively to Germany and are therefore not expected to expire. As a result, the maturity structures of those loss carryforwards which have not been capitalised have not been disclosed.

No deferred tax assets were recognised for corporate tax loss carryforwards of around EUR 66.2 million (31 December 2020: around EUR 214.1 million) and trade tax loss carryforwards of around EUR 48.6 million (31 December 2020: around EUR 201.2 million) as their realisation is not sufficiently certain.

No deferred tax liabilities have been recognised on amounts totalling EUR 75.4 million (31 December 2020: EUR 62.7 million) in connection with shareholdings in group companies. This is due to the Group's ability to control their reversal, which is not expected to be the case in the foreseeable future.

8.8 Inventories

Inventories include an amount of EUR 13,213k for properties acquired for sale (31 December 2020 EUR 68,240k) and an amount of EUR 0k for other inventories (31 December 2020: EUR 17k). The portfolio of inventory properties or properties from project developments (newly built apartments) acquired for sale developed as follows:

In EUR '000	2021	2020
Carrying amounts 01.01.	**68,240**	**87,289**
Additions (+)	2,997	31,460
Disposals (-)	-7,304	-56,915
Depreciation (-)	0	-432
Reclassifications IFRS 5 due to sale	-50,720	0
Reclassifications (+/-)	0	6,838
Carrying amounts 31.12.	**13,213**	**68,240**

No material write-ups or write-downs were recognised on properties recognised under inventories in the financial year under report.

The carrying amount of inventories pledged as securities for liabilities amounts to EUR 0k (31 December 2020: EUR 55,027k). Inventory properties with total carrying amounts of EUR 13.213k (31 December 2020: EUR 65,763k) are only expected to be sold after more than 12 months.

8.9 Trade receivables, receivables from affiliated companies and other current assets

Current trade receivables comprise the following items:

In EUR ´000	2021	2020
Rent receivables	4,198	7,175
Contractual assets from operating costs	4,784	6,745
Contractual assets from project developments	0	3,405
Receivables from sale of investment properties	40	110
Other	8,565	6,234
Total	**17,587**	**23,669**

The disclosures in accordance with IFRS 15 to the balances related to contracts with customers are presented in Section 10 of the notes to the consolidated financial statements.

Other trade receivables primarily include balances with suppliers and service providers associated with the letting business.

Receivables from affiliated companies include a loan granted by ADLER to Adler Group S.A. in the amount of EUR 265,221k on 29 December 2021. The loan is repayable on 29 December 2022 and bears interest of 2.84 percent p.a. There are receivables for accrued interest in 2021 in the amount of EUR 51k. Furthermore, there are trade receivables in the amount of EUR 4,834k (31 December 2020: EUR 548k).

Other current assets break down as follows:

In EUR ´000	2021	2020
Purchase price receivable ACCENTRO including interest claims	58,592	59,127
Current securities	188	28,140
Earmarked financial assets	5,357	33,751
Short-term loans to third parties	9,963	21,008
Purchase price receivables from disposals of shares to minority shareholders	56,121	80,983
Short-term loans to associated companies	42,775	44,636
Credit balance notarial account due to the sale of real estate	0	75,178
Sales tax receivables	56	1,174
Advance payment of financing costs	201	1,079
Receivables reductions in purchase price	624	854
Other current assets	14,732	8,672
Total	**188,608**	**354,602**

The ACCENTRO purchase price receivable results from the sale of ACCENTRO in the fourth quarter of 2017. In the year under review, interest income on the receivable of EUR 2,715k (2020: EUR 2,866k) was recognised on the receivable bearing interest at market rates. In Q4 2021, a payment of EUR 3,250k was received. The company is in an exchange with the debtor regarding the settlement of the remaining receivable. Based on these discussions, the payment deadline, which expired on 30 September 2021, was extended to 31 May 2022.

Restricted financial assets comprise bank balances with specific use restrictions that should only be used for the repayment of certain financial liabilities, as security for specific obligations or for particular maintenance measures. ADLER cannot decide on their disposal.

Receivables from disposals of shares to minority shareholders are based on preliminary purchase prices. At the end of the fourth quarter of 2020, shares in several subsidiaries were sold to non controlling shareholders without ADLER losing its existing controlling influence. The decrease in receivables is due to offsetting against liabilities to minority shareholders from their proportionate share of the proceeds from the portfolio transaction with LEG Immobilien SE (see section 4).

Current loans to associates include the current portion of deferred payment claims against Caesar JV Immobilienbesitz und Verwaltungs GmbH in the amount of EUR 27,802k (31 December 2021: EUR 32,636k) and AB Immobilien B.V. in the amount of EUR 14,972k from the sale of property. The outstanding receivables from AB Immobilien B.V. were reported under receivables from and loans to associated companies in the previous year in the amount of EUR 32.494k. In the second quarter of 2020, a short-term loan of EUR 12,000k was also granted to Caesar JV Immobilienbesitz und Verwaltungs GmbH, which was repaid in full until December 31, 2021. Caesar JV Immobilienbesitz und Verwaltungs GmbH has made further partial payments of EUR 5,650k. ADLER collected interest of EUR 816k (2020: EUR 1,276k) on the receivables from Caesar IV Immobilienbesitz und Verwaltungs GmbH in the reporting year.

The credit balances on the notary account reported in the previous year resulted from the sale of 5,064 residential and commercial units to an international real estate investor and were transferred to ADLER in the reporting year.

All items within other current assets are of a short-term nature as they mainly result from contractual arrangements due to be settled within one year.

The Group's default risk, impairment losses of financial assets and the disclosures on the derivatives are presented in Section 11 of the notes to the consolidated financial statements.

8.10 Cash and cash equivalents

Cash and cash equivalents include cash on hand and credit balances at banks.

Cash and cash equivalents amounted to EUR 296,807k (31 December 2020: EUR 149,857k) as at the balance sheet date, of which an amount of EUR 1,147k (31 December 2020: EUR 27,318k) was subject to restrictions on disposal. ADLER can dispose of these resources, but they are intended for a special use. In particular, these are credit accounts on which funds are accumulated, which are then used for interest payment and repayment.

Due to the specific restrictions on disposal, bank credit balances of EUR 5,357k (31 December 2020: EUR 33,751k) have been reported for the year under report under other current assets.

8.11 Non-current assets and liabilities held for sale

At the end of the second quarter the shares in the associated company Caesar JV Immobilienbesitz und Verwaltungs GmbH with a value of EUR 3,955k were reclassified to non-current assets held for sale because of the binding sale and purchase agreement, which provides for the transfer of the shares. The amount was written down to EUR 752k in 2021. The impairment is allocated to the segment Rental.

On 21 December 2020, ADLER entered into binding sale and purchase agreements with OMEGA AG, Munich, a private real estate company, for the sale of 1,605 residential and commercial units at a price of EUR 75.7 million. This represents a slight premium to the carrying amount as determined at the end of the third quarter. The properties are located in Borna, Osterholz-Scharmbeck and Schwanewede. The rental units generate annual net rental income of EUR 4.8 million, have a vacancy rate of 17.45 percent on average and up to 27 percent at peak, and an average rent of EUR 5.21 per sqm/month. The sale is being concluded partly as an asset deal and partly as a share deal. Due to the sale in the context of asset deals, investment properties in the amount of EUR 25,250k were classified as non-current assets held for sale and reclassified accordingly. After the transfer of control on 1 April 2021, the assets and liabilities of the company were disposed of in a share deal. They were composed as follows:

In EUR ´000	31.12.2021
Investment properties	50,450
Trade receivables	71
Other current assets	1
Cash and cash equivalents	114
Total assets	**50,636**

In EUR ´000	31.12.2021
Deferred tax liabilities	5,233
Financial liabilities to banks	20,150
Trade payables	219
Trade payables to affiliated companies	7,121
Other current liabilities	107
Total liabilities	**32,830**

With a purchase agreement dated 1 December 2021, Adler Group also sold around 7percent of the shares held by ADLER in the subsidiary Brack Capital Properties N.V. (BCP) to a subsidiary of LEG Immobilien SE. At the same time, ADLER has undertaken to tender the remaining shares it holds in a public purchase offer by 30 September 2022, provided that the purchase price does not fall below approximately EUR 765,000k. The transaction did not result in a loss of control over BCP (share reduction without loss of control). ADLER reports the net assets and liabilities of BCP as a disposal group in the financial statements as at 31 December 2021. The assets and liabilities of the disposal group are composed as follows:

In EUR ´000	31.12.2021
Goodwill	57,638
Property, plant and equipment	0
Investment properties	1,686,330
Financial Investments	13,344
Inventories	50,720
Trade receivables	55,869
Cash and cash equivalents	24,861
Total assets	**1,888,762**

In EUR ´000	31.12.2021
Deferred tax liabilities	154,970
Financial liabilities to banks	602,267
Liabilities from bonds	74,504
Other liabilities	33,518
Total liabilities	**865,259**

The investment properties of the disposal group comprise of income-generating residential real estate of EUR 1,250.9 million, income-generating commercial real estate of EUR 49.1 million and development properties of EUR 386.3 million. The fair value was determined in valuations performed by independent outside appraisers who hold recognized and relevant professional qualifications and who have extensive experience in the location and category of the property valued.

With this transaction, Adler Group is consistently pursuing its strategy of continually increasing the value of the company in the interests of all stakeholders by accelerating the reduction of its leverage ratio and increasing its focus on residential properties in major German cities.

In the same strategic context, Adler Group completed a portfolio transaction with a purchase agreement dated 13 January 2022 to sell more than 14,400 residential and commercial units of ADLER, mainly located in medium-sized cities in eastern Germany, to a subsidiary of KKR & Co. Inc. The disposal is to be carried out by way of the sale of individual properties as an asset deal, starting in the first quarter of 2022 and ending at the end of the 2022 financial year. As at 31 December 2021, ADLER reports the properties belonging to this portfolio in the amount of EUR 1,046,531k under assets held for sale.

Other non-current assets held for sale primarily include properties recognised at a value of EUR 32,580k (31 December 2020: EUR 27,243k), for which notarial purchase contracts were available at the balance sheet date. Other non-current liabilities held for sale of EUR 0k (31 December 2020: EUR 27,271k) are to be transferred on disposal of the assets if they are sold in share deals.

8.12 Capital stock

The fully paid up share capital at ADLER amounted to EUR 109,417k as at 31 December 2020 (31 December 2020: EUR 73,659k) and was divided into 109,417,860 (31 December 2020: 73,658,680) no-par bearer shares with equal voting rights. The number of outstanding shares is as follows:

Amount	2021	2020
As at 01.01.	73,658,680	71,063,743
Conversion of convertible bonds	650,693	2,594,937
Capital increase in kind	35,107,487	0
As at 31.12.	**109,416,860**	**73,658,680**

Authorisation to acquire treasury stock

The Management Board is authorised until 10 June 2024 to acquire treasury stock of the company up to a total of 10 percent of the existing share capital of the company while observing the principle of equal treatment (Section 53a AktG). At no time may the shares acquired on the basis of this authorisation, together with other shares of the company that the company has already acquired or still holds or which are attributable to the company pursuant to Sections 71d and 71e AktG, account for more than 10 percent of the company's respective share capital. The authorisation may be exercised in whole or in part, once or several times. The acquisition may also be carried out by group companies dependent on the company or by third parties for its or their account. Treasury shares may be acquired only to the extent that the company could form a reserve in the amount of the expenses for the acquisition without reducing the share capital or a reserve to be formed in accordance with the law or the Articles of Association, which may not be used for payments to shareholders.

The Management Board is authorised, subject to compliance with the principle of equal treatment within the meaning of Section 53a AktG, to resell on the stock exchange any treasury stock acquired by virtue of the aforementioned authorisation or any prior authorisations, or to offer them to the shareholders by way of an offer to all shareholders by maintaining the shareholders' subscription rights. Trading in treasury stock is not permitted.

In the 2020 financial year, 1,603,232 treasury shares were transferred to the parent company Adler Group as consideration for the transfer of a partial amount of EUR 21,836k of the receivables from a shareholder loan in connection with an increase in share capital against contribution in kind (see 8.17 Contributions made to implement the resolved capital increase). The shares were valued at EUR 13.62 per share. The deduction from capital stock of EUR 1,603k was reversed up to the nominal amount of the transferred treasury shares. The difference between the nominal amount and the transfer amount was reallocated to net retained profit up to the amount of EUR 19,549k that was offset. The difference of EUR 684k was allocated to the capital reserve.

Authorised Capital 2017/I
The Ordinary General Meeting of the company resolved on 7 June 2017 to create additional authorised capital. By entry of Authorised Capital 2017/I in the Commercial Register on 27 June 2017, the Management Board is authorised until 9 May 2022, subject to the approval of the Supervisory Board, to increase the company's capital stock on one or several occasions by a total of up to EUR 12,500k by issuing new no-par bearer shares in return for cash contributions or contributions in kind, excluding shareholders' subscription rights.

Authorised Capital 2019/I
The Ordinary General Meeting of the company resolved on 11 June 2019 to create additional authorised capital. By entry of Authorised Capital 2019/I in the Commercial Register on 17 June 2019, the Management Board is authorised until 10 June 2024, subject to the approval of the Supervisory Board, to increase the company's capital stock on one or several occasions by a total of up to EUR 23,000k by issuing new no-par bearer shares in return for cash contributions or contributions in kind, excluding shareholders' subscription rights.

Authorised Capital 2020/I
The Annual General Meeting of the Company on 15 December 2020 resolved to create further authorised capital. By entry of Authorised Capital 2020/I in the Commercial Register on 4 March 2021, the Management Board is authorised until 14 December 2025, subject to the approval of the Supervisory Board, to increase the company's capital stock on one or several occasions by a total of up to EUR 20,000k by issuing new no-par bearer shares in return for cash contributions or contributions in kind, excluding shareholders' subscription rights.

Contingent Capital 2015/I
The company has Contingent Capital 2015/I of EUR 12,000k based on the resolution by the Annual General Meeting held on 22 May 2015, last amended by resolution by the Ordinary General Meeting held on 30 May 2018. The resolution by the Annual General Meeting held on 30 May 2018 regarding the increase in Contingent Capital 2015/I was entered in the Commercial Register on 18 June 2018.

The contingent capital increase exclusively serves to issue shares to the bearers of warrant or convertible bonds issued until 21 May 2020 on the basis of the authorisation granted by the Annual General Meeting on 22 May 2015. In accordance with the terms and conditions of the warrant and convertible bonds, the contingent capital increase also serves to issue shares to the bearers of warrant or convertible bonds furnished with option or conversion obligations. The contingent capital increase is only executed to the extent that the bearers of warrant and/or convertible bonds exercise their option and conversion rights, or that the bearers of warrant or convertible bonds obliged to exercise their options or convert their bonds meet such obligations to exercise their options or convert their bonds, to the extent that the option or conversion rights are not satisfied by issuing treasury stock or that other forms of settlement are not drawn on to satisfy the respective claims. The new shares enjoy dividend entitlements from the beginning of the financial year in which they are issued, for all financial years for which the Annual General Meeting has not yet adopted any resolutions in respect of the appropriation of profit.

Following the exercising of conversion rights in connection with the EUR 137.9 million, 2.5 percent 2016/2021 convertible bond, Contingent Capital 2015 still amounted to EUR 8,143k as at 31 December 2021.

Contingent Capital 2019/I
The company has Contingent Capital 2019/I of EUR 22,000k based on the resolution by the Ordinary General Meeting held on 11 June 2019. The resolution by the Annual General Meeting held on 11 June 2019 regarding the increase in Contingent Capital 2019/I was entered in the Commercial Register on 17 June 2019.

The contingent capital increase exclusively serves to issue shares to the bearers of warrant or convertible bonds issued until 10 June 2024 on the basis of the authorisation granted by the Annual General Meeting on 11 June 2019. In accordance with the terms and conditions of the warrant and convertible bonds, the contingent capital increase also serves to issue shares to the bearers of warrant or convertible bonds furnished with option or conversion obligations. The contingent capital increase is only executed to the extent that the bearers of warrant and/or convertible bonds exercise their option and conversion rights, or that the bearers of warrant or convertible bonds obliged to exercise their options or convert their bonds meet such obligations to exercise their options or convert their bonds, to the extent that the option or conversion rights are not satisfied by issuing treasury stock or that other forms of settlement are not drawn on to satisfy the respective claims. The new shares enjoy dividend entitlements from the beginning of the financial year in which they are issued, for all financial years for which the Annual General Meeting has not yet adopted any resolutions in respect of the appropriation of profit.

8.13 Capital reserve

The capital reserve mainly relates to the premiums paid on capital increased in previous years offset against the costs of the respective capital increases. Furthermore, the capital reserve includes the equity component of the convertible bonds issued net of allocable transaction costs and income tax effects. Moreover, differential amounts arising from acquisitions of shares not leading to a change of status are also recognised in the capital reserve.

In the first quarter of 2020, shares in several subsidiaries, particularly Adler Group, were sold. The difference between the value of the shares and the consideration was offset against the capital reserve (EUR -6,419k).

The exercise of conversion rights increased the capital reserve by EUR 7,457k (2020: EUR 28,094k) and by a further EUR 443,056k due to the capital increase against contributions in kind.

In June 2021, the BCP subgroup bought back 5.8% of the shares in a subsidiary, which reduced the capital reserve in the amount of EUR 1,115k.

On 9 June 2021, the Annual General Meeting of WESTGRUND AG resolved to transfer the shares of the minority shareholders to ADLER. The transfer resolution was entered in the commercial register on 3 November 2021 and announced on 4 November. The part of the consolidated carrying amount of the minority interests exceeding the cash compensation to the minorities in the amount of EUR 2,237k was derecognised against an increase of the capital reserve.

Further details can be found in the consolidated statement of changes in equity.

8.14 Retained earnings

Retained earnings include current effects from the valuation of the pension provision.

8.15 Retained earnings

Other capital reserve includes adjustments in the opening balance sheet due to the conversion of accounting from the German Commercial Code HGB to International Financial Reporting Standards (IFRS) implemented in the 2005 financial year (first-time adoption), as well as items resulting from changes to accounting policies pursuant to IAS 8. In addition, changes in the fair value of financial assets measured at fair value through other comprehensive income and shares in other comprehensive income and companies accounted for using the equity method are recognised.

Changes in the value from the reclassifiable and non-reclassifiable other comprehensive income amounting to EUR 23,400k (31 December 2020: EUR -25,039k) were recorded in other reserves after offsetting applicable taxes.

With a purchase agreement dated 1 December 2021, Adler Group also sold around 7% of the shares held by ADLER in the subsidiary Brack Capital Properties N.V. (BCP) to a subsidiary of LEG Immobilien SE. The amount of the proceeds from the sale exceeding the proportionate carrying amount of the equity transferred (EUR 17,212k) was transferred to retained earnings.

Further details can be found in the consolidated statement of changes in equity.

8.16 Minority interests

The item comprises the share of equity and annual earnings of consolidated subsidiaries. The consolidated net income attributable to shareholders in the parent company corresponds to the difference between the consolidated net income before non-controlling interests and the non-controlling interests reported in the Statement of Comprehensive Income.

