



ADLER Real Estate Aktiengesellschaft
a German stock corporation (Aktiengesellschaft)

EUR 500,000,000 1.500% Notes due 2021, issue price 99.520%

EUR 300,000,000 2.125% Notes due 2024, issue price 99.283%

ADLER Real Estate Aktiengesellschaft, a stock corporation (*Aktiengesellschaft*) organized under the laws of Germany, having its registered office at Joachimsthaler Straße 34, 10719 Berlin, Federal Republic of Germany, registered with the commercial register (*Handelsregister*) at the Local Court (*Amtsgericht*) of Berlin-Charlottenburg under number HRB 180360 B (the “**Company**” and, together with its consolidated subsidiaries, “**ADLER**” or the “**Group**”) will issue on or about December 6, 2017 (the “**Issue Date**”) EUR 500,000,000 principal amount of 1.500% Notes due 2021 (the “**2021 Notes**”) and EUR 300,000,000 principal amount of 2.125% Notes due 2024 (the “**2024 Notes**”) and, together with the 2021 Notes, the “**Notes**”, and each of the 2021 Notes and the 2024 Notes also referred to as a “**Tranche of Notes**”).

The 2021 Notes will bear interest from, and including, the Issue Date, until, and excluding, December 6, 2021 (the “**2021 Maturity Date**”) at a fixed rate of 1.500% per annum as set forth in the indenture setting forth the terms and conditions of the Notes (the “**Indenture**”) and the 2024 Notes will bear interest from, and including, the Issue Date, until, and excluding, February 6, 2024 (the “**2024 Maturity Date**”, and each of the 2021 Maturity Date and the 2024 Maturity Date, a “**Maturity Date**”) at a fixed rate of 2.125% per annum as set forth in the Indenture. The material terms of the Indenture are summarized in this Prospectus under the heading “*Description of the Notes*”.

This prospectus (the “**Prospectus**”) has been approved by the Central Bank of Ireland (the “**Central Bank**”) as competent authority under Directive 2003/71/EC (as amended, including Directive 2010/73/EU, the “**Prospectus Directive**”) and constitutes a prospectus under the Prospectus Directive for purposes of the listing of the Notes. The Central Bank only approves this Prospectus as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive. Such approval relates only to the Notes which are to be admitted to trading on a regulated market for the purposes of Directive 2004/39/EC and/or which are to be offered to the public in any member state of the European Economic Area in circumstances that require the publication of a prospectus. No public offering of Notes is being made in connection with this Prospectus.

Application has been made to the Irish Stock Exchange plc (the “**Irish Stock Exchange**”) for the Notes to be admitted to its official list (the “**Official List**”) and to trading on its Main Securities Market. The Main Securities Market of the Irish Stock Exchange qualifies as a regulated market for purposes of the Markets in Financial Instruments Directive (Directive 2004/39/EC of the European Parliament and of the Council from April 21, 2004 on markets in financial instruments, “**MiFID**”), as amended.

This Prospectus is available for viewing on the Irish Stock Exchange’s website (www.ise.ie) and the documents incorporated by reference herein may be accessed on the Issuer’s website (www.adler-ag.com) (see “**Information Incorporated by Reference**”).

Each Tranche of Notes will be issued in registered form and in denominations of EUR 100,000 and integral multiples of EUR 1,000 in excess thereof and will be represented by a global note (each a “**Global Note**”) deposited with a common depository for Euroclear Bank SA/NV (“**Euroclear**”) and Clearstream Banking, société anonyme, Luxembourg (“**Clearstream, Luxembourg**”). Each Global Note will be exchangeable in certain limited circumstances in whole, but not in part, for Notes in definitive form.

The Notes have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the “Securities Act”). The Notes may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. Persons (as defined in Regulation S under the Securities Act), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The Notes are not being offered in the United States.

INVESTMENT IN THE NOTES INVOLVES CERTAIN RISKS. PROSPECTIVE INVESTORS SHOULD CONSIDER THE RISK FACTORS BEGINNING ON PAGE 18 OF THIS PROSPECTUS.

Sole Global Coordinator and Joint Bookrunner

Goldman Sachs International

Joint Bookrunners

Deutsche Bank

J.P. Morgan

Morgan Stanley

The date of this Prospectus is December 5, 2017

NOTICE TO INVESTORS

The Company accepts responsibility for the information contained in this Prospectus. To the best of the knowledge of the Company, having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is in accordance with the facts and contains no omission likely to affect its import.

This Prospectus is drawn up in the English language. In case there is any discrepancy between the English text and the German text, the English text stands approved for the purposes of approval under the Prospectus Directive.

No person has been authorized in connection with the offering and the listing of the Notes to give any information or make any representation regarding the Company, its financial results or the Notes, the Sole Global Coordinator, the Joint Bookrunners, the Trustee or the Notes other than as contained in this Prospectus. Any such representation or information must not be relied upon as having been authorized by the Company, the Sole Global Coordinator or the Joint Bookrunners. The delivery of this Prospectus at any time does not imply that there has been no change in the Company's affairs or that the information contained in it is correct as at any time subsequent to its date. This Prospectus may only be used for the purpose for which it has been published.

Each investor should consult its own advisors as needed to make its investment decision and to determine whether it is legally permitted to purchase the securities under applicable legal investment or similar laws or regulations.

No representation or warranty, express or implied, is made by the Sole Global Coordinator, the Joint Bookrunners and the Trustee as to the accuracy or completeness of the information contained or incorporated by reference into this Prospectus or any other information provided by the Company in connection with the Notes or for any statement consistent with this Prospectus made, or purported to be made, by the Sole Global Coordinator, the Joint Bookrunners or the Trustee or on their behalf in connection with the Notes. The Sole Global Coordinator, the Joint Bookrunners and the Trustee assume no responsibility for the accuracy or completeness of the information contained or incorporated by reference into this Prospectus and accordingly disclaim all and any liability that they might otherwise have (whether in tort, contract or otherwise) in respect of the accuracy or completeness of any such information or statements. By receiving this Prospectus, you acknowledge that you have not relied on the Sole Global Coordinator or the Joint Bookrunners in connection with your investigation of the accuracy of this information or your decision as to whether or not to invest in the Notes.

Investors contemplating making an investment in the Notes must make their own independent investigation and analysis of the Company, its financial condition and creditworthiness as well as the terms of the offering, with particular reference to its own investment objectives and experience, and any other factors which may be relevant to it in connection with such investment. In particular, each potential investor should:

- (a) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained in this Prospectus or any applicable supplement;
- (b) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact such investment will have on its overall investment portfolio;
- (c) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where the currency for principal and interest payments is different from the potential investor's currency;
- (d) understand thoroughly the Terms and Conditions of the Notes and be familiar with the behavior of the financial markets in which they participate; and
- (e) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Legal investment considerations may restrict certain investments. The investment activities of certain investors are subject to legal investment laws and regulations, or to review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) the Notes are

legal investments for it, (2) the Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk-based capital or similar rules.

NOTICE TO CERTAIN EUROPEAN INVESTORS

Neither this Prospectus nor any other information supplied in connection with the offering of the Notes constitutes an offer or invitation by or on behalf of the Company, the Sole Global Coordinator or any of the Joint Bookrunners to any person to subscribe for or to purchase any Notes. The distribution of this Prospectus and the offering, sale and delivery of Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Company, the Sole Global Coordinator and the Joint Bookrunners to inform themselves about and to observe any such restrictions. Neither the Company nor the Sole Global Coordinator nor any of the Joint Bookrunners represents that this Prospectus may be lawfully distributed, or that the Notes may be lawfully offered in compliance with any applicable registration or other requirements in any such jurisdiction or pursuant to an exemption available thereunder, nor do they assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Company, the Sole Global Coordinator or any of the Joint Bookrunners which is intended to permit a public offering of the Notes or the distribution of this Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations.

European Economic Area

This Prospectus has been prepared on the basis that all offers of Notes have been or will be made pursuant to an exemption under Article 3 of the Prospectus Directive (as defined below) as implemented in member states of the European Economic Area (the “**EEA**”), from the requirement to produce a prospectus for offers of the Notes. Accordingly, any person making or intending to make any offer within the EEA of the Notes should only do so in circumstances in which no obligation arises for the Company, the Sole Global Coordinator or any of the Joint Bookrunners to produce a prospectus for such offer. Neither the Company, the Sole Global Coordinator nor any of the Joint Bookrunners have authorized, nor do they authorize, the making of any offer of the Notes through any financial intermediary, other than offers made by the Sole Global Coordinator and the Joint Bookrunners.

In relation to each member state of the EEA that has implemented the Prospectus Directive (each, a Relevant Member State) no Notes have been offered or will be offered by way of an offering of securities to the public in that Relevant Member State prior to the publication of a prospectus in relation to the Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that offers of Notes may be made to the public in that Relevant Member State at any time under the following exemptions under the Prospectus Directive, if they are implemented in that Relevant Member State:

- (a) to any legal entity which is a “qualified investor” as defined under the Prospectus Directive (“**Qualified Investor**”);
- (b) to fewer than 150 natural or legal persons (other than Qualified Investors) per Relevant Member State; or
- (c) in any other circumstances falling within Article 3(2) of the Prospectus Directive;

provided that no such offer of the Notes shall require the publication by the Company, the Sole Global Coordinator or any of the Joint Bookrunners of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression “offer of Notes to the public” in relation to the Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State, and the expression “**Prospectus Directive**” means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU).

Each subscriber for or purchaser of the Notes in the offering located within an EEA member state has been deemed to have represented, acknowledged and agreed that it is a “qualified investor” within the meaning of Article 2(1)(e) of the Prospectus Directive. The Sole Global Coordinator and the Joint Bookrunners, their affiliates and others, will rely upon the truth and accuracy of the foregoing representation, acknowledgement and agreement. A person who is not a Qualified Investor as defined under the Prospectus Directive and who has notified the Sole Global Coordinator or the Joint Bookrunners of this fact in writing may have been, with the prior written consent of the Sole Global Coordinator, permitted to acquire Notes in the offering.

ANY OFFER OF SALE OF THE NOTES IN ANY MEMBER STATE OF THE EUROPEAN ECONOMIC AREA WHICH HAS IMPLEMENTED THE PROSPECTUS DIRECTIVE MUST BE FOR A MINIMUM PURCHASE PRICE OR MINIMUM CONSIDERATION OF AT LEAST EUR 100,000.

United Kingdom

The issue and distribution of this Prospectus is restricted by law. This Prospectus has not been distributed by, nor has it been approved for the purposes of section 21 of the Financial Services and Markets Act 2000 by, a person authorized under the Financial Services and Markets Act 2000. This Prospectus is for distribution only to persons who (i) have professional experience in matters relating to investments (being investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the “Financial Promotion Order”), (ii) are persons falling within Article 49(2)(a) to (d) (“high net worth companies, unincorporated associations, etc.”) of the Financial Promotion Order, (iii) are outside the United Kingdom or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000) in connection with the issue or sale of any Notes may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as “Relevant Persons”). This Prospectus is directed only at Relevant Persons and must not be acted on or relied on by persons who are not Relevant Persons. Any investment or investment activity to which this Prospectus relates is available only to Relevant Persons and will be engaged in only with Relevant Persons. No part of this Prospectus should be published, reproduced, distributed or otherwise made available in whole or in part to any other person without the prior written consent of the Company.

Germany

The Notes may not be offered and sold to the public in Germany, except in accordance with the German Securities Prospectus Act (*Wertpapierprospektgesetz*) or any other laws applicable in Germany governing the issue, offering and sale of securities. This Prospectus has not been and will not be submitted to, nor has it been nor will it be approved by, the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*). The Company has not obtained, and does not intend to obtain, a notification from the Central Bank of Ireland or from another competent authority of a member state of the European Economic Area, with which a securities prospectus may have been filed, pursuant to Article 18 of the Prospectus Directive or any law implementing this provision. As a consequence, the Notes must not be distributed within Germany by way of a public offer, public advertisement or in any similar manner, and this Prospectus and any other document relating to the Notes, as well as information contained therein, may not be supplied to the public in Germany or used in connection with any offer for subscription of Notes to the public in Germany. **Luxembourg**

This Prospectus has not been prepared in connection with a public offering of the Notes in the Grand Duchy of Luxembourg (“**Luxembourg**”) as defined in Part I, Article 2 paragraph 1 I of the Luxembourg law of July 10, 2005 on Prospectuses for Securities, as amended (the “**Luxembourg Prospectus Law**”) and has therefore not been approved by the *Commission de Surveillance du Secteur Financier*.

Accordingly, the Notes may not be offered or sold to the public in Luxembourg, directly or indirectly, and neither this Prospectus nor any other circular, prospectus, form of application, advertisement or other material may be distributed, or otherwise made available in or from, or published in, Luxembourg except (i) to persons who are qualified investors within the meaning of Part I, Article 5 paragraph 2 a) of the Luxembourg Prospectus Law or (ii) under any other circumstances that do not require the publication of a prospectus pursuant to Part I, Article 5 paragraph 2 of the Luxembourg Prospectus Law.

France

This Prospectus has not been prepared in the context of a public offering in France within the meaning of Article L.41 1-1 of the *Code Monétaire et Financier* and therefore has not been approved by, registered or filed with the

French Financial Market Authority (*Autorité des Marchés Financiers* or “**AMF**”). Consequently, the Notes have not been and are not being offered, directly or indirectly, to the public in France and this Prospectus has not been and will not be released, issued or distributed or caused to be released, issued or distributed to the public in France or used in connection with any offer for subscription or sale of the Notes to the public in France.

The Notes may only be offered or sold in the Republic of France to qualified investors (*investisseurs qualifiés*) or to providers of investment services relating to portfolio management for the account of third parties (*personnes fournissant le service d'investissement de gestion de portefeuille pour compte de tiers*), to the exclusion of any individuals (*cercle restreint d'investisseurs*) all as defined in and in accordance with articles L.411-1 to L.411-4 of the French *Code Monétaire et Financier*.

Investors are informed that:

- (i) this Prospectus has not been submitted for clearance to the AMF;
- (ii) in compliance with Articles D. 411-1 to D. 411-4 of the French *Code Monétaire et Financier*, any investors subscribing for the Notes should be acting for their own account; and
- (iii) the direct and indirect distribution or sale to the public of the Notes acquired by them may only be made in compliance with articles L.411-1, L.411-2, L.412-1 and L.621-8 to L.621-8-3 of the *French Code Monétaire et Financier*.

Switzerland

The Notes have been offered in Switzerland on the basis of a private placement only. This Prospectus does not constitute a prospectus within the meaning of Art. 652A of the Swiss Federal Code of Obligations.

The Netherlands

The Notes may not be offered, sold or delivered in the Netherlands to anyone other than persons who qualify as Qualified Investors (*gekwalificeerde beleggers*) as defined in the Dutch Financial Supervision Act (*Wet op het financieel toezicht*).

United States

The Notes have not been, and will not be, registered under the Securities Act. The Notes may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. Persons (as defined in Regulation S under the Securities Act), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements under the Securities Act. The Notes are not being offered in the United States.

Canada

The Notes have been and may only be offered or sold in the provinces of British Columbia, Alberta, Saskatchewan, Ontario, Québec, New Brunswick, Nova Scotia and Prince Edward Island to or for the benefit of a resident of these provinces pursuant to an exemption from the requirement to file a prospectus in such province in which such offer or sale is made, and only by a registrant duly registered under the applicable securities laws of that province or by a registrant that is relying in that province on the “international dealer” exemption provided by section 8.18 of National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations (“**NI 31-103**”). Furthermore, the Notes may only be offered or sold to residents of any such province that are purchasing, or deemed to be purchasing, as principal, that are “accredited investors” as defined in National Instrument 45-106 Prospectus Exemptions (“**NI 45-106**”) or subsection 73.3(1) of the Securities Act (Ontario), and that are “permitted clients” as defined in NI 31-103. Each Canadian investor hereby acknowledges that any resale of the Notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws and that it shall be deemed to represent and warrant it is an accredited investor and is purchasing as principal (or deemed principal) in connection with any purchase of Notes hereunder. Securities legislation in certain provinces or territories of Canada may provide a investor with remedies for rescission or damages if a prospectus (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the investor within the time limit prescribed by the securities legislation of the investor's province or territory. The investor should refer to any applicable provisions of the securities legislation of the investor's

province of residence for particulars of these rights or consult with a legal advisor. Pursuant to section 3A.3 of NI 33 105, the Joint Bookrunners are not required to comply with the disclosure requirements of NI 33 105 regarding underwriter conflicts of interest in connection with the offering. The Company and the Joint Bookrunners hereby notify Canadian investors that: (a) the Company may be required to provide personal information pertaining to the investor as required to be disclosed in Schedule I of Form 45 106F1 under NI 45 106 (including its name, address, telephone number, email and the aggregate purchase price of any Notes purchased) (“**personal information**”), which Form 45 106F1 may be required to be filed by us under NI 45 106, (b) such personal information may be delivered to the Ontario Securities Commission (the “**OSC**”), in accordance with NI 45 106, (c) such personal information is collected indirectly by the OSC under the authority granted to it under the securities legislation of Ontario, (d) such personal information is collected for the purposes of the administration and enforcement of the securities legislation of Ontario, and (e) the public official in Ontario who can answer questions about the OSC’s indirect collection of such personal information is the Administrative Support Clerk at the OSC, Suite 1903, Box 55, 20 Queen Street West, Toronto, Ontario M5H3S8, Telephone: (416) 593 3684. Canadian investors that have purchased Notes in the offering will be deemed to have authorized the indirect collection of the personal information by the OSC, and to have acknowledged and consented to its name, address, telephone number, email and other specified information, including the aggregate purchase price paid by the investor, being disclosed to other Canadian securities regulatory authorities, and to have acknowledged that such information may become available to the public in accordance with requirements of applicable Canadian laws. Upon receipt of this document, each Canadian investor hereby confirms that it has expressly requested that all documents evidencing or relating in any way to the sale of the securities described herein (including for greater certainty any purchase confirmation or any notice) be drawn up in the English language only. *Par la réception de ce document, chaque acheteur(se) canadien(ne) confirme par les présentes qu’il(elle) a expressément exigé que tous les documents faisant foi ou se rapportant de quelque manière que ce soit à la vente des valeurs mobilières décrites aux présentes (incluant, pour plus de certitude, toute confirmation d’achat ou tout avis) soient rédigés en anglais seulement.*

Hong Kong

The Notes have not been and may not be offered or sold by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap. 32, Laws of Hong Kong), or (ii) to “professional investors” within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder, or (iii) in other circumstances which do not result in the document being a “prospectus” within the meaning of the Companies Ordinance (Cap. 32, Laws of Hong Kong), and no advertisement, invitation or document relating to the Notes may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to notes which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder.

Singapore

This Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this Prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes may not be circulated or distributed, nor may the shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the “**SFA**”), (ii) to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA. Where the Notes are subscribed or purchased under Section 275 by a relevant person which is: (a) a corporation (which is not an accredited investor) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an accredited investor, shares, debentures and units of shares and debentures of that corporation or the beneficiaries’ rights and interest in that trust shall not be transferable for 6 months after that corporation or that trust has acquired the shares under Section 275 except: (1) to an institutional investor under Section 274 of the SFA or to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA; (2) where no consideration is given for the transfer; or (3) by operation of law.

Australia

This Prospectus and the offer of the Notes is only made available in Australia to persons to whom a disclosure document such as a prospectus or other disclosure document is not required to be given under either Chapter 6D or Chapter 7.9 of the Corporations Act 2001 (Cth). This Prospectus is not a prospectus, product disclosure statement or any other type of formal disclosure document for the purposes of Australian Law, and is not required to, and does not, contain all the information which would be required in a product disclosure statement or prospectus under Australian law.

This Prospectus is only provided on the condition that the information in and accompanying this Prospectus is strictly for the use of investors and their advisers only. Neither this Prospectus nor any extract or conclusion from this Prospectus in relation to the Notes has been or will be lodged with the Australian Securities and Investments Commission (ASIC) or the ASX Limited or any other regulatory body or agency in Australia. The persons referred to in this Prospectus may not hold Australian financial services licenses. No cooling off regime applies to an acquisition of the Notes. Under no circumstances is this document to be used by a retail client for the purpose of making a decision about a financial product.

This Prospectus contains general advice only and does not take into account the investment objectives, financial situation or needs of any particular person. Accordingly, before making an investment decision in relation to this Prospectus, you should assess whether the acquisition of the Notes is appropriate in light of your own financial circumstances or seek professional advice.

An investor may not offer, transfer or offer to transfer Notes to any person located in, or a resident of, Australia, unless the person is a person to whom a disclosure document such as a prospectus or product disclosure statement is not required to be given under either Chapter 6D or Chapter 7.9 of the Corporations Act 2001 (Cth). There may be restrictions on the offer for re-sale of any securities in Australia for a period of 12 months after their issue. Because of these restrictions, investors are advised to consult legal counsel prior to making any offer for re-sale of Notes in Australia.

Republic of Korea

The Notes have not been and will not be registered with the Financial Services Commission of Korea for public offering in Korea under the Financial Investment Services and Capital Markets Act (the “FSCMA”). The Notes may not be offered, sold and delivered directly or indirectly, or offered or sold to any person for re-offering or resale, directly or indirectly, in Korea or to any resident of Korea (as defined in the Foreign Exchange Transaction Law) except pursuant to the applicable laws and regulations of Korea, including the FSCMA, the Foreign Exchange Transaction Law and the decrees and regulations thereunder. Furthermore, the Notes may not be resold to Korean residents unless the purchaser of the Notes complies with all applicable regulatory requirements (including but not limited to government reporting requirements under the Foreign Exchange Transaction Law and its subordinate decrees and regulations) in connection with the purchase of the Notes.

FORWARD-LOOKING STATEMENTS

This Prospectus contains certain forward-looking statements. Forward-looking statements are all statements which refer to future facts, events or other circumstances and do not refer to historical facts or events. They are indicated by wording such as “believes”, “estimates”, “assumes”, “expects”, “anticipates”, “foresees”, “intends”, “hopes”, “could” or similar expressions. Forward-looking statements are based on current estimates and assumptions by the Company to the best of its knowledge. Such forward-looking statements are subjected to risks and uncertainties, and as a result the Company’s actual financial condition and results of operations may differ materially from (in particular, be more negative than) those conditions expressly or implicitly assumed or described in such forward-looking statements. Neither the Company nor the Sole Global Coordinator or the Joint Bookrunners assume any obligation to update such forward-looking statements or to adapt them to future events or developments unless required by law.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

The Company’s audited consolidated financial statements as of and for the fiscal years ended December 31, 2016, 2015 and 2014 as well as the unaudited condensed consolidated interim financial statements for the nine months ended September 30, 2017 incorporated by reference into this Prospectus, together with the notes

relating thereto, were prepared in accordance with International Financial Reporting Standards as endorsed by the European Union (“IFRS”) as at the time of preparing these financial statements.

Rounding adjustments have been made in calculating some of the financial information and percentages included in this Prospectus. As a result, numerical figures shown as totals in some tables may not be exact arithmetic aggregations of the figures that precede them.

The Company presents its consolidated financial statements in Euro. In this Prospectus, references to U.S.\$ or U.S. dollars refers to the United States dollar and references to EUR, € or Euro are to the Euro, the common legal currency of the Member States participating in the third stage of the European Economic and Monetary Union, which includes Germany. Year-end exchange rates represent balances and amounts as of the end of the year. Average exchange rates represent the average over the year.

The Company’s fiscal year ends on December 31 of each year. References to any fiscal year refer to the year ended December 31 of the calendar year specified.

NUMERICAL AND CURRENCY INFORMATION

Certain individual figures (including percentages) stated in this Prospectus have been rounded using the common commercial method (*kaufmännische Rundung*). As a result the totals or interim totals contained in the tables may possibly differ from the non-rounded figures contained elsewhere in this Prospectus due to this rounding.

Unless otherwise indicated, all currency amounts contained in this Prospectus are in euros. To the extent individual figures are in a different currency this will be stated using the name of the respective currency or the currency symbol.

NON-IFRS MEASURES

This Prospectus includes certain references to non-IFRS measures including

- EBITDA refers to earnings before interest, tax, depreciation and amortization and is calculated by adjusting “earnings before interest and tax (EBIT)” for depreciation and allowances. Investors should consider that EBITDA is neither uniformly applied nor standardized and its calculation may substantially vary from company to company, and, taken by itself, it should not be drawn upon as a basis for comparison to other companies.
- FFO I refers to funds from operations (not including net income/expense from the sale of investment property). In FFO I, the Adjusted EBITDA for the respective periods is adjusted to generally reflect the interest income and expenses impacting cash and the income taxes impacting cash.
- FFO II refers to funds from operations (including the results of trading with and sales of properties). In FFO II the proceeds generated on disposal of investment property are added to the FFO I for the respective periods.
- EPRA NAV refers to net asset value calculated in accordance with the guidelines by the European Public Real Estate Association. It is used to represent the Group’s long-term equity and is calculated based on the net asset value (NAV) excluding the fair value of financial instruments (net) and deferred taxes. The EPRA NAV includes fair value adjustments for all main balance sheet items that are not recognized at fair value as part of the NAV in the IFRS accounts.
- Adjusted EBITDA in general refers to adjusted earnings before interest, taxes, depreciation, amortization, write-ups and write-downs and is calculated by adjusting EBITDA for consolidated result or expense from the measurement of investment property, project costs of a one-off nature, other extraordinary and prior-period income and expenses.
- LTV is defined as the ratio of net financial liabilities (adjusted for cash and cash equivalents) to assets (adjusted for cash and cash equivalents). Convertible notes are excluded.

- LTV II is defined as the ratio of adjusted net financial liabilities (net financial liabilities adjusted for sales receivables/ marketable securities) to adjusted fair value of real estate portfolio. Convertible notes were excluded.

The Company uses these non-IFRS measures to evaluate its financial performance. This information is not prepared in accordance with generally accepted accounting principles and should be viewed as supplemental to the Company's financial statements. Investors are cautioned not to place undue reliance on this information and should note that these non-IFRS measures, as the Company calculates them, may differ materially from similarly titled measures reported by other companies, including the Company's competitors.

See section 8.2 "*Financial measures not defined under IFRS or HGB (Non-GAAP Financial Measures)*" for further information on non-IFRS measures.

See section 17 "*Description of the Notes*" for the definition of "*Adjusted EBITDA*" under the Indenture.

NO INCORPORATION BY REFERENCE OF WEBSITE

The Company's website is www.adler-ag.com. The information on this website, any other website mentioned in this Prospectus or any website directly or indirectly linked to this websites has not been verified and does not form part of this Prospectus unless explicitly stated otherwise, and investors should not rely on it.

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1 OVERVIEW

This overview highlights information contained elsewhere in this Prospectus but does not contain all of the information that you should consider before investing in the Notes. The following summary is qualified in its entirety by, and should be read in conjunction with, the more detailed information and the consolidated financial statements appearing elsewhere in this Prospectus. You should read carefully the entire Prospectus to understand our business, the nature and terms of the Notes and the tax and other considerations which are important to your decision to invest in the Notes, including section 7 “PRO-FORMA-CONSOLIDATED FINANCIAL INFORMATION WITH REGARD TO THE SALE OF ACCENTRO REAL ESTATE AG”, 8 “SELECTED FINANCIAL INFORMATION”, 9 “MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS”, 17 “DESCRIPTION OF THE NOTES” and the risks discussed under 2 “RISK FACTORS”.

Legal and commercial name of the Company

The Company’s legal name is “ADLER Real Estate Aktiengesellschaft”. The Group’s commercial name is “ADLER”.

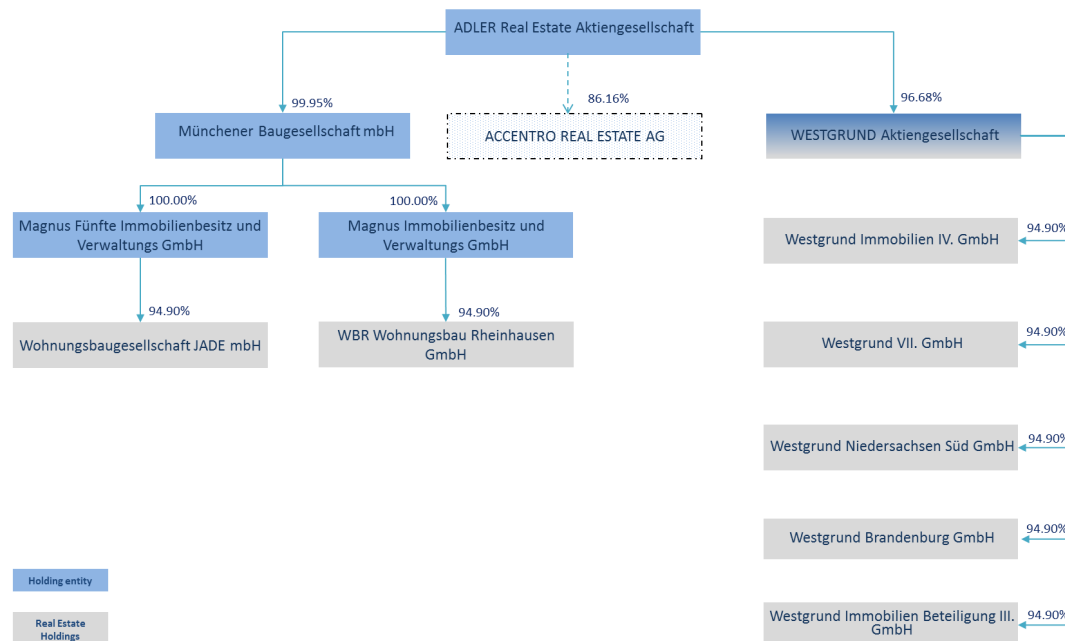
Legal form, registration, applicable law and country of incorporation

The Company is a stock corporation (*Aktiengesellschaft*) incorporated under the laws of the Federal Republic of Germany. The Company is registered with the commercial register (*Handelsregister*) at the Local Court (*Amtsgericht*) of Berlin-Charlottenburg under number HRB 180360 B and is subject to the laws of the Federal Republic of Germany.

Description of the group

The Company is the holding company of ADLER and has a key management function. The Company holds participations in various real estate portfolios through its subsidiaries. The Company’s major subsidiaries are WESTGRUND AG (“WESTGRUND”), Wohnungsbaugesellschaft JADE mbH, WBR Wohnungsbau Rheinhausen GmbH, WESTGRUND Immobilien Beteiligung III. GmbH, WESTGRUND Immobilien IV. GmbH, Westgrund VII. GmbH, Westgrund Niedersachsen Süd GmbH and Westgrund Brandenburg GmbH.

The following chart provides a summary (in simplified form) of the major subsidiaries of the Company, indicating the direct or indirect shareholding of the Company in the respective subsidiaries.



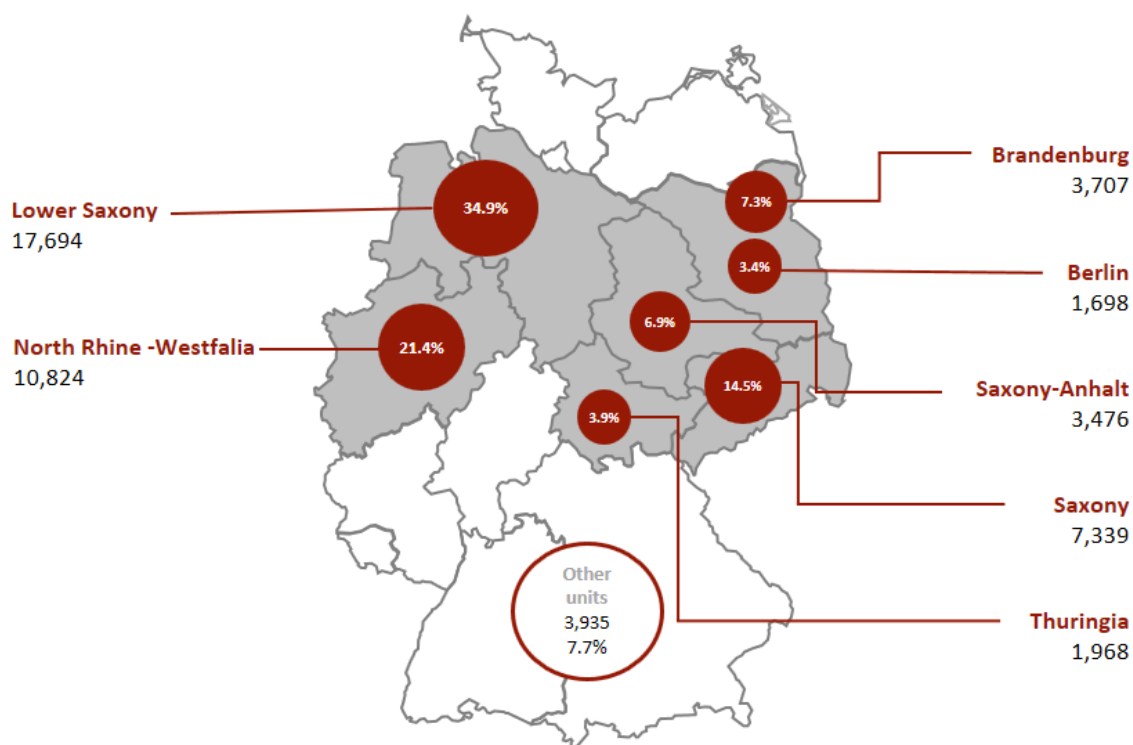
On October 20, 2017, the Company entered into a share purchase agreement for the sale of approximately 80% out of its current 86% stake in ACCENTRO. See section 6.13 “Share purchase agreements-Share purchase agreement regarding the sale of shares of ACCENTRO, dated October 20, 2017” for details.

BUSINESS

ADLER is a leading integrated real estate group based in Germany with core strategic focus in the supply of good quality affordable housing throughout Germany. The Company and its consolidated subsidiaries currently still operate in two distinct business segments, Rental and Trading.

In its **Rental** segment, ADLER aims at growing and managing a profitable and cash-flow generating residential real estate portfolio throughout Germany. The Company intends to continue to expand its residential real estate portfolio significantly by acquiring single residential properties, residential complexes, or entire residential real estate portfolios, especially through its network of contacts with potential sellers and sales organizations.

As of September 30, 2017, ADLER held 49,553 residential and 1,088 commercial units (excluding 2,613 units held in inventories for privatization) with a rental space of 3.2 million sqm and a fair value of EUR 2,640.7 million and an annualized actual rent (including parking spaces and other areas) of approximately EUR 178 million, with a regional focus on Lower Saxony (17,694 units), North Rhine-Westphalia (10,824 units), Saxony (7,339 units), Brandenburg (3,707 units) and Saxony-Anhalt (3,476 units).



With the acquisition of a 92.7% stake in ACCENTRO Real Estate AG (“**ACCENTRO**”) in June 2014 (which stake decreased to approximately 86% since such acquisition as a result of the conversion of convertible notes issued by ACCENTRO that were held by persons other than the Company), ADLER expanded its business model in its **Trading** segment to include the privatization of residential property held in its own portfolio and in the portfolios of others and residential property trading. However, following a strategic review with a view to focusing on its core residential rental business and increasing its level of unencumbered assets, on October 20, 2017, the Company entered into a share purchase agreement for the sale of approximately 80% out of its current 86% stake in ACCENTRO and 4,743,359 convertible notes issued by ACCENTRO with respect to a further 4,809,282 underlying shares which are not yet issued. Subject to the closing of this transaction, which is expected to occur in the fourth quarter of 2017, the Company intends to discontinue its Trading segment by the end of 2017.

In the fiscal year ended December 31, 2016, ADLER generated consolidated income of EUR 412.81 million (2015: EUR 384.79 million) from the management and sale of property and consolidated net profit of EUR 133.78 million (2015: EUR 78.28 million). In the nine-month period ended September 30, 2017, ADLER generated consolidated income of EUR 309.55 million (corresponding period 2016: EUR 341.57 million) from the management and sale of property and consolidated net profit of EUR 23.97 million (corresponding period

2016: EUR 98.59 million).

As at September 30, 2017, ADLER's total headcount amounted to 535 (including board members) and the total number of FTEs was 490 (including board members).

STRENGTHS

The Company believes to benefit from the following competitive strengths:

Significant experience in the German real estate market and ability to identify and successfully integrate large real estate portfolios

According to its own assessment, ADLER has considerable know-how in the real estate business and an extensive network of real estate market contacts in Germany. The acquisition of parts of the residential construction business of Münchener Baugesellschaft mbH in 2007, an experienced residential construction company with a rich tradition, added considerable know-how in real estate asset and property management. In addition, through recent portfolio acquisitions, ADLER's team of real estate experts has grown into a lean, efficient and decentralized asset and property management team that is familiar not only with the specific features of the German residential real estate market but, through the integration of the acquired portfolio management companies, also possesses the necessary knowledge of the regional markets in which ADLER operates, in particular Lower Saxony, North Rhine-Westphalia, Saxony, Brandenburg, Saxony-Anhalt, Thuringia, Berlin and Mecklenburg-Western-Pomerania. ADLER benefits from this experience in acquisition, management, and portfolio development, as well as the sale of selected properties. Through the effective operational management of its real estate portfolio, ADLER has succeeded in reducing vacancies in its existing portfolio of residential real estate through renovations, improvement investments and the on-sale of unattractive parts of the acquired portfolios or properties located at the margins. The Company is also of the opinion that its asset and property management team, which is scheduled to be fully internalized by early 2018, is set up in a manner that allows for expansion of the real estate portfolio without adding significant headcount and without incurring major additional fixed costs.

In addition, through its network of contacts, ADLER and its management team have a strong track record of identifying opportunities to acquire real estate portfolios on favorable terms and has successfully integrated these acquisitions in a short period of time or, in some cases, resold them. In 2015, two portfolios with, in total, approximately 22,800 rental units were acquired, whereas in 2014 ADLER acquired approximately 23,000 residential units through five portfolio acquisitions and, in 2013, with a significantly smaller team, approximately 10,000 units in five portfolio transactions. The two largest portfolios acquired comprised 7,700 and 6,750 units in various holding companies.

Considerable and diversified residential real estate portfolio

Over the last four years, ADLER acquired and developed a considerable and well-diversified real estate portfolio, largely situated in attractive B-locations in major German urban areas. As of September 30, 2017, ADLER held 49,553 residential and 1,088 commercial units (excluding 2,613 units held in inventories for privatization) with a rental space of 3.2 million sqm and a fair value of EUR 2,640.7 million and an annualized actual rent (including parking spaces and other areas) of approximately EUR 178 million, with a regional focus on Lower Saxony (17,694 units), North Rhine-Westphalia (10,824 units), Saxony (7,339 units), Brandenburg (3,707 units) and Saxony-Anhalt (3,476 units).

ADLER believes that it is well positioned to benefit from future demographic developments with its real estate portfolio offering significant growth potential in terms of actual and target rent. Economic studies (source: Federal Institute for Research on Building, Urban Affairs and Spatial Development at the Federal Office for Building and Regional Planning (*Bundesinstitut für Bau-, Stadt- und Raumforschung im Bundesamt für Bauwesen und Raumordnung*), BBSR Reports KOMPAKT, Housing markets in transition, main results of housing market forecast (source: *BBSR-Berichte KOMPAKT, Wohnungsmärkte im Wandel, Zentrale Ergebnisse der Wohnungsmarktprognose*)) forecast that demographic changes including a trend towards smaller household sizes will cause the total number of households to grow. Consequently, demand for residential real estate is expected to increase, especially in Germany's major metropolitan areas, with a migration trend towards cheaper housing in the peripheries of German metropolitan areas being expected. Based on ADLER's geographical footprint, its focus on B-locations in major German urban areas and its average residential unit size of

approximately 60 sqm (as at September 30, 2017), the Company believes that ADLER can meet demand requirements, benefit from the opportunity to generate economies of scale in its focus regions and that it can realize additional potential for appreciation in value and higher rents due to favorable acquisition prices.

Track record of capital market based growth

Since 2012, ADLER has succeeded in growing its real estate portfolio and increasing its value through numerous transactions. In this context, since its strategic realignment in 2012, the Company successfully secured capital markets financings through capital increases against cash or contributions in kind in an aggregate amount of approximately EUR 42.50 million and through the issue of three notes in an aggregate principal amount of EUR 665.0 million and four convertible notes in an principal amount of EUR 334.15 million

STRATEGY

ADLER's primary objectives are to generate profitable further growth through a residential real estate portfolio with strong cash flows. To achieve such goals, ADLER applies the following partial strategies:

Increase in enterprise value by acquiring real estate with development potential

ADLER has reached a significant size and achieved regional diversification of its portfolio which allows it to integrate real estate platforms into its existing portfolio. ADLER pursues a strategy of sustainable, profitable growth together with a steady increase in ADLER's value. The aim is to further increase enterprise value in the future by acquiring further residential real estate, residential real estate portfolios, and investments in other real estate companies, as soon as opportunities arise that ADLER considers strategically useful and advantageous.

In terms of geographical focus, ADLER concentrates on German residential real estate and intends to further strengthen its current core regions of Lower Saxony, North Rhine-Westphalia, Saxony, Brandenburg, Saxony-Anhalt and Berlin by acquiring real estate portfolios that have a regional overlap with these core regions. ADLER intends to generate economies of scale by using its existing asset and property management resources for newly acquired properties, if possible without increasing costs. This approach is intended to contribute to increased profitability while keeping personnel and other administrative costs at reasonable levels. However, ADLER is also taking an opportunistic approach to increasing its real estate portfolio.

New target regions are regions with strong macroeconomic data and "B-locations" in medium-sized and major regional centers or peripheral locations in Germany. The Company expects these metropolitan areas to have steady population growth and expanding economies.

Priority is given to profitable residential real estate that can be bought at a favorable price-to-rent ratio of between 12 and 15 times the annual basic rent and that offers identifiable development potential (for example, potential rent increases and potential for modernization projects and decrease of vacancies). A buying criterion for ADLER is a realizable rent increase potential of 3-5% or more. For example, when acquiring a portfolio, ADLER will reduce the purchase price for the portfolio with regard to the vacant units. Hence, real estate portfolios with higher vacancy rates are not seen as a risk by ADLER as it expects the purchase price to be reduced accordingly. ADLER therefore considers such portfolios as an opportunity to increase its value in the future by reducing the vacancy rate. ADLER expects an initial vacancy rate of approximately 10%, which, after the completion of portfolio optimization measures, ADLER expects to decrease to between 6% and 7%. ADLER also does not rule out the acquisition of real estate and real estate portfolios from insolvent estates and companies in distress (distressed situations). When purchasing real estate and real estate portfolios, ADLER also ensures that there is no significant maintenance backlog with respect to the objects to be acquired. In order to meet the aforementioned purchase price criteria ADLER also refrains from participating in auctions for real estate portfolios and, in lieu thereof, focuses on the purchase of individual portfolios predominantly from special situations.

Moreover, pursuant to ADLER's acquisition criterions, the proportion of commercial space must not exceed 20%. Residential real estate has lower vacancy rates and is less exposed to leasing risks than commercial real estate, whose performance is impacted to a much greater extent by economic factors than residential real estate. ADLER plans to acquire residential real estate that careful analysis has shown to have sufficient appreciation and earning potential and whose appreciation opportunities are expected to significantly exceed development costs.

Besides an increase in investment properties and shares in associated undertakings, ADLER's intensive acquisition activities over the last four years have led to an increase in debt. However, ADLER successfully decreased its LTV (defined as the ratio of net financial liabilities (adjusted for cash and cash equivalents) to assets (adjusted for cash and cash equivalents), without taking into account convertible notes, from 68.7% in the fiscal year ending December 31, 2014 to 61.3% in the fiscal year ending December 31, 2016. ADLER has thus moved closer to reaching its target of reducing LTV below 55%. The buyback of some corporate bonds with higher interest rates and the redemption of liabilities in the course of 2017 led to a reduced LTV of 59.6% as at September 30, 2017 and the Company expects to further significantly reduce its LTV, stabilizing it at approximately 55% at year-end 2017. ADLER thus expects that the financing conditions available to ADLER will improve further.

In addition, through a mix of bank financing and capital markets instruments, both secured and unsecured, ADLER's financing structure will be further diversified to ensure greater flexibility. Medium and long-term loans with terms of up to approximately ten years will continue to be used.

Further increase of income

ADLER intends to take advantage of the potential to increase the income from its residential portfolio predominantly by reducing vacancy rates and adjusting rents. A further potential for reducing vacancies is offered particularly with respect to newly acquired portfolios which have not been managed well. For example, by an active property management, ADLER managed to reduce the vacancy rate in its portfolio from 12.8% in the fiscal year 2014 to 11.2% in the fiscal year 2015 and 10.0% in the fiscal year 2016.

ADLER aims to achieve a further reduction in vacancy rates. To this end, ADLER for example currently carries out a vacancy reduction program by renovating 1,500 currently unoccupied apartments. Launched in 2016, this program is progressing on schedule and ADLER expects its completion by year-end 2017. By that time, ADLER expects its occupancy rate to have increased slightly by 0.5 percent group wide as compared to the beginning of the year. At the same time, ADLER expects to be able to increase average rents in the existing property portfolio by one to two percent. This would correspond to the rent increases ADLER has regularly achieved in the past. Based on these expectations, like-for-like gross rental income is set to rise at a medium single-digit rate. Moreover, ADLER has decided to launch a second vacancy reduction program and to invest a further EUR 15 million in renovating another 1,000 vacant apartments until year-end 2018.

Optimization of the portfolio through active asset management

Another key strategic objective of ADLER is to optimize the real estate portfolio through profitable disposals, in particular, of assets classified as "non-core". Hence, ADLER aims at optimizing its portfolio by identifying properties that are only able to make below-average contributions to the Group's overall income due to their location or their qualities.

Generally, properties or smaller real estate portfolios that do not fit within ADLER's portfolio after optimization are to be sold off. This decreases administrative costs, in particular if the properties concerned are outside ADLER's core regions, and allows ADLER to achieve profits and generate cash that can be used for additional development and modernization projects and to acquire new properties with greater income or development opportunities. The current market environment, with strong demand for real estate of all sizes, is very favorable for ADLER in this respect.

In 2016, ADLER generated income from the sale of properties in its Rental segment of EUR 40.98 million (2015: EUR 121.30 million, 2014: EUR 64.29 million). As of September 30, 2017, ADLER's non-core assets comprised of approximately 3,300 units.

Persons who, directly or indirectly, have an interest in the Company's capital or voting rights

As of the date of this Prospectus, the share capital of the Company amounts to EUR 57,547,740.00.

On the basis of the notifications received by the Company as of the date of this Prospectus in accordance with the German Securities Trading Act (*Wertpapierhandelsgesetz*, "WpHG"), the following shareholders directly or indirectly hold more than 3% of the Company's shares. The percentage values shown in the table below are based on the amount of voting rights last notified to the Company with regard to the stated reference date by the respective shareholder pursuant to Sections 21 et seqq. WpHG in relation to the Company's share capital as of the date of this Prospectus. It should be noted that the number of voting rights last notified could have changed

since such notifications were submitted to the Company because the relevant shareholders are not required to submit a corresponding updated voting rights notification if no notifiable thresholds have been reached or crossed.

As of the date of this Prospectus, the Company holds 1,041,104 own shares. The related 1,041,104 voting rights are suspended.

Other shareholders, including those shareholders whose shareholdings represent less than 3% of the total voting rights in the Company, hold the remaining shares of the Company.

Shareholders	% of share capital / voting rights⁽¹⁾
Mezzanine IX Investors S.A. ^{(2), (3)}	18.71%
Klaus Wecken ⁽⁴⁾	17.80%
Thomas Bergander ⁽⁵⁾	5.25%
Asset Value Investors Limited ⁽⁶⁾	4.20%
Total	45.96%

⁽¹⁾ Based on the voting rights reported to the Company according to Section 21 WpHG, calculated on the basis of the current share capital in the amount of EUR 57,547,740.00.

⁽²⁾ Including attributed voting rights in accordance with Section 22 WpHG, which are directly held by Fortitudo Capital SPC (reference date: June 30, 2017).

⁽³⁾ Including attributed voting rights in accordance with Section 22 WpHG, which are directly held by Pruß GmbH (reference date: June 30, 2017).

⁽⁴⁾ Including attributed voting rights in accordance with Section 22 WpHG, which are directly held by Wecken & Cie (reference date: June 30, 2017).

⁽⁵⁾ Including attributed voting rights in accordance with Section 22 WpHG, which are directly held by Uhlandstraße Investments GmbH (reference date: July 2, 2014).

⁽⁶⁾ Including attributed voting rights in accordance with Section 22 WpHG, which are directly held by British Empire Trust plc (reference date: June 30, 2016).

Rating of the Company:

On October 24, 2017, S&P Global Ratings assigned a “BB” long-term corporate credit rating to the Company, indicating a stable outlook. S&P Global Ratings' business operations in the European Union are currently conducted through Standard & Poor's Credit Market Services Europe Limited which is established in the EU and is registered under Regulation (EC) No 1060/2009.

Rating of the Notes:

On November 20, 2017, S&P Global Ratings assigned a “BB+” long-term issue rating relating to the Notes. S&P Global Ratings' business operations in the European Union are currently conducted through Standard & Poor's Credit Market Services Europe Limited which is established in the EU and is registered under Regulation (EC) No 1060/2009.

Profit forecast

For the fiscal year 2017, the Company's management board expects to achieve estimated funds from operations without income from the sale of properties (“**FFO I**”) of EUR 40 million and estimated funds from operations including the results of trading with and sales of properties (“**FFO II**”) of EUR 50 million.

FFO I presents the performance capacity of the property letting business. FFO II additionally presents the results of the Company's trading and sales activities.

Selected historical key financial information

Investors should read the following selected financial information together with the other financial information contained in this Prospectus, in particular, in section 2 “*RISK FACTORS*”, section 9 “*MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS*” and

section 6 “*BUSINESS*” and the Consolidated Financial Statements of the Company.

The following selected financial information of the Company has been taken or derived from the audited consolidated financial statements of the Company for the fiscal years ended December 31, 2016, December 31, 2015 and December 31, 2014 (together, the “**Audited Consolidated Financial Statements**”) as well as the unaudited condensed consolidated interim financial statements of the Company for the nine months ended September 30, 2017 (the “**Unaudited Consolidated Interim Financial Statements**”, and together with the Audited Consolidated Financial Statements, the “**Consolidated Financial Statements**”). The Audited Consolidated Financial Statements were each prepared in accordance with International Financial Reporting Standards as adopted by the European Union (“**IFRS**”). The Unaudited Consolidated Interim Financial Statements were prepared in accordance with IFRS for interim financial reporting (IAS 34).

To the extent the figures are indicated as having been audited, they were taken from the Audited Consolidated Financial Statements.

To the extent the figures are indicated as not having been audited, they were either derived from the Audited Consolidated Financial Statements, or taken or derived from the Unaudited Consolidated Interim Financial Statements, our accounting records or management reporting.

To the extent figures for the fiscal year 2015 are shown in conjunction with figures for the fiscal year 2016, they were taken from the consolidated financial statements for the fiscal year ended December 31, 2016 and represent the prior-year comparative figures. To the extent figures for the fiscal year 2014 are shown in conjunction with figures for the fiscal year 2015, they were taken from the consolidated financial statements for the fiscal year ended December 31, 2015 and represent the prior-year comparative figures.

To the extent figures for the nine months ended September 30, 2016 are shown in conjunction with figures for the nine months ended September 30, 2017, they were taken from the Unaudited Consolidated Interim Financial Statements and represent the prior-year comparative figures.

Ebner Stolz GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Ludwig-Erhard-Straße 1, 20459 Hamburg, Germany (“**Ebner Stolz**”), has audited the Audited Consolidated Financial Statements prepared in accordance with IFRS in accordance with § 317 German Commercial Code (*Handelsgesetzbuch*, “**HGB**”) and the generally accepted German standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW) and has issued unqualified audit opinions thereon.

The figures below were rounded up or down in accordance with standard commercial practice. For this reason, it is possible that the sum of the figures set out in a table does not exactly match the totals which may also be set out in the table. Moreover, to the extent figures are shown in percentages, it is possible that the total does not add up to 100.0%. With respect to the following financial information “n/a” means that the corresponding figure is not available whereas zero (“0”) means that the corresponding figure is available but has been rounded to zero.

Selected consolidated balance sheet information

	As of September 30,	As of December 31,		
	2017	2016	2015	2014 (adjusted)
		IFRS		
		(EUR thousand, unless specified otherwise)		
	(unaudited)	(audited, unless stated otherwise)		
Assets	3,281,212	3,430,477	3,076,246	1,416,459
Non-current assets	2,777,526	2,577,578	2,758,878	1,203,649
of which investment properties	2,640,732	2,441,988	2,270,187	1,170,159
Current assets	485,149	418,211	297,252	206,681
of which inventories	279,869	227,057	159,654	89,617
of which trade receivables	11,829	11,749	16,309	27,547
Equity and liabilities	3,281,212	3,430,477	3,076,246	1,416,459

Shareholders' equity	918,671	914,222	777,921	311,211
Non-current liabilities	2,195,315	2,111,222	1,980,375	1,010,927
of which financial liabilities from bonds and convertible bonds	652,660	653,324	516,581	174,698
of which financial liabilities to banks	1,378,634	1,312,502	1,368,125	791,087
Current liabilities	160,411	397,482	303,529	94,321
of which financial liabilities from bonds and convertible bonds	13,829	9,835	8,888	4,021
of which financial liabilities to banks	83,938	320,328	248,524	47,810

Selected consolidated profit and loss information

	Nine-month period ended September 30,		Fiscal year ended December 31,		
	2017	2016	2016	2015	2014 (adjusted) ⁽¹⁾
	IFRS				
	(EUR thousand, unless specified otherwise)				
	(unaudited)		(audited, unless specified otherwise)		
Gross rental income	196,135	196,369	252,399	216,639	83,882
Expenses from property lettings	-100,985	-105,053	-138,803	-125,052	-51,809
Earnings from property lettings	95,150	91,316	113,596	91,587	32,073
Income from the sale of properties	113,415	145,205	160,413	168,154	87,527
Expenses from the sale of properties	-90,771	-111,151	-124,018	-144,689	-85,221
Earnings from the sale of properties	22,644	34,054	36,395	23,466	2,306
Other operating income	6,693	4,859	8,694	49,859	29,798
Other operating expenses	-23,999	-22,175	-35,704	-32,965	-21,145
Income from fair value adjustments of investment properties	36,957	123,530	199,677	58,860	132,934
EBIT	119,960	217,274	301,835	176,586	170,445
Financial result	-69,773	-80,851	-125,575	-81,434	-39,509
EBT	50,384	147,570	187,444	94,822	132,760
Consolidated net profit	23,968	98,594	133,776	78,283	111,571
Total comprehensive income	25,554	97,282	131,352	78,616	111,148
Earnings per share, undiluted in EUR	0.28	1.42	2.11	1.83	4.65
Earnings per share, diluted in EUR	0.29	1.30	1.94	1.56	3.57

⁽¹⁾ Numbers were taken from a reclassified profit and loss statement set up in the total cost accounting format (*Gesamtkostenverfahren*) which is part of the financial statements for the fiscal year ended December 31, 2015.

Selected consolidated cash flow information

	Nine-month period ended September 30,		Fiscal year ended December 31,		
	2017	2016	2016	2015 (adjusted) ⁽¹⁾	2014
	IFRS				
	(EUR thousand)				
	(unaudited)		(audited)		
Net cash flows from operating	911	81,937	100,550	24,974	16,749

activities					
Net cash flows from investing activities	321,011	-74,382	-79,499	-438,706	-208,272
Net cash flows from financing activities	-329,224	44,508	53,358	430,174	217,688
Cash and cash equivalents at the beginning of period	123,911	49,502	49,502	33,060	6,895
Cash and cash equivalents at the end of period	116,609	101,565	123,911	49,502	33,060

⁽¹⁾ The classification has been adapted: net income from at-equity not stated separately.

Other selected key figures

The following summary of other selected key figures contains certain alternative performance measures (as defined by the European Securities and Markets Authority (“ESMA”)) which are not prepared and used in accordance with IFRS or HGB “Non-GAAP Financial Measures” or “Alternative Performance Measures”, such as EPRA NAV, EBITDA, adjusted EBITDA, LTV, LTV II, FFO I and FFO II. Each such measure is defined and reconciled specifically in the tables below the first time it is mentioned. These Non-GAAP Financial Measures and certain other financial measures contained herein must not be considered as an alternative to the financial measures defined in the accounting standards (“GAAP Financial Measures”). We present these alternative performance measures as supplemental information for the specific reasons outlined below with respect to certain measures, and generally because we believe they may contribute to a fuller understanding of our business. We believe that the presentation of the alternative performance measures included in this Prospectus complies with the ESMA Guidelines. Non-GAAP Financial Measures are possibly used differently from identical Non-GAAP Financial Measures used at other companies in the real estate sector. The financial measures used by the Company should not be regarded as an alternative to financial measures defined under IFRS or HGB as an indicator to the Company’s performance. Non-GAAP Financial Measures have important limitations as analytical tools and should not be considered in isolation or as substitutes for an analysis of the earnings reported under IFRS or HGB. They may contain or exclude items or amounts which are not included or included in the calculation of the most directly comparable GAAP financial measures in accordance with IFRS or HGB.

	Nine-month period ended September 30,		Fiscal year ended December 31,		
	2017	2016	2016	2015	2014
	(unaudited, unless specified otherwise)				
Other key financials					
EBITDA ⁽¹⁾	120,721	218,142	303,009	177,616	170,942
Adjusted EBITDA ⁽²⁾	95,642	107,746	124,316 ^(*)	95,608 ^(*)	27,168 ^(*)
FFO I ⁽³⁾	27,068	18,629	27,367 ^(*)	16,074 ^(*)	-1,110 ^(*)
FFO II ⁽⁴⁾	38,101	45,245	55,344 ^(*)	44,286 ^(*)	1,400 ^(*)
EPRA NAV (net asset value) ⁽⁵⁾	1,101,798	1,011,154	1,069,940 ^(*)	879,456 ^(*)	351,328 ^(*)
EPRA NAV per share (fully diluted basis) in EUR ⁽⁶⁾	15.19	14.56	16.93 ^(*)	14.05 ^(*)	9.38 ^(*)
Fair Value Investment Properties ⁽⁷⁾	2,640,732	2,402,925	2,441,988 ^(*)	2,270,187 ^(*)	1,170,159 ^(*)
Gross asset value (GAV) ⁽⁸⁾	2,938,785	2,571,181	2,687,021	2,449,958	1,265,905
LTV (excluding convertible bonds) ⁽⁹⁾	59.6%	61.9%	61.3% ^(*)	68.0% ^(*)	68.7% ^(*)
LTV II (excluding convertible bonds) ⁽¹⁰⁾	64.2%	61.6%	59.9%	73.7%	74.9%
Ratio of Indebtedness to Consolidated Total Assets ⁽¹¹⁾	61.5%	64.6%	63.5%	68.5%	69.5%
Ratio of Secured Indebtedness to Consolidated Total Assets ⁽¹¹⁾	41.2%	44.8%	44.2%	51.4%	56.9%
Ratio of Consolidated Adjusted EBITDA to Net Cash Interest (Consolidated Coverage Ratio) ^{(11), (15)}	1.69	1.78	1.59	1.43	0.67
Portfolio					
Rental portfolio	50,641	47,662	47,640	48,218	24,086
of which residential units	49,553	46,551	46,527	47,098	23,108

of which commercial units	1,088	1,111	1,113	1,120	978
Units for privatization	2,613	1,507	2,422	1,934	995
Number of units sold	1,167	1,791	1,910	3,726	1,217
thereof privatized units	669	897	976	600	837
thereof non-core units sold	498	894	934	3,126	380
Occupancy rate in % ⁽¹²⁾	89.9	89.3	90.0	88.8	87.2
Monthly in-place rent ⁽¹³⁾ in EUR/m ²	5.08	4.99	5.00	4.93	5.02
Employees					
Number of employees ⁽¹⁴⁾	535	322	354 ^(*)	271 ^(*)	102 ^(*)
FTE's (Full-time-equivalents) ⁽¹⁴⁾	490	297	321.4	248.6	92.9

(*) Audited

(1) This is an alternative performance measure. EBITDA refers to earnings before interest, tax, depreciation and amortization and is calculated by adjusting earnings before interest and tax (EBIT) for depreciation and amortization. Investors should consider that EBITDA is neither uniformly applied nor standardized and its calculation may substantially vary from company to company, and, taken by itself, it should not be drawn upon as a basis for comparison to other companies.

	Nine-month period ended September 30,		Fiscal year ended December 31,		
	2017	2016	2016	2015	2014
	(unaudited)		(EUR thousand)		
	(unaudited)		(audited, unless stated otherwise)		
Consolidated net profit	23,968	98,594	133,776	78,283	111,571
Financial result	69,773	80,851	125,576	81,434	39,509
Income taxes	26,416	48,976	53,668	16,539	21,189
Depreciation and amortization	761	868	1,174	1,030	497
Income from investments accounted for using the at-equity method	-197	-11,147	-11,185	330	-1,824
EBITDA	120,721	218,142	303,009	177,616	170,942

(2) This is an alternative performance measure. The adjusted EBITDA is derived from the consolidated income before interest, tax, depreciation and amortization of tangible and intangible assets of the non-current assets and the net income from at-equity valued investment associates as well as the additional elimination of income from fair value adjustments of investment properties and other non-recurring costs and other extraordinary income and expenditures and below-the-line items (*periodenfremde Erträge und Aufwendungen*). Investors should consider that adjusted EBITDA is neither uniformly applied nor standardized and its calculation may substantially vary from company to company, and, taken by itself, it should not be drawn upon as a basis for comparison to other companies.

	Nine-month period ended September 30,		Fiscal year ended December 31,		
	2017	2016	2016	2015	2014
	(unaudited)		(EUR thousand)		
	(unaudited)		(audited, unless stated otherwise)		
EBITDA	120,721	218,142	303,009	177,616	170,942
Income from fair value adjustments to investment properties	-36,957	-123,530	-199,677	-58,860	-132,934
Non-recurring and extraordinary items	11,878	13,134	20,984	23,148	10,840
Adjusted EBITDA	95,642	107,746	124,316	95,608	27,168

- (3) This is an alternative performance measure. FFO I are derived from the adjusted EBITDA of the respective period plus interest and tax adjusted for non-recurring items.

FFO I were calculated as follows: The interest expense FFO and the current income taxes (excluding deferred taxes) are deducted from the adjusted EBITDA. The interest expense FFO is the interest expense adjusted for non-recurring items. Under this FFO method, value-increasing and value-preserving expenditures respectively are taken into account as they are to be considered separately from the current operational earnings capacity. The FFO I then result from the further elimination of the income before taxes and interest of the Trading segment and the remaining income which is not attributed to a segment.

	Nine-month period ended September 30,		Fiscal year ended December 31,		
	2017	2016	2016	2015	2014
	(unaudited)		(audited, unless stated otherwise)		
Adjusted EBITDA	95,642	107,746	124,316	95,608	27,168
Interest expense FFO	-53,306	-60,097	-73,967	-64,313	-32,474
Current income taxes	-859	-1,384	-826	-1,013	-476
Capitalizable maintenance measures	6,741	6,160	10,107	9,129	6,754
Earnings before interest and taxes from sale of properties	-21,149	-33,797	-32,263	-23,336	-2,089
FFO I	27,068	18,629	27,367	16,075	-1,117

- (4) This is an alternative performance measure. FFO II refer to funds from operations (including from the sale of real estate held as investment properties). The income from real estate sold, the income from companies accounted for at equity, the income before tax of the Trading segment and the remaining income before tax which is not attributed to a segment are added in the respective periods.

	Nine-month period ended September 30,		Fiscal year ended December 31,		
	2017	2016	2016	2015	2014
	(unaudited)		(audited, unless stated otherwise)		
FFO I	27,068	18,629	27,367	16,075	-1,117
Earnings after interest and taxes from the sale of properties	11,437	21,459	18,957	20,051	689
Interest from investments accounted for using the at-equity method	-205	-3,198	-4,549	-330	1,824
Value changed realized upon sale	-619	258	4,850	8,490	0
Liquidity-related income from investments accounted for using at equity method	420	8,097	8,720	0	0
FFO II	38,101	45,245	55,345	44,286	1,396

- (5) This is an alternative performance measure. EPRA NAV refers to net asset value calculated in accordance with the guidelines by the European Public Real Estate Association. It is used to represent ADLER's long-term equity and is calculated based on the net asset value (NAV) excluding the fair value of financial instruments (net) and deferred taxes. The EPRA NAV includes fair value adjustments for all main balance sheet items that are not recognized at fair value as part of the EPRA NAV in the IFRS accounts.

	Nine-month period ended September 30,		Fiscal year ended December 31,		
	2017	2016	2016	2015	2014
	(unaudited)		(audited, unless stated otherwise)		
Equity	918,671	894,245	914,222	777,921	311,211
Non-controlling interests	-79,483	-69,021	-71,048	-58,563	-19,810
Equity attributable to ADLER shareholders	839,188	825,224	843,174	719,358	291,401
Deferred tax liabilities	192,599	148,977	169,515	114,757	39,083

Difference between fair values and carrying amounts of inventory properties	65,938	30,618	52,101	40,615	10,753
Fair value of derivative financial instruments	5,834	9,354	7,376	6,979	1,443
Deferred taxes of derivative financial instruments	-1,760	-3,019	-2,226	-2,253	-466
EPRA NAV	1,101,798	1,011,154	1,069,940	879,456	342,214

⁽⁶⁾ Based on the number of outstanding shares, including shares on assumed conversion of mandatory convertible notes.

	Nine-month period ended September 30,		Fiscal year ended December 31,		
	2017	2016	2016	2015	2014
	(unaudited)		(audited, unless stated otherwise)		
Number of shares, diluted	80,644,473	70,456,346	64,051,744	64,051,744	39,370,528
EPRA NAV per share in (diluted) in EUR	15.19	14.56	16.93	14.05	9.38

⁽⁷⁾ Fair Value Investment Properties refers to the total fair value of the investment properties as per respective balance sheet date. The fair value of the investment properties is determined on the basis of opinions of external experts based on current market data collected by means of internationally recognized valuation methods.

⁽⁸⁾ Gross asset value (GAV) is defined as the sum of the fair value of investment properties, inventories at cost and investment properties held for sale.

⁽⁹⁾ This is an alternative performance measure. LTV is defined as the ratio of net financial liabilities (adjusted for cash and cash equivalents) to assets (adjusted for cash and cash equivalents). Convertible notes were excluded.

	Nine-month period ended September 30,		Fiscal year ended December 31,		
	2017	2016	2016	2015	2014
	(unaudited)		(audited, unless stated otherwise)		
Convertible Bonds	125,487	144,984	145,424	35,605	33,937
Bonds	541,002	518,865	517,735	489,864	144,782
Financial liabilities to banks	1,462,573	1,597,537	1,632,830	1,616,649	838,897
Cash and cash equivalents	-116,609	-101,565	-123,911	-49,502	-33,060
Net financial liabilities	2,012,453	2,159,821	2,172,078	2,092,616	984,556
Assets (net of cash)	3,164,603	3,252,554	3,306,567	3,026,744	1,383,399
LTV including convertible bonds (in %)	63.6	66.4	65.7	69.1	71.2
LTV excluding convertible bonds (in %)	59.6	61.9	61.3	68.0	68.7

⁽¹⁰⁾ This is an alternative performance measure. LTV II is defined as the ratio of adjusted net financial liabilities (net financial liabilities adjusted for sales receivables/ marketable securities) to adjusted fair value of real estate portfolio. Convertible notes were excluded.

	Nine-month period ended September 30,		Fiscal year ended December 31,		
	2017	2016	2016	2015	2014
	(unaudited)		(EUR thousand)		
	(unaudited)		(audited, unless stated otherwise)		
Convertible Bonds	125,487	144,984	145,424	35,605	33,937
Bonds	541,002	518,865	517,735	489,864	144,782
Financial liabilities to banks	1,462,573	1,597,537	1,632,830	1,616,649	838,897
Cash and cash equivalents	-116,609	-101,565	-123,911	-49,502	-33,060
Net financial liabilities	2,012,453	2,159,821	2,172,079	2,092,616	984,555
Sales receivables/ marketable securities	-11,721	-439,211	-427,136	-5,696	-7,252
Adjusted net financial liabilities	2,000,732	1,720,610	1,744,944	2,086,920	977,303
Investment Properties	2,640,732	2,402,925	2,441,988	2,270,187	1,170,159
Inventories	279,869	155,138	227,057	159,654	89,617
Shares in other real estate companies	-	-	-	353,343	-
Adjusted fair value of real estate portfolio	2,920,601	2,558,064	2,669,046	2,783,184	1,259,776
LTV II including convertible bonds (in %)	68.5	67.3	65.4	75.0	77.6
LTV II excluding convertible bonds (in %)	64.2	61.6	59.9	73.7	74.9

⁽¹¹⁾ These terms have the meanings ascribed thereto in, and the relevant ratios are calculated in accordance with, the Indenture, the material terms of which are reproduced in section 17 “Description of the Notes – Certain Definitions”.

⁽¹²⁾ proprietary rental units

⁽¹³⁾ average rental income (per square meter and month) for the overall portfolio

⁽¹⁴⁾ As at the balance sheet date of the respective period, including management board members.

⁽¹⁵⁾ This is an alternative performance measure. Ratio of Consolidated Adjusted EBITDA to Net Cash Interest. Net Cash Interest means all interest and other financing charges accrued to persons who are not members of the Group less the amount of any interest and other financing charges accrued to be received from persons who are not members of the Group, in each case, excluding any one-off financing charges (including without limitation, any one-off fees and/or break costs).

Selected leverage metrics giving pro forma effect to the Offering

	Historical		Pro forma ²
	December 31, 2016	September 30, 2017	September 30, 2017
Ratio of Indebtedness to Consolidated Total Assets ¹	63.5%	61.5%	56.0%
Ratio of Secured Indebtedness to Consolidated Total Assets ¹	44.2%	41.2%	16.2%
Ratio of Consolidated Adjusted EBITDA to Net Cash Interest (Consolidated Coverage Ratio) ¹	1.59x	1.69x	1.99x
LTV including convertible bonds	65.7%	63.6%	65.5%
LTV excluding convertible bonds	61.3%	59.6%	61.4%
LTV II including convertible bonds	65.4%	68.5%	68.0%
LTV II excluding convertible bonds	59.9%	64.2%	63.3%

¹ Defined terms in this table have the meanings ascribed thereto in, and are calculated in accordance with, the Indenture.

² Gives effect to the Offering. Assumes for this purpose net proceeds from the Offering (after deduction of EUR 12 million total costs incurred in connection with the Offering) of EUR 788 million. For illustrative purposes, it is further assumed that from the net proceeds EUR 768.75 million would be used for the refinancing of existing financial liabilities (including prepayment fees) and EUR 19.25 million for general corporate purposes.

DESCRIPTION OF THE NOTES

The following is a brief summary of certain terms of the Notes. It may not contain all the information that is important to you. For additional information and definitions regarding the Notes, see section 17 “*DESCRIPTION OF THE NOTES*”.

Issuer:	ADLER Real Estate Aktiengesellschaft, Berlin, Germany.
Notes:	2021 Notes: EUR 500,000,000 aggregate principal amount of 1.500% Notes due 2021; 2024 Notes: EUR 300,000,000 aggregate principal amount of 2.125% Notes due 2024.
Currency:	The currency of the Notes is EUR/Euro.
Denominations:	Each of the Notes will have a minimum denomination of EUR 100,000 and may be issued in integral multiples of EUR 1,000 in excess thereof. Denominations of less than EUR 100,000 will not be available.
Issue Date:	December 6, 2017
Issue Price:	2021 Notes: 99.520% (plus accrued and unpaid interest from the Issue Date); 2024 Notes: 99.283% (plus accrued and unpaid interest from the Issue Date).
Maturity Date:	2021 Notes: December 6, 2021; 2024 Notes: February 6, 2024 (each, a “ Maturity Date ”).
Interest Payment Dates:	2021 Notes: annually in arrears on each December 6, commencing on December 6, 2018; 2024 Notes: annually in arrears on each February 6, commencing on February 6, 2019.
Ranking:	The Notes constitute direct, unconditional, unsubordinated and unsecured obligations of the Company, which rank <i>pari passu</i> among themselves and at least <i>pari passu</i> with all other present or future unsecured and unsubordinated obligations of the Company, unless otherwise provided for by mandatory provisions of law.
Transfer Restrictions:	There are no restrictions on the free transferability of the Notes. The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the “ Securities Act ”), and may not be offered or sold in the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. See “ <i>Offer, Subscription and Sale—Use of Proceeds—Transfer Restrictions</i> ”.
Listing:	Application has been made to the Irish Stock Exchange plc for the Notes to be admitted to its official list and to trading on the Main Securities Market.
Redemption:	The Notes shall be redeemed by the Company at 100% of the principal amount per Note on the respective Maturity Date, if not redeemed earlier. No particular redemption procedure applies.
Payment of Principal and Interest:	The Company undertakes to pay principal and interest on the Notes in Euro when due. The payment of principal and interest shall, subject to applicable fiscal and other laws and regulations, be made through the principal paying agent for on-payment to Clearstream Banking S.A., 42 Avenue J.F. Kennedy, L-1855 Luxembourg (“ Clearstream ”), Euroclear Bank S.A./N.V., 1 Boulevard du Roi Albert II, 1210 Brussels, Belgium (“ Euroclear ”) or

upon its order for credit to the respective account holder. The payment to Clearstream or as per its order shall release the Company from its obligations under the Notes in the amount of the payment made.

Should payment of principal or interest be due on a date which is no business day, the respective payment shall be effected on the following business day. In this case, the Noteholders concerned shall not be entitled to any payment or default interest or any other compensation due to such delay.

Taxation and Additional Amounts:	The Company will make all payments with respect to the Notes without withholding or deduction for taxes in any relevant taxing jurisdiction, except to the extent required by law. If withholding or deduction is required by law, the Issuer will pay additional amounts so that the net amount each Noteholder receives is no less than that which such Noteholder would have received in the absence of such withholding or deduction, subject to certain exceptions as described in this Prospectus under the heading “ <i>Description of the Notes—Additional Amounts</i> ”.
Tax Call (Early redemption for tax reasons):	The Company may redeem the Notes in whole, but not in part, at any time in case of a Change in Tax Law at 100% of the aggregate principal amount of the Notes redeemed, together with accrued and unpaid interest and all Additional Amounts, if any, to, but excluding, the redemption date.
Early Redemption at the Option of the Company with “Make-Whole” Amount	<p>The Company may, at its option, redeem all or part of either series of the Notes by paying a “make-whole” premium as described under the heading “<i>Description of the Notes—Early Redemption at the Option of the Company with “Make-Whole Amount”</i>”.</p> <p>In addition, at any time during the one-month period preceding the respective Maturity Date, the Company may, at its option, redeem all or part of either series of Notes at par, plus accrued and unpaid interest (if any).</p>
Early Redemption at the Option of the Noteholders in case of a Change of Control:	Upon the occurrence of certain events constituting a Change of Control, each Noteholder will have the right to require the Company to repurchase all or part of such Noteholder’s Notes in cash at 101% of the aggregate principal amount of such Notes, together with accrued and unpaid interest and all Additional Amounts, if any, to, but excluding, the date of repurchase.
Covenants:	The Indenture governing the Notes contains covenants that limit the ability of the Company, among other things, to incur Indebtedness, to create or permit to subsist Liens, and to consolidate with or merge into any other Person or sell, convey, transfer or lease all or substantially all of its assets. Additionally, the Company is required under the Indenture to maintain its Consolidated Coverage Ratio at or above specified levels during specified periods. The material provisions of the Indenture are summarized under the heading “ <i>Description of the Notes</i> ”.
Events of Default:	The Indenture provides for a series of events of default which in the case of a certain insolvency event would cause the Notes to become due and payable immediately, and in all other cases give the Trustee or the holders of at least 25% in aggregate principal amount of the Notes outstanding the right to declare the Notes due and payable. A further event of default under the Notes arises if there is a payment default or an acceleration of other indebtedness of the Company or its Subsidiaries aggregating EUR 15 million or more.
Yield:	<p>The annual yield of the 2021 Notes amounts to 1.625% on the basis of the issue price of 99.520% of the nominal amount and redemption at the end of the term of the 2021 Notes, and, based on the assumption that the interest paid by the Company under the 2021 Notes is not reinvested, corresponds to the nominal interest rate.</p> <p>The annual yield of the 2024 Notes amounts to 2.250% on the basis of the issue price of 99.283% of the nominal amount and redemption at the end of the term of the 2024 Notes, and, based on the assumption that the interest paid by the Company under the 2024 Notes</p>

is not reinvested, corresponds to the nominal interest rate.

Name of representative of the Noteholders: The Noteholders will be represented by a trustee, which is Deutsche Trustee Company Limited, London, United Kingdom (the “**Trustee**”).

Governing Law of the Notes and the Indenture: New York.

ISIN: 2021 Notes: XS1731858392;
2024 Notes: XS1731858715

German Securities Code (Wertpapierkennnummer, WKN): 2021 Notes: A2G8S2;
2024 Notes: A2G8S3

Investing in the Notes involves a high degree of risk. You should refer to the section “*Risk Factors*” for an explanation of certain risks involved in investing in the Notes.

2 RISK FACTORS

Before deciding to purchase the Notes to be issued by the Company, investors should carefully read and consider the material risk factors described below along with the other information contained in this Prospectus. The materialization of one or more of these risks, whether individually or in combination with other circumstances, could have material adverse effects on ADLER's business and on its financial condition and results of operations. The sequence in which the risks are described below does not represent an indication of either the probability of their occurrence, their severity, or their significance. In addition, there may be further risks and issues of which ADLER is not aware at present. If any one of these or other risks materializes, the stock exchange price of the Notes could decrease and investors could lose part or all of their investment.

2.1 Market-specific risks

ADLER is dependent on the development of the German real estate market. The German real estate market, in turn, depends on the performance of the overall economy and on the demand for real estate and rental space. Unfavorable macroeconomic developments could adversely affect ADLER's business and may also result in restricted access to debt and equity financing and potential payment defaults of ADLER's business partners.

ADLER's core business is in acquiring and managing a residential real estate portfolio in Germany. ADLER's business success is therefore especially dependent on the performance of the German real estate market, the demand for properties, in particular rented properties, in Germany and certain regions therein, the level of achievable rents, the expenses necessary to generate the rental income, as well as the achievable purchase and sale prices and market values of properties. The German real estate market, in turn, is dependent in particular on the performance of the overall economy, political developments, including changes in legislation, and the demand for real estate in Germany. Key factors affecting macroeconomic developments in Germany include the state of the German, European and global economy, the development of commodity prices and inflation rates, the extent of national indebtedness, and interest rates. Another worldwide economic downturn, a rise in the inflation rate, deflationary tendencies or a sustained upturn in interest rates could adversely affect macroeconomic performance. Moreover, the recent recession in the Eurozone, particularly the need for some governments to cut back on spending to retain credibility in the financial markets, has impacted economic developments in Germany and an increasing level of national indebtedness could have consequences, including reduced economic output, a higher inflation rate, rising taxes, and lower income, thus reducing the willingness of private individuals and institutional investors to invest. A deflation may have similar effects. Fluctuations in exchange rates, especially the euro-to-dollar rate, could have a material effect on German exports and therefore also on the performance of the German economy as a whole.

The demand for real estate is driven mostly by demographic developments, interest rate levels, financing conditions, labor market performance, the personal debt levels of potential buyers, the real income levels of individuals, and foreign investor activity on the German real estate market. A population decline could result in shrinking demand for residential space. In addition, a decrease in real income and an increase in unemployment could adversely affect the population's buying power, and therefore its propensity to acquire residential real estate, or to lease large or high-end residential spaces. An increase in national indebtedness particularly of Greece, Spain, Italy, Portugal or Ireland and the potential exit of these countries from the EU, a full dissolution of the Eurozone, the at the date of this Prospectus still largely unpredictable consequences of the United Kingdom's decision to leave the EU ("**Brexit**"), an increase in interest rates or a deflation could lower private and institutional investors' propensity to invest in real estate.

In addition, when granting loans, credit institutions could lay down stricter eligibility criteria for borrowers. This could lower investors' propensity to invest in real estate due to the restricted access to or less attractive terms of financing options. In the past, also, the general tax environment shaped demand for real estate in Germany through tax incentives for new building of real estate, real estate investments and refurbishments. However, such tax incentives have been reduced considerably in recent years. For example, substantial changes have been made in respect of depreciation periods, time limits for private disposals, and inheritance tax. These changes have already had a negative effect on the demand for real estate. Negative changes to state subsidization of real estate, such as the elimination of the subsidies for environmentally friendly buildings and refurbishments, could have a further negative effect on the demand for real estate.

The slow and uncertain recovery of the global economy and the economic situation in Germany and Europe may result in an unfavorable development of the real estate market in Germany. Deterioration in Germany's

economic performance and falling demand for real estate or rental property in Germany could negatively affect ADLER's business performance and could have material adverse effects on ADLER's business, net assets, financial condition and results of operations.

Moreover, there is the risk of an unfavorable development in economic conditions in Germany driven by instability in the Eurozone, especially due to the Brexit but also due to political instability in other countries, such as Spain with regard to Catalonia's controversial strive for independence. Any such political instability in the Eurozone may result in an unfavorable development of the real estate market in Germany and thus indirectly negatively affect ADLER's business.

A negative trend in the economic environment could, for example due to the introduction of stricter eligibility criteria for borrowers, also adversely affect ADLER's ability to finance its acquisition of real estate portfolios by debt capital and refinance its existing and future liabilities and could result in a lack of liquidity, operational loss, insolvencies or other developments at ADLER's business partners as a result of which they could no longer be in the position to meet their obligations under the contracts entered into with ADLER.

The occurrence of any of the aforementioned risks could have material adverse effects on ADLER's business, net assets, financial condition and results of operations.

The current economic uncertainty regarding the future of the Eurozone and economic developments in Germany and the European Union together with the current favorable low interest rate environment result in comparably high valuations of residential real estate portfolios in Germany. Any rise in interest rates could have material adverse effects on the German real estate market and on ADLER.

The global financial and economic crisis and the slow and uncertain recovery of the global economy have resulted in increased uncertainty regarding future economic developments. This uncertain economic outlook has increased demand for investment opportunities that typically provide stable and largely predictable cash flows, including investments for German real estate. The low interest rate level in Europe contributes to this trend. As a result, property prices and the value of residential real estate have increased. These developments could reverse themselves if, for example, interest rates were to rise. A rise in interest rates could result from an improvement of the general economic situation, which could lead to greater interest in investments with a higher yield and less interest in real estate investments. Among other consequences, such developments could have an adverse effect on ADLER's portfolio optimization efforts, for which purpose ADLER continues to hold certain properties for sale following the discontinuation of its Trading segment. Rising interest rates could also adversely impact ADLER in a number of other ways: the discount rate used to calculate the fair value of real estate portfolios tends to rise as the market prices paid for the units tend to decline. Rising interest rates therefore generally have a negative impact on the fair value of ADLER's real estate portfolio. Any such development would require ADLER to recognize corresponding losses from the resulting fair value adjustments of its investment properties, resulting in a negative income from fair value adjustments of investment properties. At the same time, ADLER's net asset value (NAV) and loan-to-value (LTV) ratios would deteriorate.

The general economic situation could also deteriorate as a result of any number of factors, including but not limited to a worsening of the European sovereign debt crisis, an exit of one or more additional countries from the Eurozone following the United Kingdom's decision to leave the EU, or even the end of the Eurozone. If general economic conditions deteriorate, or if a deflation scenario were to become likely, investors might prefer other, more liquid assets, which could reduce demand for German real estate. In addition, more stringent borrowing requirements could be introduced (including as a result of a deterioration in general economic conditions), which could impair ADLER's ability to finance property portfolio acquisitions through debt and its general ability to refinance maturing debts.

Higher interest rates or a deterioration in general economic conditions could lead to changes and circumstances that could have significant adverse effects on ADLER's business, financial condition and results of operations.

High current market prices and competition from other real estate companies could make it increasingly difficult for ADLER to acquire residential real estate portfolios throughout Germany on attractive terms and to enlarge and integrate its portfolio of residential holdings.

ADLER aims at growing and managing a profitable and cash-flow generating real estate portfolio throughout Germany. This strategy requires that attractive real estate portfolios are available to it for purchase at reasonable prices. Given the high current demand for residential real estate portfolios in Germany, such portfolios may be

unavailable or available only at unfavorable terms. Additionally, the supply of real estate portfolios might be limited, for example due to fewer sales of real estate portfolios by municipalities and federal states. Prior to the beginning of the financial crisis in 2008, many of these portfolios were privatized in Germany. The pace of such privatization has subsequently slowed. Any such development could constrict supply, increase competition for acquisitions that would be suitable to ADLER and result in price increases of residential properties on the German market, as a result of which ADLER would be forced to pay higher prices or would be able only to acquire fewer (or no) properties.