Non-controlling interests break down as follows:

In EUR ´000	2021	2020
Subsidiary WESTGRUND[1)]	45,530	98,821
Subsidiary BCP	301,964	265,561
Subsidiary JADE	0	21,503
WBR Wohnungsbau Rheinhausen GmbH	31,964	26,861
Other	52,283	53,017
Carrying amounts 31.12.	**431,741**	**465,763**

[2)] The remaining minorities are minorities in property companies.

The development in non-controlling interests is presented separately in the statement of changes in equity.

On 9 June 2021, the Annual General Meeting of WESTGRUND AG resolved to transfer the shares of the minority shareholders to ADLER. The transfer resolution was entered in the commercial register on 3 November 2021 and announced on 4 November. The minority interest presented in equity was reduced by EUR 32,258k.

With a purchase agreement dated 1 December 2021, Adler Group also sold around 7% of the shares held by ADLER in the subsidiary Brack Capital Properties N.V. (BCP) to a subsidiary of LEG Immobilien SE. The minority interest presented in equity increased by EUR 57,789k.

The key financials of those subsidiaries with non-controlling interests which are of material relevance to the Group are presented in the following tables. The amounts are presented prior to consolidation.

Combined consolidated balance sheets IFRS	**Subsidiary WESTGRUND**		**Subsidiary BCP**	
Headquarters Minority interest %	**Berlin 0,00[2]**	**Berlin 3.12**	**Amsterdam 37.22**	**Amsterdam 30.19**
in EUR ´000	**2021**	**2020**	**2021**	**2020**
Current assets[1]	1,141,937	71,268	83,367	85,875
Current liabiliets[1]	30,962	226,075	286,805	165,718
Net current assets	**1,110,975**	**-154,807**	**-203,151**	**-79,843**
Investment properties	292,290	1,423,214	1,317,230	1,225,446
Other non-current assets	8,154	12,636	354,063	186,045
Non-current liabilities	345,854	308,382	556,420	486,218
Net fixed assets	**-45,410**	**1,127,468**	**1,114,873**	**925,273**
Equity	**1,065,565**	**972,661**	**911,435**	**845,430**

[1] Includes non-current assets and liabilities held for sale
[2] The remaining minorities are minorities in property companies

Combined statement of comprehensive income IFRS	**Subsidiary WESTGRUND**		**Subsidiary BCP**	
in EUR ´000	**2021**	**2020**	**2021**	**2020**
Revenue	101,922	103,455	82,949	86,566
Annual result	**120,885**	**111,999**	**72,576**	**97,693**
Other comprehensive income	0	0	0	0
Net result	**120,885**	**111,999**	**72,576**	**97,693**
Profit or loss attributable to non-controlling interests	7,262	7,413	-100	4,998

Combined cash flow statement	**Subsidiary WESTGRUND**		**Subsidiary BCP**	
In EUR ´000	**2021**	**2020**	**2021**	**2020**
Cash flow from operating activities	26,984	35,211	20,032	51,826
Cash flow from investing activities	661,916	-6,444	-18,042	94,377
Cash flow from financing activities	-457,230	-20,275	-11,943	-155,798
Change in cash and cash equivalents	**231,670**	**8,492**	**-9,953**	**-9,595**

8.17 Contributions made to implement the resolved capital increase

With the approval of the Supervisory Board, on 2 October 2020 the ADLER Management Board resolved to utilise authorised capital of EUR 35,107k as part of a debt-to-equity swap, which the Company announced on 30 August 2020, and increase the Company's capital stock entered in the Commercial Register accordingly.

The necessary increase in share capital against contributions in kind in the amount of EUR 478,163k was entered in the Commercial Register on 23 February 2021 and was carried out excluding shareholders' subscription rights. The capital increase shall be effected with partial exercise of the existing authorised capital pursuant to Section 4 (2) and (3) of the Company's Articles of Association. Accordingly, Adler Group, as the majority shareholder, was exclusively admitted to subscribe to the new shares to be issued. In the absence of an entry in the commercial register by the balance sheet date of 31 December 2020, but within the period in which the balance sheet was prepared, the capital measure now determined was reported as a separate item outside equity and liabilities for reasons of transparency. In this context, the Company's 1,603,232 treasury shares (approximately 2.2 percent of capital stock) were transferred to Adler Group at a price of EUR 13.62 per share prior to the balance sheet date. In return, Adler Group contributed a partial amount of its receivable from the existing shareholder loan worth EUR 500,000k to ADLER.

8.18 Pension provisions

The projected unit credit method was used for the recognition and measurement of pension provisions as at 31 December 2021. This takes account of both the pensions and known pension entitlements at the balance sheet date and any increases in pension and salaries expected in the future.

The calculation was based on the following material actuarial assumptions:

In EUR ´000	31.12.2021	31.12.2020
Discount rate	0.78% to 1.00%	1.00%
Future salary increases	0.00% to 2.35%	0.00% to 2.35%
Future pension increases	1.5% to 1.6%	1.5% to 1.6%
Best-estimate actuarial assumptions	Mortality tables 2018 G by Dr. Klaus Heubeck	Mortality tables 2018 G by Dr. Klaus Heubeck

As the pension provisions at ADLER Real Estate Service GmbH solely comprise historic commitments to employees who have left the company (vested claims and current benefits), the personnel turnover rate is 0 percent (31 December 2020: 0 percent). A customary personnel turnover rate was used to measure the pension provision at ADLER Wohnen Service GmbH.

After offsetting against plan assets, the pension provisions amounted to EUR 1,067k as at the balance sheet date (31 December 2020: EUR 1,131k). Plan assets were taken into account at EUR 209k (31 December 2020: EUR 181k).

Actuarial losses of EUR 3k (excluding deferred taxes) were recognised in other comprehensive income in 2021 (31 December 2020: EUR 19k).

If all other assumptions remain unchanged, an increase or decrease in material actuarial assumptions would have had the following impact on the DBO as of 31 December 2021:

In EUR ´000		2021	2020
	Increase of 0.5 PP	-80	-67
Actuarial interest	Decrease of 0.5 PP	88	78
	Increase of 0.25 PP	0	0
Pension increase	Decrease of 0.25 PP	0	0
	Increase of 0.25 PP	1	1
Income trend	Decrease of 0.25 PP	-1	-1

Of pension provisions, an amount of EUR 36k is due to mature within one year (31 December 2020: EUR 36k). This amount has been uniformly reported together with the other pension obligations under non-current liabilities. As the commitments mainly relate to employees who have left the company and no new commitments are being made, an annual disbursement of around EUR 36k is expected in future years as well.

8.19 Other provisions

The other non-current provisions relate to anniversary provisions of EUR 5k (31 December 2020: EUR 65k), while the other current provisions were recognised for anticipated losses from pending transactions.

In the previous year, a provision of EUR 7k was recognised for remaining rights from the stock appreciation right program (SAR program) established in the 2015 financial year. The purpose of the SAR program was to retain the beneficiaries at the company and enable them to participate in the company's value growth. Based on a resolution adopted by the Supervisory Board, the rules of the scheme provided for a total volume of 599,178 stock appreciation rights. These rights entitled their beneficiaries to compensation whose amount is dependent on ADLER's share price performance. The subscription period for the last stock appreciation rights issued under the program expired in June 2021. As at 31 December 2021, no provision for obligations under the SAR program was therefore recognised.

As at the previous year's balance sheet date, other provisions included a contingent liability of EUR 2,954k for a legal dispute recognised in connection with the initial consolidation of the BCP subgroup. This provision, in an undiminished amount, will be recognised under assets and liabilities available for sale as at 31 December 2021 (see Section 8.11).

8.20 Liabilities from convertible bonds

In EUR ´000	31.12.2021	31.12.2020
Convertible bond 2016/2021	0	97,384
Total	**0**	**97,384**
– of which non-current	0	0
– of which current	0	97,384

The 2016/2021 convertible bond with a total number of 10,000,000 bonds with a nominal value of EUR 13.79 per bond was issued in June 2016. The convertible bond totals EUR 137,900k, has an interest rate of 2.5 percent and matures in July 2021. ADLER grants each bondholder the right, within the exercise period, to convert each bond into no-par bearer shares in ADLER, each representing a nominal value of EUR 1.00 of the share capital as at the issue date. The conversion price at issuance was EUR 13.79. The conversion price was adjusted to EUR 12.5364 as at 7 June 2017 and then to EUR 12.5039 as at 31 August 2018 as a result of the issuing of bonus shares. By July 2021, all conversion rights had been exercised or had expired.

8.21 Liabilities from bonds

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

In EUR ´000	31.12.2021	31.12.2020
Bond 2017/2021	0	497,831
Bond 2017/2024	303,076	301,873
Bond 2018/2023	502,869	500,290
Bond 2018/2026	301,049	299,979
Bond 2019/2022	403,679	401,785
Bond BCP 2013/2024 (B)	0	38,876
Bond BCP 2014/2026 (C)	0	38,676
Total	**1,510,672**	**2,079,310**
– of which non-current	1,088,780	1,548,970
– of which current	421,893	530,340

In December 2017, ADLER issued a corporate bond of EUR 800,000k in two tranches. The first tranche (2017/2021) with a coupon of 1.50 percent and a volume of EUR 500,000k runs until December 2021 and was issued at 99.52 percent. The tranche was repaid in two instalments at par plus accrued interest and fees during the reporting year. The second tranche (2017/2024) with a coupon of 2.13 percent and a volume of EUR 300,000k expires in February 2024 and was issued at 99.28 percent.

In April 2018, ADLER successfully placed corporate bonds of EUR 800,000k in two tranches again with institutional investors in Europe. The first tranche has a volume of EUR 500,000k, a coupon of 1.88 percent and a term until April 2023; the second tranche has a volume of EUR 300,000k, a coupon of 3.0 percent and a term until April 2026. On average, the interest on the bonds overall is 2.30 percent.

In April 2019, ADLER successfully placed a corporate bond of EUR 400,000k with a coupon of 1.5 percent with institutional investors in Europe. The bond has a three-year term and matures in April 2022.

As part of the acquisition of BCP, ADLER has acquired liabilities for bonds in three tranches with an original volume of NIS 700 million. The bonds are reported under liabilities held for sale as at 31 December 2021 (see also Section 8.11). As at the reporting date, the amortised cost amounted to EUR 74,504k in total (31 December 2020: EUR 77,522k). The liabilities from the Tranche A bond were repaid early at par plus accrued interest on 20 April 2020. Tranche B (originally NIS 175 million) has a term up to December 2024 and has a 3.29 percent interest rate. Tranche C (originally NIS 125 million) has a term up to 2026 and has a 3.30 percent interest rate. Annual principal payments are made until the end of the respective term. The interest rate and the repayment of the two tranches is also linked to the development of the Israeli Consumer

Price Index. Interests in the subsidiary Brack German Properties B.V., Amsterdam/Netherlands, have been pledged as collateral for the fulfilment of the obligations arising from these bonds. The BCP bonds were reclassified to non-current assets held for sale.

Nominal bond amounts have been recognised under non-current liabilities less transaction costs, which are expensed on a time-apportioned basis using the effective interest method if the remaining term is longer than one year. Bondholders' interest claims as at the balance sheet date have been recognised under current liabilities.

8.22 Financial liabilities to banks

Non-current financial liabilities to banks include liabilities relating to the acquisition and financing of investment properties. The liabilities to finance investment properties have terms that are in most cases medium to long term and mostly also have fixed interest rates. Non-current loans with floating interest rates are largely hedged with interest swaps.

Non-current financial liabilities to banks amounted to EUR 703,830k as at the balance sheet date (31 December 2020: EUR 1,039,179k). The decrease of EUR 355,288k is mainly due to the recognition of the assets and liabilities of the BCP subgroup under assets and liabilities available for sale (see also Section 8.11). In addition, the decreases are attributable to the portfolio transaction with LEG (see also Section 4).

Current financial liabilities to banks amounted to EUR 35,908k as at the balance sheet date (31 December 2020: EUR 367,339k). The decrease of EUR 246,979k is mainly attributable to the recognition of the assets and liabilities of the BCP subgroup under assets and liabilities available for sale (see also Section 8.11). In addition, the decreases are mainly attributable to the portfolio transaction with LEG (see also Section 4). Current financial liabilities also include repayments and interest liabilities of non-current financial liabilities due within one year.

Liabilities to banks are largely secured with land charges. Further security includes the assignment of gross rental income, the pledging of bank credit balances and shareholdings and letters of subordination.

When taking up borrowing facilities or taking over loan agreements upon company acquisitions, the company has in some cases provided the financing banks with specific financial covenants. These include requirements typical to the industry in terms of loan-to-mortgage lending value, interest and capital coverage, overall debt-to-equity ratio, minimum total rental income and minimum investment amounts. Failure to comply with these covenants may result in the termination of the respective facilities or the mandatory deposit of additional security.

Financial liabilities are secured by assets as follows:

In EUR ´000	2021	2020
Investment properties	740,452	1,420,369
Properties in inventories	0	55,027
Deposits with banks	5,051	55,268
Rent receivables	3,014	6,711

8.23 Other non-current liabilities

Other non-current liabilities mainly include non-current lease liabilities at EUR 4,713k (31 December 2020: EUR 16,885k), the negative fair values of long-term interest hedges at EUR 1,298k (31 December 2020: EUR 2,728k) – further information about these can be found in Note 11.3, Derivative financial instruments and hedge accounting and Note 12, Information on leases in accordance with IFRS 16.

Distribution claims on the part of non-controlling interests have been recognised at EUR 1,900k (31 December 2020: EUR 1,900k).

8.24 Financial liabilities to affiliated companies

Financial liabilities to affiliated companies totalled EUR 22,551k as at the balance sheet date in the previous year and were owed to the parent company Adler Group and its subsidiaries.

On 14 April 2020, Adler Group initially granted ADLER EUR 885,470k as a long-term interest-bearing loan to repay the bridge loan taken out in the previous year to finance the acquisition of shares in ADO Group. The interest rate depends on the term and rating and was 2.77 percent p.a. on the balance sheet date. Adler Group also charged ADLER transaction costs of EUR 3,087k. The loan will be repaid by 15 March 2022 at the latest. The loan is not secured. In the third quarter of 2020, on the basis of an agreement, an offsetting against newly accrued receivables from Adler Group totalling EUR 377,403k was made, based on the transfer of shares in Adler Group in the amount of EUR 348,221k and payments made on behalf of Adler Group of EUR 29,182k. In the fourth quarter, Adler Group contributed a partial amount of its receivables totalling EUR 500,000k as a contribution in kind in exchange for the granting of new shares and in exchange for the transfer of ADLER's treasury shares. In the first quarter of 2021, the remaining loan liability of EUR 8,025k plus interest was repaid in full.

In addition, ADLER was provided with further interest-bearing loans by Adler Group in the second quarter of 2020 totalling EUR 230,735k for financing in several tranches. The interest rate is 4.32 percent p.a. and quarterly interest payments are planned. The loans are repayable in each case with final maturity in the fourth quarter of 2021. The loans are completely unsecured. In the third quarter of 2020, an offsetting in the amount of EUR 60,000k was made due to the assignment of existing loan claims. In the fourth quarter, repayments of EUR 142,000k were made and a further offset of EUR 18,000k was made due to the assignment of existing claims. All remaining loan liabilities of EUR 13,126k plus interest were repaid in January 2021 by taking out a new loan.

In the first quarter of 2021, Adler Group provided ADLER with an interest-bearing loan in the amount of EUR 334,116k. The interest rate is 2.84 percent p.a. and quarterly interest payments are scheduled. The loan is completely unsecured. In the first quarter of 2021, EUR 34,392k was repaid. In the second quarter of 2021, the loan was increased in 2 tranches in the amount of EUR 32,700k. In the second quarter, a further EUR 150,000k was repaid. In addition, receivables from the Adler Group in the amount of EUR 8,709k were offset. In the second half of 2021, further repayments of EUR 130,744k were made and receivables of EUR 34,827k and liabilities of EUR 188,395k were offset with Adler Group. The loan was increased in several tranches in the amount of EUR 38,130k. The loan was repaid in full plus interest at the end of 2021.

As at the previous year's balance sheet date, interest liabilities were recognised in the amount of EUR 251k and liabilities from current netting in the amount of EUR 1,149k. As at 31 December 2021, there are receivables from Adler Group, both from interest and from current netting.

8.25 Trade payables, income tax liabilities and other current liabilities

All the trade payables of EUR 27,507k (previous year: EUR 32,426k) are current and owed to third parties an affiliated companies. These items mainly relate to letting liabilities but also include unbilled maintenance measures and advisory services.

The income tax liabilities of EUR 14,760k (31 December 2020: EUR 35,013k) involve corporate income and trade tax obligations for the current and previous financial years. ADLER believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience.

Other current liabilities comprise the following items:

In EUR ´000	2021	2020
Purchase price liabilities	0	20,186
Payments received – Investment Properties	1,125	210
Deferred rental income	1,897	3,899
Payment received – Project Development	0	33
Selling costs commercial real estate	0	6,150
Security deposits received	9	9,313
Personnel obligations	1,048	2,528
Derivates current	0	392
Current lease liabilities	1,503	2,263
Liabilities to minority shareholders	5,814	0
Declaration of commitment to LEG	38,227	0
Other current liabilities	2,050	2,680
Total	**51,673**	**47,654**

The purchase price liabilities in the previous year related to the acquisition of land for a property project development or project development companies in Berlin and were paid in 2021.

Advance payments received for investment properties (contract liabilities) relate to disposals for which the benefits and obligations had not yet been transferred and control had not yet been transferred in the reporting year.

Deferred rental income mainly comprises rent payments from social security authorities for the January of the following financial year.

Payments received for project developments (contract liabilities) are recognised if it is not possible to offset against the contract assets concerned.

Liabilities to minority shareholders mainly include outstanding dividend payments and liabilities to minority shareholders.

The additional disclosures in accordance with IFRS 15 to the balances related to contracts with customers are presented in Section 10.

The liabilities from disposal costs for commercial properties and liabilities from rent deposits reported as at the previous year's balance sheet date mainly related to the business operations of the BCP subgroup. As at 31 December 2021, the assets and liabilities of the subgroup are reported under assets and liabilities available for sale (see section 8.11).

The additional disclosures in accordance with IFRS 16 on lease liabilities are presented in Section 12 of the notes to the consolidated financial statements.

The commitment to LEG (see section 4) was measured at fair value. Further information on the valuation and the effects on the result of the derivative can be found in section 9.

9. NOTES TO THE STATEMENT OF INCOME AND ACCUMULATED EARNINGS

9.1 Gross rental income

Gross rental income is structured as follows:

In EUR '000	2021	2020
Net rental income	225,587	239,722
Income from recoverable expenses	101,613	111,167
Other income from property management	10,558	3,791
Total	**337,758**	**354,680**

The decrease in net rental income is due to the sale of the rental units in the 2020 financial year.