In pursuing its strategy, ADLER competes with various other, and in particular larger, companies and is subject to intense competition from them. ADLER's competitors in acquiring residential real estate and trading real estate include foreign and domestic real estate companies and institutional investors. Some of these competitors have substantially greater financial resources or better financing opportunities, larger or more diversified real estate holdings, or, because of greater specialization, they have real estate holdings more specific to their target groups, or they may have other competitive advantages over ADLER. In addition, in the recent past, there has been a consolidation trend in the real estate industry (including for example the combination of Vonovia SE (formerly Deutsche Annington Immobilien SE) and GAGFAH S.A., two of the largest listed real estate holding companies in Germany in 2015, the combination of Deutsche Wohnen AG and GSW Immobilien AG in 2014, the attempted takeover of Deutsche Wohnen AG by Vonovia SE in 2016 as well as the successful takeover of conwert Immobilien Invest SE ("**conwert**") also by Vonovia SE in 2017) which may continue and thus further intensify competition in the future. In comparison to these companies, ADLER is still a comparatively small market player. As a result of such competition for real estate portfolios in Germany attractive portfolios may become unavailable to ADLER or available only at unfavorable terms, due to sustained price increases. Higher purchase prices in conjunction with stagnating or more slowly rising rents can reduce the estimated return on the property holdings. Conversely, competition or a market surplus of available residential properties at a time when ADLER is ready to sell can lead to unexpectedly low selling prices or prevent ADLER from selling residential properties at all.

Any inability to acquire suitable properties on attractive terms, to differentiate itself adequately from its competitors, or to profitably sell the properties held in current assets could have material adverse effects on its business, net assets, financial condition and results of operations.

An overall rise in interest rates would increase ADLER's financing costs, could make the sale of properties less profitable or more difficult, and could make the acquisition, modernization, maintenance and refurbishment of residential properties more expensive, thereby diminishing the attractiveness of and demand for real estate holdings.

ADLER finances its business activities with its own and borrowed capital. Since current interest rates in Germany on (real estate) loans are at historically low levels, there is a high likelihood that interest rates may rise in the future. The European Central Bank ("**ECB**") last raised interest rates in early 2011 and the Company expects a tightening in monetary policy for the Eurozone. After two previous increases in December 2016 and March 2017, the US Federal Reserve again increased the U.S. federal funds rate in June 2017, since which time the target rate for the federal funds rate has been between 1.0 and 1.25 per cent.

A general, noticeable increase in interest rates could affect ADLER's ability to finance the acquisition, modernization, maintenance and refurbishment of real estate portfolios by debt capital and the general ability to refinance debt which becomes due. To the extent ADLER uses external debt financing at partially variable interest rates, an increase in interest rates would directly result in higher financing costs for ADLER. To control its interest rate risk ADLER has entered into hedging contracts in respect of a portion of its interest rate exposure. However, if any counterparty to these hedging contracts is unable to meet its obligations or if ADLER's hedging procedures turn out to be ineffective for other reasons, the interest expenses incurred by ADLER could be higher than expected.

In addition, the sale of real estate for purposes of optimization of the rental portfolio could be less profitable as, due to higher financing costs, potential buyers might be able or willing to pay only lower prices for properties. Also the sale of the remaining properties held in current assets (following the discontinuation of its Trading segment) further continues to generate a portion of ADLER's revenues. The future financial success of ADLER will therefore also depend partly on its success in selling the properties held in current assets at favorable conditions. In addition, the demand for residential property is sensitive to changes in real estate affordability. Most real estate purchasers finance their real estate purchases through mortgage financing. Lack of availability

of mortgage financing or changes in interest rates could reduce the ability or willingness to invest in real estate and, thus, make it more difficult for ADLER to sell real estate.

An overall rise in interest rates could therefore have material adverse effects on ADLER's business, net assets, financial condition and results of operations.

ADLER is dependent on demographic and economic developments in Germany and in regional sub-markets within Germany, including in Lower Saxony, North Rhine-Westphalia, Saxony, Brandenburg and Saxony-Anhalt, in which regions the majority of ADLER's properties are located.

ADLER's business activities are affected by numerous demographic and economic factors and subject to risks arising in connection with the relevant developments in the regional market segments of Lower Saxony, North-Rhine Westphalia, Saxony, Brandenburg and Saxony-Anhalt, where the majority of its real estate is located.

Economic studies forecast that demographic change, including a shrinking and ageing population, will cause the nationwide demand in Germany for accommodation to fall in the long term, although the total number of households is expected to grow, due to a trend towards smaller household sizes (source: Federal Statistical Office, press release no. 67/17, "43 Millionen Privathaushalte im Jahr 2035", published on February 28, 2017). Economic and demographic forecasts for metropolitan areas in Germany differ from forecasts for less densely populated regions. The Company expects that other macro-economic indicators, such as the development of gross domestic product (GDP), unemployment rates and the purchasing power, will also develop in a diverse manner across the different regions on which ADLER owns properties.

As of September 30, 2017, ADLER held 49,553 residential and 1,088 commercial units (excluding 2,613 units held in inventories for privatization) with a rental space of 3.2 million sqm and a fair value of EUR 2,640.7 million and an annualized actual rent (including parking spaces and other areas) of approximately EUR 178 million, with a regional focus on Lower Saxony (17,694 units), North Rhine-Westphalia (10,824 units), Saxony (7,339 units), Brandenburg (3,707 units) and Saxony-Anhalt (3,476 units).

North Rhine-Westphalia, Germany's most populated state with approximately 16 million inhabitants is composed of various socio-economically heterogeneous regional sub-markets. Parts of the Ruhr region, including Duisburg, are currently undergoing certain structural transformations, resulting from, inter alia, the suspension of mining activities. The debt of the state of North Rhine-Westphalia amounted to EUR 184,956 million as of December 31, 2015 (source: Federal Statistical Office, "Schulden der Länder (einschließlich Extrahaushalte) am 31. Dezember 2015"). This level of debt and the uncertainty about the future ability of North Rhine-Westphalia to balance its budget in the short-run may force North Rhine-Westphalia's government to cut spending and to increase regional taxes and charges. In 2011, for example, the real estate transfer tax payable in North Rhine-Westphalia, as in most of Germany's other federal states, was increased by 1.5 percentage points to 5%. As of January 1, 2015, the real estate transfer tax in North Rhine-Westphalia was increased again by additional 1.5% to 6.5%. This increase negatively impacted the valuation of ADLER's investment properties (i.e. real estate held to generate rental income and/or for capital appreciation).

Lower Saxony, a territorial state in the north of Germany with approximately 7.8 million inhabitants, includes three metropolitan regions, with the most important region located around the capital city of Hannover. Lower Saxony's economy depends in large parts on few major corporations active in the automotive, aircraft or shipbuilding industry. The debt of the state of Lower Saxony amounted to EUR 60,820 million as of December 31, 2015 (source: Federal Statistical Office, "Schulden der Länder (einschließlich Extrahaushalte) am 31. Dezember 2015"). In case of structural changes in the metropolitan regions, Lower Saxony's government may be forced to raise regional taxes and charges to control the state's debt. Comparable to other federal states, in Lower Saxony the real estate transfer tax was increased by 1.5 percentage points to 5% effective on January 1, 2014, which negatively impacted the valuation of ADLER's investment properties in Lower Saxony. Similar future measures could negatively affect ADLER's business.

Saxony, a federal state in the east of Germany with approximately 4 million inhabitants, had to face a structural transformation after the German Revolution in 1990. Saxony's economy is strong in comparison to other federal states in the east of Germany, but relatively weak with regard to the economic strength of federal states in West Germany. As of December 31, 2015, the debt of Saxony amounted to EUR 2,294 million (source: Federal Statistical Office, "Schulden der Länder (einschließlich Extrahaushalte) am 31. Dezember 2015"). Any decline in the economy of Saxony could negatively affect ADLER's business.

Economic and demographic developments in the relevant regions where ADLER's real estate is situated significantly impact the demand for ADLER's properties, the rents ADLER is able to achieve and the payment behavior of its tenants, among other things. These factors have a significant impact on vacancy rates, ADLER's revenues and the valuation of its properties. Insolvencies, closings, or moves to or from the region by important employers possibly vital to the region or several industries in one location could negatively affect the economic development of the location in question and therefore impact the demand for ADLER's properties or rental space which are located at such places.

Any negative economic and demographic changes in one or more regions in which ADLER's properties are situated could thus have material adverse effects on ADLER's business, net assets, financial condition and results of operations.

2.2 Risks related to ADLER's growth

When acquiring residential properties or residential real estate portfolios for the residential real estate management business, there is a risk that ADLER may inaccurately assess the value of the properties and pay an inflated purchase price. When acquiring an ownership interest in real estate companies, ADLER might overestimate the value of the acquired interest. In addition, the acquisition of real estate may entail risks, such as defects, legal and financial constraints, missing permits, licenses and certificates, which cannot be fully ruled out although a legal, tax and economic risk assessment has been carried out prior to such acquisition. Furthermore, the transaction costs expended for such an acquisition could prove to be useless if the transaction is not completed.

When acquiring residential properties for the purpose of building a profitable residential real estate portfolio, ADLER could overestimate earning potential and underestimate development potential, and rental and cost risks, in particular, investment needs and, as a result, it could pay an inflated purchase price. Residential properties or residential real estate portfolios could also be appraised inaccurately for other reasons, even if they were acquired on the basis of expert appraisals and due diligence, and therefore a particular target return may not be obtained from rentals, or, if applicable, a certain price cannot be obtained upon resale. In such a case, the market value of individual residential properties or entire residential real estate portfolios could be lower than the purchase price paid by ADLER. This would result in a reduction of income and the need for impairment losses.

Additionally, despite careful selection processes, residential properties and residential property portfolios could have defects, including with respect to their structure or with respect to environmental damage, unknown to ADLER at the time of acquisition. Such defects could result in delays in development or leasing and lead to additional and unforeseen expenses.

ADLER is and, prior to acquiring real estate and real estate portfolios, was able to carry out only limited risk assessments. Consequently, ADLER may not have been able to check thoroughly, if the respective former owner of the relevant real estate or real estate portfolios has obtained all required permits (in particular, building permits), licenses and fire, health protection and safety certificates and has met all relevant requirements. ADLER may also not have been able to thoroughly carry out assessments/surveys and other investigations itself or obtain findings in this respect from third parties. Accordingly, when acquiring real estate or real estate portfolios, it is possible that specific risks have not been identified or have been wrongly assessed. For example, legal constraints and/or economic burdens may have been overlooked or incorrectly evaluated.

Under the purchase agreements entered into by ADLER with the sellers of the respective real estate or real estate portfolios, various representations are normally made by the sellers. It is possible, however, that such representations do not cover risks and losses connected therewith or do not cover risks and losses connected therewith to the extent required. Moreover, representations made by a seller may not be enforceable or valuable for various reasons, including the seller's inability to pay.

There is also the risk that a seller of real estate or real estate portfolios does not represent or warrant that the information which is provided when a risk assessment is carried out is adequate or accurate or that such information is still accurate between the time of completion of the risk assessment and the legal transfer of the respective real estate to ADLER.

ADLER could also be subject to risks relating to ownership interests in real estate companies. ADLER could overestimate the earning potential of the interest to be acquired, or underestimate the liabilities and risks brought by such target and, as a result, pay an inflated purchase price for the interest.

In the context of planned acquisitions, unforeseen problems such as significant economic or legal obstacles to the acquisition may arise. This could also cause ADLER to withdraw from a planned transaction despite time-consuming and financial efforts, which may sometimes be significant, for example, for consultants and the use of internal human resources (for example, with respect to the management board and the senior management). As a result, ADLER's efforts may turn out to be useless.

Any inaccurate evaluation in the appraisal of individual parcels of land, residential properties or residential real estate portfolios, or investments in real estate companies, the existence of latent defects and additional remediation costs, or a considerable number of terminated transactions and a substantial amount of useless expenses could have material adverse effects on ADLER's business, net assets, financial condition and results of operations.

ADLER could wrongly perceive the attraction of a property to suitable tenants and as a result thereof fail to realize expected rental income.

ADLER carries out estimations of the rental income it intends to realize from the properties acquired by it on the basis of, amongst other things, the property's location, actual or proposed use, technical status and ground plan as well as anticipated macro- and microeconomic developments. In case ADLER wrongly perceives a property's attraction or future attraction it may be difficult to find suitable tenants who are prepared to rent space at the rent ADLER intends to obtain. If ADLER is forced to reduce the rent for a property to attract suitable tenants or a property is vacant in whole or in part over a longer period due to the impossibility to find a tenant or if it is necessary to provide considerable incentives (such as rent-free periods), this would adversely affect ADLER's rental income. This could have material adverse effects on ADLER's business, net assets, financial condition and results of operations.

Due to the tenant structure of ADLER's real estate portfolios ADLER's options to make rent increases are limited.

According to the Company's estimate, up to one third of ADLER's tenants receive state aid to finance their rent, in particular under the provisions of Volume II and XII of the German Social Security Code (*Sozialgesetzbuch*) ("State Aid"). The rates of State Aid for living space depend on regional differences and typically increase slower than the market rents. In structurally weak regions, the rates of State Aid for living space are often above the local market rent whereas in structurally stronger regions the rates of State Aid for living space are typically below the market rent. For this reason, when structuring its rent, ADLER has to take into account the financial standing of its tenants as, for example, any increase in rent may exceed the limits under the State Aid granted, thus making it difficult to re-let the properties or force ADLER's tenants who depend on State Aid to move to more inexpensive apartments outside ADLER's portfolio. In case ADLER does not succeed in letting its apartments to tenants with a better financial standing, this may result in a higher vacancy rate.

For this reason, it may not be possible or may be possible only to an insufficient extent or only through an increase in the vacancy rate to realize rent increases for apartments whose tenants depend on State Aid, which - to the extent rent can be increased on the respective regional market - may have a significant impact on ADLER's business, and, in particular, its earnings growth. For example, even if, due to higher maintenance costs, a higher contractual rent is necessary for economic reasons, ADLER may not be able to realize rent increases or may be able to realize rent increases only through an increase in the vacancy rate. Moreover, any change in regulation resulting in a decrease in State Aid received by ADLER's tenants will likely make the letting of its properties more difficult for ADLER and may generally result in a higher vacancy rate.

This may have materially adverse effects on ADLER's business, net assets, financial condition and results of operations.

Risks may arise in connection with possible acquisitions and investments, such as a higher level of indebtedness, higher interest expenses, issues arising from the integration of the business and the generation of planned synergies. Expected income and synergy effects from possible acquisitions may be lower than expected.

Acquisitions of portfolio and businesses that have already been carried out or will be carried out in the future or the acquisition of investments may involve considerable risks. In addition to risks pertaining to the real estate itself, there is the risk that acquisitions tie up management resources which cannot be used for other purposes at the company. Moreover, the acquisition of portfolios, businesses and investments may result in a higher level of

indebtedness and higher interest expenses. If ADLER's growth is realized by the acquisition of, or investments in, other businesses, the successful integration of business units or investments acquired into ADLER is also necessary in order to achieve the synergies pursued by the acquisition or investment. In this connection, the integration process may take longer than expected, require more resources than planned or fail completely. For this reason, anticipated synergies, economies of scale and cost savings may not be realized at all or in full or may be delayed.

When assessing acquisitions, ADLER makes various assumptions amongst other things with respect to revenues and income, the possibility to reduce vacancies, investments needs required, integration costs, synergy effects and economies of scale as well as transaction expenses. It cannot be excluded, however, that these and other assumptions do not materialize or materialize only in part or only subsequently which, for example, in case of an unidentified investment backlog, may subject ADLER to considerable costs.

Moreover, real estate or real estate portfolios acquired may entail greater administrative and market issues than expected or may be situated at less attractive locations or may not fit into ADLER's business strategy. These and other factors may result in less rental income and possibly sales proceeds and, in addition to less profits than expected, also weigh on the valuation of newly acquired portfolios.

Thus, the success of acquisitions and investments which have already been carried out or will be carried out in future cannot be guaranteed. If acquisitions or investments do not have the effects intended, this could have material adverse effects on ADLER's business, net assets, financial condition and results of operations.

ADLER could fail to adapt and expand corporate structures in line with the Company's growth, which could also cause disruptions or interference with the Company's IT systems. In addition, the integration of IT systems of newly acquired portfolios could lead to significant expenses, particularly if aspects of the acquired IT systems are not immediately compatible with the Company's existing IT systems.

Over the past four years, ADLER has managed to acquire virtually its entire current residential real estate portfolio through the acquisition of several real estate portfolios and real estate holding companies. The Company intends to further increase its activities in the area of residential real estate management and to acquire additional residential properties and residential real estate portfolios in the future. The growth associated with acquisitions of additional residential properties needs to be met by appropriate changes in the internal organization, on the group management level and the organizational structures of ADLER. The Company operates as a managing financial holding company, controlling several management companies which, in turn, hold the real estate properties and carry-out property and facility management. The increased growth over the past years required, for instance, new staff and new structures with respect to asset management, accounting, internal reporting and supervision, compliance, risk management, internal revision and group wide IT. Since its strategic realignment in 2012, ADLER has reacted to its substantial growth with a significant increase in personnel, in particular, in the asset management, property management and accounting area, and adjustment of its risk and compliance management system.

ADLER also plans to have integrated the areas of facility management and property management, which, in part, have been outsourced, into ADLER by early 2018. The related internalized services will then be provided by ADLER Gebäude Service GmbH and ADLER Wohnen GmbH. It cannot be ruled out that, in the course of the integration of these areas, delays in ADLER's business processes and operations, for example due to data transfer, may occur which possibly can only be eliminated by time- and cost-intensive measures.

Moreover, in the course of ADLER's growth, its IT infrastructure has been considerably extended and an IT department has been established within the Group. ADLER's IT systems are crucial to implementing the strategy for optimizing ADLER's business. Any interruption, outage or damage to ADLER's IT systems may cause interruptions and delays in the business processes and operation and, thus, higher costs. It cannot be excluded that technical innovations will adversely affect the functionality of ADLER's IT systems and, thus, require ADLER to take further action and cause it to spend significant funds to avoid or eliminate disruptions to its IT systems. In this connection, it cannot be ensured that even anticipated and/or identifiable disruptions can be prevented by taking corresponding preventive measures. Moreover, the integration of existing IT systems of newly acquired real estate portfolios into ADLER's IT systems may cause significant expenses and interferences with ADLER's existing IT system.

Within the course of the planned further growth, ADLER might have to continue to materially extend or establish these resources. If future acquisitions were to alter ADLER's geographical focus, it could become

necessary to create or integrate new corporate structures in order to improve regional supervision and risk management. This process of growth and integration could prove to be more difficult, or more time-consuming and costly, than the Company expects. If ADLER were to be unsuccessful in integrating the residential real estate portfolios recently acquired and yet to be acquired in the future, this could have material adverse effects on ADLER's business, net assets, financial condition and results of operations.

ADLER's group-wide risk management organization could be insufficient or might not be updated in line with ADLER's growth. Thus, risks could arise with respect to deviations of ADLER's actual business performance from its business planning.

ADLER's group wide risk management organization comprises a risk management system and monitoring system. The risk management system is controlled by the management board or management of the group companies or by risk officers especially designated for this purpose and comprises all companies of ADLER which are included in the consolidated financial statements. As part of the ADLER's strong growth in the last four years, its group wide risk management system has been adapted and further developed to align it to ADLER's considerable growth and development. It now comprises a central risk and compliance management unit, an internal and external revision and clearly distinguished risk and compliance responsibilities.

The monitoring system was set up to enable ADLER to identify early on and adequately react to developments that could endanger its continuation as a going concern. The controls are applied by the central finance department in accordance with guidelines approved by ADLER's management board, whereas the finance department identifies, evaluates, and acts to safeguard against financial risks.

Despite the growth of the group wide risk management organization it cannot be excluded that gaps in the management and monitoring of risks may arise and that this may result in deviations of ADLER's actual business performance from its business planning.

In addition, the data underlying ADLER's business planning, especially revenue, income, and expenses, is based largely on forward-looking projections and estimates that take into account all of the insights gained up to the time the planning was prepared, historical figures, and the expectations of ADLER's management board at the time the planning was prepared. Whether the assumptions and estimates in the planning will actually materialize is uncertain. There is a risk that the earnings and liquidity of the Company may not develop according to plan due to negative deviations from the earnings and expense expectations in the planning. Moreover, there is a risk that, due to planning deviations, the Company's liquidity situation may not permit the Company to make interest and principal payments due under various financing agreements at the relevant due date either in whole or in part.

If the Company were to fail to suitably develop its internal organizational, information, risk monitoring, and risk management structures, align these with the planned further growth of ADLER and adapt them to a possibly changing environment for business operations in order to identify, assess, monitor, and manage potential risks as early as possible, unfavorable business or administrative developments could occur and incorrect decisions could be made that could have material adverse effects on ADLER.

Should any of the above risks materialize, this could have material adverse effects on ADLER's business, net assets, financial condition and results of operations.

ADLER's lean management and organizational structure might prove unsuitable for the Company as it expands and might be unable to react suitably or and in a timely manner to developments in the Company's projects, business processes, or management functions.

In its own estimation, ADLER has a lean management and organizational structure and a comparatively small management which is responsible for managing the Company's business. ADLER's larger competitors such as Vonovia SE, Deutsche Wohnen AG or TAG Immobilien AG possess considerably more financial and human resources. Due to its comparatively small management and organizational structure, ADLER could fail to react suitably and in a timely manner to short-term projects or disruptions in its business processes, and key management functions could be impacted, particularly in the event of staff changes or the temporary unavailability of one or more members of the upper or second management level (management board, executive committee, commercial attorneys-in-fact (*Prokuristen*), and unit heads).

The occurrence of one or more of the risks described above could have material adverse effects on ADLER's business, net assets, financial condition and results of operations.

ADLER is dependent on recruiting and retaining qualified staff and employees in key positions.

ADLER's business success significantly depends on the performance and expertise of its executives and key employees, in particular, the management board members Arndt Krienen and Sven-Christian Frank as well as other executives who have many years of experience and extensive industry knowledge, in particular, in the areas of accounting, finance, portfolio and asset management. ADLER's executives have many years of experience and extensive contacts in the German real estate market and any unexpected loss of any of the key employees could have a detrimental effect. Another main factor for the future achievement of ADLER's strategic and operating goals will be the ability to recruit qualified expert employees and executives, particularly in the areas of customer acquisition, real estate management, technology, planning and sales, and to keep them with the Company for the long term. The fact that key ADLER employees or the management board members could be hired by the Company's competitors or leave ADLER for other reasons cannot be ruled out. Moreover, intense competition in the real estate market has resulted in a shortage of qualified employees who have the necessary knowledge of the market, and the Company is in vigorous competition with its competitors for qualified employees. However, due to the small number of qualified executives, job changes are possible and difficult to compensate for in a reasonable amount of time. In addition, further growth will necessitate recruiting additional qualified employees for the Company.

Therefore, if the Company were unable to permanently safeguard the availability of the required number of qualified staff in the future, this could have material adverse effects on ADLER's financial condition and results of operations.

2.3 Risks related to the Company's business

The loss of rent, rent reductions, higher vacancy rates, rent losses and the inability to charge economically reasonable rents could have a detrimental effect on ADLER's revenues, earnings and portfolio evaluation.

ADLER's business success significantly depends on its ability to maintain and increase rental income and to reduce vacancy rates in rental properties in the course of its real estate management activities. This involves various risks. As of September 30, 2017, the occupancy rate of ADLER's portfolio was 91.1% in the core portfolio and 89.9% in the overall portfolio.

ADLER expects and relies to a certain extent on a future decrease of such vacancy rates and coverage of transferable service charges and proportional administrative costs closely tied to the vacancy rates. However, there can be no assurance that such reduction in vacancy rates will actually be met. Low demand for housing at a particular location or in general, as a result of economic, social or other conditions, may lead to higher vacancy rates and subsequently lower current gross rental income. Vacancies also occur when residential units cannot be rented out because they need to be refurbished. Low demand for housing could also force ADLER to lease its residential units on less favorable terms, or to tenants who pose greater risks in terms of rent defaults due to reduced creditworthiness. If tenants were to be unable to fulfill their rent payment obligations in whole or in part (e.g. due to the worsening of their financial situation because of job losses), or if a large number of tenants terminate their leases without ADLER being able to immediately rent the affected properties to other tenants, this would result in a loss of rental income for ADLER and could materially adversely affect ADLER's earnings and the evaluation of its portfolio.

The amount of net rental income ADLER is able to generate and its ability to increase rents depends on several factors. These factors include the regional offer and demand for residential properties, the local market rent, the ground plan, condition and location of the apartment, infrastructure, modernization measures undertaken and their scope, and tenant structure and tenant turnover. Moreover, in setting the rent levels for residential properties, ADLER is subject to the German landlord-tenant law restrictions, which are becoming more rigorous over time. Even if increased maintenance costs would merit higher rents, ADLER may be limited in its ability to increase such rent. If ADLER's properties were to fail to be in a condition aligned with market requirements, or if ADLER were to fail to prevent in whole or in part a deterioration of the condition of its leased properties by completing the required maintenance and modernization work, this could have material adverse effects on the future ability to rent the properties and on the rental income from existing or future leases. In addition, a lack of demand or an increased supply of properties on the residential real estate market in general or in specific locations could result in a reduction in rental income or the inability to enforce rent increases.

If any of the above risks were to materialize, this could have material adverse effects on ADLER's business, net assets, financial condition and results of operations.

ADLER's profitability could suffer if operating, energy, and other costs related to the management and maintenance of its residential real estate portfolio increase.

In managing and maintaining its residential property holdings, ADLER is subject to the risk that operating, energy, and other costs associated with its properties could rise and that such costs cannot or can only in part be transferred to lessees. This can be triggered, for example, by higher property taxes and other statutory contributions, changes in laws, regulations, and government measures (including those concerning health and safety as well as environmental protection), a rise in the inflation rate, higher energy prices, an increase in insurance premiums or an increase in maintenance costs or capital expenditure for properties. Each of the aforementioned factors could reduce ADLER's profitability in the absence of a simultaneous rise in rental income or reimbursements of operating costs and service charges by tenants, or due to exhausted net rent potential.

This in turn could negatively affect ADLER's business and have material adverse effects on ADLER's business, net assets, financial condition and results of operations.

ADLER is exposed to risks relating to the structural condition of its properties and the costs in connection with their maintenance and repair.

In order to sustain demand for a rental property and to generate adequate revenue over the long term, the property's condition must be maintained or improved to a standard that meets market demand. ADLER is largely unable to pass on maintenance costs to the respective tenant as, under German law, such costs are predominantly to be borne by the owner of the property. If repairs or upgrades are required to meet changing legal or market requirements, e.g. with regard to energy savings, the property owner may be burdened with expenses that may be substantial. These expenses may be compensated for by rent increases only under certain conditions. In Germany, annual rents payable under existing contracts may be increased by only up to 11% of the costs incurred in connection with such modernization measures. ADLER may not even be able to increase the rent to the extent legally permissible in competitive regions either on account of prevailing market conditions or the inability of tenants receiving state aid to pay increased rents (as is the case for a significant part of ADLER's tenants) or otherwise.

Although ADLER constantly reviews the technical status of its properties and has established a reporting system to monitor and budget the necessary maintenance measures, numerous factors may result in substantial unbudgeted costs for refurbishment or modernization. These factors may include the material and substances used at the time of construction, currently unknown violations of building and environmental regulations and/or the age of the relevant buildings.

ADLER may incur additional and unexpected costs if the necessary costs of maintaining or upgrading its properties exceed ADLER's estimates, if ADLER is not permitted to raise the rents in connection with maintenance upgrades due to contractual or statutory constraints (such as due to the so-called rent control (*Mietpreisbremse*) which was introduced in 2015 and has entered into force in 12 of the 16 German federal states as at the date of this Prospectus even though it has been decided by the respective federal state governments that rent control will be repealed in North Rhine-Westphalia and Schleswig-Holstein and, in addition, the Regional Court (*Landgericht*) of Berlin recently held in a non-binding decision that such rent control is unconstitutional), or if hidden defects that are not covered by insurance or contractual warranties are discovered during maintenance or upgrading process. The value and net operating income derived from ADLER's properties may be substantially reduced if competing properties of a similar type are built in the area where ADLER's properties are located, or if such properties are properties with a comparable price but of higher quality.

If actual maintenance costs exceed ADLER's estimates or if, due to legal or contractual constraints, ADLER is unable to make rent increases, this may adversely affect the respective property's profitability, which may have adverse effects on ADLER's income situation. In addition, if ADLER fails to carry out necessary maintenance work, tenants may have a claim for suspension or reduction of the rent or even a right to terminate existing lease agreements. This may adversely affect the rental income and the value of the properties concerned. All the aforementioned aspects may have material adverse effects on ADLER's business, net assets, financial condition and results of operations.

There is a risk that ADLER is liable for defects resulting from the sale of properties under warranty claims or guarantees or that claims for recourse cannot be asserted successfully.

Until 2012, under its former business model, ADLER generated most of its sales revenues from the sale of land and buildings which it developed. In its Trading segment, which is expected to be discontinued by the end of 2017 due to the sale of the shares in its subsidiary ACCENTRO, ADLER engaged in privatization of own and third party real estate and trading of real estate. ADLER is thus exposed to the risk that because of defects in sold properties, or parts thereof, it could be liable for up to five years for defects in the sold properties unless contractual liability exclusions have been agreed or such limitations are ineffective. In addition, in the context of the sale of properties, ACCENTRO has, in part, also assumed contractual guarantees which may trigger liability and particularly payment obligations on part of ACCENTRO.

In this context, ADLER recognizes provisions in accordance with IFRS (in the nine months ended September 30, 2017: EUR 1,295 thousand; in the fiscal year ended December 31, 2016: EUR 1,802 thousand; in the fiscal year ended December 31, 2015: EUR 1,318 thousand; in the fiscal year ended December 31, 2014: EUR 164 thousand). However, ADLER cannot assign a specific figure to the total amount of possible guarantee and warranty claims, which may therefore far exceed the amount of any recognized provisions.

If a defect simultaneously constitutes a defect that can be asserted against the seller of the land or building, ADLER possibly has recourse against those sellers if it is itself liable to buyers because of defects. To that extent, however, ADLER bears the default risk in the event that those entities or persons are no longer able – for example, because of insolvency – to meet their reworking or payment obligations (particularly obligations to pay damages). It is also possible that ADLER is liable to the buyers, but no longer has recourse against the relevant seller due to expiration of the warranty period or for other reasons.

Any assertion of warranty claims against ADLER, particularly when ADLER has no recourse against a third party for the payment of damages, could have material adverse effects on ADLER's business, net assets, financial condition and results of operations.

ADLER could suffer material losses from damage that is not covered by insurance, or that exceeds its insurance coverage.

To cover damage that it or third parties might incur as a consequence of its business operations, ADLER has taken out insurance contracts. However, insurance coverage is not unlimited, but subject to liability limitations and liability exclusions both in terms of the amount and with respect to the individual claim. Consequently, ADLER could incur damage not covered by its insurance or exceeding coverage limits. In addition, ADLER could fail to obtain sufficient insurance protection in the future. In the event of a large number of claims or any major loss, insurance contracts could be terminated by the respective insurance company, insurance premiums could be increased or insurance terms could become less favorable in any other respect. In addition, insurance companies could become insolvent, which may have an adverse effect on the value of the insurance contracts entered into by ADLER with such insurance companies. The occurrence of any of these conditions could have material adverse effects on ADLER's financial condition and results of operations.

Disruptions, outages and manipulation of ADLER's IT systems and unauthorized access to ADLER's IT resources could materially adversely affect ADLER's business processes.

ADLER relies on key information technologies such as accounting systems to ensure that its business runs seamlessly. The possibility that ADLER may not be sufficiently protected against the failure of its IT systems or loss of data despite security measures such as access control systems, emergency response plans, uninterruptible power supply for critical systems, back-up systems, and regular data mirroring cannot be ruled out. Technical disruptions, data loss or failure of IT systems may have a material adverse effect on ADLER's business and cause considerable expenses which rise depending on the duration of such failure.

Further risks arise in connection with the electronic storage and use of business-critical data.

The unauthorized access by third parties, the misuse or unintended disclosure of confidential data by employees or third parties commissioned may result not only in the disclosure of business secrets, but also violate privacy provisions and, thus, constitute administrative or criminal offences and substantiate claims for damages and/or the issuance of cease and desist orders as well as trigger public penalties, such as administration fines. Such IT security incidents, any unauthorized data leakage of confidential information or violations of applicable law,

such as violations of the Federal Data Protection Act (*Bundesdatenschutzgesetz*) may also cause considerable damage to ADLER's reputation. Moreover, there are risks in connection with the outsourcing of the IT infrastructure to third parties. This increases the risk that damage or loss may occur due to circumstances which are beyond ADLER's control.

If IT systems were to fail or business data were to be stolen or the IT resources of ADLER or third parties commissioned were to be manipulated, this could have material adverse effects on ADLER's business, net assets, financial condition and results of operations.

2.4 Risks related to the valuation of the properties

There is a risk that the carrying amounts of the properties held by ADLER may be corrected. A devaluation of its real estate assets could adversely affect ADLER's financial condition and results of operations and require ADLER to provide additional collateral for existing financing, which would limit ADLER's options for obtaining other financing.

ADLER focuses its business on the acquisition, management, optimization, and expansion of a profitable residential real estate portfolio. ADLER carries the real estate held as investment properties (i.e. properties held for the purpose of generating income from their rental and/or for the purpose of appreciation) at fair value. Upon acquisition, investment properties are measured at cost including ancillary purchase costs. In subsequent reporting periods, investment properties are measured at fair value. The value of real estate usually depends on the general development of the real estate market as well as the general economic situation and certain factors relating to specific properties. If the real estate market or general economic situation were to suffer a downturn, there is a risk that the carrying amounts recognized for real estate in ADLER's portfolio would have to be corrected. In addition, there is a risk that negative economic developments in individual locations in which ADLER's residential properties or land are situated could necessitate correction of the carrying amounts of one or more residential properties or parcels of land. Any change in this fair value must be recognized as a gain or loss from changes in fair value in profit or loss in the income statement. Material fair value adjustments that must be made by ADLER could therefore have material adverse effects on ADLER's financial condition and results of operations. Moreover, material changes in fair value could negatively affect ratios important for ADLER such as net asset value (NAV) or the loan-to-value ratio (LTV ratio), which in turn could result in the violation of financial covenants in loan agreements or bond terms.

A devaluation of real estate assets could also require ADLER to provide additional collateral for existing financing, which would limit ADLER's options for obtaining other financing. This could likewise have material adverse effects on ADLER's business, net assets, financial condition and results of operations.

The real estate appraisals and/or available or future financial information based on such appraisals could incorrectly estimate the value of ADLER's properties.

The real estate appraisals which relate to ADLER's real estate portfolio (the "Appraisals") and which are carried-out on an annual basis in connection with the preparation of its financial statements are based on standardized valuation methods and reflect the view of the independent appraiser who prepared the appraisal. Real estate valuations are based on a number of factors which also include subjective assessments by the respective appraiser. These factors include the general market environment, interest rate levels, the rental situation, developments in a property's location, and tax rules. Real estate appraisals of this type are based on assumptions that could subsequently prove to be false. The assumptions underlying the Appraisals are only verified by random sampling as is the standard for such valuations. The valuation of properties in the Appraisals is therefore subject to numerous uncertainties. Adverse changes in the assumptions underlying the real estate appraisals or in the aspects to be taken into account in this respect may significantly reduce the value assessed for the property. Additionally, currently accepted valuation methods used in preparing the Appraisals could subsequently prove to be unsuitable.

The values assigned to the appraised properties in the Appraisals and/or in the financial information of ADLER already published or to be published in the future could exceed the proceeds ADLER is able to generate from selling the appraised properties. This can also apply to sales on or shortly after the relevant valuation date. For this reason, the Appraisals reflect neither the future nor the actual current attainable selling price for ADLER's individual properties or entire real estate portfolio. Moreover, there is no guarantee that the rental returns estimated in the Appraisals and the annualized rental income of a property are actually realized.

A change in the factors and/or assumptions underlying the valuation could also result in the fair value calculated for the relevant valuation date falling below the carrying amount of a property, which would lead to a loss from the change in fair value. This type of reduction in value must be recognized directly in profit or loss by ADLER as a loss from a change in the fair value of investment property in the relevant accounting period. If these losses are material, this could have a material adverse effect on the ADLER's business, net assets, financial condition and results of operations.

There is a risk of impairment of recorded goodwill.

As of September 30, 2017, the Company recorded goodwill of EUR 130,552 thousand. Pursuant to IAS 36, the goodwill is not subject to a scheduled depreciation, but to an unscheduled depreciation depending on the results of an impairment test which is to be carried out annually and in case of indications. Depreciation must be recorded in the profit and loss statement, if the impairment test showed that the carrying amounts of the cash generating units (CGU) to which goodwill was allocated can no longer be realized. The maximum amount of depreciation is limited by the amount of goodwill recorded in the balance sheet. As a basis for the impairment test, assumptions with regard to the valuation parameters must be established and future cash flows must be forecast at regular intervals. Both the valuation parameters and the future cash flows may deteriorate for ADLER by certain circumstances and events and result in an impairment of the goodwill which, in turn, might have material adverse effects on ADLER's business, net assets, financial condition and results of operations.

2.5 Financial risks

A rescission and unwinding of the sale of the shares in ACCENTRO by the Company to Brookline Capital Limited Partnership may lead to a higher level of debt, a downgrading of ADLER's credit rating and could, due to the terms and conditions of ADLER's existing and future financing arrangements, increase ADLER's borrowing costs and the associated expenses.

On October 20, 2017, following a strategic review and with a view to focusing on its core residential rental business and increasing its level of unencumbered assets, the Company entered into a share purchase agreement with Brookline Capital Limited Partnership ("**Brookline**"), a limited partnership incorporated under the laws of Guernsey and advised by Vestigo Capital Advisors LLP, pursuant to which the Company agreed to sell a stake in ACCENTRO consisting of 19,915,333 ordinary shares, representing approximately 80% of the total share capital of ACCENTRO issued (as per the last announcement pursuant to section 26a German Securities Trading Act (*Wertpapierhandelsgesetz*) published by ACCENTRO on July 31, 2017), and convertible bonds issued by ACCENTRO under the EUR 15 million 6.25% Convertible Notes 2014/2019 relating to a further 4,743,359 underlying ACCENTRO shares against an aggregate consideration of EUR 181,231,498.98.

On October 20, 2017, Brookline made an initial down payment on the purchase price in an amount of EUR 2,000,000. A first installment of the purchase price amounting to EUR 18,000,000 is due for payment at closing, which is expected to occur within the fourth quarter of 2017. The portion of the consideration which is not paid at closing will be deferred by one year from closing. At closing, title in the shares and ownership in the convertible notes will be transferred to Brookline subject to the condition precedent (*aufschiebende Bedingung*) of full payment of the purchase price. While legal title in the shares and ownership in the convertible notes remain with the Company to secure the purchase price claim, Brookline, subject to certain protective rights of the Company, will acquire full beneficial ownership of the shares at closing. The Company will therefore de-consolidate ACCENTRO as of the time of closing.

If Brookline does not, or is unable to, pay the first installment and the remaining purchase price in full when due, the Company may be forced to rescind and unwind the share purchase agreement with Brookline. In such a case, the Company would fully re-appropriate all sold shares and convertible notes the formal legal title and ownership to which has been retained by the Company as security for the full payment of the purchase price claim. In such case, ACCENTRO would likely have to be fully re-consolidated by the Company, which would lead to a reattribution of the debt of ACCENTRO to ADLER. This, in turn, would have a negative impact on ADLER's equity ratio and LTV and could trigger a downgrading of ADLER's credit rating, which, due to the terms and conditions of ADLER's existing and future financing arrangements, would result in higher debt financing costs for existing and future financings. Furthermore, it cannot be ruled out that a withdrawal from the agreement with Brookline will be perceived negatively by the capital markets and negatively impact the performance of ADLER's shares and other securities.

In addition, in case of such a rescission and unwinding, the value of the ACCENTRO shares may have dropped in which case the Company may not be able to fully recover the value of the purchase price.

If any of the above risks were to materialize, this could have material adverse effects on ADLER's business, net assets, financial condition and results of operations.

ADLER's level of debt and the terms and conditions of its existing and future financing arrangements could increase ADLER's borrowing costs and associated expenses, and could adversely affect ADLER's ability to refinance its financial obligations by entering into new or extending existing financial liabilities. In addition, the documents governing ADLER's debt obligations require ADLER to comply with financial and other covenants, and the Company's failure to comply with such covenants could result in defaults under or acceleration of financing arrangements under which the Company is an obligor. In the event it needs to refinance its debt obligations, ADLER might not be in a position to obtain adequate alternative financing quickly or at all. In addition, lenders could under certain circumstances liquidate the extensive collateral provided by ADLER to secure loans and other secured obligations of the Company, and the proceeds from any such liquidation could prove to be less than the value of the collateral.

ADLER has incurred considerable debt in the form of loans, promissory notes (*Schuldscheine*), convertible notes and notes. As of September 30, 2017, ADLER's non-current and current liabilities together amounted to EUR 2,362,541 thousand (taking into account liabilities held for sale in the amount of EUR 6,815 thousand). The Company's total non-current and current liabilities corresponded to a debt to equity ratio of 257% (62.2% of which are secured) based on the Company's total assets and liabilities as of September 30, 2017. Further growth will probably require ADLER to borrow additional funds.

A situation in which this high level of debt could adversely affect ADLER's ability to refinance its financial obligations by taking on new or extending existing financial liabilities cannot be ruled out. Banks could refuse to issue ADLER any new loans or might only agree to issue such loans on unfavorable terms. They could also refuse to extend existing credit facilities or might only extend such facilities on unfavorable terms. No assurance can be given that ADLER will be able to continue to obtain financing or to refinance existing obligations.

ADLER's loan agreements and notes stipulate many different obligations that ADLER must fulfill. For instance, the terms of the EUR 35 million 8.75% notes 2013/2018 ("**Notes 2013/2018**") as well as the terms of the EUR 11.25 million 6.0% convertible note 2013/2018 ("**Convertible Note 2013/2018**") issued by the Company include what is known as a "negative pledge clause" which categorically prohibits the Company and its subsidiaries from furnishing and maintaining security for capital market liabilities if the same type of security with the same rank is not provided to the bond creditors, or if the security provided to them is not economically equivalent. Capital market liabilities within the meaning of a negative pledge clause include promissory notes (*Schuldscheine*) and securities that can be traded on or off exchange. Subject to certain limitations, this prohibition does not apply to security that already exists on assets (such as real estate portfolios) at the time they are acquired by the Company.

In the course of several portfolio acquisitions, ADLER subsidiaries have used the collateral existing in the portfolios acquired and re-pledged it to secure promissory notes (*Schuldscheine*) and junior notes of the relevant acquiring company. These served mainly to refinance existing financing. It cannot be ruled out that this provision of security violates the aforementioned negative pledge clauses. A possible, but not mandatory, consequence of a violation of the negative pledge clause could be that the creditors of the Notes 2013/2018 and the Convertible Note 2013/2018 call due their claims under the notes and require repayment of the issue price (100%) or demand provision of equivalent collateral for the notes.

Some of the agreements governing ADLER's financing arrangements additionally require compliance with specified financial ratios (so called financial covenants) and other covenants by ADLER. The wording of such financial covenants and the calculation methodology applied by ADLER in connection therewith can be highly complex and it cannot be ruled out that ADLER's understanding of the wording and the calculation methodology used differ from the creditors' or investors' view. Non-compliance with a financial covenant could have serious consequences for ADLER.

If ADLER were to violate financial or other covenants, lenders or bond creditors could under certain circumstances terminate or accelerate the respective indebtedness. In addition, many of the agreements governing ADLER's financing arrangements contain so-called cross-default and cross-acceleration clauses, so

that an event of default under one instrument could result in events of default or acceleration under the other financing agreements or instruments, including the Notes.

If one or more loans or notes were to become due because of premature termination, ADLER may not be able to refinance the loans or notes coming due in a timely manner or at all, or may only be able to do so on considerably less favorable terms. In such an event, if ADLER were unable to refinance the terminated financing, possibly on short notice, the worst case scenario could be the insolvency of the Company.

Also, in case of a breach of a financial covenant under certain agreements, ADLER's right to freely dispose of the rental income from its properties that serves to secure the relevant loan agreements could be limited, and debt instruments under which an event of default occurs could become due and payable immediately. In addition, ADLER could be prevented from using planned income for certain payments, particularly for paying other financial liabilities, without the prior permission of lenders. This could result in the non-fulfilment of ADLER's payment obligations under such other loan agreements.

Furthermore, extensive collateral has been pledged to various lenders, comprising, among other things, share pledges in various Group companies and claims arising from rental and leasing contracts, purchase contracts, and contracts for the sale of properties, and properties have been encumbered with real estate liens by Group companies in order to secure the loan liabilities of the Company or its subsidiaries. If the Company or affected subsidiaries were unable to fulfil the obligations stipulated by financing agreements, creditors could liquidate the collateral furnished, including real property collateral and pledged shares in Group companies, even without ADLER's participation and possibly at major price discounts. For ADLER, violating obligations stipulated by financing agreements could result in the loss of portions of its real estate holdings or individual Group companies under unfavorable financial terms and conditions.

The occurrence of any of the above-mentioned risks could have an overall material adverse effect on ADLER's business, net assets, financial condition and results of operations and, in the worst case scenario, result in insolvency of the Company.

The Company's cash flow and possible future dividend payments depend on the business success of its subsidiaries and ownership interests or, if applicable, must be complemented or replaced by debt capital.

The Company is a holding company which does not carry out its operative business itself but solely through its subsidiaries and through agency business (*Geschäftsbesorgung*) on behalf of its subsidiaries. To cover its current expenses, the Company depends, amongst other things, on its subsidiaries and ownership interests making distributions and profit transfers under profit and loss transfer agreements, repaying loans granted to them in due time and paying fees agreed for the rendering of agency business (*Geschäftsbesorgung*). It is not certain if these funds will always be sufficient to meet all future payment obligations of the Company. If this is not the case, the Company would be required to otherwise obtain additional financing. This may have a material adverse effect on ADLER's business, net assets, financial condition and results of operations.

ADLER does currently not intend to distribute dividends. However, ADLER may intend to distribute dividends in the future to the extent they are covered by distributable cash flows. If, in such case, no sufficient distributable cash flow is available, the Company would probably be prevented from distributing dividends or would have to borrow funds to pay dividends. This may also have material adverse effects on ADLER's business, net assets, financial condition and results of operations.

The further development of ADLER's business is dependent on receiving additional credit instruments at adequate terms and refinancing existing credit instruments.

A considerable portion of ADLER's financing is provided by loans. ADLER assumes that the banks currently providing its financing will continue to be available to lend to ADLER in the future. In the medium and long term, however, no assurance can be given that some or all of these banks will not pursue a restrictive lending policy with respect to ADLER. Moreover, ADLER cannot guarantee that it will receive additional funds from financing sources or that it can refinance existing financing, including debt and equity financing, or other financing instruments, particularly if cash flow from operations is insufficient to fulfill certain financing conditions or if the debt ratio is substantial, or if banks generally apply stricter conditions to borrowers.

The access to, and general terms applying to, real estate financing depend on a large number of variable factors many of which are beyond ADLER's control, such as interest rates, the required financing volume for

acquisitions, general fiscal conditions and assessment of the value and profitability of the properties to be used as security for the loans by financial institutions and their evaluation of the general economic environment, as the case may be. In particular, a significant increase in interest rates would entail higher costs and could result in a shortage of loans which are available for the financing of real estate acquisitions and projects. Moreover, due to the current credit market situation in Europe, which is also characterized by stricter requirements as to equity coverage, some German credit institutions are less willing to lend than prior to the sovereign debt crisis in Europe in 2008 and 2009. Continuation or intensification of this situation could result in the Company being unable to refinance expiring financing or only being able to refinance on less favorable terms.

In addition, ADLER has provided lenders with a certain amount of collateral for the purpose of securing their liabilities. ADLER's assets are therefore available only to a limited degree for securing other debt, which in turn could restrict the Company's ability to raise additional funds and refinance existing financing.

The majority of ADLER's current financial liabilities will be due in the fiscal years 2019 to 2021 and 2023 to 2025, which means the refinancing risk is concentrated at certain points in time. If market or economic conditions were to be unfavorable for ADLER at these times, ADLER could be forced to refinance on significantly less attractive terms or may not be able to contractually agree new financing in time.

If ADLER were to fail to obtain additional financing in time and to refinance existing financing or if this were only possible on unfavorable terms, this could have material adverse effects on ADLER's business, net assets, financial condition and results of operations.

ADLER is exposed to risks arising in connection with the volatility of the market values of the hedging instruments used and the related counterparty risks.

To hedge against increasing interest expenses arising in connection with its external debt financings at variable interest rates, ADLER currently uses in part hedging and derivative instruments to control its interest rate risk and will also do so in future. These hedging and derivative instruments are recognized at their fair value in the Company's balance sheet. Due to market volatility the value of these instruments is volatile and, in case of an unfavorable market development, ADLER may be forced to write off the value of such instruments, which, again, would have an adverse effect on the Company's results. The value of the hedging instruments also depends on the solvency of the respective counterparty to the hedging contract.

If the markets fail to develop in ADLER's favor or the risk materializes that a counterparty is unable to meet its obligations under a hedging transaction, this may have material adverse effects on ADLER's business, net assets, financial condition and results of operations.

A downgrading or withdrawal of the rating of the Company or a downgrading or withdrawal of the rating of the Notes could adversely affect the Company's options of (re)financing and entering into interest rate hedging transactions.

On October 24, 2017, S&P Global Ratings ("S&P") assigned a "BB" long-term corporate credit rating to the Company, indicating a stable outlook. Moreover, on November 20, 2017, S&P assigned a "BB+" long-term issue rating relating to the Notes. With respect to the EUR 500 million 4.75% notes 2015/2020 ("Notes 2015/2020") issued by the Company, the Company is obliged to maintain a rating from the rating agency S&P and/or Moody's Investors Service, Inc. ("Moody's") and/or Fitch Ratings, Inc. ("Fitch") from December 31, 2016 for the term of the Notes 2015/2020 as otherwise, in accordance with the terms and conditions of the Notes 2015/2020, the interest rate on the Notes 2015/2020 will be increased from 4.75% to 5.25% p. a. Moreover, in accordance with the General Terms and Conditions of Deutsche Börse AG for Participation in the Prime Standard for Corporate Bonds, the Company is, in principle, obliged to obtain a current and valid company or bond rating in order to participate in the Prime Standard for corporate bonds.

In addition, the rating is also essential both for ADLER's financing and refinancing costs and for the option to enter into interest hedging transactions concluded or to be concluded to hedge against interest risks at all or on appropriate terms. A downgrade or withdrawal of the Company's rating may adversely affect both the price of the Company's shares and the prices of notes already issued by the Company as well as ADLER's ability to obtain new funding on the capital and loan markets at appropriate financing costs. Also, ADLER may no longer be able to enter into interest rate hedging contracts on economically acceptable terms. In addition, in case of a downgrading of the Company's rating, there is the risk that ADLER has to provide additional cash and securities collateral or provide additional loan guarantees for existing and future financing transactions, making it more

difficult for ADLER to obtain refinancing on the capital markets at commercially acceptable terms. The occurrence of any of the aforementioned risks may have material adverse effects on ADLER's business, net assets, financial condition and results of operations.

ADLER depends on generating enough liquidity from its property management business to cover the principal and interest expenses associated with its existing financings.

ADLER has significantly expanded its real estate portfolio through the acquisition of numerous real estate portfolios since 2013. To finance these transactions, ADLER has assumed considerable debt in the form of loans from banks, convertible notes, notes and promissory notes (*Schuldscheine*) which, in the balance sheet, totaled EUR 2,129,061 thousand as of September 30, 2017. Furthermore, additional financial debt in the amount of EUR 6,815 thousand as of September 30, 2017 are reflected in the balance sheet item "liabilities held for sale". As of September 30, 2017, ADLER's interest coverage ratio (ICR) was 1.69. ADLER has budgeted debt service of EUR 96,155 thousand for the fiscal year 2017. However, the planned further growth of ADLER may require the raising of additional debt capital which may in turn result in an increase in expenses for principal and interest payments. ADLER relies on generating positive cash flow from its property management business to pay these debt financing expenses (principal and interest) which mainly stems from rental income. In the future, if ADLER were to fail to generate positive cash flow from its property management business, it could be forced to sell residential units regardless of the market situation and possibly on terms unattractive to it, to use up existing liquidity, and, to the extent possible, to raise equity or debt capital under possibly unattractive financial conditions. This could have overall material adverse effects on ADLER's business, net assets, financial condition and results of operations.

Distress sales or forced disposals of real estate collateral may cause ADLER material financial detriment.

ADLER has provided extensive collateral for its financing. In particular, ADLER has provided or assumed liens on properties from sellers. Because of broad statements of collateral purpose normally used by the banks, the furnished liens regularly secure all claims by the pertinent banks *vis-à-vis* the borrower, including future claims. If the banks' loan claims cannot be timely satisfied when due, the collateral might be sold. Moreover, broad statements of collateral purpose may even affect collateral, particularly real estate collateral, which was not financed by the secured loan. Any sale or any forced disposal of collateral, particularly ownership interests, portfolios or individual properties, would result in significant price discounts, especially if market conditions are poor, and thus cause ADLER substantial financial detriment. This would have material adverse effects on ADLER's business, net assets, financial condition and results of operations, and could jeopardize the Company's existence as a going concern.

2.6 Legal and regulatory risks

The Austrian Takeover Commission has ruled that the Company has acted in concert with certain other persons in September 2015 and in early 2016 with respect to the acquisition or exercise of control over the Austrian listed company conwert Immobilien Invest SE. The Company unsuccessfully appealed against this ruling to the Austrian Supreme Court, which upheld the Takeover Commission's ruling. As a consequence, the Company could be subject to restitution claims by former conwert shareholders and holders of convertible notes issued by conwert. In addition, the Company could be subject to substantial administrative fines that could be imposed by the Austrian Financial Markets Authority.

In March 2016, the Austrian Takeover Commission (the "**Commission**") initiated a review proceeding under the Austrian Takeover Act with respect to conwert Immobilien Invest SE, an Austrian listed real estate company ("**conwert**"). The Commission was investigating whether the Company, in its capacity as a (indirect) shareholder of conwert (in August 2015 the Company acquired 100% of the shares in MountainPeak Trading Limited, Nicosia/Cyprus ("**MountainPeak**"), which, in turn, then held approximately 23% of the voting rights in conwert), together with other parties agreed on a course of action in order to obtain or exercise control over conwert ('acting in concert'). The Commission further alleged that such parties acted in concert with respect to conwert while controlling a total stake in excess of 30% of the voting rights in conwert. Under the Austrian Takeover Act, any shareholder who, alone or in combination with other persons with whom he has acted in concert, reaches or exceeds the threshold of 30% of the voting rights in a listed company is required to launch a mandatory takeover bid for the remaining shares. Therefore, the Commission was investigating whether the Company and any persons acting in concert with the Company breached the obligation to launch a mandatory takeover bid.

In a ruling dated November 30, 2016, the Commission held that the Company, its subsidiaries MountainPeak and WESTGRUND AG (“WESTGRUND”), Mr. Cevdet Caner and Petrus Advisers LLP had acted in concert with respect to conwert and had, thus, acquired a controlling stake in conwert on September 29, 2015 in the context of a potential transaction between the Company and conwert. Consequently, the Commission ruled such parties had wrongly failed to make a mandatory takeover offer to the remaining shareholders of conwert. According to the Commission, another acting in concert allegedly resulted from agreements between the parties prior to the extraordinary general shareholder meeting of conwert in March 2016.

ADLER appealed this ruling to the Austrian Supreme Court (*Oberster Gerichtshof*, “OGH”) on December 14, 2016. However, in a decision communicated to the Company on April 10, 2017, the OGH upheld the ruling of the Commission. The decision is binding and not subject to appeal. As a result, the Company could face restitution proceedings in which shareholders and holders of convertible bonds issued by conwert may seek damages from ADLER, WESTGRUND and MountainPeak asserting that they sold shares or convertible notes at a price which was lower than the minimum offer price that the aforementioned companies and further persons acting in concert with them would have been obliged to pay in the context of the wrongfully omitted takeover offer. To the Company’s knowledge, proceedings of such nature have not been conducted in Austria so far. From the Company’s perspective, neither the number nor the specific structure and, in particular, the financial outcome of such cases can be currently determined.

The financial impact of such restitution claims would largely depend on the share price the Commission would determine to have been the minimum price for a mandatory takeover offer and the prices that the relevant shareholders and holders of convertible notes of conwert actually received for their instruments. Under the Austrian Takeover Act, two minimum thresholds apply to the price of a mandatory takeover offer. On the one hand, the offer price must not be less than the highest cash consideration paid or agreed upon by the bidder or a person acting in concert with it for a share in the target company in the twelve months preceding the filing of the offer document with the Commission. On the other hand, the offer price must at least correspond to the average stock exchange price, weighted by the respective trading volumes of the shares in the six months preceding the day on which the intention to make a mandatory takeover offer shall be announced. Moreover, any prior acquisitions by a person which acted in concert with the Company would also have to be taken into account for determining the mandatory offer price. In August 2015, the Company has indirectly acquired shares in conwert through the acquisition of MountainPeak in exchange for combined consideration comprising cash consideration, the assumption of loans made to MountainPeak and the issuance of mandatory convertible notes in the amount of EUR 175 million at a conversion price of EUR 16.50 per share, which was significantly above the then market price of the ADLER share. From this, depending on the valuation method used, different purchase prices for a conwert share (between approximately EUR 13.50 and more than EUR 15.00 per share) can be calculated. Hence, due to a lack of a factual basis, the Company is not in a position to give any reliable estimate, but cannot exclude that, in a worst case scenario, restitutions claims could be asserted up to a two digit million euro amount.

In addition, the Commission initiated administrative penal proceedings against directors of ADLER and WESTGRUND who were in office at the time at which control was gained due to the failure to submit a mandatory offer. The potential penalties range from EUR 5,000 to EUR 50,000 per defendant. The administrative penal proceedings are still ongoing. In case the recipients of the penalty notifications are fined by the Commission, the recipients would be entitled to appeal to the Austrian Federal Administrative Court and the Austrian Higher Administrative Court.

Finally, the Austrian Financial Markets Supervision Authority (*Finanzmarktaufsicht*) initiated administrative penal proceedings against ADLER, WESTGRUND and MountainPeak with respect to the failure to make voting right notifications. Austrian law provides that parties (including parties acting in concert) who reach a certain voting rights threshold are required to notify the applicable company, the Vienna Stock Exchange and the Austrian Financial Markets Authority thereof. The relevant voting right thresholds are *inter alia* 25% and 30%. The fines for such misconduct were recently increased in Austria and could, depending on the OGH’s final ruling and the discretion of the Austrian Financial Markets Authority, amount to up to EUR 10 million or 5% of the Company’s annual net sales (on a consolidated basis) or twice the amount of the benefit which resulted from the breach of notification duties. The proceeding is still ongoing and its outcome will depend on the findings in the Commission’s administrative penal proceedings. Overall, at this stage, an outflow of financial resources is not regarded as probable by ADLER. Therefore, the Company has not made any provisions in its financial statements.

Legal and regulatory conditions in the real estate industry could change and adversely affect ADLER's business.

ADLER's business is influenced by the legal and regulatory conditions in Germany applicable to the sale of land, management of residential real estate holdings, and property development. Adverse changes in the applicable laws or administrative provisions or changes in their interpretation or application may have negative effects on ADLER. In particular, it cannot be excluded that any changes in tax legislation, administrative practice or jurisprudence, which may occur at any time at short notice, result in negative tax effects for ADLER.

In particular, an across-the-board increase in the land transfer tax or property tax, changes in capital gains taxation, limitations on tax deductions, or stricter add-back rules for interest expenses could occur at any future subsidiaries of the Company. Despite the general principle of non-retroactivity, any changes in applicable laws, regulations and directives may have a retroactive effect. Also, for example, depreciation allowances for real property may be restricted. This may have a material adverse effect on the attractiveness of residential properties. There have been significant changes in the legal and tax environment in past years. For example, the real estate transfer tax has undergone significant changes and been increased from 3.5% to up to 6.5% in some German states. The Company cannot rule out that further increases might take place in the future. In addition, with effect as of June 7, 2013, the German Real Estate Transfer Tax Act was amended as to prevent or restrict the implementation of so called "RETT blockers", which were frequently used in the past to avoid German real estate transfer tax becoming due in the course of real estate acquisitions. Consequently, future sales and acquisitions of properties or property companies are likely to become more cumbersome. According to current legislation, real estate transfer tax is, in general, only not triggered, if the aggregate direct and indirect shares of the Company in the newly acquired real estate holding amount to less than 95%. In order to purchase real estate holding units with a tax-neutral effect ADLER would, thus, have to unite with one or several third parties which acquire more than 5% in the unit. This may render a transaction more complex and result in stronger minority rights of the partners. As a consequence, the costs of the transaction and future administrative efforts arising in connection with the newly acquired unit will also regularly increase. Moreover, especially at the level of the finance ministers of the German federal states, further measures against RETT blockers are currently discussed. Furthermore, the provisions of landlord-tenant law are especially relevant to ADLER. German residential landlord-tenant law (*Wohnraummietrecht*) is considered to be tenant friendly in many respects, restricting the ability to increase rents. If the parties to a tenancy agreement have not agreed on a stepped rent or an indexation – both unusual in the German residential market – a rent increase is feasible only within certain limits and taking into account statutory limits, for example, as a result of the so-called rent control (*Mietpreisbremse*) which was introduced in 2015 and has been implemented by 12 of the 16 German federal states as at the date of this Prospectus. In particular, changes in the legal rights of tenants and the protection of tenants against termination could curtail the Company's flexibility in changing the tenant structure of its portfolio and negatively affect the overall value of the leased properties. Stricter environmental laws and regulations, especially energy conservation regulations, could increase the Company's costs associated with the management of its residential property portfolio and expand its liability. Tax benefits or regulatory rules concerning investments in real estate companies could be changed, which could dampen general interest in real estate in Germany. In particular, this could result in reduced proceeds from the sale of parts of the residential property portfolio.

Also a tightening of environmental legislation could cause substantial extra cost to ADLER. Under the provisions of the Energy Saving Ordinance (*Energieeinsparverordnung, EnEV*), which was amended with effect from May 1, 2014, lessors are obliged to carry out renovation work to reduce energy consumption (amongst other things by thermal insulation). In certain circumstances, thermo-technical refurbishing of a building is required. For example, lessors are required to provide minimum insulation for the roofs of the properties let by them. Also, the lessor or seller of a property is required to present an energy certificate prior to entering into a new tenancy or purchase agreement. In addition, if a property is offered (for sale or rent) in commercial media, information about the recent energy performance indicator of the property in accordance with the existing energy performance certificate is to be provided. Since December 31, 2013, owners of properties with a special central water heating facility have been required to test drinking water supplies for legionella and repeat this test at least every three years and on an annual basis, as the case may be depending on the facility's size, thus facing additional costs.

Any unfavorable developments in the legal and regulatory environment, including the aforementioned examples, could have material adverse effects on ADLER's business, performance and its financial condition and results of operations.

In the event that contract clauses prove to be invalid, the use of standardized contracts could lead to claims against ADLER from numerous contracts, to a loss of receivables, or to increased expenses.

ADLER's business activities entail contractual relationships with a large number of partners (particularly tenants). It uses standardized documents and leases in this context. A lack of clarity or any errors in these model contracts could therefore impact numerous contractual relationships. Changes in the legal environment affecting existing contracts could also impact numerous contractual relationships. Moreover, contracts seemingly signed as individual agreements could be considered general terms and conditions of business and, if violations of the applicable regulations were to occur, could be invalid or eligible for termination. Such developments could result in ADLER being forced to bear costs it previously considered allocable, or could subject ADLER to large claims or cause it to suffer a loss of receivables.

The occurrence of any of these risks could have adverse effects on ADLER's business overall and material adverse effects on ADLER's business, net assets, financial condition and results of operations.

Action could be taken against ADLER due to legacy pollution, including warfare agents, soil contamination, harmful substances in building material and any breach of building regulations.

ADLER is generally subject to the risk that properties acquired or properties in its holdings could be contaminated with soil pollution, harmful substances, other legacy pollution and/or warfare agents (including any unexploded projectiles). Moreover, the building structure may contain hazardous substances (such as polychlorinated biphenyls (PCB) or asbestos) or real estate may be exposed to other environmental risks. Action could be taken against ADLER by public authorities or private parties for the removal and disposal of such warfare agents, hazardous substances, legacy pollution or soil contamination. This is particularly the case in view of the fact that land purchase agreements regularly include a hold-harmless clause in favor of the former owner with regard to liability under the German Federal Soil Protection Act (*Bundesbodenschutzgesetz*, "BBodSchG"), and exclude recourse against the former owner under that Act.

Such actions, for example, could demand the performance of expert studies, the establishment of safeguards, the removal and disposal of harmfully altered soil, building parts or other items, the remediation of groundwater polluted as a consequence, or reimbursement of the costs and damage incurred for installing safeguards against or remediating the legacy pollutants or harmful changes to the soil. An exclusion of liability for legacy pollutants is legally possible only within very narrow limits. Furthermore, legacy pollutants or harmful alterations of the soil, or even the mere suspicion of a harmful alteration of the soil, has a material adverse effect on the value and the possibility of exploiting the properties, and especially the possibility of selling them.

Even if ADLER did not cause the harmful alterations itself, in many cases it will have only a very limited possibility of taking recourse or asserting claims for indemnification against the polluter or polluters, or against other responsible parties, such as the seller of the property involved.

There is also a risk that action could be brought in respect of properties that ADLER has already sold. Under the Federal Soil Protection Act, under some circumstances the competent authority could also require the former owner of a property to remediate it at that owner's own expense. Even if land sale agreements provide that the buyer must hold ADLER harmless from claims under the Federal Soil Protection Act, and waives the statutory claim to compensation, the risk that action may be brought cannot be ruled out. For example, a contractual claim for indemnification would be worthless if the seller involved became insolvent.

ADLER is also exposed to a liability risk arising in connection with noncompliance with or introduction of new building codes or environmental regulations. Even though ADLER conducts thorough inspections during the acquisition of individual properties, there is a risk that building codes or environmental regulations were not complied with. It is also possible that landlord responsibilities could be further expanded with respect to fire protection and environmental protections, which could require additional refurbishment, maintenance and modernization measures. The project cost of such measures is based on the assumption that the required permits are issued promptly and in consistence with ADLER's plans.

Any action taken against ADLER for legacy pollution or harmful soil changes, or even the mere suspicion of harmful soil changes as well as any noncompliance with existing or newly implemented building codes or environmental regulations could have material adverse effects on ADLER's business, net assets, financial condition and results of operations.

A violation of purpose limitation covenants at the time of the resale of properties could result in liability risks.

If ADLER acquires real estate holdings from sellers subject to purpose limitations or subject to specific conditions for a subsequent resale (this might be the case with corporations under public law or companies that are or previously were public property), these goals are often specified in the purchase agreement, for example with purpose covenants, some of which are reinforced with contractual penalty clauses. Such purchase agreements frequently specify that the purpose limitation covenants must be passed on at the time of resale. In the event of a violation of these contract clauses, the sellers may be entitled to damages. If ADLER does not or cannot comply with such purpose limitation covenants, this could have material adverse effects on ADLER's business, net assets, financial condition and results of operations.

A future tax or social insurance audit could result in the obligation to make additional payments.

The Company's most recent external VAT, corporate income tax (*Körperschaftsteuer*) and trade tax (*Gewerbesteuer*) audits took place in 2011 and covered the fiscal years from 2004 to and including 2008. The last completed payroll tax audit at the Company covered the calendar years from 2004 to 2006 (inclusive). An external payroll tax audit for the period from December 2008 to June 2013 was conducted on September 6, 2013. The last external payroll tax audit was finalized in April 2014. External VAT, corporate income tax and trade tax audits for individual companies acquired were each finalized in December 2016.

In the event of a future tax audit by the tax authorities, differences in the tax authority's interpretation of matters could result in follow-up tax liabilities that will lower results of operations. In addition, changes in the legal and tax environment may affect the outcome of any audit. For example, with effect as of June 7, 2013, the German Real Estate Transfer Tax Act was amended as to prevent transaction structures that avoided German real estate transfer tax becoming due. Although such transaction structures were common practice, it cannot be ruled out that issues could be raised by the tax administrations in connection with certain acquisitions the Company made in the past. Furthermore, the introduction of even tighter laws against RETT blockers are currently discussed in Germany at federal state level. To the Company's knowledge, however, there is currently no concrete legislative proposal as at the date of this Prospectus.

If one or more of the aforementioned risks were to materialize, this could have material adverse effects on ADLER's business, net assets, financial condition and results of operations.

ADLER might not be in the position to deduct its interest expense from taxes, which could lead to a higher tax liability.

In the course of its business activities, ADLER has entered into many financing arrangements with third parties, in particular with respect to the acquisition of real estate portfolios. Principal and interest payments must be paid on these borrowings. Since the German corporate tax reform in 2008, the tax deductibility of interest on debt has been limited by Section 4h Income Tax Act (*Einkommensteuergesetz*, "EStG") in conjunction with Section 8a Corporate Income Tax Act (*Körperschaftsteuergesetz*, "KStG"). This is known as the interest deduction ceiling, or *Zinsschranke*. Due to this interest deduction ceiling, the deductibility of the net interest expense of a business is generally limited to 30% of EBITDA for tax purposes (income adjusted for interest expense and certain depreciation and amortization), unless certain exceptions apply. Non-deductible amounts can only be carried forward to future periods and are deductible in future years under certain circumstances. If ADLER were to be increasingly affected by the application of this rule in the future, this would result in a higher tax liability and therefore materially adversely affect ADLER's business, net assets, financial condition and results of operations.

Involvement in legal disputes could cause ADLER to incur expenses that are not covered or not covered completely by provisions.

ADLER could be subject to risks from legal disputes arising in the course of ADLER's business as a developer of properties still held in current assets and as a manager of residential property holdings as well as from legal disputes involving subsidiaries of ADLER in connection with its previous building development activities.

The results of pending legal disputes and possible future legal disputes cannot be foreseen with certainty. For this reason, expenses may arise due to decisions by courts or government agencies or the agreement of settlements that are not covered or are not completely covered by provisions in the balance sheet, and that could have material adverse effects on ADLER's financial condition and results of operations.

2.7 Risks in connection with the Company's shareholder structure

The Company's principal shareholders could exercise substantial influence on the Company. Conflicts can arise between the interests of the principal shareholders and those of the other shareholders.

At present, the Company's principal shareholders are Mezzanine IX Investors S.A. which (including any voting rights attributed) holds 18.71% of the total voting rights in the Company and Klaus Wecken who (including any voting rights attributed) holds 17.80% of the total voting rights in the Company and (together referred to as the "**Principal Shareholders**"). Due to this shareholding structure, none of the two Principal Shareholders has a controlling influence on the Company. Moreover, as part of the consideration for the acquisition of the shares in MountainPeak Trading Ltd. ("**MountainPeak**") and two shareholder loans granted to MountainPeak by the seller, the Company has issued mandatory convertible notes in a nominal amount of EUR 175 million ("**EUR 175 Million Mandatory Convertible Notes**") to one company on the seller's side. Apart from narrow non-conversion periods, the respective holder of the EUR 175 Million Mandatory Convertible Notes is therefore entitled to convert the EUR 175 Million Mandatory Convertible Notes at any time in up to 11,666,666 new shares in the Company. On the basis of 57,547,740 issued shares as of the date of this Prospectus, this would result in a shareholding of 16.86% (of the then diluted share capital), so that such noteholder would also become a (indirect) major shareholder of the Company.

Taking into account the usual participation rates in general shareholders' meetings of German stock corporations and the participation rates in the annual general shareholders' meetings of the Company in recent years, the two Principal Shareholders of the Company as well as, in case of a conversion of the mandatory convertible notes, the respective noteholder may, however, be in the position to substantially influence the general shareholders' meeting either individually or jointly with other main shareholders of the Company, due to their interests in the Company's share capital. If the Principal Shareholders and, in case of a conversion of the mandatory convertible notes, also the respective noteholder individually or jointly were to control more than 50% of the voting share capital represented at a general shareholders' meeting, they would be in a position to pass resolutions of the general shareholders' meeting requiring a simple majority. Resolutions that can be passed by a simple majority include the election of supervisory board members, certain resolutions concerning share capital increases, approval for important transactions, and, subject to a few exceptions, amendments to the articles of association of the Company. If the Principal Shareholders and, in case of a conversion of the mandatory convertible notes, also the respective noteholder individually or jointly were to control more than 75% of the voting share capital represented at a general shareholders' meeting, they would be in the position to pass resolutions of the general shareholders' meeting requiring a three-quarters majority. Resolutions requiring a three-quarters majority mainly comprise resolutions concerning the exclusion of statutory preemptive rights in the case of capital increases as well as capital reductions, the creation of authorized or contingent capital, certain types of reorganizations such as mergers and demergers, liquidation of the Company, and legal form changes. Furthermore, each shareholder or, if applicable, shareholder group that controls more than 25% of the voting share capital represented at a general shareholders' meeting is in the position to block any resolution by the general shareholders' meeting that must be passed with a three-quarters majority. In addition, the Principal Shareholders as well as, in case of a conversion of the mandatory convertible notes, the respective noteholder can demand at any time that the management board of the Company convenes a general shareholders' meeting due to their respective interest in the share capital.

Both Principal Shareholders as well as, in case of a conversion of the mandatory convertible notes, the respective noteholder may therefore be in the position to control the Company's general shareholders' meeting and influence certain issues requiring shareholder approval, including the election of the supervisory board and the authorization of key corporate actions.

The concentration of share ownership at both Principal Shareholders as well as, in case of a conversion of the mandatory convertible notes, at the respective noteholder may put them in a position of being able to influence important resolutions by the general shareholders' meeting or itself pass these resolutions without having to rely on the cooperation of other shareholders of the Company. This is also particularly true when the interests of the Principal Shareholders as well as, in case of a conversion of the mandatory convertible notes, of the respective noteholder are not compatible with the interests of the other shareholders. Due to the aforementioned opportunities for the Principal Shareholders as well as, in case of a conversion of the mandatory convertible notes, for the respective noteholder to exercise influence, there is a risk for shareholders that the Principal Shareholders as well as, in case of a conversion of the mandatory convertible notes, the respective noteholder will act in their own interests which may not be in line with the interests of the other shareholders.

2.8 Risks related to the Notes

The Notes may not be a suitable investment for all investors.

The Notes may not be a suitable investment for all investors.

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- (i) have the necessary expertise and experience to appropriately assess the Notes, the chances and risks of an investment in them and the information contained in this Prospectus and any information incorporated herein by reference;
- (ii) have sufficient knowledge in the context of its particular financial situation how an investment in the Notes will impact its overall investment portfolio;
- (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where the currency for principal or interest payments is different from the potential investor's currency;
- (iv) carefully read and understand the terms and conditions of the Notes; and
- (v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the respective risks.

The market value of the Notes could decrease if the creditworthiness of the Company or investors' perception of the Company's creditworthiness deteriorates.

Any person who purchases the Notes is relying on the creditworthiness of the Company and has no rights against any other person. Holders of the Notes (“**Noteholders**”) are subject to the risk of a partial or total failure of the Company to make interest and/or redemption payments that the Company is obliged to make under the Notes. If the likelihood that the Company will be in a position to fully perform all obligations under the Notes when they fall due decreases, for example, because of the materialization of any of the risks regarding the Company, the market value of the Notes will suffer.

In addition, even if the likelihood that the Company will be in position to fully perform all obligations under the Notes when they fall due actually has not decreased, market participants could nevertheless have a different perception of such likelihood. Market participants may in particular be of such opinion if market participants' estimation of the creditworthiness of banks in general or, more particularly, banks with a business similar to the Company adversely changed. If any of these risks occurs, third parties would only be willing to purchase Notes for a lower price than before the materialization of such mentioned risk. Under these circumstances, the market value of the Notes will decrease.

The Notes constitute unsecured, subordinated obligations of the Company, ranking equally with any of the Company's other unsecured indebtedness and effectively subordinated to all of the Company's secured indebtedness.

The Notes are unsecured obligations of the Company. Subject to statutory preferences, the Notes will rank equally with any of the Company's other unsecured indebtedness. The Notes will be effectively subordinated to all of the Company's secured indebtedness, to the extent of the value of the assets securing such indebtedness.

The market price of the Notes may be volatile.

The market price of the Notes depends on various factors, such as changes of interest rate levels, the policy of central banks, overall economic developments, inflation rates or the supply and demand for the Notes. Disadvantageous changes to such factors may adversely affect the value of the Notes.

The Notes bear a fixed interest rate and their price may be negatively affected by an increase in market interest rates.

The Notes bear a fixed interest rate. Holders of fixed-interest securities are particularly exposed to the risk of a change in the price of the securities due to a change in the current interest rates at the capital market (market interest rate). While the nominal interest rate of fixed-interest securities is fixed for the term of the securities, the market interest rates typically change on a daily basis. Investors should be aware that movements in the market interest rate can adversely affect the price of the Notes and can result in losses for the Noteholders if they sell the Notes before their maturity.

Investors who hold the Notes offered as operating assets or, for other reasons, are under an accounting obligation and are obliged to draw up a (regular) statement of assets and liabilities (balance sheet) are exposed to the risk that the value of the Notes falls during the life of the Notes and that, although they continue to hold the note, they are required to report non-cash losses (*nicht liquiditätswirksame Verluste*) due to necessary depreciations.

The yield of the Notes may be affected by inflation.

The inflation risk is the risk of future money depreciation. The real yield from an investment is reduced by inflation. The higher the rate of inflation, the lower the real yield on the Notes. If the inflation rate is equal to or higher than the nominal yield, the real yield is zero or even negative.

There may not be a liquid market for the Notes.

The Notes will be admitted to trading on the Main Securities Market of the Irish Stock Exchange plc (“**ISE**”). There can, however, be no assurance that a liquid market for the Notes exists or, if it exists, that it will continue to exist. In an illiquid market, an investor may not be able to sell its Notes at any time at fair market prices. Further restrictions on sales of Notes may arise under the applicable securities laws of specific jurisdictions.

The noteholders are exposed to the risk of a substantial decline in the price of their Notes which arises, in particular, if the price of the listed shares of the Company falls and this development is transferred to the Notes.

The market price of the Notes depends on various factors and may fluctuate considerably. Apart from the economic performance of ADLER, changes in the general interest rate level, the policy of central banks, general economic developments, the rate of inflation as well as a lack of or excessive demand for the Notes, the price of the Notes may be affected, in particular, by the market price of the Company’s shares. As a consequence, the Noteholders are exposed to the risk of a substantial decline in the price of their Notes which arises, in particular, if the price of the listed shares of the Company falls and this development is transferred to the Notes. In addition, the price of the Notes may be adversely affected by the future issue of additional shares by the Company.

The noteholders are exposed to the risk that, due to a breach of follow-up obligations of the Company or for other reasons, the Notes are no longer traded on the on the regulated market of the Irish Stock Exchange or another stock exchange and, as a consequence thereof, the tradability of the Notes is no longer ensured or can only be ensured with difficulties.

The Notes will be admitted to trading on the Main Securities Market of the Irish Stock Exchange (“**ISE**”). Due to the Notes’ admission to stock exchange trading, the Company is subject to various follow-up obligations and standards of conduct. In principle, non-compliance with the follow-up obligations and the standards of conduct has various legal consequences, which may include termination of the Notes’ admission to trading at a stock exchange. As a result thereof, noteholders may not or may only barely be able to trade their Notes and, thus, suffer a significant disadvantage (for example, a falling market price).

The noteholders are exposed to the risk of an unfavorable price development of the Notes held by them and, thus, the risk of a price loss, which arises when they sell the Notes prior to the final redemption date.

The market price of the Notes depends on various factors, such as the economic development of ADLER, changes in the general interest rate level, the policy of the central banks, general economic developments, the

rate of inflation as well as a lack of or excessive demand for the Notes. If a Noteholder holds the Notes until their final redemption date, the Notes are repaid in accordance with its terms under the Indenture governing the Notes. However, Noteholders are exposed to the risk of an unfavorable price development of their Notes, which arises when they sell the Notes prior to the final redemption date.

The price of the Notes could fall, if ADLER's creditworthiness deteriorates or market participants change their perception of the Company's creditworthiness.

If, for example, due to the occurrence of any of the risks related to the Company, the probability that the Company is able to fully comply with its obligations under the Notes decreases, the price of the Notes will fall. Even if the probability that the Company fully complies with its obligations under the Notes does not decrease, market participants may perceive differently, causing the price of the Notes to fall. Moreover, the market participants' perception of the creditworthiness of corporate borrowers, in general, or of borrowers operating in the same industry as ADLER may change to the detriment. If any of these risks occurs, third parties may only be willing to purchase the Notes at a lower price than before the occurrence of such risk. Under these circumstances, the price of the Notes will fall.

The Company's consolidated financial statements are prepared in accordance with IFRS. The unconsolidated financial statements of the subsidiaries are prepared in accordance with the provisions of the German Commercial Code (*Handelsgesetzbuch*, HGB). Any new or amended accounting rules could result in adjustments of the respective balance sheet items of the Company. This could change the market participants' perception of the Company's creditworthiness. As a consequence, there is the risk that the price of the Notes will fall.

The Notes are denominated in Euro, which may expose investors for whom the Euro is a foreign currency to a currency risk. In addition, governments and competent authorities may impose exchange controls.

The Notes are denominated in Euro. If the Euro is a foreign currency for a Noteholder, such Noteholder is exposed to the risk of exchange rate fluctuations, which may affect the yield of the Notes. Exchange rate fluctuations may be caused by various factors such as, for example, macroeconomic factors, speculations and interventions by central banks or governments. Furthermore, as has already happened in the past, governments or monetary authorities may impose exchange controls that may detrimentally affect the respective exchange rate. As a result, investors may receive less principal or interest than expected or no principal or interest at all.

The rating of the Company and the rating of the Notes may not reflect all risks and does not constitute a recommendation to purchase or hold the Notes. In addition, a rating may at any time be reviewed, suspended or withdrawn. Furthermore, ratings, which were not commissioned by the Company and which show a different credit assessment of the creditworthiness, may be published.

On October 24, 2017, S&P Global Ratings assigned a "BB" long-term corporate credit rating to the Company, indicating a stable outlook. Moreover, on November 20, 2017, S&P Global Ratings assigned a "BB+" long-term issue rating relating to the Notes. However, a rating of the Company or the Notes may not take into account all potential consequences of all risks related to the structure, the market, the additional risk factors which are described above, or other factors which may affect the value of the Notes. A rating by a rating agency or third party does not constitute a recommendation to purchase, sell or hold Notes of the Company and may at any time be reviewed, suspended or withdrawn by the rating agency or third party. There is also the risk that another rating agency, which the Company has not commissioned to assign a rating, assigns a rating to the Notes or the Company with a different assessment of the creditworthiness and the rating agency publishes such rating without the Company's consent. There is no guarantee that a rating by a rating agency or a third party is maintained for a certain period, is not downgraded or is not entirely withdrawn, if so deemed necessary by the rating agency or third party. The suspension, downgrading or withdrawal of a rating of the Company or the Notes by one or several third parties or a rating agency as well as the publication of an additional rating with a different assessment of the creditworthiness could have a material adverse effect on the price and trading of the Notes of the Company as well as on the costs, terms and conditions of ADLER's financing in general.

The Notes do not restrict the amount of debt which the Company may incur. As the other liabilities of ADLER, in particular, on the level of subsidiaries and portfolio companies are secured by prior-ranking security, Noteholders may, in case of the Company's insolvency, suffer a total loss as their claims are

subordinated and the Notes are not secured and the Noteholders do not have direct claims against ADLER's assets.

The terms of the Indenture limit the circumstances in which the Company may incur additional debt, but will not prohibit the Company from doing so. The Company may incur additional debt, provided, that the Company satisfies certain debt service tests set forth in the Indenture. The Company will also be required to satisfy the indebtedness and secured indebtedness maintenance covenants (ratios tied to consolidated assets) set forth in the Indenture which will impose practical limitations on the level of debt that can be incurred. There is no restriction on the amount of debt which the Company may issue ranking equal to the obligations under or in connection with the Notes. Such issuance of further debt may reduce the amount recoverable by the Noteholders upon insolvency or winding-up of the Company.

ADLER's financing is implemented for the most part by entering into loan agreements with banks. The loans are normally secured by land charges on the properties held by the companies of ADLER group in favor of the lenders. As a consequence, in case of a realization, i.e. particularly in case of the Company's insolvency, the noteholders only have very limited recourse to the property portfolio to satisfy their claims. In case of the Company's insolvency, unsecured creditors of the Company also have no direct recourse to the subsidiaries' assets. These assets are primarily available to secured creditors for the purpose of satisfying their claims and the Noteholders would mainly be restricted to the assets held by the Company itself as well as the shares in the subsidiaries, which may result in a total loss of the capital invested.

When selling the Notes on the secondary market, investors may realize proceeds which are less than the issue amount.

The issue price may be higher than the market price of the Notes at the time of issue. The amount realized by an investor upon the sale of the Notes on the secondary market may be considerably lower than the amount which would be payable by the Company on the final redemption date (in case of repayment of the Notes upon their maturity) or early redemption date (in case of repayment of the Notes after termination by the Company or the Noteholders).

Further notes may be issued without the consent of the Noteholders.

The Company may from time to time create and issue further notes without the consent of the Noteholders, with identical terms and conditions as the Notes or the same terms and conditions except for the amount of the first payment of interest. Such further notes may be consolidated with the Notes and form a single series with the outstanding Notes even if doing so may adversely affect the value of the Notes.