9.2 Expenses from property lettings

Expenses from property lettings are broken down as follows:

In EUR '000	2021	2020
Apportionable and non-apportionable operating costs	119,881	116,708
Maintenance	26,759	26,395
Other property management expenses	367	406
Total	**147,007**	**143,510**

9.3 Income from the sale of properties

Income from the sale of properties is structured as follows:

In EUR '000	2021	2020
Income from the disposal of project development inventory properties	8,301	72,548
Income from the disposal of investment properties	1,420,401	763,966
Total	**1,428,702**	**836,514**

As in the previous year, the income from the sale of project developments is fully attributable to the business operations of the BCP subgroup.

Income from the sale of investment properties of EUR 1,290,000k is mainly attributable to the portfolio transaction involving 15,500 units with LEG described in Section 4. In addition, a further 1,605 residential and commercial units were sold in Borna, Osterholz-Scharmbeck and Schwanewede, as well as 3 commercial properties in Dusseldorf, Erlangen and Bad Aibling. Revenue from the previous year was dominated by the sale of construction projects (project developments) in Dusseldorf, which were previously reported under portfolio properties.

9.4 Expenses from the sale of properties

Expenses from the sale of properties are structured as follows:

In EUR '000	2021	2020
Carrying amount of disposed project development inventory properties	7,304	56,915
Carrying amount of disposed investment properties	1,420,418	764,110
Costs of disposal	338	3,406
Total	**1,428,061**	**824,430**

As in the previous year, the carrying amount of project developments is fully attributable to the business operations of the BCP subgroup.

The carrying amounts of investment properties are mainly attributable to the portfolio transaction involving 15,500 units with LEG described in Section 4. In addition, a further 1,605 residential and commercial units were sold in Borna, Osterholz-Scharmbeck and Schwanewede, as well as 3 commercial properties in Dusseldorf, Erlangen and Bad Aibling. Revenue from the previous year was dominated by the sale of construction projects (project developments) in Dusseldorf, which were previously reported under portfolio properties.

9.5 Personnel expenses

Personnel expenses include the following items:

In EUR '000	2021	2020
Wages, salaries and other benefits	33,722	37,882
Social security contributions	6,538	6,689
Old-age pension expenses	287	438
Total	**40,548**	**45,009**

In the previous review, an addition of the VBL obligations amounting to EUR 115k was recognised in old-age pension expenses. This obligation was already repaid last year.

9.6 Other operating income

Other operating income is structured as follows:

In EUR '000	2021	2020
Reversal of provisions and of provision-like liabilities	2,627	7,298
Insurance claims	1,669	1,443
Income from deconsolidation	73,771	6,991
Other	5,248	3,524
Total	**83,314**	**19,256**

The income from deconsolidation is mainly attributable to the portfolio transaction with LEG described in Section 4. In the previous year, income from deconsolidation resulted from the disposal of companies to an international real estate investor. (see also section 4) The preliminary purchase prices were taken into account in the determination.

9.7 Other operating expenses

Other operating expenses break down as follows:

In EUR '000	2021	2020
Legal and consulting expenses	11,139	31,555
Impairment and write-downs of receivables	4,094	11,370
General and administrative expenses	1,111	1,260
Purchased services	3,081	5,298
Management and administrative allocations affilliated companies	4,545	210
Office and IT expenses	9,507	8,698
Cost of premises	1,810	3,628
Public relations	1,049	943
Miscellaneous other operating expenses	13,933	15,389
Total	**50,269**	**78,352**

The decrease in legal and consulting expenses is mainly attributable to high expenses in connection with the capital market transactions in the previous year.

Impairment and write-downs of receivables mainly result from impairment of trade receivables. The Group's default risks and impairment losses of financial assets are presented in Section 11 of the notes to the consolidated financial statements.

Miscellaneous other expenses mainly include vehicle costs, expenses from insurance compensation, incidental costs of monetary transactions and expenses unrelated to the accounting period.

9.8 Income from fair value adjustments of investment properties

These items include gains and losses on the fair value measurement of investment properties as at the balance sheet date. Further information can be found in Note 8.3.

9.9 Depreciation and amortisation

This item includes the amortisation of intangible assets in the amount of EUR 24,070k (2020: EUR 247k) and the depreciation of property, plant and equipment in the amount of EUR 4,562k (2020: EUR 4,608k). Amortisation of intangible assets results from impairment losses on goodwill. At the time of preparation of the consolidated financial statements, the purchase agreement relating to the property portfolio sold to KKR had already been signed (see also Section 8.11). As a result of this transaction, a partial amount of goodwill was classified as uncollectible and written off. The write-down was made in the ratio of the property values disposed of to the property values remaining in the Group (see also Section 8.1). Write-downs on financial assets were recognised in the amount of EUR 4,640k.

9.10 Financial income

Financial income is structured as follows:

In EUR '000	2021	2020
Interest income – financial assets measured at amortised cost	7,516	13,272
Interest income – financial assets at fair value	1,308	635
Interest income – financial assets at fair value through other comprehensive income	662	1,118
Net change in fair value of derivatives	994	1,600
Net change in fair value of financial instruments at fair value through profit or loss	3,828	39,768
Derecognition of financial liabilities measured at amortised cost	2,971	30,576
Reversal of impairments of financial assets measured at amortised cost (Loans to associated companies, loans, restricted funds, deposits at banks)	2,766	23
Reversal of impairments of financial assets at fair value with changes in other comprehensive income	11	58
Other financial income	27	554
Total	**20,082**	**87,603**

Interest income from financial assets measured at amortised cost results in the amount of EUR 3,236k (previous year: EUR 4,140k) from receivables from and loans to associated companies.

The income from the change in the fair value of financial instruments measured at fair value through profit or loss results from the convertible bond issued by Adler Group, which is held proportionately by ADLER. In the previous year, this item also included income from the subsequent measurement of the remaining shares in Adler Group until the transfer on 2 July 2020.

The income from the derecognition of financial liabilities measured at amortised cost results from the early redemption of ADO Group liabilities and refinancing of financial liabilities in the Westgrund subgroup. At the time of initial consolidation, hidden liabilities were identified in the corresponding amount and carried as liabilities until payment.

9.11 Financial expenses

Financial expenses are structured as follows:

In EUR '000	2021	2020
Interest expenses – financial liabilities measured at amortised cost		
– Interest expenses – bank loans	76,579	58,387
– Interest expenses – bonds	43,015	48,075
– Interest expenses – convertible bonds	3,346	6,568
– Interest expenses – financial liabilities to affiliated companies	6,201	14,062
– Interest expenses – leasing	775	1,118
– Interest expenses – other	67	458
Net change in fair value of derivatives	30,727	0
Net change in fair value of financial instruments at fair value through profit or loss	38,530	7,202
Impairment and write-downs of financial assets measured at amortised cost (loans, restricted funds, deposits at banks)	21,271	16,550
Impairment of financial assets at fair value with changes in other comprehensive income	5	8
Derecognition of financial instruments measured at amortised cost	5,591	0
Net foreign exchange losses/gain	38,484	5,842
Accrued interest on provisions	14	267
Other financial expenses	0	2
Total	**264,604**	**158,539**

Expenses for interest on bank loans and bonds include early repayment penalties and transaction costs recognised immediately as expenses for the early repayment of financial liabilities to banks and bonds, as well as other expenses in connection with refinancing totalling EUR 46,744k (previous year: EUR 24,453k).

The net change in the fair value of financial instruments at fair value through profit or loss includes expenses from the reporting date valuation of the commitment to LEG (see also sections 4, 8.25, 11.1.A, 11.1.B and 11.1.C) with an amount of EUR 30,727k (2020: EUR 0k).

9.12 Income from at-equity valued investment associates

Explanations on the result from associated companies valued at equity are given in section 8.5.

9.13 Income taxes

Taxes on income are broken down as follows:

In EUR '000	2021	2020
Current income tax expense	14,589	25,098
Income tax expense (income) from other accounting periods	2,073	5,014
Actual income tax expense	**16,662**	**30,112**
Deferred tax expense (income), loss carry forwards	23,837	-8,962
Deferred tax expense (income), temporary differences	16,327	60,199
Deferred taxes	**40,165**	**51,237**
Total	**56,827**	**81,349**

Current tax expense is calculated on the basis of the taxable income for the financial year. For the 2021 financial year, the tax rate for domestic companies, which combines corporate income tax and the solidarity surcharge, amounts to 15.8 percent (2020: 15.8 percent). Including the trade tax rate of around 14.4 percent (2020: 14.4 percent), the group tax rate therefore amounts to 30.2 percent (previous year: 30.2 percent). When measuring deferred taxes, account is taken of the expected implications of the extended trade tax reduction for the domestic trade tax charges. The tax on the Group’s pre-tax profit deviates from the theoretical tax rate that would result from applying the group tax rate of 30.2 percent (previous year: 30.2 percent) as follows:

In EUR '000	2021	2020
Earnings before taxes	131,385	276,456
Expected income tax 30.175% (previous year: 30.175%)	39,645	83,421
Reconciliation due to tax effects:		
Income taxes, previous years	2,241	5,014
Derecognition of deferred tax assets, previous years	3,660	5,916
Sales proceeds exempt from taxes	-15,804	-10,795
Different tax rates	-13,604	-32,528
Utilisation of loss carryforwards not capitalised as deferred taxes	-7,837	-503
Non-deductible expenses	21,232	12,921
Unrecognised deferred tax assets on losses	24,764	10,234
Trade tax effects	4,462	5,529
Other	-1,932	2,140
Total	**56,827**	**81,349**

9.14 Earnings after taxes and total comprehensive income from discontinued operations

In EUR '000	2021	2020
Income from property lettings	0	37,794
Expenses from property lettings	0	-12,146
Earnings from property lettings	**0**	**25,648**
Income from the sale of properties	0	2,187
Expenses from the sale of properties	0	-2,046
Earnings from the sale of properties	**0**	**141**
Personnel expenses	0	-5,249
Other operating income	0	6,800
Other operating expenses	0	-506,791
Income from fair value adjustments of investment properties	0	0
Depreciation and amortisation	0	-375
Earnings before interest and taxes (EBIT)	**0**	**-479,827**
Financial income	0	2,095
Financial expenses	0	-23,493
Income from at-equity-valued investment associates	0	0
Earnings before taxes (EBT)	**0**	**-501,225**
Income taxes	0	1,698
Earnings after tax from discontinued operations	**0**	**-499,527**
Other comprehensive income	0	-72,820
Total comprehensive income of discontinued operations	**0**	**-572,347**

The after-tax result and the total comprehensive income result from discontinued operations are attributable to the reporting of Adler Group as a discontinued operation as at the previous year's balance sheet date.

Other operating expenses in the previous year include the loss from deconsolidation of Adler Group amounting to EUR 497,527k.

9.15 Earnings per share

Earnings per share reflects the amount of earnings generated in a given period that are attributable to each share. This involves dividing consolidated net income by the weighted number of shares outstanding. This key figure is diluted by what are known as "potential shares" (e.g. from convertible bonds).

With the approval of the Supervisory Board, the Executive Board of ADLER had resolved on 2 October 2020 to exercise the authorised capital in the amount of EUR 35,107k in the context of a debt-equity swap announced by the Company on 30 August 2020 and to increase the Company's share capital recorded in the commercial register accordingly. The necessary non-cash capital increase in the amount of EUR 478,163k was entered in the commercial register on 23 February 2021. The capital increase in kind created 35,107,487 new shares.

Earnings per share are structured as follows:

	2021 Continuing operations	2021 Discontinued operations	2021 Total
Consolidated net earnings (in EUR ´000)	**74,558**	**0**	**74,558**
Consolidated net earnings without non-controlling interests	69,151	0	69,151
Expenses including deferred taxes on convertibles	2,336	0	2,336
Consolidated net earnings without non-controlling interests (diluted)	71,488	0	71,488
Number of shares (in thousands)			**0**
Weighted number of subscribed shares	104,292	104,292	104,292
Effect of conversion of convertibles	0	0	0
Weighted number of shares (diluted)	104,292	104,292	104,292
Earnings per share (in EUR)			**0**
Basic earnings per share	0.66	0.00	0.66
Diluted earnings per share	0.69	0.00	0.69

	2020 Continuing operations	2020 Discontinued operations	2020 Total
Consolidated net earnings (in EUR ´000)	**195,107**	**-499,527**	**-304,420**
Consolidated net earnings without non-controlling interests	145,825	-497,768	-351,942
Expenses including deferred taxes on convertibles	4,724	0	4,724
Consolidated net earnings without non-controlling interests (diluted)	150,549	-497,768	-347,218
Number of shares (in thousands)			
Weighted number of subscribed shares	71,217	71,217	71,217
Effect of conversion of convertibles	7,824	7,824	7,824
Weighted number of shares (diluted)	79,041	79,041	79,041
Earnings per share (in EUR)			
Basic earnings per share	2.05	-6.99	-4.94
Diluted earnings per share	1.90	-6.30	-4.39

10. DISCLOSURES ON REVENUES FROM CONTRACTS WITH CUSTOMERS (IFRS 15)

The table below shows the sources of income related to property management and the sale of properties and the respective date of revenue recognition. The classified income is reconciled to the Group's reportable segments (see also Section 7, Segment reporting).

		Segments				Group	
In EUR ´000	**Notes**	**Rental**		**Other**			
		2021	**2020**	**2021**	**2020**	**2021**	**2020**
Revenues from leases (IFRS 16)		**241,424**	**283,537**	**141**	**181**	**241,565**	**283,718**
Net rental income	9.1	225,446	267,330	141	181	225,587	267,511
Income from charging of expenses for property tax and building insurance	12	15,978	16,207	0	0	15,978	16,207
Revenues from contracts with customers (IFRS 15)		**1,524,962**	**947,458**	**0**	**0**	**1,524,962**	**947,458**
Income from charged operating costs	9.1	85,702	103,321	0	0	85,702	103,321
Other income from property management	9.1	10,558	5,435	0	0	10,558	5,435
Income from the disposal of project developments	9.3	8,301	72,548	0	0	8,301	72,548
Income from the disposal of other inventory properties	9.3	0	2,188	0	0	0	2,188
Income from the sale of investment properties	9.3	1,420,401	763,966	0	0	1,420,401	763,966
Date of revenue recognition							
Revenue recognition over a period of time		345,918	464,841	141	181	346,059	465,022
Revenue recognition based on a point in time		1,420,401	766,154	0	0	1,420,401	766,154
Income from property lettings		**337,617**	**392,293**	**141**	**181**	**337,758**	**392,474**
Income from the sale of properties		**1,428,702**	**838,702**	**0**	**0**	**1,428,702**	**838,702**

The table below provides information on receivables, contractual assets and contract liabilities from contracts with customers.

in EUR ´000	Notes	31.12.2021	31.12.2020
Contractual assets operating expenses	8.9	4,784	6,745
Receivables from sale of investment properties	8.9	40	110
Prepayments received from investment properties	8.25	1,125	210
Contractual assets project developments	8.9	0	3,405
Prepayments received project developments	8.25	0	33

Liabilities from the services that have not yet been invoiced related to operating costs are reported net with the advance payments of operating costs, while the net amount is recognised under trade payables as contract assets operating costs or liabilities from advance payments of operating costs. Liabilities from advance payments of operating costs are paid to the respective tenants after settlement.

Payments received for sales of investment properties are recognised under other liabilities if control has not yet been transferred. Receivables from the sale of investment properties are offset when control has been transferred.

Receivables from the services which have not yet been invoiced for project developments are recognised under trade receivables as contract assets project development. Payments received for sales of project development properties are recognised under other liabilities if it is not possible to offset against the contract assets.

As permitted under IFRS 15, no information is provided on the remaining performance obligations as at 31 December 2021, which have an expected original maturity of one year or less.

11. DISCLOSURES ON FINANCIAL INSTRUMENTS AND FAIR VALUES DISCLOSURES

11.1 General information on financial instruments

(A) Classification

The Adler Group bases its classification of financial instruments as required by IFRS 7 on the respective balance sheet items. The table below shows the reconciliation of the carrying amounts for each IFRS 7 category (balance sheet item) and the IFRS 9 measurement categories as at the individual balance sheet dates.

31.12.2021 In EUR '000	Category according to IFRS 9	Total carrying amount
Assets		
Loans to associated companies	aac	0
Other financial investments	aafv, aafvoci	79,375
Other non-current assets	aac	1,987
Trade receivables	aac	17,587
Receivables from affiliated companies	aac	270,105
Other current assets	aac, aafv, aafvoci	188,608
thereof bonds	aafvoci	
thereof Debt instruments held for trading	aafv	
Cash and cash equivalents	aac	296,807
Liabilities		
Financial liabilities to banks and (convertible) bonds	flac	2,249,986
Financial liabilities to affiliated companies	flac	0
Trade payables	flac	27,432
Other liabilities	flac, lafv	59,584
thereof derivate	lafv	39,525
of which aggregated by IFRS 9 categories		
Financial assets measured at amortised costs	aac	
Financial assets at fair value through profit or loss	aafv	
Financial assets at fair value through other comprehensive income	aafvoci	
Financial liabilities at fair value through profit or loss	lafv	
Financial liabilities measured at amortised costs	flac	

Abbreviation	Category
aac	Financial assets measured at amortised costs
aafv	Financial assets at fair value through profit or 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

Carrying amount of financial instruments	Amortised cost	Fair value directly to equity	Fair value through profit or loss	Fair value for compartive purposes	Inpairment losses IFRS 9
0	0	0	0	0	-4,288
79,375	0	8,078	71,297	79,375	-131
0	0	0	0	0	0
17,587	17,587	0	0	17,587	-19,335
270,105	270,105	0	0	270,105	0
184,476	184,288	114	74	184,476	-21,036
114	114	114		114	0
74	74		74	74	0
296,807	296,807	0	0	296,807	-819
2,249,986	2,249,986	0	0	2,117,710	0
0	0	0	0	0	0
27,432	27,432	0	0	27,432	0
55,391	15,866	0	39,525	55,391	0
39,525	0	0	39,525	39,525	0
768,787	768,787	0	0	768,787	-45,478
71,371	0	0	71,371	71,371	0
8,192	0	8,192	0	8,192	-131
39,525	0	0	39,525	39,525	0
2,293,284	2,293,284	0	0	2,161,008	0

31.12.2020 In EUR '000	Category according to IFRS 9	Total carrying amount
Assets		
Loans to associated companies	aac	103,270
Other financial investments	aafv, aafvoci	131,832
Other non-current assets	aac	135,185
Trade receivables	aac	23,669
Receivables from affiliated companies	aac	548
Other current assets	aac, aafv, aafvoci	354,602
thereof bonds	aafvoci	280
thereof Debt instruments held for trading	aafv	27,856
Cash and cash equivalents	aac	149,857
Liabilities		
Financial liabilities to banks and (convertible) bonds	flac	3,610,483[1)]
Financial liabilities to affiliated companies	flac	22,551
Trade payables	flac	32,246
Other liabilities	flac, lafv	69,168
thereof derivate	lafv	3,120
of which aggregated by IFRS 9 categories		
Financial assets measured at amortised costs	aac	-
Financial assets at fair value through profit or loss	aafv	-
Financial assets at fair value through other comprehensive income	aafvoci	-
Financial liabilities at fair value through profit or loss	lafv	-
Financial liabilities measured at amortised costs	flac	-

Abbreviation	Category
aac	Financial assets measured at amortised costs
aafv	Financial assets at fair value through profit or 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

[1)] Including IFRS 5 Debts held for sale

Carrying amount of financial instruments	Amortised cost	Fair value directly to equity	Fair value through profit or loss	Fair value for compartive purposes	Inpairment losses IFRS 9
103,270	103,270	0	0	103,270	-9,690
131,832	0	12,519	119,313	131,832	-138
133,231	133,231	0	0	133,231	-1,460
23,669	23,669	0	0	23,669	-37,196
548	548	0	0	548	
345,771	317,635	280	27,856	345,771	-1,383
280		280		280	
27,856			27,856	27,856	
149,857	149,857	0	0	149,857	-308
3,610,483	3,610,483	0	0	3,672,426	0
22,551	22,551	0	0	22,551	0
32,246	32,246	0	0	32,246	0
62,237	59,117	0	3,120	62,237	0
3,120			3,120	3,120	
728,210	728,210	0	0	728,210	-50,037
147,169	0	0	147,169	147,169	0
12,799	0	12,799	0	12,799	-138
3,120	0	0	3,120	3,120	0
3,724,397	3,724,397	0	0	3,786,340	0

In the financial year, liabilities from the payments of ancillary expenses amounting to EUR 49,457k (31 December 2020: EUR 73,810k) were netted against an amount of EUR 54,241k (31 December 2020: EUR 80,555k) for receivables from unbilled services, with the net amount being recognised as trade receivables.

(B) Fair value disclosures

Financial assets and liabilities measured at fair value can be classified and assigned to levels according to the significance of the factors and information used in their measurement. Assets and liabilities are classified based on the significance of the input factors for their overall measurement. This in turn is based on those input factors in the lowest level relevant or significant for overall measurement. The measurement levels are hierarchically structured in line with their input factors. Further explanations of the fair value hierarchy are provided in Section 6).

- Level 1: Prices quoted for identical assets or liabilities on active markets (adopted unchanged).

- Level 2: Inputs that are not quoted prices considered in Level 1, but are observable directly or indirectly for the asset or liability (i.e. derived from prices).

- Level 3: Factors not based on observable market data for the measurement of the asset or liability (unobservable inputs).

		Overview of the measurement levels used to determine fair values		
31.12.2021 in EUR '000	**Total carrying amount**	**of which Level 1**	**of which Level 2**	**of which Level 3**
Assets				
Investment properties	1,667,394	0	0	1,667,394
Other financial instruments: Equity instruments – aafv	71,297	52,370	0	18,927
Other current assets: Debt instruments – aafvoci	8,192	8,192	0	0
Other current assets: Debt instruments held for trading – aafv	74	0	74	0
Equity and liabilities				
Other liabilities: Derivatives – lafv	39,525	0	0	39,525

		Overview of the measurement levels used to determine fair values		
31.12.2020 in EUR '000	**Total carrying amount**	**of which Level 1**	**of which Level 2**	**of which Level 3**
Assets				
Investment properties	4,951,790	0	0	4,951,790
Other financial instruments: Equity instruments – aafv	119,313	97,580	0	21,733
Other current assets: Debt instruments – aafvoci	12,799	12,799	0	0
Other current assets: Debt instruments held for trading – aafv	27,856	0	27,856	0
Equity and liabilities				
Other liabilities: Derivatives – lafv	3,120	0	0	3,120

Trade receivables, other current assets and cash and cash equivalents have short remaining terms. Their carrying amounts as at the balance sheet date are therefore approximate to their fair values. The same applies for current liabilities to banks, trade payables and other current liabilities.

The fair value of non-current liabilities to banks and other non-current liabilities is determined by discounting future cash flows. Discounting is based on a market interest rate matching term and risk (Level 3). The fair values of bond and convertible bond liabilities are determined by reference to their market prices as at the balance sheet date (Level 1).

The fair value of the commitment to LEG (see also sections 4, 8.25, 9.11, 11.1.A and 11.1.C) was determined using an option pricing model. For this purpose, expected future cash flows and, if available, market parameters were used (level 3).

Explanations on the determination of the fair values of investment properties are provided in section 8.3.

(C) Net result from financial instruments

The net result from financial instruments broken down into individual measurement categories is presented in the table below. Interest income and interest expenses from financial instruments represent a component of the net result. The gains and losses are due to impairments and reversals from the fair value measurement.

		Net result 2021		
In EUR '000	Category IFRS 9	Interest	Profit/loss	Total
Financial assets measured at amortised cost	aac	7,516	-28,191	-20,675
Financial assets at fair value through profit or loss	aafv	1,308	-34,702	-33,394
Financial assets measured at fair value through other comprehensive income	aafvoci	662	-4,043	-3,381
Financial liabilities measured at fair value through profit or loss	lafv	0	-29,733	-29,733
Financial liabilities measured at amortised cost	flac	-129,983	-34,671	-164,654
Total		**-120,497**	**-131,340**	**-251,837**

		Net result 2020		
In EUR '000	Category IFRS 9	Interest	Profit/loss	Total
Financial assets measured at amortised cost	aac	13,272	-28,506	-15,234
Financial assets at fair value through profit or loss	aafv	635	32,566	33,201
Financial assets measured at fair value through other comprehensive income	aafvoci	1,118	2,301	3,419
Financial liabilities measured at fair value through profit or loss	lafv	0	1,600	1,600
Financial liabilities measured at amortised cost	flac	-128,668	29,188	-99,480
Total		**-113,643**	**37,149**	**-76,494**

Interest income and interest expenses are presented in financial income and financial expenses. Gains and losses relating to financial assets at amortised cost are recognised under trade receivables under other operating expenses (impairments/reversals) and also under financial income and finance costs. Gains and losses relating to financial assets or financial liabilities measured at fair value through profit or loss are recognised under financial income and financial expenses. Gains and losses relating to financial assets measured at fair value through other comprehensive income are generally recognised in other comprehensive income, but impairments are reclassified from other comprehensive income to financial expenses. Gains and losses relating to financial liabilities measured at amortised cost are recognised under other operating income or expenses in the case of trade payables and otherwise under financial income and financial expenses.

11.2 Financial risk management and IFRS 7 disclosures

The risk management system comprises all organisational requirements and activities necessary for the systematic, regular and Company-wide implementation of the processes needed for risk management. Each risk is assigned to a designated employee. Risk management coordination is incumbent on the Governance-Risk-Compliance department, which keeps the Management Board regularly informed about the Group's overall risk situation. Within the quarterly Supervisory Board meeting framework, the Management Board in turn then reports the findings to the Supervisory Board. The core function of the Group-wide risk management system is to recognise developments that pose a risk to its existence, to measure risk-bearing capacity and to assess the extent of the threat. The risk management system is itself described in a risk policy, which is updated each year and whenever a specific need arises. An extensive risk catalogue documents all material risks to which ADLER is exposed.

Financial risk management is part of the Group-wide risk management system. The material risks monitored and managed by the Group's financial risk management include interest rate, default, liquidity and financing risks and currency risk.

ADLER does not currently expect the crisis triggered by the Covid-19 pandemic to have any significant impact on its business activities or business performance due to its business model. So far, only a few tenants have deferred their rental payments. In the commercial property sector, the changed economic environment was taken into account through impairments.

(A) Interest rate risk
Virtually all the interest rate risks to which the Adler Group is exposed are in the euro area.

Interest rate risks arise upon the conclusion of credit facilities with floating interest rates, in the context of follow-up financing or in the event of any significant change in capital market conditions. To a limited extent, changes in interest rates may therefore lead to higher interest payments. However, ADLER predominantly finances its business with financial liabilities that have interest rates that are either fixed permanently or for longer periods of time. Thus the Group basically pursues a risk-averse financing policy.

The interest risk for all of the Group's current and non-current financial liabilities with floating interest rates is determined in a sensitivity analysis which also takes account of fixed-interest periods. By analogy with the interest rate scenarios used to determine the value of investment properties, two interest scenarios have been referred to for the sensitivity analysis of loans. Based on the financial liabilities outstanding as at 31 December, any increase/decrease in the loan interest rate by 0.5 percent points would have led to the following increase/decrease in interest expense:

Interest rate risk sensitivity analysis	31.12.2021		31.12.2020	
Change in interest rate	+ 50 bp	- 50 bp	+ 50 bp	- 50 bp
Effect on interest expense in EUR ´000	102	-102	144	-144

Given the low impact on the carrying amount and income and the currently favourable capital market conditions, the Group's interest rate risk, taking due account of existing interest rate sensitivities, is assessed as moderate.

To reduce its interest rate risk further, ADLER deploys interest rate hedging instruments in the form of swaps (see Note 11.3). Had the interest rate level as at 31 December 2021 been 100 basis points higher/lower, the fair values of derivatives (EUR 1,298k, 31 December 2020: EUR 3,120k) would have changed by EUR +738k (previous year: EUR +1,473k) or EUR -725k (31 December 2020: EUR -1,465k).

(B) Credit risk
Default risk results from the risk of contractual partners failing to meet their contractually agreed payment obligations. The maximum default risk corresponds to the carrying amounts of financial assets.

In EUR '000	Category according to IFRS 9	2021	2020
Impairment loss trade receivables	aac	6,698	11,791
Impairment loss loans to associated companies	aac	2,042	5,168
Impairment loss other non-current assets	aac	0	1,460
Impairment loss other current assets – loans, restricted funds and cash and cash equivalents – deposits at banks	aac	16,197	1,282
Impairment loss other current assets – bonds	aafvoci	5	8
Total		**24,942**	**19,709**

Trade receivables

Trade receivables mainly relate to a large number of customers (tenants and buyers of investment properties or apartments as part of project developments). The credit risk is managed on a portfolio level. ADLER has introduced a receivables management system through which new customers are initially analysed on an individual basis with regard to their credit rating. In the tenant selection process, priority is accorded to those with a pre-existing sound credit rating. Dunning procedures are initiated for all past due receivables and, upon completion, enforcement measures. The Group does not have any significant clusters of potential credit risks.

There were no significant default risks for contractual assets from the transfer of operating expenses, receivables from sales of investment properties and contract assets in connection with project developments, meaning that generally no expected credit losses are taken into account. Services which have not yet been invoiced in connection with operating costs are usually offset by advance payments received from the tenants in the corresponding amount. Purchase prices for investment properties are usually lodged to notary accounts and paid to ADLER when control has been transferred. No expected credit losses are recognised for contractual assets in connection with project developments, as the apartments are handed over to the purchasers only after the full purchase price has been paid.

For rental receivables, the simplified IFRS 9 impairment model is used. Deposits are not taken into account when measuring expected credit losses.

The following overview shows a summary of the default risk for trade receivables:

In EUR '000	2021		
	not impaired	impaired	
		credit rating not impaired	credit rating impaired
Rent receivables	3,185	675	19,673
Contractual assets from operating costs	4,784	0	0
Receivables from the sale of investment properties	40	0	0
Other	8,565	0	0
Gross total carrying amount	**16,574**	**675**	**19,673**
Accumulated impairment losses		135	19,200
Net total carrying amount	**16,574**	**540**	**473**

In EUR '000	2020		
	not impaired	impaired	
		credit rating not impaired	credit rating impaired
Rent receivables	4,683	1,642	38,046
Contractual assets from operating costs	6,745	0	0
Receivables from the sale of investment properties	110	0	0
Contract assets project development	3,405	0	0
Other	6,234	0	0
Gross total carrying amount	**21,177**	**1,642**	**38,046**
Accumulated impairment losses	0	328	36,868
Net total carrying amount	**21,177**	**1,314**	**1,178**

Assessment of expected credit losses:

ADLER uses an impairment matrix to measure the expected credit losses of its receivables due from tenants of apartments, which comprise a very large number of small balances.

31.12.2021 EUR '000	Loss rate	Gross carrying amount	Impairment	Impaired credit rating
Not past due	0%	0	0	no
1 to 30 days past due	0%	3,185	0	no
31 to 90 days past due	20%	675	135	no
91 to 180 days past due	50%	946	473	yes
more than 180 days past due	100%	18,727	18,727	yes

31.12.2020 EUR '000	Loss rate	Gross carrying amount	Impairment	Impaired credit rating
1 to 30 days past due	0%	4,683	0	no
31 to 90 days past due	20%	1,642	328	no
91 to 180 days past due	50%	2,357	1,179	yes
more than 180 days past due	100%	35,689	35,689	yes

Impairments of trade receivables have developed as follows:

In EUR '000	2021	2020
Carrying amounts 01.01.	**37,196**	**37,619**
Change in the scope of consolidation	-4,749	-513
Reclassification IFRS 5	-6,932	-85
Additions (impairment)	6,698	11,791
Utilisation/reversals	-12,878	-11,616
Carrying amounts 31.12.	**19,335**	**37,196**

The changes in value adjustment on trade receivables result mainly from changes in the scope of consolidation and reclassification to assets held for sale.

Other financial assets

The default risk on borrowings, loans, bonds and credit balances at banks is managed at Group level. There are trading rules to ensure that transactions are only made with business partners if they have shown adequate payment behaviour in the past. In the borrower selection process, care is taken to ensure that they have at least a satisfactory credit rating. The analysis of credit includes external ratings, where available, as well as annual financial statements, information from credit agencies, industry information and, in some cases, bank information. ADLER monitors changes in credit risk by tracking the published information mentioned above.

The general impairment model pursuant to IFRS 9 is used. The risks of a default for a 12-month period and over the entire term are based on historical information provided by various rating agencies for each credit rating or classification and aggregated using the rating map or rating matrix (Creditreform or Stuttgart Stock Exchange).

As at the balance sheet date, the default risk for the other financial assets is as follows:

In EUR '000	Category according to IFRS 9	Net carrying amount 2021	Net carrying amount 2020
Receivables from and Loans to associated companies	aac	0	103,270
Other assets – bonds	aafvoci	8,078	12,519
Other non-current assets	aac	0	133,231
Other current assets – purchase price receivable ACCENTRO	aac	58,592	59,127
Other current assets – restricted funds	aac	5,357	33,751
Other current assets – loans	aac	120,340	224,758
Other current assets – bonds	aafvoci	114	280
Cash and cash equivalents – deposits at banks	aac	296,797	149,848
Total		**489,278**	**716,784**

The table below shows an analysis of the credit rating of borrowers of other financial assets (aac and aafvoci), if an impairment loss has been recognised for them. It shows whether a loss allowance has been recognised for an expected 12-month credit loss or for lifetime expected credit losses for those assets measured at amortised cost or fair value in other comprehensive income and whether – in the latter case – an impaired credit rating exists:

	2021					
	At fair value through other comprehensive income (aafvoci)			Measured at amortised cost (aac)		
In EUR ´000	Expected 12-month credit loss	Lifetime expected credit loss – credit rating not impaired	Lifetime expected credit loss– impaired credit rating	Expected 12-month credit loss	Lifetime expected credit loss – credit rating not impaired	Lifetime expected credit loss– impaired credit rating
Very good to good credit rating (very low default risk)	-	-	-	-	-	-
Good to satisfactory credit rating (low default risk)	-	-	-	302,978	-	-
Satisfactory credit rating (average default risk)	12,095	-	-	68,346	-	-
Sufficient credit rating (increased default risk)	-	-	-	-	34,346	-
Poor credit rating (high default risk)	-	-	-	-	-	-
Insufficient credit rating (very high default risk)	-	-	-	-	-	4,288
Gross total carrying amount	**12,095**	**-**	**-**	**371,325**	**34,346**	**4,288**
Accumulated impairment losses	131	-	-	2,482	19,374	4,288
Other comprehensive income	3,772	-	-	-	-	-
Net total carrying amount	**8,192**	**-**	**-**	**368,843**	**14,972**	**0**

	2020					
	At fair value through other comprehensive income (aafvoci)			Measured at amortised cost (aac)		
In EUR ´000	**Expected 12-month credit loss**	**Lifetime expected credit loss – credit rating not impaired**	**Lifetime expected credit loss– impaired credit rating**	**Expected 12-month credit loss**	**Lifetime expected credit loss – credit rating not impaired**	**Lifetime expected credit loss– impaired credit rating**
Very good to good credit rating (very low default risk)	-	-	-	-	-	-
Good to satisfactory credit rating (low default risk)	-	-	-	183,916	-	-
Satisfactory credit rating (average default risk)	12,661	-	-	310,449	-	-
Sufficient credit rating (increased default risk)	-	-	-	-	-	-
Poor credit rating (high default risk)	-	-	-	-	-	-
Insufficient credit rating (very high default risk)	-	-	-	-	-	4,067
Gross total carrying amount	**12,661**	**-**	**-**	**494,365**	**-**	**4,067**
Accumulated impairment losses	138	-	-	3,917	-	4,067
Other comprehensive income	-277	-	-	-	-	-
Net total carrying amount	**12,800**	**-**	**-**	**490,449**	**-**	**0**

Due to existing collateral, no expected credit loss is taken into account for the ACCENTRO and Caesar JV Immobilienbesitz und Verwaltungs GmbH purchase price receivable. The same applies to the credit balances on notary escrow accounts.

Cash and cash equivalents are deposited at banks that predominantly have a good to satisfactory credit rating. The loans are partly due to associates that have no active operating activities.

Impairment losses on financial assets measured at amortised cost developed as follows over the course of the year:

	2021			
In EUR '000	**Expected 12-month credit loss**	**Lifetime expected credit loss – credit rating not impaired**	**Lifetime expected credit loss– impaired credit rating**	**Total**
As at 01.01.	**3,917**	**4,857**	**4,067**	**12,841**
Net remeasurement of impairment losses	-	14,517		14,517
Change in the scope of consolidation	-116	-	-	-116
Reclassifications IFRS 5 due to sale	-2,054	-	-	-2,054
Reclassified as lifetime expected credit losses – credit rating not impaired	-	-	-	-
Reclassified as lifetime credit losses – impaired credit rating	-	-	-	-
Repaid financial assets	-2,766	-	-	-2,766
Newly acquired financial assets	3,501	-	221	3,722
As at 31.12.	**2,482**	**19,374**	**4,288**	**26,144**

	2020			
In EUR '000	**Expected 12-month credit loss**	**Lifetime expected credit loss – credit rating not impaired**	**Lifetime expected credit loss– impaired credit rating**	**Total**
As at 01.01.	**1,076**	**-**	**3,933**	**5,009**
Net remeasurement of impairment losses	0	4,374	-	4,374
Reclassified as lifetime expected credit losses – credit rating not impaired	-483	483	-	-
Reclassified as lifetime credit losses – impaired credit rating	-	-	-	-
Repaid financial assets	-81	-	-	-81
Newly acquired financial assets	3,405	-	134	3,539
As at 31.12.	**3,917**	**4,857**	**4,067**	**12,841**

Impairment losses on financial assets measured at fair value through comprehensive income developed as follows over the course of the year:

	2021			
In EUR '000	Expected 12-month credit loss	Lifetime expected credit loss – credit rating not impaired	Lifetime expected credit loss– impaired credit rating	Total
As at 01.01.	**138**	**-**	**-**	**138**
Net remeasurement of impairment losses	-	-	-	-
Reclassified as lifetime expected credit losses – credit rating not impaired	-	-	-	-
Reclassified as lifetime credit losses – impaired credit rating	-	-	-	-
Repaid financial assets	-12	-	-	-12
Newly acquired financial assets	5	-	-	5
As at 31.12.	**131**	**-**	**-**	**131**

	2020			
In EUR '000	Expected 12-month credit loss	Lifetime expected credit loss – credit rating not impaired	Lifetime expected credit loss– impaired credit rating	Total
As at 01.01.	**188**	**-**	**-**	**188**
Net remeasurement of impairment losses	-	-	-	-
Reclassified as lifetime expected credit losses – credit rating not impaired	-	-	-	-
Reclassified as lifetime credit losses – impaired credit rating	-	-	-	-
Repaid financial assets	-58	-	-	-58
Newly acquired financial assets	8	-	-	8
As at 31.12.	**138**	**-**	**-**	**138**

(C) Liquidity risk

Responsibility for liquidity risk management rests with the Management Board, which has developed a suitable concept for managing the Company's short-, medium- and long-term financing and liquidity requirements. The Group manages liquidity risks by continually monitoring its expected and actual cash flows and aligning the maturity profiles of financial assets and liabilities. Liquidity management aims to ensure that the Group is always able to meet its payment obligations by maintaining adequate liquidity reserves and optimising group-internal liquidity flows.