Investors do not have any participation rights in the Company and, other than shareholders, cannot exercise any influence on the Company. In particular, investors do not have any administrative rights (such as the right to attend general shareholders' meetings, the right to obtain information or the right to contest resolutions of general shareholders' meetings). There is also a dependency on the decisions of the shareholders and no possibility to have a say.

The Noteholders are creditors of the Company and provide debt to it. In their capacity as lenders Noteholders have no right to participate in corporate decisions of the Company. In particular, an investment in the Notes cannot be equated to a shareholding in the Company. Noteholders do not have any membership rights, management rights or rights to have a say. In particular, investors do not have any administrative rights (such as the right to attend general shareholders' meetings, the right to obtain information or the right to contest resolutions of general shareholders' meetings). There is also a dependency on the decisions of the shareholders and no possibility to have a say in this regard.

The Notes may be subject to early redemption.

In the event that the Company would be obliged to increase the amounts payable in respect of any Notes due to the occurrence of certain events constituting a defined change in tax law, the Company may redeem all outstanding Notes in accordance with the Indenture. Noteholders may be exposed to risks connected to the reinvestment of cash proceeds from the sale or early redemption of any Note.

Transaction costs may be payable by Noteholders in connection with a purchase or sale of the Notes.

When the Notes are purchased or sold, several types of incidental costs (including transaction fees and commissions) are incurred in addition to the purchase or sale price of the Note. Credit institutions as a rule charge commissions which are either fixed minimum commissions or pro-rata commissions, depending on the order value. To the extent that additional – domestic or foreign – parties are involved in the execution of an order, including but not limited to domestic dealers or brokers in foreign markets, Noteholders may also be charged for the brokerage fees, commissions and other fees and expenses of such parties (third party costs). These incidental costs may significantly reduce or eliminate any profit from holding the Notes.

Because the global notes representing the Notes is held by a clearing system, investors will have to rely on the clearing system's procedures and on their depositary bank.

The Notes are represented by two or more global notes. Such global notes will be deposited with a common depositary for Euroclear SA/NV and Clearstream, Luxembourg. Investors will not be entitled to receive definitive Notes. Euroclear and Clearstream, Luxembourg will maintain records of the interests in the global notes. Investors will be able to transfer the interests only through Euroclear and Clearstream, Luxembourg and the Company will discharge its payment obligations under the Notes by making payments to Euroclear and Clearstream, Luxembourg or to its order for distribution to their account holders. A holder of an interest in a global note must rely on the procedures of Euroclear and Clearstream, Luxembourg and its depositary bank to receive payments under the Notes. The Company has no responsibility or liability for the records relating to, or payments made in respect of interests in the global notes.

Adverse change of law may affect the Notes.

The Indenture and the Notes are governed by New York law. No assurance can be given as to the impact of any possible judicial decision or change to New York law or administrative practice after the issue date of the Notes.

A transfer of the Notes will be subject to certain restrictions.

The Notes have not been and will not be registered under the Securities Act or any U.S. state securities laws. Prospective investors may not offer or sell the Notes in the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws.

The tax treatment of the Notes should be duly considered by each investor.

Potential purchasers and sellers of the Notes should be aware that they may be required to pay taxes or other documentary charges or duties in accordance with the laws and practices of the country where the Notes are transferred or other jurisdictions. In some jurisdictions, no official statements of the tax authorities or court decisions may be available for financial instruments such as the Notes. Potential investors are advised not to rely on the tax overview contained in this Prospectus but to ask for their own tax adviser's advice on their individual taxation with respect to the acquisition, sale and redemption of the Notes. Only these advisors are in a position to duly consider the specific situation of the potential investor.

3 GENERAL INFORMATION

3.1 Note on industry, market and customer data

This Prospectus contains industry, market and customer data as well as calculations taken from industry reports, market research reports, publicly available information and commercial publications (“**External Information**”). External Information was, in particular, used for statements regarding markets and market developments.

This Prospectus also contains assessments of market data and information derived from such data, which is not ascertainable from publications of market research institutes or from any other independent sources. Such information is based on the Company’s internal assessments made on the basis of the many years of experience and expertise of its management and staff, evaluations of industry information (from trade journals, trade fairs, meetings) or company-internal assessments. As such, it may differ from the estimates of ADLER’s competitors or information gathered in the future by market research institutes or other independent sources.

Other estimates, by contrast, are based on published information or figures from external, publicly available sources. They include the following studies:

- Federal Statistical Office (*Statistisches Bundesamt*), “GDP from 1970 on (*Volkswirtschaftliche Gesamtrechnungen, Bruttoinlandsprodukt ab 1970*)”, published on February 14, 2017
- Ifo Institut Center for Economic Studies (CES) CESifo GmbH, “Common outlook spring 2017 (*Gemeinschaftsdiagnose Frühjahr 2017*)”, published on April 12, 2017
- Eurostat yearbook, an online only Eurostat publication which is updated on a rolling basis, available via: http://ec.europa.eu/eurostat/statistics-explained/index.php/Europe_in_figures_-_Eurostat_yearbook, retrieved October 16, 2017
- Federal Statistical Office (*Statistisches Bundesamt*), report “Buildings and apartments 1969 – 2016 (*Gebäude und Wohnungen, Bestand an Wohnungen und Wohngebäuden Lange, Reihen ab 1969-2016*)”, published on July 27, 2017
- Federal Institute for Research on Building, Urban Affairs and Spatial Development (*Bundesinstitut für Bau-, Stadt- und Raumforschung im Bundesamt für Bauwesen und Raumordnung*), BBSR-reports KOMPAKT (*BBSR-Berichte KOMPAKT*), Changing residential markets, essential results of residential market outlook (*Wohnungsmärkte im Wandel, Zentrale Ergebnisse der Wohnungsmarktprognose*)
- Federal Statistical Office (*Statistisches Bundesamt*), press release no. 055 “Employment dynamics slowing down in Q4 2016 (*Gebremste Dynamik der Erwerbstätigkeit im 4. Quartal 2016*)”, published on February 16, 2017
- Federal Statistical Office (*Statistisches Bundesamt*), press release no. 282 “More than 44 million employed in Q2 2017 (*Über 44 Millionen Erwerbstätige im 2. Quartal 2017*)”, published on August 17, 2017
- Federal Employment Agency (*Bundesagentur für Arbeit*), “The labour market in June 2017 (*Der Arbeitsmarkt im Juni 2017*)”, press release no. 15 published on June 30, 2017
- Eurostat, Eurostat yearbook, an online only Eurostat publication which is updated on a rolling basis, available via: [http://ec.europa.eu/eurostat/statistics-explained/index.php/File:Unemployment_rates,_seasonally_adjusted,_August_2017_\(%25\)_F2.png](http://ec.europa.eu/eurostat/statistics-explained/index.php/File:Unemployment_rates,_seasonally_adjusted,_August_2017_(%25)_F2.png), retrieved October 16, 2017
- Federal Statistical Office (*Statistisches Bundesamt*), press release no. 319: “Consumer prices August 2017: +1.8 percent against August 2016 (*Verbraucherpreise August 2017: + 1,8 % gegenüber August 2016*)”, published on September 13, 2017
- Federal Statistical Office (*Statistisches Bundesamt*), “Consumer prices, yearly averages (*Verbraucherpreise, Jahresdurchschnitte*)”, rolling updates, available via:

www.destatis.de/DE/ZahlenFakten/Indikatoren/Konjunkturindikatoren/Arbeitsmarkt/arb210.html,
retrieved October 16, 2017

- Ifo Institut Center for Economic Studies (CES) CESifo GmbH, “Common outlook autumn 2017 (*Gemeinschaftsdiagnose Herbst 2017*)”: Upswing still strong – tensions increasing (*Aufschwung weiter kräftig – Anspannungen nehmen zu*), published on September 28, 2017”
- Federal Statistical Office (*Statistisches Bundesamt*), press release no. 033 “Population in Germany presumably increased to 82.8 million (*Bevölkerung in Deutschland voraussichtlich auf 82,8 Millionen gestiegen*)” published on January 27, 2017
- Federal Statistical Office (*Statistisches Bundesamt*), “Update of 13th coordinated population forecast (*Aktualisierung der 13. koordinierten Bevölkerungsvorausberechnung*)”, published on April 28, 2015
- Federal Statistical Office (*Statistisches Bundesamt*), Migration between Germany and foreign countries 1991 to 2015
- Federal Office for Migration and Refugees (*Bundesamt für Migration und Flüchtlinge*), “The Federal Office in numbers 2016 (*Das Bundesamt in Zahlen 2016*)”
- Federal Statistical Office (*Statistisches Bundesamt*), statistics on “Population, Household according to household size (*Bevölkerung, Haushalte nach Haushaltsgrößen*)”, rolling updates, available via: www.destatis.de/DE/ZahlenFakten/Indikatoren/LangeReihen/Bevoelkerung/lrbev05.html, retrieved October 16, 2017
- Federal Statistical Office (*Statistisches Bundesamt*), press release no. 358 “Nearly every third household in Germany with seniors (*In fast jedem dritten Haushalt in Deutschland leben Senioren*)”, published on September 28, 2015
- Federal Statistical Office (*Statistisches Bundesamt*), “Projection of households in Germany (*Vorausberechnung Haushalte in Deutschland*)”, rolling updates available via: www.destatis.de/DE/ZahlenFakten/Indikatoren/LangeReihen/Bevoelkerung/lrbev05.html, retrieved October 16, 2017
- Federal Statistical office (*Statistisches Bundesamt*), database, topic: “Construction (*Bautätigkeit*)”, retrieved October 16, 2017
- Federal Statistical Office (*Statistisches Bundesamt*), press release no. 242 “Approved apartments January to May 2017 (*Genehmigte Wohnungen von Januar bis Mai 2017*)”: -7,6 % gegenüber Vorjahreszeitraum”, published on July 17, 2017
- empirica institute, “Residential market outlook 2016-2020 (*Wohnungsmarktprognose 2016-20*)”, empirica paper Nr. 231
- Cologne Institute for Economic Research, opinion prepared for Deutsche Invest Immobilien GmbH “Impact of increased immigration on demographic outlook and demand for residential space in Germany (*Auswirkungen der erhöhten Zuwanderung auf demographische Prognosen und die Folgen für den Wohnraumbedarf in Deutschland*)”, published on December 15, 2015
- Prognos, Studie Wohnungsbautag 2017 “Need for living space in Germany and in regional markets (*Wohnraumbedarf in Deutschland und den regionalen Wohnungsmärkten*)”, published on May 31, 2017
- Federal Statistical Office (*Statistisches Bundesamt*), database, topic: “Residential units in Germany (*Wohnungsbestand in Deutschland*)”, retrieved October 16, 2017
- ifs institute for urban development, housing industry and home purchase savings (*ifs Institut für Städtebau, Wohnungswirtschaft und Bausparwesen e.V.*), “Owner occupied residential space/ownership ratio (*Selbstgenutztes Wohneigentum/Eigentumsquote*)”, July 2014

- Ernst & Young Real Estate, “Trend barometer in the German real estate and investment market 2017 (*Trendbarometer Immobilien- Investmentmarkt Deutschland 2017*)”, January 2017
- NAI apollo group, “Facts and figures, transaction market residential portfolios H12017 (*Zahlen und Fakten, Transaktionsmarkt Wohnportfolios H1 2017*)”
- Federal Statistical office (*Statistisches Bundesamt*), press release no. 272 published on August 11, 2017: “Consumer prices July 2017: + 1.7 against July 2016 (*Verbraucherpreise Juli 2017: + 1,7 % gegenüber Juli 2016*)”
- bulwiengesa, bulwiengesa - Real estate index 1975 to 2016 (*Immobilienindex 1975 bis 2016*), published January 2017
- GdW Federal Association of German Housing and Real Estate companies (*GdW Bundesverband deutscher Wohnungs- und Immobilienunternehmen*), data and trends of the residential and real estate industry 2014/2015 (*Daten und Trends der Wohnungs- und Immobilienwirtschaft 2014/2015*) http://web.gdw.de/uploads/pdf/Pressemeldungen/JPK_2015_Praesentation.pdf
- BFW Federal Association of independent residential and real estate companies (*BFW Bundesverband Freier Immobilien- und Wohnungsunternehmen e.V.*) press release “Rent increases focussed on few high quality locations (*Mietpreisstärkungen konzentrieren sich auf wenige gehobene Wohnlagen*)” published on March 12, 2014
- Immobilienscout 24, IMX – The residential property price index of Immobilienscout24, differentiated between new apartments (completion within one year before indexing), existing apartments and rented apartments for the period June 2016 – June 2017
- Federal Association of German Housing and Real Estate companies, chart “Party structure in the German housing market on May 9, 2011”, August 2014
- Regional Statistical Office for Lower Saxony (*Landesamt für Statistik Niedersachsen*), database, topic “Population, Employed, Unemployed and Non-working in Lower Saxony 2003 to 2015 according to selected criteria (*Bevölkerung, Erwerbstätige, Erwerbslose und Nichterwerbspersonen in Niedersachsen 2003 bis 2015 nach ausgewählten Merkmalen*)”, retrieved October 16, 2017
- statista, “Vacancy rate of apartments in Lower Saxony from 2009 to 2014 (*Leerstandsquote von Wohnungen in Niedersachsen in den Jahren 2009 bis 2014*)”, <https://de.statista.com/statistik/daten/studie/373974/umfrage/leerstandsquote-von-wohnungen-in-niedersachsen>, retrieved October 16, 2017
- Federal and Regional Statistical Offices (*Statistische Ämter des Bundes und der Länder*), database, topic “Buildings and Apartments (*Gebäude und Wohnen*)”, retrieved October 16, 2017
- Federal Statistical Office (*Statistisches Bundesamt*), database, topic: “Index of net basic rents (*Index der Nettokaltmieten*)”, retrieved October 16, 2017
- CBRE GmbH, LEG Housing Market Report NRW 2012
- Working group for contemporary construction (*Arbeitsgemeinschaft für zeitgemäßes Bauen e.V.*), “Residential construction in Germany – 2011 modernization or protection (*Wohnungsbau in Deutschland – 2011, Modernisierung oder Bestandsschutz*)”
- Regional Statistical Office for Saxony (*Statistisches Landesamt Sachsen*), database, topic “Area, population (*Gebiet, Bevölkerung*)”, retrieved October 16, 2017
- empirica ag, rent survey/report Saxony, final report, published in April 2014
- Federal Statistical Office (*Statistisches Bundesamt*), calculations by Federal Institute for population research (*Bundesinstitut für Bevölkerungsforschung*): “Ever more people move to large cities and

conurbations, migration balance according to districts, average 2011-2013 (*Immer mehr Menschen ziehen in Großstädte und Ballungsgebiete, Wanderungssaldo nach Kreisen, Durchschnitt 2011-2013*), published on March 30, 2015

- MB-Research Internationale Marktdaten, “Purchasing power in Germany (*Kaufkraft 2016 in Deutschland*)“
- Federal Employment Agency (*Bundesagentur für Arbeit*), database, topic: “Unemployment rate”, regional statistics”, retrieved October 16, 2017
- Federal Statistical Office, press release no. 358 “*Deutsche Exporte im August 2017: +7,2 % zum August 2016*”, published on October 10, 2017
- Federal Statistical Office, report “*Volkswirtschaftliche Gesamtrechnungen, Private Konsumausgaben und Verfügbares Einkommen, 2. Vierteljahr 2017*”, published on September 14, 2017
- NAI apollo group, “*Zahlen und Fakten, Transaktionsmarkt Wohnportfolios H1 2017*”
- CBRE GmbH, Germany Real Estate Market Outlook 2017 and Germany Residential Portfolio Investment Marketview Q2 2017

The majority of the market information contained in this Prospectus is a condensed version of information derived by the Company from the above studies. Specific studies were cited only in those cases where the relevant information may be taken directly from such study. The remaining assessments of the Company are based on internal sources, unless expressly indicated otherwise in this Prospectus.

Industry and market research reports, publicly available sources and commercial publications generally indicate that, while the information contained therein stems from sources that may be assumed to be reliable, the accuracy and completeness of such information is not guaranteed and the calculations contained therein are based on a number of assumptions. Consequently, these caveats also apply to this Prospectus. Neither the Company nor the Joint Bookrunners have verified the accuracy of External Information.

Any information taken from third parties has been accurately reproduced in this Prospectus. As far as the Company is aware and able to ascertain from the information published by such third parties, no facts have been omitted which would render the reproduced information incorrect or misleading. The Company has also cited the sources of this information. A glossary containing the technical terminology used in this Prospectus is provided in the section 24 “*GLOSSARY*” of this Prospectus.

3.2 Note on figures

Figures contained in this Prospectus in units of thousands, millions or billions as well as percentages have been rounded in accordance with standard commercial practice. Therefore, totals or sub-totals contained in tables may differ slightly from unrounded figures provided elsewhere in this Prospectus. Moreover, due to rounding differences, individual figures and percentages may not add up exactly to the totals or sub-totals contained in the tables or mentioned elsewhere in this Prospectus. With respect to the financial information contained in this Prospectus “n/a” means that the corresponding figure is not available, whereas “0” means that the corresponding figure is available but has been rounded to “0”.

Figures of amounts specified in euros are preceded by the abbreviation “EUR”.

3.3 Currency information

This Prospectus contains figures denoted in euros only. Figures denoted in euros are indicated with “EUR” preceding the amount.

3.4 Documents available for inspection

For the period during which this Prospectus is valid, copies of the following documents cited in this Prospectus, to the extent that they relate to the Company, namely:

- the unaudited consolidated interim financial statements of the Company prepared in accordance with the International Accounting Standard (“IAS”) 34: Interim Financial Reporting as of and for the nine-month period ended September 30, 2017 (the “**Unaudited Consolidated Interim Financial Statements**”);
- the audited consolidated financial statements of the Company (IFRS) as of and for the fiscal years ended December 31, 2016, December 31, 2015 and December 31, 2014 prepared in accordance with International Financial Reporting Standards as adopted by the European Union (“IFRS”) and the additional disclosure requirements of German commercial law pursuant to Section 315a (1) German Commercial Code (*Handelsgesetzbuch*) (together, the “**Audited Consolidated Financial Statements**” and, together with the Audited Consolidated Financial Statements, the “**Consolidated Financial Statements**”);
- the audited unconsolidated financial statements of the Company prepared in accordance with the German Commercial Code (*Handelsgesetzbuch*) as of and for the financial year ended December 31, 2016 (the “**Audited Unconsolidated Financial Statements**”);
- the forecast of the Funds from Operations I (FFO I) for the fiscal year 2017 for ADLER;
- this Prospectus;
- the Indenture;
- the Company’s articles of association

may be inspected in physical format during regular business hours at the Company’s offices at Joachimsthaler Straße 34, 10719 Berlin, Germany. The Company’s future annual and interim financial reports will be available in physical format at the offices of the Company, the Paying Agent nominated in this Prospectus (see section 12.8 “*General Information about the Company – Paying agent*”) and in the electronic companies register (*Unternehmensregister*) via www.unternehmensregister.de.

3.5 Interested parties

In connection with the private placement of the Notes the Joint Bookrunners have entered into a contractual relationship with the Company.

The Joint Bookrunners act for the Company in connection with the structuring and implementation of the private placement of the Notes. For their services, the Joint Bookrunners will receive a commission, the amount of which depends, *inter alia*, on the aggregate principal amount of the Notes placed in the private placement of the Notes. In this respect, the Joint Bookrunners have an economic interest in the successful implementation of the private placement of the Notes which may give rise to a potential conflict of interests.

Certain of the Joint Bookrunners and their affiliates have provided and/or may in the future, from time to time, provide services (including investment and commercial banking, financial advisory and other services) to companies of the Group for which they have received or will receive compensation. Certain of the Joint Bookrunners may from time to time also enter into swap and other derivative transactions with the Company and its affiliates. In addition, certain of the Joint Bookrunners and their affiliates may in the future engage in investment banking, commercial banking, financial or other advisory transactions with the Company or its affiliates. The Joint Bookrunners may at any time in the future act as principal or agent for one or more than one party, hold long or short positions, and may trade or otherwise effect transactions, for their own account or for the account of customers, in the securities of the Company or in debt securities or loans of the Group and enter into financing arrangements with various parties including investors in debt or equity securities or loans of the Group.

The Joint Bookrunners therefore have an interest in the successful implementation of the offering of the Notes.

No relevant other interests or conflicts of interest which are material to the private placement or the admission of the Notes exist otherwise.

No other interests or conflicts of interest of relevance to the offering or admission to trading of the Notes exist otherwise.

4 CAPITALIZATION AND INDEBTEDNESS

4.1 Capitalization and Debt

The table below provides an overview of the Company's capitalization and debt on a consolidated basis as of September 30, 2017.

The Company has adjusted the figures to reflect the sale of ACCENTRO (Adjustment I). Further, the Company has adjusted the figures to reflect the issuance of the Notes (Adjustment II) pursuant to the Offering and the refinancing of existing indebtedness from the use of proceeds (see section 19.7 "Use of Proceeds" for more details) therefrom. The Company has not adjusted for the acquisition of project Riverside (see section 6.13 "Share purchase agreements-Share purchase agreement with respect to the acquisition of shares in eight companies holding properties located in Berlin and developing residential and commercial buildings with up to 700 residential units ("Project Riverside")") or the financing of project Riverside (see section 11 "DESCRIPTION OF OTHER INDEBTEDNESS-EUR 75 million unsecured term facility with Goldman Sachs Bank USA as lender").

The Adjustments I and II are hypothetical in nature and reflect transactions that had not yet occurred as of September 30, 2017.

The financial information contained in the column titled "Current" in the following table is taken from the Unaudited Consolidated Interim Financial Statements of the Company for the nine months ended September 30, 2017. Due to rounding differences, figures relating to individual line items may not add up exactly to the totals contained in the table.

The figures contained in the column titled "Adjustment I" in the following table are derived from the Unaudited Consolidated Interim Financial Statements of the Company for the nine months ended September 30, 2017. As such, the column titled "Adjustment I" represents the subgroup ACCENTRO as a part of ADLER Group and from the perspective of ADLER Group to ensure comparability. In addition, the column titled "Adjustment I" includes all effects from the assumption that the sale of the 19,915,333 ACCENTRO shares and 4,743,359 ACCENTRO convertibles (representing 4,809,292 conversion shares) to the Purchaser had already taken place on September 30, 2017. In turn it is not possible to compare the figures included in the column titled "Adjustment I" with the ACCENTRO group on a stand-alone basis (i.e. published consolidated financial statements of ACCENTRO).

The figures contained in the column titled "Adjustment II" in the following table are based on the assumption of gross proceeds from the offering of the Notes in the amount of EUR 800,000 thousand as well as costs in connection with the offering of the Notes in the amount of EUR 12,000 thousand; net proceeds will be used for repayment of debt with valuta of EUR 604,462 thousand at a make whole price of EUR 89,293 thousand.

	As of September 30, 2017				
	EUR thousand				
	IFRS (unaudited)				
	Current	Adjustment I ACCENTRO Sale ⁽⁸⁾	Adjustment II Notes Issuance	As adjusted current + Adjustment I+II	As adjusted current + Adjustment II
Current financial liabilities	167,226⁽¹⁾	-98,547⁽²⁾	0	68,679	167,226
Guaranteed	0	0	0	0	0
Secured ^{(3),(4)}	90,753	-59,759	0	30,994	90,753
Non-guaranteed/unsecured ⁽⁵⁾	76,473	-38,787	0	37,685	76,473
Non-current financial liabilities	2,195,315	-78,363	193,104	2,310,056	2,388,419
Guaranteed	0	0	0	0	0
Secured ^{(3),(6)}	1,378,634	-73,232	-594,896 ⁽⁹⁾	710,506	783,738
Non-guaranteed/unsecured ⁽⁷⁾	816,681	-5,130	788,000 ⁽¹⁰⁾	1,599,550	1,604,681
Equity	918,671	38,195	-98,859	858,007	819,812
Capital stock	57,545	0	0	57,545	57,545

Own Shares	-783	0	0	-783	-783
Capital reserves	328,684	22,883	0	351,567	328,684
Retained earnings	-921	0	0	-921	-921
Currency translation reserve	87	0	0	87	87
Retained profit	454,576	25,575	-98,859 ⁽¹¹⁾	381,292	355,717
Non-controlling interests	79,483	-10,263	0	69,220	79,483
Total	3,281,212	-138,715	94,245	3,236,742	3,375,457

⁽¹⁾ The amount comprises current liabilities in the amount of EUR 160,411 thousand as well as liabilities held for sale in the amount of EUR 6,815 thousand.

⁽²⁾ The amount comprises current liabilities in the amount of EUR 92,336 thousand as well as liabilities held for sale in the amount of EUR 6,211 thousand.

⁽³⁾ Collateral takes the form of land charges against properties.

⁽⁴⁾ The amount comprises current financial liabilities to banks and liabilities held for sale.

⁽⁵⁾ The amount comprises current other provisions, current income tax liabilities, current liabilities from convertible bonds, current liabilities from bonds, current trade payables and other current liabilities.

⁽⁶⁾ The amount relates to non-current financial liabilities to banks.

⁽⁷⁾ The amount comprises non-current pension reserves, non-current deferred tax liabilities, non-current other provisions, non-current liabilities from convertible bonds, non-current liabilities from bonds and other non-current liabilities.

⁽⁸⁾ ACCENTRO Sale: sale of 19,915,333 shares and 4,809,292 conversion shares from convertible bonds at a price of EUR 7.33 per share.

⁽⁹⁾

	<u>EUR thousand</u>
Repayment of promissory note bonds	-604,462
Derecognition of acquisition costs for repaid liabilities	9,566
Non-current financial liabilities (secured)	<u><u>-594,896</u></u>

⁽¹⁰⁾

	<u>EUR thousand</u>
Liabilities for bonds	800,000
Transaction costs in connection with the offering of bonds	-12,000
Non-current financial liabilities (non-guaranteed/unsecured)	<u><u>788,000</u></u>

⁽¹¹⁾

	<u>EUR thousand</u>
Penalties for premature prepayment	-89,293
Derecognition of acquisition costs for repaid liabilities	-9,566
Retained profit	<u><u>-98,859</u></u>

As of September 30, 2017, the Company's borrowings (total current and non-current financial liabilities) amounted to EUR 2,362,541 thousand (taking into account liabilities held for sale in the amount of EUR 6,815 thousand).

4.2 Net Indebtedness

The calculation of the net debt as at September 30, 2017 (Current) does not include the non-current assets held for sale in the amount of EUR 18,536 thousand.

The calculation of the net debt as at September 30, 2017 (Adjustment I) does not include the non-current assets held for sale in the amount of EUR 9,058 thousand.

Based on these assumptions, the table below provides an overview of the Company's net debt on a consolidated basis as of September 30, 2017.

The Company has adjusted the figures to reflect the sale of ACCENTRO (Adjustment I). Further, the Company has adjusted the figures to reflect the issuance of the Notes (Adjustment II) pursuant to the Offering and the refinancing of existing indebtedness from the use of proceeds (see section 19.7 "Use of Proceeds" for more details) therefrom. The Company has not adjusted for the acquisition of project Riverside (see section 6.13

“Share purchase agreements-Share purchase agreement with respect to the acquisition of shares in eight companies holding properties located in Berlin and developing residential and commercial buildings with up to 700 residential units (“Project Riverside”)” or the financing of project Riverside (see section 11 “DESCRIPTION OF OTHER INDEBTEDNESS-EUR 75 million unsecured term facility with Goldman Sachs Bank USA as lender”).

The Adjustments I and II are hypothetical in nature and reflect transactions that had not yet occurred as of September 30, 2017.

The financial information contained in the column titled “Current” in the following table is taken from the Unaudited Consolidated Interim Financial Statements of the Company for the nine months ended September 30, 2017. Due to rounding differences, figures relating to individual line items may not add up exactly to the totals contained in the table.

The figures contained in the column titled “Adjustment I” in the following table are derived from the Unaudited Consolidated Interim Financial Statements of the Company for the nine months ended September 30, 2017. As such, the column titled “Adjustment I” represents the subgroup ACCENTRO as a part of ADLER Group and from the perspective of ADLER Group to ensure comparability. In addition, the column titled “Adjustment I” includes all effects from the assumption that the sale of the 19,915,333 ACCENTRO shares and 4,743,359 ACCENTRO convertibles (representing 4,809,292 conversion shares) to the Purchaser had already taken place on September 30, 2017. In turn it is not possible to compare the figures included in the column titled “Adjustment I” with the ACCENTRO group on a stand-alone basis (i.e. published consolidated financial statements of ACCENTRO).

The figures contained in the column titled “Adjustment II” in the following table are based on the assumption of gross proceeds from the offering of the Notes in the amount of EUR 800,000 thousand as well as costs in connection with the offering of the Notes in the amount of EUR 12,000 thousand; net proceeds will be used for repayment of debt with valuta of EUR 604,462 thousand at a make whole price of EUR 89,293 thousand.

As of September 30, 2017

		EUR thousand				
		IFRS (unaudited)				
		Current	Adjustment I ACCENTRO Sale ⁽⁶⁾	Adjustment II Notes Issuance	As adjusted current + Adjustment I + II	As adjusted current + Adjustment II
A.	Cash	116,609	6,819	94,245 ⁽⁷⁾	217,673	210,854
B.	Cash equivalents	0	0	0	0	0
C.	Securities held for trading	0	0	0	0	0
D.	Cash and cash equivalents (A)+(B)+(C)	116,609	6,819⁽¹⁰⁾	94,245	217,673	210,854
E.	Current financial receivables⁽¹⁾	88,672	159,823⁽¹⁰⁾	0	248,495	88,672
F.	Current liabilities to banks	83,938	-53,548	0	30,390	83,938
G.	Current portion of non-current financial liabilities ⁽²⁾	13,829	0	0	13,829	13,829
H.	Other current financial liabilities ⁽³⁾	62,643	-38,787	0	23,856	62,643
I.	Current financial liabilities (F)+(G)+(H)	160,411	-92,336	0	68,075	160,411
J.	Current net financial liabilities (I)-(E)-(D)	-44,870	-258,978	-94,245	-398,093	-139,115
K.	Non-current liabilities to banks	1,378,634	-73,232	-594,896 ⁽⁸⁾	710,506	783,738
L.	Bonds issued (incl. convertible bonds) ⁽⁴⁾	652,660	-1,124	788,000 ⁽⁹⁾	1,439,536	1,440,660
M.	Other non-current financial liabilities ⁽⁵⁾	164,019	-4,006	0	160,013	164,019
N.	Non-current financial liabilities (K)+(L)+(M)	2,195,315	-78,363	193,104	2,310,056	2,388,419
O.	Net financial liabilities (J)+(N)	2,150,445	-337,341	98,859	1,911,963	2,249,304

⁽¹⁾ The amount shown in this line item was determined by adding the positions “current trade receivables”, “income tax receivable” and “other current assets”.

- (2) The amount shown in this line item was determined by adding the positions “current liabilities from convertible bonds” and “current liabilities from bonds”.
- (3) The amount shown in this line item was determined by adding the positions “other current provisions”, “income tax liabilities”, “trade payables” and “other current liabilities”.
- (4) The amount shown in this line item was determined by adding the positions “non-current liabilities from bonds” and “non-current liabilities from convertible bonds”.
- (5) The amount shown in this line item was determined by adding the positions “pension reserves”, “liabilities for deferred taxes”, “other non-current provisions” and “other non-current liabilities”.
- (6) ACCENTRO Sale: sale of 19,915,333 shares and 4,809,292 conversion shares from convertible bonds at a price of EUR 7.33 per share.
- (7)

	<u>EUR thousand</u>
Liabilities for bonds	800,000
Repayment of promissory note bonds	-604,462
Transaction costs in connection with the offering of bonds	-12,000
Penalties for premature prepayment	-89,293
D. Cash and cash equivalents	<u>94,245</u>

From this amount of EUR 94,245 thousand an amount of EUR 75,000 thousand will be used for the repayment of a bridge financing for Project Riverside.

(8)

	<u>EUR thousand</u>
Repayment of promissory note bonds	-604,462
Derecognition of acquisition costs for repaid liabilities	9,566
K. Non-current liabilities to banks	<u>-594,896</u>

(9)

	<u>EUR thousand</u>
Liabilities for bonds	800,000
Transaction costs in connection with the offering of bonds	-12,000
L. Bonds issued (incl. convertible bonds)	<u>788,000</u>

(10)

	<u>EUR thousand</u>
Immediate cash inflow for the sale of 19,915,333 shares and 4,809,292 conversion shares	20,000
Purchase price receivable for the sale of 19,915,333 shares and 4,809,292 conversion shares	161,231
Granting of the Put Option with regard to the retained shares in ACCENTRO	300
Effect on cash from deconsolidation of the ACCENTRO subgroup	-13,481
Effect on current financial receivables from deconsolidation of the ACCENTRO subgroup	-1,407
Total effect on D. Cash and cash equivalents and E. Current financial receivables	<u>166,643</u>

4.3 Contingent liabilities and other financial commitments

As of September 30, 2017, the Company’s other financial commitments amounted to EUR 131,173 thousand on a consolidated basis. These other financial commitments consist of rental and lease obligations in the amount of EUR 30,350 thousand, purchase price obligations under real estate acquisitions in the amount of EUR 86,376 thousand and liabilities arising from administration and support contracts in the amount of EUR 14,447 thousand.

ACCENTRO is liable to a purchaser of a group company for a litigation risk (contingent liabilities). The current amount in dispute under the litigation is EUR 8,321 thousand and could increase to EUR 17,845 thousand. ACCENTRO on its part has recourse claims in the same amount, whereas the Company regards the risk of a claim as low. The recourse claims are secured by a cash deposit in the amount of EUR 1,000 thousand.

4.4 Working capital statement

It is the Company’s view that from today’s perspective, it will be in a position to satisfy all payment obligations as they fall due over at least the next twelve months from the date of this Prospectus and that the Company’s business capital is sufficient to cover the Company’s current requirements in this period.

5 INDUSTRY AND MARKET

5.1 The market

ADLER owns almost 50,000 residential units that it holds for rental to tenants. These are located exclusively in Germany, in most cases in the vicinity of larger conurbations and offer affordable homes to tenants with medium to low incomes. In recent years, the Company has grown rapidly through acquisitions. Investing in properties on the outskirts of urban areas has the advantage that acquisition prices are comparatively low while value accretion can be expected. ADLER intends to maintain its existing strategic focus and grow its residential property portfolio further and thus continue to serve the needs of its particular segment of the market even more extensively.

Factors influencing the market

The Company believes that the real estate market is influenced by a number of factors with some having a short-term and others only having a long-term impact. These comprise macroeconomic factors such as the development of the gross domestic product, the inflation rate or the level of interest rates. The Company is of the opinion that individual segments of the real estate market may be influenced in different ways. For example, changes of interest rates may boost the construction of upscale apartments more than the construction of residential quarters for people at the lower end of the income scale. GDP growth, even when strong, may not benefit everybody in the same way in the sense that purchasing power and the ability to spend on living space may not go up in all income classes.

At the same time, demand and supply on the real estate market are also influenced by socio-demographic factors, the overall demographic development, changes in consumer behavior and ways of life or preferred forms of living. This may have repercussions on the average living space per capita, the average number of people living in a household, preferred forms of living such as apartments or single family-houses or the preferred locations like cities, conurbations or rural areas. Furthermore, the Company believes that a decisive factor regarding the attractiveness of a property is the physical condition of the building and, in case of condominiums, the tenant structure.

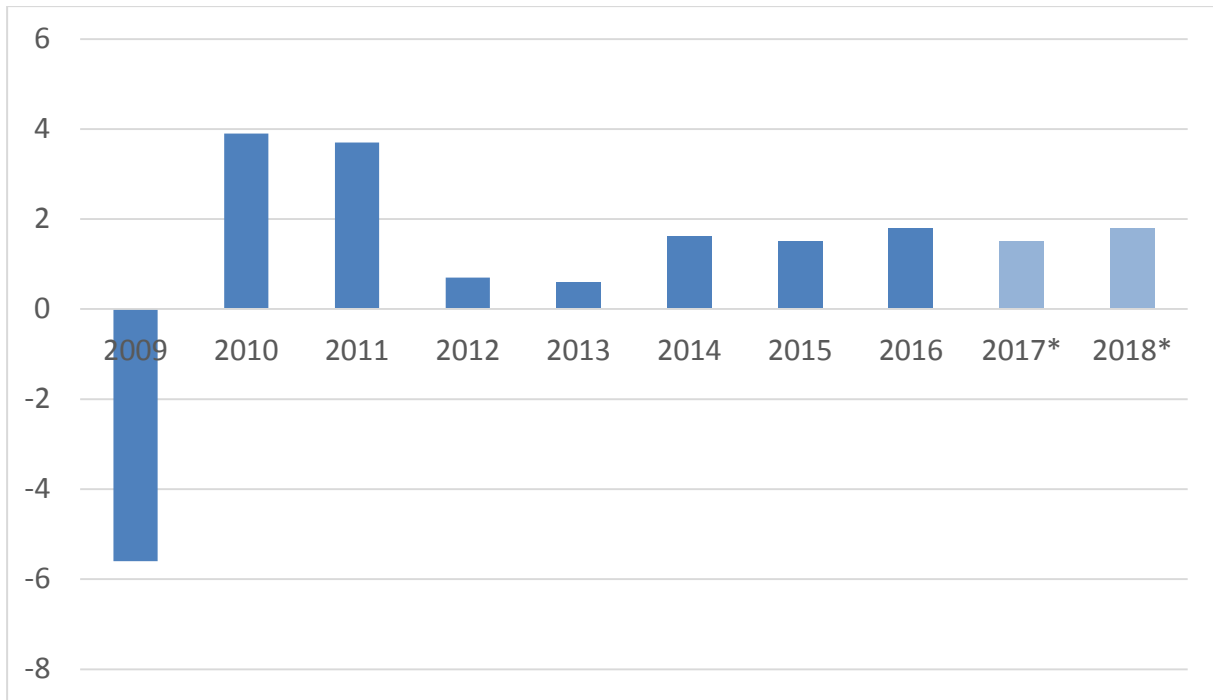
Overview of the German economy

The German economy is the largest in Europe and one of the largest in the world (source: World Bank, statistic data, data.worldbank.org/indicator/NY.GDP.MKTP.CD). After the downturn following the 2008/2009 financial crisis and a drop in the gross domestic product (“GDP”) of 5.6% in 2009, the German economy has grown steadily. In 2010, GDP (adjusted for seasonal and calendar fluctuations) rose by 3.9%, in 2011 by 3.7%, in 2012 by 0.7%, in 2013 by 0.6%, in 2014 by 1.6%, in 2015 by 1.5% and in 2016 by 1.8% (source: Federal Statistical Office, “*Volkswirtschaftliche Gesamtrechnungen, Bruttoinlandsprodukt ab 1970*”, published on February 14, 2017). Forecasts indicate that this trend will continue in 2017 and 2018.

The German economy is also considered to be one of the most stable within Europe and globally with the highest credit ratings relative to developed market peers.

Following the common projection of the leading German economic research institutes dating from autumn 2016, it is expected that the German economy will grow at a rate of 1.5% in 2017 and 1.8% in 2018 (source: Ifo Institut Center for Economic Studies (CES) CESifo GmbH, “*Gemeinschaftsdiagnose Frühjahr 2017*”, published on April 12, 2017). As the German economy is strongly dependent on international trade, risks may arise from the decision of the United Kingdom to leave the EU or from the protectionist measures announced by the US administration.

GDP growth (in %), price adjusted and seasonally adjusted

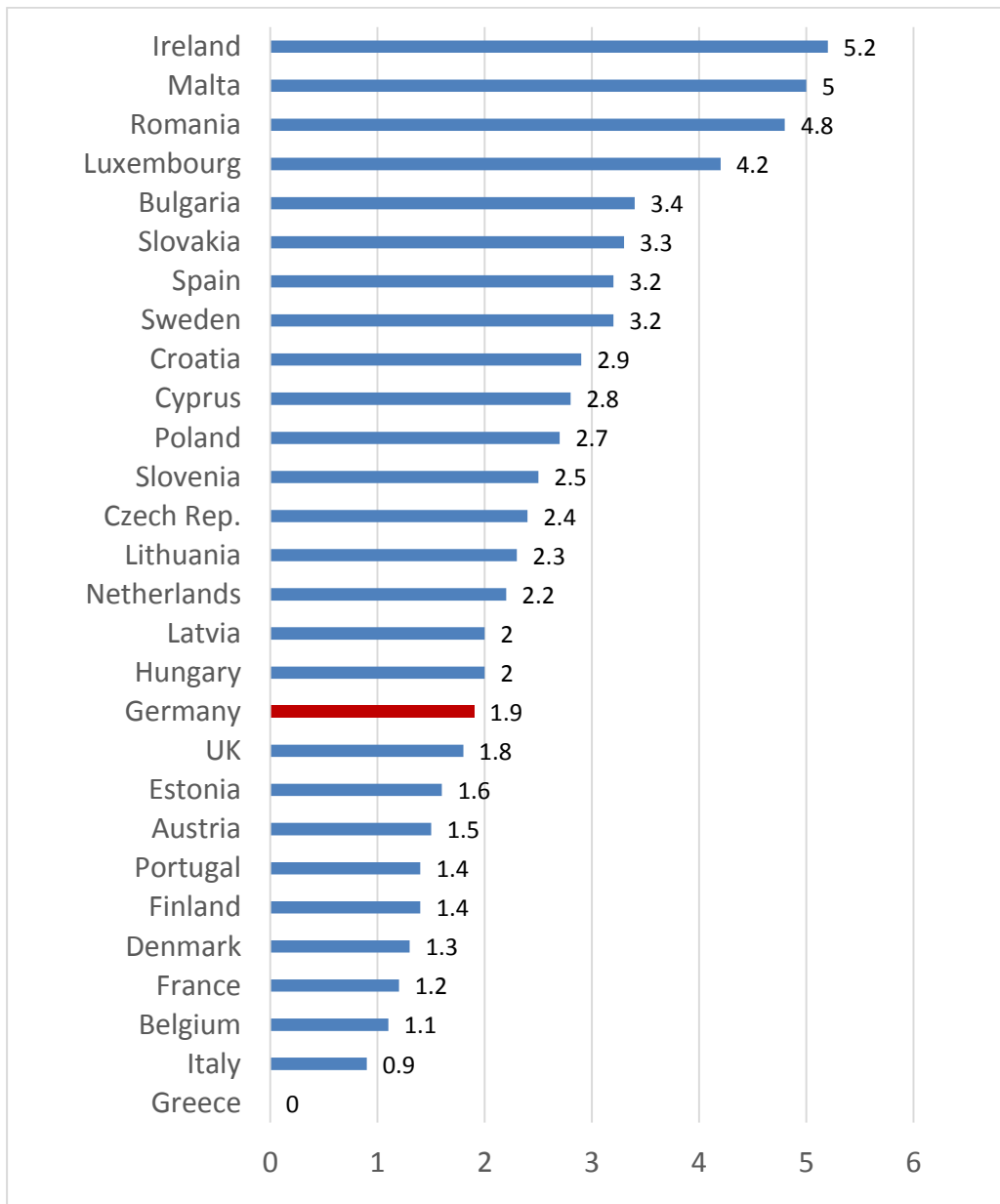


* GDP growth for 2017 and 2018 estimated

(source: 2009 - 2016 Federal Statistical Office, “*Volkswirtschaftliche Gesamtrechnungen, Bruttoinlandsprodukt ab 1970*”, published on February 14, 2017, 2017-2018 Ifo Institut Center for Economic Studies (CES) CESifo GmbH, “*Gemeinschaftsdiagnose Frühjahr 2017*”)

While countries in Europe exhibited stronger growth in 2016 than Germany, in particular smaller countries or countries with a comparably low level of income, Germany experienced stronger growth than the major developed countries including United Kingdom, France and Italy.

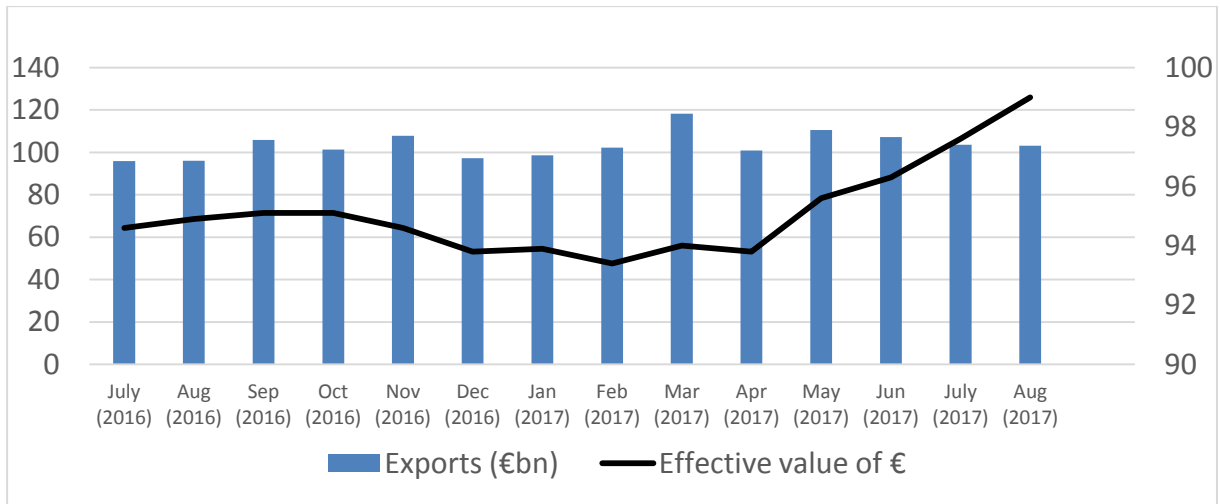
Real GDP growth in EU countries 2016 in %



(source: Eurostat yearbook, an online only Eurostat publication which is updated on a rolling basis, available via: http://ec.europa.eu/eurostat/statistics-explained/index.php/Europe_in_figures_-_Eurostat_yearbook, retrieved October 16, 2017)

The strong fundamentals of the German economy have been further demonstrated as monthly exports in August 2017 rose to the highest level in 12 months despite an strengthening euro (source: Federal statistical office, press release no. 358 “*Deutsche Exporte im August 2017: +7,2 % zum August 2016*”, published on October 10, 2017).

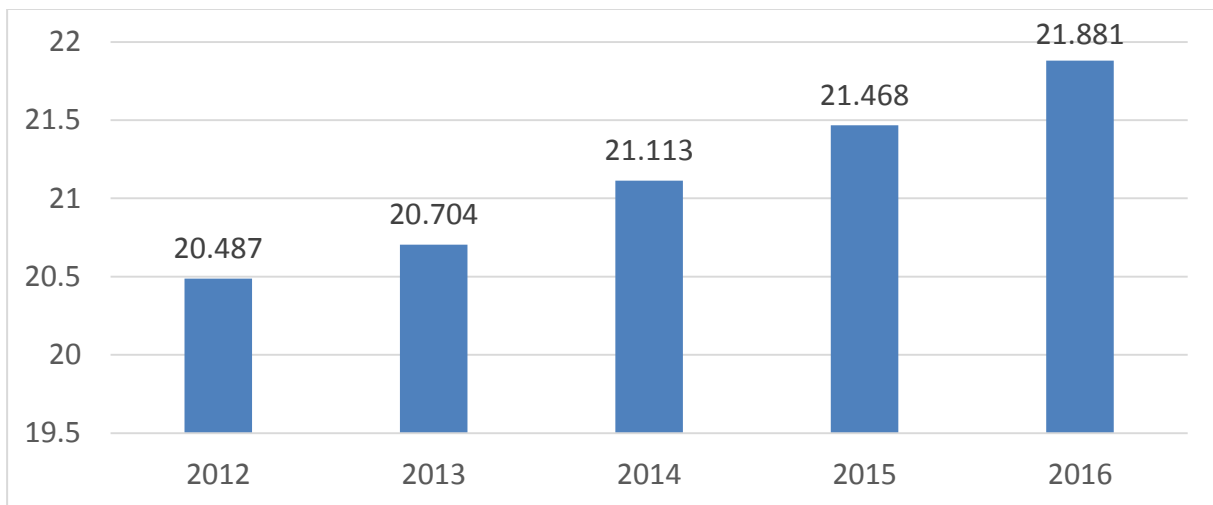
German exports and effective exchange rate of the euro



(sources: Federal Statistical Office, press release no. 358 “*Deutsche Exporte im August 2017: +7,2 % zum August 2016*”, published on October 10, 2017; Federal Reserve Bank of Germany, database: nominal effective exchange rate of the euro (*Devisenkursstatistik, nominaler effektiver Wechselkurs des Euro (EWU-19) gegenüber den Währungen der EWK-19-Gruppe*))

With steadily increasing affluence, living comfort standards have also gradually improved over the past decade and are expected to continue improving.

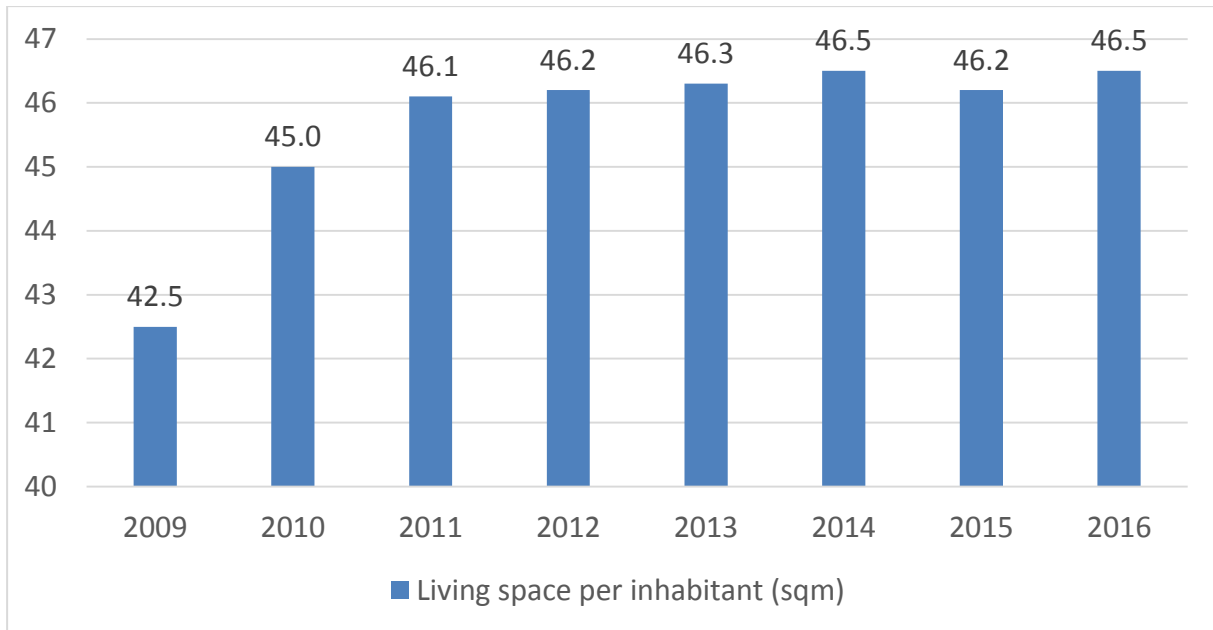
Disposable income per capita in Germany (in EUR thousand)



(source: Federal Statistical Office, report “*Volkswirtschaftliche Gesamtrechnungen, Private Konsumausgaben und Verfügbares Einkommen, 2. Vierteljahr 2017*”, published on September 14, 2017)

While in 1996 living space per capita amounted to 37.2 sqm, it had gone up to 46.5 sqm in 2016 (source: Federal Statistical Office, report “*Gebäude und Wohnungen, Bestand an Wohnungen und Wohngebäuden Lange Reihen ab 1969-2016*”, published on July 27, 2017). Up to the year 2025, the per-capita residential space of owner-occupied households is expected to rise further, by approximately 4 sqm in the old federal states to close to 53 sqm, and to approximately 47 sqm in the states of the former East Germany. For tenant households, a per-capita increase in residential space of approximately 3 sqm to 41 sqm in the new and 38 sqm in the old federal states is forecast (source: Federal Institute for Research on Building, Urban Affairs and Spatial Development BBSR, “*BBSR-Berichte KOMPAKT, Wohnungsmärkte im Wandel, Zentrale Ergebnisse der Wohnungsmarktprognose 2025*”).

Living space per inhabitant (sqm)

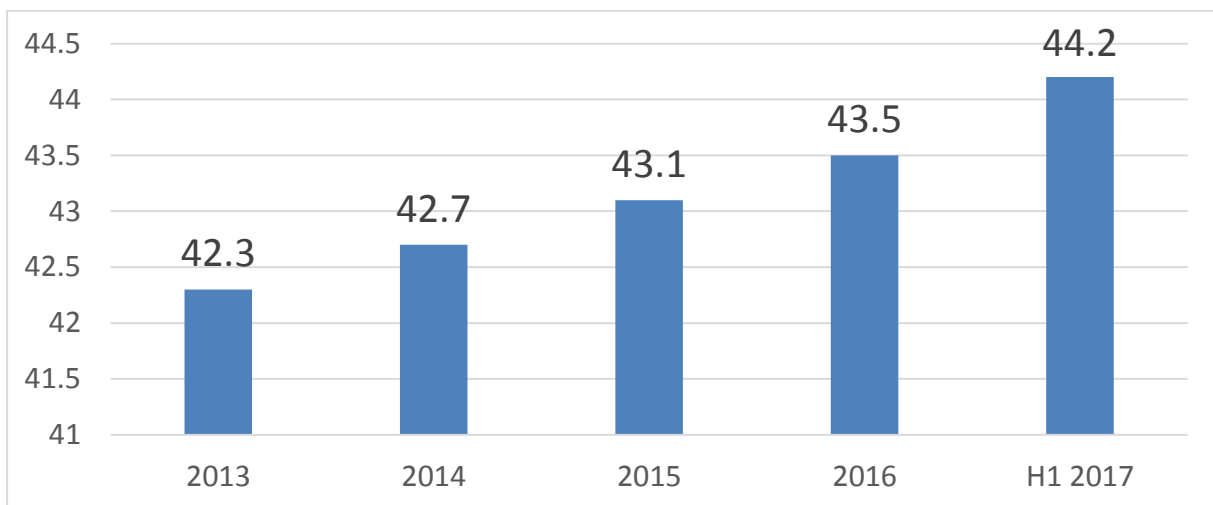


(source: Federal Statistical Office, report “Gebäude und Wohnungen, Bestand an Wohnungen und Wohngebäuden Lange Reihen ab 1969-2016”)

Employment

On an annual average in 2016, roughly 43.5 million persons resident in Germany were in insurable employment (source: Federal Statistical Office, press release no. 055 “Gebremste Dynamik der Erwerbstätigkeit im 4. Quartal 2016”, published on February 16, 2017). The number of persons in insurable employment in 2016 was 1.0% (420,000 persons) higher than in the previous year (source: Federal Statistical Office, press release no. 055 “Gebremste Dynamik der Erwerbstätigkeit im 4. Quartal 2016”, published on February 16, 2017). The growth in insurable employment, which has been observed for over 10 years, thus continued and even accelerated in 2016 (+1.0%) as the increase was higher than in 2015 (+0.9%). In the second quarter of 2017, the total number of people at work has reached 44.2 million and thus the highest level in the post-war German history (source: Federal Statistical Office, press release no. 282 “Über 44 Millionen Erwerbstätige im 2. Quartal 2017”, published on August 17, 2017).

Employment (in million people)

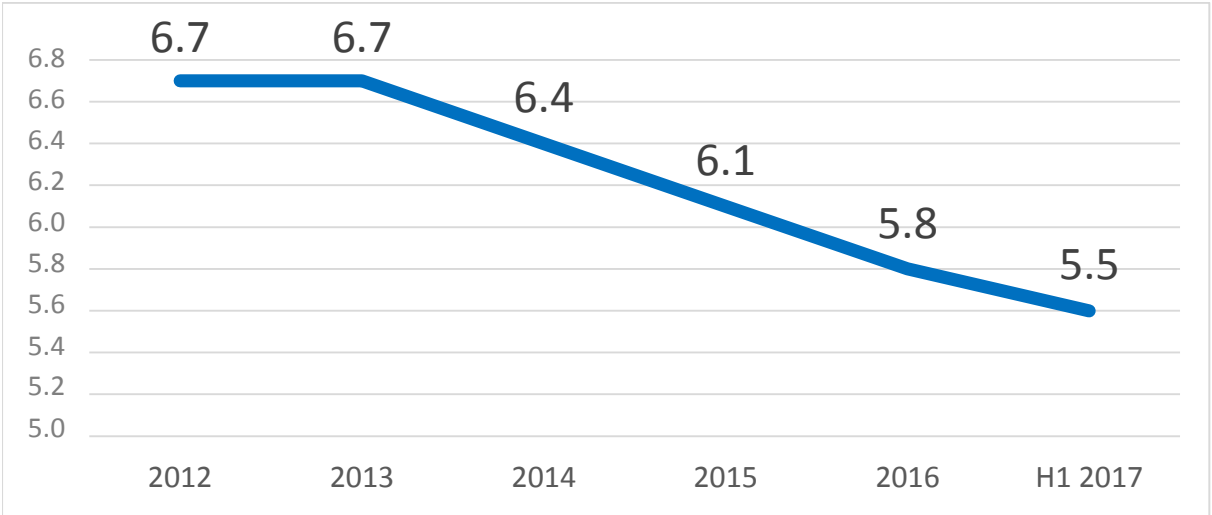


(source: 2012 – 2016, Federal Statistical Office, press release no. 055 “Gebremste Dynamik der Erwerbstätigkeit im 4. Quartal 2016”, published on February 16, 2017, 2017, Federal Statistical Office, press release no. 282 “Über 44 Millionen Erwerbstätige im 2. Quartal 2017”, published on August 17, 2017)

The unemployment rate in Germany continuously declined in the last five years, reaching 5.6% at the end of June 2017 after 5.8% at the end of 2016 and 6.1% in December 2015.

Unemployment rate (in %)

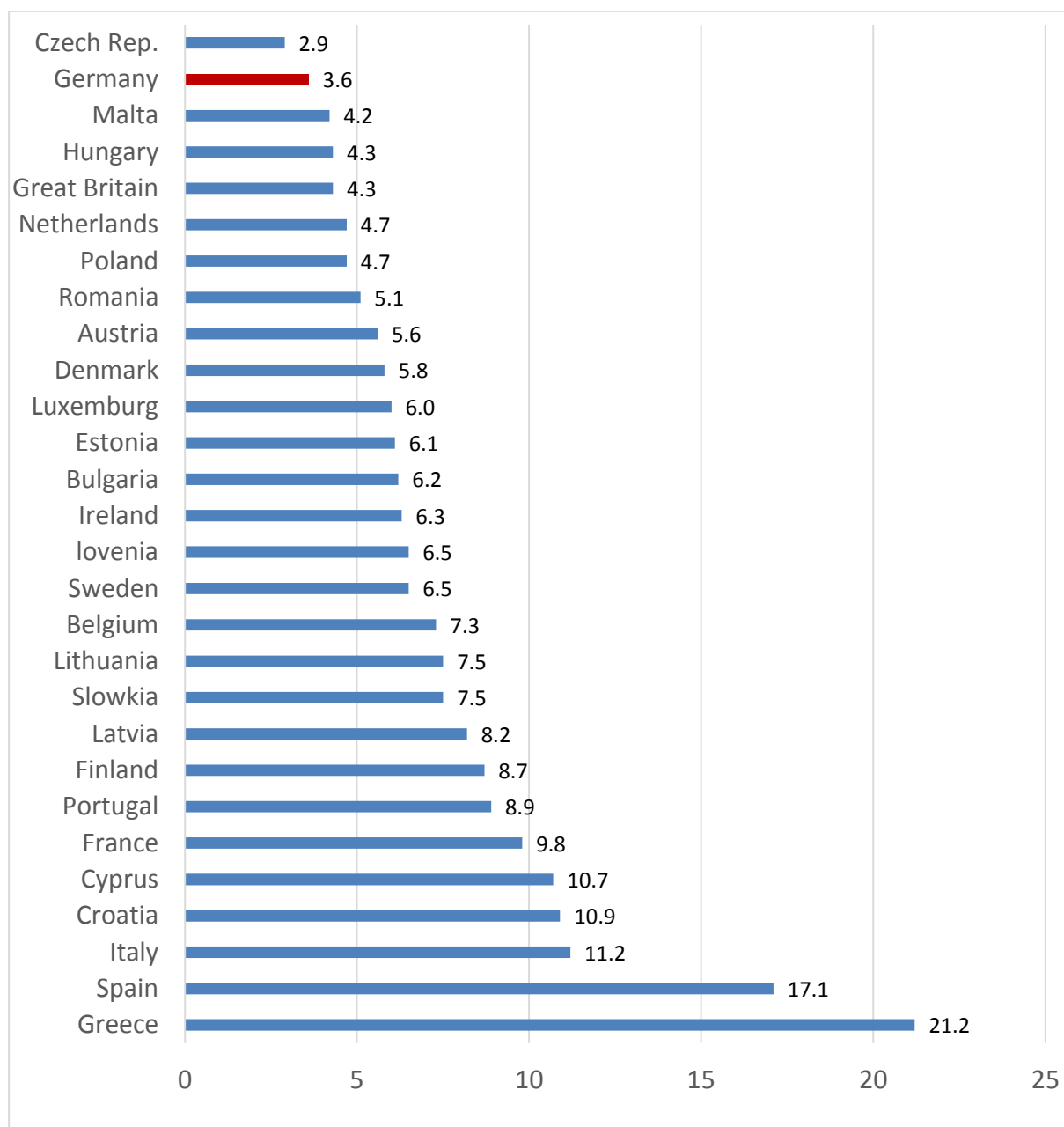
Unemployed in % of total civil working population as at December 31 of the respective year-end and June 30, 2017:



(source: 2017, Federal Employment Agency, “The labor market in June 2017”, press release no. 15 published on June 30, 2017, 2012 – 2016, Federal Statistical Office, database, topic: “Arbeitsmarkt, Arbeitslosenquote”)

The German unemployment rate is significantly lower than the EU average rate. This means that Germany is less affected by unemployment than most other EU Member States (source: Eurostat, Eurostat yearbook, an online only Eurostat publication which is updated on a rolling basis, available via link: [http://ec.europa.eu/eurostat/statistics-explained/index.php/File:Unemployment_rates,_seasonally_adjusted,_August_2017_\(%25\)_F2.png](http://ec.europa.eu/eurostat/statistics-explained/index.php/File:Unemployment_rates,_seasonally_adjusted,_August_2017_(%25)_F2.png)).

Unemployment rates in the EU (%) as of August 2017, seasonally adjusted



(source: Eurostat yearbook, an online only Eurostat publication which is updated on a rolling basis, available via: [http://ec.europa.eu/eurostat/statistics-explained/index.php/File:Unemployment_rates,_seasonally_adjusted,_August_2017_\(%25\)_F2.png](http://ec.europa.eu/eurostat/statistics-explained/index.php/File:Unemployment_rates,_seasonally_adjusted,_August_2017_(%25)_F2.png), retrieved October 16, 2017)

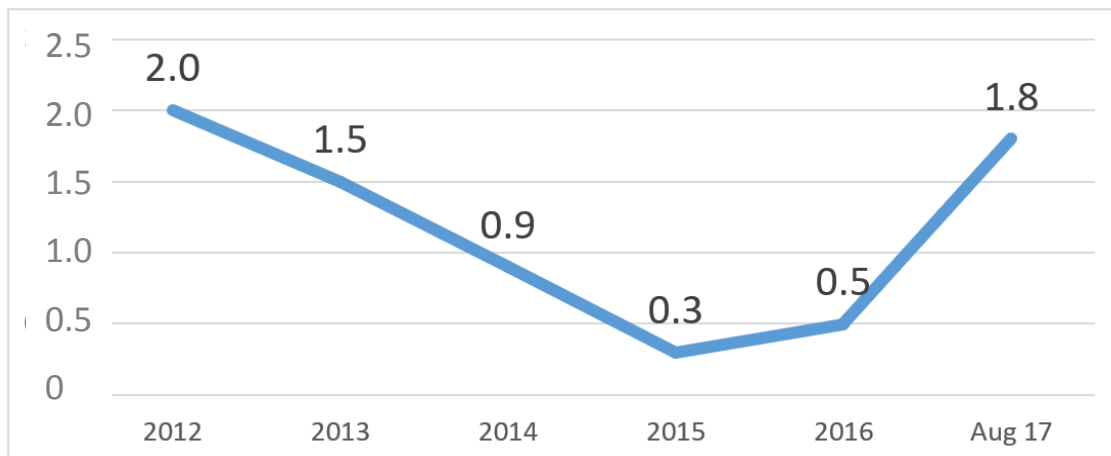
Consumer price development

The German economy experiences low inflation. In August 2017, the consumer price index had shown an increase of 1.8% (source: Federal Statistical Office, press release no. 319: “Verbraucherpreise August 2017: + 1,8 % gegenüber August 2016”, published on September 13, 2017) On an annual average, consumer prices in Germany rose by 0.5% in 2016 after 0.3% in 2015 and 0.9% in 2014 (source: Federal Statistical Office, “Verbraucherpreise, Jahresdurchschnitte”, rolling updates, available via: www.destatis.de/DE/ZahlenFakten/Indikatoren/Konjunkturindikatoren/Arbeitsmarkt/arb210.html, retrieved October 16, 2017). The low 2015 and 2016 year-on-year rates of price increase were largely due to the development of energy and energy-related product prices as a result of the sharp decline in crude oil prices in the world market. As prices for crude oil and oil related products sharply increased again as of spring 2017, the

consumer price index has also moved up again. Therefore, the inflation rate is not expected to remain at the low level of 2016, but to increase to approximately 1.9% again in 2017 (source: Ifo Institut Center for Economic Studies (CES) CESifo GmbH, “Gemeinschaftsdiagnose Herbst 2017: Aufschwung weiter kräftig – Anspannungen nehmen zu, published on September 28, 2017”).

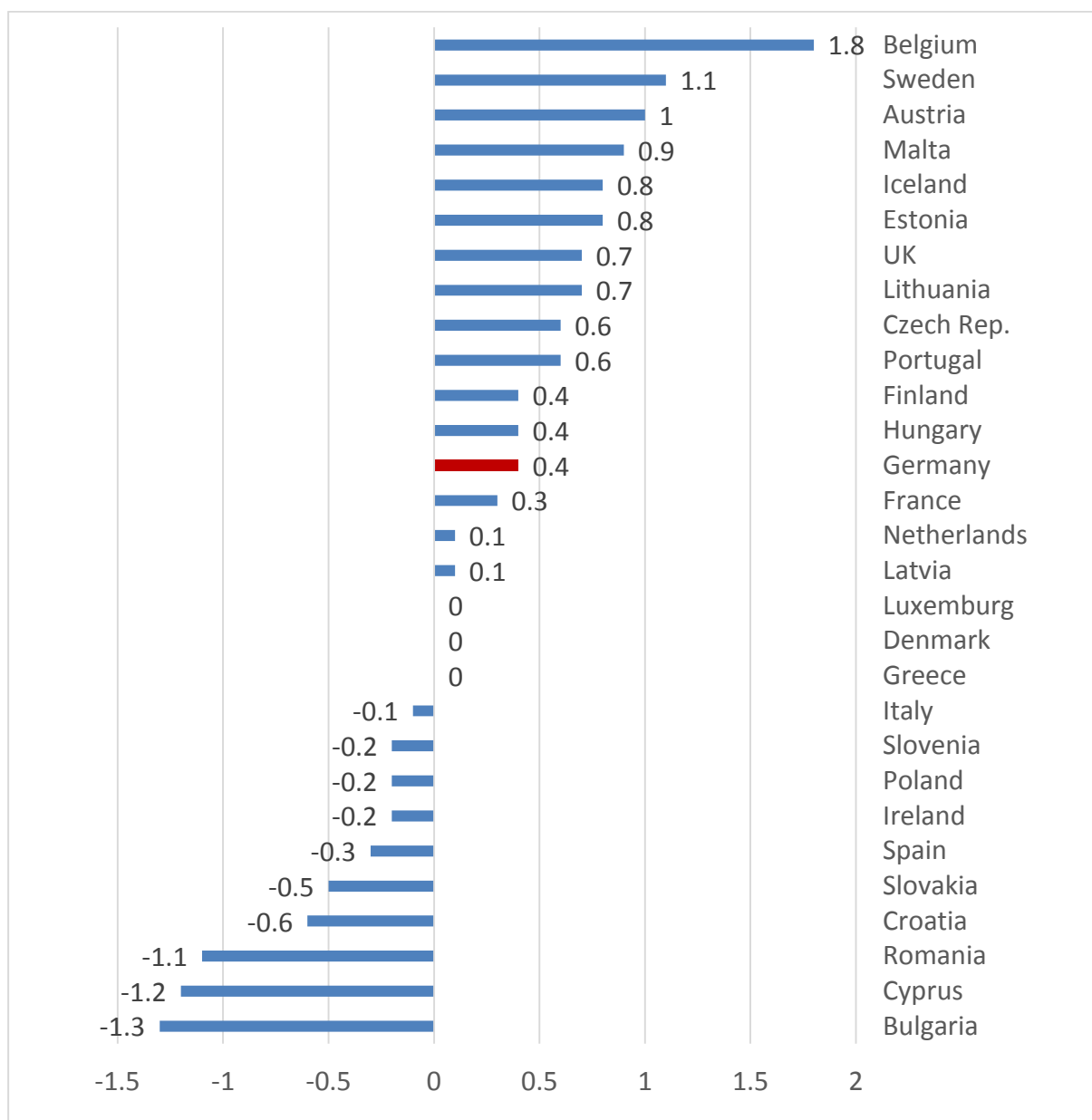
Inflation rate (in %)

Consumer price index for Germany, annual average:



(source: Federal Statistical Office, press release no. 319: “*Verbraucherpreise August 2017: + 1,8 % gegenüber August 2016*”, published on September 13, 2017, 2012-2014; Federal Statistical Office, “*Verbraucherpreise, Jahresdurchschnitte*”, rolling updates, available via www.destatis.de/DE/ZahlenFakten/Indikatoren/Konjunkturindikatoren/Arbeitsmarkt/arb210.html, retrieved October 16, 2017)

Harmonized consumer price index in the EU in 2016, in %



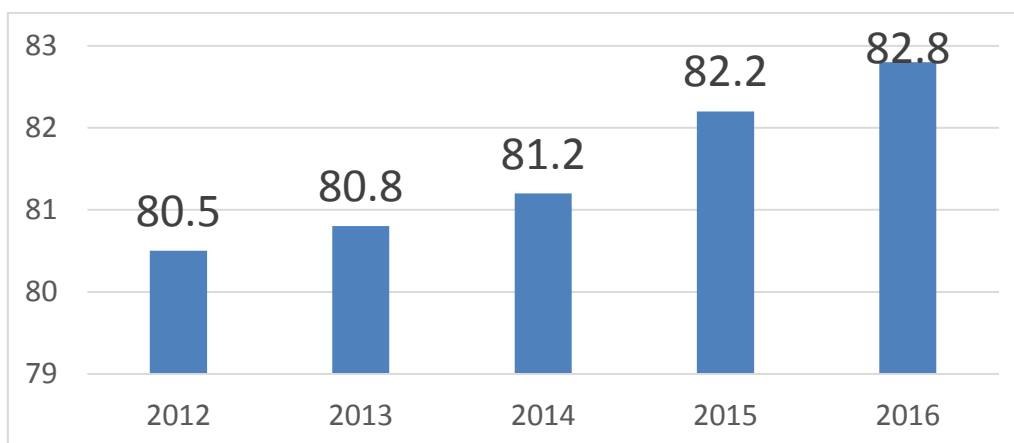
(source: Eurostat database, available via:
<http://ec.europa.eu/eurostat/tgm/table.do?tab=table&plugin=1&language=de&code=tec00118>,
 retrieved October 16, 2017)

Demographic developments in Germany

Short-term population growth to continue if immigration continues

According to the Federal Statistical Office, about 82.8 million people lived in Germany at the end of 2016, more than ever in the post-war history (source: Federal Statistical Office, press release no. 033 “*Bevölkerung in Deutschland voraussichtlich auf 82,8 Millionen gestiegen*” published on January 27, 2017). In 2015, the population in Germany had amounted to 82.2 million. The increase resulted from the comparatively strong immigration balance. During the last 20 years, the population ranged between 80.3 and 82.5 million (source: Federal Statistical Office, statistics on “*Bevölkerungsstand*”).

German population (in million)



(source: Federal Statistical Office, statistics on “Bevölkerungsstand”)

According to the latest forecast of the Federal Statistical Office, the population in Germany will increase over the next five years due to immigration, then more or less stagnate on the current level of 82.2 million people until 2035 and then steadily decline to 76.5 million until the year 2060 (source: Federal Statistical Office, “Aktualisierung der 13. koordinierten Bevölkerungsvorausberechnung”, published on April 28, 2015).

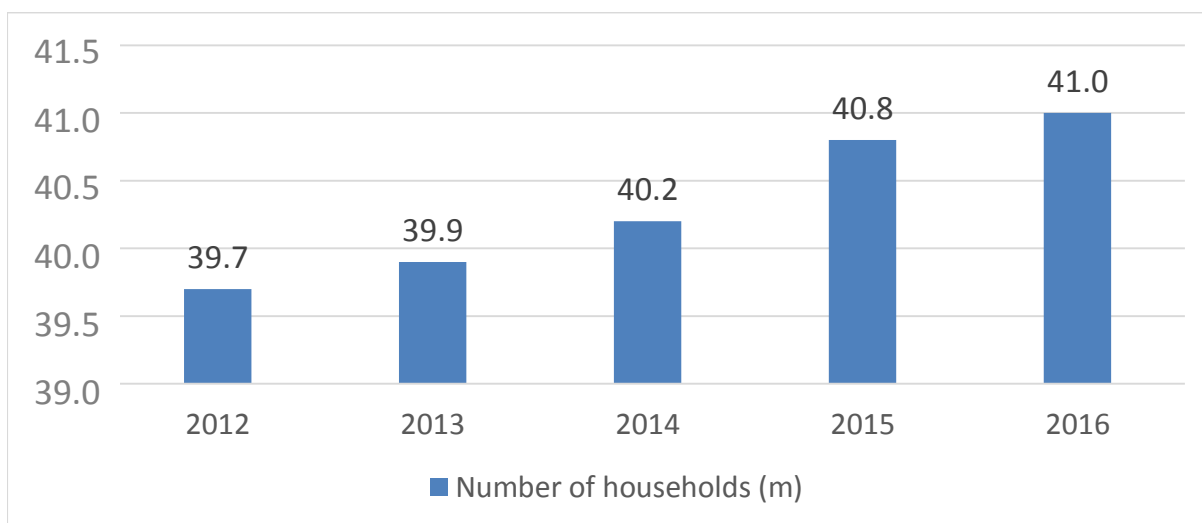
In recent years, Germany has seen positive and ever-increasing balances levels of immigration, from 127,700 people in 2010 to 1,139,400 people in 2015 (source: Federal Statistical Office, *Migration between Germany and foreign countries 1991 to 2015*). The immigration balance is partly impacted by the number of refugees who have come to Germany in recent years. The Federal Office for Migration and Refugees (*Bundesamt für Migration und Flüchtlinge*) stated that, in Germany, a total number of approximately 745,500 asylum applications were made in 2016, compared to approximately 476,000 in 2015 and approximately 202,000 in 2014 (source: *Bundesamt für Migration und Flüchtlinge, Das Bundesamt in Zahlen 2016, 2017*).

The Company holds the opinion that it is currently impossible to make a reliable forecast of the further migration development as immigration data for 2016 or 2017 have not been made available yet by the respective authorities. The Company believes, however, that the influx of refugees is likely to continue in and possibly also in the following years. On October 9, 2017 the Christian Social Union (CSU) and Christian Democratic Union (CDU) parties agreed to impose a floating intake limit of 200,000 refugees per year into Germany.

Number of households to increase further with ageing of population

The number of households in Germany reached 41.0 million in 2016, increasing from 40.8 million in the previous year. This, too, is the highest number recorded in Germany over the last 20 years, rising from 37.3 million in 1996 (source: Federal Statistical Office, statistics on “Bevölkerung, Haushalte nach Haushaltsgrößen”, rolling updates, available via: www.destatis.de/DE/ZahlenFakten/Indikatoren/LangeReihen/Bevoelkerung/lrbev05.html, retrieved October 16, 2017).

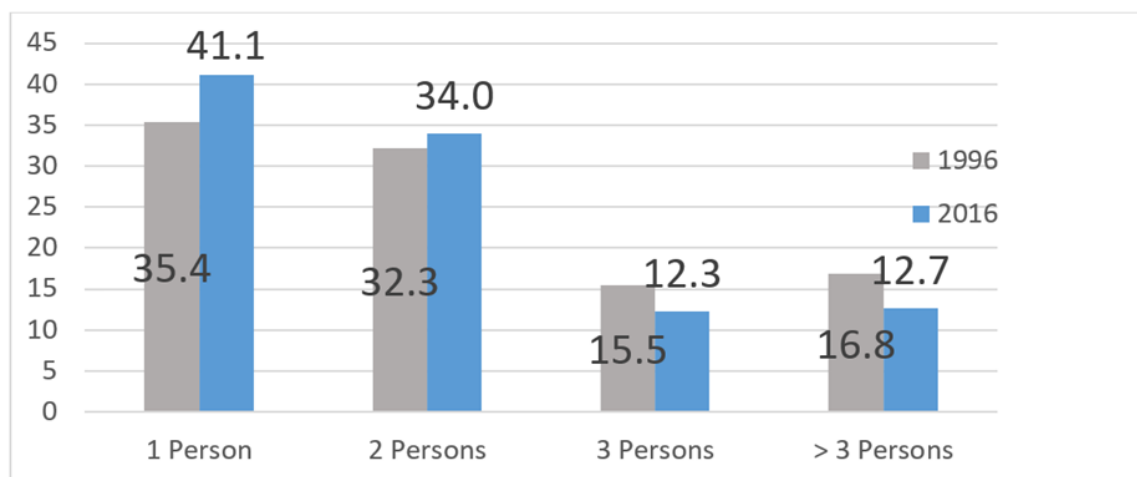
Number of households (in million)



(source: Federal Statistical Office, statistics on “*Bevölkerung, Haushalte nach Haushaltsgrößen*”, rolling updates, available via: www.destatis.de/DE/ZahlenFakten/Indikatoren/LangeReihen/Bevoelkerung/lrbev05.htm, retrieved October 16, 2017)

As the increase in the number of household was much stronger than the increase in the overall population, it follows that the average household size has declined over time. In particular, the number of single person households has increased significantly from 35.4% in 1996 to 41.1% in 2016, while the number of households with four or more persons has declined 16.8% in 1996 to 12.7% in 2016 (source: Federal Statistical Office, statistics on “*Bevölkerung, Haushalte nach Haushaltsgrößen*”, rolling updates, available via: www.destatis.de/DE/ZahlenFakten/Indikatoren/LangeReihen/Bevoelkerung/lrbev05.html, retrieved October 16, 2017).

Households per size 1996 versus 2016 (in %)



(source: Federal Statistical Office, statistics on “*Bevölkerung, Haushalte nach Haushaltsgrößen*”, rolling updates, available via: www.destatis.de/DE/ZahlenFakten/Indikatoren/LangeReihen/Bevoelkerung/lrbev05.html, retrieved October 16, 2017)

The increase of single person households is closely linked to the ageing of the German population as the share of households with at least one person over 65 years of age has strongly increased. Whereas in 2014 one senior lived in 40.2% of all households while in 1991 that was only the case in 26% of the households (source: Federal

Statistical Office, press release no. 358 “*In fast jedem dritten Haushalt in Deutschland leben Senioren*”, published on September 28, 2015).

In line with the population trend for the foreseeable years, the number of households is expected to continue to grow as is the number of single households, thus confirming the ongoing trend (source: Federal Statistical Office, “*Vorausberechnung Haushalte in Deutschland*”, rolling updates available via: www.destatis.de/DE/ZahlenFakten/Indikatoren/LangeReihen/Bevoelkerung/lrbev05.html, retrieved October 16, 2017). The Company believes that this trend will not be uniform across Germany, but will have a much stronger impact in the metropolitan areas and the regions surrounding large conurbations, thus intensifying the already existing contrast between fast-growing metropolitan regions and those areas from which people are moving away. Assuming that the three socio-demographic trends described above – an ageing population, a long-term population decline and a rise in the number, but decrease in the average size of households – continue, the Company expects an especially high demand for residential units suitable for single or two-person households and/or seniors in the future. If, in addition, the preference for living in larger cities and conurbations also holds up, demand for these particular living quarters will be particularly high in the densely populated areas while capacities in rural areas may be underused.

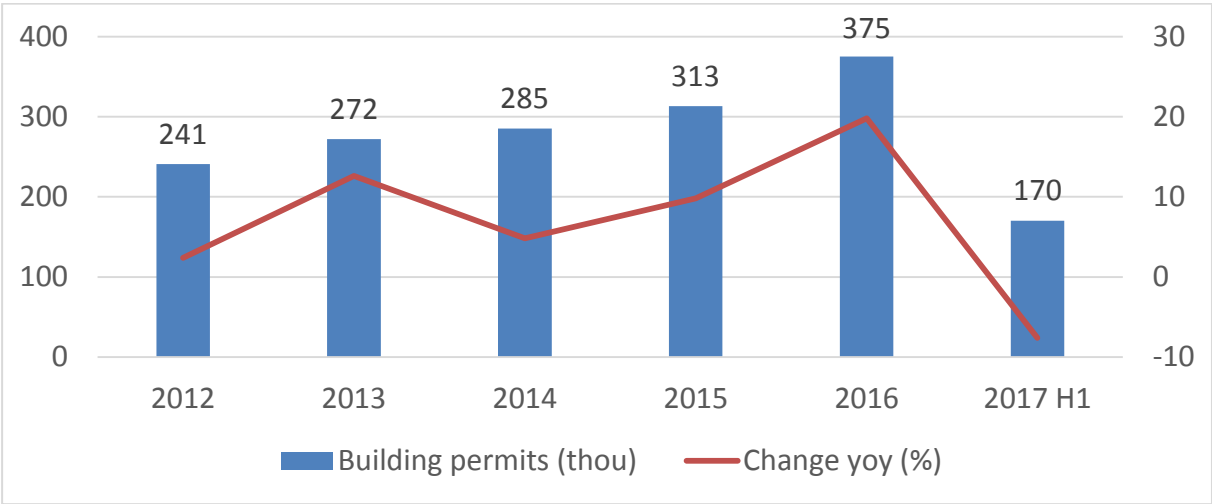
The German real estate market

The Company believes that stable and solid growth, high employment, low inflation, a growing population and the continuing trend to single households are positive indicators for further growth in demand for residential space.

At the same time, supply of new apartments has been lagging behind demand at least up to 2016.

In 2016, when building permits had reached a peak, a total of 375,589 permits to build apartments were issued. With this number, estimated demand for new residential units per year is just met. In the previous years, the number of building permits was lower at 313,296 in 2015 and 285,079 in 2014 (source: Federal Statistical Office, database, topic: “*Bautätigkeit*”, retrieved October 16, 2017). This sharp rise of over 30% over the last two years indicates a strong reaction to the increasing demand for housing. In 2017, however, this growth was not maintained. Up to May 2017, the number of building permits in Germany in 2017 lagged behind the year-on-year figure of 2016 by 7.6 percent (source: Federal Statistical Office, press release no 242 published on July 17, 2017 “*Genehmigte Wohnungen von Januar bis Mai 2017: -7,6 % gegenüber Vorjahreszeitraum*”).