In credit agreements assumed in the context of acquisitions, the Group has in some cases undertaken to comply with contractually agreed financial covenants. Among other aspects, these relate to the generation of cash flows on a property company level. Asset management for these portfolios is geared to ensure compliance with these financial covenants.

Similarly, credit terms have also been agreed for the bonds issued. Any failure to comply with these terms could also lead to a liquidity risk. Infringement of the credit terms, such as a change of control, may result in the premature termination and repayment of these bonds and convertible bonds. We refer to the presentation in Section 14.7, Events after the balance sheet date.

The Adler Group had cash and cash equivalents of EUR 296,807k at the balance sheet date (31 December 2020: EUR 149,857k). In addition, restricted cash and cash equivalents of EUR 5,357k are subject to restrictions on disposal and have been recognised under other current assets (31 December 2020: EUR 33,751k).

The following liquidity analyses present the contractually agreed (undiscounted) cash flows for primary financial liabilities including interest payments, as at the respective balance sheet date. The analyses include all financial instruments held on the respective reporting date. Budget figures for future new liabilities are not included. Floating-rate interest payments were calculated by reference to the relevant spot rates on the respective balance sheet dates. With regard to outflows of cash for convertible bonds, it has been assumed that these will not be converted.

31.12.2021	Cash outflows					
in EUR '000	**2022**	**2023**	**2024**	**2025**	**2026**	**> 2026**
Liabilities to banks	47,565	76,999	40,213	61,352	37,124	544,703
Liabilities from bonds	430,750	524,750	315,375	9,000	309,000	0
Trade payables	27,507	0	0	0	0	0
Other liabilities	15,249	380	380	380	380	380
Total	**521,071**	**602,129**	**355,968**	**70,732**	**346,504**	**545,083**

31.12.2020	Cash outflows					
in EUR '000	**2021**	**2022**	**2023**	**2024**	**2025**	**> 2025**
Liabilities to banks	379,826[1)]	193,800	85,326	60,509	151,054	673,836
Liabilities from bonds	550,442	442,619	536,296	332,727	23,159	322,720
Liabilities from convertible bonds	100,859	0	0	0	0	0
Trade payables	32,246	0	0	0	0	0
Other liabilities	38,068	380	380	380	380	380
Total	**1,101,441**	**636,799**	**622,001**	**393,616**	**174,593**	**996,936**

[1)] Including liabilities to banks (IFRS 5)

Cash outflows from lease liabilities are disclosed in Section 12.

(D) Financing risk

In making further acquisitions, the Group depends on the granting of loans or capital increases. Expiring loans also have to be extended or refinanced. In all cases, there is the risk that such facilities cannot be extended, or only on different terms. Furthermore, within the scope of consolidation there are loan agreements with a total carrying amount of around EUR 690 million on which the banks have imposed requirements in the form of financial covenants (previous year: EUR 1,123 million). Depending on the property to which such agreements apply, the Group must achieve a debt service coverage ratio (DSCR) of between 107 percent and 120 percent (31 December 2020: between 107 percent and 160 percent), an interest coverage ratio (ICR) of 1.26 to 1.72 (31 December 2020: 1.26 to 2.10), a loan-to-value (LTV) ratio of between 60 percent and 80 percent (31 December 2020: between 60 percent and 80 percent) or a loan-to-mortgage-lending-value (LTMLV) ratio of no more than 74 percent (31 December 2020: no more than 74 percent). Individual credit agreements require a minimum amount of maintenance work or rental income. Should the maintenance measures agreed in the loan agreement not be carried out, the Company must maintain a cash reserve of the same amount on restricted accounts. Failure to comply with such covenants entitles the lenders to impose various sanctions, which may also include terminating the respective facility.

Similarly, credit terms have also been agreed for the corporate bonds issued. Failure to comply with such terms may result in a liquidity risk. In some cases, failure to comply with the terms may lead to the termination and premature repayment of these corporate bonds.

As at 11 February 2022, the rating agency Standard & Poor's adjusted the corporate rating of ADLER Real Estate AG and the parent company Adler Group to "B-/CreditWatch Negative". The agency's assessment particularly included risks with regard to the ongoing forensic investigations by the Group's auditor KPMG, the Group's progress in disposing of development projects with low strategic relevance, and the increasing importance of variable cash inflows from project development for the Group's business success. This could make financing the entire company more expensive or more difficult.

(E) Currency risk

In the course of the acquisition of the ADO Group and BCP, ADLER took over bonds issued in New Israeli Shekels (NIS). The ADO Group bonds were repaid early in 2020. The bonds of the BCP subgroup were reclassified to liabilities held for sale in the 2021 financial year.

Had the exchange rate (EUR/NIS) as at 31 December 2020 been 5 percent higher/lower, the book value of the bonds would have changed by EUR 3,878k or EUR -3,878k . If the CPI had increased/reduced by 3 percent, the book value of the bonds would have changed by EUR -2,112k or EUR 349k.

11.3 Derivative financial instruments

Derivative financial instruments include, in particular, hedging transactions used to hedge interest rate risks in variable-interest loan agreements. No material rating risk is involved, as the interest hedges are concluded with the financing banks.

The fair values of the interest hedge contracts amounted to EUR -1,298k as at the balance sheet date (31 December 2020: EUR -3,120k). The fair values and nominal values of the interest hedge contracts broken down by maturity are presented below:

	Fair Values		Nominal	
In EUR '000	**2021**	**2020**	**2021**	**2020**
Up to 1 year	0	-392	0	11,684
Due between 1 and 5 years	-1,298	-2,728	51,126	125,968
Total	**-1,298**	**-3,120**	**51,126**	**137,652**

The derivative financial instruments are initially measured at fair value, which is attributable to them on the day the contract is concluded. Subsequent measurement is based on the fair value of the respective balance sheet.

The fair value of derivates broken down by balance sheet item are presented below:

Balance Sheet item in EUR '000	**Hedging relationship under IFRS 9**	**31.12.2021**	**31.12.2020**
Other current asset (measured at fair value though profit or loss)	no	0	0
Other current liabilities (measured at fair value through profit or loss)	no	0	-392
Other non-current liabilities (measured at fair value through profit or loss)	no	-1,298	-2,728
Total		**-1,298**	**-3,120**

A valuation result of EUR 994k was recognised for derivatives in the financial year (previous year: EUR 1,600k).

12. DISCLOSURES ON LEASES IN ACCORDANCE WITH IFRS 16

Leases as a lessee

In particular, ADLER enters into leases for the following assets:

- Leasehold contracts for land (leaseholds)
- Leases for office space, garages and storage space (property)
- Leases for cars and commercial vehicles (vehicles)
- Leases for hardware and heating equipment (hardware and contracting)

Leasehold contracts have terms of up to 200 years and sometimes provide for preferential rights of renewal in the event of a renewed leasehold following the expiry of the contract or for the right of first refusal in the event of the land being sold. The lessee has no renewal or purchase options. Some of the leasehold payments are index-linked. The future cash flows are discounted using interest rates for specific properties or market-based discount rates ranging from 4.25 percent to 6.26 percent (31 December 2020: 4.25 percent to 6.26 percent).

ADLER leases office space, garages and storage space. These leases typically do not have a fixed term and can be terminated by the contracting parties observing a defined notice period. In assessing the term of such leases, ADLER assumed that the respective leases will remain in effect for five years, unless there were specific indications of shorter use. Some leases provide for additional lease payments based on changes in local price indexes.

The terms for leases for cars and commercial vehicles are typically between three and four years. Typically there are no renewal or purchase options, or such options are not exercised.

ADLER leases hardware and heating equipment (contracting). The terms for leases for hardware are typically between four and five years. Typically there are no renewal or purchase options, or such options are not exercised. In the context of contracting agreements, the leases for heating equipment will gradually expire by 2031 at the latest and will not be renewed.

Lease obligations not resulting from leaseholds are discounted using the incremental borrowing rate. Discount rates of between 1.89 percent and 3.00 percent were applied in the reporting year (31 December 2020: 1.94 percent to 3.00 percent).

ADLER reports right-of-use assets that do not meet the definition of investment property in its statement of financial position under property, plant and equipment and lease liabilities in other liabilities. Right-of-use assets to investment property (leaseholds) measured at fair value in accordance with IAS 40 are likewise measured at fair value and reported under investment properties.

The following table shows the right-of-use assets that do not meet the definition of an investment property.

In EUR '000 2021	Property	Vehicles	Hardware/ Contracting	Total
Carrying amounts 01.01.	**1,514**	**2,256**	**699**	**4,469**
Additions (+)	2,414	536	0	2,950
Depreciation (–)	-750	-1,200	-180	-2,130
Disposals (–)	-401	-581	0	-982
Carrying amounts 31.12.	**2,777**	**1,011**	**519**	**4,307**

In EUR '000 2020	Property	Vehicles	Hardware/ Contracting	Total
Carrying amounts 01.01.	**3,903**	**2,038**	**995**	**6,936**
Additions (+)	88	1,291	0	1,379
Depreciation (–)	-1,358	-1,061	-268	-2,687
Disposals (–)	-1,119	-12	-28	-1,159
Carrying amounts 31.12.	**1,514**	**2,256**	**699**	**4,469**

The following table shows the amounts recognised in the Consolidated Statement of Comprehensive Income in connection with leases (including leaseholds):

In EUR '000	2021	2020
Interest expenses for lease liabilities	775	1,126
Expenses for short-term leases	58	184
Expenses for low-value leases	2,232	2,128
Total	**3,065**	**3,438**

The expenses for low-value leases essentially relate to payments for emergency call devices in lifts, smoke alarms, heating and water meters.

The carrying amounts of lease liabilities and the cumulative lease payments over the lease term (including leaseholds) break down as follows by maturity:

in EUR ´000	Carrying amount 2021	Lease payments in 2021	Carrying amount 2020	Lease payments in 2020
Up to 1 year	1,503	1,793	2,263	3,108
1 to 5 years	2,523	3,008	2,328	5,774
More than 5 years	2,190	16,236	14,558	78,596
	6,216	**21,037**	**19,149**	**87,478**
Less future interest costs		-14,821		-68,329
Total	**6,216**	**6,216**	**19,149**	**19,149**

Leases as a lessor

ADLER leases its investment property. A lessor classifies these leases as operating leases as the lessee does not receive substantially all of the risks and rewards incidental to ownership.

Thus, revenue from the charge of property tax and building insurance expenses of EUR 15,978k (2020: 16,207k) are included in the scope of IFRS 16.

The claims to lease payments from long-term operating leases generally result from the letting of commercial properties. In the residential property segment, leases are generally subject to the three-month statutory term of notice. There are no further claims to lease payments. The lease payments shown in the following tables include the net rental income only.

2021 Disclosures on operating leases in accordance with IFRS 16.97 in EUR ´000	2021	2022	2023 to 2026	From 2027
		Up to 1 year	**1 to 5 years**	**More than 5 years**
Total future lease payments under non-cancellable operating leases as a lessor	225,446	33,514	1,063	513

2020 Disclosures on operating leases in accordance with IFRS 16.97 in EUR ´000	2020	2021	2022 to 2025	From 2026
		Up to 1 year	**1 to 5 years**	**More than 5 years**
Total future lease payments under non-cancellable operating leases as a lessor	239,541	55,360	1,728	788

13. CAPITAL RISK MANAGEMENT

The Group manages its capital with the objective of maximising the earnings of shareholders by optimising the ratio of equity to debt. This ensures that all group companies can continue to operate as going concerns. Consolidated equity as posted in the balance sheet is used as an important key figure for capital management.

As a stock corporation, the Company is subject to the minimum capital requirements set out in the German Stock Corporation Act (AktG). Furthermore, the Group is subject to both standard and industry-specific minimum capital requirements imposed by lenders, especially for financing specific property projects. These minimum capital requirements are continually monitored and were met in the year under report and the previous year.

Risk management reviews the Group's capital structure on a quarterly basis. Accounting ratios are identified and projected in order to ensure compliance with external capital requirements and the financial covenants applicable to numerous credit agreements. These also include property-specific debt service ratios, loan-to-value figures and contractually defined balance sheet and income ratios.

The year-end equity ratio was determined as follows:

In EUR '000	**31.12.2021**	**31.12.2020**
Equity (incl. non-controlling interest)	2,144,018	1,580,770
Total assets	5,584,662	6,292,313
Equity ratio in %	**38.4**	**25.1**

Excluding convertible bonds, the ratio of net financial liabilities to assets net of cash (LTV) amounted to 12.8 percent (31 December 2020: 51.2 percent). Further details can be found in the disclosures on the asset position in the combined management report.

14. OTHER DISCLOSURES

14.1 Other financial obligations and contingent liabilities

(A) Other financial obligations

The Group had the following significant financial obligations at the balance sheet date:

In EUR '000	2021	2020
Rental and lease obligations		
– Due within 1 year	4,070	6,616
– Due between 1 and 5 years	10,903	13,353
– Due in more than 5 years	4,442	7,873
	19,415	27,842
Management contracts, support agreements		
– Due within 1 year	16,204	23,873
– Due between 1 and 5 years	16,093	7,918
– Due in more than 5 years	3,227	2,566
	35,524	34,357
Total	**54,939**	**62,199**

Rental and lease obligations primarily result from leasing relationships of minor value or from short-term leases within the meaning of IFRS 16 as well as from contracts that do not entitle the holder to control the use of an identified asset for a specified period of time.

(B) Contingent liabilities

In connection with the divested stake in conwert Immobilien Invest SE, the Austrian Takeover Board has determined in review proceedings pursuant to Section 33 Uebernahmegesetz (ÜbG – Takeover Act), which are now legally binding, that the Company achieved a controlling stake in conwert by mutual agreement with other persons within the meaning of Section 1 clause 6 ÜbG and then failed to make a mandatory bid as required pursuant to Section 33 (1) clause 2 ÜbG. In connection with this, ADLER is engaged in seven litigation proceedings against companies that are seeking to claim compensation from ADLER. The total litigation value is roughly EUR 8.4 million. Two further lawsuits for compensation have already been legally decided in favour of the Company. In addition, the Company is subject to two administrative prosecutions initiated on the basis of the original decision of the Takeover Commission , in which fines totalling EUR 55,000 were imposed. The Company has filed a complaint against this decision, which was upheld by the Federal Administrative Court after referral to the ECJ, which ruled that the structure of the proceedings before the Takeover Commission was contrary to EU law due to a violation of Art 47 GRC and due to the dual responsibility for criminal proceedings by the Takeover Commission and the Financial Market Authority (FMA), and the proceedings were discontinued. Due to the fact that the claims have already been dismissed in two proceedings, the Company considers it largely probable that it will also win in all other ongoing lawsuits with the same subject matter and has therefore not recognised any provisions as at the balance sheet date of 31 December 2021.

In connection with the acquisition of the shares in BCP, a class action was brought before the Tel Aviv District Court, Tel Aviv/Israel, by a minority shareholder. The lawsuit (the motion for certification of a claim as a class action) alleged that the majority shareholders Redzone Empire Holding Limited, Cyprus, and the three members of the senior management sold their shares in full to ADLER, while the other minority shareholders of BCP were only able to contribute their shares to a limited extent under the special tender offer (STO). The lawsuit claimed an amount in dispute of NIS 78 to 116 million (equivalent to approximately EUR 18 to 27 million), the total value of the affected minority shareholders' shares. The court dismissed the claim concerning the Redzone transaction, and certified the claim concerning the options granted to the senior management members. ADLER's exposure is estimated at approximately EUR 600,000, representing the evaluation of the benefit received by the senior management (as a result of the options) by the court appointed expert. ADLER has accounted for this risk with an provision.

14.2 Related-party disclosures

Pursuant to IAS 24 "Related-Party Disclosures", related parties are defined as closely related companies and persons, including parent companies and subsidiaries, subsidiaries of a common parent company, associates, legal entities influenced by the management as well as the Company's own management. Transactions between ADLER and its subsidiaries are eliminated through consolidation and are therefore not disclosed in the notes.

ADLER is included in the consolidated financial statements of the parent company Adler Group S.A., domiciled in Luxembourg (ultimate controlling company).

Significant transactions with associated companies are presented in the tables below. In addition, ADLER holds listed bonds of an associated company, which are presented under Section 8.6, Other financial investments and other non-current assets.

As at the balance sheet date, the Group had the following balance sheet and result items with associated companies:

In EUR '000 2021	Receivables from and Loans to associated companies	Short-term loans to associated companies	Trade receivables	Other current assets
Aggregate Management GmbH	0	0	124	0
MRT (Mountleigh Roland Ernst) B.V.	2,799	0	0	0
Stovago B.V.	1,489	0	0	0
Brack Capital (Chemnitz) B.V.	4,000	0	0	0
AB Immbilien B.V.	0	34,346	524	438
Caesar Immobilienbesitz und Verwaltungs GmbH	0	27,802	0	264
Total nominal value	**8,288**	**62,148**	**648**	**702**
Accumulated impairment losses	-6,216	-19,374	0	0
Carrying amounts 31.12.	**2,072**	**42,774**	**648**	**702**

In EUR '000 2020	Receivables from and Loans to associated companies	Other non-current assets	Trade receivables	Other current assets
MRT (Mountleigh Roland Ernst) B.V.	2,732	0	0	0
Stovago B.V.	1,335	0	0	0
Glasmacherviertel GmbH & Co. KG	67,542	0	0	0
Brack Capital (Chemnitz) B.V.	4,000	0	0	0
AB Immbilien B.V.	37,352	0	466	446
Caesar Immobilienbesitz und Verwaltungs GmbH	0	44,636	45	229
Total nominal value	**112,961**	**44,636**	**511**	**675**
Accumulated impairment losses	-9,691	0	0	0
Carrying amounts 31.12.	**103,270**	**44,636**	**511**	**675**

In EUR '000 2021	Interest income	Other income from property management	Impairment and write-downs of financial assets	Other
Aggregate Management GmbH	0	361	0	0
MRT (Mountleigh Roland Ernst) B.V.	52	0	-68	16
Stovago B.V.	149	0	-154	5
Glasmacherviertel GmbH & Co. KG	2,412	0	660[1)]	0
Brack Capital (Chemnitz) B.V.	0	0	-1,821	0
AB Immbilien B.V.	0	866	-17,522	0
Caesar Immobilienbesitz und Verwaltungs GmbH	816	0	0	0
Total	**3,429**	**1,227**	**-18,905**	**21**

[1)] Release Impairment

In EUR '000 2020	Interest income	Gross rental income	Impairment and write-downs of financial assets	Other
MRT (Mountleigh Roland Ernst) B.V.	28	0	-38	10
Stovago B.V.	89	0	-96	7
Glasmacherviertel GmbH & Co. KG	2,865	0	-660	0
Brack Capital (Chemnitz) B.V.	0	0	0	0
AB Immbilien B.V.	0	1,319	-13,000	0
Caesar Immobilienbesitz und Verwaltungs GmbH	1,276	255	0	0
Total	**4,258**	**1,574**	**-13,794**	**17**

As at the balance sheet date, ADLER had a short-term loan to the parent company Adler Group S.A. in the amount of EUR 265,272k. In the previous year, financial liabilities of EUR 22,551k were owed to Adler Group and its subsidiaries. For further details, see section 8.9 Receivables from affiliated companies and 8.24 Financial liabilities to affiliated companies. Interest income is presented in the amount of EUR 51k (2020: EUR 0k), interest expenses in the amount of EUR 6,201k (2020: EUR 11,018k).

Adler Group charged ADLER management fees of EUR 3,557k (2020: EUR 139k), fees for administrative services of EUR 2,143k (2020: EUR 210k) and other fees of EUR 695k (2020: EUR 0k).

ADLER in turn charged Adler Group management fees of EUR 392k (2020: EUR 0k), fees for administrative services of EUR 1,387k (2020: EUR 452k), fees for energy supplies of EUR 4,594k (2020: EUR 49k) and other fees of EUR 214k (2020: EUR 0k).

ADLER invoiced Consus for administrative expenses in the amount of EUR 1,085k (2020: EUR 26k) and other expenses in the amount of EUR 172k (2020: EUR 0k). ADLER has received invoices from Consus for administrative expenses in the amount of EUR 525k (2020: EUR 0k).

The open items are reported under receivables from affiliated companies in the amount of EUR 4,834k (31 December 2020: EUR 543k) and under trade payables in the amount of EUR 9,205k (31 December 2020: EUR 0k). These items also include receivables and liabilities from the charge from the sales tax group.

With regard to the transfer of shares in Adler Group, please refer to Section 4 Scope of Consoldidation, Business Combinations and property Companies. Details on the contribution in kind by Adler Group and the transfer of treasury shares in this context are presented in Section 8.12, Capital stock and Section 8.17, Contributions made to implement the resolved capital increase.

The Supervisory Board and Management Board hold the key management positions at ADLER AG. The compensation paid to these persons is structured as follows:

In EUR '000	2021	2020
Supervisory Board remuneration	267	262
Management Board remuneration	549	7,326

The current remuneration of the Management Board in the reporting year does not include any payments From exercised SARs. No further SARs were issued in the 2021 financial year. In the previous year, the Management Board received a total of 13,336 SARs with an average fair value of EUR 0.17 per SAR in addition to their current remuneration. There are no further stock options in favour of the Management Board members.

In the previous year, a member of ADLER's Management Board was also a Managing Director and shareholder of Consortium Finance Limited, London, United Kingdom. In the previous year, payments totalling EUR 4,107k were made to Consortium Finance Limited, which are included in the remuneration of the Management Board presented in the previous paragraph. In addition to the remuneration of this Management Board member, these payments also include one-time payments in the course of termination of Executive Board activities, non-deductible input tax, the rent for the business premises in London, reimbursed travel expenses and other administrative costs of this company. These expenses were reported under other operating expenses. No liabilities are outstanding in this respect. ADLER also granted the Consortium Finance Limited an interest-bearing loan (interest rate 1 percent) of EUR 400k, which was repaid in the previous year.

Individualised disclosure of Management Board compensation pursuant to § 314 (1) No. 6a, Sentences 5 to 9 of the German Commercial Code (HGB) has been waived as the 2016 Annual General Meeting passed a resolution valid for a period of five years. Not all members of the Executive Board receive remuneration from ADLER Real Estate AG. They were remunerated at the Adler Group S.A. level. An amount of EUR 2,660k was charged from the Adler Group to ADLER AG as an allocation for Executive Board activities and reported under other operating expenses.

14.3 Auditor's fee

The total fee invoiced by the auditor for the financial year is structured as follows:

In EUR '000	2021	2020
Audit of financial statements	445	881
Other assurance services	0	130
Other services	0	0
Total	**445**	**1,011**

Of financial statement audit fees, no fees are attributable to the previous year due to the change of auditor. Other assurance services in the previous year include services rendered in connection with capital market transactions (issuance of comfort letters). Other services in the previous year include assistance with selected accounting issues. In addition, the appointed auditing firm in previous year only performed audits of the financial statements of controlled companies.

14.4 Employees

The average number of employees was as follows:

Number	2021	2020
Board members	3	3
Full-time employees	804	911
Total	**807**	**914**

14.5 Notes to the consolidated cash flow statement

Financial funds generally correspond to cash and cash equivalents of EUR 296,807k (31 December 2020: EUR 149,857k). It increased by a total of EUR 146,948k (2020: decreased by EUR 475,116k). The Group was at all times able to meet its payment obligations.

Furthermore, restricted liquid funds of EUR 5,357k (31 December 2020: EUR 33,751k) with limitations on disposal were recognised under other assets.

Cash flows are subdivided into cash flows from operating, (divesting) investing and financing activities. The indirect method has been used to present cash flow from operating activities.

Net of non-cash income and expenses and including changes in working capital and investments in inventory properties (trading portfolio), Adler Group generated a net inflow of funds of EUR 18,759k (2020: EUR 149,150k) from operating activities.

The cash inflow from investing activities amounts to EUR 1,105,839k (2020: cash outflow TEUR 144,994). At EUR 1,520,208k, this mainly results from the sale of investment properties (see Section 4). The payments for investments in investment properties of EUR 165,631k and the issue of loans to the Adler Group of EUR 265,221k had an opposite effect.

The cash outflow from financing activities amounted to EUR 976,173k (2020: EUR 57,356k). The Group used the funds generated from the sale of investment properties to repay financial loans of EUR 725,049k, bonds of EUR 511,298k and convertible bonds of EUR 90,264k and for interest payments of EUR 130,093k. In the financial year, the Group took out financial loans of EUR 508,623k. The cash inflows and outflows from loans and borrowings from affiliated companies relate to loans received from the Adler Group and interest and principal payments made to the Adler Group (see section 8.24).

Changes from financing cash flows, changes arising from obtaining or losing control of subsidiaries or other businesses, changes due to accrued interest, changes due to the effective interest method, changes from exercising conversion rights and changes due to reclassifications in a reconciliation statement between the opening and closing balances in the statement are presented in the following. There were no material implications from changes in foreign exchange rates.

In EUR '000	31.12.2020	Cash effective
Non-current liabilities		
Liabilities from convertibles	0	0
Liabilities from bonds	1,548,970	-511,298
Liabilities to banks	1,039,179	-210,047
Leasing liabilities	16,886	-37
Financial liabilities to affiliated companies	1	-232,842
Current liabilities		
Liabilities from convertibles	97,384	-92,604
Liabilities from bonds	530,340	-33,306
Liabilities to banks	367,339	-37,425
Leasing liabilities	2,263	-3,219
Financial liabilities to affiliated companies	22,551	-57,067
Total liabilities from financing	**3,624,913**	**-1,177,845**

In the previous year, the partial amount of EUR 500,000k contributed by Adler Group in connection with the debt-equity swap from the receivable of the existing shareholder loan as well as the consideration of Adler Group in the amount of EUR 348,221k for the transfer of the shares by ADO Group to Aggregate were disclosed under "Other". In the previous year, the reconciliation statement was as follows:

In EUR '000	31.12.2019	Cash effective
Non-current liabilities		
Liabilities from convertibles	122,249	0
Liabilities from bonds	2,327,846	-273,642
Liabilities to banks	2,002,136	-664,513
Leasing liabilities	20,525	0
Financial liabilities to affiliated companies	0	866,328
Current liabilities		
Liabilities from convertibles	1,947	-3,059
Liabilities from bonds	101,612	-90,830
Liabilities to banks	157,708	-91,398
Leasing liabilities	2,700	-4,367
Financial liabilities to affiliated companies	0	-10,766
Total liabilities from financing	**4,736,723**	**-272,247**

Not cash effective								
Acquisitions/ sale	Index and exchange rate effects	Interest liabilities	Amortisation effective interest method	Conversions	Reclassifi- cation	Reclassifi- cation IFRS 5	Other	31.12.2021
0	0	0	0	0	0	0	0	0
0	10,023	0	7,612	0	96,384	-62,911	0	1,088,780
145,185	0	0	-3,047	0	83,878	-355,288	3,970	703,830
-475	0	0	0	0	-1,742	0	-9,919	4,713
0	0	0	2,013	0	0	0	230,828	0
0	0	1,148	2,175	-8,103	0	0	0	0
0	0	32,791	0	0	-96,384	-11,548	0	421,893
0	0	36,601	0	0	-83,878	-246,979	-175	35,483
41	0	789	0	0	1,742	0	-113	1,503
0	0	42	15	0	0	0	34,459	0
144,751	**10,023**	**71,371**	**8,768**	**-8,103**	**0**	**-676,726**	**259,050**	**2,256,202**

Not cash effective								
Acquisitions/ sale	Index and exchange rate effects	Interest liabilities	Amortisation effective interest method	Conversions	Reclassifi- cation	Reclassifi- cation IFRS 5	Other	31.12.2020
0	0	0	4,462	-30,519	-96,192	0	0	0
0	-1,547	0	-22,137	0	-481,550	0	0	1,548,970
0	0	0	11,121	0	-286,999	-20,384	-2,182	1,039,179
683	0	0	0	0	-2,311	0	-2,011	16,886
0	0	0	3,045	0	-21,151	0	-848,221	1
0	0	2,304	0	0	96,192	0	0	97,384
0	0	38,008	0	0	481,550	0	0	530,340
0	0	15,732	-1,702	0	286,999	0	0	367,339
-76	0	1,730	0	0	2,311	0	-35	2,263
0	0	11,017	0		21,151	0	1,149	22,551
607	**-1,547**	**68,791**	**-5,211**	**-30,519**	**0**	**-20,384**	**-851,300**	**3,624,913**

14.6 Management Board and Supervisory Board

At the time of preparation, the Management Board of ADLER comprised Maximilian Rienecker, Master of Science in Management, Thierry Beaudemoulin, Master in Regional and Urban Strategy and Sven-Christian Frank, lawyer. Sven-Christinan Frank has been a member of the Management Board as COO since 9 June 2016 and was in office until 30 March 2021. He has been a member of the Management Board as CLO since 1 April 2021. Maximilian Rienecker was appointed to the Management Board as Co-CEO on 22 December 2017; and Thierry Beaudemoulin joined the Management Board as Co-CEO on 1 April 2021, and assumed the role of COO on the same date.

Maximilian Rienecker and Thierry Beaudemoulin are also co-CEO's of Adler Group (Executive Director on the Administrative Board).

The Supervisory Board of ADLER Real Estate AG consists of the following members:

- Martin Billhardt, Pfäffikon/Switzerland, lawyer, Chairman
- Thilo Schmid, Blotzheim/France, project controller, Deputy Chairman
- Claus Jørgensen, London/UK, businessman, until March 14, 2022
- Dr. Peter Maser, Stuttgart/Germany, lawyer, since March 14, 2022

The following members of the Supervisory Board of ADLER Real Estate Aktiengesellschaft, Berlin, held the following further positions on supervisory boards and other supervisory bodies as defined in § 125 (1) Sentence 5 of the German Stock Corporation Act (AktG):

- Martin Billhardt
  Deutsche Rohstoff AG, Heidelberg (Supervisory Board Chairman)
  Cub Greek Energy LLC, Highlands Ranch/USA (Non-executive member of the Board of Directors)
  Elster Oil & Gas LLC, Highlands Ranch/USA (Non-executive member of the Board of Directors), until June 2021
  Bright Rock Energy LLC, Denver/USA (Non-executive member of the Board of Directors)
  WESTGRUND AG, Berlin (Supervisory Board Chairman) until December 2021

- Thilo Schmid
  Adler Group S.A., Luxembourg (Member of the directos Bord)
  Jedox AG, Freiburg (Member of the Supervisory Board), until January 2021
  DTH S.A., Luxembourg (non-executive Member of the Board of Directors)
  Mindlab Solutions GmbH, Stuttgart (Advisory Board member), until January 2021
  cynora GmbH, Bruchsal (Advisory Board member)
  Data Trust Holding S.à.r.l., Luxembourg (non-executive Board Member)
  YEDiTEPE MARiNA YATIRIM TURiZM iNSAAT A.S., Istanbul, Türkei (Member of the directors Board)
  Whitebox Services AG, Wollerau, Schweiz (Member of the directors Board), since June 2021
  mobileObjects AG, Büren-Ahden (Member of the Supervisory Bord), since October 2021
  rankingCoach International GmbH, Köln (Advisory Board member), since August 2021
  clickworker GmbH, Essen (Advisory Board member), since August 2021

- Dr. Peter Maser
  Adler Group S.A., Luxembourg (Deputy Chairman of the Board of Directors)
  Volksbank Stuttgart eG (Vice Chairman of the Supervisory Board)
  BF.direkt AG (Chairman of the Supervisory Board)
  EURAM Bank AG (Chairman of the Supervisory Board)

- Claus Jørgensen
  Adler Group S.A., Luxembourg (Non-executive Director)
  Brack Capital Properties N.V., Amsterdam/NL (Member of the Directors' Board) until December 30, 2021

14.7 Events after the balance sheet date

With a purchase agreement dated 13 January 2022, Adler Group sold more than 14,400 residential and commercial units of ADLER, mainly located in medium-sized cities in eastern Germany, to a subsidiary of KKR & Co. Inc. The disposal is to be carried out by way of the sale of individual properties as an asset deal, starting in the first quarter of 2022 and ending at the end of the 2022 financial year. ADLER reports the properties concerned under assets available for sale.

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

On March 14, 2022 Dr. Peter Maser was appointed member of the Supervisory Board of ADLER Real Estate AG following Claus Joergensen who left for personal reasons.

On March 30, 2022 ADLER signed a loan agreement on the granting of a loan in an amount of EUR 265 million to its majority shareholder, ADLER Group S.A. It bears an at arm's length interest rate. The Company's excess liquidity obtained in the course of transactions is thus used efficiently.

On April 4, 2022, the new federal government decided that from 2023 landlords would also have to contribute to the CO2 levy on heating costs. A staged model is planned, which sets the share of landlords in inverse relation to the energy efficiency of the building.

On April 19, 2022 the outstanding bond 2019/2022 has been repaid at maturity in the full amount of EUR 400 million.

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

No further events with the potential to significantly influence the earnings, assets and financial position of ADLER occurred between the end of the period under report and the editorial deadline for this report. The Company's business performance up to the reporting date confirms the statements made in its report on expected developments.

14.8 Declaration of Conformity with the German Corporate Governance Code

The Declaration of Conformity of ADLER was most recently submitted by the Management Board in December 2021. It is permanently available to shareholders at:

http://adler-ag.com/investor-relations/corporate-governance/entsprechenserklaerung

Berlin, 30 April 2022

Maximilian Rienecker
CEO

Thierry Beaudemoulin
COO

Sven-Christian Frank
CLO

SUBSIDIARIES

No.	Company	Headquarters
	Subsidiaries fully consolidated	
1	ADLER Real Estate AG (Muttergesellschaft)	Berlin
2	ADLER Real Estate Service GmbH	Hamburg
3	Verwaltungsgesellschaft ADLER Real Estate mbH	Berlin
4	Achte ADLER Real Estate GmbH & Co. KG	Hamburg
5	Münchener Baugesellschaft mbH	Berlin
6	ADLER Wohnen Service GmbH	Berlin
7	MBG Großbeeren GmbH & Co. KG	Hamburg
8	MBG Trachau GmbH & Co. KG	Hamburg
	MBG Erste Vermögensverwaltungs GmbH	
10	Magnus zweite Immobilienbesitz und Verwaltungs GmbH	Berlin
11	Energy AcquiCo I GmbH	Frankfurt am Main
12	Magnus Dritte Immobilienbesitz und Verwaltungs GmbH	Berlin
13	Magnus Fünfte Immobilienbesitz und Verwaltungs GmbH	Berlin
14	WER 1. Wohnungsgesellschaft Erfurt Rieth mbH	Berlin
15	WER 2. Wohnungsgesellschaft Erfurt Rieth mbH	Berlin
16	ESTAVIS 6. Wohnen GmbH	Berlin
17	ESTAVIS 7. Wohnen GmbH	Berlin
18	ESTAVIS 8. Wohnen GmbH	Berlin
19	ESTAVIS 9. Wohnen GmbH	Berlin
20	RELDA 36. Wohnen GmbH	Berlin
21	RELDA 39. Wohnen GmbH	Berlin
22	RELDA Bernau Wohnen Verwaltungs GmbH	Berlin
23	MBG Sachsen GmbH	Aue
24	Magnus-Relda Holding Vier GmbH	Berlin
25	Cato Immobilienbesitz und -verwaltungs GmbH	Berlin
26	Magnus Immobilienbesitz und Verwaltungs GmbH	Berlin
27	WBR Wohnungsbau Rheinhausen GmbH	Berlin
28	S.I.G. RE GmbH	Berlin
29	Resident Sachsen P&K GmbH	Berlin
30	Resident West GmbH	Berlin
31	MBG Schwelm GmbH	Berlin
32	Alana Properties GmbH	Berlin
33	Aramis Properties GmbH	Berlin
34	REO-Real Estate Opportunities GmbH	Frankfurt am Main
35	Roslyn Properties GmbH	Berlin
36	Rostock Verwaltungs GmbH	Berlin
37	Sepat Properties GmbH	Berlin
38	Wallace Properties GmbH	Berlin
39	ADLER ImmoProjekt Erste GmbH	Berlin
40	ADLER Energie Service GmbH	Berlin
41	Magnus Neunte Immobilienbesitz und Verwaltungs GmbH	Berlin