Building permits (in thousand)



(source: Federal Statistical Office, press release no. 283 “*Genehmigte Wohnungen im 1. Halbjahr 2017: -7,3 % gegenüber Vorjahreszeitraum*”, published on August 17, 2017), database: “*Bautätigkeit, Baugenehmigungen im Hochbau Deutschland*”)

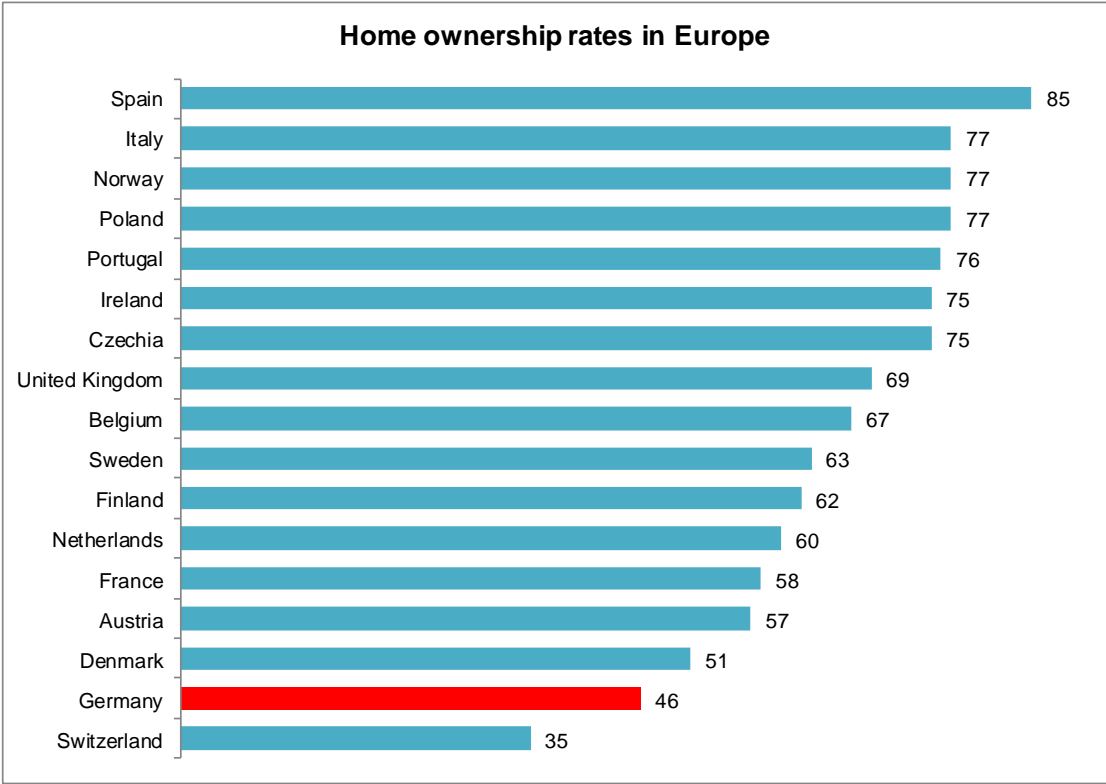
The actual demand for building permits is estimated to be approximately 361,000 units per annum (source: empirica institut, “*Wohnungsmarktprognose 2016-20*”, empirica paper Nr. 231). However, other studies indicate an even higher demand for housing, partly due to the large number of refugees moving to Germany. In a paper

published in mid-December 2015, the Cologne Institute for Economic Research estimated the yearly housing demand to amount to more than 400,000 apartments for the period up to 2020 in the German real estate market (source: Cologne Institute for Economic Research, opinion prepared for Deutsche Invest Immobilien GmbH “Auswirkungen der erhöhten Zuwanderung auf demographische Prognosen und die Folgen für den Wohnraumbedarf in Deutschland” published on December 15, 2015). Of the annual demand of approximately 400,000 new apartments only approximately 60% are met. This gap becomes even higher when affordable or social housing is taken into focus. Here, only approximately 18% of the annual demand of 80,000 apartments are met (source: prognos. Studie Wohnungsbautag 2017 “Wohnraumbedarf in Deutschland und den regionalen Wohnungsmärkten“, published on May 31, 2017).

For this reason, the Company believes that the level of building activity is too low to satisfy the demand for housing, in particular as building activities, due to increasing construction costs, are predominantly aimed at superior quality housing, not at the segment of affordable housing.

Residential real estate stock

There were 41.45 million residential units (residential and non-residential buildings) in Germany in late 2016 (source: Federal Statistical Office, database, topic: “Wohnungsbestand in Deutschland”, retrieved October 16, 2017) of which 46% were owned by the people living in them.



(source: ifs Institut für Städtebau, Wohnungswirtschaft und Bausparwesen e.V., “Selbstgenutztes Wohneigentum/Eigentumsquote”, July 2014)

The home ownership ratio in Germany is substantially lower than average in Europe. According to the Company, this can largely be attributed to historical causes. In post-war Germany, citizens often did not have the means to purchase real estate or to construct their own homes. To resolve the housing shortage, cities and municipalities became active in the construction and letting of social housing. As rents were also subsidized for decades, private ownership in home ownership was discouraged.

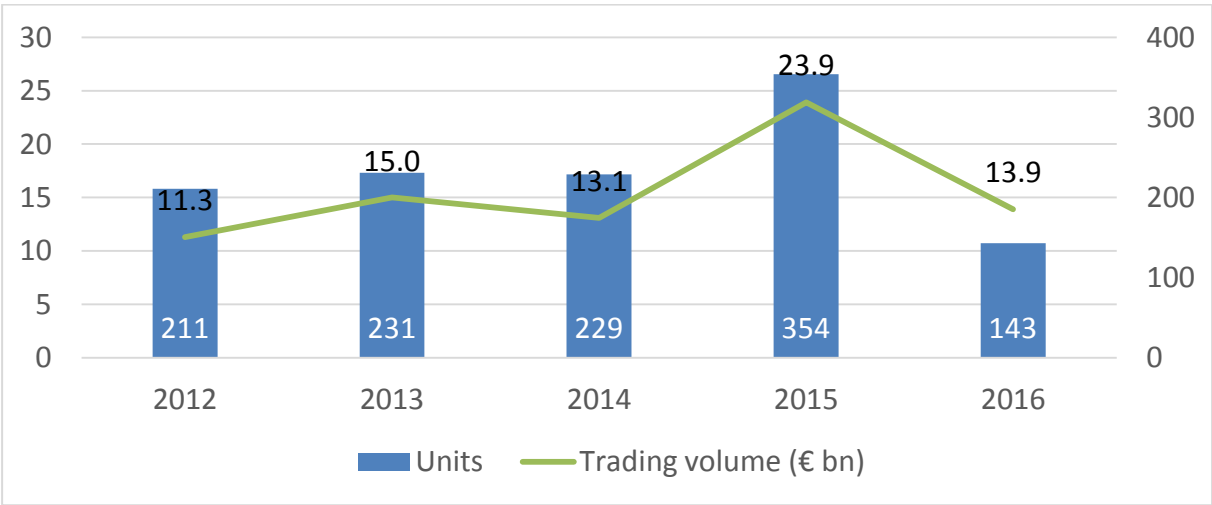
While about 46% of residential units are inhabited by their owners, about 54% of German residential units are owned by private and institutional investors with the purpose of letting (source: ifs Institut für Städtebau, Wohnungswirtschaft und Bausparwesen e.V., “Selbstgenutztes Wohneigentum/Eigentumsquote”, May 2012 and July 2014).

Transaction volumes on the real estate market in Germany increased from 2012 until 2015

Due to high employment, low interest rates, growing immigration and lack of supply in most German cities, the Company believes that the German real estate market will remain attractive to investors. According to a survey conducted by analysts of Ernst & Young Real Estate, Germany is considered by large investors to be the most stable real estate market in Europe with 96% of respondents considering the German real estate market to be attractive, in absolute terms as well as compared to the rest of Europe. The investors surveyed are particularly interested in German residential and retail real estate (source: Ernst & Young Real Estate, “Trendbarometer Immobilien-Investmentmarkt Deutschland 2017”, January 2017).

The graphic below shows the transaction volume on the German residential real estate investment market between 2012 and 2016. Transaction volumes have been rising steadily until 2015, when the number of traded units had its peak which was partly driven by a few large portfolio transactions. As prices for apartments have strongly increased over the last few years, the total trading volume (units times average price) in 2016 was still higher than in 2014 although the number of traded apartments had come down considerably.

Units traded and total trading volume (in EUR bn)



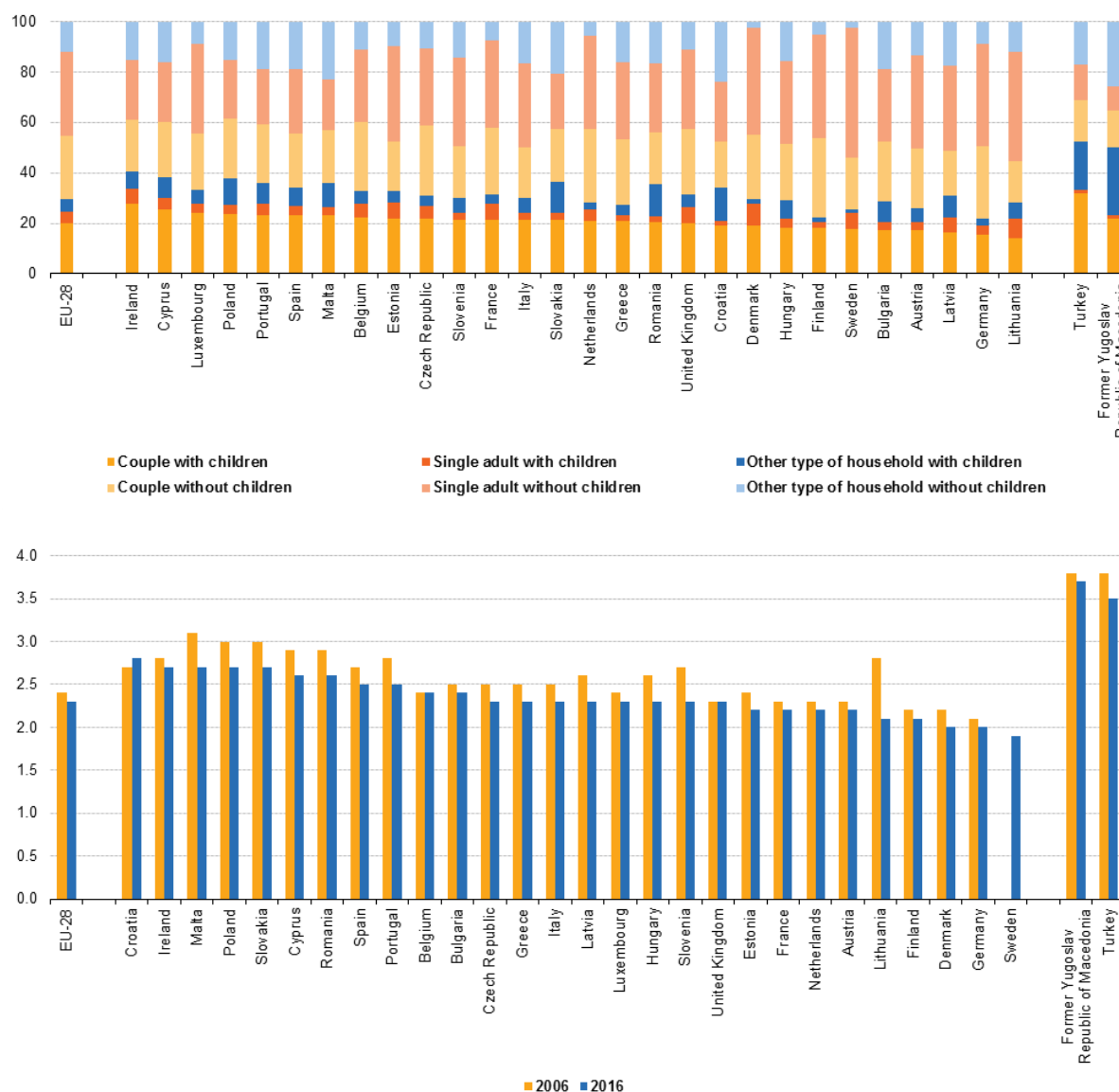
(source: NAI apollo group, “Zahlen und Fakten, Transaktionsmarkt Wohnportfolios H1 2017”)

The German residential sector was amongst the most popular investment sectors in Germany in 2016. During H1 2017, significantly higher transaction volumes of EUR 5.9bn (22% increase year on year for trades above 50 units) were recorded. Deutsche Bundesbank forecasts 0.4 million net additional immigrants in 2017 and 2.5 million for 2017-2025, which would drive overall population growth and trigger additional growth in net new households. This would also create pressure on affordable housing, in particular in metropolitan areas. A positive outlook on the sector for 2017 is also expected in line with inflows of capital from foreign investors in search of steady cash flows (source: CBRE GmbH – Germany Real Estate Market Outlook 2017 and Germany Residential Portfolio Investment Marketview Q2 2017).

The Company is of the opinion that the acquisition prices of residential property are likely to increase further as they do not only reflect current rental income, but also expected rental price increases in the next few years. With prices NRI multiples increase and initial yields fall.

In the Company’s estimation, larger portfolios of housing complexes in medium sized towns in Germany in line with the Company’s business model are sold at prices between EUR 700 and EUR 900 per sqm of residential space, depending on the level of required capital expenditures. Nevertheless, the Company believes that, even after taking potential capital expenditures into account, acquisition prices are significantly below the costs of new buildings. The Company estimates that one sqm of residential space (net) for new buildings (surface construction without basements) averages between EUR 1,450 and EUR 1,650.

Household mix by type and number of persons



Note: EU-28 2009 data instead of 2006
 Source: Eurostat (online data code: ifst_hhantych)

(source: Eurostat, <http://ec.europa.eu/eurostat>)

German households are characterized as having amongst the lowest rates of households with children in the EU, as well as a sizable contribution of single adult households. In addition, the German market holds the second lowest number of average persons per household of approximately 2.0 which has steadily decreased over the past decade. The proportion of single adult households in Germany has risen despite an increasing population, signaling a shift in demographics.

Development of rental expenses

Rental expenses have increased continuously, but modestly for many years now. In its publications of the consumer price index developments, the Federal Statistical Office recorded an overall increase in the average net rental expense of 1.3% in 2013, 1.5% in 2014, 1.2% in 2015 and 1.2% in 2016 (source: Federal Statistical Office, press release no. 091 “*Verbraucherpreise Februar 2017: +2,2 % gegenüber Februar 2016*” published on March 4, 2017). In July 2017, the increase of net rental expenses was slightly higher at 1.8% (source: Federal Statistical office, press release no. 272 published on August 11, 2017: *Verbraucherpreise Juli 2017: +1,7 % gegenüber Juli 2016*). However, this average is dominated by existing rental contracts and does not indicate the

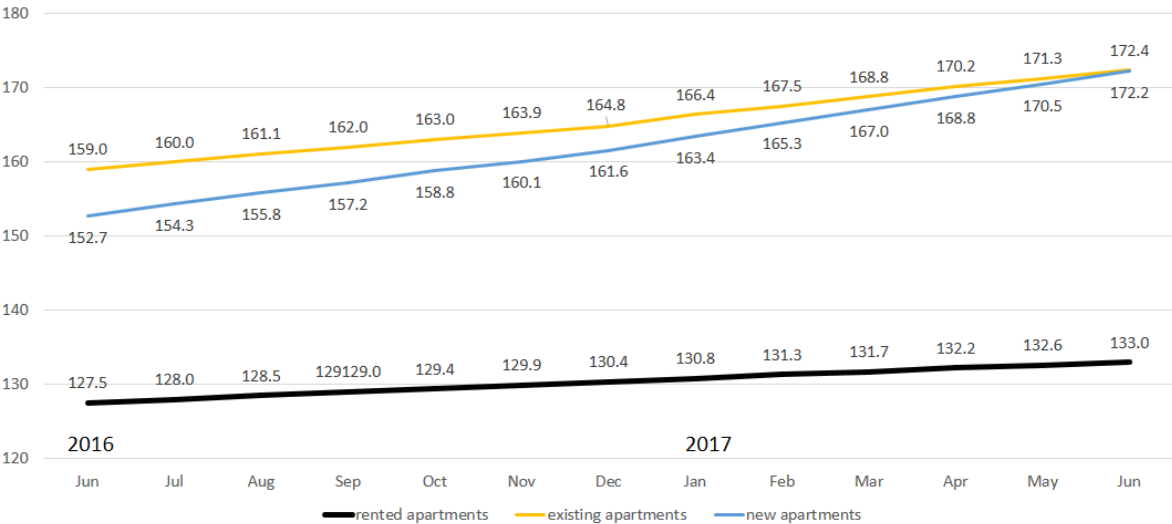
differential between existing and new rental contracts. It also does not reflect the highly varied developments in conurbations and in rural or economically weaker regions in Germany.

However, rents for newly-built residential properties increased by 4.3% in 2016 in A-cities and by 4.0% in C-cities according to the property index of the analysis institute bulwiengesa (source: bulwiengesa, “Immobilienindex 1975 bis 2015”, January 2016). In conurbations in Germany, demand for residential property is still larger than the supply. Regional differences in demand/supply relations were also reflected in vacancy rates for residential properties which in 2015 were at 2.1% in the old and at 9.2 % in the new federal states (2014: 2.2% in the old and 9.1% in the new federal states) (source: GdW Bundesverband deutscher Wohnungs- und Immobilienunternehmen, “Daten und Trends der Wohnungs- und Immobilienwirtschaft 2014/2015”).

In addition, the residential lettings market was particularly dynamic in city outskirts and in conurbations which is essentially seen as evasive action in response to the tense situation in inner-city markets (source: German Federal Bank, “Monatsbericht Februar 2013, 65. Jahrgang Nr. 2”, February 2013). The Federal Institute for Research on Building, Urban Affairs and Spatial Development (“BBSR”), the associations BFW (Bundesverband Freier Immobilien- und Wohnungsunternehmen e.V., or Federal Association of Independent Property and Cooperative Building Companies), GdW (Bundesverband deutscher Wohnungsunternehmen e.V., or Federal Association of German housing and real estate companies) and “Haus & Grund Deutschland” jointly published a fact sheet in March 2014 on the “rent-price cap” in which they again pointed out that the dynamics of rental prices in Germany may be focused on good to very good residential locations, the focus of demand. However, more modest or average locations only recorded moderate, but still rising, prices (source: BFW Bundesverband Freier Immobilien- und Wohnungsunternehmen e.V. press release “Mietpreissteigerungen konzentrieren sich auf wenige gehobene Wohnlagen” published on March 12, 2014).

While the rental expense increases as quoted in the consumer price index indicate the overall change in rental expenses, the index of quoted rents gives insight to changes in the rents asked at re-letting or for new apartments. Quoted rents, as can be seen in the following graph, rose by 10.4 % between June 2016 and June 2017 (source: Immobilienscout 24, IMX – The residential property price index of Immobilienscout24, differentiated between new apartments (completion within one year before indexing), existing apartments and rented apartments for the period June 2016 – June 2017).

Residential properties (apartments) price index Germany
June 2016 to June 2017 (March 2007 =100)



(source: IMX – The residential property price index of Immobilienscout24, differentiated between new apartments (completion within one year before indexing), existing apartments and rented apartments for the period June 2016 – June 2017, www.immobilienscout24.de, retrieved October 16, 2017)

5.2 Competition

Based on the size and diversity of the German housing market, the Company competes with numerous competitors. Only 3.2 million units, equaling approximately 14% of the total housing stock units, are owned by private companies. The rest is owned by private landlords, cooperatives, municipalities or other public real estate companies. Out of the 3.2 million units owned by private companies, approximately one third is owned by listed companies including ADLER Real Estate AG. As such, competition is highly fragmented and varies from location to location (source: Federal Association of German Housing and Real Estate companies, chart “*Party structure in the German housing market on May 9, 2011*”, August 2014). The largest holder of residential units in Germany, Vonovia SE, which, according to its financial report for the fiscal year 2016, has a portfolio of nearly 335,000 own units, only holds a market share of less than 1% in the German residential market.

The Company believes that there are no market-dominating competitors – neither in project development, nor in housing stock or asset management. As a consequence, ADLER faces various partly small-scale private and partly mid-sized municipal competitors in every location where it is present. The Company also believes that there is negligible brand awareness among potential tenants who tend to look for affordable yet well maintained accommodation in certain locations and not strictly for apartments owned by a particular company. Naturally, competition is fiercer in locations that suffer from negative immigration balances as potential tenants have options to choose from and suppliers of residential units exert additional efforts to maintain the marketability of their apartments. The opposite is true in locations with increasing population numbers.

There is also competition with respect to the acquisition of suitable portfolios. As in the residential market, competition among potential bidders varies profoundly in regard to the portfolio size, the quality of the real estate offered or the regional diversification of the portfolio.

The Company believes that in respect of potential portfolio acquisition its competitors are primarily other medium and large real estate companies and institutional investors, such as insurance companies as well as investment funds investing in real estate. Other important competitors in the residential property portfolios market are local authorities selling or buying back housing stock, as well as so-called “property splitters” who buy residential housing stock for the purpose of its development, segmentation and sale or privatization.

The Company is thus exposed to various competitive situations in each bid for a portfolio offered in the market. The Company believes it has a particular competitive advantage when portfolios are on the market that fit well into its business model as there are not many large companies with a similar focus on affordable housing in the outskirts of larger conurbations.

Regional focus of ADLER's portfolios

In its portfolio strategy, ADLER prefers locations at the outskirts of large cities or at the rim of larger conurbations. At the same time, ADLER favors portfolios with a comparatively high initial yield. As a result of these two constraints for acquisitions, ADLER invested in properties in the western, northern and eastern part of Germany, but not in the south. As of September 30, 2017, more than half of the Company's properties are located in the federal states of Lower Saxony (34.9% of the overall portfolio) and North Rhine-Westphalia (21.4% of the overall portfolio). In addition, more than 40% of the units of ADLER's portfolio are located in the eastern federal states Saxony (14.5%), Brandenburg (7.3%) and Saxony-Anhalt (6.9%). As a result, market developments in the property sector of Lower Saxony, North Rhine-Westphalia and Saxony, in which a total of 70% of the ADLER's properties are located, may have an impact on or relevance for ADLER's business activities – although the market environment of a particular location may differ strongly from an overall trend in any German federal state.

Property trends in Lower Saxony

The number of inhabitants of the federal state of Lower Saxony increased slightly between 2011 and the end of 2015 from 7.778 million to 7.927 million (source: Regional Statistics Office for Lower Saxony, “*Bevölkerung, Erwerbstätige, Erwerbslose und Nichterwerbspersonen in Niedersachsen 2003 bis 2015 nach ausgewählten Merkmalen*”).

Lower Saxony had 3.83 million private households as at the end of 2013 (source: Regional Statistics Office for Lower Saxony, press release 14/15 of February 27, 2015). From 2011 to 2014, the number of private households increased from 3.772 million to 3.819 million, whereas the number of single households increased by 2.1% from

1.510 million to 1.540 million (source: Regional Statistics Office for Lower Saxony, “*Bevölkerung, Erwerbstätige, Erwerbslose und Nichterwerbspersonen in Niedersachsen 2003 bis 2015 nach ausgewählten Merkmalen*”).

Three urban centers predominate the state: the state capital of Hanover with approximately one million inhabitants (including surrounding municipalities), the Braunschweig/Wolfsburg/Salzgitter region and the Osnabrück region, which benefits from the prominence of medium-sized industries. Wilhelmshaven, located at the North Sea, has the only deep water port in Germany, capable of unloading the world's largest, newest generation container ships (source: Website JadeWeserPort Wilhelmshaven, www.jadeweserport.de).

The housing market in Lower Saxony shows similar trends as throughout the country. Rents for residential properties have steadily risen in recent years. According to the property portal Immowelt.de, the average rent in Lower Saxony was at EUR 6.49/sqm in December 2015 (source: www.immowelt.de/immobilienpreise/bl-niedersachsen/mietspiegel, retrieved October 16, 2017). The number of building permits went up from 23,049 in 2011 to 34,102 in 2016 (source: Federal Statistical Office, database, topic: “*Baugenehmigungen*”, retrieved October 16, 2017). Meanwhile, the vacancy rate has continuously declined from 3.8% in 2009 to 3.4% in 2014 (source: statista, “*Leerstandsquote von Wohnungen in Niedersachsen in den Jahren 2009 bis 2014*”, <http://de.statista.com/statistik/daten/studie/373974/umfrage/leerstandsquote-von-wohnungen-in-niedersachsen>). 25,453 apartments were built in Lower Saxony in 2015 corresponding to 0.7% of the existing stock. 30,333 building permits were issued in the course of 2015 (source: Statistische Ämter des Bundes und der Länder, database, topic: “*Gebäude und Wohnen*”, retrieved October 16, 2017).

Property trends in North-Rhine-Westphalia

The federal state of North Rhine-Westphalia (“**NRW**”) is the most populous of the 16 federal states in Germany with a population of 17.75 million in 2015. With 8.89 million residential units (as of the end of 2015), 21.4% of all apartments in Germany are located in NRW (source: Federal Statistical Office, database, topic: “*Gebäude und Wohnen*”, retrieved October 16, 2017). The housing market in NRW is characterized by increasing demand and a decreasing vacancy rate. On December 31, 2015, the vacancy rate amounted to 2.3%, after 3.0% in 2014 and 2013 each (source: Federal Association of German Housing and Real Estate companies, annual report, GdW home data and trends 2013/2014 2014/2015 and 2015/2016). As of February 2017, rent for residential properties was up by 1.9% per year over the previous year (source: Federal Statistical Office, database, topic: “*Index der Nettokalmieten*”, retrieved October 16, 2017). The average net base rent per month amounted to EUR 5.32/sqm in December 2015 compared to EUR 5.20/sqm in December 2014 (source: GdW home data and trends and yearly statistics). In 2015, private households spent an average of 18.2% of their monthly purchasing power on rent (including heating costs) (source: LEG Housing Market Report NRW 2016).

The demand for housing suited for the elderly continues to rise. It is expected that the number of households in NRW with residents aged 70 and above will rise to 2,129,375 by 2025 (an estimated increase of 21.5% compared to 2008). Based on this, demand for an additional 425,875 residential units suited for the elderly is forecast by 2025 (source: Arbeitsgemeinschaft für zeitgemäßes Bauen e.V., “*Wohnungsbau in Deutschland – 2011, Modernisierung oder Bestandsschutz*”).

Similar to the trends throughout the rest of Germany, the number of building permits is also increasing in NRW. In 2016, building permits for residential properties (including for renovations of existing residential properties) went up by 29.6% to 66,552 (source: Federal Statistical Office, database, topic: “*Baugenehmigungen*”, retrieved October 16, 2017).

In 2015, a total of 40,670 residential units were completed in NRW, equaling an increase to the existing number of apartments of nearly 0.5% (source: Federal Statistical Office, database, topic: “*Gebäude und Wohnen*”, retrieved October 16, 2017). Many of the new properties are intended for owner occupancy and are therefore of limited use to current and future tenants. An analysis of purchase prices has shown that a significant proportion of new-buildings are intended for households with high purchasing power (source: CBRE GmbH, LEG Housing Market Report NRW 2012).

Property trends in Saxony

At the end of 2015, the population in the federal state of Saxony amounted to 4.08 million people. The number of private households amounted to 2.17 million which corresponds to an increase over 2015 of 7.1% (source: Regional Statistics Office for Saxony, database, topic: “*Gebiet, Bevölkerung*”, retrieved October 16, 2017). With

2.3 million residential units as of December 2015, the state of Saxony has the highest proportion of single-floor apartments in Germany. There are twelve cities in which the proportion of apartments is 80% or more. 57% of all apartments in Saxony are located in these twelve cities. Essentially, only these cities can be called a genuine rental market (source: empirica ag, rent survey/report Saxony, final report, published in April 2014).

The average rent in Saxony grew by a yearly average of 0.5% between 2012 and 2015 and by 0.6% in 2016 (source: Federal Statistical Office, database, topic: “*Index der Nettokaltmieten*”, retrieved October 16, 2017). The average rent per square meter was EUR 4.80 at the end of 2015, increasing from EUR 4.66 at the end of 2014 (source: GdW, “*Daten und Trends and GdW Jahresstatistik*”).

7,795 apartments were built in Saxony in 2015 corresponding to 0.3% of the existing stock. 11,388 building permits were issued in the course of 2015 (source: Statistische Ämter des Bundes und der Länder, database, topic: “*Gebäude und Wohnen*”, retrieved October 16, 2017).

Three urban centers predominate, the cities of Chemnitz, Dresden and Leipzig. While Dresden and Leipzig both have more than half a million inhabitants and rank among the twelve most populous cities in Germany, Chemnitz is home to just a quarter million people. Chemnitz is traditionally renowned for engineering and manufacturing. Leipzig is the primary center of trade, commerce and publishing. It is also a strong manufacturing base hosting a number of plants for large car manufacturers including Porsche and BMW. Dresden is the capital of Saxony and thus its political and cultural center as well as a leading hub in IT technology.

The Top 20 ADLER locations

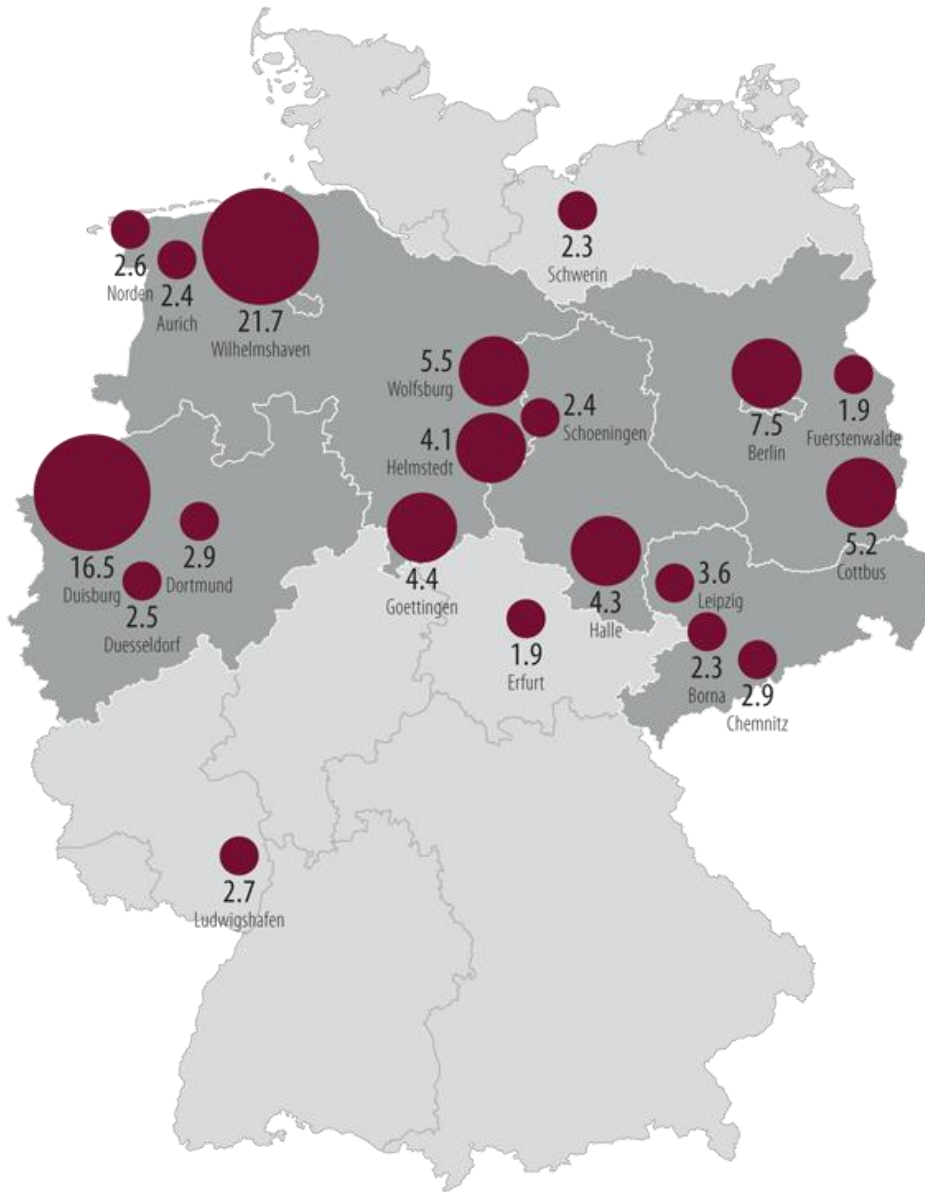
As of September 30, 2017, ADLER's 20 most important portfolios account for almost two thirds of the ADLER's total rental income. The Company believes that all of these portfolios are located in areas with good economic prospects for the future. It also believes that, in order to assess the potential profitability of an investment in real estate, it is more important to look at the settings and the prospect of a particular location rather than at general trends. Wilhelmshaven is the Group's most important location, with an annual net rent income of EUR 22.4 million, followed by Duisburg with EUR 16.4 million, Berlin with EUR 7.6 million, Wolfsburg with EUR 5.5 million and Cottbus with EUR 5.1 million.

All locations but one have experienced a positive immigration balance in recent years indicating additional demand for housing. The per capita purchasing power in most locations is below the German average (EUR 22,066) as the Company holds real estate predominantly in less affluent federal states and there predominantly in B-cities or locations. Below average per capita income indicates that demand for affordable housing may be comparatively strong in those areas. The unemployment rates, although partly higher than the German average, are declining in 18 of the top 20 locations, thus indicating a positive economic development in general (source: Bundesagentur für Arbeit, database, topic: “*Statistik nach Regionen*”, retrieved October 16, 2017).

Annual net rental income (in EUR m) as of September 30, 2017

ANNUAL NET RENTAL INCOME

in EUR m



Top 20 locations ⁽¹⁾	Annual net rental income (in million EUR) ⁽¹⁾	Units ⁽¹⁾	Ø rent EUR/sqm/month			Ø rent new contracts (in EUR/sqm) ⁽¹⁾	Occupancy rate (%)		Unemployment rate (in %) October 2017	Immigration balance 2011-2013, per 1,000 inhabitants	Purchasing power per capita 2016 (in EUR)
			September 30, 2017	Change in EUR ⁽²⁾	Change in % ⁽²⁾		September 30, 2017	Change in pp ⁽²⁾			
Wilhelmshaven	21.7	6,908	4.82	0.02	0.42%	5.14	92.15	-0.28	10.9	0.5	20,015
Duisburg	16.5	4,281	5.31	0.07	1.34%	5.82	96.75	-0.91	11.8	2.5	18,368
Berlin	7.5	1,698	5.68	0.06	1.07%	6.31	97.98	-0.69	8.6	12.2	20,529
Wolfsburg	5.5	1,300	5.51	0.05	0.92%	7.04	95.49	-0.31	4.7	9.9	24,209
Cottbus	5.2	1,868	4.59	0.05	1.10%	5.12	85.06	0.18	8.5	2.8	19,384
Göttingen	4.4	1,139	5.02	0.04	0.80%	6.07	96.82	0.18	5.7	2.8	21,141
Halle (Saale)	4.3	1,656	4.52	0.01	0.22%	4.91	85.85	-0.22	9.5	5.9	18,096
Helmstedt	4.1	1,219	5.03	0.03	0.60%	5.29	95.76	0.70	6.6	2.1	22,249
Leipzig	3.6	1,167	4.43	0.03	0.68%	5.05	94.57	1.26	7.2	19.7	18,860
Chemnitz	2.9	1,023	4.83	0.05	1.05%	5.16	78.73	-0.86	7.2	6.8	19,424
Dortmund	2.9	776	4.83	0.04	0.84%	5.30	95.40	-0.06	10.8	5.8	20,174
Ludwigshafen	2.7	526	7.00	0.02	0.29%	6.40	94.90	0.36	7.9	8.7	21,079
Norden	2.6	747	4.87	0.10	2.10%	6.33	95.01	-1.67	6.2	3.6	19,326
Düsseldorf	2.5	466	7.68	0.10	1.32%	8.62	95.62	-2.21	7.0	6.9	26,102
Aurich	2.4	782	4.60	0.06	1.32%	5.31	83.12	1.68	6.2	3.6	19,326
Schöningen	2.4	846	4.94	0.04	0.82%	5.19	79.65	0.96	6.6	2.1	22,249
Borna	2.3	900	4.60	0.01	0.22%	4.46	84.82	-2.94	5.7	-1.8	19,765
Schwerin	2.3	816	4.47	0.06	1.36%	5.40	89.07	-0.61	8.7	4.9	19,731
Erfurt	1.9	643	5.60	0.11	2.00%	6.27	74.65	7.77	6.9	7.9	20,118
Fürstenwalde	1.9	573	5.35	0.01	0.19%	5.96	94.25	-1.37	6.8	0.8	19,372

⁽¹⁾ As of September 30, 2017

⁽²⁾ Change as against June 30, 2017

(sources: Immigration balance: Federal Statistical Office, calculations by Bundesinstitut für Bevölkerungsforschung: “*Immer mehr Menschen ziehen in Großstädte und Ballungsgebiete, Wanderungssaldo nach Kreisen, Durchschnitt 2011-2013*”, published on March 30, 2015; Purchasing power per capita: MB-Research Internationale Marktdaten, *Kaufkraft 2016 in Deutschland*, Unemployment rate: Bundesagentur für Arbeit, *laufende Berichterstattung, Statistik nach Regionen.*)

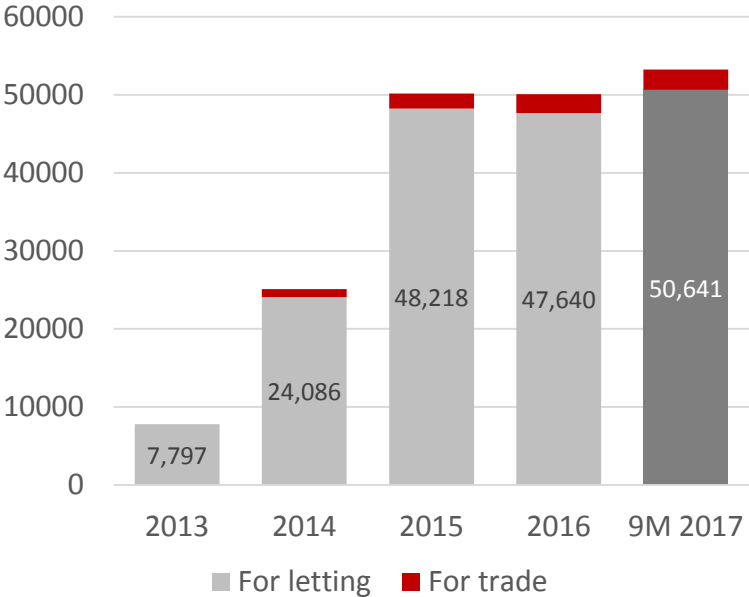
6 BUSINESS

6.1 Overview

ADLER is a leading integrated real estate group based in Germany with core strategic focus in the supply of good quality affordable housing throughout Germany. The Company and its consolidated subsidiaries currently operate in two distinct business segments, Rental and Trading. However, the Trading segment is expected to be discontinued by the end of 2017.

The Company’s history relates back to Frankfurter Adlerwerke, a manufacturing company founded in the late 19th century. Originally, the Company had industrial manufacturing operations for penny-farthings, bicycles, automobiles and office machines, and eventually evolved into a real estate company, primarily developing plots in the 1990s. Frankfurter Adlerwerke was renamed ADLER Real Estate Aktiengesellschaft in 2000.

Over the past five years the Company has executed a strategy of opportunistic acquisition-led growth aimed to maintain growth in geographies with demonstrated development potential. Key milestones in the development of ADLER include the investment by a major shareholder in 2005, the acquisition of the residential construction business of Münchener Baugesellschaft mbH in 2007, and the optimization of ADLER’s real estate portfolio in 2008 through 2011. In May 2012, the Company reorganized its business model from the development of plots to an integrated real estate company focusing on the establishment of a residential real estate portfolio. Following its strategic realignment in 2012, ADLER took over or secured majority interests in portfolios comprising approximately 48,000 rental units through the acquisition and takeover of several real estate portfolios and real estate holding companies. Since 2013 ADLER has acquired a total of approximately 48,000 units and its total portfolio has grown from 211 units as at year-end 2012 to 50,641 units as at September 30, 2017.

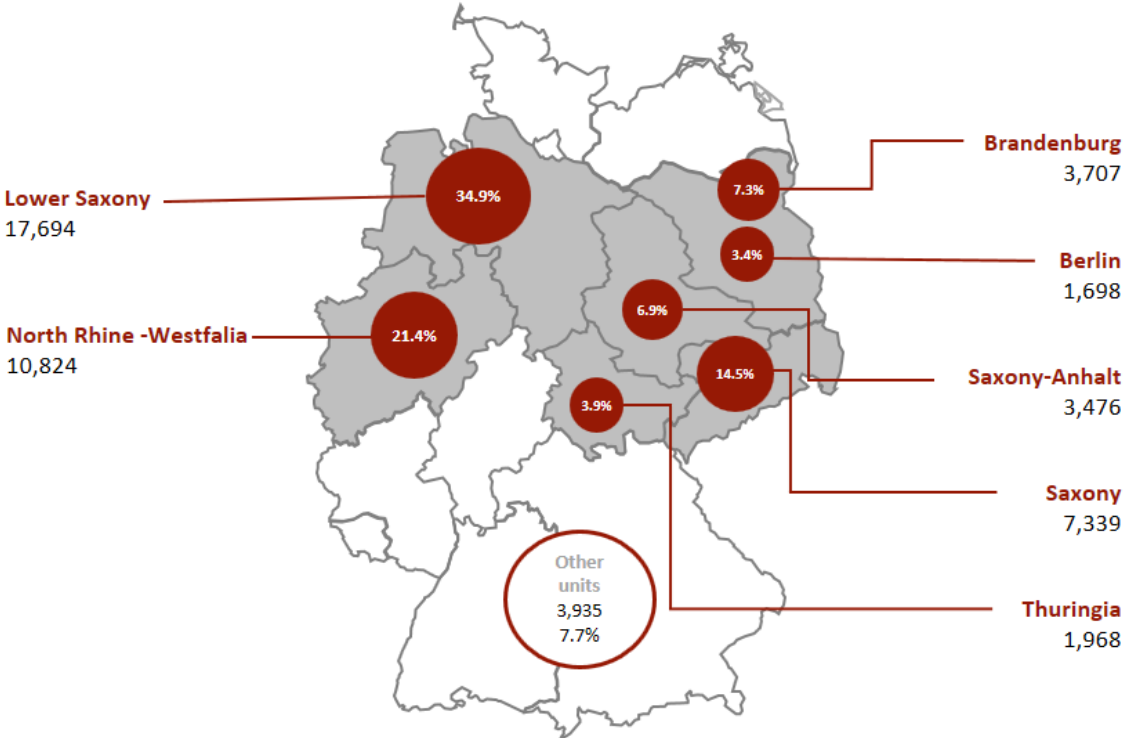


In the fiscal year ended December 31, 2016, ADLER generated consolidated income of EUR 412.81 million (2015: EUR 384.79 million) from the management and sale of property and consolidated net profit of EUR 133.78 million (2015: EUR 78.28 million). In the nine-month period ended September 30, 2017, ADLER generated consolidated income of EUR 309.55 million (corresponding period 2016: EUR 341.57 million) from the management and sale of property and consolidated net profit of EUR 23.97 million (corresponding period 2016: EUR 98.59 million).

As at September 30, 2017, ADLER’s total headcount amounted to 535 (including board members) and the total number of FTEs was 490 (including board members).

Rental segment

In its **Rental** segment, ADLER aims at growing and managing a profitable and cash-flow generating residential real estate portfolio throughout Germany. As of September 30, 2017, ADLER held 49,553 residential and 1,088 commercial units (excluding 2,613 units held in inventories for privatization) with a rental space of 3.2 million sqm and a fair value of EUR 2,640.7 million and an annualized actual rent (including parking spaces and other areas) of approximately EUR 178 million, with a regional focus on Lower Saxony (17,694 units), North Rhine-Westphalia (10,824 units), Saxony (7,339 units), Brandenburg (3,707 units) and Saxony-Anhalt (3,476 units).



Trading segment

With the acquisition of a 92.7% stake in ACCENTRO in June 2014 (which stake decreased to approximately 86% since such acquisition as a result of the conversion of convertible notes issued by ACCENTRO that were held by persons other than the Company), ADLER expanded its business model in its **Trading** segment to include the privatization of residential property held in its own portfolio and in the portfolios of others and residential property trading. However, on October 20, 2017, following a strategic review and with a view to focusing on its core residential rental business and increasing its level of unencumbered assets, the Company entered into a share purchase agreement regarding approximately 80% out of its current 86% stake in ACCENTRO and 4,743,359 convertible notes issued by ACCENTRO with respect to a further 4,809,282 underlying shares which are not yet issued. Subject to the closing of this transaction, which is expected to occur in the fourth quarter of 2017, the Company intends to discontinue its Trading segment by the end of 2017.

6.2 Business segments

ADLER currently still operates in two business segments: since it began reorganizing its business operations in May 2012, the Company has been concentrating on the management of residential properties represented by the Rental segment. In addition, with the acquisition of ACCENTRO in June 2014, ADLER expanded its business model to include privatization of own and third party residential real estate and trading of real estate which is concentrated in its Trading segment, which, however, is expected to be discontinued by the end of 2017 following the sale of the shares in ACCENTRO. ADLER also has certain limited operations in residential and commercial real estate development business. As there are currently very few larger scale portfolios in the market and prices for real estate portfolios are often unattractive from a buyer’s perspective, ADLER is reviewing whether measures to increase the density of use of existing residential estates and closer cooperation

with project developers could harbor opportunities as the price differential between existing and new properties has notably reduced in some regions.

Rental segment

Since it began reorganizing its business operations in May 2012, ADLER has been concentrating on establishing a profitable residential real estate portfolio. The business activities in the residential real estate management business comprise the assessment, acquisition, management, and continuous optimization of a profitable residential real estate portfolio. The Company intends to continue to expand its residential real estate portfolio significantly by acquiring single residential properties, residential complexes, or entire residential real estate portfolios, especially through its network of contacts with potential sellers and sales organizations.

For the purchase of single residential properties, residential complexes, or entire residential real estate portfolios, ADLER initially assesses the location of the real estate, its state of development and traffic connections, as well as its integration into regions with steady or rising population numbers. To facilitate the creation of a profitable residential real estate portfolio, ADLER also observes the regional real estate markets and analyzes the opportunities to further expand its residential real estate portfolio by acquiring additional single properties or real estate portfolios. In this context, ADLER assesses the appreciation potential of the real estate portfolios to achieve the acquisition of additional real estate on a financially sustainable basis.

The below pictures are representative examples of different types of rental properties in various locations across Germany:



Wilhelmshaven, Norfolkstraße



Duisburg, Beethovenstraße



Düsseldorf, Weststraße



Leipzig, An der Luppe



Braunschweig, Emsstraße

Residential real estate management also includes the management of the real estate portfolio acquired. This comprises leasing apartments as they are vacated as well as reducing existing vacancies by entering into new leases. In addition, the potential for rent increases in the portfolio is assessed on an ongoing basis and implemented where appropriate by increasing the rents. Leasing and management comprises active rental and receivable management as well as collecting outstanding receivables. Moreover, the termination of lease agreements is enforced, if this serves to enhance the profitability of managing the portfolio.

Whereas ADLER's property management had been performed by external service providers to a large extent in the past, ADLER's subsidiary ADLER Wohnen Service GmbH is tasked with the internalization of all property management activities which is expected to be completed by early 2018. To this end, ADLER Wohnen Service GmbH has developed a regional structure which allows for the management of all group properties. Whereas this was the case for just over half of the portfolios at the beginning of 2017, ADLER expects nearly all of its properties to be managed and supported by internal group employees by early 2018.

To facilitate optimization, ADLER continually analyses the opportunities for realizing potential for appreciation and rent increases by modernizing and renovating its portfolio properties. The modernization measures include all measures to improve the fixtures and fittings of the residential units, such as insulation work and the upgrading of outdated fixtures and fittings of the apartments. Renovation activities include all activities intended to fundamentally improve the building stock. In preparation for all modernization and renovation activities, ADLER performs detailed cost-benefit analyses to determine whether the required investments can be recovered with a profit from the realizable appreciation. For modernization and renovation work, ADLER exclusively commissions third-party contractors who provide high-quality services and offer a favorable price-performance ratio. Similarly, ADLER analyzes all potentially developable parts in the portfolio, such as options to build on gaps between buildings, convert attics, expand residential units by adding balconies or terraces, or use unutilized plots on existing properties of the residential complexes for building additional residential units. During implementation, ADLER limits its activities to coordinating and managing the construction work and modernization and renovation measures. In addition, ADLER continuously monitors the operating costs of the portfolios so it can counteract potential increases in service charges. Although most of the service charges are passed on to the tenants, sharp increases in service charges could lead to a reduction in the scope for rent increases, because the tenants may in some circumstances not be able to absorb an increase in total costs.

Real estate portfolio

As of September 30, 2017, ADLER held 49,553 residential and 1,088 commercial units (excluding 2,613 units held in inventories for privatization) with a rental space of 3.2 million sqm and a fair value of EUR 2,640.7 million and an annualized actual rent (including parking spaces and other areas) of approximately EUR 178 million, with a regional focus on Lower Saxony (17,694 units), North Rhine-Westphalia (10,824 units), Saxony (7,339 units), Brandenburg (3,707 units) and Saxony-Anhalt (3,476 units).

Portfolio	Residential units	Commercial units	Residential and commercial units	Share in %	Average rent in EUR per sqm	Occupancy rate in %
Lower Saxony	17,563	131	17,694	34.9	4.98	90.3
North Rhine Westphalia	10,501	323	10,824	21.4	5.14	92.2
Saxony	7,141	198	7,339	14.5	4.76	86.6
Brandenburg	3,670	37	3,707	7.3	4.86	89.1
Saxony-Anhalt	3,366	110	3,476	6.9	4.73	86.1
Thuringia	1,938	30	1,968	3.9	5.57	84.6
Berlin	1,673	25	1,698	3.4	5.70	97.9
Mecklenburg-Western-Pomerania	1,477	33	1,510	3.0	5.24	87.5
Schleswig-Holstein	867	42	909	1.8	5.93	91.5
Rhineland Palatinate	531	64	595	1.2	6.98	94.0
Bremen	425	8	433	0.3	4.79	96.0
Hesse	246	52	298	0.9	7.31	87.2
Bavaria	138	26	164	0.6	5.82	84.8
Baden-Wuerttemberg	17	9	26	0.1	7.77	75.3
Total	47,010	1,079	50,641	100.0	5.08	89.9

Since the beginning of the fiscal year 2017 until September 30, 2017, the number of rental units held for permanent investment increased by 6.4%. On the one hand, the portfolio was increased by a total of 3,499 units due to the acquisition of three portfolios, especially in northern Germany. On the other hand, however, a total of 498 units were sold in the course of portfolio streamlining measures aimed at removing units no longer viewed as forming part of the “core” portfolio. Following four years of acquisition-driven growth, 2016 marked the beginning of a period of consolidation intended to remove weak (“non-core”) holdings and thus increase the earnings strength of the remaining (“core”) portfolio.

Portfolio realignment	September 30, 2017		September 30, 2016	
		Divestments	Additions	
Rental portfolio	50,641	498	3,499	47,640
- of which residential units	49,553	412	3,438	46,527
- of which commercial units	1,088	86	61	1,113
Units for privatization	2,613	669	860	2,422

The following table presents the changes in the residential and commercial units on a like-for-like basis, i.e. only for those properties that were part of ADLER’s portfolio both at September 30, 2017 and September 30, 2016.

Like-for-like changes

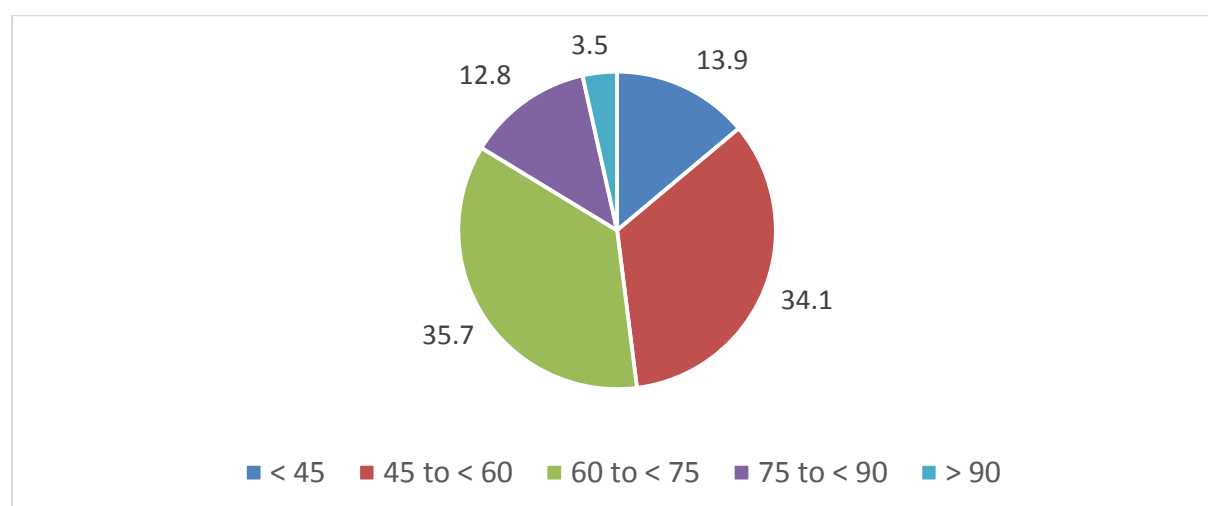
September 30, 2016 to September 30, 2017

Portfolio	Units	Residential and commercial units			
		Average rent EUR/sqm/month	Annual change in %	Occupancy rate in %	Annual change in pp
Lower Saxony	16,026	4.97	2.3	91.37	-0.38
North Rhine Westphalia	8,497	5.29	2.5	93.47	-0.67
Saxony	6,285	4.79	1.3	88.89	0.45
Brandenburg	3,514	4.84	1.9	88.79	-0.04
Saxony-Anhalt	3,300	4.75	1.8	87.09	1.12

Berlin	1,688	5.67	1.8	98.03	-0.63
Thuringia	1,670	5.51	1.0	91.73	-0.40
Mecklenburg-Western-Pomerania	1,027	5.07	3.6	90.30	-0.30
Rhineland-Palatinate	578	7.03	0.8	95.33	-0.11
Schleswig-Holstein	565	6.13	1.5	90.74	0.73
Hesse	288	7.29	3.7	87.15	-1.16
Bremen	48	5.18	0.0	97.61	0.00
Bavaria	33	4.69	-0.3	74.68	-8.15
Baden-Wuerttemberg	11	8.44	-7.5	80.56	20.64
Total	43,530	5.11	2.0	91.21	-0.20

ADLER's residential portfolio comprises small to medium-sized units with average size of approximately 60 sqm and are positioned to attract a wide share of low to medium income tenants and in particular single person households. The below table outlines the mix of ADLER's residential portfolio by apartment size as at September 30, 2017.

Apartments by size in sqm (% of total)



ADLER reviews its holdings within its portfolio management activities on a regular basis and hence the specific classifications of “core” and “non-core” properties are continually updated. The review process initially involves evaluating individual properties in terms of their inherent qualities, i.e. to determine the amount of maintenance and renovation expenses required to ensure living quality consistent with market standards. The second assessment criteria adopted involves external market and location factors, such as socio-demographic trends, expected changes in demand, infrastructure measures of all kinds, as well as political decisions, such as restrictions on contractual rental prices, the tax treatment of property or measures to promote new construction.

Properties of good quality and located in attractive macro-environments form the “core” portfolio and generally generate stable cash flows. Properties of lower quality as well as properties located in less attractive macro-environments are classified as “non-core” and are thus earmarked for sale.

The plans for further portfolio optimization measures are also based on these considerations. As at September 30, 2017, ADLER has earmarked 3,331 units for privatization, corresponding to 6.6% of the portfolio as at September 30, 2017. ADLER intends to sell these units within a short to medium timeframe. The following table presents a comparison of the key performance data and average market values of units in the “core” and “non-core” portfolios respectively.

Strengthening of the core portfolio

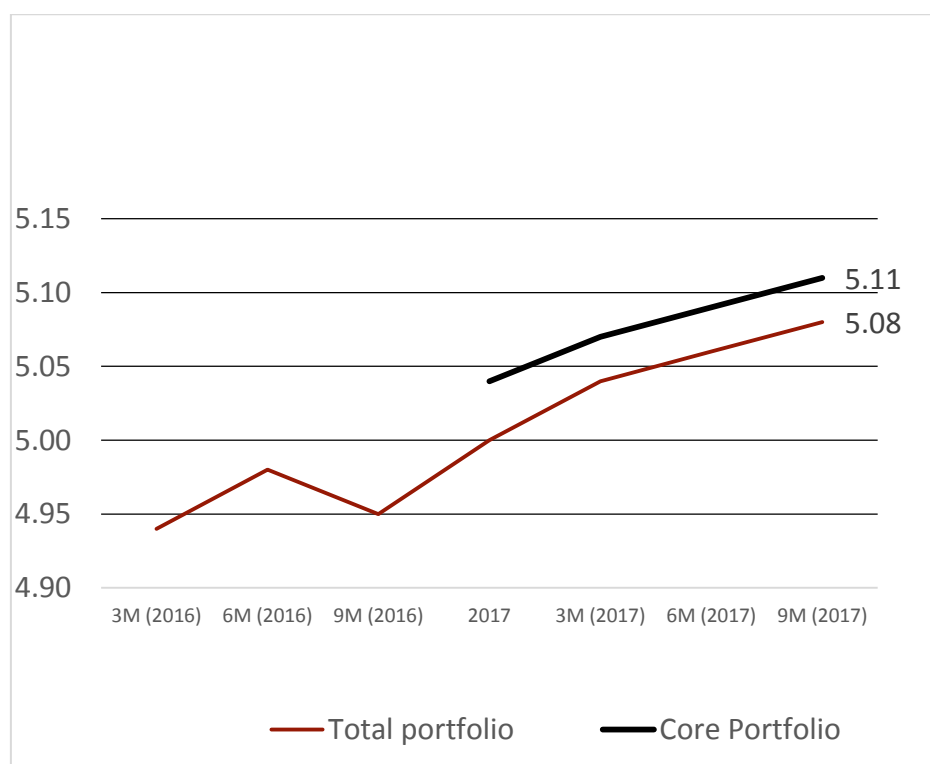
September 30, 2017	Total	Core	Non-core
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Rental units	50,641	47,310	3,331
Average rent/sqm/month in EUR	5.08	5.11	4.72
Occupancy rate in %	89.9	91.1	75.9
Market value/sqm in EUR	829.0	849.0	583.0
NRI-Multiple	15.1	15.2	13.6

On average, the units held for sale in the non-core portfolio have significantly lower occupancy rates, generate lower rental income and, accordingly, have lower market values per square meter. When properties no longer forming part of the core portfolio are sold, ADLER typically uses the disposal proceeds to repay the liabilities with which the properties are still encumbered. Past experience shows that non-core properties can in most cases be sold at prices close to their carrying amounts.

The below chart illustrates the increase of ADLER's average rent since March 31, 2016 and, in particular, for the "core" portfolio since it was first defined as such at the end of 2016.

Average rent/month/sqm in EUR



The following table presents the changes in the "core" portfolio on a like-for-like basis, i.e. only for those properties that were part of ADLER's portfolio both at September 30, 2017 and September 30, 2016.

Portfolio (Core portfolio) like-for-like ⁽¹⁾	Residential and commercial units	Change in %	Residential units	Change in %	Commercial units	Change in %
Units	44,612		43,810		802	
Average rent EUR/sqm/month	5.11	0.8	5.06	0.8	6.66	0.3
Occupancy rate in %	90.9	-0.04	91.4	-0.04	76.5	0.8

⁽¹⁾ This like-for-like comparison does not take into account a renovation program initiated in the second half of 2016 to renovate up to 1,500 vacant apartments. From this program, 1,201 apartments had been completed by September 30, 2017, of which 924 were already let out.

In the “core” portfolio as structured as at September 30, 2017, ADLER generated average rental income (per square meter and month) of EUR 5.11. based on the contracts in place for let units as at September 30, 2017 and thus increased by an average of EUR 0.07 (1.4%) as compared to EUR 5.04 at the beginning of the year. In the fiscal year 2016, 4.3% of the receivables were value adjusted.

As at September 30, 2017, 91.1% of ADLER’s “core” units were let out. On a like-for-like basis, the occupancy rate remained nearly unchanged as compared to 91.4% as at September 30, 2016.

Commercial portfolio

ADLER does not pursue a strategy of holding commercial properties. The commercial units held by ADLER are mainly shops situated in the ground floors of residential buildings.

Trading segment

With the acquisition of a 92.7% stake in ACCENTRO in June 2014 (which stake decreased to approximately 86% since such acquisition as a result of the conversion of convertible notes issued by ACCENTRO that were held by persons other than the Company), ADLER expanded its business model to include privatization of own and third party residential real estate and trading of real estate, which are currently still concentrated in ADLER’s Trading segment. However, on October 20, 2017, following a strategic review and with a view to focusing on its core residential rental business and increasing its level of unencumbered assets, the Company entered into a share purchase agreement regarding approximately 80% out of its current 86% stake in ACCENTRO and 4,743,359 convertible notes issued by ACCENTRO with respect to a further 4,809,282 underlying shares are not yet issued. Subject to the closing of this transaction, which is expected to occur in the fourth quarter of 2017, the Company intends to discontinue its Trading segment by the end of 2017.

The Trading segment comprised the acquisition of different classes of real estate from third parties and the conversion of the so acquired real estate as well as the conversion of existing real estate of ADLER’s portfolio into condominiums and the subsequent sale of the converted condominiums to tenants, occupiers and investors.

In this context, ADLER offered and conducted all services in connection with such privatization to its own real estate portfolio and to real estate portfolios of third parties, especially larger real estate groups. In case of conducting privatization services for third parties, ADLER normally received its fees on a reasonable commission basis from the respective client.

The marketing of the condominium itself was carried out via distribution partners, which normally have direct access to a customer relationship management system, provided by ADLER, and a data room to all necessary sales documents.

The core business activities in the Trading segment were concentrated on the real estate market in Berlin, with approximately 82.0% of ACCENTRO’s property privatization portfolio (1,987 of 2,422 units as of December 31, 2016) located in Berlin.

Over the past few years, ACCENTRO implemented sales structures and cooperations (consisting of relations to lawyers, notaries, real estate agents and real estate asset managers), which especially allow investors from foreign countries to invest into real estate in Berlin. ADLER estimates that due to the current interest rate situation on the international financial market, the political situations in different foreign countries and the reputation of the Germany real estate market as a comparatively safe environment for real estate investments will lead to a further increasing demand of real estate investments in Berlin, but more important, also in other cities in Germany. Furthermore ADLER expects Berlin’s condominium market and the condominium market of other interesting cities in Germany, due the social shift to more living space for each person, to become more and more attractive also for owner-occupiers and investors.

In 2016, the Company generated income of EUR 36.4 million from the sale of properties and thus significantly exceeded the previous year’s figure (EUR 23.5 million), exclusively resulting from the trading and privatization

activities of ACCENTRO and in particular from the fact that ACCENTRO was able to sell a portfolio of 419 units located in the center of Berlin in the third quarter of 2016. This portfolio, which had originally been earmarked for individual privatization, was sold on attractive terms in its entirety.

In 2016, ACCENTRO sold a total of 1,927 units, of which 717 units were sold from the ADLER's non-core portfolio whereas 234 units were sold by ACCENTRO on behalf of third party clients. By selling units for third party clients, ACCENTRO generated fees of approximately EUR 1.6 million in the fiscal year 2016 (2015: EUR 2.3 million).

Subject to the closing of the sale of approximately 80% out of its current 86% stake in ACCENTRO and 4,743,359 convertible notes issued by ACCENTRO with respect to a further 4,809,282 underlying shares which are not yet issued, which is expected to occur in the fourth quarter of 2017, the Company intends to discontinue its Trading segment by the end of 2017. With respect to the remaining 6% stake in ACCENTRO, the Company has a put option vis-à-vis the purchaser which may be exercised one year after closing of the ACCENTRO sale.

Property development

ADLER holds a number of land plots and properties under current assets, which are at different stages of ongoing development work. The current properties concerned essentially stem from the time prior to the Company's reorganization as a residential real estate company in 2012. The activities are aimed at selling land that is ready to build, developing plots of land that are not yet ready to build until a building permit is granted, and developing existing properties to such an extent that they can be disposed of profitably.

To this end, ADLER supports and encourages impending or ongoing official administrative procedures for the preparation of land use and development plans, for example through the public participation process scheduled as part of the preparation of zoning plans. Where appropriate, ADLER ensures the land is developed as required. If ADLER has the residential and commercial real estate constructed in its own name, ADLER first obtains the necessary building permits and ensures that the applicable requirements under building law, such as setbacks and access ways, are met during the design and subsequent construction of the buildings. In addition, ADLER monitors each stage of the execution of the construction work to ensure turn-key buildings are completed on schedule. The sales activities for land and properties ready for sale are likewise coordinated by ADLER. For presentation purposes, marketing documents are prepared and reworked and, if appropriate, made available online. ADLER receives support from professional marketing organizations, brokers, and other intermediaries.

The purpose of selling land, only a small portion of which has been financed through borrowing, is to release funds to be used for establishing a portfolio of residential real estate for the residential real estate management business.

The portfolio of undeveloped land for sale or development comprises the following properties as of September 30, 2017:

- Späthstraße, Berlin
- Trebbiner Straße, Großbeeren
- Trachau, Dresden

6.3 Competitive strengths

ADLER believes that the following competitive strengths have been and continue to be the primary drivers of its success:

Significant experience in the German real estate market and ability to identify and successfully integrate large real estate portfolios

According to its own assessment, ADLER has considerable know-how in the real estate business and an extensive network of real estate market contacts in Germany. The acquisition of parts of the residential construction business of Münchener Baugesellschaft mbH in 2007, an experienced residential construction company with a rich tradition, added considerable know-how in real estate asset and property management. In

addition, through recent portfolio acquisitions, ADLER's team of real estate experts has grown into a lean, efficient and decentralized asset and property management team that is familiar not only with the specific features of the German residential real estate market but, through the integration of the acquired portfolio management companies, also possesses the necessary knowledge of the regional markets in which ADLER operates, in particular Lower Saxony, North Rhine-Westphalia, Saxony, Brandenburg, Saxony-Anhalt, Thuringia, Berlin and Mecklenburg-Western-Pomerania. ADLER benefits from this experience in acquisition, management, and portfolio development, as well as the sale of selected properties. Through the effective operational management of its real estate portfolio, ADLER has succeeded in reducing vacancies in its existing portfolio of residential real estate through renovations, improvement investments and the on-sale of unattractive parts of the acquired portfolios or properties located at the margins. The Company is also of the opinion that its asset and property management team, which is scheduled to be fully internalized by early 2018, is set up in a manner that allows for expansion of the real estate portfolio without adding significant headcount and without incurring major additional fixed costs.

In addition, through its network of contacts, ADLER and its management team have a strong track record of identifying opportunities to acquire real estate portfolios on favorable terms and has successfully integrated these acquisitions in a short period of time or, in some cases, resold them. In 2015, two portfolios with, in total, approximately 22,800 rental units were acquired, whereas in 2014 ADLER acquired approximately 23,000 residential units through five portfolio acquisitions and, in 2013, with a significantly smaller team, approximately 10,000 units in five portfolio transactions. The two largest portfolios acquired comprised 7,700 and 6,750 units in various holding companies.

Considerable and diversified residential real estate portfolio

Over the last four years, ADLER acquired and developed a considerable and well-diversified real estate portfolio, largely situated in attractive B-locations in major German urban areas. As of September 30, 2017, ADLER held 49,553 residential and 1,088 commercial units (excluding 2,613 units held in inventories for privatization) with a rental space of 3.2 million sqm and a fair value of EUR 2,640.7 million and an annualized actual rent (including parking spaces and other areas) of approximately EUR 178 million, with a regional focus on Lower Saxony (17,694 units), North Rhine-Westphalia (10,824 units), Saxony (7,339 units), Brandenburg (3,707 units) and Saxony-Anhalt (3,476 units).

ADLER believes that it is well positioned to benefit from future demographic developments with its real estate portfolio offering significant growth potential in terms of actual and target rent. Economic studies (source: Federal Institute for Research on Building, Urban Affairs and Spatial Development at the Federal Office for Building and Regional Planning (*Bundesinstitut für Bau-, Stadt- und Raumforschung im Bundesamt für Bauwesen und Raumordnung*), BBSR Reports KOMPAKT, Housing markets in transition, main results of housing market forecast (source: *BBSR-Berichte KOMPAKT, Wohnungsmärkte im Wandel, Zentrale Ergebnisse der Wohnungsmarktprognose*)) forecast that demographic changes including a trend towards smaller household sizes will cause the total number of households to grow. Consequently, demand for residential real estate is expected to increase, especially in Germany's major metropolitan areas, with a migration trend towards cheaper housing in the peripheries of German metropolitan areas being expected. Based on ADLER's geographical footprint, its focus on B-locations in major German urban areas and its average residential unit size of approximately 60 sqm (as at September 30, 2017), the Company believes that ADLER can meet demand requirements, benefit from the opportunity to generate economies of scale in its focus regions and that it can realize additional potential for appreciation in value and higher rents due to favorable acquisition prices.

Track record of capital market based growth

Since 2012, ADLER has succeeded in growing its real estate portfolio and increasing its value through numerous transactions. In this context, since its strategic realignment in 2012, the Company successfully secured capital markets financings through capital increases against cash or contributions in kind in an aggregate amount of approximately EUR 42.50 million and through the issue of three notes in an aggregate principal amount of EUR 665.0 million and four convertible notes in an principal amount of EUR 334.15 million.

6.4 Corporate strategy

ADLER's primary objectives are to generate profitable further growth through a residential real estate portfolio with strong cash flows. To achieve such goals, ADLER applies the following partial strategies:

Increase in enterprise value by acquiring real estate with development potential

ADLER has reached a significant size and achieved regional diversification of its portfolio which allows it to integrate real estate platforms into its existing portfolio. ADLER pursues a strategy of sustainable, profitable growth together with a steady increase in ADLER's value. The aim is to further increase enterprise value in the future by acquiring further residential real estate, residential real estate portfolios, and investments in other real estate companies, as soon as opportunities arise that ADLER considers strategically useful and advantageous.

In terms of geographical focus, ADLER concentrates on German residential real estate and intends to further strengthen its current core regions of Lower Saxony, North Rhine-Westphalia, Saxony, Brandenburg, Saxony-Anhalt and Berlin by acquiring real estate portfolios that have a regional overlap with these core regions. ADLER intends to generate economies of scale by using its existing asset and property management resources for newly acquired properties, if possible without increasing costs. This approach is intended to contribute to increased profitability while keeping personnel and other administrative costs at reasonable levels. However, ADLER is also taking an opportunistic approach to increasing its real estate portfolio.

New target regions are regions with strong macroeconomic data and "B-locations" in medium-sized and major regional centers or peripheral locations in Germany. The Company expects these metropolitan areas to have steady population growth and expanding economies.

Priority is given to profitable residential real estate that can be bought at a favorable price-to-rent ratio of between 12 and 15 times the annual basic rent and that offers identifiable development potential (for example, potential rent increases and potential for modernization projects and decrease of vacancies). A buying criterion for ADLER is a realizable rent increase potential of 3-5% or more. For example, when acquiring a portfolio, ADLER will reduce the purchase price for the portfolio with regard to the vacant units. Hence, real estate portfolios with higher vacancy rates are not seen as a risk by ADLER as it expects the purchase price to be reduced accordingly. ADLER therefore considers such portfolios as an opportunity to increase its value in the future by reducing the vacancy rate. ADLER expects an initial vacancy rate of approximately 10%, which, after the completion of portfolio optimization measures, ADLER expects to decrease to between 6% and 7%. ADLER also does not rule out the acquisition of real estate and real estate portfolios from insolvent estates and companies in distress (distressed situations). When purchasing real estate and real estate portfolios, ADLER also ensures that there is no significant maintenance backlog with respect to the objects to be acquired. In order to meet the aforementioned purchase price criteria ADLER also refrains from participating in auctions for real estate portfolios and, in lieu thereof, focuses on the purchase of individual portfolios predominantly from special situations.

Moreover, pursuant to ADLER's acquisition criteria, the proportion of commercial space must not exceed 20%. Residential real estate has lower vacancy rates and is less exposed to leasing risks than commercial real estate, whose performance is impacted to a much greater extent by economic factors than residential real estate. ADLER plans to acquire residential real estate that careful analysis has shown to have sufficient appreciation and earning potential and whose appreciation opportunities are expected to significantly exceed development costs.

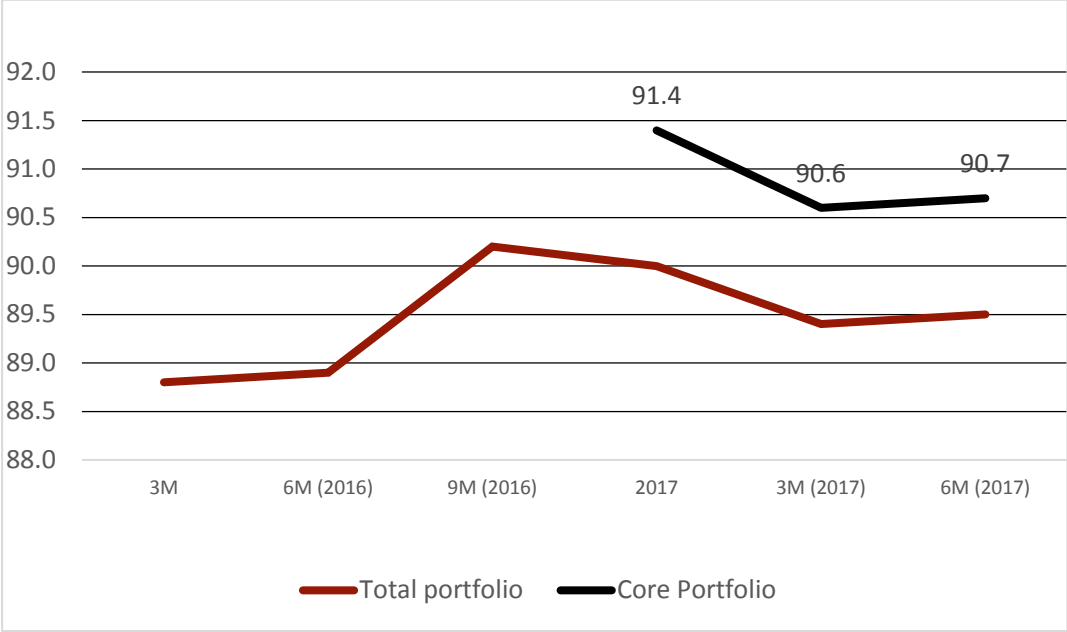
Besides an increase in investment properties and shares in associated undertakings, ADLER's intensive acquisition activities over the last four years have led to an increase in debt. However, ADLER successfully decreased the ratio of net financial liabilities to assets (with both figures adjusted to exclude cash and cash equivalents, so-called loan to value (LTV)), without taking into account convertible notes, from 68.7% in the fiscal year ending December 31, 2014 to 61.3% in the fiscal year ending December 31, 2016. ADLER has thus moved closer to reaching its target of reducing LTV below 55%. The buyback of some corporate bonds with higher interest rates and the redemption of liabilities in the course of 2017 led to a reduced LTV of 59.6% as at September 30, 2017 and the Company expects to further significantly reduce its LTV, stabilizing it at approximately 55% at year-end 2017. ADLER thus expects that the financing conditions available to ADLER will improve further.

In addition, through a mix of bank financing and capital markets instruments, both secured and unsecured, ADLER's financing structure will be further diversified to ensure greater flexibility. Medium and long-term loans with terms of up to approximately ten years will continue to be used.

Further increase of income

ADLER intends to take advantage of the potential to increase the income from its residential portfolio predominantly by reducing vacancy rates and adjusting rents. A further potential for reducing vacancies is offered particularly with respect to newly acquired portfolios which have not been managed well. For example, by an active property management, ADLER managed to reduce the vacancy rate in its portfolio from 12.8% in the fiscal year 2014 to 11.2% in the fiscal year 2015 and 10.0% in the fiscal year 2016.

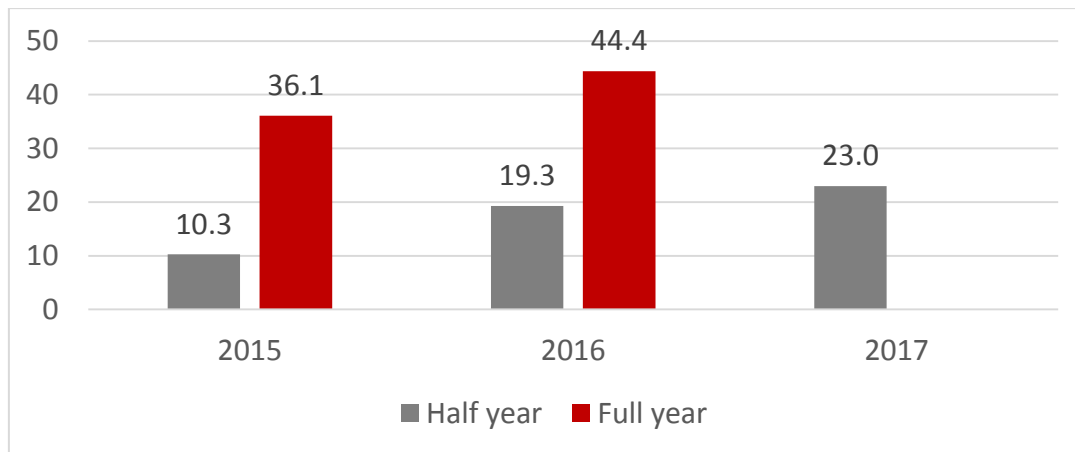
Occupancy rate in %



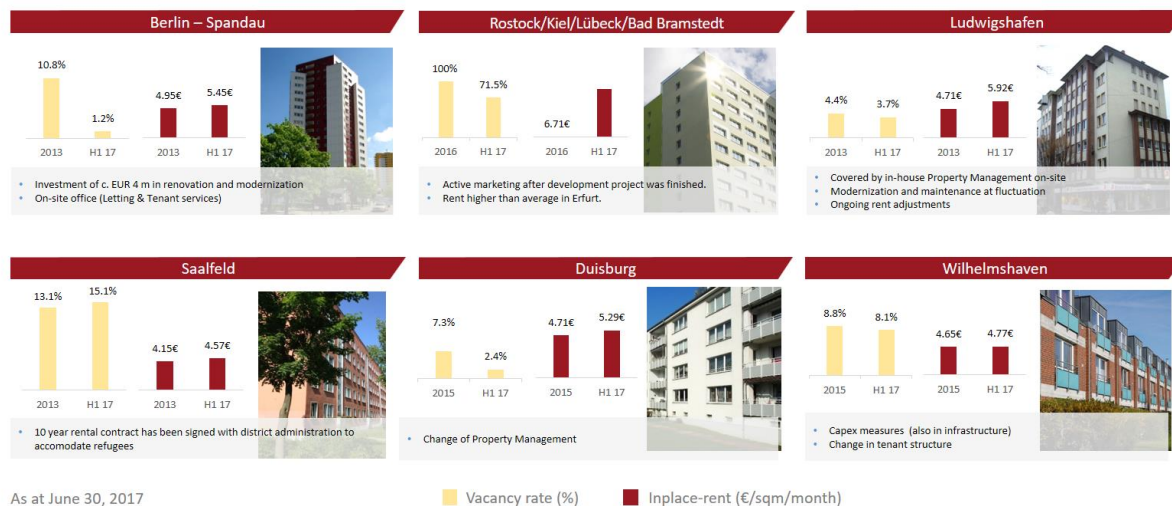
ADLER aims to achieve a further reduction in vacancy rates. To this end, ADLER for example currently carries out a vacancy reduction program by renovating 1,500 currently unoccupied apartments. Launched in 2016, this program is progressing on schedule and ADLER expects its completion by year-end 2017. By that time, ADLER expects its occupancy rate to have increased slightly by 0.5 percent group wide as compared to the beginning of the year. At the same time, ADLER expects to be able to increase average rents in the existing property portfolio by one to two percent. This would correspond to the rent increases ADLER has regularly achieved in the past. Based on these expectations, like-for-like gross rental income is set to rise at a medium single-digit rate. Moreover, ADLER has decided to launch a second vacancy reduction program and to invest a further EUR 15 million in renovating another 1,000 vacant apartments until year-end 2018.

The below chart illustrates the significant capital expenditures made in relation to the Company’s vacancy reduction program since 2016. Following the conclusion of our vacancy refurbishment program in 2017, the Company expects capital expenditure levels to normalize.

Expenses for maintenance and modernization (in EUR m)



The figures below illustrate particular properties with successful track records in reaching particular occupancy rate and rent level targets due to a variety of measures in relation to the vacancy reduction program.



An increase in actual rents is to be realized by maintenance and further improvement of the tenant structure, and a targeted increase in actual rents in the course of tenant turnover or as part of an adjustment to the current market level. On the cost side, ADLER plans to increase profitability through greater efficiency in managing residential properties. This involves the internalization of property and facility management which is expected to be completed in early 2018. In addition, ADLER acquired facility management resources that it uses for other portfolios as well through the “Magnus V” portfolio acquisition. The same applies with respect to the facility management resources acquired in connection with the takeover of WESTGRUND.

In addition, ADLER intends to increase the value of its real estate portfolio by undertaking specific renovation and modernization projects in selected properties. Many residential complexes have potential for upgrades, which can be used to increase income. This includes investments in energy efficiency focused renovations and modernizations, which involve fitting windows with higher insulation ratings and/or composite insulation systems on the building facades. In addition, residential quality can be improved by renovating bathrooms, creating more marketable apartment sizes by combining apartments or expanding attic stories into new apartments. Consideration is also given to upgrade potential, for example by enhancing and extending apartments by adding dormer windows, balconies or terraces, or using gaps between buildings or other developable parts of the land. The goal of these portfolio development measures is to maintain or restore the buildings to a condition in line with current market demands in order to guarantee long-term rentability and therefore a sustainable earnings from property lettings. After such renovation or modernization projects are completed, higher actual rents can usually be obtained, or in single cases where portfolio optimization is the aim, ADLER can sell the property to third parties at a higher market price.

Optimization of the portfolio through active asset management

Another key strategic objective of ADLER is to optimize the real estate portfolio through profitable disposals, in particular, of assets classified as “non-core”. Hence, ADLER aims at optimizing its portfolio by identifying properties that are only able to make below-average contributions to the Group’s overall income due to their location or their qualities.

Generally, properties or smaller real estate portfolios that do not fit within ADLER’s portfolio after optimization are to be sold off. This decreases administrative costs, in particular if the properties concerned are outside ADLER’s core regions, and allows ADLER to achieve profits and generate cash that can be used for additional development and modernization projects and to acquire new properties with greater income or development opportunities. The current market environment, with strong demand for real estate of all sizes, is very favorable for ADLER in this respect.

In 2016, ADLER generated income from the sale of properties in its Rental segment of EUR 40.98 million (2015: EUR 121.30 million, 2014: EUR 64.29 million). As of September 30, 2017, ADLER’s non-core assets comprised of approximately 3,300 units.

Discontinuation of Trading Segment

Since June 2014, ADLER’s business model comprised, as a second pillar, the acquisition of different classes of real estate from third parties and the conversion of such real estate, as well as the conversion of real estate of ADLER’s own portfolio, into condominiums and the subsequent sale to tenants, owner-occupiers and investors (“privatization”) with a particular focus on Berlin. In connection with such privatizations ADLER offered and conducted all relevant services. On October 20, 2017, following a strategic review and with a view to focusing on its core residential rental business and increasing its level of unencumbered assets, the Company entered into a share purchase agreement regarding approximately 80% out of its current 86% stake in ACCENTRO and 4,743,359 convertible notes issued by ACCENTRO with respect to a further 4,809,282 underlying shares which are not yet issued. Subject to the closing of this transaction, which is expected to occur in the fourth quarter of 2017, the Company intends to discontinue its Trading segment by the end of 2017. With respect to the remaining 6% stake in ACCENTRO, the Company has a put option vis-à-vis the purchaser which may be exercised one year after closing of the Accentro sale.

Despite the positive outlook for privatization in Germany in general and Berlin in particular, ADLER took the strategic decision to dispose of its privatization and trading platform ACCENTRO given the distinctive business model of trading versus residential buy and hold: Firstly, assets purchased for trading purposes would have to be consolidated at cost in line with IFRS standards and would not be mark-to-market over time and hence generate pressure on the Group’s LTV. Furthermore, ACCENTRO does not pursue a re-letting strategy of those units that have become vacant as the sales price of a vacant apartment would be significantly higher than of a rented one. As a result, operating costs that would be recoverable become unrecoverable and operating margins of the Group would become negatively impacted as a consequence. Finally, the relative volatility of the privatization business as opposed to stable residential buy and hold becomes apparent when looking at the reported income and cashflow indicators such as FFO. From ADLER’s perspective, both stakeholders and market participants expect to see relatively stable cashflows from ADLER.

Utilization of the market’s currently favorable financing terms and optimization of financing structure

The average interest rates for real estate financing have decreased significantly in recent years. ADLER intends to take advantage of the financing terms currently available in the market to finance, among other things, the acquisition of real estate with development potential. Current interest rate levels contribute to a positive leverage effect and are to be used for the further growth of a profitable residential real estate portfolio.

In addition, the current favorable financing environment allows ADLER to continuously optimize its financing structure through deleveraging and refinancing of existing higher yield debt at more favorable terms in order to reduce interest expense and to optimize the debt service and financing structure. The issuance of the senior unsecured notes with a volume of EUR 800 million which is the subject of this prospectus out of which EUR 604,462 thousand will be used for repayment of debt (secured Schuldschein loans) at a make whole price of EUR 89,293 thousand as well EUR 75,000 thousand for the replacement of a bridge financing for project Riverside is one element in this refinancing and deleveraging strategy.

With respect to its deleveraging strategy, ADLER aims at a debt capital ratio of approximately 55% in the medium term with a special focus on increasing its level of unencumbered assets; both will further improve the Company's available financing conditions. As at September 30, 2017, ADLER had an LTV of 59.6% (excluding convertible notes) against 61.3% (excluding convertible notes) as at December 31, 2016 and 68.0% (excluding convertible notes) as at December 31, 2015. As at September 30, 2017, ADLER's WACD amounted to approximately 3.45% with a level of secured debt over its total assets of approximately 43%. The sale of ACCENTRO is expected to have a significantly positive impact on the ADLER's LTV on the basis of an implied valuation of ACCENTRO of EUR 220 million for the entire company. The proceeds from the ACCENTRO sale will predominantly (approximately EUR 100 million) be used for redemption of higher than market yield debt by the end of 2018, and further for selective accretive growth.

6.5 Asset and property management

Based at the company's headquarters in Berlin, ADLER's central asset management department manages the residential units held in the portfolio in technical and commercial terms. ADLER's asset management takes measures to reduce vacancy rates, exploit opportunities to increase rents, and maintain or enhance the portfolio's rental capacity – for example by implementing maintenance or building modernization measures.

The asset management is based on five services which are the operational asset management (supervising and instructing subcontracted property managers on a daily basis), technical asset management (technical know-how ensuring proactive planning and execution of investment measures), overseeing earnings from property lettings and expenses in adherence to business plans by dedicated asset managers, supporting contract negotiations, the enforcement of legal claims and the coordination of external lawyers, and support with regards to requests from tenant or service providers. These tasks are mostly performed by ADLER's own asset management. Where this is not the case, it manages third-party property management companies by way of service agreements.

With ADLER Wohnen Service GmbH, which was founded in 2016, ADLER now has a company at which group-internal activities in the field of property management, including existing activities at Wohnungsbaugesellschaft JADE mbH in Wilhelmshaven and WBG GmbH in Helmstedt, are pooled.

Whereas ADLER's property management had been performed by external service providers to a large extent in the past, ADLER's subsidiary ADLER Wohnen Service GmbH is tasked with the internalization of all property management activities which is expected to be completed in early 2018. To this end, ADLER Wohnen Service GmbH has developed a regional structure which allows for the management of all group properties. Whereas this was the case for just over half of the portfolios at the beginning of 2017, ADLER expects nearly all of its properties to be managed and supported by internal group employees by early 2018.

ADLER is taking a similar approach towards its facility management, i.e. in relation to craftsmen and caretaker services at its properties. Here, too, ADLER intends to perform the predominant share of activities with in-house resources. To this end, the group company Arkadio Facility Management GmbH has also developed a regional structure largely corresponding to its property management counterpart which has been renamed to ADLER Gebäude Service GmbH in 2017. Both ADLER Wohnen Service GmbH and ADLER Gebäude Service GmbH thus constitute an important component of ADLER's strategic objective of expanding into an integrated property group.

Already in 2015, ADLER has founded Magnus Inkasso GmbH, a subsidiary for the management of claims. This means that all receivables of the property companies can be handed over to an internal unit, therefore the recovery can be managed internally. Thus, the expenses for recovery can be limited, ADLER keeps control over costs and cash receipts and another source of income exists, as the costs are, in principle, to be paid by the respective recipient.

6.6 Customers and sales

In the Company's main activity, the residential real estate management business, tenants are the Company's main customers. They are approached by the Company's own employees, its property management, as well as external brokers. In addition, new tenants are attracted through advertisements on Internet platforms and in regional media.

In the property development business, the Company primarily sells individual properties to a variety of customers. They are traditionally institutional investors or private individuals buying parcels of land for building

single-family houses, for example. Other customers in the property development business also include professional real estate companies that acquire developed properties in order to develop further, sell or transfer into their own real estate portfolios. The sales activities for land and properties ready for sale are coordinated by ADLER. For presentation purposes, marketing documents are prepared and amended and, if appropriate, published online. By contacting potential buyers, ADLER receives support from professional marketing organizations, brokers, and other intermediaries.

6.7 Intellectual property rights and dependence on intellectual property

The Company is the owner of several German word marks, word and figurative marks as well as figurative marks in relation “ADLER REAL ESTATE”, which have been registered in 2016 and 2017. Moreover, ADLER is the owner of the internet domains “adler-ag.com”, “adler-ag.de” “westgrund.de”, and “muenchner-bau.de” as well as individual domains for various project or affiliated companies. Beyond that, ADLER does not hold any material rights in intellectual property and is not dependent on any patents, licenses or other industrial property rights of third parties in its business activities.

6.8 Insurance coverage

Various insurance contracts have been concluded by ADLER itself or through its group companies; they cover, amongst other things, the following risks or risk areas: operational and environmental liability, electronic data processing devices, comprehensive motor vehicle and business travel insurance, group accident insurance, electronic/loss of data/server failure, business content, criminal legal protection, transport, loss of deposit, construction work and principal liability insurance, financial loss liability and defense insurance, building property and liability insurance covering losses caused by fire, lightning and explosion, water, storm and hail and, for most of its properties, other natural hazards such as floods and earthquakes, glass breakage and vandalism, as well as the legally required liability insurance for property owners (house and land owner liability insurance).

ADLER itself or through its group companies entered into three contracts with several insurance companies involved for its management and supervisory board members as well as directors’ and officers’ liability insurances (“**D&O Insurances**”) for the corresponding bodies and managerial employees of its material subsidiaries with coverage of EUR 15 million (ADLER Real Estate Aktiengesellschaft), EUR 10 million (WESTGRUND AG) and EUR 5 million (ACCENTRO AG) per year and insured event. The D&O Insurances cover financial losses incurred due to a breach of duty on the part of the persons insured within the scope of their responsibilities. The D&O insurance contracts provide for a deductible for all members of the management board in accordance with the relevant provisions of the German Stock Corporation Act (*Aktiengesetz, AktG*).

6.9 Tangible fixed assets

ADLER’s tangible fixed assets predominantly consist of the properties held as financial investments mainly secured by land charges or other encumbrances to secure the respective financing.

6.10 Employees

The following table provides a breakdown of the number of Group employees, in terms of headcount and in terms of full-time equivalents (“**FTEs**”), for the periods presented (in each case as of the end of period). In addition, the calculation method includes several categories of employees such as employees on a fixed-term mini job contract, students, interns, temporary personnel and persons on permanent sick leave in the headcount.

	As of September 30,		2016		As of December 31,		2014	
	2017		Head-	FTEs	2015		Head-	FTEs
	Head-	FTEs	count		Head-	FTEs	count	FTEs
	count				count			
Total	535 ⁽¹⁾	490 ⁽³⁾	354 ⁽²⁾	321.4 ⁽³⁾	271 ⁽²⁾	248.6 ⁽³⁾	102 ⁽²⁾	92.9 ⁽³⁾

⁽¹⁾ unaudited, including management board members

⁽²⁾ audited, including management board members

⁽³⁾ taken or derived from the Company’s accounting records or internal management reporting systems, respectively.

As the Group's holding company, the Company has two management board members, but no proprietary employees. Operative tasks related to asset management and central administration for the Group are mostly performed via the wholly-owned subsidiary ADLER Real Estate Service GmbH. Employees from this entity are deployed to perform various tasks at the respective group companies on a flexible basis and in line with their individual specializations. The predominant share of employees is employed at the divisions which are in charge of the property and facility management under the roof of the newly founded company ADLER Wohnen Service GmbH as well as ADLER Gebäude Service GmbH.

As at September 30, 2017, ADLER's total headcount amounted to 535 (including board members) and the total number of FTEs was 490 (including board members). The considerable increase in headcount between December 31, 2014 and December 31, 2016 primarily results from the takeover of the "Magnus V" portfolio, which includes two subsidiaries (property management and facility management) with own staff, at the beginning of 2015. Moreover, an additional increase in headcount resulted from the takeover of WESTGRUND at the end of the first half-year of 2015.

The further significant growth in headcount in 2016 and from December 31, 2016 until September 30, 2017 resulted from the expansion and internalization of ADLER's property management and facility management departments, now internalized by ADLER Wohnen Service GmbH and ADLER Gebäude Service GmbH.

6.11 Incentive Program ("Stock Appreciation Rights Program")

By resolution dated December 8, 2015, the supervisory board resolved the introduction of an incentive program by way of a virtual stock appreciation rights program ("**Stock Appreciation Rights Program**"). In accordance with a respective framework agreement and on the basis of individual Granting Agreements (each a "**Granting Agreement**"), the respective beneficiaries are granted virtual participations in the performance of the Company's shares by way of so-called "Stock Appreciation Rights" ("**Stock Appreciation Rights**").

Beneficiaries of the Stock Appreciation Rights Program are deemed to be current or prospective employees, members of the management board or consultants of the Company (see sections "*Management board*" and "*Executive Committee*" as regards the Stock Appreciation Rights granted to the members of the management board and the Executive Committee). As of the date of this Prospectus, the Stock Appreciation Right Program comprises a total of 559,178 Stock Appreciation Rights, whereof, as of the date of the Prospectus, a total amount of 559,178 Stock Appreciation Rights have been issued. The Granting Agreements provide for a strike price ranging between EUR 6.76 (reflecting the Company's stock exchange price as at year-end 2014) and EUR 13.93 (reflecting the Company's stock exchange price as at June 9, 2017).

Besides granting performance benefits, the Stock Appreciation Rights Program shall also help to strengthen the employees' bond to the Company and minimize the risk to lose knowledge carriers and decision-makers. Each Stock Appreciation Right commercially represents a participation equal to a share in the Company in the nominal value of EUR 1.00 with respect to the participation in the growth of the enterprise value of the Company, but without constituting a right to demand the granting or, respectively, the assignment of real shares in the Company.

Any granting of Stock Appreciation Rights assumes a respective "vesting" having taken place prior to the occurrence of the event entitling to the profit participation and that no Expiry (as defined below) has occurred. 1/3 of Stock Appreciation Rights granted by the relevant Granting Agreement shall be vested initially after expiry of one year since the reference date as defined in the Granting Agreement. Further 2/3 of the Stock Appreciation Rights granted by the Granting Agreement shall be vested by the beneficiary quarterly in installments, each in the amount of 1/12 of the granted Stock Appreciation Rights calculated as of the expiry of one year since the reference date until the expiry of three years since the reference date ("**Three-year period**").

Any Stock Appreciation Rights granted, but not yet vested, shall expire without any substitution or compensation if the beneficiary's employment with the Company is terminated ("**Expiry**").

The amount of profit participation related to each vested Stock Appreciation Right at the end of the Three-year period shall correspond to the margin between the average stock exchange price related to the last five stock exchange trading days prior to the expiry date and the strike price, each as defined in the respective Granting Agreement.

The right of profit participation per each single Stock Appreciation Right is limited to the maximum amount of the strike price multiplied by four.

In general, the number of Stock Appreciation Rights granted to each beneficiary may not exceed the number of Stock Appreciation Rights set out in the respective Granting Agreement. In particular, the beneficiaries shall not be entitled to any anti-dilution protection with regard to any capital increase against contributions in cash and/or in kind. Only in the case of capital increases by way of a conversion of the Company's own reserves ("*Kapitalerhöhung aus Eigenmitteln*"), capital reductions or any economically comparable measures thereto, the number of Stock Appreciation Rights shall be deemed as adjusted without any further agreement in an amount compensating the economic effect of this measure equal to the consequences occurring to a shareholder of the Company.

Without constituting a right for the beneficiaries to demand the granting or, respectively, the assignment of real shares in the Company, the Company is unilaterally entitled to substitute any Stock Appreciation Right by granting shares or options for shares under economically equivalent conditions.

By resolution of the Company's extraordinary general meeting as of October 15, 2015, the management board has been entitled to acquire own shares of the Company (see section 14.8 "*Authorization to acquire own shares*"). The so acquired own shares may, inter alia, be offered to the Company's employees and the members of the management board, who may acquire them under stock options.

6.12 Investments

The table below shows ADLER's investments in the fiscal years ended December 31, 2016, December 31, 2015, and December 31, 2014.

The sum of investments/divestments correspond to negative cash flows from investment activities as shown in the cash flow statements in the Audited Consolidated Financial Statements.

"Other investments/divestments" in the fiscal years ended December 31, 2015 and December 31, 2016 almost exclusively relate to negative cash flows from the indirect acquisition of shares in convert.

	Fiscal year ended December 31,		
	2016	2015	2014
	IFRS		
	(EUR thousand)		
	(audited)		
Investments/divestments in investment properties and companies holding investment properties	7,544	353,388	179,628
Investments/divestments in intangible assets and property, plant, and equipment	139	650	149
Short-term investments/divestments	-7,163	13,654	28,495
Other investments/divestments	78,979	71,014	0
Total investments	79,499	438,706	208,272

Investments of EUR 90,436 thousand made in investment properties and companies holding investment properties in the fiscal year 2013 related to properties in Schwelm, the WBR portfolio in Duisburg and the Cato portfolio in Saxony/Thuringia as well as S.I.G. RE B.V. with real estate in six federal states (see section 6.13 "*Share purchase agreements*"). Loans of EUR 32,037 thousand from third parties were used to finance these investments. Investments in intangible assets and property, plant, and equipment amounted to EUR 7 thousand and related to software and hardware. Invested own funds were used only to a minor extent.

The initial interest acquired in S.I.G. RE B.V. referred to above, which has a sub-interest in three residential real estate portfolios with a combined total of 1,876 rental units, was increased at the end of the fiscal year 2013 as part of a transaction completed in February 2014 (see section 6.13 "*Share purchase agreements*").

Another transaction that entered into effect in the fiscal year 2014 was the acquisition of an interest in the Zoe residential real estate portfolio located south of Helmstedt, with 2,347 residential units in total at the time of the acquisition (see section 6.13 “Share purchase agreements”).

On June 24, 2014, the Company’s voluntary public takeover offer (exchange offer) for the acquisition of the shares in ACCENTRO by way of an exchange of shares was completed upon registration of the implementation of the capital increase against contributions in kind of EUR 12,020,528.00 in the commercial register.

In addition, at the end of June 2014, the acquisition of majority interests in seven real estate holding companies (“**Project Spartacus**”) and another acquisition of a smaller portfolio in Thuringia (combined into the “**Magnus III portfolio**”), with a total of approximately 8,000 residential, 500 commercial units and 2,600 other units (including parking spaces) and total rentable space of approximately 542,000 sqm (excluding the other units) was completed (see section 6.13 “Share purchase agreements”).

On October 28, 2014, ACCENTRO completed the acquisition of a nationwide real property portfolio (Portfolio “Raven”), which it had notified at the beginning of March 2014, by payment of the purchase price. Under this transaction, substantial parts of the existing portfolio were refinanced. At the time of the acquisition, the acquired portfolio had a market value of approximately EUR 190 million, comprising 4,300 units with a total space of approximately 284,000 sqm and with an annual base rent of approximately EUR 13.7 million. About 3,400 of these units are held by ADLER as long-term portfolio properties. Of the remaining approximately 900 units intended to be sold by the group company Accentro GmbH as freehold apartments (*Eigentumswohnungen*) on an individual sales basis or as undivided block sales, 674 units have been sold by December 31, 2016.

Furthermore, in the fiscal year 2014, ADLER acquired participations of 94.9% in two project development companies in Erfurt (Thuringia), which had acquired to high-rise buildings with a basement floor and 15 full floors plus a stacked floor with a basic gross space of approximately 20,000 sqm. At the time of the acquisition, the buildings were completely vacant and unrenovated. The property space is approximately 12,650 sqm. The total investment volume amounted to EUR 17,515 thousand. The use of own funds amounted to EUR 4,716 thousand. The remaining amount has been financed through debt. As a completed development project, 274 units have been included in the Company’s portfolio for trading at year-end 2016.

Moreover, in the fiscal year 2014, ADLER rolled out facility management software across the Group; the investment required for this purpose was approximately EUR 149 thousand.

In October 2014, ADLER entered into a purchase agreement on the acquisition of the portfolio “Magnus V”, which comprises approximately 6,750 units in Wilhelmshaven/Lower Saxony at the North Sea coast, by way of a majority participation in Wohnungsbaugesellschaft JADE mbH in Wilhelmshaven and its subsidiaries, which are responsible for the property and facility management. The transaction was finalized on January 30, 2015; the acquisition costs allocable to ADLER amounted to EUR 80,000 thousand. The value of the portfolio is approximately EUR 295 million. At the time of the acquisition, JADE mbH held approximately 6,650 residential and 30 commercial units as well as approximately 70 apartments for students. The properties are in a very solid condition with practically no renovation backlog and are mainly situated in good locations of the largest German marine location.

In June 2015, ADLER acquired 94.90% of the shares in five project development companies in Berlin-Lichtenberg. The investment contains the acquisition of nine prefabricated high-rise buildings with a basic gross space of approximately 40,000 sqm. The buildings are currently totally vacant and not renovated with a property space of 41,840 sqm. The buildings have been vacant for a longer period of time and are in a state in which repair is strongly needed. At the time of the acquisition, a total investment volume of EUR 69,720 thousand including the use of own funds amounting to EUR 14,774 thousand over the following three years had been estimated. The remaining amount is financed through debt.

By way of the voluntary public takeover offer of April 30, 2015 to the shareholders of WESTGRUND, a total of 74,735,335 WESTGRUND shares was delivered to the Company after expiry of the additional acceptance period on June 16, 2015. This corresponds to a proportionate share of approximately 94.90% of the share capital and voting rights of WESTGRUND. The takeover was carried out by means of a combined cash and exchange offer. The purchase price for the acquisition of 94.90% of the shares of WESTGRUND totals EUR 407,324 thousand and comprises a cash component in the amount of EUR 224,206 thousand, which was financed under a note issue, and the fair value of EUR 183,118 thousand of the equity instruments granted. The equity capital component relates to 14,075,155 new no par value shares of the Company from the capital increase against

contributions in kind which were granted to the shareholders of WESTGRUND in exchange for their shares in WESTGRUND (share exchange). Within the framework of the preliminary purchase price allocation and based on the XETRA opening price on June 26, 2015, the value of the equity capital component was EUR 13.01 per ADLER share.

At the end of December 2014, WESTGRUND entered into a purchase agreement on the acquisition of the “AJAX” portfolio comprising approximately 2,700 residential units at 40 locations in Lower Saxony, Saxony, Thuringia and Schleswig-Holstein at a purchase price of approximately EUR 102 million (see section 6.13 “Share purchase agreements - *Agreement on the acquisition of approximately 2,700 residential units (portfolio “AJAX”)*”). After ADLER had successfully concluded the negotiations for the financing of the acquisition of the “AJAX” portfolio at the end of July 2015, the transaction was fully completed in the second half of 2015 by conclusion of a EUR 76 million loan agreement with Landesbank Baden-Württemberg (see section 11 “*DESCRIPTION OF OTHER INDEBTEDNESS - Up to EUR 76 million loan agreement*”). The remainder of this investment was essentially financed by own funds.

On August 17, 2015, ADLER acquired all shares in MountainPeak Trading Limited, Nicosia/Cyprus (“**MountainPeak**”) and two shareholder loans the seller had granted to MountainPeak for a total purchase price of approximately EUR 246.5 million. At the time, MountainPeak, which formed part of the investment portfolio of entrepreneur Teddy Sagi, held 22.37% of the shares in conwert Immobilien Invest SE, Vienna (“**conwert**”), which is one of the leading real estate companies in the German-speaking countries with residential and commercial units in Austria and Germany. The acquisition included an existing loan obligation of MountainPeak *vis-à-vis* a bank in the amount of EUR 105.28 million.

The Company has financed part of the purchase price by issuing a EUR 175 million mandatory convertible notes in favor of the seller with a 0.5% coupon, a conversion price of EUR 16.50 per ADLER share and a term of three years (see section 11 “*DESCRIPTION OF OTHER INDEBTEDNESS - EUR 175 million mandatory convertible notes*”). Furthermore, the Company entered into an agreement on a secured credit facility in the amount of up to EUR 127 million (see section 11 “*DESCRIPTION OF OTHER INDEBTEDNESS - Secured credit facility of Longway Trading Limited of up to EUR 127 million*”) for financing a part of the purchase price of the shares in MountainPeak in the amount of EUR 21.5 million and, if applicable, for refinancing the EUR 105.28 million credit facility of MountainPeak (see section 11 “*DESCRIPTION OF OTHER INDEBTEDNESS - Secured credit facility of Longway Trading Limited of up to EUR 127 million*”). Apart from that, the acquisition of MountainPeak has been financed by own funds.

In the fiscal year 2015, investments made in operating and business equipment amounted to EUR 999 thousand and were all financed from the cash flow.

For the fiscal year 2016, ADLER invested EUR 537 thousand in new IT systems and other equipment, whereas this investment was likewise financed from the cash flow.

In addition thereto, in the fiscal year 2016, ADLER has invested EUR 21,259 thousand of own funds in its residential portfolio for the reduction of vacancies. Moreover, ADLER acquired residential property portfolios for a purchase price of approximately EUR 19,400 thousand (portfolio “Eric”). Approximately 53% of these acquisitions were financed by loans and the remaining approximately 47% were financed by own funds.

At the end of fiscal year 2016, ADLER decided to initiate a squeeze-out procedure in order to acquire all the remaining shares in its subsidiary WESTGRUND to be executed in 2017. To this end, ADLER had acquired additional 2.2 million WESTGRUND shares at EUR 7.00 per WESTGRUND share and thus increased its stake to over 95 percent. On March 10, 2017, ADLER acquired additional 75,631 WESTGRUND shares at EUR 6.45 per share. Based on this latter acquisition price as well as approximately 2.6 million outstanding WESTGRUND shares, the total investment volume amounts to approximately EUR 16,557 thousand. The actual amount of the cash compensation to be paid by ADLER to WESTGRUND’s minority shareholders is yet to be determined by a court-appointed auditor and may be higher or lower than the aforementioned amounts per share paid by ADLER.

Furthermore, in the fiscal year 2016, the Company set up a special budget from own funds in the amount of approximately EUR 15,000 thousand with regard to a vacancy reduction program in relation to 1,500 previously unoccupied apartments.

In the fiscal year 2017, investments made in operating and business equipment as well as IT equipment amounted to EUR 900 thousand in H1 2017 and a further EUR 300 thousand has been allocated for H2 2017, both entirely financed from the cash flow.

In March 2017, the Company signed a purchase contract with regard to the acquisition of a property portfolio comprising 693 residential and 8 commercial units in Osterholz-Scharmbeck and Schwanewede, located in the Bremen area. This acquisition has a total investment volume of EUR 31,714 thousand (including ancillary acquisition costs and necessary investments). Of the total investment volume, approximately 70% are financed through debt.

In July 2017, the Company has decided to launch a second vacancy reduction program and to invest a further EUR 15 million in renovating vacant apartments, starting in the last quarter of 2017.

In September 2017, ADLER acquired a portfolio of approximately 2,500 rental units primarily in Western and Northern Germany (portfolio "Compass"). Approximately 60% of the 2,453 apartments and 52 commercial units are located in North Rhine Westphalia with a concentration on the Ruhr and East Westphalia region. The portfolio has a vacancy rate of approximately 6% with a rental income of approximately EUR 9 million on an annualized basis. This acquisition has a total investment volume of approximately EUR 130,900 thousand (including ancillary acquisition costs and necessary investments). Of the total investment volume, approximately 53% are financed through a bank loan and the remaining approximately 47% were financed by own funds.

On November 13, 2017, ADLER entered into a share purchase agreement with respect to the acquisition of shares in eight companies (hereinafter together the "**Riverside Targets**") holding properties located in Berlin and developing residential and commercial buildings with up to 700 residential units ("Project Riverside"). The Riverside Targets are owners of eight properties located in central Berlin which are subject to the development and construction of up to approximately 700 residential units with approximately 44,000 sqm of living space and additional approximately 5,200 sqm of office and retail space. The preliminary purchase price for ADLER's 94.9% shares in each of the Riverside Targets amounts to EUR 85.4 million. The purchase price for the acquired shareholder loans amounts to EUR 32.2 million and will be fully borne by ADLER. The total purchase price for the shares and the shareholder loans is payable in three installments. Project Riverside has an expected overall investment volume of approximately EUR 300 million. Of this total investment volume, approximately EUR 100 million are financed through cash, whereas the remaining approximately EUR 200 million shall be financed through bank loans.

At the date of the Prospectus, no other investments other than the aforementioned investment have been agreed with binding effect for the fiscal year 2017.

6.13 Share purchase agreements

ADLER is a party to the following material agreements, entered into outside the normal course of business:

Share purchase agreement regarding the sale of shares of ACCENTRO, dated October 20, 2017

On October 20, 2017, the Company as seller and Brookline as buyer entered into a share purchase agreement regarding 19,915,333 shares held by the Company in ACCENTRO, representing approximately 80% of the total share capital of ACCENTRO issued (as per the last announcement pursuant to section 26a German Securities Trading Act (*Wertpapierhandesgesetz*) published by ACCENTRO on July 31, 2017), and convertible notes issued by ACCENTRO held by the Company relating to a further 4,743,359 underlying ACCENTRO shares which are not yet issued (the "**ACCENTRO SPA**"). The purchase price per share in ACCENTRO amounts to EUR 7.33, i.e. EUR 145,979,390.89 in total. The purchase price for the convertible notes amounts to EUR 7.33 per underlying ACCENTRO share which would have been acquired had the convertible notes been exercised at the strike price as of October 20, 2017, i.e. EUR 35,252,108.09 in total. In addition, the Company has a claim to an additional payment against Brookline in an amount of EUR 300,000 which becomes due and payable on closing. It is expected that closing will occur in the fourth quarter of 2017.

On October 20, 2017, as agreed under the ACCENTRO SPA, Brookline made an initial down payment on the purchase price in an amount of EUR 2,000,000. The first installment of the purchase price amounting to EUR 18,000,000 will become due and payable on closing. The remaining portion of the purchase price will be deferred by one year from closing. At closing, the Company will transfer title in the sold shares and ownership in the convertible notes to Brookline, subject to (*aufschiebende Bedingung*) the full payment of the purchase price. While legal title in the sold shares and, respectively, ownership in the convertible notes will therefore remain

with ADLER to secure the purchase price claim, Brookline will acquire full beneficial ownership in the shares at closing, which includes, in particular, the right to dividends. The Company will therefore de-consolidate ACCENTRO as of the time of closing. The beneficial ownership of Brookline is subject to certain protective rights of the Company, which are intended to provide comfort to the Company that, as long as the purchase price is not fully paid, ACCENTRO will essentially continue to carry out its business operations in accordance with past practice, and in that respect not to the disadvantage of the Company.

In case Brookline does not pay the purchase price as and when due, the Company is entitled to withdraw from the ACCENTRO SPA and to fully re-appropriate the shares and convertible notes; furthermore, Brookline would be obligated to pay a break fee in an amount of EUR 2,000,000 in case of a default at closing or EUR 20,300,000 in case of a default in connection with the payment of the deferred portion of the purchase price.

The parties have agreed that a number of 1,549,896 shares in ACCENTRO will not be sold and transferred under the ACCENTRO SPA but can be sold by the Company to Brookline or a third party designated by Brookline on the basis of a put option which can be exercised by the Company one year after the closing. The purchase price to be paid per retained share in ACCENTRO under the put option amounts to EUR 7.33 per ACCENTRO share, i.e. EUR 11,360,737.68 in total.

Share purchase agreement with respect to the acquisition of shares in eight companies holding properties located in Berlin and developing residential and commercial buildings with up to 700 residential units (“Project Riverside”)

On November 13, 2017, Magnus Zehnte Immobilienbesitz und Verwaltungs GmbH (“**Magnus Zehnte**”), a fully consolidated indirect subsidiary of the Company, and Taurecon Invest IV GmbH, acting as purchasers, entered into a share purchase agreement with BE Riverside Holding B.V. (“**BE Riverside**”) with respect to the sale and transfer of all the shares in eight German limited liability companies (hereinafter together the “**Riverside Targets**”) and with respect to the assignment of shareholder loans granted by the BE Riverside to the Riverside Targets. Following the closing of the transaction Magnus Zehnte will hold 94.9% of the shares in each of the Riverside Targets and 100% of the receivables under the shareholder loans. Taurecon Invest IV GmbH will hold the remaining shares in each of the Riverside Targets.

The Riverside Targets are owners of eight properties located in central Berlin which are subject to the development and construction of up to approximately 700 residential units with approximately 44,000 sqm of living space and additional approximately 5,200 sqm of office and retail space. The Riverside Targets hold building permissions or permission exemptions for six out of eight construction sites. One construction site, for which a building permission is presently missing, contains an existing building under monumental protection which shall be refurbished and developed in due course of the development, prospectively to contain commercial units (the “**Kornversuchsspeicher**”). The eighth construction site, which currently contains a gas station, shall be developed at a later stage.

The preliminary purchase price to be paid by Magnus Zehnte for the 94.9% shares in each of the Riverside Targets amounts to EUR 85.4 million. The purchase price for the shareholder loans amounts to EUR 32.2 million (the “**Shareholder Loans Price**”) and will be fully borne by Magnus Zehnte. The total purchase price for the shares and the shareholder loans is payable in three installments, whereas the first installment of Magnus Zehnte (with respect to an amount of EUR 95.2 million) will be due on closing, less a premium in the amount of EUR 1 million previously paid which is to be deducted from the purchase price. Upon payment of the first installment, the purchasers will acquire full title to their respective shares in the Riverside Targets. The second installment by Magnus Zehnte of approximately EUR 4.7 million will become due on completion of the shell structure. The third installment by Magnus Zehnte of approximately EUR 17.7 million will become due after completion of the first six buildings. The third and the second installments may be reduced in case of cost overruns *via-à-vis* the agreed construction cost plan.

The Riverside Targets are party to a loan facility for the purpose of financing the development project (including Kornversuchsspeicher but excluding the gas station) relating to an amount of up to EUR 201,000,000.00 with a syndicate of banks led by UniCredit Bank AG. For the purpose of collateralization shares in Magnus Zehnte are pledged to the lenders. Furthermore, the properties are debited with mortgages in favor of the lenders and the Riverside Targets and the purchasers granted further securities to the banks.

Project Riverside has an expected overall investment volume of approximately EUR 300 million. The annual total net rental income of the first seven buildings (i.e., including the Kornversuchsspeicher but without the gas

station) is estimated to amount to EUR 10.7 million (i.e. net, without ancillary costs). The existing loan facility plus the granted shareholder loans respectively capital contributions are altogether capable to fully cover the estimated costs for Project Riverside plus unexpected cost increases of up to approximately EUR 15.2 million.

BE Riverside provided a guarantee to the purchasers regarding the due completion of the first six buildings (excluding the Kornversuchsspeicher and the gas station) until December 31, 2019, which is limited to the then still outstanding amount of the purchase price up to EUR 3,500,000.00. In order to enable BE Riverside to fulfil the guarantee it was provided with an extensive power of attorney regarding the development project and certain additional rights by the Riverside Targets.

The Company guaranteed the payment of the full purchase price by Magnus Zehnte to BE Riverside up to an amount of EUR 10 million.

Share purchase agreement to acquire shares in a real estate holding company with approximately 1,906 residential units (S.I.G. RE portfolio)

On August 12, 2013, M1 Beteiligungs GmbH (buyer) entered into a share purchase agreement with Kronberg International S.A. (seller) to acquire 52.8% of the shares in S.I.G. RE B.V. at a purchase price of approximately EUR 4.5 million, of which EUR 10 thousand are attributable to the shares in the company and the balance to shareholder loans assumed. For the transfer of the shares, it was agreed to enter into a separate notarized transfer agreement. It was also agreed that, on the basis of this transfer agreement to be entered into, only 47.5% of the shares in S.I.G. RE B.V. would initially be transferred to the buyer. It was agreed that the remaining 5.3% of the shares would be held in trust by the seller in favor of the buyer and transferred to the buyer upon request. On the basis of the amendment agreement of September 20, 2013, MBG Erste Vermögensverwaltungs GmbH, a subsidiary of the Company, entered into the agreement in the place of M1 Beteiligungs GmbH. The transfer of 47.5% of the shares in S.I.G. RE B.V. to MBG Erste Vermögensverwaltungs GmbH was effected on October 29, 2013.

S.I.G. RE B.V. holds interests of 94.8% in each of three companies (S.I.G. RE portfolio), which, at the time of the acquisition, held 1,876 rental units in total. At the time of the acquisition, the portfolio consisted of 1,743 residential and 133 commercial units with total usable residential and commercial space of 122,663 sqm. The properties are spread over six federal states: Schleswig-Holstein, Mecklenburg-Western Pomerania, Saxony, Thuringia, North Rhine-Westphalia, and Rhineland-Palatinate. Most of the residential units are located in Rostock, Düsseldorf, Dresden, Leipzig, Kiel, Hagen, and Lübeck.

The financing loans amounted to approximately EUR 90.4 million. At the same time, Prelios Netherlands B.V. (“**Prelios**”), a company not affiliated with ADLER, held 47.2% of the shares in S.I.G. RE B.V.

Increase in the interest held in S.I.G. RE B.V.

On the basis of the agreement of December 31, 2013, Prelios Netherlands B.V. (“**Prelios**”) (seller) and MBG Erste Vermögensverwaltungs GmbH (buyer) entered into an agreement for the purchase of the shares held by Prelios in S.I.G. RE B.V. As a result of increasing the interest by another 47.2%, ADLER now holds 94.7% of the shares in the S.I.G. RE portfolio. The increase in the interest to 94.7% was completed in February 2014.

The purchase price that MBG Erste Vermögensverwaltungs GmbH had to pay to Prelios was approximately EUR 4.8 million (including shareholder loans). In addition, MBG Erste Vermögensverwaltungs GmbH assumed from PRELIOS DEUTSCHLAND GmbH receivables amounting to EUR 1,071 thousand.

Share purchase agreement to acquire shares in two real estate companies with approximately 2,400 residential units (Zoe portfolio)

Magnus zweite Immobilienbesitz und Verwaltungs GmbH (buyer), an indirect subsidiary of the Company, entered into a share purchase and transfer agreement on December 30, 2013 and supplemental agreement no. 1 dated February 3, 2014 with CORESTATE Energy HoldCo S.à r.l. and Energy AcquiCo II GmbH & Co. KG (sellers) to acquire 100% of the shares in Energy AcquiCo I GmbH. Energy AcquiCo I GmbH holds a 94% interest in WBG GmbH. WBG GmbH is a residential construction company in Helmstedt, which, at the time of the acquisition by ADLER, held a real estate portfolio of approximately 2,400 residential units. The properties are spread across towns and municipalities near Wolfsburg, the headquarters of the Volkswagen Group. The purchase price was approximately EUR 28.2 million, and the share purchase was effected in February 2014.

Share purchase agreement to acquire a real estate holding company with approximately 4,300 residential units (WBR - Duisburg portfolio)

Pursuant to a share purchase and transfer agreement dated May 30, 2013, Magnus Immobilienbesitz und Verwaltungs GmbH (“**Magnus**”), an indirect subsidiary of the Company, acquired 94.9% of the shares in WBR Wohnungsbau Rheinhausen GmbH (“**WBR**”) from Immeo ReWo Holding GmbH and RRW Beteiligungs-GmbH & Co. KG. At the same time, Deutsche Land- und Jagdimmobilien GmbH (“**DLJ**”), a company that is not affiliated with the Company, acquired 5.1% of the shares in WBR from the sellers. The purchase price for the 94.9% interest was approximately EUR 76.4 million. At the time of the acquisition by ADLER, WBR held approximately 4,300 residential units with total rentable space of approximately 268,800 sqm, of which 4,040 units were located in Duisburg and 250 in Düsseldorf. WBR’s total investment is approximately EUR 210,000,000. Immeo ReWo Holding GmbH has granted a moratorium on EUR 10 million of the purchase price due from Magnus for a period of 24 months; interest of 6% p.a. and repayments of 2% p.a. are payable on the moratorium amount. Interest and repayments are payable quarterly, starting on August 30, 2013. As security, the shares in Magnus have been pledged to the seller and the seller has been given a guarantee by ADLER Real Estate Aktiengesellschaft.

Share purchase agreement to acquire a real estate holding company with 2,200 residential units (arsago portfolio)

Pursuant to a share purchase and transfer agreement entered into with arsago Grundstücks- und Beteiligungsgesellschaft and MSREF VI Oleaster B.V. (sellers) on May 3, 2013, MBG Portfoliogesellschaft mbH (“**MBG PG**”), an indirect subsidiary of the Company, acquired 94.9% of the shares in arsago Wohnen IX GmbH. At the same time, DLJ acquired 5.1% of the shares in arsago Wohnen IX GmbH. The purchase price paid for the shares (excluding liabilities) acquired by MBG PG was approximately EUR 13.0 million.

However, the total interest in arsago Wohnen IX GmbH ultimately attributable to ADLER has since been reduced to 49%, because on August 28, 2013 a share purchase and transfer agreement was entered into between Münchener Baugesellschaft mbH (seller) and GCP Holdings GmbH (buyer) for a corresponding number of shares held by Münchener Baugesellschaft mbH in MBG PG. The total investment volume held by arsago Wohnen IX GmbH is approximately EUR 140 million (approximately 2,183 residential and 55 commercial units with usable residential and commercial space of more than 156,000 sqm in Berlin, Dresden, Leipzig, North Rhine-Westphalia, and Munich). The purchase price was EUR 12,250 thousand; the buyers additionally assumed existing (shareholder) loans, including collateral, of EUR 3 million and financing agreements of the real estate holding company of approximately EUR 20 million.

Subsequently to the above-mentioned share purchase agreement dated May 3, 2013, arsago Wohnen IX GmbH and MBG PG (sellers) entered into a property purchase agreement (subportfolio of approximately 900 residential units in Berlin, Dresden, and Düsseldorf) on July 12, 2013 with Immeo Wohnen GmbH Co. KG, Hamburg, and Immeo Berolinum Zwei GmbH. Pursuant to the share purchase agreement dated December 30, 2013, Münchener Baugesellschaft mbH finally sold all its shares in MBG PG to GCP Holdings GmbH at a purchase price of approximately EUR 8.4 million.

Share purchase agreement to acquire shares in real estate companies with approximately 7,700 residential, 500 commercial, and 2,600 other units (Spartacus portfolio)

On May 23, 2014, Magnus Dritte Immobilienbesitz und Verwaltungs GmbH (“**Magnus III**”), an indirect subsidiary of the Company, and DLJ (Magnus III and DLJ hereinafter collectively referred to as the “**Buyers**”), a company that is not affiliated with the Company, entered into a share and receivable purchase and transfer agreement with Sechep Investments Holding S.à r.l. (“**Sechep**”), Corestate Investments 1 & Co. SENC (“**Corestate**”), and Madrax Properties S.à r.l. (“**Madrax**”) (Sechep, Corestate, and Madrax hereinafter collectively referred to as the “**Sellers**”).

The Sellers hold the shares in a total of eight property companies (the “**Property Companies**”), which form a residential and commercial real estate portfolio located in Germany (portfolio “**Spartacus**”), which consists of approximately 7,700 residential, 500 commercial, and 2,600 other units (including car parking spaces) with total rentable space of approximately 542,000 sqm (excluding the other units). The Property Companies are financed through third-party bank loans. These bank loans are to be repaid, if possible, when the transaction is closed. Moreover, Sechep as lender and the Property Companies as the respective borrowers have entered into several shareholder loan agreements, which were also acquired by Magnus III as part of this transaction. Out of the real

estate portfolio, investment properties with a fair value of approximately EUR 79 million as of December 31, 2013 are to be sold to the Buyers. Subject to certain closing conditions precedent being met and with economic effect as of the closing date, the Sellers have sold between 94.4% and 94.9% of the shares in the Property Companies to Magnus III. The buyer of the remaining shares in each case is DLJ, with the result that Magnus III and DLJ have together acquired 100% of the shares in the Property Companies. Subject to certain conditions precedent and with economic effect as of the closing date, Sechep sold and assigned to Magnus III a portion of the amounts receivable from the Property Companies under the shareholder loans at the time. Sechep intends, before the closing date, to assume a portion of the liabilities of the Property Companies under the shareholder loans, equivalent to the above-mentioned amounts assigned, by way of non-recourse assumption of debt.

The share and receivable purchase and transfer agreement was closed on June 30, 2014. The purchase price for the shares and loan receivables sold was determined at EUR 70.9 million as of the closing date. Even after the closing date, the purchase price is subject to various contractual adjustment mechanisms and may thus be adjusted retrospectively. The acquisition has been financed through debt instruments.

Share purchase agreement to acquire shares in real estate companies with approximately 6,700 residential, 42 commercial units (Magnus V portfolio)

On October 23, 2014, BGP Investment S.à r.l. (“**BGP**”), Jade Portfolio 1 S.à r.l. (“**Jade 1**”) and Jade Portfolio 2 S.à r.l. (“**Jade 2**”) and together with BGP and Jade 1 hereinafter under this section referred to as the “**Sellers**”) and Magnus Fünfte Immobilienbesitz und Verwaltungs GmbH (“**Magnus V**”), an indirect subsidiary of the Company, as well as DLJ (Magnus V and DLJ hereinafter under this section together referred to as the “**Purchasers**”) entered into a notarized sale and purchase agreement. Amendments to the agreement were notarized on December 30, 2014 and January 28, 2015.

Under the SPA, the Sellers were obliged to sell and assign their 100% share in Wohnungsbaugesellschaft JADE mbH (“**WBG JADE**”) to the Purchasers. Pursuant to the contract, WBG JADE holds a residential and commercial property portfolio which is located in Wilhelmshaven/Lower Saxony (Portfolio Juno) comprising approximately 6,750 residential and 42 commercial units (including parking spaces and garages) with a total rentable area of approximately 388,000 sqm (“**Magnus V Portfolio**”). The portfolio consists of freehold property (approximately 58%) and long leasehold property through hereditary building rights (approximately 42%). WBG JADE also holds 100% of the shares in JADE Immobilien Management GmbH (“**JIM**”) which provides property management and condominium management services to WBG JADE and third parties. JIM, in turn, at that time held 100% of the shares in Arkadio Facility Management GmbH (“**Arkadio**”) which provides facility management services to WBG JADE. Thus, the shares in both JIM and Arkadio have been indirectly acquired by the Purchasers. Under the SPA, the Sellers gave several guarantees regarding certain value-forming circumstances of WBG JADE to the Purchasers which are mainly capped at an amount of EUR 15 million. Some guarantees such as the corporate status of WBG JADE, and that the shares in WBG JADE validly exist and are free and clear of third party rights and claims and that JADE WBG holds legal title to the portfolio’s properties are capped at EUR 205 million (estimated value of the real estate property portfolio held by WBG JADE).

The transaction was completed on January 30, 2015. The acquisition costs that were allocated to ADLER amounted to approximately EUR 80,000 thousand.

Several liabilities of WBG JADE were replaced in the course of the acquisition and re-financed by ADLER through a senior promissory note (*vorrangiges Schuldscheindarlehen*) in the amount of EUR 123 million (as defined below in section “*Financing agreements*”) and a subordinated promissory note (*Junior-Schuldscheindarlehen*) in the amount of EUR 41 million (as defined below in section “*Financing agreements*”).

Share purchase agreement for acquisition of all shares in MountainPeak Trading Limited, Nicosia (Cyprus), dated August 17, 2015

On August 17, 2015, a share purchase agreement on the acquisition of all shares in MountainPeak Trading Limited, Nicosia, Cyprus (“**MountainPeak**”) and the acquisition of two shareholder loans of the Seller to MountainPeak with a nominal value of EUR 165.07 million was entered into by the Company, as purchaser, and Longway Trading Limited, Tortola, British Virgin Islands (“**Longway**”), as seller. The existing shareholder loans were taken over by Longway by signing a novation agreement. Besides them, Citwax Investments Limited, Tortola, British Virgin Islands (“**Citwax**”), an affiliated company of Longway which guarantees the seller’s obligations according to the share purchase agreement, is a party to the agreement. The share purchase agreement was executed on August 17, 2015. At the time, the only assets of MountainPeak were 21,160,921

shares in convert Immobilien Invest SE, Vienna, Austria (“**convert**”), corresponding to a share of approximately 22.37% in the share capital and voting rights of convert.

Between the Company and the Seller, a purchase price of, in total, EUR 246.5 million was agreed, EUR 81.43 million of which were allocated to the shares and EUR 165.07 million of which were allocated to the two shareholder loans that were taken over. The purchase price consisted of an initial cash payment in a total amount of EUR 71.5 million. EUR 5 million of the cash purchase price were payable immediately and EUR 45 million thereof were payable on October 31, 2015, at the latest. Another partial amount of EUR 21.5 million was subject to a secured credit facility agreement between Longway, as lender, and the Company, as borrower, which was also entered into on August 17, 2015 (see section “*Financing agreements – Secured credit facility of Longway Trading Limited of up to EUR 127 million*”). Another portion of the purchase price was paid through the issuance of a mandatory convertible note in an aggregate nominal amount of EUR 175 million by the Company to the Seller, with an interest rate of 0.5% p.a., an initial conversion price of EUR 16.50 per ADLER share and a term of three years (see section “*Financing agreements – EUR 175 million mandatory convertible notes*”). An existing margin-based credit facility of MountainPeak towards Credit Suisse, London branch, in an amount of EUR 105.28 million was also (economically) acquired by the Company (see section “*Financing agreements – Revolving secured margin-based credit facility with Credit Suisse, London branch*”).

In July 2016, MountainPeak entered into a call option agreement (“**Call Option**”) with Petrus Advisers Investment Funds L.P. (“**Petrus Advisers**”), entitling MountainPeak to acquire up to 6,000,000 additional shares in convert. The purchase of such convert shares under the Call Option was financed through a bank loan. The Call Option was exercised on September 2, 2016 upon which Petrus Advisers delivered 5,000,000 convert shares.

MountainPeak’s then 26% shareholding in convert was tendered by ADLER into the public takeover offer by Vonovia SE with regard to all shares in convert, for which MountainPeak elected cash consideration. The transaction was settled in January 2017 with ADLER receiving EUR 422 million as cash consideration.

Share purchase agreement with respect to acquisition of shares in real estate holding companies holding hereditary building rights of properties located in Bremen, Lower Saxony and North Rhine-Westphalia (portfolio “Compass”)

On September 11, 2017, ADLER acquired a portfolio of approximately 2,500 rental units primarily in Western and Northern Germany (portfolio “Compass”). Approximately 60% of the 2,453 apartments and 52 commercial units are located in North Rhine Westphalia with a concentration on the Ruhr and East Westphalia region. To this end, Magnus Elfte Immobilienbesitz und Verwaltungs GmbH, a fully consolidated affiliate of the Company and Taurecon Invest III GmbH, acting as purchasers, entered into a notarized share purchase agreement with ADP Holdings Germany S.à r.l. and AFP (Germany) S.à r.l. (hereinafter together referred to as the “**Sellers**”) with respect to the sale and transfer of the entire share capital of ADP Germany S.à r.l., AFP (Germany) II S.à r.l. and AFP Germany III S.à r.l. held by the Sellers and with respect to an assignment of receivables from shareholder loans granted by the Sellers to ADP Germany S.à r.l., AFP (Germany) II S.à r.l. and AFP Germany III S.à r.l. Münchener Baugesellschaft mbH, 99.95% of the shares of which are held by the Company, as guarantor. The total purchase price is EUR 130,000,000.00. The Sellers are the registered owner, co-owners or holders, as the case may be, of hereditary building rights (*Allein- oder Miteigentümer oder (Gesamt-)Erbbauberechtigter*) of properties located primarily in Bremen, Lower Saxony and North Rhine-Westphalia. The transfer of the shares and shareholder loan receivables was implemented with effect as of August 31, 2017.

6.14 Real property purchase agreements

Framework agreement regarding the acquisition of the Berlinovo portfolio

By notarization as of July 4/5, 2014, a purchaser consortium that consists of several companies of WESTGRUND Group (hereinafter referred to as the “**Acquiring WESTGRUND Companies**”) and FFIRE Investment GmbH (“**FFIRE**”), which is not associated with WESTGRUND, entered into a framework purchase agreement (“**Framework Purchase Agreement**”) with a number of companies of the federal state property fund Berlinovo Immobilien Gesellschaft GmbH (the “**Sellers**”) with respect to the acquisition of the “Berlinovo” portfolio. Although they formed the purchaser consortium together, acquisitions and obligations under the Framework Agreement relate to the Acquiring WESTGRUND Companies and FFIRE separately in each case. The property holdings acquired by the Acquiring WESTGRUND Companies from the Berlinovo portfolio consist of approximately 13,300 residential units, which are mainly located in Lower Saxony, Brandenburg,

Mecklenburg-Western Pomerania and Saxony, and 73 commercial units. The Framework Purchase Agreement finally determines the general provisions for the settlement of the transaction between all acquiring and selling companies and contains certain provisions on the economic transfer (*wirtschaftliche Übertragung*) of the units, the assumption of the respective leases and various guarantees and warranties of the parties. On the basis of the Framework Agreement, a number of separate purchase agreements were concluded between the respective Sellers and the Acquiring WESTGRUND Companies which, according to the explicit agreement of the parties, form an economic unit together with the Framework Purchase Agreement and contain the property data and the special terms and conditions applicable in connection with the sale of the respective units. The total purchase price for the units acquired by the Acquiring WESTGRUND Companies amounts to EUR 416.5 million. It was determined that the purchase price for the respective units in the amount of EUR 158.63 million should partially be due on September 30 and October 31, 2014, respectively; moreover, it was agreed that the remaining part of the purchase price falls due as at the end of the month in which the respective conditions to maturity of the respective units are met. The part of the purchase price relating thereto totals EUR 257.87 million. The transfer of profits and encumbrances regarding the units sold in each case, including the transfer of the respective lease and management agreements, shall take place as at the end of the month in which the corresponding part of the purchase price is paid by the Acquiring WESTGRUND Companies. Under the Framework Agreement, the Sellers issued various in part, limited - guarantees with respect to the sold units regarding, in particular, the encumbrances thereon and with respect to the non-existence of hidden defects and the net rent exclusive of ancillary costs as at a certain record date. As regards most guarantee claims of the Acquiring WESTGRUND Companies, a limitation period of 24 months as of the transfer of profits and encumbrances was agreed upon.

Agreement on the acquisition of properties and buildings in Saxony and Thuringia (portfolio “Sparrow”)

On December 19, 2013 Westgrund Immobilien VI. GmbH, an indirect subsidiary of the Company, as purchaser, entered into a notarized purchase agreement with declaration of conveyance (*Auflassung*) on properties in Saxony and Thuringia, amongst other things, in Dresden, Leipzig, Pirna, Zwickau, Erfurt and Gera (together referred to as portfolio “Sparrow”), with, in total, 16 subsidiaries of Cerberus Global Investments B.V., which is not associated with the Company (hereinafter together referred to as the “Sellers”). Portfolio Sparrow comprises existing buildings (*Gebrauchtimmobilien*) and is encumbered in sections II and III of the land register. The Purchaser assumes the registered encumbrances with the underlying contractual agreements (*schuldrechtliche Vereinbarungen*) releasing the Sellers, the public easements and assumptions of setbacks (*Abstandsflächenübernahmen*) as well as any easements and neighborly restrictions, which are not registered in the land register. The encumbrances registered in section III of the land register are to be deleted. The leases entered into by the Sellers shall be transferred to the Purchaser as of the change of possession. Besides agreements as to the quality of the subject matter of the agreement (*Beschaffenheitsvereinbarungen*) for the properties, further agreements, in particular, with regard to the set-off of operating expenses, sale and assignment of claims arising in connection with rents, management and maintenance costs and other costs to be paid by the lessee to the Purchaser as well as with regard to the provision of security for rent and deposits, were entered into. The Sellers issued a warranty (*Garantieversprechen*) to the Purchaser relating, in particular, to their position as owners, the leases and environmental issues regarding the properties and buildings. Between the parties, a purchase price of EUR 53 million and payment of the purchase price in up to two tranches was agreed upon. The purchase price shall become due at the end of the quarter in which a corresponding notice of maturity is received by the Purchaser. The notices of maturity will be issued after fulfilment of the conditions to maturity agreed between the parties, in particular, the registration of a priority notice of conveyance (*Auflassungsvormerkung*) in the land register of portfolio Sparrow and the availability of the cancellation or mortgage release documents to be obtained by the Sellers for all encumbrances that are not taken over by the Purchaser. It was further agreed that the transfer of title and the registration of the transfer of title to the sold properties shall be effected in partial settlements according to the respective purchase price tranches.

Moreover, it was agreed between the parties that possession, use, risks and encumbrances shall pass to the Purchaser upon expiry of the last day of the month in which payment of the purchase price is effected in full. The parties declared the conveyance and the Sellers consented to and the Purchaser applied for the transfer of title to the Purchaser in the land register and the registration of a priority notice of conveyance.

Agreement on the acquisition of properties and buildings in Staaken

By notarization of March 1, 2013, Westgrund Immobilien IV. GmbH, an indirect subsidiary of the Company, as purchaser, entered into a purchase agreement on seven properties in Staaken with R.I.F. Real Estate Invest Fonds II. B.V., Schiphol, the Netherlands. The properties, which, amongst other things, comprise several residential buildings, are encumbered by easements and land charges in sections II and III of the land register. The total

purchase price for the properties amounts to EUR 46.84 million. As regards the purchase price claim plus any default interest, the purchaser has submitted to immediate enforcement against all of its assets.

The seller has issued various negative declarations to the purchaser, in particular, as regards conditions imposed by public utility companies, authorities, legal disputes and claim-related matters. An exclusion of compensation claims of the purchaser against the seller in connection with environmental damage was also agreed upon. The seller shall only be liable for damages due to incorrect statements if a minimum amount of EUR 10 thousand is exceeded, provided that the claims, in total, exceed a threshold amount of EUR 500 thousand. The claims become time-barred within one year as of the handover date. Possession shall pass to the purchaser on the day following the day on which the purchase price is paid. The purchaser also takes over all existing lease agreements. Moreover, the purchaser is entitled to rescission if a pre-emption right is exercised. The parties declared the conveyance; the seller consented to and the purchaser applied for registration of the purchaser as owner and a priority notice of conveyance.

Agreement on the acquisition of approximately 2,700 residential units (portfolio “AJAX”)

By notarization as of December 30, 2014, WESTGRUND VIII. GmbH (hereinafter the “**Purchaser**”) entered into a purchase agreement on approximately 2,700 residential units, 85 commercial units and 654 parking spaces and parking garages at 40 locations in Lower Saxony, Saxony, Thuringia and Schleswig-Holstein (Portfolio “AJAX”) with a total of 28 subsidiaries of Cerberus Global Investments B.V., which is not associated with the Company (hereinafter together referred to as the “**Sellers**”). By way of the purchase agreement, the Sellers sold to the Purchaser the respective property and the rights equivalent to real property (hereinafter the “**Real Property**”), in each case, all rights pertaining thereto as well as all essential and non-essential components and appurtenances (*Zubehör*), if any, at a total purchase price of approximately EUR 102 million. Moreover, it was agreed between the parties that the leases specified in the agreement including all rights and obligations and contractually specified maintenance, utility and other contracts shall be taken over by the Purchaser as of the date of the transfer of possession of the respective property to the Purchaser. Pursuant to the agreement, the Purchaser undertook to take over (i) any encumbrances registered in section II of the respective land register of the property together with the underlying contractual agreements releasing the Sellers from any obligation that may arise as of the date of transfer of possession, (ii) existing public easements and assumptions of setbacks (*Abstandsflächenübernahmen*) as well as (iii) the easements and neighbourly restrictions, which are not registered in the land register, without set-off against the purchase price. In addition thereto, the parties agreed upon Sellers’ warranties and liability provisions in the purchase agreement which are customary in the market. The purchase price covers the Sellers’ obligation to modernize and carry out repair works for measures in the amount of EUR 3.5 million, such measures shall be carried out in coordination with the Purchaser. As regards the transfer of possession and change of title in the land register as well as the payment of the purchase price, the purchase agreement shall be executed in three tranches. As regards the right to rescind the purchase agreement, the parties agreed upon provisions which are customary in the market. According thereto, the respective Sellers may rescind the purchase agreement if the Purchaser fails to pay real estate transfer tax in due time after assessment by the tax office or if the respective Sellers are threatened with being held liable for tax claims by the tax office. In addition thereto, either party may rescind the purchase agreement if and to the extent a statutory pre-emption right or a pre-emption right which is set forth in the land register is exercised with respect to the Real Property. In this case, the Sellers shall not be liable for any damages in this respect. As at the date of this Prospectus, the whole portfolio has been taken over by the Purchaser.

Agreement on the acquisition of approximately 4,300 residential units and 123 commercial units in Bavaria, Berlin, North Rhine Westphalia, Saxony and Saxony-Anhalt (portfolio “Raven”) by ACCENTRO

By notarization of March 7, 2014, five subsidiaries of ACCENTRO (each an “**Acquiring Company**” and together the “**Acquiring Companies**”) and a total number of 50 indirect subsidiaries of Cerberus Global Investments B.V., which is not affiliated with the Company, (each a “**Selling Company**” and together the “**Selling Companies**”) entered into three purchase agreements on a total number of approximately 4,300 residential and 123 commercial units in Bavaria, Berlin, North Rhine Westphalia, Saxony and Saxony-Anhalt (Portfolio “Raven”). The total area comprises approximately 222,955 square meters. About 3,400 residential units are intended to be held by ADLER as long-term portfolio properties, while the remaining approximately 1,000 units are intended to be sold by the group company Accentro GmbH as freehold apartments (*Eigentumswohnungen*) on an individual sales basis. For the three sub-portfolios, purchase prices of EUR 56,942,352.00, EUR 50,176,339.00 and EUR 52,451,723.00 were agreed upon under the agreements. The Selling Companies have issued guarantees to the Acquiring Companies, in particular, with respect to their

position as owners, the particular value-determining circumstances and the information about the property to which each agreement relates. It was agreed that the transfer of the properties should take place in individual tranches after payment of the respective purchase price has been effected.

Pursuant to the agreements, which are identical in this respect, payments should be effected by installments. According thereto, an installment is due on the last day of each quarter during which the respective Acquiring Company receives a corresponding notice of maturity. The notices of maturity will be issued after fulfilment of the conditions to maturity agreed between the Parties, in particular, the registration of a priority notice of conveyance (*Auflassungsvormerkung*) in the land register of the respective sold property, the deletion of encumbrances in the land register and the availability of the cancellation or mortgage release documents (*Löschungs- oder Pfandentlassungsunterlagen*) for all encumbrances which are not taken over by the respective Acquiring Company to be obtained by the respective Selling Company. It was further agreed that the transfer of title and the registration of the transfer of title to the sold properties in the land register shall be effected by partial execution corresponding to the respective purchase price tranches.

The whole portfolio has been taken over by the Acquiring Companies as at the date of this Prospectus.

The transaction is financed through a EUR 86.5 million note loan (as defined in section “*Financing agreements – EUR 86.5 million senior promissory note loan agreement*”) and up to EUR 40 million junior notes (as defined in section “*Financing agreements – EUR 40 million 7.00% subordinated notes*”).

Agreement on the acquisition of land and residential property rights in Lower Saxony (portfolio “Osterholz”)

On March 1, 2017, Magnus Achte Immobilienbesitz und Verwaltungs GmbH, a fully consolidated affiliate of the Company, as purchaser, entered into a notarized purchase agreement on land and residential property rights (*Grundstücke und Wohneigentumsrechte*) with declaration of conveyance (*Auflassung*) regarding a residential real estate portfolio in Osterholz-Scharmbeck and Schwanewede, Lower Saxony (together referred to as portfolio “Osterholz”) of NILEG Residential Asset GmbH & Co. KG, GAGFAH I Invest GmbH & Co. KG and Vonovia Immobilienmanagement one GmbH which are not associated with the Company (hereinafter together referred to as the “**Sellers**”). Portfolio Osterholz comprises existing buildings (*Gebrauchtimmobilien*) and is encumbered in sections II and III of the land register. The Purchaser assumes the registered encumbrances with the underlying contractual agreements (*schuldrechtliche Vereinbarungen*) releasing the Sellers, as well as any easements and neighborly restrictions, which are not registered in the land register. Besides agreements as to the quality of the subject matter of the agreement (*Beschaffenheitsvereinbarungen*) for the properties, further agreements, in particular, with regard to the set-off of operating expenses, sale and assignment of claims arising in connection with rents, management and maintenance costs and other costs to be paid by the lessee to the Purchaser as well as with regard to the provision of security for rent and deposits, were entered into. Münchener Baugesellschaft mbH issued a warranty (*selbständiges Garantieverprechen*) to the Sellers relating, in particular, to the performance of their indemnification claims vis-à-vis the purchaser.

Between the parties, a purchase price of EUR 28,500,000.00 and payment of the purchase price in up to two tranches was agreed upon. The purchase price shall become due at the end of the quarter in which a corresponding notice of maturity is received by the Purchaser. The notices of maturity will be issued after fulfilment of the conditions to maturity agreed between the parties, in particular, the registration of a priority notice of conveyance (*Auflassungsvormerkung*) in the land register of portfolio Osterholz and the availability of the cancellation or mortgage release documents to be obtained by the Sellers for all encumbrances that are not taken over by the Purchaser. It was further agreed that the transfer of title and the registration of the transfer of title to the sold properties shall be effected in partial settlements according to the respective purchase price tranches. Moreover, it was agreed between the parties that possession, use, risks and encumbrances shall pass to the Purchaser upon expiry of the last day of the month in which payment of the purchase price is effected in full. The parties declared the conveyance and the Sellers consented to and the Purchaser applied for the transfer of title to the Purchaser in the land register and the registration of a priority notice of conveyance

6.15 Litigation

In March 2016, the Austrian Takeover Commission (the “**Commission**”) initiated a review proceeding under the Austrian Takeover Act with respect to conwert. The Commission was investigating whether the Company, in its capacity as a (indirect) shareholder of conwert (in August 2015 the Company acquired 100% of the shares in MountainPeak, which, in turn, then held approximately 23% of the voting rights in conwert), together with other

parties agreed on a course of action in order to obtain or exercise control over conwert ('acting in concert'). The Commission further alleged that such parties acted in concert with respect to conwert while controlling a total stake in excess of 30% of the voting rights in conwert. Under the Austrian Takeover Act, any shareholder who, alone or in combination with other persons with whom he has acted in concert, reaches or exceeds the threshold of 30% of the voting rights in a listed company is required to launch a mandatory takeover bid for the remaining shares. Therefore, the Commission was investigating whether the Company and any persons acting in concert with the Company breached the obligation to launch a mandatory takeover bid.

In a ruling dated November 30, 2016, the Commission held that the Company, its subsidiaries MountainPeak and WESTGRUND, Mr. Cevdet Caner and Petrus Advisers LLP had acted in concert with respect to conwert and had, thus, acquired a controlling stake in conwert on September 29, 2015 in the context of a potential transaction between the Company and conwert. Consequently, the Commission ruled such parties had wrongly failed to make a mandatory takeover offer to the remaining shareholders of conwert. According to the Commission, another acting in concert allegedly resulted from agreements between the parties prior to the extraordinary general shareholder meeting of conwert in March 2016.

ADLER appealed this ruling to the Austrian Supreme Court (*Oberster Gerichtshof*, "OGH") on December 14, 2016. However, in a decision communicated to the Company on April 10, 2017, the OGH upheld the ruling of the Commission. The decision is binding and not subject to appeal. As a result, the Company could face restitution proceedings in which shareholders and holders of convertible bonds issued by conwert may seek damages from ADLER, WESTGRUND and MountainPeak asserting that they sold shares or convertible notes at a price which was lower than the minimum offer price that the aforementioned companies and further persons acting in concert with them would have been obliged to pay in the context of the wrongfully omitted takeover offer. To the Company's knowledge, proceedings of such nature have not been conducted in Austria so far. From the Company's perspective, neither the number nor the specific structure and, in particular, the financial outcome of such cases can be currently determined.

The financial impact of such restitution claims would largely depend on the share price the Commission would determine to have been the minimum price for a mandatory takeover offer and the prices that the relevant shareholders and holders of convertible notes of conwert actually received for their instruments. Under the Austrian Takeover Act, two minimum thresholds apply to the price of a mandatory takeover offer. On the one hand, the offer price must not be less than the highest cash consideration paid or agreed upon by the bidder or a person acting in concert with it for a share in the target company in the twelve months preceding the filing of the offer document with the Commission. On the other hand, the offer price must at least correspond to the average stock exchange price, weighted by the respective trading volumes of the shares in the six months preceding the day on which the intention to make a mandatory takeover offer shall be announced. Moreover, any prior acquisitions by a person which acted in concert with the Company would also have to be taken into account for determining the mandatory offer price. In August 2015, the Company has indirectly acquired shares in conwert through the acquisition of MountainPeak in exchange for combined consideration comprising cash consideration, the assumption of loans made to MountainPeak and the issuance of mandatory convertible notes in the amount of EUR 175 million at a conversion price of EUR 16.50 per share, which was significantly above the then market price of the ADLER share. From this, depending on the valuation method used, different purchase prices for a conwert share (between approximately EUR 13.50 and more than EUR 15.00 per share) can be calculated. Hence, due to a lack of a factual basis, the Company is not in a position to give any reliable estimate, but cannot exclude that, in a worst case scenario, restitutions claims could be asserted up to a two digit million euro amount.

In addition, the Commission initiated administrative penal proceedings against directors of ADLER and WESTGRUND who were in office at the time at which control was gained due to the failure to submit a mandatory offer. The potential penalties range from EUR 5,000 to EUR 50,000 per defendant. The administrative penal proceedings are still ongoing. In case the recipients of the penalty notifications are fined by the Commission, the recipients would be entitled to appeal to the Austrian Federal Administrative Court and the Austrian Higher Administrative Court.

Finally, the Austrian Financial Markets Supervision Authority (*Finanzmarktaufsicht*) initiated administrative penal proceedings against ADLER, WESTGRUND and MountainPeak with respect to the failure to make voting right notifications. Austrian law provides that parties (including parties acting in concert) who reach a certain voting rights threshold are required to notify the applicable company, the Vienna Stock Exchange and the Austrian Financial Markets Authority thereof. The relevant voting right thresholds are *inter alia* 25% and 30%. The fines for such misconduct were recently increased in Austria and could, depending on the OGH's final ruling and the discretion of the Austrian Financial Markets Authority, amount to up to EUR 10 million or 5% of

the Company's annual net sales (on a consolidated basis) or twice the amount of the benefit which resulted from the breach of notification duties. The proceeding is still ongoing and its outcome will depend on the findings in the Commission's administrative penal proceedings. Overall, at this stage, an outflow of financial resources is not regarded as probable by ADLER. Therefore, the Company has not made any provisions in its financial statements.

6.16 Regulatory environment

In connection with its business operations, ADLER is subject to a variety of laws and regulations in Germany. If ADLER fails to comply with any of these laws and regulations, it may be subject to civil liability, administrative orders, fines, or even criminal sanctions. The following description provides a brief overview of select federal regulations and regulations of the different federal states where applicable.

German Tenancy Law

ADLER's real estate portfolio primarily consists of German residential real estate. The business is, therefore, subject to German residential tenancy law, which, in part, favors tenants through social safeguards. In particular, it imposes restrictions on the Group with regard to rent increases; the allocation of ancillary costs, including costs for repairs and maintenance; the termination of leases and the eviction of tenants. Further, the sale of residential real estate can be restricted.

Protection against the termination of residential leases and eviction

A landlord in general may terminate an unlimited residential lease only if the landlord has a legitimate interest in ending the lease. A legitimate interest in ending the lease may arise, *inter alia*, (i) if the tenant has culpably and considerably breached the lease agreement, (ii) if the landlord can lawfully claim that he, his family members or members of his household require the property for living purposes, or (iii) if the continuation of the lease agreement would otherwise hinder the landlord's reasonable economic use of the property, resulting in a material disadvantage to the landlord. Such a disadvantage may arise if the landlord can only realize a significantly lower purchase price upon the sale of the property or is required to pay expenses that significantly exceed the income from the property. Even if the landlord terminates a residential lease on the basis of a legitimate interest, the tenant is protected under German tenancy law. Consequently, even when the landlord has effectively terminated the lease, the tenant may not have to vacate the rental space if the court grants the tenant an appropriate interim period (with a maximum delay of one year). As an alternative to the classic eviction procedure, during which the landlord must bear the costs of the removal and safekeeping of all moveable objects from the evicted property by the court-appointed enforcement officer under certain conditions, the Tenancy Law Amendment Act (*Mietrechtsänderungsgesetz*) which entered into force on May 1, 2013 provides the landlord with the cost-saving option of limiting the eviction procedure to obtain possession of the property and allows the landlord to remove and store the moveable objects from the property at his own will and expense. The eviction procedures will no longer be tediously delayed because of a right of possession of a third party that is not covered by the enforcement order/executory title; a further title against such third person may be obtained by way of an injunction (*einstweiliger Rechtsschutz*). Furthermore judges must prioritize actions of eviction.

When real estate is converted in connection with a conversion into condominiums, personal use and reasonable economic use are not deemed legitimate interests for terminating a lease agreement under the German Civil Code (*Bürgerliches Gesetzbuch*) for a period of three years following the transfer of title/the hand-over of the leased real estate to the tenant and the subsequent sale of the condominium. The aforementioned restrictions on terminating lease agreements also apply in the event that during the course of a continuing lease, the leased premises are sold to a partnership or to several purchasers who then proceed to transform the building into condominiums. In regions where the supply of housing at reasonable conditions is particularly scarce, the German respective federal state governments are authorized to specify territories in which they may legally extend this termination prohibition for a period of up to ten years following the purchase of the property. Some states, like North Rhine-Westphalia, Hesse, Bavaria and Berlin have made use of this option, so that the regulations may vary from one federal state to another.

Limits on rent increases

The ability of landlords to increase rent unilaterally under existing tenancy agreements is limited by German law; however, the amount of rent agreed upon between existing or new tenants and the landlord is in general currently not subject to restrictions. According to Section 5 of the German Economic Offenses Act

(*Wirtschaftsstrafgesetz*) the willful or reckless (*leichtfertig*) letting of rooms for living at unreasonably high rents however constitutes an administrative offense (*Ordnungswidrigkeit*). A rent is unreasonably high in case it exceeds the locally prevailing comparative rent level (*ortsübliche Vergleichsmiete*) in a municipality during the last four years by more than 20% due to an abuse of the limited availability of comparable rooms. In the prior legislative period, a draft bill was introduced into the German parliament that rents exceeding 20% of the prevailing comparative rent level in a municipality or a district of a municipality shall constitute an administrative offense (*Ordnungswidrigkeit*) without it being required that this is “due to an abuse of the limited availability of comparable room”. The draft bill period has elapsed but it is not excluded that a new draft bill will be presented. In addition, according to German Supreme Court (*Bundesgerichtshof*) case-law, rent levels exceeding the locally prevailing comparative rent level (*ortsübliche Vergleichsmiete*) by approximately 50% may constitute a usury crime pursuant to Section 291 of the German Criminal Code (*Strafgesetzbuch*). If the parties to the existing tenancy agreements have not agreed on a staggered rent (*Staffelmiete*) or an indexation of rents (*Indexmiete*) – which is unusual in the German residential market – and the tenant refuses to amend the tenancy agreement, a rent increase may also be made unilaterally under certain circumstances. With respect to lease agreements that are not subject to rent controls, the landlord is – subject to contractual restrictions – entitled to demand the adjustment of the contractual rent up to locally prevailing comparative rent levels if the rent was constant for the preceding 15 months. As a general matter, the rent must not be increased by more than 20% in a three-year period (capping limit). Pursuant to the Tenancy Law Amendment Act (*Mietrechtsänderungsgesetz*) which entered into force on May 1, 2013, the capping limit may be reduced to 15% by the German state governments for certain municipalities if the supply of affordable housing is deemed insufficient or scarce. Certain federal states already introduced such regulations on capping limits. So far, nine state governments (Baden-Wuerttemberg, Bavaria, Berlin, Brandenburg, Bremen, Hamburg, Hesse, North Rhine-Westphalia, Rhineland-Palatinate, Schleswig-Holstein and Thuringia) have introduced such provisions for capping limits (so-called rent control (*Mietpreisbremse*)).

On June 1, 2015, the Act on Curbing Rent Increases in Tight Housing Markets and the Strengthening of the Orderer Principle with Respect to the Business of Rental Agents – tenancy law amendment act (*Gesetze zur Dämpfung des Mietanstiegs auf angespannten Wohnungsmärkten und zur Stärkung des Bestellerprinzips bei der Wohnungsvermittlung – Mietrechtsnovellierungsgesetz*) entered into force. The Act restricts rent increases for new leases to a maximum of 10% above the locally prevailing comparative rent levels in municipalities or parts of municipalities in which the supply of affordable housing is determined to be threatened (rent control).

The prevailing comparative rent levels are determined on the basis of contractual rents that were agreed upon for comparable residential space in the relevant municipality during the preceding four years. However rent increases due to modernization measures (see “—*Landlord’s Modernization and Maintenance Measures*”) are not taken into account for determining the prevailing comparative rent levels. Whether residential space is comparable is determined by taking into account its type, size, furnishings, quality, location, including the energy systems and characteristics. For this purpose, the landlord may, in particular, refer to the following: (i) an official rent index (*Mietspiegel*), (ii) a rent database, (iii) a report from an officially appointed and sworn expert or (iv) the rent payable for at least three comparable residential units. A rent index is a table that shows the prevailing reference rent in a relevant municipality. The table must be jointly produced or accepted by the municipality or by the landlord and tenant representatives. If the rent index is produced in accordance with recognized scientific principles, it is recognized as a so-called qualified rent index (*Qualifizierter Mietspiegel*). Qualified rent indices, as opposed to simple rent indices, create the (rebuttable) assumption that the listed rent levels reflect the reference rent customary in the relevant municipality. A rent index shall be adjusted to market trends in two-year intervals. A qualified rent index must be adjusted every two years; when this is done, a spot check or the trend of the price index for living standards of all private households in Germany, as computed by the Federal Statistical Office (*Statistisches Bundesamt*), may be used as a basis. A new list reflecting the qualified rent index must be generated every four years. A rent database is a collection of rents maintained on an ongoing basis that is used to determine the reference rent prevailing in a municipality. This option is only suitable for use if the collection of rents among other things (i) draws upon an adequate amount of rent data of existing and new lease agreements which are continuously updated, and which are representative for determining the prevailing rent level for individual properties in the respective locality, and (ii) is recognized by the municipality or by the landlord and tenant representatives. As a result, rent databases are hardly used in practice.

For certain modernization measures, the landlord may, subject to statutory or contractual requirements, increase the annual rent by, currently, up to 11% of the total cost of the modernization measures.

The first letting of new or thoroughly modernized buildings may be excluded from the rent limitation. Until December 31, 2020, the German federal governments are authorized by the tenancy law amendment act

(*Mietrechtsnovellierungsgesetz*) to identify areas where there is pressure on the housing market and impose the rent limitation accordingly for a maximum period of five years. Thus, rent control (*Mietpreisbremse*) only applies in the respective designated areas.

Federal state	Introduction of rent control (<i>Mietpreisbremse</i>)
Baden-Wuerttemberg	November 1, 2015
Bavaria	August 1, 2015
Berlin	June 1, 2015
Brandenburg	January 1, 2016
Bremen	December 1, 2015
Hamburg	July 1, 2015
Hesse	November 27, 2015
Lower Saxony	December 1, 2016
North Rhine-Westphalia	July 1, 2015
Rhineland-Palatinate	October 8, 2015
Schleswig-Holstein	December 1, 2015
Thuringia	March 31, 2016

For example, pursuant to Berlin’s rent limit regulation (*Mietenbegrenzungsverordnung*) of April 28, 2015 and with effect from June 1, 2015, Berlin is a designated community with pressure on the housing market, in which the supply of the population with sufficient rental housing at reasonable conditions is particularly endangered. In contrast, especially federal states in eastern Germany as Saxony, Saxony-Anhalt and Mecklenburg-Vorpommern currently refrain from the introduction of rental control. Other federal states like Lower Saxony currently contemplate the introduction of rent control in some metropolitan areas.

Furthermore, the Act contains provisions for the payment of the broker’s fee. Since June 1, 2015, the landlord is obliged to pay the broker’s fee if the owner commissions the broker (so-called orderer principle). A tenant continues to have to pay the broker’s fee, if the tenant commissions the broker to look for an apartment for the tenant.

Restrictions on selling residential real estate

If rented residential units have been converted into condominiums or such conversion is planned, the tenant has a statutory pre-emptive right under the German Civil Code (*Bürgerliches Gesetzbuch*) to purchase the unit on the same terms as a third-party buyer. No such pre-emptive right exists, however, in instances where the unit was already a condominium at the time the lease commenced or where, in the case of a planned conversion, the seller is not contractually obliged to divide the property into residential units.

Restrictions on usage of housing space

Certain federal states (*Bundesländer*) passed laws in 2013 with regard to the restriction on usage of housing space. These laws differ with regard to the concrete regulations but, *inter alia*, prohibit or allow municipalities to prohibit the vacancy of housing space for a varying period of months or they restrict repeated renting as a vacation home.

Landlord's modernization and maintenance measures

The Tenancy Law Amendment Act (*Mietrechtsänderungsgesetz*) that entered into force on May 1, 2013 aims to reduce Germany's primary energy demand (*Primärenergiebedarf*) by 80% (from 1990 levels) by 2050, in accordance with the so called "Energy Concept 2050" (*Energiekonzept 2050*). In order to achieve this goal, the Tenancy Law Amendment Act (*Mietrechtsänderungsgesetz*) requires that tenants tolerate maintenance measures (*Erhaltungsmaßnahmen*) and modernization measures (*Modernisierungsmaßnahmen*). In the latter case, the tenant must receive a written notification from the landlord, which includes information regarding the nature, extent, length and rent increase resulting from the modernization measure, three months prior to the commencement of the modernization measure. If the tenant can, however, prove that the modernization measure constitutes undue hardship for himself, a family member or a member of his household, he does not have to tolerate the modernization measure. Following the announcement of modernization measures, tenants will be entitled to a special termination right (*Sonderkündigungsrecht*) for a period of two months after the month in which the tenant received written notification. For modernization measures which sustainably reduce the final energy consumption (energy-related modernization measures) (*energetische Modernisierung*) tenants will not be entitled to rent reductions for a period of up to three months. For such energy-related modernization measures, and for those modernization measures through which water consumption is sustainably reduced, the utility value (*Gebrauchswert*) of the rented property is sustainably increased or the housing conditions are enhanced permanently, as well as for those measures that are the result of circumstances that the landlord is not responsible for, and which are not maintenance measures, the landlord is entitled to transfer costs to tenants by way of an annual rent increase of, currently, up to 11% of the cost incurred (less the costs that would have been incurred for ordinary maintenance measures), unless the tenant can prove that the rent increase constitutes an undue burden/hardship. The German federal government is currently considering whether to limit such annual rent increases to 10% of the total cost of the modernization measures and to the period of time necessary to amortize such cost. Following a rent increase, tenants may have a special termination right.

Landlord's modernization and maintenance obligations

Under German law, the landlord of a property must maintain the condition, including the structure, façade and roof, of the building and the interior of any residential units. In general, the landlord cannot transfer this maintenance obligation to the tenant.

Transferring utility costs to the tenant

German tenancy law, in principle, allows landlords to transfer the building's utility costs to the tenant. According to the German Utility Costs Ordinance (*Betriebskostenverordnung*), which contains an exhaustive list of cost types that may be passed on to tenants under German tenancy law, utility costs include, for example, the cost of water supply, waste disposal and building insurance. Under the German Utility Costs Ordinance (*Betriebskostenverordnung*), the landlord is generally allowed to transfer the running basic expenses for broadband network access (*laufenden Grundgebühren*) to the tenant. The costs for the initial installation are not considered utility costs but are still transferable to the tenant, in case no broadband network access existed until then, because the upgrade to broadband connection qualifies as a modernization measure pursuant to German tenancy law. As from July 1, 2013, the Tenancy Law Amendment Act (*Mietrechtsänderungsgesetz*) allows landlords to outsource the supply of water or hot water to a commercial contractor (Heat Contracting) and to transfer the supply costs associated with this heat contracting to the tenant. This transfer is however subject to the condition that the outsourcing procedure provides for an increase in heating supply efficiency and does not result in increased utility costs for tenants.

Obligations under federal law

Subject to compliance with certain statutory limitations, landlords may also assign decorative repairs and certain maintenance obligations for a residential unit's interior to a tenant. If the landlord assigns such obligations pursuant to a standard form contract, the terms of the contract governing the transfer of costs to the tenant must comply with the strict requirements applicable to standard business terms (*Allgemeine Geschäftsbedingungen*). If these requirements are not met, the assignment of any obligation to the tenant is void. For example, in a number of decisions, the German Federal Supreme Court (*Bundesgerichtshof*) ruled that standard clauses in lease agreements are void if they require the tenant to make decorative repairs (*Schönheitsreparaturen*) on a fixed schedule, if the flat had not been renovated at the beginning of the lease, or require the tenant to fully renovate the flat at the end of the lease (*Endrenovierung*). Recently, the German Federal Supreme Court (*Bundesgerichtshof*) even ruled that the obligation to make decorative repairs which is set out in a standard form

contract (*formularmäßige Verpflichtung*) is void, if the apartment was handed over in an unrenovated condition and this condition has not been economically reflected in the respective contract (for example, by agreeing on an adequate rent-free period). If the tenant carries out these repairs and renovation work without actually being required to do so, the landlord may be required to reimburse the tenant for the corresponding costs.

Obligations under state laws

The Renewable Energies Heat Act (*Erneuerbare-Energien-Wärmegesetz*), which furthers Germany's goal of reducing its primary energy demand (*Primärenergiebedarf*), requires newly constructed buildings to use renewable energy to partially cover their heat energy demand. The majority of federal states do not require owners of existing buildings to cover a certain percentage of their heat energy demand with renewable energy if a new heating system is installed.

In many federal states the owner of a building is subject to modernization duties, such as the installation of smoke detectors in certain rooms. The regulations vary with regard to the applicability also on existing buildings.

Requirement of energy certificates

As of May 1, 2014, prior to entering into a purchase contract or new lease agreement, potential buyers or tenants are to be given an energy certificate, which discloses the property's energy efficiency. The energy certificate must be handed over during the first viewing of the property at the latest and, if a viewing is not scheduled and the energy certificate is not requested by the other party, immediately after the conclusion of the respective lease or sale agreement. If a seller or landlord advertises the property in commercial media, the energy performance indicator of an existing energy certificate of the respective property must be disclosed in the advertisement. An energy certificate is generally valid for ten years. The Energy Savings Ordinance (*Energieeinsparverordnung*) of December 18, 2013 also requires structural alterations for energy conservation. Those include the replacement of certain types of old heating systems, the insulation of top story ceilings as well as of heat conducting systems. For example, owners of buildings were required to exchange heating boilers, which were installed prior to January 1, 1985 and which were used with liquid or gaseous fuel, until 2015. Being affected by those requirements of the Energy Savings Ordinance, ADLER has already set up a separate budget. Failure to comply with the rules can result in administrative fines.

Public subsidy restrictions

The German federal government, federal states and municipalities are required by law to subsidize housing construction, particularly construction of affordable residential units that are intended and suitable for lower income segments of the population. Housing construction financed with public subsidies, which generally take the form of low-interest construction loans, is subject to two significant restrictions: (i) subsidized housing may be occupied only by tenants who hold housing eligibility certificates (*Wohnberechtigungsschein*) and (ii) there are limits on the amount of rent that may be charged for subsidized housing.

Restrictions imposed on federal level

German housing construction law (*Wohnungsbaurecht*) was significantly reformed in 2001. The previous "cost-covering rent" concept under the German Act on Safeguarding the Specific Purpose of Subsidized Housing (*Gesetz zur Sicherung der Zweckbestimmung von Sozialwohnungen*) pursuant to which recipients of public housing subsidies were permitted to charge only the amount of rent necessary to cover all expenses of the property, including a return on equity capital, was phased out. Under the German Housing Development Act (*Wohnraumförderungsgesetz*) the previous system was replaced by a new "maximum rent" concept that is based on the market value of the residential unit in question. The landlord is informed of the maximum rent he may charge at the time the subsidy is first approved. Under certain conditions, the maximum rent may also be subject to change throughout the duration of the subsidy (e.g., if the property is modernized). The subsidy recipient may only rent to tenants who hold a housing eligibility certificate for publicly subsidized housing. Once the public subsidy has been repaid, the landlord is generally free to select tenants without restriction. The landlord may increase the rent in increments up to prevailing market rates (but only in accordance with the limits set by the rules of German tenancy law described above) starting in the first year after repayment of all public subsidies. If the subsidies are repaid early, an extension period of up to ten years may apply, but in each case no longer than the original term of the subsidized loans, during which the "cost-covering rent" concept and the "maximum rent" principle, respectively, continue to apply. In some cases, sales of publicly subsidized housing require the approval of the authority that provided the subsidies. Moreover, if a property is converted into a condominium

that is subsequently sold to the tenant for continued use by him or to a third party, the subsidies can be transferred.

Restrictions imposed on the state level

In the wake of a constitutional reform in Germany in 2006, the German federal states were given the legislative power to subsidize social housing. Accordingly, each federal state may enact its own subsidized social housing act. However, in federal states that have not enacted their own subsidized social housing act, the German Housing Development Act (*Wohnraumförderungsgesetz*) still applies. Various federal states enacted own subsidized housing acts. Those federal state laws essentially provide for the same restrictions and obligations regarding public subsidized housing as the preceding (*Wohnraumförderungsgesetz*) described above.

Building law (Bauordnungsrecht)

The building law regulations of the German federal states are very comprehensive and comprise numerous provisions, e.g., with respect to permitted building products, proper execution of construction work, stability, parking spaces, heating and ventilation, fire prevention, escape and emergency routes, noise protection and handicapped-suitable construction.