	Equity interest in %	Held by No.	Business activity
			Holding
2)	100.0	1	Service company
	100.0	1	General Partner
1)	100.0	1	Project development
	99.95	1	Intermediate holding Company
	0.05	13	
2)	83.3	5	Service company
	16.7	1	
1)	100.0	5	Project development
1)	99.9	5	Project development
	100.0	5	Intermediate holding Company
	100.0	5	Intermediate holding Company
	100.0	10	Intermediate holding Company
	100.0	5	Intermediate holding Company
	100.0	5	Intermediate holding Company
	89.9	5	Portfolio management
	89.9	5	Portfolio management
	94.8	24	Portfolio management
	94.8	24	Portfolio management
	94.8	24	Portfolio management
	94.8	24	Portfolio management
	94.8	24	Portfolio management
	94.8	24	Portfolio management
	89.9	24	Portfolio management
	89.9	5	Portfolio management
	98.0	5	Intermediate holding Company
2)	89.9	10	Portfolio management
	100.0	5	Intermediate holding Company
3)	87.4	26	Portfolio management
	100.0	9	Intermediate holding Company
	89.9	28	Portfolio management
	89.9	28	Portfolio management
	89.9	10	Portfolio management
	89.9	12	Portfolio management
	89.9	12	Portfolio management
	89.9	12	Portfolio management
2)	89.9	12	Portfolio management
	89.9	12	Portfolio management
	89.9	12	Portfolio management
	89.9	12	Portfolio management
	89.9	1	Project development
2)	100.0	1	Service company
	89.9	5	Intermediate holding Company

No.	Company	Headquarters
	Subsidiaries fully consolidated	
42	ADLER Immo Invest GmbH	Berlin
43	ADLER Gebäude Service GmbH	Berlin
44	Westgrund Holding GmbH	Berlin
45	Westgrund Immobilien II. GmbH	Berlin
46	Westconcept GmbH	Berlin
47	IMMOLETO Gesellschaft mit beschränkter Haftung	Berlin
48	ICR Idee Concept und Realisation von Immobilienvorhaben GmbH	Berlin
49	Westgrund Immobilien Beteiligung GmbH	Berlin
50	Westgrund Immobilien Beteiligung II. GmbH	Berlin
51	Westgrund Immobilien Beteiligung III. GmbH	Berlin
52	WESTGRUND Immobilien IV. GmbH	Berlin
53	WESTGRUND Immobilien V. GmbH	Berlin
54	WESTGRUND Immobilien VI. GmbH	Berlin
55	WAB Hausverwaltungsgesellschaft mbH	Ludwigshafen am Rhein
56	Westgrund Brandenburg GmbH	Berlin
57	Westgrund VII. GmbH	Berlin
58	Westgrund I. Halle GmbH	Berlin
59	Westgrund Halle Immobilienverwaltung GmbH	Berlin
60	Westgrund Immobilien II. Halle GmbH & Co. KG	Berlin
61	RESSAP - Real Estate Service Solution Applications - GmbH	Berlin
62	Xammit GmbH	Berlin
63	Magnus Zehnte Immobilienbesitz und Verwaltungs GmbH	Berlin
64	Magnus Elfte Immobilienbesitz und Verwaltungs GmbH	Berlin
65	Zweite CM Real Estate GmbH	Berlin
66	Dritte CM Real Estate GmbH	Berlin
67	Vierte CM Real Estate GmbH	Berlin
68	TGA Immobilien Erwerb 3 GmbH	Berlin
69	ADP Germany GmbH	Berlin
70	AFP III Germany GmbH	Berlin
71	RIV Harbour West MI 1 GmbH	Berlin
72	RIV Harbour East WA 1 GmbH	Berlin
73	RIV Total MI 2 GmbH	Berlin
74	RIV Central WA 2 GmbH	Berlin
75	RIV Square West MI 3 GmbH	Berlin
76	RIV Square East WA 3 GmbH	Berlin
77	RIV Channel MI 4 GmbH	Berlin
78	RIV Kornspeicher GmbH	Berlin
79	Magnus Zwölfte Immobilienbesitz und Verwaltungs GmbH	Berlin
80	Magnus Dreizehnte Immobilienbesitz und Verwaltungs GmbH	Berlin
81	TGA Immobilien Erwerb 10 GmbH	Berlin
82	Brack Capital Properties N.V. (BCP)	Amsterdam/Netherlands
83	Magnus Fünfzehnte Immobilienbesitz und Verwaltungs GmbH	Berlin
84	Magnus Sechszehnte Immobilienbesitz und Verwaltungs GmbH	Berlin

	Equity interest in %	Held by No.	Business activity
	100.0	1	None
2)	100.0	5	Service company
	100.00	1	Holding
	89.9	44	Portfolio management
	100.0	44	Service company
	100.0	44	Intermediate holding Company
	89.9	47	Portfolio management
	100.0	44	None
	100.0	44	None
	89.9	44	Portfolio management
	89.9	44	Portfolio management
	89.9	44	Portfolio management
	89.9	44	Portfolio management
	100.0	44	None
	89.9	44	Portfolio management
2)	89.9	44	Portfolio management
	94.9	44	Portfolio management
	100.0	58	General Partner
1)	99.9	58	Portfolio management
	100.0	5	None
	100.0	44	None
	100.0	5	Intermediate holding Company
	100.0	5	Intermediate holding Company
	89.9	41	Portfolio management
	89.9	41	Portfolio management
	89.9	41	Portfolio management
	89.9	12	Portfolio management
	89.9	64	Portfolio management
	89.9	64	Portfolio management
	89.9	63	Portfolio management
	89.9	63	Portfolio management
	89.9	63	Project development
	89.9	63	Portfolio management
	89.9	63	Portfolio management
	89.9	63	Portfolio management
	89.9	63	Portfolio management
	89.9	63	Project development
	100.0	5	Intermediate holding Company
	89.9	5	Project development
	89.9	79	Portfolio management
	62.8	1	Holding
	89.9	5	Project development
	89.9	5	Project development

No.	Company	Headquarters
	Subsidiaries fully consolidated	
85	Brack German Properties B.V.	Amsterdam/Netherlands
86	Brack Capital (Düsseldorf-Rossstrasse) B.V.	Amsterdam/Netherlands
87	Brack Capital (Düsseldorf-Schanzenstraße) B.V.	Amsterdam/Netherlands
88	Brack Capital (Bad Kreuznach) B.V.	Amsterdam/Netherlands
89	Brack Capital (Gelsenkirchen) B.V.	Amsterdam/Netherlands
90	Brack Capital (Neubrandenburg) B.V.	Amsterdam/Netherlands
91	Brack Capital (Ludwigsfelde) B.V.	Amsterdam/Netherlands
92	Brack Capital (Remscheid) B.V.	Amsterdam/Netherlands
93	Brack Capital Theta B.V.	Amsterdam/Netherlands
94	Graniak Leipzig Real Estate GmbH & Co KG	Frankfurt am Main
95	BCRE Leipzig Residenz am Zoo GmbH	Frankfurt am Main
96	Brack Capital Epsilon B.V.	Amsterdam/Netherlands
97	Brack Capital Delta B.V.	Amsterdam/Netherlands
98	Brack Capital Alfa B.V.	Amsterdam/Netherlands
99	Brack Capital (Hamburg) B.V.	Amsterdam/Netherlands
100	BCP Leipzig B.V.	Amsterdam/Netherlands
101	BCRE Leipzig Wohnen Nord B.V.	Amsterdam/Netherlands
102	BCRE Leipzig Wohnen Ost B.V.	Amsterdam/Netherlands
103	BCRE Leipzig Wohnen West B.V.	Amsterdam/Netherlands
104	Brack Capital Germany (Netherlands) XVIII B.V.	Amsterdam/Netherlands
105	Brack Capital Germany (Netherlands) XXII B. V.	Amsterdam/Netherlands
106	BCRE Essen Wohnen B.V.	Amsterdam/Netherlands
107	BCRE Duisburg Wohnen B.V.	Amsterdam/Netherlands
108	BCRE Dortmund Wohnen B.V.	Amsterdam/Netherlands
109	Brack Capital Germany (Netherlands) XVII B.V.	Amsterdam/Netherlands
110	Brack Capital Germany (Netherlands) Hedging B.V.	Amsterdam/Netherlands
111	Brack Capital Germany (Netherlands) XLV B.V.	Amsterdam/Netherlands
112	S.I.B. Capital Future Markets Ltd.	Tel Aviv/Israel
113	Brack Capital Labda B.V.	Amsterdam/Netherlands
114	LBHQ Investments B.V.	Amsterdam/Netherlands
115	RealProb (Rodelheim) C.V.	Amsterdam/Netherlands
116	RealProb Investment Germany (Netherlands) III B.V.	Amsterdam/Netherlands
117	Brack Capital Germany (Netherlands) XLVII B.V.	Amsterdam/Netherlands
118	Brack Capital Germany (Netherlands) L B.V.	Amsterdam/Netherlands
119	Brack Capital Germany (Netherlands) LI B.V.	Amsterdam/Netherlands
120	Brack Capital Germany (Netherlands) LIII B.V.	Amsterdam/Netherlands
121	Brack Capital Germany (Netherlands) LIV B.V.	Amsterdam/Netherlands
122	Brack Capital Germany (Netherlands) XLVIII B.V.	Amsterdam/Netherlands

	Equity interest in %	Held by No.	Business activity
	100.0	82	Intermediate holding Company
	99.9	85	Portfolio management
	100.0	85	None
	99.9	85	Portfolio management
	100.0	85	Portfolio management
	99.9	85	Portfolio management
	99.9	85	Portfolio management
	99.9	85	Portfolio management
	100.0	85	Intermediate holding Company
	99.9	93	Portfolio management
	94.9	93	General Partner
	100.0	85	None
	52.29	85	None
	37.61	82	
	10.10	5	
	52.29	85	None
	37.61	82	
	10.10	5	
	100.0	85	None
	100.0	85	Intermediate holding Company
	99.9	100	Portfolio management
	99.9	100	Portfolio management
	99.9	100	Portfolio management
	100.0	85	None
	100.0	85	Intermediate holding Company
	99.9	105	Portfolio management
	99.9	105	Portfolio management
	99.9	105	Portfolio management
	100.0	85	None
	100.0	85	None
	100.0	85	Service company
	100.0	111	Service company
	100.0	85	Intermediate holding Company
	100.0	85	None
	99.0	114	None
	1.0	116	
	100.0	85	None
	99.9	85	Portfolio management
	100.0	85	Intermediate holding Company
	99.9	85	Intermediate holding Company
	99.9	85	Portfolio management
	100.0	85	None
	100.0	85	Intermediate holding Company

No.	Company	Headquarters
	Subsidiaries fully consolidated	
123	Brack Capital Beta B.V.	Amsterdam/Netherlands
124	Grafental Mitte B.V.	Amsterdam/Netherlands
125	Brack Capital Germany (Netherlands) XXVI B.V.	Amsterdam/Netherlands
126	Grafental GmbH & Co. KG	Duesseldorf
127	Brack Capital Germany (Netherlands) XLIX B.V.	Amsterdam/Netherlands
128	Brack Capital Germany (Netherlands) XLVI B.V.	Amsterdam/Netherlands
129	Brack Capital (Witten) GmbH & Co. Immobilien KG	Duesseldorf
130	Brack Capital Witten GmbH (GP)	Duesseldorf
131	Brack Capital Germany (Netherlands) XII B.V.	Amsterdam/Netherlands
132	Brack Capital Germany (Netherlands) XIX B.V.	Amsterdam/Netherlands
133	Brack Capital Germany (Netherlands) XXI B.V.	Amsterdam/Netherlands
134	Brack Capital Germany (Netherlands) XLI B.V.	Amsterdam/Netherlands
135	Brack Capital Germany (Netherlands) XXIII B.V.	Amsterdam/Netherlands
136	Brack Capital Germany (Netherlands) XLII B.V.	Amsterdam/Netherlands
137	Brack Capital Germany (Netherlands) XLIII B.V.	Amsterdam/Netherlands
138	Brack Capital Germany (Netherlands) XLIV B.V.	Amsterdam/Netherlands
139	Brack Capital Germany (Netherlands) XXX B.V.	Amsterdam/Netherlands
140	Brack Capital (Darmstadt Goebelstrasse) GmbH	Frankfurt am Main
141	Brack Capital Germany (Netherlands) XXXI B.V.	Amsterdam/Netherlands
142	Brack Capital Germany (Netherlands) XXXV B.V.	Amsterdam/Netherlands
143	Brack Capital Germany (Netherlands) XXXVI B.V.	Amsterdam/Netherlands
144	Brack Capital Germany (Netherlands) XXXVII B.V.	Amsterdam/Netherlands
145	Brack Capital Germany (Netherlands) XXXVIII B.V.	Amsterdam/Netherlands
146	Brack Capital Germany (Netherlands) XXXIX B.V.	Amsterdam/Netherlands
147	Brack Capital Germany (Netherlands) XXV B.V.	Amsterdam/Netherlands
148	Brack Capital Wuppertal (Netherlands) B.V.	Amsterdam/Netherlands
149	Brack Capital (Wuppertal) GmbH	Frankfurt am Main
150	Invest Partner GmbH	Frankfurt am Main
151	Brack Capital Gelsenkirchen GmbH & Co. Immobilien KG	Frankfurt am Main
152	Brack Capital (Oberhausen) GmbH	Frankfurt am Main
153	Grafental Verwaltungs GmbH (phG)	Duesseldorf
154	Brack Capital Kaufland Sarl	Luxemburg/Großherzogtum Luxemburg
155	TPL Augsburg S.á r.l	Luxemburg/Großherzogtum Luxemburg
156	TPL Bad Aibling S.á r.l.	Luxemburg/Großherzogtum Luxemburg
157	TPL Biberach S.á r.l.	Luxemburg/Großherzogtum Luxemburg
158	TPL Borken S.á r.l.	Luxemburg/Großherzogtum Luxemburg
159	TPL Geislingen S.á r.l.	Luxemburg/Großherzogtum Luxemburg
160	TPL Neckarsulm S.á r.l.	Luxemburg/Großherzogtum Luxemburg
161	TPL Vilshofen S.á r.l.	Luxemburg/Großherzogtum Luxemburg
162	TPL Ludwigsburg S.á r.l.	Luxemburg/Großherzogtum Luxemburg
163	Brack Capital Eta B.V.	Amsterdam/Netherlands
164	Brack Capital Germany (Netherlands) XL B.V.	Amsterdam/Netherlands

	Equity interest in %	Held by No.	Business activity
	89.9	85	Intermediate holding Company
	99.9	123	Project development
	99.9	123	Project development
	100.0	125	Project development
	99.9	85	Portfolio management
	100.0	85	None
	100.0	128	None
	100.0	128	General Partner
	100.0	85	Intermediate holding Company
	99.9	85	Portfolio management
	99.9	85	Portfolio management
	99.9	85	Portfolio management
	100.0	85	None
	99.9	85	Portfolio management
	100.0	85	None
	99.9	85	Portfolio management
	99.9	85	Portfolio management
	100.0	135	None
	99.9	85	Portfolio management
	99.9	85	Portfolio management
	99.9	85	Portfolio management
	99.9	85	Portfolio management
	99.9	85	Project development
	99.9	85	Portfolio management
	100.0	85	None
	100.0	85	None
	100.0	85	None
	93.9	149	Portfolio management
	99.2	89	Intermediate holding Company
	100.0	89	General Partner
	100.0	131	General Partner
	89.9	85	None
	10.1	5	
	92.0	154	Portfolio management
	91.9	154	Portfolio management
	91.9	154	Portfolio management
	92.0	154	None
	91.9	154	Portfolio management
	91.9	154	Portfolio management
	92.0	154	None
	91.9	154	Portfolio management
	100.0	85	Intermediate holding Company
	100.0	85	Intermediate holding Company

No.	Company	Headquarters
	Subsidiaries fully consolidated	
165	Parkblick GmbH & Co. KG	Duesseldorf
166	Grafental am Wald GmbH (PhG)	Duesseldorf
167	Brack Capital Germany (Netherlands) LII B.V. "Holdco BV"	Amsterdam/Netherlands
168	Brack Capital Patros GmbH "Holdco GmbH"	Frankfurt am Main
169	Brack Capital Magdeburg I GmbH	Berlin
170	Brack Capital Magdeburg II GmbH	Berlin
171	Brack Capital Magdeburg III GmbH	Berlin
172	Brack Capital Magdeburg IV GmbH	Berlin
173	Brack Capital Magdeburg V GmbH	Berlin
174	Brack Capital Magdeburg VI GmbH	Berlin
175	Brack Capital Halle I GmbH	Berlin
176	Brack Capital Halle II GmbH	Berlin
177	Brack Capital Halle III GmbH	Berlin
178	Brack Capital Halle IV GmbH	Berlin
179	Brack Capital Halle V GmbH	Berlin
180	Brack Capital Leipzig I GmbH	Berlin
181	Brack Capital Leipzig II GmbH	Berlin
182	Brack Capital Leipzig III GmbH	Berlin
183	Brack Capital Leipzig IV GmbH	Berlin
184	Brack Capital Leipzig V GmbH	Berlin
185	Brack Capital Leipzig VI GmbH	Berlin
186	Brack Capital Germany (Netherlands) LV B.V.	Amsterdam/Netherlands
187	RT Facility Management GmbH & Co. KG	Duesseldorf
188	RT Facility Management (Germany) GmbH (GP)	Duesseldorf
189	BCRE Kassel I B.V.	Amsterdam/Netherlands
190	Brack Objekt Kassel Hafenstrasse GmbH	Frankfurt am Main
191	Brack Capital (Kassel) GmbH & Co. Immobilien KG	Frankfurt am Main
192	RealProb Investment (Duisburg) B.V.	Amsterdam/Netherlands
193	Magnus Siebzehnte Immobilienbesitz und Verwaltungs GmbH	Berlin
194	Wasserstadt Co-Living GmbH	Berlin
195	Magnus Neunzehnte Immobilienbesitz und Verwaltungs GmbH	Berlin
196	Magnus Zwanzigste Immobilienbesitz und Verwaltungs GmbH	Berlin
197	Spree Zweite Beteiligung Ost GmbH	Zossen
198	Spree Röbellweg 2 - 10 Verwaltungs GmbH	Berlin
199	ADO GROUP LTD.	Israel
200	BCP Invest Rostock B.V.	Amsterdam/Netherlands
201	BCP Invest Celle B.V.	Amsterdam/Netherlands
202	BCP Invest Castrop B.V.	Amsterdam/Netherlands
203	Eurohaus Frankfurt AG	Berlin
204	Glasmacherviertel Verwaltungs GmbH (phG)	Duesseldorf
205	Brack Capital (Duisburg 2) GmbH & Co. Immobilien KG	Frankfurt am Main
206	Glasmacherviertel GmbH & Co. KG	Duesseldorf

	Equity interest in %	Held by No.	Business activity
	99.9	164	Portfolio management
	100.0	164	General Partner
	100.0	85	Intermediate holding Company
	100.0	167	Intermediate holding Company
	94.8	168	Portfolio management
	94.8	168	Portfolio management
	94.8	168	Portfolio management
	94.8	168	Portfolio management
	94.8	168	Portfolio management
	94.8	168	Portfolio management
	94.8	168	Portfolio management
	94.8	168	Portfolio management
	94.8	168	Portfolio management
	94.8	168	Portfolio management
	94.8	168	Portfolio management
	94.8	168	Portfolio management
	94.8	168	Portfolio management
	94.8	168	Portfolio management
	94.8	168	Portfolio management
	94.8	168	Portfolio management
	94.8	168	Portfolio management
	100.0	85	Intermediate holding Company
	100.0	186	Service company
	100.0	187	General Partner
	89.9	85	Intermediate holding Company
	10.1	5	
	94.9	189	General Partner
	100.0	189	Portfolio management
	100.0	85	Portfolio management
	99.9	5	None
	100.0	5	Intermediate holding Company
	100.0	5	None
	100.0	5	None
	89.9	1	Portfolio management
	89.9	1	Portfolio management
	100.0	1	Holding
	100.0	85	Intermediate holding Company
	100.0	85	Intermediate holding Company
	100.0	85	Intermediate holding Company
	89.99	1	Portfolio management
	100,0	122	General Partner
	99.33	131	None
	100.00	122	Portfolio management

No.	Company	Headquarters
	Associated Companies or Joint Ventures included in the consolidated financial statements	
207	ACCENTRO REAL ESTATE AG	Berlin
208	ADLER Real Estate Assekuranzmakler GmbH & Co. KG	Duesseldorf
209	AB Immobilien B.V.	Amsterdam/Netherlands
210	Caesar JV Immobilienbesitz und Verwaltungs GmbH	Berlin
211	Brack Capital (Chemnitz) B.V.	Amsterdam/Netherlands
	Companies not significant enough to be included at equity in the consolidated financial statements	
212	MRT (Mountleigh Roland Ernst) B.V.	Rotterdam / Netherlands
213	Stovago B.V.	Rotterdam / Netherlands

[1] The Company intends to utilise the exemption option under § 264 b HGB with regard to disclosure requirements
[2] The Company intends to utilise the exemption option under § 264 Art. 3 HGB with regard to disclosure requirements
[3] The Company intends to utilise the exemption option under § 264 Art. 3 HGB with regard to disclosure requirements of the management report

	Equity interest in %	Held by No.	Business activity
	6.2	1	Trade
	50.0	1	Insurance Broker
	25.0	5	Portfolio management
	25.0	5	Portfolio management
	59.9	85	Portfolio management
	50.0	1	None
	50.0	1	None

/// AFFIRMATION BY THE LEGAL REPRESENTATIVES

“We hereby affirm to the best of our knowledge, pursuant to the applicable accounting principles for interim financial reporting, that the interim consolidated financial statements convey a true and fair view of the Group’s financial, earnings and liquidity position, that the course of business, including the results of operations and the position of the Group, is represented in the combined management report in such a manner as to convey a true and fair view and that all essential opportunities and risks foreseeable for the Group in the remainder of the financial year are described.