Protection of existing buildings (*Bestandsschutz*)

Owners of buildings constructed and used in compliance with a final building permit generally benefit from the constitutionally guaranteed protection of property. According thereto, the building supervisory authority, as a matter of principle, must tolerate the respective building and use thereof even if the building permit is unlawful or the situation under planning law or the general legal situation has changed since the granting of the permit.

If, in exceptional cases, a property constitutes a risk to health and safety, the competent authority may request that changes be effected on protected buildings. The mere fact that a building does not comply with the then applicable requirements is not considered sufficient reason for imposing such measures; if, however, concrete risks to the health and safety of the users of the building or general public exist, the competent authority has the right to order that action be taken by the owner immediately. Such risks include, amongst other things, fire hazard, danger of collapse and health risks due to hazardous construction materials such as asbestos. According to the knowledge of the management of the Company, there are currently no official orders requiring a reconstruction of existing buildings owned by the Company. Nonetheless, some of the materials used in the construction of certain buildings of ADLER contain substances such as asbestos, which require special treatment in case of a refurbishment.

Building reconstructions or changes of use are not subject to the protection of existing buildings. In such cases, a new building permit in accordance with the then prevailing planning law requirements and building regulations is, in general, required. A conversion of office or retail spaces into residential spaces or *vice versa* usually requires a building permit.

Restrictions on properties governed by historic preservation and/or special urban planning laws; Restrictions due to copyrights on architectural services

Some of the Group's properties are located in urban renewal and urban preservation areas. Additionally, some buildings are registered as historic sites. The statutory rules of the German Zoning Act (*Baugesetzbuch*) and German federal states legislation for the preservation of monuments (*Landesdenkmalschutzgesetze*) apply to these properties. These laws generally place restrictions on structural changes and the use of property, and require the landlord to maintain the protected structure and its surroundings. Landlords of properties located within an urban renewal area must obtain specific governmental approval for demolishing or structurally altering a building, entering into lease agreements running for more than one year, selling the properties, and granting liens and mortgages. Landlords of properties located in an officially defined urban renewal area must also contribute financially to the funding of the redevelopment in an amount equal to the increase of the land value resulting from the redevelopment. Landlords of properties located in an urban renewal area must obtain specific government approval for demolishing, structurally altering, or changing the use of a building, and must comply with ordinances that may require approval for converting residential units into condominiums. Landlords of buildings listed as historic sites are required to preserve and maintain the buildings in a predominantly unchanged state. Compliance with these requirements is monitored and enforced by the competent authority. Any change to the structure or use of such building requires specific administrative approval. The landlords of

structures governed by historic preservation laws must also notify the competent authority of any intended sale of such structure. Noncompliance with any of the aforementioned requirements may result in administrative fines of up to EUR 0.5 million for each violation.

As of September 30, 2017, only a very low percentage of ADLER's buildings was listed as historic sites and, as a result, must be maintained in an unchanged state due to historic, artistic, scientific, or urban renewal concerns.

Provisions of the German Condominium Act

Under the provisions of the German Condominium Act (*Wohnungseigentumsgesetz*), every owner of a condominium within a particular building (*Hausgrundstück*) is a member of the respective homeowners association (*Wohnungseigentümergeinschaft*). The association does not deal with any tenancy matters, but is responsible for the general administration of the building, including the introduction of house rules (*Hausordnung*), the execution of maintenance measures for commonly used parts of the building as well as the preparation of a budget (*Wirtschaftsplan*). In many cases, the administration is, due to its complexity, transferred to a third-party service provider by way of contract. The maximum duration of such agreement is limited by law to three years for the first appointment of the administrator (*Verwalter*), and five years for re-appointments. Certain indispensable rights and duties of an appointed administrator, such as the execution of the owners' resolutions as well as maintenance measures, are set forth in the Condominium Act. For homeowners associations, there are two possible ways of decision-making: first, the owners may agree unanimously upon standing rules (*Gemeinschaftsordnung*), which may include, *inter alia*, regulations on the owners' internal affairs, the house rules, the administration of the building and restrictions for the use of the apartments. The standing rules also apply to the owners' legal successors and can be amended, except for certain cases of undue hardship, only upon unanimous consent of all owners. Second, the association's assembly (*Wohnungseigentümersammlung*) may pass resolutions with a simple majority. An assembly must be convened by the administrator at least once a year. The owners may resolve on any matter delegated to them by statute or the association's standing rules. The number of votes that every owner may cast is thereby subject to the applicable standing rules. The standing rules may, e.g. tie the voting power to the value of the condominium owned. Resolutions of the association can be contested by any member at a civil court within one month.

Superstructure (*Überbau*)

As regards the legal consequences of a superstructure under German civil law, it is decisive whether a superstructure was erected intentionally, by gross negligence, or neither intentionally nor by gross negligence. If a superstructure was erected intentionally or by gross negligence, the affected neighbour is generally not obliged to tolerate it. In such cases, the neighbour may demand that the part of the building which extends beyond his property line be taken down and is entitled to compensation for any losses incurred by him due to the superstructure. Apart from that, the neighbour becomes the legal owner of the building part which extends beyond his property line; thus, he has the right to claim a proportionate share in the profits generated by the use or letting of the building from the superstructure's owner. If the superstructure was erected neither intentionally nor by gross negligence, the owner of the adjacent property is obliged to tolerate the superstructure, unless he objected to it without delay.

Building restrictions (*Baulasten*)

Under the building regulations of the German federal states, except for Bavaria and Brandenburg, property owners may be obliged by way of building restrictions (*Baulasten*) to do, tolerate or refrain from doing certain things that relate to their property. Building restrictions serve to ensure compliance with provisions of public law. Thus, for example, compliance with setbacks (*Abstandsflächen*) prescribed by law may be ensured by building restrictions. They are entered into the register of building restrictions (*Baulastenverzeichnis*) with binding effect also upon any legal successor. Building restrictions may limit the use of a property. They only expire if they are waived in writing by the building supervisory authority; the corresponding waiver is to be entered in the register of building restrictions. Building restrictions may, in particular, impose limitations on future changes to the use of a property and may thus affect a property's value.

Regulation relating to environmental damage, contamination and property maintenance

In addition to German tenancy law, ADLER's residential real estate portfolio is subject to various rules and regulations relating to the remediation of environmental damage and Contamination (as defined below).

Soil Contamination

Pursuant to the German Federal Soil Protection Act (*Bundesbodenschutzgesetz*), the responsibility for residual pollution and harmful changes to soil (“**Contamination**”) lies with, among others, the perpetrator of the Contamination, such perpetrator’s universal successor, the current owner of the property, the party in actual control of the property and, if the title was transferred after March 1, 1999, the previous owner of the property, if he knew or must have known about the Contamination. There is no general statutory ranking as to which of the aforementioned parties is primarily liable. Rather, this decision is made at the discretion of the competent local authority who will take into account the effectiveness of remediation as a prevailing factor. Thus, the current owner of the contaminated property is usually the first party to be held responsible because the owner is generally in the best position to undertake the necessary remediation work. However, the other responsible parties are required to indemnify the party that carried out the remediation work on a pro rata basis, regardless of which party is held liable by the competent local authority. The indemnity obligation can be waived or transferred by way of an express contractual agreement. Furthermore, liability is not based on fault; thus the German Federal Soil Protection Act (*Bundesbodenschutzgesetz*) does not require the competent local authority to prove negligence or intent on the part of the liable parties. Administrative powers arising from the German Federal Soil Protection Act (*Bundesbodenschutzgesetz*) authorize the competent local authority to require risk inspections, investigations, remedial measures and other measures necessary for the prevention of residual pollution or harmful changes in the soil.

Asbestos regulation

German law imposes obligations to remediate asbestos contamination under certain circumstances. Under the asbestos guidelines (*Asbest-Richtlinien*) of the German federal states, the standard for determining a remediation obligation is the presence of any health threat. The law distinguishes between friable asbestos, which is capable of releasing asbestos fibers into the air as it ages or is broken, and non-friable asbestos, from which asbestos fibers are not usually released and which therefore poses a limited risk to human health. Except in the event of structural alterations, there is generally no obligation to remove non-friable asbestos under the asbestos guidelines. Friable asbestos is generally found in construction materials that provide fire safety, noise abatement, moisture protection, heat insulation and thermal protection. The asbestos guidelines set out the criteria to be used in assessing the urgency of remedying contamination, ranging from immediate action (including demolition, removal or coating of the asbestos) to risk assessments at intervals of no more than five years. In the case of asbestos contamination, a tenant may also have a right to claim rent reduction. German courts have held that a landlord may be presumed to be in breach of its statutory obligations if the existence of a health threat cannot be excluded. Accordingly, the courts have granted the right to rent reduction even in cases where the asbestos guidelines do not require immediate remediation. Tenants may also have the right to claim compensatory damages and, under certain circumstances, also damages for pain and suffering (*Schmerzensgeld*), if the defect was present at the time the contract was concluded. Finally, tenants also have the right, subject to certain conditions, to remedy the defect on their own and require that their reasonable expenses be reimbursed.

Regulation relating to PCB, DDT, PCP and Lindane

Since PCB may cause fetal damage in pregnant women and is suspected to have carcinogenic effects, its production was prohibited in Germany in 1983. However, PCB may still exist in buildings, such as in wood preservatives, synthetic materials, insulations or joints. DDT and Lindane are synthetic pesticides, which were also used in wood preservatives. DDT is suspected to cause cancer and be genotoxic, while Lindane is suspected to harm the nervous system and may cause cancer. PCP was used as a fungicide against mold and is also suspected to negatively affect human health. Under various legal provisions, the owner of a building may be required to remedy PCB sources through the elimination or sealing of construction elements that contain PCB. In particular, remediation measures may become necessary if the PCB concentration in rooms which are designed for human use exceeds 300 nanogram per 1 cubic meter of air. The existence of DDT, PCP and Lindane in buildings may, under certain circumstances, entitle the tenant to reduce the rent or to claim damages. Moreover, the remediation of rooms or buildings may be required where DDT, PCP or Lindane concentrations exceed certain thresholds.

Civil law liability

Civil law liability for residual pollution can arise from contractual warranty provisions or statutory law. Warranty obligations can generally be waived or can be limited by contract. According to statutory provisions, the perpetrator of the Contamination can be held liable for damages or for the remediation of the Contamination

and its consequences. ADLER could be subject to such liability if a property that the Group currently owns/possesses or formerly owned/possessed is detrimentally affecting the property of one or more third parties. This civil liability exists independently from official action taken under the German Federal Soil Protection Act (*Bundesbodenschutzgesetz*).

Protection of groundwater and maintenance of sewage systems

Pursuant to the German Federal Water Management Act (*Wasserhaushaltsgesetz*), all sewage systems must be constructed, operated and maintained according to the generally accepted Rules of Technology (*anerkannte Regeln der Technik*). Property owners are required to check, among other things, for the sewage system's condition, operability, maintenance and the amount and quality of wastewater and the substances contained therein. Private sewage systems must be checked once every 20 years. The first check of a new sewage system may also take place after 30 years if it has already been checked during its installation. In the case of deficiencies, property owners must repair the sewage system. The German Federal Water Management Act (*Wasserhaushaltsgesetz*) authorizes the German Federal Government, with approval of the Second Chamber of the German Parliament (*Bundesrat*), to enact an Ordinance specifying the above-mentioned obligations concerning sewage systems. On January 3, 2013, the German Federal Government (*Bundesregierung*) announced that no set date can currently be foreseen for the enactment of such an Ordinance. Until the German Federal Government Ordinance is enacted, the federal state governments may enact their own ordinances regarding the aforementioned obligations.

Various federal state governments enacted own ordinances or water acts which concretize the federal regulations of the German Federal Water Management Act.

Legionella Testing

Pursuant to the Federal Drinking Water Ordinance (*Trinkwasserverordnung*) as last amended on December 5, 2012, the owners of specified centralized heated water supply facilities for use in commercially used multi-family buildings are required to analyze stored heated water for the concentration of legionella (a pathogenic bacterium) at least once every three years or once every year (depending on the size of the used facilities). The first analysis had to be completed by December 31, 2013. The competent authorities may order additional testing. The analysis must be carried out by laboratories specified by the respective federal state. The existence of appropriate sample extraction points (*Probeentnahmestellen*) must be ensured by the owner of the building. If specific limits are exceeded, the competent authority will normally adopt measures to improve the water quality.

German law on property purchases

Purchasers of real estate located in Germany are required to bear certain costs. It is market practice that the purchaser of real estate is required to pay RETT. The amount of RETT varies from federal state to federal state and varies between 3.5% and 6.5%. Additional costs, amounting to approximately 1.5% of the purchase value, are incurred for notary fees and land registry office (*Grundbuchamt*) fees (depending on the value of the transaction). These additional costs are usually also paid by the purchaser. While the RETT tax rate is determined by the federal states, the statutory RETT framework falls within the competency of the Federal lawmakers.

Under the current tax laws, the acquisition of a participation in an entity that owns German real estate exceeding 95% is subject to RETT. Before June 6, 2013, it was possible to avoid the tax by way of a share deal in which up to 94.9% of shares in a property-owning entity and up to 94.9% of shares in an interim vehicle owning the remaining 5.1% in the property-owning entity are acquired. An acquirer was thus able to hold almost all of the shares in a property-owning entity without being subject to RETT. On June 6, 2013, the First Chamber of the German Federal Parliament (Bundestag) adopted the Act for the Implementation of the EU-Directive on Mutual Assistance (*Amtshilferichtlinie - Umsetzungsgesetz*) which became effective at the same date. The Act was approved by the Second Chamber of the German Federal Parliament (*Bundesrat*) on the following day. Pursuant to this new Act, RETT is also triggered if an acquisition or transaction results in an entity holding an economic participation of at least 95% of an entity that owns a piece of German real property, regardless of whether this is held (partly) directly or (partly) indirectly. The economic participation results from the sum of direct or indirect participations in the respective entity's capital or assets. To determine participations, the percentages of participations in the capital or assets of the entities have to be multiplied. Thus, pursuant to the new act, RETT is triggered if the overall actual ownership, taking into account direct and indirect participation (economic

ownership), is or exceeds 95%, whereas the sum is based on economic interest calculated on a look-through basis.

7 PRO-FORMA-CONSOLIDATED FINANCIAL INFORMATION WITH REGARD TO THE SALE OF ACCENTRO REAL ESTATE AG

7.1 Introduction

On October 20, 2017 the Company as seller entered into a share purchase agreement (“SPA”) regarding the sale and purchase of shares issued by ACCENTRO with Brookline Capital Limited Partnership, a limited partnership incorporated under the laws of Guernsey, having its registered office at Granary House, The Grange, St. Peter Port, Guernsey, GY1 2QG as purchaser (the “Purchaser”).

Under the SPA, the Company agreed to sell 19,915,333 (the “Sold ACCENTRO Shares”) of its 21,465,229 shares in ACCENTRO, while retaining 1,549,896 ACCENTRO shares (the “Retained ACCENTRO Shares”). In addition, the Company agreed to sell all of its 4,743,359 convertibles (representing 4,809,292 conversion shares based on the conversion price (*Wandlungspreis*) at the signing date of the SPA) issued by ACCENTRO to the Purchaser (the “Sold ACCENTRO Convertibles” and together the “Transaction”).

Due to this Transaction, the Company has prepared a consolidated balance sheet on a pro forma basis as of September 30, 2017, statements of comprehensive income for the periods January 1, 2016 until December 31, 2016 and January 1, 2017 until September 30, 2017 and notes to the aforementioned balance sheet and statements of comprehensive income (together “Pro Forma Consolidated Financial Information”).

The purpose of the Pro Forma Consolidated Financial Information is to present the main influences on the Company’s balance sheet as of September 30, 2017 and statements of comprehensive income for the periods January 1, 2016 until December 31, 2016 and January 1, 2017 until September 30, 2017 as if the Transaction had already been concluded on January 1, 2016.

The Pro Forma Consolidated Financial Information was prepared based upon *IDW Accounting Practice Statement: Preparation of pro forma financial information (IDW RH HFA 1.004)*. The preparation was solely conducted for illustrative purposes. Due to their nature the Pro Forma Consolidated Financial Information presents only a hypothetical situation and not the actual status of the Company.

The Pro Forma Consolidated Financial Information is based on assumptions and bears uncertainties and, thus, does not represent the actual performance of the financial development of the Company and the results of its operations and its cash flows as if the described transaction had already been concluded on January 1, 2016. Furthermore, the Pro Forma Consolidated Financial Information should not be considered as an indicator for the future performance of the financial position of the Company and the results of its operations and its cash flows post completion of the transaction.

The Pro Forma Consolidated Financial Information should only be read in conjunction with the historical audited consolidated financial statements of the Company as of and for the fiscal year ended December 31, 2016 prepared in accordance with IFRS as adopted by the European Union and the unaudited consolidated interim financial statements of the Company prepared in accordance with IAS 34 as of and for the nine-month period ended September 30, 2017. The Pro Forma Consolidated Financial Information is not meaningful on a stand-alone basis.

7.2 Share purchase agreement with the purchaser Brookline Capital Limited Partnership

Under the SPA, the Company agreed to sell the 19,915,333 Sold ACCENTRO Shares to the Purchaser, while retaining the 1,549,896 Retained ACCENTRO Shares. In addition, the Company agreed to sell all of its 4,743,359 Sold ACCENTRO Convertibles (representing 4,809,292 conversion shares based on the conversion price (*Wandlungspreis*) at the signing date of the SPA) to the Purchaser.

The purchase price to be paid by the Purchaser to the Company is EUR 7.33 per ACCENTRO share, i.e. a total of EUR 145,979,390.89 (the “Sold ACCENTRO Shares Purchase Price”).

The purchase price to be paid by the Purchaser to the Company for each Sold ACCENTRO Convertible is EUR 7.33 based on the conversion price (*Wandlungspreis*) at the signing date of the SPA pursuant to the terms and conditions of the Sold ACCENTRO Convertibles, and which shall be issued by ACCENTRO following the exercise of the conversion rights from the Sold ACCENTRO Convertibles at such time, i.e. a total of EUR 35,252,108.09 (the “Sold ACCENTRO Convertibles Purchase Price”, together with the Sold ACCENTRO Shares Purchase Price, the “Total Purchase Price”).

From the Total Purchase Price EUR 2,000,000 became due and payable with the signing of the SPA as a down payment. On the closing date of the SPA (“Closing Date”), a portion of the Total Purchase Price in the amount

of EUR 18,000,000 (the “**First Purchase Price Installment**”) shall become due and payable. The payment of the remaining portion of the Total Purchase Price corresponding to EUR 161,231,498.98 (the “**Second Purchase Price Installment**”) was deferred (*gestundet*) as from the Closing Date and bears interest at a rate of 3.70% per annum from the Closing Date (excluded) until the date of payment (included). The Second Purchase Price Installment, including any and all interest accrued thereon, shall become due and payable one year after the Closing Date, subject to any accelerated payment.

Under the SPA, the Purchaser also granted to the Company as seller a put option for the 1,549,896 Retained ACCENTRO Shares (the “**Put Option**”). The Company is entitled to exercise the Put Option for all, or only a portion of, the Retained ACCENTRO Shares. This sale and purchase of the Retained ACCENTRO Shares for which the Put Option is exercised shall be made against payment of a purchase price in the amount of EUR 7.33 per Retained ACCENTRO Share. In relation to the Put Option the Purchaser agreed to pay to the Company an additional payment of EUR 300,000 (the “**Additional Payment**”), which shall become due and payable on the Closing Date.

Only upon full and final payment of the Second Purchase Price installment, the Purchaser acquires legal title as regards the Sold ACCENTRO Shares and becomes the legal holder of the Sold ACCENTRO Convertibles, to the extent not converted at this point, or, to the extent the Sold ACCENTRO Convertibles have been converted, the respective conversion shares. In the period from closing until the date of full and final payment of the Second Purchase Price installment, the Company put the Purchaser, with regard to all of the Sold ACCENTRO Shares, commercially in a position as if the Company had, at closing, assigned to the Purchaser full legal and beneficial title to and any and all right associated with, or otherwise pertaining to, the Sold ACCENTRO Shares and the Purchaser were, from closing onwards, entitled to exercise in the shareholders’ meetings of ACCENTRO the voting rights to the Sold ACCENTRO Shares in its sole discretion and without any right of the Company to give instructions as to how such votes are cast. Also, the Company undertook not to convert any Sold ACCENTRO Convertibles after the signing date of the SPA.

7.3 Procedures and assumptions used in preparing

The Pro Forma Consolidated Financial Information has been prepared on the assumption that the sale of the 19,915,333 Sold ACCENTRO Shares and the 4,743,359 Sold ACCENTRO Convertibles to the Purchaser had already taken place on January 1, 2016.

The sale of 19,915,333 Sold ACCENTRO Shares and the 4,743,359 Sold ACCENTRO Convertibles is considered as a loss of control under IFRS 10.25. Accordingly, all assets and liabilities of the Company relating to the Sold ACCENTRO Shares and Sold ACCENTRO Convertibles have been derecognized from the consolidated balance sheet with the Retained ACCENTRO Shares in the former subsidiary ACCENTRO recognized at their fair value when control was lost and subsequently accounted for in accordance with relevant IFRS’s. The gain associated with the loss of control attributable to the former controlling interest was recognized within the consolidated statement of comprehensive income.

For consideration of a loss of control under IFRS 10.25 it was assumed that the establishment of a new composition of the supervisory board, with one member being a person nominated by the Company (the “**ADLER Nominee**”), one member being a person nominated by the Purchaser (the “**Purchaser Nominee**”) and the third member being a neutral person nominated jointly by the Company and the Purchaser (the “**Joint Nominee**”) had already taken effect as of January 1, 2016 and in turn was successfully realized.

In connection with tax matters, it was assumed that there is no need to adjust balance sheet captions for tax issues resulting from the proposed transaction structure.

7.4 Historical financial information

The preparation of the Pro Forma Consolidated Financial Information is based on the following underlying information:

- the audited and published consolidated financial statements of the Company as of and for the fiscal year ended December 31, 2016 prepared in accordance with IFRS as adopted by the European Union
- the unaudited and published condensed consolidated interim financial statements of the Company prepared in accordance with IAS 34 as of and for the nine-month period ended September 30, 2017

With regard to the historical basis of the Pro Forma Consolidated Financial Information the Company refers to the audited consolidated financial statements of the Company as of and for the fiscal year ended December 31,

2016 and the unaudited condensed consolidated interim financial statements as of September 30, 2017 in terms of the consistent application of disclosure, accounting and valuation methods.

The Company and ACCENTRO as a subsidiary of the Company apply the same accounting and valuation methods within the Group.

7.5 Basis of preparation

The required pro forma adjustments are based on available information, estimates, and certain assumptions, as described in the pro forma notes to the Pro Forma Consolidated Financial Information.

7.6 Pro forma consolidated financial information

The following tables present the pro forma consolidated statements of comprehensive income for the periods from January 1, 2016 to December 31, 2016 and January 1, to September 30, 2017 as well as the pro forma consolidated balance sheet as of September 30, 2017.

The financial information contained in column A of the Pro Forma Consolidated Financial Information refers to the audited and published consolidated financial statements of the Company as of and for the fiscal year ended December 31, 2016 or, respectively, the unaudited and published condensed consolidated interim financial statements of the Company as of and for the nine-month period ended September 30, 2017.

The financial information contained in column B for the Company's subgroup ACCENTRO is not available on an unconsolidated basis but is derived from the audited and published consolidated financial statements of the Company as of and for the fiscal year ended December 31, 2016 or, respectively, the unaudited and published condensed consolidated interim financial statements of the Company as of and for the nine-month period ended September 30, 2017 utilizing internal calculations. As such, column B represents the subgroup ACCENTRO as a part of ADLER Group and from the perspective of ADLER Group to ensure comparability. This includes any effects considered as part of the first-time consolidation in the fiscal year 2014. It is not possible to compare these figures included in column B with the ACCENTRO group on a stand-alone basis (i.e. published consolidated financial statements of ACCENTRO).

The financial information contained in column C summarizes the historical financial information of the Company after deducting the subgroup ACCENTRO.

The Pro Forma Adjustments contained in column D solely reflect the assumption that the sale of the 19,915,333 Sold ACCENTRO Shares and the 4,743,359 Sold ACCENTRO Convertibles to the Purchaser had already taken place on January 1, 2016. These Pro Forma Adjustments are explained in detail within the notes to the Pro Forma Consolidated Financial Information further below.

The financial information contained in column E ultimately represents the Pro Forma Financial Information of the Company as if the described Transaction had already been concluded on January 1, 2016.

The presentation of the consolidated financial information in EUR thousand may result in rounding differences.

ADLER Real Estate Aktiengesellschaft, Berlin
Pro forma consolidated statement of comprehensive income
for the period from January 1, to December 31, 2016

in EUR thousand	Historical financial information			Pro forma statement of comprehensive income	
	ADLER Group	ACCENTRO Subgroup	Difference	Pro forma adjustments	Pro forma statement of comprehensive income
	A	B	C = A - B	D	E = C + D
Gross rental income	252,399	27,810	224,589	0	224,589
Expenses from property lettings	-138,803	-17,844	-120,959	0	-120,959
Earnings from property lettings	113,596	9,966	103,630	0	103,630
Income from the sale of properties	160,413	137,828	22,585	0	22,585
Expenses from the sale of properties	-124,018	-100,932	-23,086	0	-23,086
Earnings from the sale of properties	36,395	36,896	-501	0	-501
Personnel expenses	-19,648	-2,954	-16,694	0	-16,694
Other operating income	8,694	2,927	5,767	(1) 12,346	18,113
Other operating expenses	-35,704	-7,253	-28,451	0	-28,451
Income from fair value adjustments of investment properties	199,677	9,729	189,948	(1) -12,346	177,602
Depreciation and amortization	-1,174	-612	-562	0	-562
Earnings before interest and tax (EBIT)	301,835	48,699	253,137	0	253,137
Financial income	2,803	355	2,448	(2) 12,031	14,479
Financial costs	-128,378	-12,770	-115,608	0	-115,608
Net income from at-equity valued investment associates	11,185	532	10,653	0	10,653
Earnings before tax (EBT)	187,444	36,816	150,630	12,031	162,661
Income tax	-53,668	-9,956	-43,712	(3) 3,725	-39,987
Consolidated net profit	133,776	26,860	106,918	15,756	122,675
Other comprehensive income not reclassifiable into profit or loss	-563	0	-563	0	-563
Other comprehensive income reclassifiable into profit or loss	-1,861	0	-1,861	0	-1,861
Total comprehensive income	131,352	26,860	104,494	15,756	120,251
Profit attributable to non-controlling interests	12,828	-3,788	-9,040	0	-9,040
Profit attributable to owners of the parent company	118,524	23,072	95,454	15,756	111,211

ADLER Real Estate Aktiengesellschaft, Berlin
Pro forma consolidated statement of comprehensive income
for the period from January 1, to September 30, 2017

in EUR thousand	Historical financial information			Pro forma statement of comprehensive income	
	ADLER Group	ACCENTRO Subgroup	Difference	Pro forma adjustments	
	A	B	C = A - B	D	E = C + D
Gross rental income	196,135	9,423	186,712	0	186,712
Expenses from property lettings	-100,985	-5,223	-95,762	0	-95,762
Earnings from property lettings	95,150	4,200	90,950	0	90,950
Income from the sale of properties	113,415	86,746	26,669	0	26,669
Expenses from the sale of properties	-90,771	-64,648	-26,123	0	-26,123
Earnings from the sale of properties	22,644	22,098	546	0	546
Personnel expenses	-16,724	-2,223	-14,501	0	-14,501
Other operating income	6,693	1,444	5,249	0	5,249
Other operating expenses	-23,999	-3,026	-20,973	0	-20,973
Income from fair value adjustments of investment properties	36,957	-42	36,999	0	36,999
Depreciation and amortization	-761	-326	-435	0	-435
Earnings before interest and tax (EBIT)	119,960	22,125	97,835	0	97,835
Financial income	2,244	243	2,001 (4)	5,292	7,293
Financial costs	-72,017	-3,068	-68,949 (5)	-392	-69,341
Net income from at-equity valued investment associates	197	-961	1,158 (6)	-1,020	138
Earnings before tax (EBT)	50,384	18,339	32,044	3,880	35,925
Income tax	-26,416	-5,802	-20,614 (7)	71	-20,543
Consolidated net profit	23,968	12,537	11,430	3,952	15,382
Other comprehensive income reclassifiable into profit or loss	1,586	0	1,586	0	1,586
Total comprehensive income	25,554	12,537	13,016	3,952	16,968
Profit attributable to non-controlling interests	5,326	1,554	3,772	0	3,772
Profit attributable to owners of the parent company	20,228	10,983	9,245	3,952	13,197

ADLER Real Estate Aktiengesellschaft, Berlin

Pro forma balance sheet

as of September 30, 2017

in EUR thousand	Historical financial information	Derived from historical financial information		Pro forma adjustments	Pro forma consolidated balance sheet
	ADLER Group	ACCENTRO Subgroup	Difference		
	A	B	C = A - B	D	E = C + D
Assets	3,281,212	338,294	2,942,918	210,782	3,153,700
Non-current assets	2,777,526	37,416	2,740,110	18,048	2,758,157
Goodwill	130,552	27,081	103,471 (8)	-2,300	101,171
Intangible assets	612	22	590	0	590
Property, plant and equipment	3,373	191	3,182	0	3,182
Investment properties	2,640,732	0	2,640,732	0	2,640,732
Investments in associated companies	280	255	25	0	25
Other financial investments	206	8,461	-8,255 (9)	20,348	12,093
Other non-current assets	366	0	366	0	366
Deferred tax claims	1,405	1,405	0	0	0
Current assets	485,149	291,820	193,330	192,734	386,065
Inventories	279,869	276,931	2,938	0	2,938
Trade receivables	11,829	2,785	9,044	0	9,044
Income tax receivables	3,883	771	3,112	0	3,112
Other current assets	72,960	1,852	71,108 (10)	175,672	246,779
Cash and cash equivalents	116,609	9,481	107,128 (11)	17,063	124,191
Non-current assets held for sale	18,536	9,058	9,478	0	9,478
Equity and liabilities	3,281,212	338,294	2,942,918	210,782	3,153,700
Shareholders' equity	918,671	153,694	764,977	203,091	968,067
Capital stock	57,545	24,911	32,634 (14)	24,911	57,545
Treasury Shares	-783	0	-783	0	-783
Capital reserve	328,684	53,445	275,239 (15)	76,328	351,567
Retained earnings	-921	0	-921	0	-921
Currency translation reserve	87	0	87	0	87
Net retained profit = Equity attributable to owners of the parent company	454,576	56,129	398,447 (16)	92,907	491,353
Non-controlling interests	839,188	134,484	704,704 (13)	194,145	898,848
	79,483	19,210	60,273	8,946	69,219

ADLER Real Estate Aktiengesellschaft, Berlin

Pro forma balance sheet

as of September 30, 2017

in EUR thousand	Historical	Derived from historical		Pro forma	Pro forma
	financial	financial information			
	information	ADLER	ACCENTRO		
	ADLER	ACCENTRO	Difference		
	Group	Subgroup			
	A	B	C = A - B	D	E = C + D
Non-current liabilities	2,195,315	86,053	2,109,262	7,691	2,116,953
Pension reserves	4,727	0	4,727	0	4,727
Deferred tax liabilities	133,226	716	132,510	(3)	-3,273
Other provisions	1,919	17	1,902		1,902
Liabilities from convertible bonds	124,618	12,087	112,531	(12)	10,964
Liabilities from bonds	528,042	0	528,042		528,042
Financial liabilities to banks	1,378,634	73,232	1,305,402		1,305,402
Other non-current liabilities	24,147	0	24,147		24,147
Current liabilities	160,411	92,336	68,075	0	68,075
Other provisions	2,317	2,018	299		299
Income tax liabilities	15,914	13,642	2,272		2,272
Liabilities from convertible bonds	869	0	869		869
Liabilities from bonds	12,960	0	12,960		12,960
Financial liabilities to banks	83,938	53,548	30,390		30,390
Trade payables	28,841	18,991	9,850		9,850
Other current liabilities	15,571	4,135	11,436		11,436
Liabilities held for sale	6,815	6,211	604	0	604

7.7 Notes to the Pro Forma Consolidated Financial Information

In the following notes to the Pro Forma Consolidated Financial Information the Pro Forma Adjustments in column D are explained in detail in order to illustrate the effects on the Company's balance sheet as of September 30, 2017 and statements of comprehensive income for the periods January 1, 2016 until December 31, 2016 and January 1, 2017 until September 30, 2017 as if the Transaction had already been concluded on January 1, 2016.

The required adjustments to the Pro Forma Consolidated Financial Information for the period from January 1, to December 31, 2016 are:

- (1) Other operating income of EUR 12,346 thousand reported in the pro forma comprehensive income statement were reclassified from income from fair value adjustments of investment properties and relate to the asset swap with a subsidiary that had to be accounted for as a loss of control instead of a revaluation gain in the Pro Forma Consolidated Financial Information.
- (2)

	EUR thousand
Interest income on the deferred Second Purchase Price Installment at 3.70% per annum for the period from January 1, 2016 until December 31, 2016.	5,966
Gain from the subsequent measurement of the Retained ACCENTRO Shares of ADLER for the period from January 1, 2016 until December 31, 2016.	5,869
Interest income for intercompany balances of ADLER towards ACCENTRO that result as a consequence of the pro forma presentation (i.e. deconsolidation of ACCENTRO) for the period from January 1, 2016 until December 31, 2016.	196
	<u>12,031</u>

- (3) In relation to the reclassification of the revaluation gain for the asset swap with a subsidiary, the tax expenses were adjusted by EUR 3,725 thousand for the period from January 1, to December 31, 2016 while setting up a corresponding deferred tax liability that has been partially reversed within the period from January 1, to September 30, 2017 by EUR 452 thousand; refer to (7).

The adjustments to the Pro Forma Consolidated Financial Information for the period from January 1, to September 30, 2017 are:

(4)

	EUR thousand
Interest income on the deferred Second Purchase Price Installment at 3.70% per annum for the period from January 1, 2017 until September 30, 2017.	4,474
Gain from the subsequent measurement of the Retained ACCENTRO Shares of ADLER for the period from January 1, 2017 until September 30, 2017.	593
Dividend income for the Retained ACCENTRO Shares of ADLER that result as a consequence of the pro forma presentation (i.e. deconsolidation of ACCENTRO) for the period from January 1, 2017 until September 30, 2017.	225
	<u>5,292</u>

(5)

	EUR thousand
Reversal of the Company's financial costs in relation to the acquisition of the Sold ACCENTRO Convertibles. For purposes of the Pro Forma Consolidated Financial Information this acquisition is already reflected in the financial information as of January 1, 2016.	1,511
Reversal of the dissolution of hidden burdens in relation to the acquisition of the Sold ACCENTRO Convertibles. For purposes of the Pro Forma Consolidated Financial Information this acquisition is already reflected in the financial information as of January 1, 2016.	-1,734
Interest expense for intercompany balances of ADLER towards ACCENTRO that result as a consequence of the pro forma presentation (i.e. deconsolidation of ACCENTRO).	-169
	<u>-392</u>

- (6) Adjustments to net income from at-equity valued investments of EUR -1,020 thousand with regard to an at-equity valued investment of ACCENTRO were necessary: ACCENTRO holds 49 % and ADLER

51 % of this fully consolidated subsidiary. For purposes of the Pro Forma Consolidated Financial Information this proportionate share of net income from at-equity valued investments of ACCENTRO had to be fully reversed.

(7)

	EUR thousand
Reversal of deferred tax expenses on EUR 1,734 thousand, refer to (5)	523
Partial reversal of the deferred tax liability that has been set up as a result of the reclassification of the revaluation gain for the asset swap with a subsidiary, refer to (3). For purposes of the Pro Forma Consolidated Financial Information this reclassification is already reflected in the financial information as of January 1, 2016.	-452
	<u>71</u>

The adjustments to the pro forma consolidated balance sheet as of September 30, 2017 are:

(8) The goodwill of EUR 2,300 thousand relating to the property trading business is fully derecognized due to the Company's loss of control over its former subsidiary ACCENTRO.

(9)

	EUR thousand
Retained ACCENTRO Shares held by ADLER after deconsolidation valued at their market price as of September 30, 2017.	11,913
Reversal of a consolidation entry. Within column B for ACCENTRO an at-equity valued investment was included. ACCENTRO participation was 49%, while ADLER's was 51%. For group purposes, the shares in the at-equity valued investment were fully consolidated as a subsidiary, refer to (6) and (13).	8,435
	<u>20,348</u>

(10)

	EUR thousand
Purchase price receivable for the Sold ACCENTRO Shares and the Sold ACCENTRO Convertibles.	161,232
Claims from interest accrued on the deferred Second Purchase Price Installment for the period from January 1, 2016 until September 30, 2017; refer to (2) and (4).	10,440
Shareholder loan from ADLER towards ACCENTRO for purposes of the Pro Forma Consolidated Financial Information. Within actuals of the group both receivables from ADLER and corresponding liabilities of ACCENTRO were fully consolidated (i.e. eliminated).	4,000
	<u>175,672</u>

(11)

EUR

	<u>thousand</u>
Immediate cash inflows from the sale of the Sold ACCENTRO Shares, the Sold ACCENTRO Convertibles and the granting of the Put Option to ADLER with regard to the Retained ACCENTRO Shares.	20,300
Decrease in cash and cash equivalents for purposes of the Pro Forma Consolidated Financial Information as a result of granting a shareholder loan from ADLER towards ACCENTRO; refer to (10).	-4,000
Dividend income for the Retained ACCENTRO Shares that result as a consequence of the pro forma presentation (i.e. deconsolidation of ACCENTRO), refer to (4).	225
Cash inflows from intercompany interest income towards ACCENTRO that result for purposes of the Pro Forma Consolidated Financial Information (i.e. deconsolidation of ACCENTRO), refer (2).	196
Cash payments for intercompany interest expenses towards ACCENTRO that result for purposes of the Pro Forma Consolidated Financial Information (i.e. deconsolidation of ACCENTRO), refer to (5).	-169
Reduction of cash payments of ADLER considering the elimination of a dividend distribution to non-controlling interests as a consequence of the pro forma presentation (i.e. deconsolidation of ACCENTRO).	<u>511</u>
	<u><u>17,063</u></u>
(12)	
	<u>EUR thousand</u>
Adjustment for convertibles of ADLER for purposes of the Pro Forma Consolidated Financial Information excluding any Sold ACCENTRO Convertibles.	<u>10,964</u>
	<u><u>10,964</u></u>
(13)	
	<u>EUR thousand</u>
Non-controlling interests for an investment for which ACCENTRO's participation was 49%, while ADLER's was 51%, refer to (9).	8,435
Adjustments to non-controlling interests considering the elimination of a dividend distribution to non-controlling interests as a consequence of the pro forma presentation (i.e. deconsolidation of ACCENTRO), refer to (11).	<u>511</u>
	<u><u>8,946</u></u>
(14)	
	<u>EUR thousand</u>
Adjustment for column B to align capital stock to that of the Company as parent company as of September 30, 2017.	<u>24,911</u>
	<u><u>24,911</u></u>

(15)

	EUR thousand
Adjustment for column B to align capital reserves to that of the Company as parent company as of September 30, 2017.	53,445
While acquiring Sold ACCENTRO Convertibles within the first half of 2017, capital reserves were deducted for the difference of the acquisition price and the book value of the bond liabilities. For purposes of the Pro Forma Consolidated Financial Information all Sold ACCENTRO Convertibles were sold as of January 1, 2016. In turn, capital reserves were increased and the effect reversed.	<u>22,883</u>
	<u><u>76,328</u></u>

(16)

	EUR thousand
Actual net retained profit of ADLER as of September 30, 2017	<u>454,576</u>
Gain from deconsolidation:	
Purchase price for all Sold ACCENTRO Shares	145,979
less disposal of equity ACCENTRO (without non-controlling interests)	-104,161
less disposal of goodwill	-2,300
plus Retained ACCENTRO Shares at fair value	<u>5,449</u>
	44,967
Granting the Put Option to the Company for the Retained ACCENTRO Shares.	300
Reversal of the dissolution of hidden burdens in relation to the acquisition of the Sold ACCENTRO Convertibles. For purposes of the Pro Forma Consolidated Financial Information this acquisition is already reflected in the financial information as of January 1, 2016.	1,734
Reversal of deferred tax expenses on EUR 1,734 thousand, refer to the preceding line item.	-523
Gain from disposal of the Sold ACCENTRO Convertibles for purposes of Pro Forma Consolidated Financial Information as of January 1, 2016.	-106
Interest income on the deferred Second Purchase Price Installment at 3.70% per annum for the period from January 1, 2016 until December 31, 2016, refer to (2).	5,966

Gain from the subsequent measurement of the Retained ACCENTRO Shares for the period from January 1, 2016 until December 31, 2016, refer to (2).	5,869
Interest income for intercompany balances of ADLER towards ACCENTRO that result as a consequence of the pro forma presentation (i.e. deconsolidation of ACCENTRO) for the period from January 1, 2016 until December 31, 2016, refer to (2).	196
In relation to the reclassification of the revaluation gain for the asset swap with a subsidiary, the tax expenses were adjusted by EUR 3,725 thousand for the period from January 1, to December 31, 2016 while setting up a corresponding deferred tax liability, refer to (3).	3,725
Interest income on the deferred Second Purchase Price Installment at 3.70% per annum for the period from January 1, 2017 until September 30, 2017, refer to (4).	4,474
Gain from the subsequent measurement of the Retained ACCENTRO Shares for the period from January 1, 2017 until September 30, 2017, refer to (4).	593
Dividend income for the Retained ACCENTRO Shares that result as a consequence of the pro forma presentation (i.e. deconsolidation of ACCENTRO) for the period from January 1, 2017 until September 30, 2017, refer to (4).	225
Reversal of financial costs in relation to the acquisition of the Sold ACCENTRO Convertibles by the Company. For purposes of the Pro Forma Consolidated Financial Information this acquisition is already reflected in the financial information as of January 1, 2016, refer to (5).	1,511
Reversal of the dissolution of hidden burdens in relation to the acquisition of the Sold ACCENTRO Shares by the Company. For purposes of the Pro Forma Consolidated Financial Information this acquisition is already reflected in the financial information as of January 1, 2016, refer to (5).	-1,734
Interest expense for intercompany balances of ADLER towards ACCENTRO that result as a consequence of the pro forma presentation (i.e. deconsolidation of ACCENTRO), refer to (5).	-169
Reversal of deferred tax expenses on EUR 1,734 thousand, refer to (7).	523
Partial reversal of the deferred tax liability that has been set up as a result of the reclassification of the revaluation gain for the asset swap with a subsidiary, refer to (3). For purposes of the Pro Forma Consolidated Financial Information this reclassification is already reflected in the financial information as of January 1, 2016.	-452
Profits of ACCENTRO for the period from January 1, 2016 until December 31, 2016 as well as from January 1, 2017 until September 30, 2017, that need to be eliminated for purposes of the Pro Forma Consolidated Financial Information.	-34,055
Profit distributions of ACCENTRO for the period from January 1, 2016 until December 31, 2016 as well as from January 1, 2017 until September 30, 2017, that need to be eliminated for purposes of the Pro Forma Consolidated Financial Information.	3,731
Pro forma net retained profit of ADLER as of September 30, 2017	491,353

7.8 Auditor's report on the Pro Forma Consolidated Financial Information

To ADLER Real Estate Aktiengesellschaft, Berlin

We have audited whether the Pro Forma Consolidated Financial Information, comprising of pro forma consolidated income statements for the periods from January 1, 2016 to December 31, 2016, and January 1, 2017 to September 30, 2017, a pro forma consolidated balance sheet as of September 30, 2017 as well as pro forma notes of ADLER Real Estate Aktiengesellschaft, Berlin, has been properly compiled on the basis stated in the pro forma notes and whether this basis is consistent with the accounting policies of the company.

The purpose of the Pro Forma Consolidated Financial Information is to present the material effects the transaction described in the pro forma notes would have had on the historical consolidated financial statements if the group had existed in the structure created by the transaction throughout the entire reporting period. As the Pro Forma Consolidated Financial Information reflects a hypothetical situation it is not entirely consistent with the presentation that would have resulted had the relevant events actually occurred at the beginning of the reporting period. Therefore, we do not express an opinion on the actual effects of the transaction described in the notes to the Pro Forma Consolidated Financial Information.

The compilation of the Pro Forma Consolidated Financial Information in accordance with the *IDW Accounting Practice Statement: Preparation of Pro Forma Financial Information (IDW AcPS AAB 1.004)* promulgated by the Institut der Wirtschaftsprüfer in Deutschland e.V. (IDW) is the responsibility of the Company's management.

Our responsibility is to express an opinion, based on our audit, whether the Pro Forma Consolidated Financial Information has been properly compiled on the basis stated in the pro forma notes and whether this basis is consistent with the accounting policies of the Company. This also includes evaluating the overall presentation of the Pro Forma Consolidated Financial Information. The subject matter of this engagement does neither include an audit or review of the basic figures including their adjustments to the accounting policies of the Company, nor of the pro forma assumptions stated in the pro forma notes.

We have planned and performed our audit in accordance with the *IDW Auditing Practice Statement: Audit of Pro Forma Financial Information (IDW AuPS 9.960.1)* promulgated by the Institut der Wirtschaftsprüfer in Deutschland e.V. (IDW) in such a way that material errors in the compilation of the Pro Forma Consolidated Financial Information on the basis stated in the pro forma notes and in the compilation of this basis consistent with the accounting policies of the company are detected with reasonable assurance.

In our opinion, the Pro Forma Consolidated Financial Information has been properly compiled on the basis stated in the pro forma notes. This basis is consistent with the accounting policies of the Company.

Hamburg, November 10, 2017

Original German version signed by

Ebner Stolz GmbH & Co. KG

Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft

Jens Lingthaler

Dirk Heide

Wirtschaftsprüfer

Wirtschaftsprüfer

(German public auditor)

(German public auditor)

8 SELECTED FINANCIAL INFORMATION

8.1 Note on the presentation of selected financial information

Investors should read the following selected financial information together with the other financial information contained in this Prospectus, in particular, in section 2 “Risk factors”, section 9 “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and section 6 “Business” and the Consolidated Financial Statements of the Company.

To the extent the figures are indicated as having been audited, they were taken from the Audited Consolidated Financial Statements.

To the extent the figures are indicated as not having been audited, they were either derived from the Audited Consolidated Financial Statements, or taken or derived from the Unaudited Consolidated Interim Financial Statements, our accounting records or management reporting.

To the extent figures for the fiscal year 2015 are shown in conjunction with figures for the fiscal year 2016, they were taken from the consolidated financial statements for the fiscal year ended December 31, 2016 and represent the prior-year comparative figures. To the extent figures for the fiscal year 2014 are shown in conjunction with figures for the fiscal year 2015, they were taken from the consolidated financial statements for the fiscal year ended December 31, 2015 and represent the prior-year comparative figures.

To the extent figures for the nine months ended September 30, 2016 are shown in conjunction with figures for the nine months ended September 30, 2017, they were taken from the Unaudited Consolidated Interim Financial Statements and represent the prior-year comparative figures.

Ebner Stolz GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Ludwig-Erhard-Straße 1, 20459 Hamburg, Germany (“Ebner Stolz”), has audited the Audited Consolidated Financial Statements prepared in accordance with IFRS in accordance with § 317 German Commercial Code (Handelsgesetzbuch) and the generally accepted German standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW) and has issued unqualified audit opinions thereon.

The figures below were rounded up or down in accordance with standard commercial practice. For this reason, it is possible that the sum of the figures set out in a table does not exactly match the totals which may also be set out in the table. Moreover, to the extent figures are shown in percentages, it is possible that the total does not add up to 100.0%. With respect to the following financial information “n/a” means that the corresponding figure is not available whereas zero (“0”) means that the corresponding figure is available but has been rounded to zero.

8.2 Financial measures not defined under IFRS or HGB (Non-GAAP Financial Measures)

This Prospectus contains certain alternative performance measures (as defined by the European Securities and Markets Authority (“ESMA”)) which are not prepared and used in accordance with IFRS or HGB (“Non-GAAP Financial Measures” or “Alternative Performance Measures”), such as EPRA NAV, EBITDA, adjusted EBITDA, LTV, LTV II, FFO I and FFO II. Each such measure is defined and reconciled specifically in the tables below the first time it is mentioned. These Non-GAAP Financial Measures and certain other financial measures contained herein must not be considered as an alternative to the financial measures defined in the accounting standards (“GAAP Financial Measures”). These alternative performance measures are presented as supplemental information for the specific reasons outlined below with respect to certain measures, and generally because they may contribute to a fuller understanding of ADLER’s business. ADLER uses Non-GAAP Financial Measures and other information in this Prospectus as an indicator of the Company’s performance or because, in the opinion of the Company’s management board, they are useful to investors because they may contribute to a fuller understanding of ADLER’s business. The Company believes that the presentation of the alternative performance measures included in this Prospectus complies with the ESMA Guidelines. Non-GAAP Financial Measures are possibly used differently from identical Non-GAAP Financial Measures used at other companies in the real estate sector. The financial measures used by the Company should not be regarded as an alternative to earnings after tax, sales or other financial measures defined under IFRS or HGB as an indicator to the Company’s performance. Non-GAAP Financial Measures have important limitations as analytical tools and should not be considered in isolation or as substitutes for an analysis of the earnings reported under IFRS or HGB. They may contain or exclude items or amounts which are not included or included in the calculation of the

most directly comparable GAAP financial measures in accordance with IFRS or HGB. Thus, their informative value is subject to the limitations set out below. Non-GAAP Financial Measures should be regarded in connection with the Audited Consolidated Financial Statements of the Company prepared in accordance with IFRS and the Audited Unconsolidated Financial Statements for the fiscal year ended December 31, 2016 as well as the Unaudited Consolidated Interim Financial Statements for the nine months ended September 30, 2017 and the respective notes.

8.3 Selected consolidated balance sheet information

	As of September 30,	As of December 31,		
	2017	2016	2015	2014 (adjusted)
		IFRS		
		(EUR thousand, unless specified otherwise)		
	(unaudited)	(audited, unless stated otherwise)		
Assets	3,281,212	3,430,477	3,076,246	1,416,459
Non-current assets	2,777,526	2,577,578	2,758,878	1,203,649
of which investment properties	2,640,732	2,441,988	2,270,187	1,170,159
Current assets	485,149	418,211	297,252	206,681
of which inventories	279,869	227,057	159,654	89,617
of which trade receivables	11,829	11,749	16,309	27,547
Equity and liabilities	3,281,212	3,430,477	3,076,246	1,416,459
Shareholders' equity	918,671	914,222	777,921	311,211
Non-current liabilities	2,195,315	2,111,222	1,980,375	1,010,927
of which financial liabilities from bonds and convertible bonds	652,660	653,324	516,581	174,698
of which financial liabilities to banks	1,378,634	1,312,502	1,368,125	791,087
Current liabilities	160,411	397,482	303,529	94,321
of which financial liabilities from bonds and convertible bonds	13,829	9,835	8,888	4,021
of which financial liabilities to banks	83,938	320,328	248,524	47,810

8.4 Selected consolidated profit and loss information

	Nine-month period ended September 30,		Fiscal year ended December 31,		
	2017	2016	2016	2015	2014 (adjusted) ⁽¹⁾
			IFRS		
			(EUR thousand, unless specified otherwise)		
	(unaudited)		(audited, unless specified otherwise)		
Gross rental income	196,135	196,369	252,399	216,639	83,882
Expenses from property lettings	-100,985	-105,053	-138,803	-125,052	-51,809
Earnings from property lettings	95,150	91,316	113,596	91,587	32,073
Income from the sale of properties	113,415	145,205	160,413	168,154	87,527
Expenses from the sale of properties	-90,771	-111,151	-124,018	-144,689	-85,221
Earnings from the sale of properties	22,644	34,054	36,395	23,466	2,306
Other operating income	6,693	4,859	8,694	49,859	29,798

Other operating expenses	-23,999	-22,175	-35,704	-32,965	-21,145
Income from fair value adjustments of investment properties	36,957	123,530	199,677	58,860	132,934
EBIT	119,960	217,274	301,835	176,586	170,445
Financial result	-69,773	-80,851	-125,575	-81,434	-39,509
EBT	50,384	147,570	187,444	94,822	132,760
Consolidated net profit	23,968	98,594	133,776	78,283	111,571
Total comprehensive income	25,554	97,282	131,352	78,616	111,148
Earnings per share, undiluted in EUR	0.28	1.42	2.11	1.83	4.65
Earnings per share, diluted in EUR	0.29	1.30	1.94	1.56	3.57

⁽¹⁾ Numbers were taken from a reclassified profit and loss statement set up in the total cost accounting format (*Gesamtkostenverfahren*) which is part of the financial statements for the fiscal year ended December 31, 2015.

8.5 Selected consolidated cash flow information

	Nine-month period ended September 30,		Fiscal year ended December 31,		
	2017	2016	2016	2015 (adjusted) ⁽¹⁾	2014
	(unaudited)		(audited)		
	IFRS (EUR thousand)				
Net cash flows from operating activities	911	81,937	100,550	24,974	16,749
Net cash flows from investing activities	321,011	-74,382	-79,499	-438,706	-208,272
Net cash flows from financing activities	-329,224	44,508	53,358	430,174	217,688
Cash and cash equivalents at the beginning of period	123,911	49,502	49,502	33,060	6,895
Cash and cash equivalents at the end of period	116,609	101,565	123,911	49,502	33,060

⁽¹⁾ The classification has been adapted: net income from at-equity not stated separately.

8.6 Other selected key figures

	Nine-month period ended September 30,		Fiscal year ended December 31,		
	2017	2016	2016	2015	2014
	(unaudited, unless indicated otherwise)				
Other key financials					
EBITDA ⁽¹⁾	120,721	218,142	303,009	177,616	170,942
Adjusted EBITDA ⁽²⁾	95,642	107,746	124,316 ^(*)	95,608 ^(*)	27,168 ^(*)
FFO I ⁽³⁾	27,068	18,629	27,367 ^(*)	16,074 ^(*)	-1,110 ^(*)
FFO II ⁽⁴⁾	38,101	45,245	55,344 ^(*)	44,286 ^(*)	1,400 ^(*)
EPRA NAV (net asset value) ⁽⁵⁾	1,101,798	1,011,154	1,069,940 ^(*)	879,456 ^(*)	351,328 ^(*)

EPRA NAV per share (fully diluted basis) in EUR ⁽⁶⁾	15.19	14.56	16.93 ^(*)	14.05 ^(*)	9.38 ^(*)
Fair Value Investment Properties ⁽⁷⁾	2,640,732	2,402,925	2,441,988 ^(*)	2,270,187 ^(*)	1,170,159 ^(*)
Gross asset value (GAV) ⁽⁸⁾	2,938,785	2,571,181	2,687,021	2,449,958	1,265,905
LTV (excluding convertible bonds) ⁽⁹⁾	59.6%	61.9%	61.3% ^(*)	68.0% ^(*)	68.7% ^(*)
LTV II (excluding convertible bonds) ⁽¹⁰⁾	64.2%	61.6%	59.9%	73.7%	74.9%
Ratio of Indebtedness to Consolidated Total Assets ⁽¹¹⁾	61.5%	64.6%	63.5%	68.5%	69.5%
Ratio of Secured Indebtedness to Consolidated Total Assets ⁽¹¹⁾	41.2%	44.8%	44.2%	51.4%	56.9%
Ratio of Consolidated Adjusted EBITDA to Net Cash Interest (Consolidated Coverage Ratio) ^{(11), (15)}	1.69	1.78	1.59	1.43	0.67
Portfolio					
Rental portfolio	50,641	47,662	47,640	48,218	24,086
of which residential units	49,553	46,551	46,527	47,098	23,108
of which commercial units	1,088	1,111	1,113	1,120	978
Units for privatization	2,613	1,507	2,422	1,934	995
Number of units sold	1,167	1,791	1,910	3,726	1,217
thereof privatized units	669	897	976	600	837
thereof non-core units sold	498	894	934	3,126	380
Occupancy rate in % ⁽¹²⁾	89.9	89.3	90.0	88.8	87.2
Monthly in-place rent ⁽¹³⁾ in EUR/m ²	5.08	4.99	5.00	4.93	5.02
Employees					
Number of employees ⁽¹⁴⁾	535	322	354 ^(*)	271 ^(*)	102 ^(*)
FTE's (Full-time-equivalents) ⁽¹⁴⁾	490	297	321.4	248.6	92.9

^(*) Audited

⁽¹⁾ This is an alternative performance measure. EBITDA refers to earnings before interest, tax, depreciation and amortization and is calculated by adjusting earnings before interest and tax (EBIT) for depreciation and amortization. Investors should consider that EBITDA is neither uniformly applied nor standardized and its calculation may substantially vary from company to company, and, taken by itself, it should not be drawn upon as a basis for comparison to other companies.

	Nine-month period ended September 30,		Fiscal year ended December 31,		
	2017	2016	2016	2015	2014
	(unaudited)		(audited, unless stated otherwise)		
Consolidated net profit	23,968	98,594	133,776	78,283	111,571
Financial result	69,773	80,851	125,576	81,434	39,509
Income taxes	26,416	48,976	53,668	16,539	21,189
Depreciation and amortization	761	868	1,174	1,030	497
Income from investments accounted for using the at-equity method	-197	-11,147	-11,185	330	-1,824
EBITDA	120,721	218,142	303,009	177,616	170,942

- ⁽²⁾ This is an alternative performance measure. The adjusted EBITDA is derived from the consolidated income before interest, tax, depreciation and amortization of tangible and intangible assets of the non-current assets and the net income from at-equity valued investment associates as well as the additional elimination of income from fair value adjustments of investment properties and other non-recurring costs and other extraordinary income and expenditures and below-the-line items (*periodenfremde Erträge und Aufwendungen*). Investors should consider that adjusted EBITDA is neither uniformly applied nor standardized and its calculation may substantially vary from company to company, and, taken by itself, it should not be drawn upon as a basis for comparison to other companies.

	Nine-month period ended September 30,		Fiscal year ended December 31,		
	2017	2016	2016	2015	2014
	(unaudited)		(audited, unless stated otherwise)		
EBITDA	120,721	218,142	303,009	177,616	170,942
Income from fair value adjustments to investment properties	-36,957	-123,530	-199,677	-58,860	-132,934
Non-recurring and extraordinary items	11,878	13,134	20,984	23,148	10,840
Adjusted EBITDA	95,642	107,746	124,316	95,608	27,168

- ⁽³⁾ This is an alternative performance measure. FFO I are derived from the adjusted EBITDA of the respective period plus interest and tax adjusted for non-recurring items.

FFO I were calculated as follows: The interest expense FFO and the current income taxes (excluding deferred taxes) are deducted from the adjusted EBITDA. The interest expense FFO is the interest expense adjusted for non-recurring items. Under this FFO method, value-increasing and value-preserving expenditures respectively are taken into account as they are to be considered separately from the current operational earnings capacity. The FFO I then result from the further elimination of the income before taxes and interest of the Trading segment and the remaining income which is not attributed to a segment.

	Nine-month period ended September 30,		Fiscal year ended December 31,		
	2017	2016	2016	2015	2014
	(unaudited)		(audited, unless stated otherwise)		
Adjusted EBITDA	95,642	107,746	124,316	95,608	27,168
Interest expense FFO	-53,306	-60,097	-73,967	-64,313	-32,474
Current income taxes	-859	-1,384	-826	-1,013	-476
Capitalizable maintenance measures	6,741	6,160	10,107	9,129	6,754
Earnings before interest and taxes from sale of properties	-21,149	-33,797	-32,263	-23,336	-2,089
FFO I	27,068	18,629	27,367	16,075	-1,117

- (4) This is an alternative performance measure. FFO II refer to funds from operations (including from the sale of real estate held as investment properties). The income from real estate sold, the income from companies accounted for at equity, the income before tax of the Trading segment and the remaining income before tax which is not attributed to a segment are added in the respective periods.

	Nine-month period ended September 30,		Fiscal year ended December 31,		
	2017	2016	2016	2015	2014
	(unaudited)		(audited, unless stated otherwise)		
	(EUR thousand)				
FFO I	27,068	18,629	27,367	16,075	-1,117
Earnings after interest and taxes from the sale of properties	11,437	21,459	18,957	20,051	689
Interest from investments accounted for using the at-equity method	-205	-3,198	-4,549	-330	1,824
Value changed realized upon sale	-619	258	4,850	8,490	0
Liquidity-related income from investments accounted for using at equity method	420	8,097	8,720	0	0
FFO II	38,101	45,245	55,345	44,286	1,396

- (5) This is an alternative performance measure. EPRA NAV refers to net asset value calculated in accordance with the guidelines by the European Public Real Estate Association. It is used to represent ADLER's long-term equity and is calculated based on the net asset value (NAV) excluding the fair value of financial instruments (net) and deferred taxes. The EPRA NAV includes fair value adjustments for all main balance sheet items that are not recognized at fair value as part of the EPRA NAV in the IFRS accounts.

	Nine-month period ended September 30,		Fiscal year ended December 31,		
	2017	2016	2016	2015	2014
	(unaudited)		(audited, unless stated otherwise)		
	(EUR thousand)				
Equity	918,671	894,245	914,222	777,921	311,211
Non-controlling interests	-79,483	-69,021	-71,048	-58,563	-19,810
Equity attributable to ADLER shareholders	839,188	825,224	843,174	719,358	291,401
Deferred tax liabilities	192,599	148,977	169,515	114,757	39,083
Difference between fair values and carrying amounts of inventory properties	65,938	30,618	52,101	40,615	10,753
Fair value of derivative financial instruments	5,834	9,354	7,376	6,979	1,443
Deferred taxes of derivative financial instruments	-1,760	-3,019	-2,226	-2,253	-466
EPRA NAV	1,101,798	1,011,154	1,069,940	879,456	342,214

⁽⁶⁾ Based on the number of outstanding shares, including shares on assumed conversion of mandatory convertible notes.

	Nine-month period ended September 30,		Fiscal year ended December 31,		
	2017	2016	2016	2015	2014
	(unaudited)		(audited, unless stated otherwise)		
Number of shares, diluted	80,644,473	70,456,346	64,051,744	64,051,744	39,370,528
EPRA NAV per share in (diluted) in EUR	15.19	14.56	16.93	14.05	9.38

⁽⁷⁾ Fair Value Investment Properties refers to the total fair value of the investment properties as per respective balance sheet date. The fair value of the investment properties is determined on the basis of opinions of external experts based on current market data collected by means of internationally recognized valuation methods.

⁽⁸⁾ Gross asset value (GAV) is defined as the sum of the fair value of investment properties, inventories at cost and investment properties held for sale.

⁽⁹⁾ This is an alternative performance measure. LTV is defined as the ratio of net financial liabilities (adjusted for cash and cash equivalents) to assets (adjusted for cash and cash equivalents). Convertible notes were excluded.

	Nine-month period ended September 30,		Fiscal year ended December 31,		
	2017	2016	2016	2015	2014
	(unaudited)		(audited, unless stated otherwise)		
	(EUR thousand)				
Convertible Bonds	125,487	144,984	145,424	35,605	33,937
Bonds	541,002	518,865	517,735	489,864	144,782
Financial liabilities to banks	1,462,573	1,597,537	1,632,830	1,616,649	838,897
Cash and cash equivalents	-116,609	-101,565	-123,911	-49,502	-33,060
Net financial liabilities	2,012,453	2,159,821	2,172,078	2,092,616	984,556
Assets (net of cash)	3,164,603	3,252,554	3,306,567	3,026,744	1,383,399
LTV including convertible bonds (in %)	63.6	66.4	65.7	69.1	71.2
LTV excluding convertible bonds (in %)	59.6	61.9	61.3	68.0	68.7

⁽¹⁰⁾ This is an alternative performance measure. LTV II is defined as the ratio of adjusted net financial liabilities (net financial liabilities adjusted for sales receivables/ marketable securities) to adjusted fair value of real estate portfolio. Convertible notes were excluded.

	Nine-month period ended September 30,		Fiscal year ended December 31,		
	2017	2016	2016	2015	2014
	(unaudited)		(audited, unless stated otherwise)		
Convertible Bonds	125,487	144,984	145,424	35,605	33,937
Bonds	541,002	518,865	517,735	489,864	144,782
Financial liabilities to banks	1,462,573	1,597,537	1,632,830	1,616,649	838,897
Cash and cash equivalents	-116,609	-101,565	-123,911	-49,502	-33,060
Net financial liabilities	2,012,453	2,159,821	2,172,079	2,092,616	984,555
Sales receivables/ marketable securities	-11,721	-439,211	-427,136	-5,696	-7,252
Adjusted net financial liabilities	2,000,732	1,720,610	1,744,944	2,086,920	977,303
Investment Properties	2,640,732	2,402,925	2,441,988	2,270,187	1,170,159
Inventories	279,869	155,138	227,057	159,654	89,617
Shares in other real estate companies	-	-	-	353,343	-
Adjusted fair value of real estate portfolio	2,920,601	2,558,064	2,669,046	2,783,184	1,259,776
LTV II including convertible bonds (in %)	68.5	67.3	65.4	75.0	77.6
LTV II excluding convertible bonds (in %)	64.2	61.6	59.9	73.7	74.9

⁽¹¹⁾ These terms have the meanings ascribed thereto in, and the relevant ratios are calculated in accordance with, the Indenture, the material terms of which are reproduced in section 17 “*Description of the Notes – Certain Definitions*”.

⁽¹²⁾ proprietary rental units

⁽¹³⁾ average rental income (per square meter and month) for the overall portfolio

⁽¹⁴⁾ As at the balance sheet date of the respective period, including management board members.

⁽¹⁵⁾ This is an alternative performance measure. Ratio of Consolidated Adjusted EBITDA to Net Cash Interest. Net Cash Interest means all interest and other financing charges accrued to persons who are not members of the Group less the amount of any interest and other financing charges accrued to be received from persons who are not members of the Group, in each case, excluding any one-off financing charges (including without limitation, any one-off fees and/or break costs).

8.7 Selected leverage metrics giving pro forma effect to the Offering

	Historical		Pro forma ²
	December 31, 2016	September 30, 2017	September 30, 2017
Ratio of Indebtedness to Consolidated Total Assets ¹	63.5%	61.5%	56.0%
Ratio of Secured Indebtedness to Consolidated Total Assets ¹	44.2%	41.2%	16.2%
Ratio of Consolidated Adjusted EBITDA to Net Cash Interest (Consolidated Coverage Ratio) ¹	1.59x	1.69x	1.99x
LTV including convertible bonds	65.7%	63.6%	65.5%
LTV excluding convertible bonds	61.3%	59.6%	61.4%
LTV II including convertible bonds	65.4%	68.5%	68.0%

LTV II excluding convertible bonds	59.9%	64.2%	63.3%
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¹ Defined terms in this table have the meanings ascribed thereto in, and are calculated in accordance with, the Indenture.

² Gives effect to the Offering. Assumes for this purpose net proceeds from the Offering (after deduction of EUR 12 million total costs incurred in connection with the Offering) of EUR 788 million. For illustrative purposes, it is further assumed that from the net proceeds EUR 768.75 million would be used for the refinancing of existing financial liabilities (including prepayment fees) and EUR 19.25 million for general corporate purposes.

9 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Investors should read the following discussion and analysis of the financial condition and results of operations of the Company together with section 7 "Selected Financial Information", section 2 "Risk factors" and section 6 "Business" in this Prospectus, the Consolidated Financial Statements and the Audited Unconsolidated Financial Statements.

The following discussion and analysis of the financial condition and results of operations contains forward-looking statements based on assumptions with respect to the future development of the Company's business. The Company's actual results could differ materially from the expectations contained in these forward-looking statements, particularly due to the influence of the risks described in section 2 "Risk factors" and the material factors influencing the results of operations.

The Consolidated Financial Statements as well as the Audited Unconsolidated Financial Statements are incorporated by reference into this Prospectus. For further information see section 25 "Incorporation by Reference".

The following discussion and analysis of the Company's financial condition and results of operations should be read in conjunction with these financial statements and the respective related notes.

To the extent figures for the fiscal year 2015 are shown in conjunction with figures for the fiscal year 2016, they were taken from the consolidated financial statements for the fiscal year ended December 31, 2016 and represent the prior-year comparative figures. To the extent figures for the fiscal year 2014 are shown in conjunction with figures for the fiscal year 2015, they were taken from the consolidated financial statements for the fiscal year ended December 31, 2015 and represent the prior-year comparative figures.

To the extent figures for the nine months ended September 30, 2016 are shown in conjunction with figures for the nine months ended September 30, 2017, they were taken from the Unaudited Consolidated Interim Financial Statements and represent the prior-year comparative figures.

Ebner Stolz has audited the Audited Consolidated Financial Statements prepared in accordance with IFRS in accordance with § 317 German Commercial Code (Handelsgesetzbuch, "HGB") and the generally accepted German standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW) and has issued unqualified audit opinions thereon.

The figures below were rounded up or down in accordance with standard commercial practice. For this reason, it is possible that the sum of the figures set out in a table does not exactly match the totals which may also be set out in the table. Moreover, to the extent figures are shown in percentages, it is possible that the total does not add up to 100.0%. With respect to the following financial information "n/a" means that the corresponding figure is not available whereas zero ("0") means that the corresponding figure is available but has been rounded to zero.

9.1 Introduction – Overview of business activities

The Company and its consolidated subsidiaries are a residential real estate group operating in two distinct operating segments.

In its **Rental** segment, ADLER aims at growing and managing a profitable and cash-flow generating residential real estate portfolio throughout Germany. As of September 30, 2017, ADLER held 49,553 residential and 1,088 commercial units (excluding 2,613 units held in inventories for privatization) with a rental space of 3.2 million sqm and a fair value of EUR 2,640.7 million and an annualized actual rent (including parking spaces and other areas) of approximately EUR 178 million, with a regional focus on Lower Saxony (17,694 units), North Rhine-Westphalia (10,824 units), Saxony (7,339 units), Brandenburg (3,707 units) and Saxony-Anhalt (3,476 units).

With the acquisition of a 92.7% stake in ACCENTRO in June 2014 (which stake decreased to approximately 86% since such acquisition as a result of the conversion of convertible notes issued by ACCENTRO that were held by persons other than the Company), ADLER expanded its business model in its **Trading** segment to include the privatization of residential property held in its own portfolio and in the portfolios of others and

residential property trading. However, on October 20, 2017, following a strategic review and with a view to focusing on its core residential rental business and increasing its level of unencumbered assets, the Company entered into a share purchase agreement regarding approximately 80% out of its current 86% stake in ACCENTRO and 4,743,359 convertible notes issued by ACCENTRO with respect to a further 4,809,282 underlying shares which are not yet issued. Subject to the closing of this transaction, which is expected to occur in the fourth quarter of 2017, the Company intends to discontinue its Trading segment by the end of 2017.

In the fiscal year ended December 31, 2016, ADLER generated consolidated income of EUR 412.81 million (2015: EUR 384.79 million) from the management and sale of property and consolidated net profit of EUR 133.78 million (2015: EUR 78.28 million). In the nine-month period ended September 30, 2017, ADLER generated consolidated income of EUR 309.55 million (corresponding period 2016: EUR 341.57 million) from the management and sale of property and consolidated net profit of EUR 23.97 million (corresponding period 2016: EUR 98.59 million).

As at September 30, 2017, ADLER's total headcount amounted to 535 (including board members) and the total number of FTEs was 490 (including board members).

9.2 Material factors influencing the results of operations

The Company is of the view that during the period from January 1, 2014 onwards, the following factors materially contributed to the development of ADLER's business and results of operations and are expected to continue to have a material influence on the results of operations.

Economic development on the real estate market and market developments in the individual regions

ADLER generates its revenues from renting residential real estate and from the sale of individual apartments and properties. ADLER's business success is therefore particularly dependent on the performance of the German real estate market, the demand for properties, in particular rented properties, in Germany and certain regions therein, the level of achievable rents, the expenses necessary to generate these revenues, as well as the level of achievable purchase and sales prices and the market value of the properties that are sold by ADLER. The German real estate market, in turn, is dependent in particular on the performance of the overall economy, political developments, including changes in legislation, and the demand for real estate in Germany.

The demand for real estate is driven mostly by demographic developments, interest rate levels and financing conditions, labor market performance, the personal debt levels of potential buyers, the real income levels of individuals, and foreign investor activity on the German real estate market. Economic studies forecast that demographic change, including a shrinking and ageing population, will cause the nationwide demand for accommodation to decrease in Germany in the long term, although the total number of households is expected to grow, due to a trend towards smaller household sizes and in particular one-person households.

Economic and demographic forecasts for metropolitan areas in Germany differ from forecasts for less densely populated regions. Other macro-economic indicators, such as the development of gross domestic product (GDP), unemployment rates, purchasing power and the development of the average household size, are also expected to develop in a diverse manner across the different regions in which ADLER owns properties. In addition, the development of the real income and unemployment rates affect the population's buying power, and therefore their propensity to acquire residential real estate, or to lease higher level residential spaces. An increase in national indebtedness or interest rates could impact private and institutional investors' propensity to invest in real estate. Another relevant factor for demand has been the general tax environment, in particular tax incentives e.g. for real estate investments and refurbishments. However, such tax incentives have been reduced considerably in the recent past. However, there are still state subsidies for environmentally friendly buildings and refurbishments.

In addition, the demand for real estate is also driven by macroeconomic developments. The global financial and economic crisis and the slow and uncertain recovery of the global economy as well as recent political developments (such as the Greek debt crisis, the Ukraine crisis and the United Kingdom's withdrawal from the European Union) have resulted in increased uncertainty regarding future economic developments. This uncertain economic outlook has increased demand for investment opportunities that provide stable and largely predictable cash flows, including investments for German real estate. As a result, property prices and the value of residential real estate companies have increased.

Development of the occupancy rate and reduction of vacancies

ADLER's business success significantly depends on its ability to maintain and increase rental income and to reduce vacancy rates in rental properties in the course of its real estate management activities. Vacancies not only decrease rental revenues but also trigger operating and ancillary costs of the property which would otherwise be borne by the tenant. For this reason, the occupancy rate is a key measure of ADLER's results of operations. As of September 30, 2017, approximately 10.1% of ADLER's rentable space was vacant. Of ADLER's core units, the vacancy rate was 8.9% as at September 30, 2017.

ADLER intends to take advantage of the potential to increase the income from its residential portfolio by actively reducing vacancy rates. A reduction in vacancies (particularly in newly acquired portfolios which had not been managed effectively) can be achieved through renovation and modernization projects in selected properties, maintenance and further improvement of the tenant structure. External circumstances, such as a change in infrastructure or population structures, have an influence on neighborhoods and thus the attractiveness of properties. The reduction in vacancy within the residential portfolios over the past three years resulted in an increase in rental income for these properties while also increasing the proportion of operating and ancillary costs chargeable to tenants.

Cost efficient management of the real estate portfolio

ADLER's results of operations are affected by its ability to manage its real estate portfolio in a cost-efficient manner and generate economies of scale. Through the effective operational management of its real estate portfolio, ADLER has succeeded in reducing vacancies in its existing portfolio of residential real estate, especially through renovations, improvement investments and the disposal of unattractive parts of the acquired portfolios or properties located at the margins. The Company is also of the opinion that its asset and property management team, which uses to some extent external property managers, is set up in a manner that allows for an expansion of the real estate portfolio without incurring major additional cost. A further reduction of average costs can be achieved through economies of scale. As at September 30, 2017, ADLER concentrates on several key regions, being Lower Saxony, North Rhine-Westphalia, Saxony, Brandenburg and Saxony-Anhalt. By acquiring real estate portfolios with a regional overlap with these key regions they can be further strengthened. This will allow ADLER to generate economies of scale by using its existing asset and property management resources for newly acquired properties, partly without significantly increasing costs. This approach is intended to contribute to increased profitability while keeping personnel and other administrative costs at reasonable levels. In particular, ADLER plans to raise profitability by increasing efficiency in managing residential properties, including increased use of own facility management. For example, ADLER acquired existing facility management resources through the acquisition of the portfolio "Magnus V" in 2015 that it increasingly uses for the management of other portfolios as well. Likewise, ADLER increased its facility management resources with the takeover of WESTGRUND in mid-2015. ADLER intends to offer its tenants virtually the whole range of residential services on an in-house basis, rather than via third-party service providers as in the past. To establish maximum direct contact with its tenants, ADLER pooled its in-house property management activities into the newly founded company ADLER Wohnen Service GmbH. This company has now built up a regional structure which allows it to manage all Group properties. By the beginning of 2017, this was the case for just over half of the portfolio, whereas ADLER plans to have the property management of all Group properties internalized by early 2018. The Group is taking a similar approach with regard to its facility management, i.e. for tradesman and caretaker services at and in the properties. Here, too, ADLER intends to provide the predominant share of these services with in-house resources. To this end, ADLER Gebäude Service GmbH (previously: Arkadio Facility Management GmbH) has also developed a regional structure largely analogous to its property management counterpart.

ADLER expects this evolution into an integrated real estate group to boost tenant satisfaction and reduce turnover rates. ADLER further expects this process to be bolstered by its newly introduced ADLER tenant app (*ADLER Mieter App*). The ADLER tenant app, an innovative instrument so far unique in the sector, is intended to facilitate communication with tenants and boost tenant retention and was launched at the beginning of May 2017 in the Helmstedt region. Initial experience shows that this service has been favorably received by the large majority of ADLER's tenants. ADLER has now offered this app to tenants in other regions and expects to make this new communication instrument available to all of its tenants before year-end 2017.

Leveraging the potential for appreciation by means of modernization and renovation measures

ADLER's results of operations are directly affected by the amount of achievable rental revenues from its property portfolio. The condition and standard of living offered by a residential property are highly significant in this regard. Ongoing maintenance and timely modernization of portfolio properties affect the achievable rent and thus ADLER's rental revenues. Many residential complexes usually have potential for upgrades, which can be used to increase income. This includes investments in energy-focused renovations and modernizations, which involve fitting windows with higher insulation values and/or composite insulation systems on the facades. In addition, residential quality can be improved by renovating bathrooms, creating more marketable apartment sizes by combining apartments. Consideration is also given to upgrade potential, for example by expanding attic stories into new apartments and enhancing and extending apartments by adding dormer windows, balconies or terraces, or using gaps between buildings or other developable parts of the land. The goal of these portfolio development measures is to maintain or restore the buildings to a condition in line with current market demands in order to guarantee long-term rentability and therefore a sustainable flow of rental income. After such renovation or modernization projects are completed, higher actual rents can usually be obtained, or in single cases where portfolio optimization is intended, ADLER can sell the property to third parties at a higher market price.

Development of the value of the acquired real estate portfolios and measurement of investment properties at fair value

ADLER carries the real estate held as investment properties (i.e. properties held for the purpose of generating income from their rental and/or for the purpose of appreciation) at fair value pursuant to IFRS. The value of real estate usually depends on the general development of the real estate market as well as the general economic situation and certain factors relating to specific properties. The real estate portfolio held as investment properties thus immediately reflects positive as well as negative changes in the relevant property market and the individual properties as a result of the valuation required to be carried out annually (reported in the income statement as "Income from fair value adjustments to investment properties").

Upon acquisition, investment properties are measured at cost including ancillary purchase costs. In subsequent reporting periods, investment properties are measured at fair value. In the past, as the fair values as per the balance sheet date exceeded the initial book values in many instances, the initial valuation at fair value resulted in a substantial valuation gain for ADLER.

In the nine-month period ended September 30, 2017, ADLER achieved EUR 52,298 thousand (corresponding period 2016: EUR 138,836 thousand) in valuation gains. Conversely, valuation losses amounted to EUR 15,342 thousand (corresponding period 2016: EUR 15,306 thousand), resulting in a net valuation result of EUR 36,957 thousand in the nine-month period ended September 30, 2017 (corresponding period 2016: EUR 123,530 thousand). In the fiscal year ended December 31, 2016, ADLER achieved EUR 219,483 thousand (2015: EUR 108,679 thousand; 2014: EUR 139,190 thousand) in valuation gains. Conversely, valuation losses amounted to EUR 19,806 thousand (2015: EUR 49,819 thousand; 2014: EUR 6,257 thousand), resulting in a net valuation result of EUR 199,677 thousand in 2016 (2015: EUR 58,860 thousand; 2014: EUR 132,934 thousand).

The recognition of investment properties at their fair value can therefore have positive but, in an economic downturn, also negative effects on ADLER's results of operations. Moreover, gains and losses from valuation do not represent effective cash-flows. Actual inflows and outflows of cash only occur if the investment properties are sold at a later date. As a result of this method, the volatility of the consolidated profit or loss under IFRS is substantially higher than the profit and loss under German GAAP (HGB), in which the gain is generally recognized at the date of disposal and losses are recognized if expert opinions indicate the need for impairment. Furthermore, material losses from the fair value adjustment of investment properties could negatively affect ratios important for ADLER such as net asset value (NAV) or the loan-to-value ratio (LTV ratio), which in turn could result in the violation of financial covenants in loan agreements or bond terms.

Integration of acquired portfolios and generation of synergies

Following its operative realignment in 2012 and in the period covered by the historical financial information, ADLER has substantially expanded its real estate portfolio by acquiring numerous real estate portfolios. In the fiscal year 2013, ADLER acquired approximately 10,000 residential units of which approximately 2,000 units were resold again in January 2015. As at December 31, 2013, ADLER held 7,797 residential units with a rental space of 492,848 sqm. Throughout the year 2014 until January 31, 2015, ADLER acquired approximately

23,000 residential units through various portfolio transactions. This included the public takeover of ACCENTRO in June 2014. Moreover, ADLER acquired a majority shareholding in seven real estate companies (Portfolio “Spartacus”) as well as a smaller portfolio in Thuringia (jointly referred to as “Magnus III Portfolio”) with about 8,000 residential and 500 commercial units and a total rentable area of approximately 560,000 sqm in 2014. In October 2014, approximately 4,300 residential units in Bavaria, Berlin, North Rhine-Westphalia, Saxony and Saxony-Anhalt (Portfolio “Raven”) were acquired by ACCENTRO. The total area comprises approximately 284,000 sqm. About 3,400 of these units are held by ADLER as long-term portfolio properties. Of the remaining approximately 900 units intended to be sold by the group company Accentro GmbH as freehold apartments (*Eigentumswohnungen*) on an individual sales basis, a total of 674 units had been sold as of December 31, 2016. Those units are both being marketed as single units as well as undivided block sales, especially with regard to commercial units.

In January 2015, ADLER acquired all shares in real estate holding companies with approximately 6,750 residential units in Wilhelmshaven/Lower Saxony (Portfolio “Magnus V”). In the first half of 2015, ADLER also acquired 94.90% of the shares in WESTGRUND, which further increased ADLER’s portfolio to approximately 50,000 units.

Having consolidated its business in the fiscal year 2016, ADLER has acquired a smaller portfolio with approximately 700 units near Bremen in March 2017, approximately 190 rental units in Senftenberg, Brandenburg, at the end of the second quarter 2017, and further 2,505 rental units with an emphasis on fast-growing locations in North Rhine-Westphalia, Lower Saxony and Bremen in the third quarter 2017. ADLER intends to further expand its portfolio at a moderate rate with a focus on regions in which ADLER is already present and thus intends to generate further benefits of scale.

As of September 30, 2017, ADLER held 49,553 residential and 1,088 commercial units (excluding 2,613 units held in inventories for privatization) with a rental space of 3.2 million sqm and a fair value of EUR 2,640.7 million and an annualized actual rent (including parking spaces and other areas) of approximately EUR 178 million, with a regional focus on Lower Saxony (17,694 units), North Rhine-Westphalia (10,824 units), Saxony (7,339 units), Brandenburg (3,707 units) and Saxony-Anhalt (3,476 units).

The growth associated with acquisitions of additional residential properties must be met by appropriate changes in the internal organization, on the group management level and the organizational structures of ADLER. The Company operates as a financial holding managing and controlling several management companies which, in turn, hold the real estate properties and carry-out property and facility management. The increased growth over the past years requires, for instance, that new staff be added and new structures be created, with respect to asset management, accounting, internal reporting and supervision, compliance, risk management, internal revision and group wide IT. If future acquisitions were to alter ADLER’s geographical focus, it could become necessary to create or integrate new corporate structures in order to improve regional supervision and risk management. All these measures would be associated with increased costs. ADLER needs to offset and outweigh these increased costs through generating synergies and economies of scale.

Availability of financing and financing costs

ADLER finances its business activities and particularly its portfolio acquisitions to a large extent with borrowed money and debt capital markets instruments (notes, convertible notes, promissory notes (*Schuldscheine*)) in substantial amounts, which, in the balance sheet, totaled EUR 2,129,061 thousand as of September 30, 2017. Furthermore, additional financial debt in the amount of EUR 6,815 thousand as of September 30, 2017 are reflected in the balance sheet item “liabilities held for sale”. For the fourth quarter of 2017, ADLER has budgeted debt service in the amount of EUR 29,939 thousand, and EUR 96,155 thousand for the entire fiscal year 2017.