Berlin, 30 April 2022

Maximilian Rienecker
CEO

Thierry Beaudemoulin
COO

Sven-Christian Frank
CLO

/// LEGAL REMARK

This report contains future-oriented statements that reflect the current management’s views of ADLER Real Estate AG regarding future events. Every statement in this report that reflects intentions, assumptions, expectations or predictions, as well as the assumptions on which they are based, constitutes such a future-oriented statement. These statements are based on plans, estimates and forecasts currently available to the management of ADLER Real Estate AG. Therefore, they only apply to the day on which they are made. By their nature, future-oriented statements are subject to risks and uncertainty factors, and the actual developments can deviate considerably from the future-oriented statements or the events implicitly expressed in them. ADLER Real Estate AG is not obligated, nor does it intend, to update such statements in view of new information or future events.

/// VERSAGUNGSVERMERK DES UNABHÄNGIGEN ABSCHLUSSPRÜFERS

An die ADLER Real Estate Aktiengesellschaft, Berlin

VERSAGUNGSVERMERK ÜBER DIE PRÜFUNG DES KONZERNABSCHLUSSES UND DES ZUSAMMENGEFASSTEN LAGEBERICHTS

Erklärung der Nichtabgabe von Prüfungsurteilen

Wir waren beauftragt, den Konzernabschluss der ADLER Real Estate Aktiengesellschaft, Berlin, – bestehend aus der Konzernbilanz zum 31. Dezember 2021, der Konzerngesamtergebnisrechnung, der Konzerneigenkapitalveränderungsrechnung und der Konzernkapitalflussrechnung für das Geschäftsjahr vom 1. Januar bis zum 31. Dezember 2021 sowie dem Konzernanhang, einschließlich einer Zusammenfassung bedeutsamer Rechnungslegungsmethoden – zu prüfen. Darüber hinaus waren wir beauftragt, den Bericht über die Lage der Gesellschaft und des Konzerns (im Folgenden „zusammengefasster Lagebericht") der ADLER Real Estate Aktiengesellschaft für das Geschäftsjahr vom 1. Januar bis zum 31. Dezember 2021 zu prüfen. Die in der Anlage genannten Bestandteile des zusammengefassten Lageberichts haben wir in Einklang mit den deutschen gesetzlichen Vorschriften nicht inhaltlich geprüft.

Wir geben keine Prüfungsurteile zu dem beigefügten Konzernabschluss und dem beigefügten zusammengefassten Lagebericht ab. Aufgrund der Bedeutung der im Abschnitt „Grundlage für die Erklärung der Nichtabgabe von Prüfungsurteilen" beschriebenen Sachverhalte sind wir nicht in der Lage gewesen, ausreichende geeignete Prüfungsnachweise als Grundlage für Prüfungsurteile zum Konzernabschluss und zum zusammengefassten Lagebericht zu erlangen, und versagen daher den Bestätigungsvermerk.

Grundlage für die Erklärung der Nichtabgabe von Prüfungsurteilen

Im Verlauf unserer Prüfung ergaben sich Erkenntnisse, die auf das Vorliegen von Geschäftsvorfällen hindeuten, die möglicherweise als Geschäfte mit nahestehenden Personen und Unternehmen im Sinn des IAS 24 zu klassifizieren sind. Um diesbezüglich hinreichende Sicherheit zu erlangen, haben wir unsere Prüfungshandlungen ausgeweitet. Insbesondere beabsichtigten wir, einen ausgewählten E-Mailverkehr einzusehen. Die Gesellschaft hat uns jedoch keine vollumfängliche Einsicht in den von uns angeforderten E-Mailverkehr und in andere angeforderte Informationen gewährt. Daraus folgt, dass wir nicht mit hinreichender Sicherheit beurteilen können, ob weitere juristische oder natürliche Personen als nahestehende Personen oder Unternehmen zu klassifizieren sind, ob weitere Geschäfte mit Personen vorliegen, die als Geschäfte mit nahestehenden Personen oder Unternehmen zu klassifizieren sind und ob die Geschäfte vollständig und richtig erfasst worden sind. Folglich können wir auch nicht mit hinreichender Sicherheit beurteilen, ob alle Geschäftsvorfälle des Unternehmens vollständig sowie dem wirtschaftlichen Gehalt entsprechend angesetzt und bewertet worden sind.

Dieser Sachverhalt hat umfassende Bedeutung auch für die Beurteilbarkeit der im zusammengefassten Lagebericht erfolgten Darstellung des Geschäftsverlaufs einschließlich des Geschäftsergebnisses und der Lage des Konzerns sowie der Darstellung der Chancen und Risiken der zukünftigen Entwicklung.

Verantwortung des Vorstands und des Aufsichtsrats für den Konzernabschluss und den zusammengefassten Lagebericht

Der Vorstand ist verantwortlich für die Aufstellung des Konzernabschlusses, der den IFRS, wie sie in der EU anzuwenden sind, und den ergänzend nach § 315e Abs. 1 HGB anzuwendenden deutschen gesetzlichen Vorschriften in allen wesentlichen Belangen entspricht, und dafür, dass der Konzernabschluss unter Beachtung dieser Vorschriften ein den tatsächlichen Verhältnissen entsprechendes Bild der Vermögens-, Finanz- und Ertragslage des Konzerns vermittelt. Ferner ist der Vorstand verantwortlich für die internen Kontrollen, die er als notwendig bestimmt hat, um die Aufstellung eines Konzernabschlusses zu ermöglichen, der frei von wesentlichen – beabsichtigten oder unbeabsichtigten – falschen Darstellungen ist.

Bei der Aufstellung des Konzernabschlusses ist der Vorstand dafür verantwortlich, die Fähigkeit des Konzerns zur Fortführung der Unternehmenstätigkeit zu beurteilen. Des Weiteren hat er die Verantwortung, Sachverhalte in Zusammenhang mit der Fortführung der Unternehmenstätigkeit, sofern einschlägig, anzugeben. Darüber hinaus ist er dafür verantwortlich, auf der Grundlage des Rechnungslegungsgrundsatzes der Fortführung der Unternehmenstätigkeit zu bilanzieren, es sei denn, es besteht die Absicht den Konzern zu liquidieren oder der Einstellung des Geschäftsbetriebs oder es besteht keine realistische Alternative dazu.

Außerdem ist der Vorstand verantwortlich für die Aufstellung des zusammengefassten Lageberichts, der insgesamt ein zutreffendes Bild von der Lage des Konzerns vermittelt sowie in allen wesentlichen Belangen mit dem Konzernabschluss in Einklang steht, den deutschen gesetzlichen Vorschriften entspricht und die Chancen und Risiken der zukünftigen Entwicklung zutreffend darstellt. Ferner ist der Vorstand verantwortlich für die Vorkehrungen und Maßnahmen (Systeme), die er als notwendig erachtet hat, um die Aufstellung eines zusammengefassten Lageberichts in Übereinstimmung mit den anzuwendenden deutschen gesetzlichen Vorschriften zu ermöglichen und um ausreichende geeignete Nachweise für die Aussagen im zusammengefassten Lagebericht erbringen zu können.

Der Aufsichtsrat ist verantwortlich für die Überwachung des Rechnungslegungsprozesses der Gesellschaft zur Aufstellung des Konzernabschlusses und des zusammengefassten Lageberichts.

Der Vorstand und der Aufsichtsrat sind des Weiteren verantwortlich für die Aufstellung des im zusammengefassten Lagebericht in einem besonderen Abschnitt enthaltenen Vergütungsberichts, einschließlich der dazugehörigen Angaben, der den Anforderungen des § 162 AktG entspricht. Ferner sind sie verantwortlich für die internen Kontrollen, die sie als notwendig erachten, um die Aufstellung eines Vergütungsberichts, einschließlich der dazugehörigen Angaben, zu ermöglichen, der frei von wesentlichen – beabsichtigten oder unbeabsichtigten – falschen Darstellungen ist.

Verantwortung des Abschlussprüfers für die Prüfung des Konzernabschlusses und des zusammengefassten Lageberichts

Es liegt in unserer Verantwortung, eine Prüfung des Konzernabschlusses und des zusammengefassten Lageberichts in Übereinstimmung mit § 317 HGB und der EU-Abschlussprüfer-verordnung (Nr. 537/2014; im Folgenden „EU-APrVO") unter Beachtung der vom Institut der Wirtschaftsprüfer (IDW) festgestellten deutschen Grundsätze ordnungsmäßiger Abschlussprüfung durchzuführen. Des Weiteren liegt es in unserer Verantwortung, einen Bestätigungsvermerk zu erteilen.

Aufgrund der im Abschnitt „Grundlage für die Erklärung der Nichtabgabe von Prüfungsurteilen" beschriebenen Sachverhalte sind wir nicht in der Lage gewesen, ausreichende geeignete Prüfungsnachweise als Grundlage für Prüfungsurteile zu diesem Konzernabschluss und diesem zusammengefassten Lagebericht zu erlangen.

Wir sind von dem Unternehmen unabhängig in Übereinstimmung mit den europarechtlichen sowie den deutschen handelsrechtlichen und berufsrechtlichen Vorschriften und haben unsere sonstigen deutschen Berufspflichten in Übereinstimmung mit diesen Anforderungen erfüllt. Darüber hinaus erklären wir gemäß Artikel 10 Abs. 2 Buchst. f) EU-APrVO, dass wir keine verbotenen Nichtprüfungsleistungen nach Artikel 5 Abs. 1 EU-APrVO erbracht haben.

Sonstige gesetzliche und andere rechtliche Anforderungen

Vermerk über die Prüfung der für Zwecke der Offenlegung erstellten elektronischen Wiedergabe des Konzernabschlusses und des zusammengefassten Lageberichts nach § 317 Abs. 3a HGB

Erklärung der Nichtabgabe eines Prüfungsurteils

Wir waren beauftragt, gemäß § 317 Abs. 3a HGB eine Prüfung mit hinreichender Sicherheit durchgeführt, ob die für Zwecke der Offenlegung zu erstellenden Wiedergaben des Konzernabschlusses und des zusammengefassten Lageberichts (im Folgenden auch als „ESEF-Unterlagen" bezeichnet) den Vorgaben des § 328 Abs. 1 HGB an das elektronische Berichtsformat („ESEF-Format") in allen wesentlichen Belangen entsprechen.

Wir geben kein Prüfungsurteil zu den ESEF-Unterlagen ab, da wir aufgrund des im nachfolgenden Abschnitt „Grundlage für die Erklärung der Nichtabgabe eines Prüfungsurteils" beschriebenen Sachverhalts nicht in der Lage gewesen sind, eine Prüfungsurteil zu den zu überführenden Informationen des Konzernabschlusses und des zusammengefassten Lageberichts abzugeben.

Grundlage für die Erklärung der Nichtabgabe eines Prüfungsurteils

Im Verlauf unserer Prüfung des Konzernabschlusses und des zusammengefassten Lageberichts ergaben sich Erkenntnisse, die auf das Vorliegen von Geschäftsvorfällen hindeuten, die möglicherweise als Geschäfte mit nahestehenden Personen und Unternehmen im Sinn des IAS 24 zu klassifizieren sind. Um diesbezüglich hinreichende Sicherheit zu erlangen, haben wir unsere Prüfungshandlungen ausgeweitet. Insbesondere beabsichtigten wir, einen ausgewählten E-Mailverkehr einzusehen. Die Gesellschaft hat uns jedoch keine vollumfängliche Einsicht in den von uns angeforderten E-Mailverkehr und in andere angeforderte Informationen gewährt. Daraus folgt, dass wir nicht mit hinreichender Sicherheit beurteilen können, ob weitere juristische oder natürliche Personen als nahestehende Personen oder Unternehmen zu klassifizieren sind, ob weitere Geschäfte mit Personen vorliegen, die als Geschäfte mit nahestehenden Personen oder Unternehmen zu klassifizieren sind und ob die Geschäfte vollständig und richtig erfasst worden sind. Folglich können wir auch nicht mit hinreichender Sicherheit beurteilen, ob alle Geschäftsvorfälle des Unternehmens vollständig sowie dem wirtschaftlichen Gehalt entsprechend angesetzt und bewertet worden sind.

Verantwortung des Vorstands und des Aufsichtsrats für die ESEF-Unterlagen

Der Vorstand der Gesellschaft ist verantwortlich für die Erstellung der ESEF-Unterlagen mit den elektronischen Wiedergaben des Konzernabschlusses und des zusammengefassten Lageberichts nach Maßgabe des § 328 Abs. 1 Satz 4 Nr. 1 HGB.

Ferner ist der Vorstand der Gesellschaft verantwortlich für die internen Kontrollen, die er als notwendig erachtet, um die Erstellung der ESEF-Unterlagen zu ermöglichen, die frei von wesentlichen – beabsichtigten oder unbeabsichtigten – Verstößen gegen die Vorgaben des § 328 Abs. 1 HGB an das elektronische Berichtsformat sind.

Der Aufsichtsrat ist verantwortlich für die Überwachung des Prozesses der Erstellung der ESEF-Unterlagen als Teil des Rechnungslegungsprozesses.

Verantwortung des Abschlussprüfers für die ESEF-Unterlagen

Es liegt in unserer Verantwortung, eine Prüfung der ESEF-Unterlagen in Übereinstimmung mit § 317 Abs. 3a HGB unter Beachtung des IDW Prüfungsstandards: Prüfung der für Zwecke der Offenlegung erstellten elektronischen Wiedergaben von Abschlüssen und Lageberichten nach § 317 Abs. 3a HGB (IDW PS 410 (10.2021)) durchzuführen.

Übrige Angaben gemäß Artikel 10 EU-APrVO

Wir wurden von der Hauptversammlung am 14. Dezember 2021 als Konzernabschlussprüfer gewählt. Wir wurden am 24. Februar 2022 vom Aufsichtsrat beauftragt. Wir sind seit dem Geschäftsjahr 2021 als Konzernabschlussprüfer der ADLER Real Estate Aktiengesellschaft tätig.

Wir erklären, dass die in diesem Versagungsvermerk enthaltene Erklärung der Nichtabgabe der Prüfungsurteile mit dem zusätzlichen Bericht an den Prüfungsausschuss nach Artikel 11 EU-APrVO (Prüfungsbericht) in Einklang steht.

Verantwortlicher Wirtschaftsprüfer

Der für die Prüfung verantwortliche Wirtschaftsprüfer ist Andreas Dielehner.
Frankfurt, den 30. April 2022

KPMG AG
Wirtschaftsprüfungsgesellschaft

gez. Dielehner Wirtschaftsprüfer	gez. Braun Wirtschaftsprüfer

Anlage zum Bestätigungsvermerk: Nicht inhaltlich geprüfte Bestandteile des zusammengefassten Lageberichts

Folgende Bestandteile des zusammengefassten Lageberichts haben wir nicht inhaltlich geprüft:

- den gesonderten zusammengefassten nichtfinanziellen Bericht der Gesellschaft und des Konzerns, auf den im Lagebericht Bezug genommen wird,
- die zusammengefasste Erklärung zur Unternehmensführung der Gesellschaft und des Konzerns, auf die im Lagebericht Bezug genommen wird, und,
- den in den zusammengefassten Lagebericht integrierten Bericht über die Grundzüge des Vergütungssystems der Gesellschaft (Vergütungsbericht).

/// AT A GLANCE

Supervisory Board	
Martin Billhardt	Chairman of the Supervisory Board
Thilo Schmid	Vice Chairman of the Supervisory Board
Dr. Peter Maser	Member of the Supervisory Board
Management Board	
Maximilian Rienecker	Member of the Management Board (CEO)
Thierry Beaudemoulin	Member of the Management Board (COO) since 1.4.2021
Sven-Christian Frank	Member of the Management Board (until 31.3.2021 COO, since 1.4.2021 CLO)
Company Facts	
Legal domicile	Berlin Charlottenburg, Berlin HRB 180360 B
Address	ADLER Real Estate Aktiengesellschaft Am Karlsbad 11 10789 Berlin Phone: +49 30 39 80 18 – 10 Email: info@adler-ag.com
Website	www.adler-ag.com
Investor Relations	Gundolf Moritz Email: investorrelations@adler-group.com
Public Relations	Dr Rolf-Dieter Grass Email: r.grass@adler-group.com
Capital stock	EUR 109,416,860[1)]
Classification	109,416,860[1)] no-par value shares
Arithmetical value	EUR 1 per share
Voting right	1 vote per share
Identification	WKN 500 800 ISIN DE0005008007 Ticker symbol ADL Reuters ADLG.DE
Designated sponsors	Baader Bank AG
Stock exchanges	Xetra, Frankfurt am Main
Indices	CDAX, GPR General Index, DIMAX
Financial year	Calendar year

[1)] As at 30 September 2021

ADLER REAL ESTATE

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Berlin-Charlottenburg

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