The general availability and terms for the debt financing negotiated with the financing banks and for the debt instruments issued are largely dependent on general developments in the credit market and the demand by investors. The development of market interest rates and the banks’ lending policies therefore significantly affect ADLER’s financing costs and hence its results of operations. The interest expenses can be reduced and therefore the Company’s earnings can be improved by entering into favorable financing agreements (loans with fixed interest rate agreements or loans with variable interest rate agreements in combination with and interest rate swaps). Conversely, unfavorable financing terms can have a negative effect on profit or loss. Even though the majority of the loans entered into by ADLER has fixed interest rates, if financings are renewed or refinanced, the prevailing market interest will rate come into play. Currently, interest rates in Germany on (real estate) loans are

at historically low levels which have had and will continue to have a positive effect on ADLER's financing expenses.

Interest rates do not only affect the financing costs but also influence the discount rate used to calculate the fair value of real estate portfolios, which tends to rise in case interest rates increase as the market prices paid for the units tend to decline. The discount rate, in turn, has an effect on the discounts and thus on the fair value of the properties. Rising interest rates therefore generally have a negative impact on the fair value of ADLER's real estate portfolio while decreasing interest rates have a positive effect.

9.3 Significant accounting and measurement principles

Scope of consolidation

The consolidated financial statements include the Company and all companies in which the Company holds the majority of shareholder voting rights.

In the Unaudited Consolidated Interim Financial Statements for the nine-month period ended September 30, 2017, the scope of consolidation includes the Company as parent and a total of 134 (fiscal year 2016: 126; fiscal year 2015: 121; fiscal year 2013: 76) companies which are fully consolidated in accordance with IFRS 3.

In the Unaudited Consolidated Interim Financial Statements for the nine-month period ended September 30, 2017, five (fiscal year 2016: five; fiscal year 2015: six; fiscal year 2014: six) investments are accounted for using the equity method.

In the Unaudited Consolidated Interim Financial Statements for the nine-month period ended September 30, 2017, four (fiscal year 2016: four; fiscal year 2015: three; fiscal year 2014: two) companies accounted for in accordance with the equity method were not included in the scope of consolidation due to immateriality.

Consolidation principles

Subsidiaries

Subsidiaries are all companies (including special purpose entities) whose financial and operating policies are controlled by the Company, regularly accompanied by a majority of voting rights of more than 50%. When assessing whether the Company controls an entity, the existence and effects of potential voting rights that are currently exercised or convertible are taken into account.

Subsidiaries are fully consolidated as from the date on which control was transferred to the parent. They are deconsolidated as from the date on which control ceases.

All material subsidiaries are included in the consolidated financial statements. If shares in subsidiaries are considered to be of subordinate significance from a group perspective, they are reported as available-for-sale financial assets.

Company acquisitions within the meaning of IFRS 3 are reported using the acquisition method. Under the acquisition method, the cost of the acquisition is allocated to the individually identifiable assets, liabilities and contingent liabilities acquired in proportion to their fair value as of the acquisition date. Any unallocated amount is recognized as goodwill, negative goodwill is recognized through profit or loss. Acquisition-related costs are recognized as expenses.

The shares in the net assets of subsidiaries that are not attributable to the Company are shown as a separate component of equity under non-controlling interests. The effects of purchase accounting recognized directly in the income statement are also included in calculating the share in the consolidated net result attributable to minorities. Minority interests in partnerships are reported under other liabilities.

The acquisition of real estate companies that do not constitute business operations within the meaning of IFRS 3 are reported as a direct acquisition of real estate (asset deal). The cost of the real estate company is allocated to the individually identifiable assets and liabilities based on fair values. If the acquisition involves the issue of own

shares, the individually identifiable assets and liabilities are carried at their fair values. The acquisition of real estate companies therefore does not result in positive or negative goodwill from capital consolidation.

Most of the changes to the scope of consolidation **as at December 31, 2014** result from the acquisitions of ACCENTRO Real Estate AG and its subsidiaries, WBG GmbH and a further eight companies, which also enabled the acquisition of a further real estate portfolio (“**Magnus III**”).

The following shelf companies were acquired in 2014 and were fully consolidated pursuant to IFRS 3 without any major impact for the first time in the consolidated financial statements **as at December 31, 2014**:

- Magnus Dritte Immobilienbesitz und Verwaltungs GmbH
- Magnus Vierte Immobilienbesitz und Verwaltungs GmbH
- Magnus Fünfte Immobilienbesitz und Verwaltungs GmbH
- Magnus-Relda Holding Vier GmbH

The following acquired companies were fully consolidated – pursuant to IFRS 3 – for the first time in the consolidated financial statements **as at December 31, 2014**:

- ACCENTRO Real Estate AG with its subsidiaries (ACCENTRO subgroup)
- Energy AcquiCo I GmbH with its subsidiary WBG GmbH
- WER 1. Wohnungsgesellschaft Erfurt Rieth GmbH and WER 2. Wohnungsgesellschaft Erfurt Rieth GmbH

The following acquired companies were fully consolidated – pursuant to IFRS 3 – for the first time in the consolidated financial statements for the fiscal year ended **December 31, 2015**:

- ADLER ImmoProjekt Erste GmbH
- ADLER ImmoProjekt Zweite GmbH
- ADLER Immo Invest GmbH
- MountainPeak Trading Limited
- Magnus Sechste Immobilienbesitz und Verwaltungs GmbH
- Magnus Siebte Immobilienbesitz und Verwaltungs GmbH
- Magnus Achte Immobilienbesitz und Verwaltungs GmbH
- Magnus Neunte Immobilienbesitz und Verwaltungs GmbH
- MBG Projektentwicklungsgesellschaft mbH
- Magnus Inkasso GmbH
- ACCENTRO Verwaltungs GmbH
- Stresemannstr. 32 Projekt GmbH
- Kantstraße 130b/Leibnitzstraße 36/36a Immobiliengesellschaft mbH
- Kantstraße 130b/Leibnitzstraße 36/36a GbR

- Koppenstr. Wohneigentum GmbH
- Wohnungsbaugesellschaft JADE mbH with two subsidiaries
- WESTGRUND AG with 30 subsidiaries

In addition thereto, the following property companies were included in the consolidated financial statements for the first time:

- WBL Wohnungsgesellschaft Berlin Lichtenberg 1 GmbH
- WBL Wohnungsgesellschaft Berlin Lichtenberg 2 GmbH
- WBL Wohnungsgesellschaft Berlin Lichtenberg 3 GmbH
- WBL Wohnungsgesellschaft Berlin Lichtenberg 4 GmbH
- WBL Wohnungsgesellschaft Berlin Lichtenberg 5 GmbH

In the fiscal year ended **December 31, 2015**, the following companies were deconsolidated:

- ESTAVIS Berlin Hohenschönhausen GmbH
- ESTAVIS Filmfabrik GmbH & Co. KG
- ESTAVIS Vermögensverwaltung GmbH
- Estavis Grundstücksgesellschaft mbH
- Erste ADLER Real Estate GmbH & Co. KG
- Erste ADLER RE mbH
- J2P Service GmbH

The following companies were fully consolidated – pursuant to IFRS 3 – for the first time in the fiscal year ended **December 31, 2016**:

- Magnus Zehnte Immobilienbesitz und Verwaltungs GmbH
- Magnus Elfte Immobilienbesitz und Verwaltungs GmbH
- Zweite CM Real Estate GmbH
- Dritte CM Real Estate GmbH
- Vierte CM Real Estate GmbH
- ACCENTRO 2. Wohneigentum GmbH
- ACCENTRO 3. Wohneigentum GmbH
- ACCENTRO 4. Wohneigentum GmbH
- ACCENTRO 6. Wohneigentum GmbH
- ACCENTRO 7. Wohneigentum GmbH

- WEAVED Immo Finance B.V.
- J2P Service GmbH

In the the fiscal year ended **December 31, 2016**, the following companies were deconsolidated:

- Stresemannstr. 32 Projekt GmbH
- Adler US Real Estate GmbH
- Adler Projekt Homburg GmbH
- ESTAVIS Friedrichshöhe GmbH
- Liaen Lorentzen Partners AG
- Westgrund Westfalen Verwaltungsgesellschaft mbH
- Estavis 37. Wohnen GmbH & Co. KG

The following companies acquired were fully consolidated – pursuant to IFRS 3 – for the first time in the **Unaudited Consolidated Interim Financial Statements** for the nine-month period ended **September 30, 2017**:

- ACCENTRO 8. Wohneigentum GmbH
- ACCENTRO 9. Wohneigentum GmbH
- ACCENTRO 10. Wohneigentum GmbH
- ACCENTRO 11. Wohneigentum GmbH
- ACCENTRO 12. Wohneigentum GmbH
- ACCENTRO 13. Wohneigentum GmbH
- Cuvrystraße 44,45 Bestand GmbH
- KKL Immobilienservice GmbH
- TGA Immobilien Erwerb 3 GmbH
- ADP Germany S.à r.l.
- ADP Germany II S.à r.l.
- ADP Germany III S.à r.l.

In the nine-month period ended September 30, 2017, the following companies were deconsolidated:

- MBG Moosburg GmbH & Co. KG
- Dritte ADLER Real Estate GmbH & Co. KG
- KKL Immobilienservice GmbH
- J2P Service GmbH

Associates

Investments over which the Company exerts significant influence – as a rule resulting from shareholdings between 20% and 50% – are generally measured using the equity method. For those investments measured at equity, the costs are increased or decreased annually by the change in equity attributable to the Group. Any goodwill arising from the initial inclusion of companies at equity is accounted for in the same way as goodwill relating to fully consolidated companies.

Gains and losses from transactions between Group companies and associates are eliminated in accordance with the share in the associate. Gains and losses from transactions between associates are not eliminated. Transactions with minority interests are treated in the same way as transactions with entities outside the Group. The disposal of shares in minorities results in the recognition of a realized gain or loss in the consolidated financial statements. By contrast, the acquisition of shares in minorities results in goodwill in the amount of the difference between the purchase price and the Group's share of the carrying amount of the subsidiary's net assets.

Intangible assets and property, plant and equipment

Separately purchased intangible assets are initially recognized at cost. Following initial recognition, intangible assets with finite useful lives are amortized using the straight-line method over their estimated useful lives, generally over three to five years, and should be tested for possible impairment as soon as there are indications of impairment. Impairments of intangible assets are recognized in profit or loss within the depreciation and amortization of intangible assets.

Intangible assets with indefinite useful lives, which include goodwill in particular, are not subject to scheduled amortization. They are tested for impairment at least annually either on the basis of the individual asset or at the level of the cash-generating unit. An impairment test is also carried out if impairment events have taken place.

Property, plant and equipment are recognized at cost, less cumulative scheduled depreciation and cumulative impairment losses. Costs include expenses directly attributable to the acquisition. Subsequent acquisition or production costs are only capitalized if it is likely that the Company will gain an economic benefit from it in the future. Repairs and maintenance are recognized in profit or loss in the statement of comprehensive income in which they are incurred.

Property, plant and equipment are depreciated using the straight-line method over the estimated useful lives, usually between three and 20 years (office equipment) or six to 13 years (vehicle fleet and external facilities). The depreciation methods and useful lives are reviewed and, if necessary, adjusted at every balance sheet date. The carrying amount of the property, plant and equipment is tested for impairment as soon as there are indications that the carrying amount exceeds the recoverable amount.

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

Gains and losses from the disposal of assets are calculated as the difference between the sales income and carrying amount and recognized through profit or loss.

Investment properties

Investment properties include all real estate held long term for the purpose of generating earnings from property lettings and increasing value. In contrast to investment properties, inventories constitute assets which are held for sale in the normal course of business, which are in the process of construction for such sale or which are used in the course of the production of products and/or the rendering of services. Therefore, real estate held as available for sale during normal business operations or which is being developed or is to be developed with the intention of being sold do not fall within the application of IAS 40. Such real estate should be reported under inventories (IAS 40.9(a)) and falls within the application of IAS 2.

Upon acquisition, investment properties are valued at cost including ancillary purchase costs. In subsequent reporting periods, investment properties are reported at fair value. The valuation results are presented in the consolidated statement of income and accumulated earnings under "Income from fair value adjustments of investment properties".

The fair value of real estate is the price that would be received for the sale of an asset between knowledgeable, willing parties in an arm's length transaction or, in the case of the transfer of a liability, the price that would be paid. The fair value implies in principle the sale of an asset. It equates to the (theoretical) price to be paid to the seller in a (hypothetical) sale of real estate on the valuation date. Benefit or value maximization is considered, provided it is technically possible, legally permissible and financially viable.

The fair value can be determined by applying the market-based approach, the cost-based approach or the income-based approach. In this process, as many observable, market-based input factors as possible are used and the use of non-observable input factors kept to a minimum.

IFRS 13 requires that investment properties be classified at fair value and that the sources of the input factors used in determining the fair value be cited. Classification takes place using the following three-step measurement hierarchy:

- Step 1: Non-adjusted, quoted prices on active markets for identical assets and liabilities, on the condition that the reporting entity has access to these active markets on the valuation date
- Step 2: Directly or indirectly observable input factors that are not attributable to step 1
- Step 3: Non-observable input factors

In the consolidated financial statements, investment properties are not dealt with actively, rather are valued using input factors that are based on non-observable market data (step 3).

The fair values of investment properties are determined on the basis of expert opinion prepared by external experts based on current market data and using internationally recognized valuation methods. The discounted cash flow and the income capitalization methods were used pursuant to the German Property Valuation Ordinance (ImmoWertV) for the fiscal years 2014 and 2015, whereas exclusively the discounted cash flow method was since the beginning of the fiscal year 2016.

Investment properties are derecognized when they are sold or unused over a sustained period of time and no future economic benefit is expected from their disposal. Gains or losses from sale or discontinuation are recognized in the year of sale or discontinuation. Gains or losses are the difference between the sale price and the carrying amount less any costs of sale.

If real estate is acquired for trading purposes and allocated to inventories accordingly, they are reclassified to investment properties if it becomes clear that the entity is distancing itself from its intention to sell and plans to retain the real estate in its portfolio for a longer period of time and the purpose of the real estate is to generate long-term earnings from property lettings and value increases.

Real properties which are acquired to carry out a renovation or revitalization are reported under investment properties in the balance sheet, if they are held for generating rental income and appreciation in the long term in the future. At the aforementioned stage, valuation is effected at cost, whereas the preparation of a property value opinion by an expert is waived.

Impairment of assets

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 amortization, but are tested annually for impairment. The same applies to goodwill. Assets subject to scheduled amortization are tested for impairments when events or changes in circumstances indicate that the carrying amount may no longer be recoverable. Impairment losses are recognized in the amount by which the carrying amount exceeds the recoverable amount. The recoverable amount is the higher of the 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 on the level of a single cash-generating unit or a group of cash-generating units to which it is allocated.

The main cash-generating units defined by the Group relate to properties and interests in properties. 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 and 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.

A further group of cash-generating units for which goodwill was monitored for internal management purposes related to the Trading segment which aggregated the business activities at ACCENTRO in connection with the acquisition and disposal of properties, including privatization and intermediary activities performed in this context. However, on October 20, 2017, following a strategic review with a view to focusing on its core residential rental business and increasing its level of unencumbered assets, the Company entered into a share purchase agreement regarding approximately 80% out of its current 86% stake in ACCENTRO and 4,743,359 convertible notes issued by ACCENTRO with respect to a further 4,809,282 underlying shares which are not yet issued. Subject to the closing of this transaction, which is expected to occur in the fourth quarter of 2017, the Company intends to discontinue its Trading segment by the end of 2017.

Write-ups are made at amortized cost at the most. No write-ups are considered for goodwill.

Financial assets

Financial assets are divided into the following categories:

- Assets at fair value through profit or loss – AaFV
- Held to maturity – HTM
- Loans and receivables – LaR
- Available for sale – AfS

ADLER Group has no held to maturity financial assets.

The classification depends on the purpose for which the financial asset was acquired. Management determines the classification for each financial asset on initial recognition and reviews this at every reporting date.

Financial assets can generally only be reclassified if certain conditions are met; no such reclassifications were made in the reporting year.

Financial assets measured at fair value through profit or loss

This category has two sub-categories: financial assets that have been classified as held for trading (hft) from the inception and those that have been classified as “fair value through profit or loss” (fair value option). A financial asset is allocated to the afar category if acquired principally for the purpose of selling in the short term or if designated as such by management.

These are carried under non-current assets to the extent that management does not intend to sell these within twelve months of the balance sheet date.

These are accounted for at fair value taking into account transaction costs. They are derecognized when the rights to payments from the investment expire or are transferred and the Group has transferred substantially all the risks and rewards of ownership. After initial recognition, the assets are measured at fair value, with gains and losses, including any interest rate and dividend income, recognized in profit or loss under other operating income.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group directly provides money, goods or services to a debtor without any intention of trading these receivables. They are included under current assets if their maturity does not exceed twelve months after the balance sheet date. The latter are reported as non-current assets. Loans and

receivables are included in the balance sheet under trade receivables, other loans, other current assets and cash and cash equivalents.

Loans and receivables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method and less impairment losses. The effective interest method is only applied if the receivable has a maturity of more than twelve months. An impairment is recorded when there are objective and substantial indication that the amounts due are not fully recoverable. The age structure of the assets forms the basis of this method. Lease receivables are adjusted by 40% provided they exist against tenants still occupying the leased real estate. Lease receivables in the case of tenants who have moved out are adjusted by 90%.

Impairment is measured in terms of the difference between the carrying amount of the receivable and the net present value of the estimated future cash flows from this receivable, discounted using the effective interest rate. The impairment loss is recognized through profit or loss as other operating expenses. If the reasons for an impairment loss no longer apply in full or in part, the receivables are written up through profit or loss at amortized cost at the most.

If a receivable cannot be collected in full, it is offset against the impairment loss account for trade receivables. Subsequent payments for previously derecognized amounts are recognized through profit or loss as other operating income.

Available for sale assets

Available for sale assets that primarily include investments are determined as being available for sale and not allocated to another category. After initial recognition, the asset is measured at fair value – provided this can be reliably measured; gains and losses are recognized directly in other comprehensive income and reported in a separate reserve in equity. If fair value cannot be measured reliably, they are recognized at historical cost. When the asset is sold or in the event that an impairment is determined, the amount previously recognized in shareholder's equity is recognized in the income statement. Impairment losses are reversed if the reasons for the previous impairment loss cease to exist. They are recognized directly in shareholder's equity according to the approach taken with the previous impairment losses.

Derivative financial instruments and hedges

The Group only uses interest rate hedges (cash flow hedges).

All derivative financial instruments are first recognized on the trading day and are initially measured at fair value. The market values of the derivative financial instruments are calculated using standard market valuation methods, taking into account the market data available on the valuation date.

Changes in the fair values of derivatives that are not in a hedging relationship are recognized in the income statement.

Changes in the fair values of derivatives in a hedging relationship are recognized depending on the type of hedging.

Unrealized gains and losses in the amount of the hedge-effective portion in a cash flow hedge is initially recognized in other comprehensive income; they are reclassified to the income statement at the same time as the underlying transaction is presented in the income statement. The hedge-ineffective portion of the changes in fair value are directly included in the interest result.

Inventories

Real estate acquired exclusively with a view to subsequent disposal in the normal course of business or for development and resale are reported as inventories. Other inventories such as heating oil stores are also reported under this item.

Inventories are valued at acquisition cost or production cost at the time of addition. In the subsequent valuation, inventories are carried at the lower of cost or net realizable value. The costs reported at the Company under inventories include costs for project development, as well as raw materials, consumables and supplies if required, direct personnel costs, other direct costs and general costs directly attributable to the project. The net

realizable value is comprised of the estimated selling price less estimated costs incurred until completion and the estimated required disposal costs.

Cash and cash equivalents

Cash and cash equivalents comprise cash, demand deposits and other highly liquid financial assets with an initial term of no more than six months.

Non-current assets held for sale

A non-current assets or a group of non-current assets is classified as held for sale if the associated carrying value is to be predominantly generated through a sale transaction and not through continued usage, the asset is able to be sold immediately and the sale is considered highly probably. The assets are valued at the lower of previous carrying value and fair value, less disposal costs. These assets or groups of assets, as well as the associated debts, are reported separated 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 the respective buyer.

Investment properties are classified as held for sale if the Company makes a decision to sell the respective real estate, the real estate can be sold immediately and the sale can be expected to be completed within a period of one year from this date.

Equity

Borrowing and equity capital instruments are classified as financial liabilities or shareholder's equity on the basis of the underlying 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 its liabilities. Equity instruments are recorded at the issue process less directly attributable equity transaction costs.

Equity transaction costs are costs which would not have arisen had it not been for the issue of the equity instrument. Such equity transaction costs are, less all related income tax benefits, accounted for as a deduction of shareholder's equity and offset against the capital reserves and recognized directly in shareholder's equity.

The components of a combined instrument (convertible bond) issued by the Group are stated separately in accordance with the economic content of the agreement as a financial liability and shareholder's equity. At the time of issue, the fair value of the borrowings component is determined on the basis of the market interest rate applicable to a comparable nonconvertible instrument. This amount is carried as a financial liability on the basis of the amortized cost of purchase using the effective interest method up until the time of fulfilment, i.e. when the instrument is converted or becomes due. The equity capital component is calculated by subtracting the value of the borrowing component from the fair value of the entire instrument. The resultant value, less the impact on income tax, is recognized as part of shareholder's equity and is not subject to any subsequent valuations.

Pension provisions

Reserves for pensions and similar obligations are measured by external actuaries using the projected unit credit method for defined benefit plans. Past service costs are reported in personnel expenses, while the interest portion of the increase in the reserve is recognized in the financial result. Just like deferred tax, actuarial gains and losses are reported in other comprehensive income.

The amount shown on the balance sheet corresponds to the net present value of the defined benefit obligation (DBO).

The Company also pays contributions to state pension schemes as a result of legal provisions. The current payments from these defined benefit obligations are reported within personnel expenses as social security contributions.

Other provisions

Other provisions and accrued liabilities, which originated in the past and where their maturity or amount are uncertain, are formed for legal or de facto obligations to third parties when it is probable that the fulfilment of the obligation will result in an outflow of Group resources and when they can be reliably estimated.

The Company carries a provision for loss-making transactions if the expected benefit from the contractual claim is lower than the unavoidable costs of fulfilling the contractual obligation.

The valuation is made on the basis of the best estimate of the extent of the obligation as at the balance sheet date. Non-current provisions and accrued liabilities are carried at the amount required to settle the respective obligation, discounted to the balance sheet.

Liabilities

On initial recognition, loan liabilities and other liabilities are recognized at fair value less transaction costs. After initial recognition, liabilities are measured at amortized costs using the effective interest method.

Financial liabilities are derecognized when they are redeemed, i.e. when the obligations stipulated in the contract have been settled, set aside, or have expired. Liabilities are classified as current liabilities if the Group does not have an unconditional right to defer the repayment of the liability to a time later than twelve months after the balance sheet date.

Within the scope of determining the fair value, expected future cash flows are discounted on the basis of market interest rates with matching maturities. Individual characteristics of the financial instruments subject to valuation are considered through standard credit rating spreads and liquidity spreads.

The fair value of the financial liabilities is determined on the basis of the input factors from steps 1, 2 and 3.

Taxes

Actual tax refund claims and liabilities are recognized at the amount expected to be paid to (recovered from) the taxation authorities using the tax rates and tax laws that have been enacted as at the balance sheet date.

Pursuant to IAS 12, deferred taxes are recognized for all temporary differences between the tax base of the assets and liabilities and their carrying amounts in the IFRS financial statements as well as the tax loss carryforwards.

The exception pursuant to IAS 12.15b was applied to acquisitions from real estate companies that were included in the consolidated financial statements as acquisitions of groups of assets and liabilities and not within the scope of IFRS 3. If Group acquisition costs exceed tax carrying values, deferred taxes are only recognized on the difference between the fair values and the acquisition costs in the Group.

In the case of investment properties, the presumption that the carrying amount of the investment properties will be generated through their sale is not rebutted.

The tax rates used to calculate deferred taxes were determined on the basis of currently valid statutory provisions. German Group companies use a corporation tax rate of 15.00%, a solidarity surcharge of 5.50% and a trade tax rate of 14.40%. Deferred tax assets for temporary differences and for tax loss carryforwards are recognized to the probable extent that the temporary difference can be offset against future taxable net profit.

Deferred tax receivables and deferred tax liabilities are offset against each other, if the Group has a recoverable right to offset the actual tax refunds against actual tax liabilities and if they apply to the income taxes of the same tax subject levied by the same tax authority.

Leases

Economic ownership of the leased property is allocated to the lessee insofar as the risks and rewards arising from the leased asset in question are predominantly attributable to the lessee (financial lease). Leases in which a substantial proportion of all risks and rewards incidental to ownership of an asset remain with the lessor are classified as operating leases. Payments received in connection with an operating lease are recognized in the income statement on a straight-line basis over the term of the lease.

The Group is the lessor when property is leased. These leases are operating leases.

Income recognition

Income is recognized to the extent that it is probable that economic benefits will flow to the Group and the income can be reliably measured.

Net income earnings from property lettings is recognized on an accrual basis in accordance with the terms of the underlying contracts.

Net income from the sale of properties is recognized when the risks and opportunities arising from ownership of the real estate have passed to the buyer (transfer of ownership rights, benefits and obligations arising from the real estate). When disposing of real estate companies, this date regularly corresponds to the completion of the transfer of shares.

Revenues from the rendering of services are recognized in the year in which the services are rendered. Services rendered within two periods are recognized in the same proportion as exists between the services already rendered and the total services to be rendered.

Interest income is realized proportional to time, taking into account the remaining claim and the effective interest rate over the remaining term.

Currency translation

The consolidated financial statements are prepared in Euros. The Euro is the currency of the primary economic environment in which the Group operates and is therefore the functional currency.

Foreign currency transactions are translated into the respective Group company's functional currency at the exchange rate prevailing at the time of the transaction. Monetary foreign-currency items are subsequently translated at the applicable reporting date exchange rate. The currency translation differences resulting from settlement of foreign currency transaction and from the translation of monetary foreign-currency items as at the reporting date are recognized through profit or loss in other operating expenses or income.

The functional currency of the foreign companies is the respective national currency as the foreign companies conduct their business independently from a financial, economic and organizational point of view. At the end of the year, the assets and liabilities of foreign companies are translated into Euro at the exchange rate as at the reporting date; expenses and income are translated into Euros at the average rate for the year. Components of shareholder's equity are translated at the historical exchange rates prevailing at the respective dates of their initial consolidation. The differences relative to the translation as at the reporting date are recognized in "currency translation reserve" in shareholder's equity.

Residual interests and dividend distribution

In its consolidated financial statements, the Company includes subsidiaries that have the legal form of a partnership in which minority interests exist. Pursuant to IAS 32, the shareholder position of these minority interests is to be recognized as debt in the consolidated financial statements due to the statutory, non-excludable right of termination. The debt is valued at the time of origin at the net present value of the shareholder's settlement entitlement. This is usually the amount of the shareholder's capital contribution. The liability is then carried forward in accordance with the Company's earnings before changes in the liability are recognized in earnings. The change to the liability is recognized in profit or loss unless it is due to contributions or withdrawals. If the carryforward results in a claim against the shareholder, it is deferred until the carryforward equates to a liability against the shareholder again.

For stock corporations (*Kapitalgesellschaften*) that are part of the Group, liabilities for dividends to shareholders are only reported in the period of the resolution by the annual shareholders' meeting on the appropriation of profits.

Cash flow statement

The cash flow statement presents the development of the Group's payment flows in the fiscal year. The cash flow statement is presented in the consolidated financial statements using the indirect method, with Consolidated

net profit adjusted for items with no effect on cash flow and items with an effect on cash flow. The cash flow statement presents cash flow from operating activities, from investment activities and from financing activities.

Significant portfolio acquisitions

In the period covered by the historical financial information, ADLER has substantially expanded its real estate portfolio by acquiring numerous real estate portfolios after the implementation of its operative realignment in May 2012. As at December 31, 2013, ADLER held 7,797 residential units with a rental space of 492,848 sqm.

In the fiscal year 2014 alone, ADLER acquired approximately 23,000 residential units through various portfolio transactions. This included the public takeover of ACCENTRO in form of an exchange offer against the issuance of a EUR 12,020,528.00 capital increase through contributions in kind in June 2014. In consequence of this exchange offer, the Company acquired 92.7% of the shares and voting rights in ACCENTRO (which stake decreased to approximately 86% since such acquisition as a result of the conversion of convertible notes issued by ACCENTRO that were held by persons other than the Company). At the beginning of 2014, ADLER acquired approximately 2,350 units in Helmstedt in Lower Saxony (Portfolio "Zoe"), followed in June 2014 by the acquisition of majority holdings in seven real estate companies and another acquisition of a smaller portfolio in Thuringia with a total of approximately 8,000 residential and 500 commercial units and a total rentable area of approximately 560,000 sqm by Magnus Dritte Immobilienbesitz und Verwaltungs GmbH, an indirect subsidiary of the Company.

In October 2014, the Company's then subsidiary ACCENTRO acquired approximately 4,300 residential units in Bavaria, Berlin, North Rhine-Westphalia, Saxony and Saxony-Anhalt (Portfolio "Raven"). The total area comprises approximately 284,000 sqm. About 3,400 units are held by ADLER as long-term portfolio properties, whereas the remaining units were earmarked for resale by the group company Accentro GmbH as freehold apartments (*Eigentumswohnungen*) on an individual sales basis.

In October 2014, ADLER had entered into a sale and purchase agreement with regard to the "Magnus V" portfolio approximately 6,750 residential units in Wilhelmshaven/Lower Saxony. The transaction was closed as of January 30, 2015; the purchase price allocated to the Company amounted to EUR 80,000 thousand.

At the end of December 2014, WESTGRUND had entered into a share purchase agreement regarding the "AJAX" portfolio, comprising almost 2,700 residential units in 40 locations in Lower Saxony, Saxony, Thuringia and Schleswig-Holstein at a purchase price of approximately EUR 102 million.

In the first half of 2015, ADLER also acquired 94.90% of the shares in WESTGRUND which further increased ADLER's portfolio to approximately 50,000 units.

In June 2016, via Magnus Neunte Immobilienbesitz und Verwaltungs GmbH, an intermediate holding company in which ADLER indirectly owns a 100% stake, 94.9% of the shares were acquired in three property companies. Thus, the ADLER acquired investment properties with a fair value of EUR 10,811 thousand.

In March 2017, the Company signed a purchase contract with regard to the acquisition of a property portfolio comprising 693 residential and 8 commercial units in Osterholz-Scharmbeck and Schwanewede, located in the Bremen area.

At the end of June 2017, ADLER acquired a portfolio of 192 residential units with floor space of approximately 11,600 sqm in Senftenberg, a medium-sized town located in the south of Brandenburg approximately half way between Dresden and Cottbus.

In September, ADLER acquired a further portfolio with 2,505 units in fast-growing locations. Approximately 60% of the 2,453 apartments and 52 commercial units are located in North Rhine-Westphalia with a focus on the Ruhr area and the eastern Westphalia region, 15% each in southern Lower Saxony and Bremen and just under 10% percent in the Hamburg catchment area in Schleswig-Holstein.

As of September 30, 2017, ADLER held 49,553 residential and 1,088 commercial units (excluding 2,613 units held in inventories for privatization) with a rental space of 3.2 million sqm and a fair value of EUR 2,640.7 million and an annualized actual rent (including parking spaces and other areas) of approximately EUR 178 million, with a regional focus on Lower Saxony (17,694 units), North Rhine-Westphalia (10,824 units), Saxony (7,339 units), Brandenburg (3,707 units) and Saxony-Anhalt (3,476 units).

In order to finance its business growth over the past years, ADLER has entered into various financial obligations vis-à-vis credit institutions and under promissory note loans (*Schuldscheindarlehen*) and issued convertible notes and notes. As a result, ADLER has current and non-current financial liabilities to banks as well as liabilities from notes and convertible notes amounting to EUR 2,135,876 thousand (including liabilities held for sale) as shown in the balance sheet as at September 30, 2017.

Thus, the financial statements for the fiscal years 2016, 2015 and 2014 are only partially comparable to the respective previous years.

9.4 Discussion of profits and losses

Discussion of the nine-month period ended September 30, 2017 as compared to the nine-month period ended September 30, 2016

The table below contains information from ADLER's consolidated income statements under IFRS for the nine-month period ended September 30, 2017 as compared to the nine-month period ended September 30, 2016.

	Nine-month period ended September 30,	
	2017	2016
	IFRS unaudited	
	EUR thousand	EUR thousand
Gross rental income	196,135	196,369
Expenses from property lettings	-100,985	-105,053
Earnings from property lettings	95,150	91,316
Income from the sale of properties	113,415	145,205
Expenses from the sale of properties	-90,771	-111,151
Earnings from the sale of properties	22,644	34,054
Personnel expenses	-16,724	-13,442
Other operating income	6,693	4,859
Other operating expenses	-23,999	-22,175
Income from fair value adjustments of investment properties	36,957	123,530
Depreciation and amortization	-761	-868
Earnings before taxes and interest (EBIT)	119,960	217,274
Financial result	-69,773	-80,851
Net income from at-equity valued investment associates	197	11,147
Earnings before taxes (EBT)	50,384	147,570
Income taxes	-26,416	-48,976
Consolidated net profit	23,968	98,594
OCI gains losses reclassifiable into profit or loss	1,586	-1,312
Total comprehensive income	25,554	97,282

In detail, **gross rental income** breaks down as follows:

	Nine-month period ended September 30,	
	2017	2016
	IFRS	

	unaudited	
	EUR thousand	EUR thousand
Net income	130,522	125,740
Income from on charged operating costs	64,210	68,179
Other income from property management	1,403	2,450
	196,135	196,369

Gross rental income for the nine-month period ended September 30, 2017 amounted to EUR 196,135 thousand, an decrease of EUR 234 thousand (0.12%) compared with EUR 196,369 thousand for the corresponding period of the previous year. The net income component of gross rental income increased by EUR 4,782 thousand (3.80%), from EUR 125,740 thousand for the nine-month period ended September 30, 2016 to EUR 130,522 thousand for the nine-month period ended September 30, 2017, while income from on charged operating costs decreased by EUR 3,969 thousand (5.83%), from EUR 68,179 thousand for the nine-month period ended September 30, 2016 to EUR 64,210 thousand for the nine-month period ended September 30, 2017.

ADLER owned and held for permanent letting a total of 50,641 rental units as at September 30, 2017, representing an increase by 2,979 units from 47,662 units as at September 30, 2016. Since the benefits and obligations associated with acquired units were only transferred to ADLER at the end of the respective quarter in which ADLER acquired such units, rental units acquired by ADLER during the first quarter of 2017 contributed to ADLER's reported income only for the second quarter of 2017, while units acquired during the second quarter did only contribute to ADLER's income during the third quarter 2017.

Property management performance indicators showed further improvements. As of September 30, 2017, the average contractually agreed rent per square meter per month for the overall portfolio amounted to EUR 5.08, representing an increase of EUR 0.13 from EUR 4.95 as of September 30, 2016. The average rental income (per square meter and month) for the core portfolio amounted to EUR 5.11 as of September 30, 2017, representing an increase of EUR 0.07 as compared with EUR 5.04 as at September 30, 2016.

The overall occupancy rate of ADLER's portfolio as of September 30, 2017 was 89.9%, up from 89.3% as of September 30, 2016. In the core portfolio, the occupancy rate reached 91.1%. However, both the overall and the core occupancy rates were lower than the corresponding rates as of December 31, 2016. These decreases in occupancy rates were mainly due to difficulties inherent in the large-scale transition in tenant support services from external service providers to ADLER's internal property and facility management departments. ADLER's occupancy rates and key performance data for the nine-month period ended September 30, 2017 were also negatively affected by the first-time inclusion of new portfolio of rental units in Erfurt, which, while included in ADLER's portfolio for the first nine months of 2017, were only marketed beginning at year-end 2016. Thus, although this new Erfurt portfolio has developed positively over the first nine months of 2017, it was not yet fully let out at September 30, 2017.

Income from on charged operating costs decreased by EUR 3,969 thousand (5.83%), from EUR 68,179 thousand in the nine-month period ended September 30, 2016 to EUR 64,210 thousand in the nine-month period ended September 30, 2017 as a result of a decrease in apportionable operating costs.

Other income from property management decreased by EUR 1,047 thousand (42.73%), from EUR 2,450 thousand in the nine-month period ended September 30, 2016 to EUR 1,403 thousand in the nine-month period ended September 30, 2017, mainly due to the Company's subsidiary WBG JADE GmbH concentrating on internal property management tasks for ADLER Group companies.

Expenses from property lettings break down as follows:

	Nine-month period ended September 30,	
	2017	2016
	IFRS	
	unaudited	
	EUR thousand	EUR thousand
Apportionable and non-apportionable operating costs	83,105	85,527
Maintenance	16,977	18,865

Other property management expenses	903	661
	<u>100,985</u>	<u>105,053</u>

Expenses from property lettings decreased by EUR 4,068 thousand (3.87%), from EUR 105,053 thousand in the nine-month period ended September 30, 2016 to EUR 100,985 thousand in the nine-month period ended September 30, 2017. This development is the result of a decrease in maintenance expenses by EUR 1,888 thousand (10.00%), from EUR 18,865 thousand in the nine-month period ended September 30, 2016 to EUR 16,977 thousand in the nine-month period ended September 30, 2017. Apportionable and non-apportionable operating costs decreased by EUR 2,422 thousand (2.83%), from EUR 85,527 thousand in the nine-month period ended September 30, 2016 to EUR 83,105 thousand in the nine-month period ended September 30, 2017.

Maintenance expenses were significantly lower, at EUR 16,977 thousand in the nine-month period ended September 30, 2017, than in the nine-month period ended September 30, 2016 (EUR 18,865 thousand) as renovation and modernization measures eligible for capitalization were significantly higher, at EUR 19,078 thousand in the nine-month period ended September 30, 2017, than in the corresponding period of the previous year (EUR 11,185 thousand). Overall, ADLER's modernization and renovation expenses increased to EUR 36,055 thousand in the nine-month period ended September 30, 2017, compared with EUR 30,050 thousand in the nine-month period ended September 30, 2016, due to additional expenses for the renovation of 1,500 vacant apartments.

Other property management expenses increased by EUR 242 thousand (36.61%), from EUR 661 thousand in the nine-month period ended September 30, 2016 to EUR 903 thousand in the nine-month period ended September 30, 2017, due to expenses from WBG JADE GmbH as a result of charged costs from tenants.

Income from the sale of properties breaks down as follows:

	Nine-month period ended September 30,	
	2017	2016
	IFRS unaudited	
	EUR thousand	EUR thousand
Income from the disposal of inventory properties	82,696	109,203
Income from the disposal of investment properties	29,507	34,845
Brokerage revenue	1,212	1,157
	<u>113,415</u>	<u>145,205</u>

Income from disposal of inventory properties decreased, by EUR 26,507 thousand (24.27%), from EUR 109,203 thousand in the nine-month period ended September 30, 2016 to EUR 82,696 thousand in the nine-month period ended September 30, 2017, due to sales attributable to trading and privatization activities at the group subsidiary ACCENTRO. These figures, however, do not accurately reflect ACCENTRO's performance, as the previous year benefited from the sale of an entire portfolio that was originally earmarked for individual sale. However, ACCENTRO significantly augmented the portfolio of trading units by nearly 200 units over the course of 2017.

Income from the disposal of investment properties decreased significantly, by EUR 5,338 thousand (15.32%), from EUR 34,845 thousand in the nine-month period ended September 30, 2016 to EUR 29,507 thousand in the nine-month period ended September 30, 2017. This is mainly due to a decrease in sales of "non-core" investment properties. The sale of "non-core" units (through which ADLER aimed to increase the performance capacity of its overall portfolio) is not reflected in earnings to any significant extent because such sales were predominantly made for prices approximately reflecting the carrying amounts of the respective properties. As of September 30, 2017, a total of 498 units were sold from the "non-core" holdings identified by ADLER.

Expenses from the sale of properties break down as follows:

	Nine-month period ended September 30,	
	2017	2017

	IFRS	
	unaudited	
	EUR thousand	EUR thousand
Retirement of inventory properties	59,313	73,758
Retirement of investment properties	28,773	34,596
Sales-related costs	2,157	2,072
Services procured for brokerage revenue	528	725
	90,771	111,151

Expenses from the sale of properties decreased by EUR 20,380 thousand (18.34%), from EUR 111,151 thousand in the nine-month period ended September 30, 2016 to EUR 90,771 thousand in the nine-month period ended September 30, 2017. This decrease in expenses mainly resulted from a decrease in the carrying amounts of disposals of inventory properties by EUR 14,445 thousand (19.58%) and a decrease in the carrying amounts of disposals of investment properties by EUR 5,823 thousand (16.83%).

Personnel expenses increased by EUR 3,282 thousand (24.42%), from EUR 13,442 thousand in the nine-month period ended September 30, 2016 to EUR 16,724 thousand in the nine-month period ended September 30, 2017, due to the internalization of property and facility management services which were taken over by internal group departments that were either newly founded or had their personnel resources increased. As a result, the Group had a total of 535 employees at September 30, 2017, an increase of 213 employees compared with September 30, 2016.

In the nine-month period ended September 30, 2017, **other operating income** increased significantly, by EUR 1,834 thousand (37.74%), from EUR 4,859 thousand in the nine-month period ended September 30, 2016 to EUR 6,693 thousand in the nine-month period ended September 30, 2017, mainly due to several individually insignificant non-recurring items as insurance claims and reversals of provisions and provision-like liabilities.

Other operating expenses break down as follows:

	Nine-month period ended	
	September 30,	
	2017	2016
	IFRS	
	unaudited	
	EUR thousand	EUR thousand
Legal and consulting expenses	7,344	5,224
Write downs of receivables	3,449	3,892
General and administrative expenses	1,454	3,660
Purchased services	658	801
Office and IT expenses	3,507	1,504
Cost of premises	1,226	952
Public relations	1,060	902
Miscellaneous other expenses	5,301	5,240
	23,999	22,175

Other operating expenses increased by EUR 1,824 thousand (8.22%), from EUR 22,175 thousand in the nine-month period ended September 30, 2016 to EUR 23,999 thousand in the nine-month period ended September 30, 2017. This increase is attributable to an increase in legal and consulting expenses in the amount of EUR 2,120 thousand (40.58%) which were mainly incurred in connection with the sale of the convert shares and in connection with the financing measures that were undertaken in April 2017 and the preparation of the squeeze-out proceedings with regard to WESTGRUND.

Office and IT expenses increased by EUR 2,003 thousand (133.18%), from EUR 1,504 thousand in the nine-month period ended September 30, 2016 to EUR 3,507 thousand in the nine-month period ended September 30, 2017, due to ADLER's introduction of a uniform IT system landscape at its operating subsidiaries, a measure that became necessary upon the internalization of property and facility management activities. There was also an

increase in the cost of premises by EUR 274 thousand (28.78%) and an increase in public relations expenses by EUR 158 thousand (17.52%). Conversely, general and administrative expenses decreased by EUR 2,206 thousand (60.27%), from EUR 3,660 thousand in the nine-month period ended September 30, 2016 to EUR 1,454 thousand in the nine-month period ended September 30, 2017, mainly resulting from a termination of a contract with an external service provider (Corestate). In addition, purchased services decreased by EUR 143 thousand (17.85%), from EUR 801 thousand in the nine-month period ended September 30, 2016 to EUR 658 thousand in the nine-month period ended September 30, 2017, which decrease was also due primarily to the aforementioned insourcing of formerly outsourced property and facility management activities.

The **income from fair value adjustments of investment properties** breaks down as follows:

	Nine-month period ended September 30,	
	2017	2016
	IFRS	
	unaudited	
	EUR thousand	EUR thousand
Gains from fair value adjustments of investment properties	52,298	138,836
Losses from fair value adjustments of investment properties	-15,342	-15,306
	36,957	123,530

Income from fair value adjustments of investment properties decreased by EUR 86,573 thousand (70.08%), from EUR 123,530 thousand in the nine-month period ended September 30, 2016 to EUR 36,957 thousand in the nine-month period ended September 30, 2017, due to an decrease in the gains from fair value adjustments of investment properties from EUR 138,836 thousand by EUR 86,538 thousand (62.33%) to EUR 52,298 thousand. Losses from fair value adjustments of investment properties increased by EUR 36 thousand, from EUR 15,306 thousand in the nine-month period ended September 30, 2016 to EUR 15,342 thousand in the nine-month period ended September 30, 2017. This is mainly due to the fact that ADLER's entire existing properties were revalued as of September 30, 2016.

In the nine-month period ended September 30, 2017, **depreciation and amortization** related to the scheduled depreciation of intangible assets, as well as property, plant and equipment, was EUR 107 thousand (12.33%) lower at EUR 761 thousand, compared with EUR 868 thousand in the nine-month period ended September 30, 2016.

Financial income developed as follows:

	Nine-month period ended September 30,	
	2017	2016
	IFRS	
	unaudited	
	EUR thousand	EUR thousand
Loan interest, associated companies	136	113
Loan interest, third parties	1,436	644
Income from current securities	0	610
Other	672	293
	2,244	1,660

Financial income increased from EUR 1,660 thousand in the nine-month period ended September 30, 2016 by EUR 584 thousand (35.18%) to EUR 2,244 thousand in the nine-month period ended September 30, 2017, which was mainly due to an increase in loan interest from third parties as well as associated companies.

Financial expenses decreased by EUR 10,494 thousand (12.72%) from EUR 82,511 thousand in the nine-month period ended September 30, 2016 to EUR 72,017 thousand in the nine-month period ended September 30, 2017 and break down as follows:

	Nine-month period ended September 30,	
	2017	2016
	IFRS unaudited	
	EUR thousand	EUR thousand
Interest on bank loans	33,694	44,821
Bond interest	25,658	24,375
Convertible bond interest	6,741	3,053
Other	5,924	10,262
	72,017	82,511

Bond interest increased by EUR 1,283 thousand (5.26%), from EUR 24,375 thousand in the nine-month period ended September 30, 2016 to EUR 25,658 thousand in the nine-month period ended September 30, 2017 primarily due to the recognition of transaction costs in the amount of EUR 1,920 thousand relating to the early repayment of the EUR 130 million aggregate principal amount of 6.00% notes due 2019. Interest on bank loans decreased from EUR 44,821 thousand in the nine-month period ended September 30, 2016 to EUR 33,694 thousand in the nine-month period ended September 30, 2017 mainly due to the buyback of various liabilities with higher interest rates.

The increase in convertible bond interest from EUR 3,053 thousand in the nine-month period ended September 30, 2016 to EUR 6,741 thousand in the nine-month period ended September 30, 2017, is mainly due to the issuance of EUR 137.9 million 2.5% convertible notes due 2021 in July 2016.

The other financial expenses decreased by EUR 4,338 thousand (42.27%), from EUR 10,262 thousand in the nine-month period ended September 30, 2017 to EUR 5,924 thousand in the nine-month period ended September 30, 2016. Other financial costs include an amount of EUR 4,100 thousand for prepayment penalties for repayments of financial liabilities with higher interest rates (previous year: EUR 3,502 thousand) and an amount of EUR 1,589 thousand for the reversal of the reserves recognized in equity for the convert shares. In the previous year, other financial costs also mainly related to interest swap expenses.

Net income from at-equity valued investment associates decreased from EUR 11,147 thousand in the nine-month period ended September 30, 2016 to EUR 197 thousand in the nine-month period ended September 30, 2017 due to the sale of the convert shares.

Income taxes decreased by EUR 22,560 thousand (46.06%) from EUR 48,976 thousand in the nine-month period ended September 30, 2016 to EUR 26,416 thousand in the nine-month period ended September 30, 2017. Of this amount, EUR 19,208 thousand constituted deferred taxes in the nine-month period ended September 30, 2017, compared with EUR 37,098 thousand in deferred taxes in the nine-month period ended September 30, 2016. A decrease in current income tax expense from EUR 11,878 thousand in the nine-month period ended September 30, 2016 to EUR 7,208 thousand in the nine-month period ended September 30, 2017 had an offsetting effect.

Earnings per share reflect the earnings for a period attributable to a single share. For this purpose, net profit is divided by the weighted average number of shares outstanding, in which calculation a dilution of the earnings per share results from the inclusion of so-called “potential shares” (for example, from convertible notes).

As resolved by the general shareholders’ meeting on June 7, 2017, the Company’s share capital was increased by EUR 4,773,135 through the issuance of 4,773,135 bonus shares from company funds in the nine-month period ended September 30, 2017. Accordingly, the number of potential no-par ordinary shares from convertible notes has also increased due to this issuance of bonus shares and the corresponding adjustments to conversion prices and conversion ratios. Pursuant to IAS 33.64, the calculation of basic and undiluted earnings per share therefore has to be retrospectively corrected for all periods presented.

Earnings per share in the nine-month period ended September 30, 2017 as compared with the nine-month period ended September 30, 2016 were as follows:

Nine-month period ended

	September 30,	
	2017	2016
	IFRS unaudited	
Consolidated net profit (EUR thousand)	23,968	98,594
Consolidated net profit without non-controlling interest	18,642	88,996
Interest expenses including deferred taxes on convertible notes	1,981	823
Consolidated net profit without non-controlling interests (diluted)	20,623	89,819
Number of shares (thousand)		
Weighted number of shares issued	66,012	62,755
Effect of the conversion of convertible notes	5,074	6,336
Weighted number of shares (diluted)	71,086	69,091
Earnings per share (EUR)		
Earnings per share, undiluted ⁽¹⁾	0,28	1.42
Earnings per share, diluted ⁽¹⁾	0.29	1.30

⁽¹⁾ figures for the nine-month period ended September 30, 2016 adjusted according to IAS 33.64

Discussion of the fiscal year 2016 as compared to the fiscal year 2015

The table below contains information from ADLER's consolidated income statements under IFRS for the fiscal years 2016 and 2015.

	Fiscal years ended December 31,	
	2016	2015
	IFRS audited	
	EUR thousand	EUR thousand
Gross rental income	252,399	216,639
Expenses from property lettings	-138,803	-125,052
Earnings from property lettings	113,596	91,587
Income from the sale of properties	160,413	168,154
Expenses from the sale of properties	-124,018	-144,689
Earnings from the sale of properties	36,395	23,466
Personnel expenses	-19,648	-13,191
Other operating income	8,694	49,859
Other operating expenses	-35,704	-32,965
Income from fair value adjustments of investment properties	199,677	58,860
Depreciation and amortization	-1,174	-1,030
Earnings before taxes and interest (EBIT)	301,835	176,586
Financial result	-125,575	-81,434
Net income from at-equity valued investment associates	11,185	-330
Earnings before taxes (EBT)	187,444	94,822
Income taxes	-53,668	-16,539
Consolidated net profit	133,776	78,283

OCI gains losses not reclassifiable into profit or loss	-563	-23
OCI gains losses reclassifiable into profit or loss	-1,861	356
Total comprehensive income	131,352	78,616

In detail, **gross rental income** breaks down as follows:

	Fiscal years ended December 31,	
	2016	2015
	IFRS audited	
	EUR thousand	EUR thousand
Net income	167,531	131,581
Income from on charged operating costs	81,245	82,163
Other income from property management	3,623	2,896
	252,399	216,639

In the fiscal year ended December 31, 2016, gross rental income amounted to EUR 252,399 thousand. Thus, compared to EUR 216,639 thousand in the previous year, there was an increase by EUR 35,760 thousand (16.51%). This increase resulted from a significant increase in the net income by EUR 35,950 thousand (27.32%) to EUR 167,531 thousand compared to EUR 131,581 thousand in the previous year. The development of net income largely resulted from the new business acquired.

The increase in net income mainly relates to WESTGRUND in the amount of EUR 62,391 thousand (previous year: EUR 29,556 thousand) and Wohnungsbaugesellschaft JADE mbH in the amount of EUR 20,608 thousand (previous year: EUR 17,807 thousand).

The slight decrease in income from on charged operating costs from EUR 82,163 thousand in the fiscal year ended December 31, 2015 by EUR 918 thousand (1.12%) to EUR 81,245 thousand in the fiscal year ended December 31, 2016 resulted from an increase in net income through WESTGRUND by EUR 11,542 thousand, whereas the decrease in the recoverable expenses of ACCENTRO had an offsetting-effect by EUR 12,442 thousand.

Other income from property management increased from EUR 2,896 thousand in the fiscal year ended December 31, 2015 by EUR 727 thousand (25.10%) to EUR 3,623 thousand in the fiscal year ended December 31, 2016, mainly resulting from WESTGRUND.

Expenses from property lettings break down as follows:

	Fiscal years ended December 31,	
	2016	2015
	IFRS audited	
	EUR thousand	EUR thousand
Apportionable and non-apportionable operating costs	110,273	103,613
Maintenance	27,525	21,139
Other property management expenses	1,005	300
	138,803	125,052

Expenses from property lettings increased from EUR 125,052 thousand in the fiscal year ended December 31, 2015 by EUR 13,751 thousand (11.00%) to EUR 138,803 thousand in the fiscal year ended December 31, 2016. This development is mainly associated with an increase in apportionable and non-apportionable operating costs from EUR 103,613 thousand by EUR 6,660 thousand (6.43%) to EUR 110,273 thousand, which resulted from the earnings impact of the new business acquired.

The increase in operating expenses mainly relates to WESTGRUND in the amount of EUR 56,225 thousand (previous year: EUR 30,526 thousand), whereas the reduction in the operating expenses of the project development companies in the amount of EUR 1,405 thousand (previous year: EUR 2,633 thousand) as well as ACCENTRO in the amount of EUR 17,845 thousand (previous year: EUR 26,144 thousand) had an offsetting-effect.

Also the increase in maintenance expenses from EUR 21,139 thousand by EUR 6,386 thousand (30.21%) to EUR 27,525 thousand is due to the impact of the new business acquired.

Income from the sale of properties breaks down as follows:

	Fiscal years ended December 31,	
	2016	2015
	IFRS audited	
	EUR thousand	EUR thousand
Income from the disposal of inventory properties	117,845	44,752
Income from the disposal of investment properties	40,980	121,088
Brokerage revenue	1,588	2,314
	160,413	168,154

Compared to the fiscal year ended December 31, 2015, income from the disposal of inventory properties increased from EUR 44,752 thousand by EUR 73,093 thousand (163.33%) to EUR 117,845 thousand in the fiscal year ended December 31, 2016 due to sales from ADLER's existing portfolios.

Compared to the fiscal year ended December 31, 2015, income from the disposal of investment properties significantly decreased from EUR 121,088 thousand by EUR 80,108 thousand (66.16%) to EUR 40,980 thousand in the fiscal year ended December 31, 2016 due to a decrease of ACCENTRO's sales of investment properties by EUR 83,476 thousand compared to the fiscal year ended 2015.

Expenses from the sale of properties break down as follows:

	Fiscal years ended December 31,	
	2016	2015
	IFRS audited	
	EUR thousand	EUR thousand
Carrying amounts of inventory properties disposed of	79,756	37,822
Carrying amounts of investment properties disposed of	40,468	103,407
Costs of disposal	2,803	2,517
Purchased services for brokerage revenue	992	942
	124,019	144,689

Expenses from the sale of properties decreased from EUR 144,689 thousand in the fiscal year ended December 31, 2015 by EUR 20,670 thousand (14.29%) to EUR 124,019 thousand in the fiscal year ended December 31, 2016. This decrease mainly relates to a decrease in the carrying amounts of disposals of investment properties by EUR 62,939 thousand (60.87%) whereas the increase in the carrying amounts of disposals of inventory properties by EUR 41,934 thousand (110.87%) had an offsetting effect.

Personnel expenses increased from EUR 13,191 thousand in the fiscal year ended December 31, 2015 by EUR 6,457 thousand (48.95%) to EUR 19,648 thousand in the fiscal year ended December 31, 2016 due to the significant increase in the number of employees by the new businesses acquired (JADE and WESTGRUND) in connection with ADLER's growth.

Compared to the previous year, in the fiscal year ended December 31, 2016, **other operating income** significantly decreased by EUR 41,165 thousand (82.56%) to EUR 8,694 thousand (previous year: EUR 49,859

thousand) mainly due to the negative goodwill in the amount of EUR 41,647 thousand determined in the context of the purchase price allocation for Wohnungsbaugesellschaft JADE mbH which, in the previous year, was reported immediately in the income statement as a non-recurring factor.

Other operating expenses break down as follows:

	Fiscal years ended December 31,	
	2016	2015
	IFRS audited	
	EUR thousand	EUR thousand
Legal and consulting expenses	8,751	9,565
Write downs of receivables	7,147	5,588
General and administrative expenses	3,844	2,940
Purchased services	2,415	919
Office and IT expenses	2,529	1,899
Cost of premises	1,627	1,219
Public relations	1,225	1,385
Miscellaneous other expenses	8,166	9,450
	35,704	32,965

In the fiscal year ended December 31, 2016, other operating expenses amounted to EUR 35,704 thousand. Thus, compared to EUR 32,965 thousand in the preceding year, there was a slight increase by EUR 2,739 thousand (8.31%). This slight increase is attributable to an increase in write downs of receivables in the amount of EUR 1,559 thousand (27.90%) mainly in the Magnus IV portfolio and WESTGRUND, the increase in general and administrative expenses due to asset management fees in the amount of EUR 904 thousand (30.75%), as well as an increase in purchased services by EUR 1,496 thousand (162.79%) and an increase in office and IT expenses by EUR 630 thousand (33.18%). Conversely, other legal and consulting expenses were reduced by EUR 814 thousand (8.51%) which, in the previous year, had mainly resulted from company acquisitions.

The **income from fair value adjustments of investment properties** breaks down as follows:

	Fiscal years ended December 31,	
	2016	2015
	IFRS audited	
	EUR thousand	EUR thousand
Gains from fair value adjustments of investment properties	219,483	108,679
Losses from fair value adjustments of investment properties	19,806	49,819
	199,677	58,860

Income from fair value adjustments of investment properties increased from EUR 58,860 thousand in the fiscal year ended December 31, 2015 by EUR 140,817 thousand (239.24%) to EUR 199,677 thousand in the fiscal year ended December 31, 2016 due to an increase in the gains from fair value adjustments of investment properties from EUR 108,679 thousand by EUR 110,804 thousand (50.48 %) to EUR 219,483 thousand. Losses from fair value adjustments of investment properties decreased from EUR 49,819 thousand in the fiscal year ended December 31, 2015 by EUR 30,012 (60.24%) thousand to EUR 19,806 thousand in the fiscal year ended December 31, 2016.

In the fiscal year ended December 31, 2016, **depreciation and amortization**, which was related to the scheduled depreciation of intangible assets as well as property, plant and equipment, amounted to EUR 1,174 thousand. Thus, compared to EUR 1,030 thousand in the previous year, there was only a slight increase by EUR 144 thousand (13.98%).

Financial income developed as follows:

	Fiscal years ended December 31,	
	2016	2015
	IFRS audited	
	EUR thousand	EUR thousand
Loan interest, associated companies	159	324
Loan interest, third parties	425	683
Income from current securities	1,309	1,617
Other	910	285
	2,803	2,908

Financial income decreased from EUR 2,908 thousand in the fiscal year ended December 31, 2015 by EUR 105 thousand (3.61%) to EUR 2,803 thousand in the fiscal year ended December 31, 2016, which was mainly due to a decrease in loan interest from associated companies and from third parties as well as a decrease in income from current securities.

Financial expenses increased from EUR 84,342 thousand in the fiscal year ended December 31, 2015 by EUR 44,036 thousand (52.21%) to EUR 128,378 thousand in the fiscal year ended December 31, 2016 and break down as follows:

	Fiscal years ended December 31,	
	2016	2015
	IFRS audited	
	EUR thousand	EUR thousand
Interest on bank loans	71,354	52,039
Bond interest	32,774	26,237
Convertible bond interest	5,710	1,701
Adjustment of shares convert	16,101	0
Other	2,439	4,366
	128,378	84,342

The increase in financial expenses is mainly driven by an increase in interest on bank loans from EUR 52,039 thousand by EUR 19,315 (37.12%) to EUR 71,354 thousand as well as the adjustment of shares in convert in the amount of EUR 16,101 thousand in the fiscal year ended December 31, 2016.

In December 2016, ADLER tendered its shareholding of approximately 26% in convert into the voluntary takeover offer of Vonovia to the shareholders of convert and elected the cash consideration. In January 2017, Vonovia's tender offer was settled. As at the balance sheet date December 31, 2016, the fair value of ADLER's shareholding in convert less costs of sale resulting from the tender offer was lower than the previous carrying amount. For this reason, an impairment loss of EUR 16,101 thousand was recognized.

The increase in bond interest from EUR 26,237 thousand by EUR 6,537 (24.92%) to EUR 32,774 thousand in the fiscal year ended December 31, 2016 results from the full 12 month effect in relation to bond interest for bonds issued in 2015.

The increase in convertible bond interest from EUR 1,701 thousand by EUR 4,009 (235.68%) to EUR 5,710 thousand in the fiscal year ended December 31, 2016 results from the issue of the EUR 137.9 Million 2.5% convertible note in July 2016.

Net income from at-equity valued investment associates increased from EUR -330 thousand in the fiscal year ended December 31, 2015 by EUR 11,515 thousand (-3,489.39%) to EUR 11,185 thousand in the fiscal year ended December 31, 2016 which is due to a prorated increase in income from the investment in convert, amounting to EUR 10,653 thousand (previous year: EUR -769 thousand) and other at-equity investments, amounting to EUR 532 thousand (previous year: EUR 439 thousand).

Income taxes developed as follows:

	Fiscal years ended December 31,	
	2016	2015
	IFRS audited	
	EUR thousand	EUR thousand
Current income tax expense	7,739	2,373
Income tax expense (income) from other accounting periods	1,742	-396
Actual income tax expense	9,481	1,977
Deferred tax expense (income), loss carryforwards	-12,965	-15,573
Deferred tax expense (income), temporary differences	57,152	30,134
Deferred taxes	44,187	14,561
Total	53,668	16,538

Income taxes increased from EUR 16,538 thousand in the fiscal year ended December 31, 2015 by EUR 37,130 thousand (224.51%) to EUR 53,668 thousand in the fiscal year ended December 31, 2016. On the one hand, this increase is attributable to the increase in current income tax expenses by EUR 5,366 thousand (226.13%) to EUR 7,739 thousand in the fiscal year ended December 31, 2016 as well as the significant increase in deferred tax expense on temporary differences by EUR 27,018 thousand (89.66%) to EUR 57,152 thousand in the fiscal year ended December 31, 2016.

Earnings per share reflect the earnings for a period attributable to a single share. For this purpose, the net profits are divided by the weighted number of outstanding shares. A dilution of the earnings per share results from so-called “potential shares” (for example, from convertible notes).

Earnings per share in the fiscal years ended December 31, 2015 and December 31, 2016 were as follows:

	Fiscal years ended December 31,	
	2016	2015
	IFRS audited	
Consolidated net profit (EUR thousand)	133,776	78,283
Consolidated net profit without non-controlling interest	120,948	72,117
Interest expenses including deferred taxes on convertible notes ^(*)	1,076	1,137
Consolidated net profit without non-controlling interests (diluted)	122,024	73,254
Number of shares (thousand)		
Weighted number of shares issued	57,264	39,489
Effect of the conversion of convertible notes ^(*)	5,743	7,342
Weighted number of shares (diluted)	63,007	46,831
Earnings per share (EUR)		
Earnings per share, undiluted	2.11	1.83
Earnings per share, diluted	1.94	1.56

(*) Excluding 10 million convertible bonds 2016/2021 as these were not yet convertible as at balance sheet date December 31, 2016

Discussion of the fiscal year 2015 as compared to the fiscal year 2014

The table below contains information from ADLER’s consolidated income statements under IFRS for the fiscal years 2015 and 2014.

Fiscal years ended
December 31,

	2015	2014 (adjusted)
	IFRS audited	
	EUR thousand	EUR thousand
Gross rental income	216,639	83,882
Expenses from property lettings	-125,052	-51,809
Earnings from property lettings	91,587	32,073
Income from the sale of properties	168,154	87,527
Expenses from the sale of properties	-144,689	-85,221
Earnings from the sale of properties	23,466	2,306
Personnel expenses	-13,191	-5,024
Other operating income	49,859	29,798
Other operating expenses	-32,965	-21,145
Income from fair value adjustments of investment properties	58,860	132,934
Depreciation and amortization	-1,030	-497
Earnings before interests and tax (EBIT)	176,586	170,445
Financial result	-81,434	-39,509
Net income from at-equity valued investment associates	-330	1,824
Earnings before taxes (EBT)	94,822	132,760
Income tax	-16,539	-21,189
Consolidated net profit	78,283	111,571
OCI gains/losses not reclassifiable into profit or loss	-23	-510
OCI gains losses reclassifiable into profit or loss	356	87
Total comprehensive income	78,616	111,148

Gross rental income breaks down as follows:

	Fiscal years ended December 31,	
	2015	2014
	IFRS audited	
	EUR thousand	EUR thousand
Net income	131,581	56,053
Income from on charged operating costs	82,163	26,743
Other income from property management	2,896	1,086
	216,639	83,882

In the fiscal year ended December 31, 2015, gross rental income amounted to EUR 216,639 thousand, thus, compared to EUR 83,882 thousand in the preceding year, there was an increase by EUR 132,757 thousand (158.27%). On the one hand, this was due to a material increase in the net rental income by EUR 75,528 thousand (134.74%) to EUR 131,581 thousand, compared to EUR 56,053 thousand in the preceding year. In addition thereto, compared to the preceding year, income from recoverable expenses increased from EUR 26,743 thousand by EUR 55,420 thousand (207.23%) to EUR 82,163 thousand. Both the development of the net income

as well as the development of the income from on charged operating costs resulted from the new business acquired.

The year-on-year increase in net income related primarily to ACCENTRO in an amount of EUR 21,432 thousand (2014: EUR 8,311 thousand), WESTGRUND in the amount of EUR 29,566 thousand (2014: n/a), the Magnus III Portfolio in the amount of EUR 28,351 thousand (2014: EUR 14,423 thousand) and Wohnungsbaugesellschaft JADE mbH in the amount of EUR 17,808 thousand (2014: n/a).

The year-on-year increase in income from on charged operating costs mainly relates to ACCENTRO in the amount of EUR 16,702 thousand (2014: EUR 2,458 thousand), WESTGRUND in the amount of EUR 22,473 thousand (2014: n/a), the Magnus III Portfolio in the amount of EUR 13,959 thousand (2014: EUR 7,051 thousand) and Wohnungsbaugesellschaft JADE mbH in the amount of EUR 9,310 thousand (2014: n/a).

Expenses from property lettings break down as follows:

	Fiscal years ended December 31,	
	2015	2014
	IFRS audited	
	EUR thousand	EUR thousand
Apportionable and non-apportionable operating costs	103,613	36,719
Maintenance	21,139	14,641
Other property management expenses	300	449
	125,052	51,809

In the fiscal year ended December 31, 2015, expenses from property lettings increased from EUR 51,809 thousand in the fiscal year ended December 31, 2014 by EUR 73,243 thousand (141.37%) to EUR 125,052 thousand. These changes are mainly associated with an increase in apportionable and non-apportionable operating costs from EUR 36,719 thousand by EUR 66,894 thousand (182.18%) to EUR 103,613 thousand which resulted from the earnings impact of the new business acquired.

The increase in apportionable and non-apportionable operating costs results from ACCENTRO with EUR 21,760 thousand (2014: EUR 4,277 thousand), WESTGRUND with EUR 25,397 thousand (2014: n/a), the Magnus III Portfolio in the amount of EUR 22,066 thousand (2014: EUR 11,569 thousand) and Wohnungsbaugesellschaft JADE mbH in the amount of EUR 9,639 thousand (2014: n/a).

Likewise, the increase in maintenance expenses from EUR 14,641 thousand by EUR 6,498 thousand (44.38%) to EUR 21,139 thousand resulted from the earnings impact of the new business acquired.

Income from the sale of properties breaks down as follows:

	Fiscal years ended December 31,	
	2015	2014
	IFRS audited	
	EUR thousand	EUR thousand
Income from the disposal of inventory properties	44,752	40,718
Income from the disposal of investment properties	121,088	45,306
Brokerage revenue	2,314	1,504
	168,154	87,528

Income from the disposal of inventory properties increased from EUR 87,528 thousand in the fiscal year ended December 31, 2014 by EUR 80,626 thousand (92.11%) to EUR 168,154 thousand in the fiscal year ended December 31, 2015 and resulted from an increased number of disposals from ADLER's portfolio.

Income from the disposal of inventory properties increased from EUR 45,306 thousand in the fiscal year ended December 31, 2014 by EUR 75,782 thousand (167.27%) to EUR 121,088 thousand in the fiscal year ended December 31, 2015 and primarily relates to an increased volume of disposals by ACCENTRO.

Expenses from the sale of properties break down as follows:

	Fiscal years ended December 31,	
	2015	2014
	IFRS audited	
	EUR thousand	EUR thousand
Carrying amounts of investment properties disposed of	103,407	45,232
Carrying amounts of inventory properties disposed of	37,822	37,262
Costs of disposal	2,517	1,724
Purchased services for brokerage revenue	942	1,003
	144,689	85,221

Expenses from the sale of properties amounted to EUR 85,221 thousand in the fiscal year ended December 31, 2014 and increased by EUR 59,468 thousand (69.78%) to EUR 144,689 thousand in the fiscal year ended December 31, 2015. This increase mainly relates to an increase in the carrying amounts of disposals of investment properties and inventories.

Personnel expenses increased from EUR 5,024 thousand in the fiscal year ended December 31, 2014 by EUR 8,167 thousand (162.56%) to EUR 13,191 thousand in the fiscal year ended December 31, 2015 and resulted from the considerable increase in the number of employees in connection with the growth of ADLER.

Other operating income increased by EUR 20,061 thousand (67.32%) to EUR 49,859 thousand (2014: EUR 29,798 thousand) and related primarily to the negative goodwill measured in the context of the purchase price allocation for Wohnungsbaugesellschaft JADE mbH which was reported immediately in the income statement as a non-recurring factor. This negative goodwill in the amount of EUR 41,647 thousand is primarily due to the fair value of the investment properties reported in Wohnungsbaugesellschaft JADE mbH which exceeded their purchase price. The valuation was based on assessments of independent experts.

Other operating expenses break down as follows:

	Fiscal years ended December 31,	
	2015	2014
	IFRS audited	
	EUR thousand	EUR thousand
Legal and consulting expenses	9,565	6,534
Write downs of receivables	5,588	5,146
General and administrative expenses	2,940	2,316
Purchased services	919	1,085
Office and IT expenses	1,899	724
Cost of premises	1,219	608
Public relations	1,385	572
Miscellaneous other expenses	9,450	4,160
	32,965	21,145

Other operating expenses increased from EUR 21,145 thousand in the fiscal year ended 2014 by EUR 11,820 thousand (55.90%) to EUR 32,965 thousand in the fiscal year ended 2015.

In the fiscal year 2014, legal and consulting expenses increased from EUR 6,534 thousand in the fiscal year 2014 by EUR 3,031 thousand (46.39%) to EUR 9,565 thousand due to capital markets transactions as well as the

acquisition and financing of portfolios. Write-downs of receivables increased from EUR 5,146 thousand by EUR 442 thousand (8.59%) to EUR 5,588 thousand. General and administrative expenses increased by EUR 624 thousand (26.94%), purchased services decreased by EUR 166 thousand (-15.30%), office and IT expenses increased by EUR 1,175 thousand (162.29%), cost of premises increased by EUR 611 thousand (100.49%), public relations increased by EUR 813 thousand (142.13%) and miscellaneous other expenses increased by EUR 5,290 thousand (127.16%).

The **income from fair value adjustments of investment properties** breaks down as follows:

	Fiscal years ended December 31,	
	2015	2014
	IFRS audited	
	EUR thousand	EUR thousand
Gains from fair value adjustments of investment properties	108,679	139,190
Losses from fair value adjustments of investment properties	49,819	6,257
	58,860	132,934

Income from fair value adjustments of investment properties decreased from EUR 132,934 thousand in the fiscal year ended December 31, 2014 by EUR 74,074 thousand (55.72%) to EUR 58,860 thousand in the fiscal year ended December 31, 2015, resulting from a decrease in the gains from fair value adjustments on investment properties from EUR 139,190 thousand by EUR 30,511 thousand (21.92%) to EUR 108,679 thousand. Conversely, losses from fair value adjustments on investment properties increased from EUR 6,257 thousand in the fiscal year ended December 31, 2014 by EUR 43,562 thousand (696.21%) to EUR 49,819 thousand in the fiscal year ended December 31, 2015.

Depreciation and amortization increased from EUR 497 thousand in the fiscal year 2014 by EUR 533 thousand (107.24%) to EUR 1,030 thousand in the fiscal year 2015 and is related to the scheduled depreciation of intangible assets as well as property, plant, and equipment. This increase is due to the comparably larger business and the increase in property, plant and equipment.

Financial income developed as follows:

	Fiscal years ended December 31,	
	2015	2014
	IFRS audited	
	EUR thousand	EUR thousand
Loan interest, associated companies	324	612
Loan interest, third parties	683	399
Income from current securities	1,617	450
Other	285	118
	2,908	1,579

Financial income increased from EUR 1,579 thousand in the fiscal year 2014 by EUR 1,329 thousand (84.17%) to EUR 2,908 thousand in the fiscal year 2015. Compared to the previous year, the main driver for this development was an increase in income from current securities.

Financial expenses increased from EUR 41,088 thousand in the fiscal year ended December 31, 2014 by EUR 43,254 thousand (105.27%) to EUR 84,342 thousand in the fiscal year ended December 31, 2015 and break down as follows:

	Fiscal years ended December 31,	
	2015	2014

	IFRS audited	
	EUR thousand	EUR thousand
Interest on bank loans	52,039	28,992
Bond interest	26,237	8,757
Convertible bond interest	1,701	1,809
Other	4,366	1,530
	<u>84,342</u>	<u>41,088</u>

Financial expenses increased from EUR 41,088 thousand in the fiscal year ended December 31, 2014 by EUR 43,254 thousand (105.27%) to EUR 84,342 thousand in the fiscal year ended December 31, 2015 due to an increase of ongoing interest expenses from EUR 28,992 thousand by EUR 23,047 thousand (79.49%) to EUR 52,039 thousand, which results from the new business acquired in the fiscal year ended December 31, 2015.

The increase of interest expenses notes/convertible notes from EUR 10,566 thousand in the fiscal year ended December 31, 2014 by EUR 17,371 thousand (164.40%) to EUR 27,937 thousand in the fiscal year ended December 31, 2015 primarily results from the interest expenses associated with the new business acquired in the fiscal year ended December 31, 2015 and the issuance of a note with a nominal volume of EUR 300,000 thousand in April 2015 and the tap of the note by another EUR 50,000 thousand in October 2015.

Net income from at-equity valued investment associates decreased from EUR 1,824 thousand in the fiscal year 2014 by EUR 2,154 thousand (-118.09%) to EUR -330 thousand in the fiscal year 2015. This item reflects the pro-rata gains and losses from associates consolidated at equity. This primarily involves the pro-rata result of convert Immobilien Invest SE (EUR -769 thousand) in the fiscal year 2015 and the other investments consolidated at equity (EUR 439 thousand).

Income taxes developed as follows:

	Fiscal years ended December 31,	
	2015	2014
	IFRS audited	
	EUR thousand	EUR thousand
Current income tax expense	2,373	470
Income tax expense (income) from other accounting periods	-396	6
Actual income tax expense	1,977	476
Deferred tax expense (income), loss carryforwards	-15,573	-10,644
Deferred tax expense (income), temporary differences	30,134	31,357
Deferred taxes	14,561	20,713
Total	16,538	21,189

Income taxes decreased from EUR 21,189 thousand in the fiscal year 2014 by EUR 4,651 thousand (21.95%) to EUR 16,538 thousand in the fiscal year 2015.

Deferred taxes in the amount of EUR 14,561 thousand in 2015 (2014: EUR 20,713 thousand) mainly result from deferred taxes from the valuation of the investment properties at fair value and deferred taxation on tax loss carryforwards.

Earnings per share reflect the earnings for a period attributable to a single share. For this purpose, the net profits are divided by the weighted number of outstanding shares. A dilution of the earnings per share results from so-called “potential shares” (for example, from convertible notes).

Earnings per share in the fiscal year 2015 and 2014 were as follows:

	Fiscal years ended December 31,	
	2015	2014
	IFRS audited	
Consolidated net profit (EUR thousand)	78,283	111,570
Consolidated net profit without non-controlling interest	72,117	109,219
Interest expenses including deferred taxes on convertible notes	1,137	1,225
Consolidated net profit without non-controlling interests (diluted)	73,254	110,444
Number of shares (thousand)		
Weighted number of shares issued	39,489	23,486
Effect of the conversion of convertible notes	7,342	7,494
Weighted number of shares (diluted)	46,831	30,980
Earnings per share (EUR)		
Earnings per share, undiluted	1.83	4.65
Earnings per share, diluted	1.56	3.57

9.5 Discussion of assets and liabilities

Discussion of the assets and liabilities as at September 30, 2017 compared to December 31, 2016

Notes on assets

The following table contains information on the assets side of the Company’s balance sheet as at September 30, 2017 compared to December 31, 2016.

	September 30	December 31
	2017	2016
	IFRS	
	unaudited	audited
	EUR thousand	
Assets		
Goodwill	130,552	130,552
Intangible assets	612	583
Property, plant and equipment	3,373	3,434
Investment properties	2,640,732	2,441,988
Investments in associated companies	280	497
Other financial investments	206	69
Other non-current assets	366	48
Deferred tax assets	1,405	408
Non-current assets	2,777,526	2,577,578
Inventories	279,869	227,057
Trade receivables	11,829	11,749
Income tax receivables	3,883	1,407
Other current assets	72,960	54,086
Cash and cash equivalents	116,609	123,911
Current assets	485,149	418,211
Non-current assets held for sale	18,536	434,688
	3,281,212	3,430,477

Non-current assets

Goodwill in the amount of EUR 130,552 thousand as at September 30, 2017 remained unchanged from December 31, 2016.

Investment Properties increased by EUR 198,744 thousand (8.13%), from EUR 2,441,988 thousand as at December 31, 2016 to EUR 2,640,732 thousand as at September 30, 2017. This increase was chiefly due to the acquisition as of March 31, 2017 of a real estate portfolio in Osterholz-Scharmbeck and Schwanewede (for a purchase price of EUR 29,925 thousand), the acquisition as of June 30, 2017 of a further real estate portfolio in Senftenberg via the property company TGA Immobilien Erwerb 3 GmbH (an amount of EUR 9,981 thousand), and due to the acquisition in September 2017 of another real estate portfolio with a total of 2,505 rental units in North Rhine -Westphalia, Lower Saxony, Bremen, and Schleswig Holstein (an amount of EUR 130,676 thousand) and positive changes in measurement results of EUR 36,957 thousand, which items were offset by disposals and IFRS 5 reclassifications, amounting to EUR 28,892 thousand.

Deferred tax assets increased from EUR 408 thousand as at December 31, 2016 by EUR 997 thousand to EUR 1,405 thousand as at September 30, 2017. The increase is due to deferred tax income from loss carryforwards from ACCENTRO.

Current assets

Inventories increased by EUR 52,812 thousand (23.26 %), from EUR 227,057 thousand as at December 31, 2016 to EUR 279,869 thousand as at September 30, 2017, primarily due to ACCENTRO's acquisition of properties held for sale.

The increase in **trade receivables** by EUR 80 thousand (0.67 %), from EUR 11,749 thousand as at December 31, 2016 to EUR 11,829 thousand as at September 30, 2017, mainly resulted from rent receivables.

Income tax receivables increased from EUR 1,407 thousand as at December 31, 2016 by EUR 2,476 thousand (176.01 %) to EUR 3,883 thousand as at September 30, 2017 due to capital gains tax paid on interest income from ADLER, as well as refundable trade tax and corporate tax paid by ACCENTRO.

Other current assets increased by EUR 18,874 thousand (34.90%), from EUR 54,086 thousand as at December 31, 2016 to EUR 72,960 thousand as at September 30, 2017, mainly due to a EUR 16,052 thousand increase in earmarked financial assets (due to restrictions on disposals).

Cash and cash equivalents decreased by EUR 7,302 thousand (5.89%), from EUR 123,911 thousand as at December 31, 2016 to EUR 116,609 thousand as at September 30, 2017, mainly due to the repayment of bank loans, whereas the sales of non-current assets held for sale had an offsetting effect. As at September 30, 2017, EUR 17,787 thousand (December 31, 2016: EUR 13,370 thousand) of cash and cash equivalents were earmarked for debt servicing, while EUR 98,822 thousand (December 31, 2016: EUR 110,541 thousand) were freely disposable.

Non-current assets held for sale decreased by EUR 416,152 thousand (95.74%), from EUR 434,688 thousand as at December 31, 2016 to EUR 18,536 thousand as at September 30, 2017, mainly as a result of the sale of the conwert shares in the amount of EUR 416,260 thousand.

As of December 31, 2016, the fair value less costs of sale were based on the consideration offered in Vonovia's voluntary takeover bid and was lower than the previous carrying amount, as a result of which it was necessary to recognize an impairment loss. Apart from the reversal of the reserves recognized in equity for the conwert shares, the divestiture of the shares at a carrying amount of EUR 416,260 thousand therefore had no impact on earnings in fiscal year 2017. The release of the reserves recognized in equity for the conwert shares led to expenses of EUR 1,589 thousand, which have been recognized in the financial result in line with the impairment loss recognized in the fiscal year 2016.

The other non-current assets held for sale include properties recognized at an amount of EUR 18,536 thousand (December 31, 2016: EUR 18,428 thousand) for which notarized purchase contracts were mostly concluded as at September 30, 2017.

Notes on equity and liabilities

The following table contains information on the liabilities side of the balance sheet of ADLER as at September 30, 2017 compared to December 31, 2016.

	September 30	December 31
	2017	2016
	IFRS	
	unaudited	audited
	EUR thousand	
Liabilities		
Shareholders' equity	918,671	914,222
Pension provisions	4,727	4,954
Deferred tax liabilities	133,226	113,142
Other provisions	1,919	1,622
Liabilities from convertible bonds and bonds	652,660	653,324
Financial liabilities to banks	1,378,634	1,312,502
Other non-current liabilities	24,147	25,677
Non-current liabilities	2,195,315	2,111,222
Other provisions	2,317	3,926
Income tax liabilities	15,914	13,969
Liabilities from convertible bonds and bonds	13,829	9,835
Financial liabilities to banks	83,938	320,328
Trade payables	28,841	22,492
Other current liabilities	15,571	26,931

Current liabilities	160,411	397,482
	<hr/>	<hr/>
Liabilities held for sale	6,815	7,553
	<hr/>	<hr/>
	3,281,212	3,430,477
	<hr/>	<hr/>

Equity developed as follows:

	September 30	December 31
	2017	2016
	IFRS	
	unaudited	audited
	EUR thousand	
Share capital	57,545	47,702
Treasury shares	-783	0
Capital reserve	328,684	352,105
Retained earnings	-921	-2,510
Currency translation reserve	87	90
Net retained profits	454,576	445,786
Equity attributable to owners of the parent company	839,188	843,174
Non-controlling interests	79,483	71,048
Equity	918,671	914,222
	<hr/>	<hr/>

Equity increased from EUR 914,222 thousand as at December 31, 2016 by EUR 4,449 thousand (0.49%) to EUR 918,671 thousand as at September 30, 2017. This was mainly due to the following items: The Company's general shareholders' meeting resolved in June 2017 to increase the share capital by EUR 4,773 thousand from company funds by issuing 4,773,135 new shares (bonus shares). Due to the exercise of conversion rights from convertible notes, the Company's share capital further increased by EUR 5,070 thousand and the capital reserve increased by EUR 4,235 thousand. Due to the acquisition of convertible bonds issued by ACCENTRO, the capital reserve was reduced by the respective equity share of EUR 22,883 thousand. In June 2016, the Company initiated a share buyback program with a total volume (excluding ancillary costs) of up to EUR 10,000 thousand. In September 2017, a second share buyback program with a total volume (excluding ancillary costs) of EUR 5,000 thousand was started. A total of 782,962 no-par ordinary shares had been bought back as of September 30, 2017. The nominal amount of the treasury stock thereby acquired (EUR 783 thousand) has been deducted from share capital, while the acquisition costs in excess of the nominal amount (EUR 9,850 thousand) have been deducted from accumulated net profit. Net retained profits increased by EUR 8,790 thousand.

Deferred tax liabilities increased from EUR 113,142 thousand as at December 31, 2016 by EUR 20,084 (17.75%) to EUR 133,226 thousand as at September 30, 2017. The increase is mainly due to fair value adjustments of investment properties

Liabilities for convertible bonds developed as follows:

	September 30	December 31
	2017	2016
	IFRS	
	unaudited	audited
	EUR thousand	
2013/2017 convertible note	0	9,009
2013/2018 convertible note	3,961	4,036
2015/2018 mandatory convertible note	936	1,594
2016/2021 convertible note	119,466	116,897
ACCENTRO AG 2014/2019 convertible note	1,124	13,888
Total	125,487	145,424
– of which non-current	124,618	143,870
– of which current	869	1,554
	<hr/>	<hr/>

The EUR 10 million 6.0% convertible note 2013/2017 (“**Convertible Note 2013/2017**”) matured on June 30, 2017. Virtually all of the outstanding Convertible Notes 2013/2017 were converted into ADLER shares. The reduction in the liabilities for the ACCENTRO 2014/2019 convertible bond mainly resulted from the acquisition by ADLER of bonds with a nominal value of EUR 11,858 thousand.

Liabilities for bonds developed as follows:

	September 30	December 31
	2017	2016
	IFRS	
	unaudited	audited
	EUR thousand	
2013/2018 bond	35,457	35,884
2014/2019 bond	0	129,761
2015/2020 bond	505,545	341,747
ACCENTRO AG 2013/2018 bond	0	10,443
Total	541,002	517,735
– of which non-current	528,042	509,454
– of which current	12,960	8,281

In April 2017, ADLER successfully tapped its EUR 350 million 4.75% bond 2015/2020 by EUR 150 million at an issue price of 104.4%. The EUR 130 million 6.00% bond 2014/2019 was called and prematurely repaid on May 10, 2017 at 101.5% of the nominal amount plus accumulated interest. Moreover, ACCENTRO decided to prematurely call its EUR 10 million bond 2013/2018 which was repaid on June 26, 2017 at a price of 101.5% plus accumulated interest on the nominal amount.

Financial liabilities to banks resulted from bank financing arrangements entered into in connection with ADLER’s acquisition of portfolio properties and inventory properties. Current liabilities to banks include current interest payable and redemption payments due within one year. Most of the liabilities for financing the investment properties are medium to long term with fixed interest rates. Loans at variable interest rates are largely hedged with financial derivatives. The financial liabilities to banks are collateralized by mortgage liens. Additional collateral is composed of the assignment of earnings from property lettings, bank balances and letters of subordination.

Some of ADLER’s financing arrangements with banks include financial covenants (including with respect to loan-to-mortgage-lending value, interest and capital coverage and minimum investment amount). Failure to comply with these covenants could lead to termination of the relevant financing arrangements or the requirement to deposit additional security in respect of such arrangements.

Non-current financial liabilities to banks increased from EUR 1,312,502 thousand as at December 31, 2016 by EUR 66,132 thousand (5.04%) to EUR 1,378,634 thousand as at September 30, 2017. EUR 68,865 thousand is attributable to financial liabilities assumed in connection with the acquisition of another real estate portfolio in September 2017 with a total of 2,505 rental units in North Rhine -Westphalia, Lower Saxony, Bremen, and Schleswig Holstein. A long term loan of EUR 22,000 thousand was arranged to replace the intra group financing of the portfolio Osterholz Scharmbeck and Schwanewede. This was offset by unscheduled repayments of promissory note loans (*Schuldscheindarlehen*) with higher interest rates (EUR 33,000 thousand).

Income tax liabilities increased from EUR 13,969 thousand as at December 31, 2016 by EUR 1,945 thousand (13.92 %) to EUR 15,914 thousand as at September 30, 2017 due to the sale of properties by ACCENTRO. This was offset by payments from ADLER.

Current financial liabilities to banks decreased from EUR 320,328 thousand as at December 31, 2016 by EUR 236,390 thousand (73.80%) to EUR 83,938 thousand as at September 30, 2017 mainly due to the repayment of the loan used to finance the acquisition of the convert shares in the amount of EUR 199,707 thousand, including interest) and further scheduled repayments.

The following table shows the debt maturity profile of ADLER’s non-current financial liabilities as at September 30, 2017.

	Amounts due in year								
	2017	2018	2019	2020	2021	2022	2023	2024	≥2025 ⁽¹⁾
	IFRS unaudited ⁽³⁾ EUR thousand								
Bank loans secured	4,667	59,891	44,889	133,317	244,518	107,478	22,267	72,011	132,291
Promissory note loan agreements	788	3,294	3,294	3,294	3,294	3,294	151,494	359,729	138,344
Bonds	0	35,000	0	500,000	0	0	0	0	0
Convertible bonds ⁽²⁾	0	4,136	12,706	0	137,899	0	0	0	0
Total	5,455	102,321	60,889	636,611	385,711	110,772	173,761	431,740	270,635

⁽¹⁾ Of this amount, EUR 138,344 thousand promissory note loan agreements and EUR 64,698 thousand bank loans secured become due in 2025 alone.

⁽²⁾ The EUR 175 Million Mandatory Convertible Notes issued by the Company (see section 11 “*DESCRIPTION OF OTHER INDEBTEDNESS - EUR 175 Million Mandatory Convertible Notes*”) are not included therein because no regular repayment is possible and, thus, it is also qualified as equity shown in the balance sheet for the purposes of IFRS.

⁽³⁾ The information is taken from the Company’s accounting system and is unaudited.

Trade payables increased from EUR 22,492 thousand as at December 31, 2016 by EUR 6,349 thousand (28.23%) to EUR 28,841 thousand as at September 30, 2017 mainly due to the significantly increased business.

Other current liabilities decreased from EUR 26,931 thousand as at December 31, 2016 by EUR 11,360 thousand (42.18%) to EUR 15,571 thousand as at September 30, 2017. This was mainly due to payments for accrued prepayment compensations to banks.

Discussion of the fiscal years 2016 and 2015

Notes on assets

The following table contains information on the assets side of the Company’s balance sheet as at December 31, 2016 compared to December 31, 2015.

	December 31,	
	2016	2015
	IFRS audited EUR thousand	
Assets		
Goodwill	130,552	130,552
Intangible assets	583	1,358
Property, plant and equipment	3,434	1,269
Investment properties	2,441,988	2,270,187
Investments in associated companies	497	353,343
Other financial investments	69	1,230
Other non-current assets	48	473
Deferred tax assets	408	465
Non-current assets	2,577,578	2,758,878
Inventories	227,057	159,654
Trade receivables	11,749	16,309
Income tax receivables	1,407	243
Other current assets	54,086	71,544
Cash and cash equivalents	123,911	49,502
Current assets	418,211	297,252

Non-current assets held for sale	434,688	20,117
	<u>3,430,477</u>	<u>3,076,246</u>

Non-current assets

Goodwill in the amount of EUR 130,552 thousand as at December 31, 2015 remained unchanged as compared to December 31, 2016.

Investment Properties increased from EUR 2,270,187 thousand as at December 31, 2015 by EUR 171,801 thousand (7.57%) to EUR 2,441,988 thousand as at December 31, 2016. The increase was mainly due to the capitalization of capex measures and the calculation of the fair values of individual properties and real estate portfolios, respectively on the basis of discounted future cash flows using the discounted cash flow method.

Investments in associated companies decreased from EUR 353,343 thousand as at December 31, 2015 by EUR 352,846 thousand (99.86%) to EUR 497 thousand as at December 31, 2016 due to the reclassification of the indirect stake in conwert Immobilien Invest SE to non-current assets held for sale.

Current assets

The increase in **inventories** from EUR 159,654 thousand as at December 31, 2015 by EUR 67,403 thousand (42.22%) to EUR 227,057 thousand as at December 31, 2016 primarily results from ACCENTRO's properties acquired for sale.

The decrease in **trade receivables** from EUR 16,309 thousand as at December 31, 2015 by EUR 4,560 thousand (27.96%) to EUR 11,749 thousand as at December 31, 2016 mainly resulted from settlements of receivables from company disposals and sale of land.

Income tax receivables increased from EUR 243 thousand as at December 31, 2015 by EUR 1,164 thousand (479.01%) to EUR 1,407 thousand as at December 31, 2016 resulted from capital gains tax paid on interest income from ADLER as well as refundable trade tax and corporate tax from ACCENTRO.

Other current assets decreased from EUR 71,544 thousand as at December 31, 2015 by EUR 17,458 thousand (24.40%) to EUR 54,086 thousand as at December 31, 2016 which mainly resulted from the decrease in a notary escrow account by EUR 9,245 thousand as well as the repayment of short-term loans to third parties by EUR 5,092 thousand.

Cash and cash equivalents increased from EUR 49,502 thousand as at December 31, 2015 by EUR 74,409 thousand (150.32%) to EUR 123,911 thousand as at December 31, 2016 mainly due to sales of non-current assets held for sale. As at December 31, 2016, EUR 13,370 thousand (December 31, 2015: EUR 8,669 thousand) of cash and cash equivalents are earmarked for debt servicing while EUR 110,541 thousand (December 31, 2015: EUR 40,833 thousand) are freely disposable.

Non-current assets held for sale increased from EUR 20,117 thousand as at December 31, 2015 by EUR 414,571 thousand (2,060.80%) to EUR 434,688 thousand as at December 31, 2016. Non-current assets held for sale comprise the shareholding in conwert amounting to EUR 416,260 thousand as well as apartments and multi-family residential buildings amounting to EUR 18,428 thousand, for the most part of which notarized purchase agreements had already been signed as at December 31, 2016.

Notes on equity and liabilities

The following table contains information on the liabilities side of the balance sheet of ADLER as at December 31, 2016 compared to December 31, 2015.

December 31,	
2016	2015
IFRS audited	
EUR thousand	

Liabilities		
Shareholders' equity	914,222	777,921
Pension provisions	4,954	4,268
Deferred tax liabilities	113,142	70,139
Other provisions	1,622	756
Liabilities from convertible bonds and bonds	653,324	516,581
Financial liabilities to banks	1,312,502	1,368,125
Other non-current liabilities	25,677	20,507
Non-current liabilities	2,111,222	1,980,375
Other provisions	3,926	2,688
Income tax liabilities	13,969	5,406
Liabilities from convertible bonds and bonds	9,835	8,888
Financial liabilities to banks	320,328	248,524
Trade payables	22,492	20,174
Other current liabilities	26,931	17,849
Current liabilities	397,482	303,529
Liabilities held for sale	7,553	14,421
	3,430,477	3,076,246

Equity developed as follows:

	December 31,	
	2016	2015
	IFRS audited	
	EUR thousand	
Share capital	47,702	46,103
Capital reserve	352,105	449,360
Retained earnings	-2,510	-88
Currency translation reserve	90	92
Net retained profits	445,786	223,890
Equity attributable to owners of the parent company	843,174	719,357
Non-controlling interests	71,048	58,563
Equity	914,222	777,921

Equity increased from EUR 777,921 thousand as at December 31, 2015 by EUR 136,301 thousand (17.52%) to EUR 914,222 thousand as at December 31, 2016. The increase was mainly due to an increase in net retained profits from EUR 223,890 thousand by EUR 221,896 thousand (99,11%) to EUR 445,786 thousand.

Financial liabilities to banks resulted from the acquisition and financing of portfolio properties and inventory properties. Current liabilities to banks include current interest payable and redemption payments due within one year. Most of the liabilities for financing the investment properties are medium to long term with fixed interest rates. Loans at variable interest rates are largely hedged with financial derivatives. The financial liabilities to banks are collateralized by mortgage liens. Additional collateral is composed of the assignment of earnings from property lettings, bank balances and letters of subordination.

In the course of borrowing and in credit agreements that were assumed as part of acquisitions, the Company has in some cases obligated itself to comply with financial covenants imposed by the financial institutions providing the financing. These encompass requirements with regard to the loan-to-mortgage-lending value, interest and capital coverage and a minimum investment amount. Failure to comply with financial covenants may lead to termination or the mandatory deposit of additional security.

Non-current financial liabilities to banks decreased from EUR 1,368,125 thousand as at December 31, 2015 by EUR 55,623 thousand (4.07%) to EUR 1,312,502 thousand as at December 31, 2016 as a result of the reclassification into current financial liabilities to banks.

Income tax liabilities increased from EUR 5,406 thousand as at December 31, 2015 by EUR 8,563 thousand (158.40%) to EUR 13,969 thousand as at December 31, 2016 due to the increased profitability of ADLER, especially with regard to ACCENTRO.

Current financial liabilities to banks increased from EUR 248,524 thousand as at December 31, 2015 by EUR 71,804 thousand (28.89%) to EUR 320,328 thousand as at December 31, 2016 due to the reclassification from non-current financial liabilities to banks and the refinancing of the shareholding in convert.

The following table shows the debt maturity profile of ADLER's non-current financial liabilities as at December 31, 2016.

In this table, the maturity of financed inventory properties for the Trading segment has been accounted for in line with planned sales of such inventory properties. To this end, EUR 60.1 thousand have been accounted for 2017. Furthermore, the amount of EUR 356,243 thousand for 2017 includes the repayment of a loan in the amount of EUR 199.2 million in relation to ADLER's shareholding in convert. As at the date of this Prospectus, this loan was fully repaid from the proceeds of the sale of the convert shares.

	Amounts due in year								
	2017	2018	2019	2020	2021	2022	2023	2024	≥2025 ⁽¹⁾
	IFRS unaudited ⁽³⁾ EUR thousand								
Bank loans secured	320,898	67,850	30,998	112,412	224,906	36,992	15,551	65,710	93,094
Promissory note loan agreements	4,319	4,319	4,319	4,319	4,319	4,319	154,879	387,293	134,681
Bonds	10,000	35,000	130,000	350,000	0	0	0	0	0
Convertible bonds ⁽²⁾	21,031	4,338	1,491	0	137,900	0	0	0	0
Total	356,242	111,507	166,807	466,730	367,124	41,310	170,430	453,003	227,776

⁽¹⁾ Of this amount, EUR 134,681 thousand promissory note loan agreements and EUR 78,303 thousand bank loans secured become due in 2025 alone.

⁽²⁾ The EUR 175 Million Mandatory Convertible Notes issued by the Company (see section "Financing agreements - EUR 175 Million Mandatory Convertible Notes") are not included therein, because no regular repayment is possible and, thus, it is also qualified as equity shown in the balance sheet for the purposes of IFRS.

⁽³⁾ The information is taken from the Company's accounting system and is unaudited.

Trade payables increased from EUR 20,174 thousand as at December 31, 2015 by EUR 2,318 thousand (11.49%) to EUR 22,492 thousand as at December 31, 2016 mainly due to the significantly increased business.

Other current liabilities increased from EUR 17,849 thousand as at December 31, 2015 by EUR 9,082 thousand (50.88%) to EUR 26,931 thousand as at December 31, 2016. This was mainly due to an increase in advance payments received in connection with the sale of properties.

Discussion of the fiscal years 2015 and 2014

Notes on assets

The following table contains information on the assets side of the Company's balance sheet as at December 31, 2015 compared to December 31, 2014.

December 31,	
2015	2014
IFRS audited EUR thousand	

Assets		
Goodwill	130,552	27,081
Intangible assets	1,358	1,727
Property, plant and equipment	1,269	494
Investment properties	2,270,187	1,170,159
Loans to associated companies	0	907
Investments in associated companies	353,343	1,123
Other financial investments	1,230	1,175
Other non-current assets	473	0
Deferred tax assets	465	983
Non-current assets	2,758,878	1,203,649
Inventories	159,654	89,617
Trade receivables	16,309	27,547
Income tax receivables	243	173
Other current assets	71,544	56,283
Cash and cash equivalents	49,502	33,060
Current assets	297,252	206,681
Non-current assets held for sale	20,117	6,129
	3,076,246	1,416,459

Non-current assets

The **goodwill** increased from EUR 27,081 thousand as at December 31, 2014 by EUR 103,471 thousand (382.08%) to EUR 130,552 thousand as at December 31, 2015. The acquisition of WESTGRUND and the preliminary purchase price allocation of the purchase price to WESTGRUND's assets and debt acquired results in goodwill of EUR 103,471 thousand.

Investment properties increased from EUR 1,170,159 thousand as at December 31, 2014 by EUR 1,100,028 thousand (94.01%) to EUR 2,270,187 thousand as at December 31, 2015, mainly as a result of the acquisitions of WESTGRUND group (EUR 761,201 thousand), Wohnungsbaugesellschaft JADE mbH (EUR 249,108 thousand), the AJAX portfolio (EUR 108,333 thousand) and valuation results of EUR 58,860 thousand. A contrary effect had the sale of the Hohenschönhausen portfolio (EUR -69,400 thousand). The fair value of individual properties and property portfolios was calculated on the basis of discounted future cash flows (DCF method) or using the gross rental method.

Investments in associated companies increased from EUR 1,123 thousand as at December 31, 2014 by EUR 352,220 thousand (31,364.20%) to EUR 353,343 thousand as at December 31, 2015 as a result of the acquisition of the indirect stake in conwert Immobilien Invest SE in August 2015.

Current assets

The increase in **inventories** from EUR 89,617 thousand as at December 31, 2014 by EUR 70,037 thousand (78.15%) to EUR 159,654 thousand as at December 31, 2015 primarily relates to the acquisition of inventories for the privatization business.

The reduction in **trade receivables** from EUR 27,547 thousand as at December 31, 2014 by EUR 11,238 thousand (40.80%) to EUR 16,309 thousand as at December 31, 2015 mainly resulted from the increase in the volume of the business.

Other current assets increased from EUR 56,283 thousand as at December 31, 2014 by EUR 15,261 thousand (27.11%) to EUR 71,544 thousand as at December 31, 2015 and mainly relate to short-term investments.

Cash and cash equivalents increased from EUR 33,060 thousand as at December 31, 2014 by EUR 16,442 thousand (49.73%) to EUR 49,502 thousand as at December 31, 2015, essentially resulting from the acquisition

of WESTGRUND and sales of non-current assets held for sale. As at December 31, 2015, EUR 8,669 thousand (December 31, 2014: EUR 4,304 thousand) of cash and cash equivalents are earmarked for debt servicing while EUR 40,833 thousand (December 31, 2014: EUR 28,756 thousand) are freely disposable.

Non-current assets held for sale increased from EUR 6,129 thousand as at December 31, 2014 by EUR 13,988 thousand (228.23%) to EUR 20,117 thousand as at December 31, 2015 primarily relate to apartments and multi-family dwellings for the most part of which notarized purchase agreements had already been signed as at March 31, 2015.

Notes on equity and liabilities

The following table contains information on the liabilities side of the balance sheet of ADLER as at December 31, 2015 compared to December 31, 2014.

	December 31,	
	2015	2014
	IFRS audited EUR thousand	
Liabilities		
Shareholders' equity	777,921	311,211
Pension provisions	4,268	4,281
Deferred tax liabilities	70,139	39,083
Other provisions	756	802
Liabilities from convertible bonds and bonds	516,581	174,698
Financial liabilities to banks	1,368,125	791,087
Other non-current liabilities	20,507	977
Non-current liabilities	1,980,375	1,010,927
Other provisions	2,688	482
Income tax liabilities	5,406	3,213
Liabilities from convertible bonds and bonds	8,888	4,021
Financial liabilities to banks	248,524	47,810
Trade payables	20,174	21,123
Other current liabilities	17,849	17,673
Current liabilities	303,529	94,321
Liabilities held for sale	14,421	0
	3,076,246	1,416,459

Equity developed as follows:

	December 31,	
	2015	2014
	IFRS audited EUR thousand	
Share capital	46,103	31,877
Capital reserve	449,360	108,078
Retained earnings	-88	-349
Currency translation reserve	92	20
Net retained profits	223,890	151,775
Equity attributable to owners of the parent company	719,357	291,401
Non-controlling interests	58,563	19,810
Equity	777,921	311,211

Equity increased from EUR 311,211 thousand as at December 31, 2014 by EUR 466,710 thousand (149.97%) to EUR 777,921 thousand as at December 31, 2015. The increase was mainly due to an increase of the net retained profits from EUR 151,775 thousand by EUR 72,115 thousand (47.51%) to EUR 223,890 thousand as well as the increase of the capital reserve from EUR 108,078 thousand by EUR 341,282 thousand (315.77%) to EUR 449,360 thousand. In addition thereto, the share capital increased from EUR 31,877 thousand by EUR 14,226 thousand (44.63%) to EUR 46,103 thousand as a result of the capital increase against contributions in kind by EUR 14,075 thousand as part of the takeover of WESTGRUND by way of a combined cash and exchange offer as well as a result of the conversion of the convertible notes issued by the Company. The notes (notes and convertible notes) issued by the Company in the total amount of EUR 516,581 thousand as at December 31, 2015 are reported under non-current liabilities.

Other provisions and accrued liabilities developed as follows:

	December 31,	
	2015	2014
	IFRS audited	
	EUR thousand	EUR thousand
Provisions for personnel obligations	504	477
Warranties	1,318	164
Other	1,622	642
	3,444	1,283
Thereof non-current	756	802

The amount of other provisions and accrued liabilities increased from EUR 1,283 thousand as at December 31, 2013 by EUR 2,161 thousand (168.43%) to EUR 3,444 thousand as at December 31, 2015. This increase is mainly attributable to the increase in provisions for warranties. The provision for warranties covers statutory and contractual warranty obligations arising from the sale of real estate assets. The increase in provisions for warranties comprises a guarantee to the purchaser from the sale of ESTAVIS Berlin Hohenschönhausen GmbH in the amount of EUR 1,042 thousand. The non-current provisions for personnel obligations are related to early retirement pension obligations in the amount of EUR 402 thousand, provisions under the SAR program in the amount of EUR 66 thousand and anniversary provisions in the amount of EUR 35 thousand.

Non-current financial liabilities to banks increased from EUR 791,087 thousand as at December 31, 2014 by EUR 577,038 thousand (72.94%) to EUR 1,368,125 thousand as at December 31, 2015, mainly due to the acquisition of Wohnungsbaugesellschaft JADE mbH, the liabilities assumed in connection with the WESTGRUND takeover as well as the loans assumed in connection with the acquisition of MountainPeak.

Current financial liabilities to banks increased from EUR 47,810 thousand as at December 31, 2014 by EUR 200,714 thousand (419.82%) to EUR 248,524 thousand as at December 31, 2015. This increase mainly results from current financial liabilities of WESTGRUND which were incurred due to the acquisition of WESTGRUND (EUR 13,153 thousand), the acquisition of MountainPeak (EUR 127,696 thousand) and ACCENTRO (EUR 27,084 thousand).

The total **trade payables** are current and owing to third parties. In addition, maintenance work not yet invoiced and consulting services are recognized herein. Trade payables decreased from EUR 21,123 thousand as at December 31, 2014 by EUR 949 thousand (4.49%) to EUR 20,174 thousand as at December 31, 2015, which is mainly attributable to the decrease in outstanding invoices as at the balance sheet date.

Other current liabilities increased from EUR 17,673 thousand as at December 31, 2014 by EUR 176 thousand (1.00%) to EUR 17,849 thousand as at December 31, 2015, resulting from the expanded business.

The increase of **liabilities held for sale** by EUR 14,421 thousand as at December 31, 2015 in comparison to EUR 0 thousand on December 31, 2014 is connected with the assets held for sale and exclusively relates to liabilities to banks.

9.6 Discussion of financial position

Discussion of the nine-month period ended September 30, 2017 compared to the nine-month period ended September 30, 2016

Cash flow statement

The following table contains information on the consolidated statement of cash flows of the Company for the nine-month period ended September 30, 2017 compared to the nine-month period ended September 30, 2016.

	Nine-month period ended September 30,	
	2017	2016
	IFRS	
	unaudited	
	EUR thousand	
Earnings before interest and taxes (EBIT)	119,960	217,274
Depreciation and amortization	761	868
Net income from fair value adjustments of investment properties	-36,957	-123,530
Non-cash income/expenses	1,996	819
Changes in provisions and accrued liabilities	-1,539	285
Increase/decrease in inventories, trade receivables and other assets not attributable to investment or financing activities	-15,341	-19,378
Increase/decrease in trade payables and other liabilities not attributable to investment or financing activity	-12,940	-6,553
Interest received	2,415	379
Dividends received	223	8,097
Tax payments	-4,329	-713
Operative cash flow before divestment/reinvestment into the trading portfolio	54,249	77,548
Increase/decrease in inventories (commercial properties)	-53,338	4,389
Net cash flows from operating activities	911	81,937
Acquisition of subsidiaries, net of cash acquired	-59,897	-1,225
Purchase of investment properties	-57,937	-23,999
Disposal of investment properties, net of cash disposed	29,264	32,593
Purchase of property, plant and equipment	-1,507	-311
Disposal of property, plant and equipment	56	363
Proceeds from divestments of financial assets less costs to sell	416,260	0
Investments in financial assets	-144	-78,979
Payments from short-term deposits	19,500	11,800
Payments into short-term deposits	-24,584	-14,624
Net cash flow from investing activities	321,011	-74,382
Payments for acquisition of treasury shares	-10,643	0
Dividend payments to non-controlling interests	-511	0
Proceeds from issue of bonds	156,545	24,348
Repayment of bonds	-142,100	0
Proceeds from issue of convertible bonds	0	131,006
Payments for acquisition and repayment of convertible bonds	-35,178	0
Payments from issuing debt	-2,154	-4,270
Interest payments	-61,823	-65,075
Proceeds from bank loans	114,459	238,401

Repayments of bank loans	-347,819	-279,902
Net cash flow from financing activities	-329,224	44,508

Balance sheet reconciliation

Cash and cash equivalents at beginning of periods	123,911	49,502
Net cash flow from operating activities	911	81,937
Net cash flow from investing activities	321,011	-74,382
Net cash flow from financing activities	-329,224	44,508
Cash and cash equivalents at the end of the periods	116,609	101,565

Net cash flow from operating activities decreased from EUR 81,937 thousand in the nine-month period ended September 30, 2016 by EUR 81,026 thousand (98.89%) to EUR 911 thousand in the nine-month period ended September 30, 2017. This decrease resulted essentially from the business with commercial properties.

Net cash flow from investing activities increased from EUR -74,382 thousand in the nine-month period ended September 30, 2016 by EUR 395,393 thousand (531.57%) to EUR 321,011 thousand in the nine-month period ended September 30, 2017. This increase resulted essentially from the sale of the shares held in convert. This effect was partially compensated by the acquisition of subsidiaries (net of cash acquired) and the purchase of investment properties.

Net cash flow from financing activities decreased from EUR 44,508 thousand in the nine-month period ended September 30, 2016 by EUR 373,732 thousand (839.69%) to EUR -329,224 thousand in the nine-month period ended September 30, 2017. This decrease resulted essentially from the repayment of liabilities that had served to finance the acquisition of convert shares.

Discussion of the fiscal years 2016 and 2015

Cash flow statement

	Fiscal year ended December 31,	
	2016	2015 (adjusted) ⁽¹⁾
	IFRS audited	
	EUR thousand	EUR thousand
Earnings before interest and taxes (EBIT)	301,835	176,586
Depreciation and amortization	1,174	1,030
Net income from fair value adjustments of investment properties	-199,677	-58,861
Non-cash income/expenses	6,555	-34,358
Changes in provisions and accrued liabilities	2,790	2,069
Increase/decrease in inventories, trade receivables and other assets not attributable to investment or financing activities	15,009	-11,022
Increase/decrease in trade payables and other liabilities not attributable to investment or financing activity	-8,529	-4,425
Interest received	714	996
Dividends received	8,720	0
Tax payments	-1,164	-117
Operative cash flow before divestment/reinvestment into the trading portfolio	127,427	71,898
Increase/decrease in inventories (commercial properties)	-26,877	-46,924
Net cash flows from operating activities	100,550	24,974
Acquisition of subsidiaries, net of cash acquired	-16,666	-355,266
Disposal of subsidiaries, net of cash disposed of	3,968	0

Purchase of investment properties	-40,659	-152,677
Disposal of investment properties, net of cash disposed of	45,813	82,916
Purchase of property, plant and equipment and intangible assets	-537	-650
Disposal of property, plant and equipment and intangible assets	398	0
Payments into short-term deposits	-20,024	-22,019
Payments from short-term deposits	27,187	8,365
Proceeds of from divestments of financial assets	0	625
Investments in financial assets	-78,979	0
Positive/negative net cash flows from investing activities	-79,499	-438,706
Costs of issuing equity	0	-1,215
Proceeds from issue of convertible bonds	131,006	0
Proceeds from issue of bonds	23,651	351,803
Payments from issuing debt	-5,261	-15,234
Interest payments	-94,166	-68,287
Proceeds from bank loans	509,727	355,116
Repayment of bank loans	-511,599	-192,009
Positive/negative net cash flows from financing activities	53,358	430,174
<i>Balance sheet reconciliation</i>		
Cash and cash equivalents at beginning of period	49,502	33,060
Net cash flow from operating activities	100,550	24,974
Net cash flow from investing activities	-79,499	-438,706
Net cash flow from financing activities	53,358	430,174
Cash and cash equivalents at the end of the period	123,911	49,502

⁽¹⁾ The classification has been adapted: net income from at-equity not stated separately.

Net cash flows from operating activities increased from EUR 24,974 thousand in the fiscal year ended December 31, 2015 by EUR 75,576 thousand (302.62%) to EUR 100,550 thousand in the fiscal year ended December 31, 2016. This increase resulted, in particular, from the growth in ADLER's business.

Negative net cash flows from investing activities decreased from EUR -438,706 thousand in the fiscal year ended December 31, 2015 by EUR 359,207 thousand (81.88%) to EUR -79,499 thousand in the fiscal year ended December 31, 2016. This increase resulted, in particular, from the reduced business growth by way of acquisitions.

Positive net cash flows from financing activities decreased from EUR 430,174 thousand in the fiscal year ended December 31, 2015 by EUR 376,816 thousand (87.60%) to EUR 53,358 thousand in the fiscal year ended December 31, 2016. This decrease resulted from the significantly reduced net amount of additional borrowings.

Discussion of the fiscal years 2015 and 2014

Cash flow statement

	Fiscal year ended December 31,	
	2015	2014 (adjusted) ⁽¹⁾
	IFRS audited	
	EUR thousand	EUR thousand
Earnings before interest and taxes (EBIT)	176,586	170,444
Depreciation and amortization	1,030	497
Net income from at-equity valued investment associates	-330	1,824

Net income from fair value adjustments of investment properties	-58,861	-132,934
Non-cash income/expenses	-34,358	-21,359
Changes in provisions and accrued liabilities	2,069	-3,746
Increase/decrease in inventories, trade receivables and other assets not attributable to investment or financing activities	-10,692	68,076
Increase/decrease in trade payables and other liabilities not attributable to investment or financing activity	-4,425	-6,205
Interest received	996	435
Tax payments	-117	-1,487
Operative cash flow before divestment/reinvestment into the trading portfolio	71,898	75,545
Increase/decrease in inventories (commercial properties)	-46,924	-58,796
Net cash flows from operating activities	24,974	16,749
Acquisition of subsidiaries, net of cash acquired	-355,266	-59,412
Purchase of investment properties	-152,677	-120,216
Disposal of investment properties, net of cash disposed of	82,916	0
Purchase of property, plant and equipment and intangible assets	-650	-149
Payments into short-term deposits	-22,019	-28,495
Payments from short-term investments	8,365	0
Proceeds of from divestments of financial assets	625	0
Net cash flows from investing activities	-438,706	-208,272
Payments received from equity contributions	0	21,090
Costs of issuing equity	-1,215	-1,682
Proceeds from issue of bonds	351,803	100,000
Payments from issuing debt	-15,234	-4,223
Interest payments	-68,287	-35,520
Proceeds from bank loans	355,116	538,908
Repayment of bank loans	-192,009	-400,885
Net cash flows from financing activities	430,174	217,688
<i>Balance sheet reconciliation</i>		
Cash and cash equivalents at beginning of period	33,060	6,895
Net cash flows from operating activities	24,974	16,749
Net cash flows from investing activities	-438,706	-208,272
Net cash flows from financing activities	430,174	217,688
Cash and cash equivalents at the end of the period	49,502	33,060

⁽¹⁾ The figures for the fiscal year 2014 have been adjusted due to changes in the classification.

The **net cash flows from operating activities** increased from EUR 16,749 thousand in the fiscal year ended December 31, 2014 by EUR 8,225 thousand (49.11%) to EUR 24,974 thousand in the fiscal year ended December 31, 2015. This increase resulted, in particular, from the growth of ADLER's business volume.

The **net cash flows from investing activities** increased from EUR 208,272 thousand in the fiscal year ended December 31, 2014 by EUR 230,434 thousand (110.64%) to EUR 438,706 thousand in the fiscal year ended December 31, 2015 as a result of the acquisition of additional real estate portfolios, in particular, of WESTGRUND and WBG Jade mbH including its subsidiaries and the acquisition of five project development companies in Berlin-Lichtenberg.

The **net cash flows from financing activities** increased from EUR 217,688 thousand in the fiscal year ended December 31, 2014 by EUR 212,486 thousand (97.61%) to EUR 430,174 thousand in the fiscal year ended December 31, 2015. This mainly resulted from allocations of funds from taking out finance loans, in particular, in connection with the acquisition of WESTGRUND and Wohnungsbaugesellschaft JADE mbH, and a further

increase of the Notes 2014/2019 (see section “*Material agreements - Financing agreements - EUR 130 million 6.00% Bearer Note 2014/2019*”), which had been issued in April 2014 and had been increased to EUR 100 million in July 2014, by additional EUR 30 million to EUR 130 million and the issuance of notes in the nominal amount of EUR 300 million in April 2015 and a subsequent tap by another EUR 50 million in October 2015.

10 PROFIT FORECAST

10.1 Forecast of Funds from Operations (FFO) for the fiscal year 2017 for ADLER

The forecast of funds from operations for the fiscal year 2017 (the “FFO Forecast”) refers to FFO I (“FFO I”), i.e., the FFO without income from the sale of properties as well as the FFO II (“FFO II”), i.e. the FFO I including the results of trading with and sales of properties. FFO I presents the performance capacity of the property letting business. The FFO II additionally presents the results of the Company’s trading and sales activities.

The FFO Forecast is not a statement of facts and should therefore not be interpreted as such by potential investors. It rather reflects the forward-looking expectations of the Company’s management board with respect to the development of the FFO of ADLER. Potential investors should not place unreasonable reliance on this FFO Forecast.

For the purposes of this FFO Forecast, the Company has defined the FFO as follows:

FFO I is determined by first calculating earnings before interest, taxes, depreciation and amortization, impairment losses, the net income from at-equity valued investment associates and income from fair value adjustments of investment properties (EBITDA, derived from the IFRS result) and then adjusting this figure to exclude non-recurring and extraordinary items. The adjustments made involve items that are of non-periodical nature, recur irregularly, are untypical to operations or not cash-effective. These relate in particular to the optimization 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 (Interest expense FFO). Any investments made to maintain the substance of the properties but which have not been capitalized are then added. The FFO I then result from the further elimination of the earnings before interest and taxes of the Trading segment / the remaining earnings which are not attributed to a segment.

To obtain the FFO II figure, firstly earnings after interest and taxes of the Trading segment are added back. Secondly interest from investments accounted for using the at-equity method are deducted. Lastly value change realized upon sale as well as any liquidity-related income from investments accounted for using at-equity method are added.

The FFO Forecast is based on the following assumptions made by the Company’s management board. These assumptions relate to factors outside the Company’s influence and factors that can be influenced by the Company only to a limited extent. Although the Company believes that these assumptions are reasonable on the date on which the FFO Forecast is published by the Company’s management board, they may subsequently prove to be incorrect or unfounded. If one or more of these assumptions prove to be incorrect or unfounded, ADLER’s actual FFO may differ materially from the forecast FFO.

10.2 FFO Forecast for the current fiscal year 2017 for ADLER

For the fiscal year 2017, the Company’s management board expects to achieve an estimated FFO I of EUR 40 million. Due to its nature, FFO II is more difficult to predict, as this key figure also includes the contribution from the property trading business operated by the group company ACCENTRO Real Estate AG. The Company’s management board expects ACCENTRO to contribute approximately EUR 10 million. Thus, FFO II on a scale of approximately EUR 50 million should be achievable for the fiscal year 2017.

However, on October 20, 2017, following a strategic review and with a view to focusing on its core residential rental business and increasing its level of unencumbered assets, the Company entered into a share purchase agreement regarding approximately 80% out of its current 86% stake in ACCENTRO and 4,743,359 convertible notes issued by ACCENTRO with respect to a further 4,809,282 underlying shares which are not yet issued. Subject to the closing of this transaction, which is expected to occur in the fourth quarter of 2017, the Company intends to discontinue its Trading segment by the end of 2017. Thus, the Company does not intend to issue a FFO II guidance going forward.

10.3 Explanatory notes to the FFO Forecast

Basis of presentation

The FFO Forecast for the fiscal year 2017 was prepared in accordance with the IDW Accounting Practice Statement: Preparation of Profit Forecasts and Estimates in Accordance with the Specific Requirements of the Regulation on Prospectuses (*IDW Rechnungslegungshinweis: Erstellung von Gewinnprognosen und – schätzungen nach den besonderen Anforderungen der Prospektverordnung*) (IDW RH HFA 2.003) of the Institute of Public Auditors in Germany (*Institut der Wirtschaftsprüfer in Deutschland e.V.*, “IDW”).

For this purpose, the FFO Forecast has been prepared on the basis of the accounting principles of the International Financial Reporting Standards as applicable in the European Union (“IFRS”). The reporting, accounting and evaluation methods applied are described in the respective notes to the Company’s consolidated financial statements for the fiscal year ending December 31, 2016.

The FFO Forecast for the current fiscal year 2017 is influenced by a number of factors and is based on certain assumptions made by the Company’s management board, which are described in the following.

Factors and assumptions

Factors outside the Company’s influence

The Group’s forecast FFO for the current fiscal year 2017 is subject to factors outside the influence of the companies of ADLER group. These factors and the Company’s related assumptions are outlined below:

Factor: Unforeseen events such as force majeure

For purposes of the FFO Forecast, the Company assumes that no material unforeseen events will occur that could result in material or lasting constraints on the ongoing operations of the group companies such as force majeure (e.g., fires, floods, hurricanes, storms, earthquakes or terrorist attacks), strikes, extraordinary macroeconomic events or war.

Factor: Legislative and other regulatory measures

When preparing the FFO Forecast, the Company assumes that the current legal and regulatory framework and environment will be subject to no or only insignificant changes and that there will be no material legal and regulatory changes, e.g., to tenancy or tax law.

Factor: Economic development in the real estate industry

For the purpose of the FFO Forecast, the Company assumes that:

- there will be no negative economic development in Germany;
- there will be no negative development in the real estate industry, particularly in Germany; and
- the Company can maintain its current competitive position.

Factor: Interest rate development

When preparing the FFO Forecast, the Company assumes that current interest rate levels will remain stable. As the Company entered into a substantial part of its financial liabilities with fixed interest rates, however, it anticipates no significant deterioration in financing conditions in current fiscal year 2017.

Factors that can be influenced by the Company to a limited extent

Further factors that can be influenced by the Company to a limited extent only may also affect the estimated FFO of ADLER for the fiscal year 2017. The relevant assumptions are listed below:

Factor: Net rental income from real estate management

For the purpose of the FFO Forecast, the Company on the basis of current contractual rents and a moderate rent increase assumes that the net rental income from real estate management will amount to approximately EUR 177.8 million in the fiscal year 2017. The Company believes it can forecast the net rental income from real estate management with reasonable certainty for the purposes of the FFO Forecast. For planning purposes, the Company assumes that most of the units for which the lease contracts will expire or be terminated in the 2017 planning period can be re-let in this planning period. When preparing the FFO Forecast the Company also assumes that the occupancy rate will be slightly increased.

Factor: Earnings from the sale of properties

For the purpose of the FFO Forecast, the Company assumes that ACCENTRO remains successful in the privatization and trading activities until closing of the sale of ACCENTRO which is currently scheduled for the fourth quarter of 2017, however at more conservative levels than in the previous fiscal year 2016.

Factor: Expenses from real estate management

Expenses from real estate management include all costs arising in connection with rental activities such as recoverable and non-recoverable operating expenses, maintenance costs and other expenses from real estate management. For the purpose of the FFO Forecast the Company assumes that the expenses from real estate management in the fiscal year 2017 by percentage relative to the income from real estate management in the fiscal year 2017 will slightly improve as compared to the fiscal year 2016.

Factor: Corporate expenses

Corporate expenses are divided into staff expenses and general and administrative expenses. For the purpose of the FFO Forecast, the Company assumes that, following the ongoing internalization of Facility and Property Management, the staff expenses and general and administrative expenses relative to income from real property management will increase compared to the fiscal year 2016.

Factor: Other expenses/income

For the purpose of the FFO Forecast, the Company assumes with respect to other expenses/income that other expenses/income in the current fiscal year 2017 will be lower relative to income from real estate management and compared to the fiscal year 2016.

Factor: Financial expenses

For the purpose of the FFO Forecast, the Company assumes that:

- the debt ratio for the entire real estate portfolio will decrease in the current fiscal year 2017 due to the sale of “non-core” properties and the redemption of debts resulting therefrom;
- redemption of relatively higher yielding debt instruments using available cash resources will decrease the weighted average cost of debt;
- all provisions of loan agreements will be complied with;
- the interest rate risk will remain low;
- the liquidity risk will remain low as the Company assumes that sufficient liquidity will be available; and
- the financing conditions for existing loan agreements can be retained in the event of any loan extension with the banks.

Factor: Current income tax expenses

The Company assumes there will be no changes in the corporation tax and trade tax rates, and that there will be no further changes in the tax environment or in tax legislation in the fiscal year 2017.

Factor: Non-recurring or exceptional items

Non-recurring or exceptional items have been eliminated from the factors influencing the FFO Forecast.

Factors that can be influenced by the Company

The following factor that can be influenced by the Company may also affect the FFO for the fiscal year 2017: In the event of tenant fluctuations, the Company can determine the amount that is to be invested to enhance rent potential prior to new lettings. The amount of these expenses affects the rents of new lettings. The Company assumes a fluctuation rate of approximately 12% and expenses per residential unit comparable with the corresponding expenses incurred in the fiscal year 2016.

Other explanatory notes

The FFO Forecast does not include any extraordinary items or results from non-recurring activities within the meaning of the IDW Accounting Practice Statement (IDW RH HFA 2.003). As the FFO Forecast relates to a period not yet completed and has been prepared on the basis of assumptions about future uncertain events and actions, it naturally entails substantial uncertainties. Because of these uncertainties, it is possible that ADLER's actual FFO for the fiscal year 2017 may differ materially from the forecast FFO.

10.4 Auditor's Report on the Funds from Operations (FFO) Forecast of ADLER for the fiscal year 2017

To ADLER Real Estate Aktiengesellschaft, Berlin

We have audited whether the forecast of the Funds from Operations (FFO) of ADLER Real Estate Aktiengesellschaft Group, as prepared by ADLER Real Estate Aktiengesellschaft, Berlin, for the period from January 1, 2017 to December 31, 2017 has been properly compiled on the basis stated in the explanatory notes to the FFO forecast and whether this basis is consistent with the accounting policies and the reporting, accounting and evaluation methods used by the Company.

The FFO I is defined as follows:

FFO I is determined by first calculating earnings before interest, taxes, depreciation and amortization, impairment losses, *the net income from at-equity valued investment associates* and income from fair value adjustments of investment properties (EBITDA, derived from the IFRS result) and then adjusting this figure to exclude non-recurring and extraordinary items. The adjustments made involve items that are of non-periodical nature, recur irregularly, are untypical to operations or not cash-effective. These relate in particular to the optimization 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 (Interest expense FFO). Any investments made to maintain the substance of the properties but which have not been capitalized are then added.

The FFO I then result from the further elimination of the earnings before interest and taxes of the Trading segment / the remaining earnings which are not attributed to a segment. To obtain the FFO II figure, firstly earnings after interest and taxes of the Trading segment are added back. Secondly interest from investments accounted for using the at-equity method are deducted. Lastly value change realized upon sale as well as any liquidity-related income from investments accounted for using at-equity method are added.

The FFO forecast comprises the forecast FFO for the period from January 1, 2017 until December 31, 2017 and explanatory notes on the FFO forecast.

The preparation of the forecast of the FFO including the factors and assumptions presented in the explanatory notes is the responsibility of the Company's legal representatives.

Our responsibility is to express an opinion based on our audit on whether the forecast of the FFO has been properly compiled on the basis stated in the explanatory notes to the FFO forecast and whether this basis is consistent with the accounting policies and the reporting, accounting and valuation methods of the Company. Our engagement does not include an audit of the factors and assumptions identified by the Company underlying the forecast of the FFO.

We conducted our audit in accordance with the IDW Auditing Practice Statement: The Audit of Profit Forecasts and Estimates (*IDW Prüfungshinweis: Prüfung von Gewinnprognosen und -schätzungen*) (IDW PH 9.960.3) issued by the Institute of Public Auditors in Germany (*Institut der Wirtschaftsprüfer in Deutschland e.V.*, IDW). Those standards require that we plan and perform the audit in such manner that material errors in the compilation of the FFO forecast on the basis stated in the explanatory notes to the FFO forecast and in the compilation of this basis in accordance with the accounting policies and the reporting, accounting and evaluation methods of the Company are detected with reasonable assurance.

As the forecast of the FFO relates to a period not yet completed and has been prepared on the basis of assumptions about future uncertain events and actions, it naturally entails substantial uncertainties. Because of these uncertainties, it is possible that ADLER Real Estate Group's actual FFO for the fiscal year from January 1, 2017 to December 31, 2017 may differ materially from the forecast FFO.

We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based on the findings of our audit, the forecast of the FFO has been properly compiled on the basis stated in the explanatory notes to the FFO forecast. This basis is consistent with the accounting principles and reporting, accounting and evaluation methods of the Company.

Hamburg, November 10, 2017

Original German Version signed by

Ebner Stolz GmbH & Co. KG

Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft

Jens Lingthaler

Dirk Heide

Wirtschaftsprüfer

Wirtschaftsprüfer

(German public auditor)

(German public auditor)

11 DESCRIPTION OF OTHER INDEBTEDNESS

The following financing agreements are of major importance for ADLER's business so that ADLER depends or, respectively, depended on the existence of these agreements.

EUR 75 million unsecured term facility with Goldman Sachs Bank USA as lender

For the purpose of financing the purchase price and related costs for the shares in eight limited liability companies holding properties located in Berlin and developing residential and commercial buildings with up to 800 residential units (“**Project Riverside**”) as well as general corporate purposes of the Company, the Company entered into a EUR 75 million unsecured term facility agreement dated November 10, 2017 with Goldman Sachs Bank USA as lender. The facility agreement provides for an initial term of three months as well as an extension option for an additional three months. The facility has a variable interest rate of 1-month EURIBOR plus 0.75% per annum, provided that if the 1-month EURIBOR is negative, it is set to zero for calculation of this interest rate. Under the facility agreement, the Company undertook to maintain its ratio of consolidated indebtedness to total assets to not exceed 65 percent as of September 30, 2017 and to not exceed 60 percent as of December 31, 2017. The facility agreement also provides various rights of termination in favor of the lender, in particular the event of (i) default in payment, (ii) non-compliance with the debt to total assets coverage ratio, (iii) a change of control of the Company, (iv) a conversion, merger, demerger or change of business of the Company, (v) a default in payment of at least EUR 15 million *vis-à-vis* third parties (cross default), and (vii) a material deterioration in the financial position of the Company. In addition, the facility agreement provides for a mandatory prepayment obligation upon the issuance of debt or equity instruments by the Company.

Up to EUR 250 million revolving secured margin-based credit facility with Goldman Sachs Bank USA as lender

For the purpose of refinancing the secured revolving margin-based credit facility (Margin Facility Agreement) existing at the time of the acquisition of MountainPeak dated July 30, 2015 between MountainPeak and Credit Suisse, London branch, as arranger and first lender in the amount of up to EUR 120 million (the “**CS Margin Facility**”), a EUR 205 million secured term loan margin-based credit facility agreement dated August 9, 2016 was entered into between MountainPeak as borrower and Citibank, N.A., London Branch as lender for the purpose of (i) refinancing the CS Margin Facility and (ii) general corporate purposes, including the acquisition of further shares in conwert Immobilien Invest SE in the case of the exercise of the call option dated July 15, 2016 entered into between MountainPeak and Petrus Advisers Investment Fund LP in respect of 6 million shares in conwert Immobilien Invest SE (the “**Citi Margin Facility**”).

In November 2016, the Citi Margin Facility was entirely refinanced through an up to EUR 250 million secured term loan margin-based credit facility agreement dated November 15, 2016 entered into between MountainPeak as borrower and Goldman Sachs Bank USA as lender (the “**Goldman Sachs Margin Facility**”), pursuant to which a term loan facility in the amount of EUR 200 million was made available, with an option to increase the total available amount under the facility to up to EUR 250 million.

The Goldman Sachs Margin Facility is no longer in effect, and no amounts are outstanding under the Goldman Sachs Margin Facility, as all amounts outstanding under the Goldman Sachs Margin Facility were fully prepaid by MountainPeak in accordance with the terms and provisions of the Goldman Sachs Margin Facility on January, 19 2017 from the proceeds of the sale of the conwert shares to Vonovia SE in accordance with the prepayment notice dated January, 17 2017. The conwert shares were sold by MountainPeak to Vonovia SE as part of the public takeover bid by Vonovia SE for conwert for which MountainPeak elected cash consideration. As cash consideration was chosen, the respective prepayment event under the Goldman Sachs Margin facility was triggered.

Secured credit facility of Longway Trading Limited of up to EUR 127 million

In order to finance a part of the cash purchase price of the shares in MountainPeak in the amount of EUR 21.5 million and to refinance the CS Margin Facility in case of an extraordinary termination due to a change of control of MountainPeak or due to a breach of any covenant during the term of the CS Margin Facility on the part of the lender, the Company, as borrower, has entered into a secured credit facility agreement in the amount of EUR 127 million with Longway Trading Limited, as lender (the “**Longway Credit Facility**”). The Longway Credit Facility is no longer in place, and the CS Margin Facility was successfully refinanced without drawing down the Longway Credit Facility.

EUR 175 Million Mandatory Convertible Notes

On December 28, 2015, on the basis of a resolution passed by the Company's extraordinary general shareholders' meeting held on October 15, 2015, the Company issued mandatory convertible notes in the nominal amount of EUR 175 million, divided into 1,750 partial bearer notes ranking *pari passu* among themselves in the nominal amount of EUR 100,000.00 each ("**EUR 175 Million Mandatory Convertible Notes**") for the partial financing of the acquisition of MountainPeak (see "*Share purchase agreements-Share purchase agreement for acquisition of all shares in MountainPeak Trading Limited, Nicosia (Cyprus), dated August 17, 2015*").

The EUR 175 Million Mandatory Convertible Notes have a term of three years, an interest rate of 0.5% p.a. and may be converted into shares of the Company as of August 17, 2016. Due to the resolution of the general shareholders' meeting held on June 7, 2017 to increase the Company's share capital from own funds by issuing 4,773,135 bonus shares which was implemented on Jun 12, 2017, the initial conversion price of the EUR 175 Million Mandatory Convertible Notes was adjusted from EUR 16.50 to EUR 15.00 per ADLER share and shall be further adjusted in case of an increase in the Company's share capital (unless the increase is effected against contributions in kind) and in similar cases, in which a dilution of the EUR 175 Million Mandatory Convertible Notes would occur due to a change of the share capital of the Company or the original conversion ratio would no longer be appropriate (e.g. in case of a share split), in accordance with the amount of the dilution and change in the share capital, respectively. If and to the extent the EUR 175 Million Mandatory Convertible Notes have not been converted until the end of the term, they shall be converted into shares of the Company in accordance with the conversion ratio applicable at the time by way of a mandatory conversion. Except in case of an extraordinary termination, cash repayments under the EUR 175 Million Mandatory Convertible Notes are therefore excluded. An extraordinary termination of the EUR 175 Million Mandatory Convertible Notes on the part of the noteholders is only possible in case of a liquidation of the Company. In particular, in case of an insolvency of the Company, the terms and conditions of the EUR 175 Million Mandatory Convertible Notes do not provide for any right of termination.

The Company's obligations under the EUR 175 Million Mandatory Convertible Notes shall at least rank *pari passu* with all other unsecured and unsubordinated obligations of the Company under loans.

Under the Terms and Conditions, the Company undertook as long as any of the EUR 175 Million Mandatory Convertible Notes are outstanding, but only up to the time when all amounts of principal and interest have been placed at the disposal of the Paying Agent, not to create or permit to subsist, and to procure that none of its subsidiaries will create or permit to subsist, any mortgage, lien, pledge, charge or other security interest (each such right, a "**Security**") over the whole or any part of its business undertaking, assets or revenues, whether present or future, to secure any other Capital Market Indebtedness or to secure any guarantee or indemnity given by the Company or any of its subsidiaries in respect of a Capital Market Indebtedness of any other person, without, at the same time or prior thereto, equally securing all amounts payable under the EUR 175 Million Mandatory Convertible Notes with such Security or providing for all amounts payable under the EUR 175 Million Mandatory Convertible Notes such other Security as approved by an independent accounting firm of internationally recognized standing as being equivalent security, provided, however, that this undertaking shall not apply with respect to any Security required by law or required as a condition precedent for public permissions or any Security already existing with respect to such assets as at the time of their acquisition by the Company or by one of its subsidiaries and Security created in connection with, or in contemplation of, the acquisition of the respective asset as long as the amount secured by the Security does not exceed 75% of the value of the acquired assets.

EUR 137.9 Million 2.5% Convertible Note 2016/2021

In July 2016, the Company offered to its shareholders, the holders of the Convertible Note 2013/2017, the holders of the Convertible Note 2013/2018 (as defined below) as well as the holders of the EUR 175 Million Mandatory Convertible Notes another convertible note of EUR 137.9 million for subscription. The note has a coupon of 2.5% p.a. and matures on July 19, 2021 (the "**Convertible Note 2016/2021**"). The corresponding rights offering was published in the Federal Gazette (*Bundesanzeiger*) on June 13, 2016, as supplemented on June 20, 2016, July 7, 2016 and July 12, 2016.

Unsubscribed Convertible Notes 2016/2021 were placed with qualified investors by way of a private placement. In total, 10 million Convertible Notes 2016/2021 were issued at a nominal amount of EUR 13.79 and at a placement price of 95% of the nominal amount per Convertible Note 2016/2021.

The Convertible Notes 2016/2021 are included in trading on the Open Market (*Freiverkehr*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*).

The Company, as issuer, grants each holder (the “**Noteholder WSV 2016/2021**”) of the Convertible Note 2016/2021 the right, during the exercise period defined below, to convert each Convertible Note 2016/2021, in whole but not in part, into ordinary bearer shares (no par value shares) in the Company (the “**Conversion Right WSV 2016/2021**”), each such share representing a notional interest in the Company’s share capital of EUR 1.00 as of the issue date. Due to the resolution of the general shareholders’ meeting held on June 7, 2017 to increase the Company’s share capital from own funds by issuing 4,773,135 bonus shares which was implemented on Jun 12, 2017, the initial conversion price was adjusted from EUR 13.79 to EUR 12.54 (the “**Conversion Price WSV 2016/2021**”). The conversion ratio is determined by dividing the nominal amount of a Convertible Note 2016/2021 by the Conversion Price WSV 2016/2021 applicable on the exercise date. The Conversion Right WSV 2016/2021 can be exercised by a Noteholder WSV 2016/2021 at any time from July 19, 2017 until the third business day before the redemption date (both dates inclusive) (the “**Exercise Period WSV 2016/2021**”). If the last day of the Exercise Period WSV 2016/2021 is not a business day, the Exercise Period WSV 2016/2021 ends on the business day immediately preceding that day. If the last day of the Exercise Period WSV 2016/2021 falls into a non-exercise period, the Exercise Period WSV 2016/2021 ends on the last business day prior to the commencement of such non-exercise period. If Convertible Notes 2016/2021 are terminated by Noteholders WSV 2016/2021, those Noteholders WSV 2016/2021 may no longer exercise the Conversion Right WSV 2016/2021 relating to such terminated Convertible Notes 2016/2021. To exercise the Conversion Right WSV 2016/2021, the Noteholder WSV 2016/2021 must submit to the conversion agent, at its own expense, during normal business hours on a business day during the exercise period, a duly completed and signed notice using the applicable form, which is obtainable from the conversion agent. Such exercise notice is irrevocable.

The obligations of the Company under the Convertible Note 2016/2021 rank *pari passu* among themselves and at least *pari passu* with all other unsubordinated and unsecured obligations of the Company.

Under the Terms and Conditions, the Company undertook as long as any of the Convertible Notes 2016/2021 are outstanding, but only up to the time all amounts of principal and interest have been placed at the disposal of the Principal Paying Agent (as defined in the terms and conditions of the Convertible Note 2016/2021), not to create or permit to subsist, and to procure that none of its subsidiaries will create or permit to subsist, any mortgage, lien, pledge, charge or other security interest (each such right a “**Security**”) over the whole or any part of its undertakings, assets or revenues, present or future, to secure any Capital Market Indebtedness (as defined in the terms and conditions of the Convertible Note 2016/2021) or to secure any guarantee or indemnity given by the Company or any of its subsidiaries in respect of any Capital Market Indebtedness of any other person, without, at the same time or prior thereto, securing all amounts payable under the Convertible Note 2016/2021 either with equal and rateable Security or providing all amounts payable under the Convertible Note 2016/2021 such other Security as shall be approved by an independent accounting firm of internationally recognized standing as being equivalent security, provided, however, that this undertaking shall not apply with respect to: (i) any Security which is provided for by law or which has been required as a condition precedent for public permissions or (ii) any Security existing on assets at the time of the acquisition thereof by the Company or any subsidiary or Security that was created in connection with or in contemplation of such acquisition provided that the amount secured by such Security does not exceed 75% of the value of the assets acquired.

Pursuant to the terms and conditions of the Convertible Notes 2016/2021, every Noteholder WSV 2016/2021 has the right to terminate and claim payment of all claims under the Convertible Notes 2016/2021 by giving notice of termination to the Company and claiming repayment of the principal amount plus interest accrued on the principal amount until (but excluding) the day of actual redemption, *inter alia*, if (i) the Company, for any reason whatsoever, fails within 10 calendar days after the relevant due date to deliver shares or to pay any amounts due and payable on the Convertible Notes 2016/2021, (ii) the Company, for any reason whatsoever, fails to duly perform any other material obligation under the Convertible Notes 2016/2021, (iii) the Company or any of its subsidiaries fails to fulfil any payment obligation in excess of a total amount of EUR 15 million under any Financial Indebtedness (as defined in the terms and conditions of the Convertible Note 2016/2021), or under any guaranty or suretyship for any such indebtedness of a third party, when due (including in case of any acceleration) or after expiry of any grace period or, in the case of such guarantee or surety ship, within 30 days of such guarantee or suretyship being invoked (cross default).

Up to EUR 76 million loan agreement

On July 27, 2015, WESTGRUND VIII. GmbH, as borrower, (hereinafter the “**Borrower**”) and Landesbank Baden-Württemberg (hereinafter the “**Lender**”) entered into a loan agreement on a loan in the amount of EUR 76 million to finance the debt component within the scope of the acquisition of the “AJAX” portfolio. The non-revolving loan amount comprises a fixed-interest tranche in an aggregate principal amount of approximately EUR 67.1 million (“**Tranche A**”) and a tranche with variable interest (“**Tranche B**”) and a volume of approximately EUR 8.9 million. As regards Tranche A, the interest rate is 2.56% p.a. for an amount of approximately EUR 49.4 million and 2.48% p.a. for an amount of approximately EUR 17.7 million. As regards Tranche B, an interest rate corresponding to the 3-month EURIBOR plus 1.77% p.a. was agreed upon. If the 3-month EURIBOR is negative, it shall be set to zero for the purpose of calculating the interest rate of Tranche B. Except for unscheduled repayments, the Borrower shall repay the loan by annuity in four installments per year at an interest rate of initially 2.00% p.a. of the originally disbursed loan amount, whereas the loan under Tranche A and Tranche B shall be redeemed on a pro-rata basis. To secure the claims of the Lender, mortgages with respect to the financed properties (the “**Collateral Assets**”) were created for the benefit of the Lender; besides this, further security was created, in particular, by assignment of claims under sale and purchase agreements regarding the Collateral Assets and assignment of claims under all lease agreements regarding the Collateral Assets and pledging of rent collection accounts. The loan will be due for repayment on July 31, 2025 in the amount then outstanding. Under the agreement, the Borrower undertook to comply with a so-called debt service cover ratio (“**DSCR**”). DSCR means the ratio between the expected net rental income during a calculation period which is defined in the agreement and the expected debt service during the respective calculation period. The Lender has to comply with a DSCR of at least 115% and with an LTV that varies at certain points in time between a maximum of 77.50% until and including June 30, 2017 and a maximum of 61.50% as of July 1, 2024. In case of non-compliance with one or more of the financial ratios, the Lender has the right to revoke the power of disposition regarding the rent collection accounts that was granted to the Borrower (so-called ‘cash trap’). At the same time, however, the agreement provides for mechanisms to remedy any non-compliance with the agreed financial ratios by payments to a reserve account; these payments are limited to four extra payments during the term of the agreement. The agreement also provides for various rights of termination in favor of the Lender, in particular, in case of (i) default in payment, (ii) non-compliance with a financial ratio which is not remedied, (iii) a change of controlling interests in the Borrower (‘change of control’), (iv) a conversion, merger, demerger or change of legal form of the Borrower without the prior consent of the Lender, (v) a default in payment of at least EUR 100 thousand *vis-à-vis* third parties (so-called ‘cross default’), (vi) a sale of one or more of the Collateral Assets contrary to the provisions of the loan agreement, and (vii) a material deterioration of the financial situation of the Borrower.

EUR 132 million senior promissory note loan agreement

On June 6, 2013, WBR Wohnungsbau Rheinhausen GmbH, as borrower, entered into a fixed interest rate senior loan agreement (senior promissory note (*Schuldschein*) loan agreement) for EUR 132.0 million with Deutsche Bank AG as lender. The loan matures on June 6, 2023, and the principal is repayable by that date. Interest is payable on the loan at 4% p.a. from the disbursement date (inclusive) until the maturity date (exclusive). The loan has been secured by providing first liens on the properties of a real estate portfolio in Duisburg and Düsseldorf. On the disbursement date of the senior loan, the real estate portfolio comprised a total of 4,291 residential units, as well as 548 car parking spaces and 6 commercial units. In total, the portfolio had rentable space of approximately 268,826 sqm as of the disbursement date of the senior loan. Further security consists, in essence, of an assignment as collateral to a trustee of the receivables and rights arising from or in connection with (i) the leasing of the collateral assets; (ii) existing and future purchase agreements relating to the collateral assets; (iii) the facility management agreements relating to the collateral assets and any relevant duty of care agreements; (iv) the share purchase agreement for the shares in the borrower; (v) the company loan (*Gesellschaftsdarlehen*) (specifically the repayment claim of approximately up to EUR 31.8 million against the shareholders of the borrower provided to the shareholders to acquire the shares in the borrower); and (vi) certain other claims in favor of the creditors of the senior loan (and, in accordance with the creditor agreement, in favor of the creditors of the junior loan). In addition, the borrower has assigned its claims under the insurance policies as security to the trustee in favor of the creditors of the senior loan (and, in accordance with the creditor agreement, in favor of the creditors of the junior loan) and pledged all accounts set up for managing the collateral assets and all shares in the borrower. In addition to certain obligations including, for example, the prohibition to create security in favor of third parties with respect to the assets of the Borrower (‘negative pledge’), the loan agreement stipulates, among other things, compliance with various financial covenants in relation to the cover ratio, the amount of minimum total rental income (net), the total debt ratio, the debt service coverage ratio, and the ratio of total debt outstanding under the loan on a certain calculation date to the latest

collateralization value for all relevant properties that fall under a certain definition. In addition to other termination rights, there are in some cases termination rights in case these financial covenants are not met (especially loan-to-value ratio not higher than 60% and interest cover ratio of at least 1.72), and in case the borrower defaults on a payment obligation arising from another loan and the default lasts longer than 15 days after the borrower has received written notification thereof from the creditor, or such payment obligation is accelerated because of any default on obligations of the borrower, if the total payment obligations exceed EUR 500,000 (or the equivalent in other currencies) (so-called cross-default arrangement).

EUR 32 million junior promissory note loan agreement

On June 6, 2013, WBR Wohnungsbau Rheinhausen GmbH, as borrower, entered into a fixed interest rate loan agreement (junior promissory note (*Schuldschein*) loan agreement) for EUR 32.0 million with Deutsche Bank AG as lender. The loan matures on June 6, 2023, and has to be repaid in six-monthly installments at 4% p.a. of the original aggregate nominal amount of the junior loan. The remaining amount of the junior loan is repayable at the principal amount on the maturity date. Interest is payable on the loan at 6.0% p.a. from the disbursement date (inclusive) until the maturity date (exclusive). The loan has been secured by providing junior liens on the properties of the above-mentioned real estate portfolio in Duisburg and Düsseldorf. Further security (in accordance with the creditor agreement with the creditors of the senior loan) consists of, in essence, an assignment as collateral to a trustee of the receivables and rights arising from or in connection with (i) the leasing of the collateral assets; (ii) existing and future purchase agreements relating to the collateral assets; (iii) the facility management agreements relating to the collateral assets and any relevant duty of care agreements; (iv) the share purchase agreement for the shares in the borrower; (v) the company loan (*Gesellschaftsdarlehen*) (specifically the repayment claim of approximately up to EUR 31.8 million against the shareholders of the borrower provided to the shareholders to acquire the shares in the borrower; and (vi) certain other claims (in accordance with the creditor agreement) in favor of the creditors of the junior loan. In addition, the borrower has assigned its claims under certain insurance policies as security to the trustee in favor of the creditors of the junior loan (in accordance with the creditor agreement) and pledged all accounts set up for managing the collateral assets and all shares in the borrower. The loan agreement stipulates, among other things, compliance with various financial covenants in relation to the cover ratio, the amount of minimum total rental income (net), the total debt ratio, the debt service coverage ratio, and the ratio of total debt outstanding under a loan on a certain calculation date to the latest collateralization value for all relevant properties that fall under a certain definition (especially a total debt ratio (*Gesamtverschuldungsgrad*) of 12, an interest cover ratio of at least 1.26 and a debt service cover ratio of at least 1.07%). In addition to other termination rights, which also include all termination rights under the senior loan agreement, there are in some cases termination rights in case these financial covenants are not met and in case the borrower defaults on a payment obligation arising from another loan and the default lasts longer than 15 days after the borrower has received written notification thereof from the creditor, or such payment obligation is accelerated because of any default on obligations of the borrower, if the total payment obligations exceed EUR 500,000 (or the equivalent in other currencies) (so-called cross-default arrangement).

Loan agreements in relation to the financing of the S.I.G. RE portfolio

For the purpose of refinancing the non-revolving two-tranche credit facility dated February 12, 2016 between Resident Baltic GmbH as borrower and Raiffeisen Bank International AG as lender in the amount of up to EUR 24,5 million (the “**Raiffeisen Bank International AG Facility 1**”) a EUR 22,2 million facility agreement dated December 28/ 29, 2016 was entered into between Resident Baltic GmbH as borrower and Norddeutsche Landesbank –Girozentrale– as lender (the “**Nord LB Facility 1**”) pursuant to which a facility in the amount of EUR 22,2 million was made available for the purpose of refinancing the Raiffeisen Bank International AG Facility 1. As at the date of this Prospectus, the Raiffeisen Bank International AG Facility 1 is no longer in place as all amounts outstanding under the Raiffeisen Bank International AG Facility 1 were fully prepaid by Resident Baltic GmbH in accordance with its terms. The Nord LB Facility 1 is still in place and the full amount is outstanding under the Nord LB Facility 1. To secure the Nord LB Facility 1, Resident Baltic GmbH primarily provided the following security in favor of the lender: (i) total uncertificated first ranking land charge, including assumption of personal liability and consent to immediate enforcement with respect to the acquired real estate, (ii) assignment of all rental and lease income in connection with the aforementioned acquired real estate on the basis of a silent assignment agreement, and (iii) as long as the registration of the above mentioned land charge in favour of the lender has not taken place, an assignment of the land charges granted in relation to the Raiffeisen Bank International AG Facility 1. The credit facility is subject to interest at a fixed interest rate of 1.45% p.a. in accordance with a prolongation agreement dated March 27, 2017 entered into between Resident Baltic GmbH and Norddeutsche Landesbank –Girozentrale– relating to the Nord LB Facility 1 (“**Prolongation**”).

Agreement 1”). Pursuant to the Prolongation Agreement 1 the credit facility matures on June 30, 2017 and should be refinanced by Norddeutsche Landesbank –Girozentrale–. The Nord LB Facility 1 grants the lender a termination right with respect to the credit facility in correspondence with the general terms and conditions and the general terms and conditions for long-term credit facilities of Norddeutsche Landesbank –Girozentrale–.

For the purpose of refinancing the non-revolving credit facility dated February 12, 2016 between Resident Sachsen P&K GmbH as borrower and Raiffeisen Bank International AG as lender in the amount of up to EUR 25,5 million (the “**Raiffeisen Bank International AG Facility 2**”) a EUR 10,13 million facility agreement dated December 28/ 29, 2016 was entered into between Resident Baltic GmbH as borrower and Norddeutsche Landesbank –Girozentrale– as lender (the “**Nord LB Facility 2**”) pursuant to which a facility in the amount of EUR 10,13 million was made available for the purpose of refinancing the Raiffeisen Bank International AG Facility 2. As at the date of this Prospectus, the Raiffeisen Bank International AG Facility 2 is no longer in place as all amounts outstanding under the Raiffeisen Bank International AG Facility 2 were fully prepaid by Resident Sachsen P&K GmbH in accordance with its terms. The Nord LB Facility 2 is still in place and the full amount is outstanding under the Nord LB Facility 2. To secure the Nord LB Facility 2, Resident Sachsen P&K GmbH primarily provided the following security in favor of the lender: (i) total uncertificated first ranking land charge, including assumption of personal liability and consent to immediate enforcement with respect to the acquired real estate, (ii) assignment of all rental and lease income in connection with the aforementioned acquired real estate on the basis of a silent assignment agreement, and (iii) as long as the registration of the above mentioned land charge in favour of the lender has not taken place, an assignment of the land charges granted in relation to the Raiffeisen Bank International AG Facility 2. The credit facility is subject to interest at a fixed interest rate of 1.45% p.a. in accordance with a prolongation agreement dated March 27, 2017 entered into between Resident Sachsen P&K GmbH and Norddeutsche Landesbank –Girozentrale– relating to the Nord LB Facility 2 (“**Prolongation Agreement 2**”). Pursuant to the Prolongation Agreement 2 the credit facility matures on June 30, 2017 and should be refinanced by Norddeutsche Landesbank –Girozentrale–. The Nord LB Facility 2 grants the lender a termination right with respect to the credit facility in correspondence with the general terms and conditions and the general terms and conditions for long-term credit facilities of Norddeutsche Landesbank –Girozentrale–.

On June 25, 2007, Resident West GmbH (borrower) entered into a credit facility agreement with Bayerische Landesbank (lender) for an amount of EUR 157.5 million, of which an amount of approximately EUR 38.2 million was drawn down pursuant to a supplemental agreement dated August 10, 2007. Pursuant to an agreement dated May 26, 2009, the credit facility was reduced to approximately EUR 40.4 million. The above-mentioned agreements were subsequently replaced with a prolongation agreement dated July 25, 2011. Pursuant to an amendment agreement dated April 24, 2012, the total term of the loans combined pursuant to the above-mentioned prolongation agreement was extended to June 29, 2018. Since August 1, 2011 and until the end of its term on June 29, 2018, the loan has been repayable monthly in arrears in equal installments, whereas the repayment installments amounted to EUR 33 thousand as from January 1, 2013, EUR 32 thousand as from January 1, 2015, and EUR 31.5 thousand as from January 1, 2017. The borrower has the right to effect extraordinary redemption payments by sale of properties, whereas, however, the borrower is obliged to obtain the lender’s consent prior to any property sale. Since June 28, 2013, the bank charges the borrower interest for the loan drawn down at the relevant EURIBOR rate plus a margin of 1.17% p.a. plus liquidity costs for all fixed interest periods. The following security has primarily been provided for the loan: (i) first-lien land charges in a total amount of EUR 41,912 thousand on the properties defined in the agreement; (ii) assignment of all current and future payment claims under rental/lease agreements already entered into or still to be entered into; (iii) pledging of the existing and future balance of a rental income account defined in the agreement; (iv) assignment of all current and future purchase price receivables and other payment claims against the buyers of the properties defined above; (v) unconditional promise to pay an amount equivalent to the portion of the land charge that is enforceable plus proportionate interest, including consent to immediate enforcement over the total assets of the borrower; and (vi) pledging/assignment of the rights and claims arising from interest rate hedges. The agreement grants the lender a termination right with respect to the credit facility in those cases where (i) the borrower burdens pledged mortgages in favor of the bank with mortgages in favor of third parties, grants third parties any collateral or sells any shares of the company (negative pledge); (ii) there is a change of control over the borrower which is not approved by the lender; (iii) the debt service cover ratio (DSCR) falls below 1.10 or (iv) the maximum vacancy rate is exceeded. According thereto, the vacancy rate as of December 31, 2015 shall not exceed 11.0% for residential units and 38% for commercial units and, as of June 30, 2026, 10.0% for residential units and 30% for commercial units. With respect to the selling efforts of the borrower, however, the lender has waived compliance with the agreed vacancy rates for the entire year of 2016.

EUR 70 million senior promissory note loan agreement

Magnus zweite Immobilienbesitz und Verwaltungs GmbH entered into a senior promissory note (*Schuldschein*) loan agreement for a fixed-rate senior promissory notes (*Schuldscheine*) loan (senior loan), which has a principal amount of EUR 70,000,000.00 and matures on February 14, 2024, with Deutsche Bank Aktiengesellschaft in its capacity as bank and paying agent, with Wilmington Trust SP Services (Frankfurt) GmbH in its capacity as trustee, and with Situs Global Servicing GmbH in its capacity as facility agent. Interest is payable on the senior loan at 4.0% p.a. from the disbursement date (inclusive) until the maturity date (exclusive). Interest is payable in arrears on February 14 and August 14 of each year. The first interest payment date is August 14, 2014. The senior loan has to be repaid at the principal amount on February 14, 2024. In this context, Magnus zweite Immobilienbesitz und Verwaltungs GmbH also entered into a junior promissory note (*Schuldschein*) loan agreement for a fixed-rate junior promissory note (*Schuldschein*) loan (junior loan), which has a principal amount of EUR 22,000,000.00 and matures on February 14, 2024, with Deutsche Bank Aktiengesellschaft in its capacity as bank and paying agent, with Wilmington Trust SP Services (Frankfurt) GmbH in its capacity as trustee, and with Situs Global Servicing GmbH in its capacity as facility agent. Interest is payable on the junior loan at 7.50% p.a. from the disbursement date (inclusive) until the maturity date (exclusive). Interest is payable in arrears on February 14 and August 14 of each year. The first interest payment date is August 14, 2014. The junior loan is repayable in equal half-yearly partial amounts at 4.25% p.a. of the total of all original partial principal amounts of the junior loan. The remaining amount of the junior loan is repayable at the principal amount on the maturity date. For servicing the borrower's obligations under the senior loan and under the junior loan, the following security has primarily been provided in favor of the creditors: (a) a first-lien general certificated land charge (including consent to immediate enforcement in the amount of the land charge) on specified relevant properties, plus a statement of collateral purpose in favor of the trustee in the nominal amount of the senior loan plus interest and supplementary payments to secure the senior loan; (b) a general certificated land charge that is subordinate to the first-lien general certificated land charge (including consent to immediate enforcement in the amount of the land charge) on specified relevant properties, plus a statement of collateral purpose in favor of the trustee in the principal amount of the junior loan plus interest and supplementary payments to secure the junior loan; (c) assignment as security to the trustee of the receivables and rights arising from or in connection with (i) leasing the specified relevant properties; (ii) existing and future purchase agreements relating to the specified relevant properties; (iii) the management contracts relating to the specified relevant properties and any other agreements; (iv) a share purchase agreement for the shares in Energy AcquiCo I GmbH, (v) intercompany or shareholder loans between the borrower and/or on or more group companies; (vi) existing and future profit and loss transfer agreements between the borrower and/or one or more group companies; and (vii) certain other claims in favor of the creditors of the senior loan (and in accordance with the creditor agreement in favor of the creditors of the junior loan); (d) assignment as security of the claims under the insurance policies to the trustee in favor of the creditors of the senior loan, with disclosure of the assignment to the respective insurer; (e) pledging as collateral of all accounts of the borrower set up to manage the specified relevant properties and other accounts of the group companies (with the exception of any security deposit accounts) to the trustee in favor of the creditors of the senior loan; (f) pledging as collateral of all shares in the borrower as well as in all group companies to the trustee in favor of the creditors of the senior loan. The specified relevant properties comprise primarily properties in Büddenstedt, Chemnitz, Dorsten, Dresden, Esbeck, Gera, Greussen, Helmstedt, Meissen, Pirna, Rabenau, Riesa, Rothenburg, Schöningen, Schwelm, Süpplingen and Wolsdorf; at the time of disbursement of the loans, their combined rentable space measured approximately 227,527 sqm. Notwithstanding the possibility of terminating the agreement subject to the statutory notice period, each creditor can terminate its portion of the senior loan agreement or of the junior loan agreement for good cause and demand immediate repayment. In addition, various obligations to provide information are incumbent on the borrower. The loan agreements stipulate, among other things, compliance with various financial covenants in relation to the cover ratio (interest cover ratio of at least 1.93 for the senior loan and at least 1.20 for the junior loan), the debt service coverage ratio (at least 1.03 for the junior loan), and the ratio of total debt outstanding under the loans on a certain calculation date to the latest collateralization value of all relevant properties that fall under a certain definition (loan-to-value ratio of at least 60% for the senior loan and loan-to-value ratio of at least 80% for the junior loan). In addition to other termination rights, there are in some cases termination rights in case these financial covenants are not met and in case the borrower defaults on a payment obligation arising from another loan and the default lasts longer than 15 days after the borrower has received written notification thereof from the creditor, or such payment obligation is accelerated because of any default on obligations of the borrower, if the total payment obligations exceed EUR 500,000 (or the equivalent in other currencies) (so-called cross-default arrangement). Moreover, all reasons for termination under the EUR 22 million junior promissory note loan agreement also result in a reason for termination under the senior promissory note loan agreement.

EUR 212 million senior promissory note loan agreement

On June 25, 2014, Magnus Dritte Immobilienbesitz und Verwaltungs GmbH, as borrower, entered into a fixed-rate senior loan agreement (senior promissory note (*Schuldschein*) loan agreement) for EUR 212.0 million with Deutsche Bank AG as lender. The loan matures on July 1, 2024, and the principal is repayable by that date. Interest will be payable on the loan at 4.00% p.a. from the disbursement date (inclusive) until the maturity date (exclusive), starting on January 1, 2015. The loan is secured firstly by providing first liens on the properties held by seven real estate holding companies and another smaller portfolio in Thuringia, which together form the Magnus III portfolio. At the time of the agreement, the portfolios comprised approximately 8,350 residential and commercial units in total, which are located across nearly the whole of Germany. Further security consists of an assignment as collateral to a trustee of the receivables and rights arising from or in connection with (i) the leasing of the collateral assets; (ii) existing and future purchase agreements relating to the collateral assets; (iii) the facility management agreements relating to the collateral assets and any relevant duty of care agreements; (iv) the share purchase agreement for the shares in the Magnus III portfolio companies; (v) intercompany or shareholder loans between the borrower and/or one or more group companies; (vi) existing and future profit and loss transfer agreements between the borrower and/or one or more group companies; and (vii) certain other claims in favor of the creditors of the senior loan (and, in accordance with the creditor agreement, in favor of the creditors of the Junior Notes 2014/2024 (as defined below)). In addition, the borrower has assigned its claims under the insurance policies as security to a trustee in favor of the creditors of the senior loan (and in accordance with the agreement with the creditors of the junior notes 2014/2024) and pledged all accounts set up for managing the collateral assets and all shares in the borrower as well as in all German group companies that currently are or will in the future be organized and operating as a limited liability company (*Gesellschaft mit beschränkter Haftung, GmbH*) under German law. The loan agreement stipulates, among other things, compliance with various financial covenants in relation to the cover ratio (interest cover ratio of at least 1.86) and the total debt ratio (loan-to-value ratio of not more than 60%) as well as a negative pledge. In addition to other termination rights, the loan creditors have termination rights, in particular in case interest is not paid or capital is not repaid within 10 business days of the respective interest payment date or maturity date, the financial covenants are not met or the negative pledge is breached, and in case the borrower defaults on a payment obligation arising from another loan and the default persists longer than 10 days after the borrower has received written notification thereof from one of the creditors, or such payment obligation is accelerated because of any default on obligations of the borrower, if the total payment obligations exceed EUR 1 million (or the equivalent in other currencies). In addition, the creditors have termination rights besides those provided for by law, in particular, in case an event of default is triggered under the Junior Notes 2014/2024 (as defined below) or in case there is a change of control over the borrower.

EUR 70 million 7.25% subordinated notes

In addition, on June 30, 2014, Magnus Dritte Immobilienbesitz und Verwaltungs GmbH issued junior fixed-rate notes in an amount of EUR 70 million (the “**Junior Notes 2014/2024**”) in a private placement; the notes have a coupon of 7.25% p.a. and mature on July 1, 2024. The obligations under the Junior Notes 2014/2024 constitute unconditional and secured liabilities of Magnus Dritte Immobilienbesitz und Verwaltungs GmbH, which are ranked *pari passu* with each other and subordinated to the above-mentioned senior promissory note (*Schuldschein*) loan agreement. Interest is payable on the Junior Notes 2014/2024 at 7.25% p.a. from the issue date (inclusive) until the maturity date (exclusive). Interest is payable in arrears on January 1 and July 1 of each year, starting on January 1, 2015. The Junior Notes 2014/2024 are repayable in equal half-yearly partial amounts at 2.00% p.a. of the total original principal amount. They are due for payment on the interest payment dates, in addition to the interest payments. If the real estate or the corresponding portfolio companies that make up the Magnus III portfolio are sold, Magnus Dritte Immobilienbesitz und Verwaltungs GmbH has the right to accelerate repayment under certain conditions. The Junior Notes 2014/2024 are secured by providing junior liens on the properties that make up the Magnus III portfolio in favor of a trustee in the total amount of the Junior Notes 2014/2024 plus interest and supplementary payments. Further security consists of the assignment as collateral to a trustee of the receivables and rights arising from or in connection with (i) the leasing of the collateral assets; (ii) existing and future purchase agreements relating to the collateral assets; (iii) the facility management agreements relating to the collateral assets and any relevant duty of care agreements; (iv) the share purchase agreement for the shares in the Magnus III portfolio companies; (v) intercompany or shareholder loans between Magnus Dritte Immobilienbesitz und Verwaltungs GmbH and/or one or more group companies; (vi) existing and future profit and loss transfer agreements between Magnus Dritte Immobilienbesitz und Verwaltungs GmbH and/or one or more group companies; and (vii) certain other claims in favor of the creditors of the senior loan (and, in accordance with the creditor agreement, in favor of the creditors of the Junior Notes 2014/2024). In addition, Magnus Dritte Immobilienbesitz und Verwaltungs GmbH has assigned its claims under

the insurance policies as security to a trustee in favor of the creditors of the senior loan (and, in accordance with the creditor agreement, in favor of the creditors of the Junior Notes 2014/2024) and pledged all accounts set up for managing the collateral assets and all shares in Magnus Dritte Immobilienbesitz und Verwaltungs GmbH as well as in all German group companies that currently are or will in future organized and operating as a limited liability company (*Gesellschaft mit beschränkter Haftung, GmbH*) under German law. The terms of the Junior Notes 2014/2024 stipulate, among other things, compliance with various financial covenants in relation to the cover ratio (interest cover ratio of at least 1.16 and debt service cover ratio of at least 1.05) and the total debt ratio (loan-to-value ratio of not more than 80%) as well as a negative pledge. In addition to other termination rights, the creditors of the Junior Notes 2014/2024 have termination rights, in particular in case interest is not paid or capital is not repaid within 10 business days of the respective interest payment date or maturity date, the financial covenants are not met or the negative pledge is breached, and in case Magnus Dritte Immobilienbesitz und Verwaltungs GmbH defaults on any payment obligation arising from another loan and the default persists longer than 10 days after Magnus Dritte Immobilienbesitz und Verwaltungs GmbH has received written notification thereof from one of the creditors, or such payment obligation is accelerated because of any default on obligations of Magnus Dritte Immobilienbesitz und Verwaltungs GmbH, if the total payment obligations exceed EUR 1 million (or the equivalent in other currencies). In addition, the creditors of the Junior Notes 2014/2024 have termination rights, in particular in case any event of default is triggered under the above-mentioned senior promissory note (*Schuldschein*) loan agreement or in case there is a change of control over Magnus Dritte Immobilienbesitz und Verwaltungs GmbH.

EUR 86.5 million senior promissory note loan agreement

On October 21, 2014, Magnus-Relda Holding Vier GmbH entered into a senior ranking assignable loan promissory note (*Schuldschein*) with Deutsche Bank AG as lender in the nominal amount of EUR 86.5 million maturing on October 28, 2024, and with an interest rate of 3.75% p.a. (the “**EUR 86.5 Million Note Loan**”). The obligations under this loan constitute unconditional, unsubordinated and collateralized obligations of Magnus-Relda Holding Vier GmbH. Priority over the EUR 40 Million Junior Notes (as defined below) is agreed in an intercreditor agreement. The loan has been secured by providing first liens on the properties of the Raven real estate portfolio. Further security consists in favor of the lender (and, in accordance with the intercreditor agreement, also in favor of the holders of the EUR 40 Million Junior Notes), in essence, of an assignment as collateral to a trustee of the receivables and rights arising from or in connection with (i) the renting of the collateral assets; (ii) future sale agreements relating to the collateral assets; (iii) the asset and property management agreements relating to the collateral assets and any relevant duty of care agreements; (iv) intercompany loans and (v) certain other claims. In addition, the borrower has assigned its claims under the insurance policies as security to the trustee in favor of the creditors of the senior loan and pledged all accounts set up for managing the collateral assets and all shares in the borrower. Apart from other obligations, the borrower has undertaken to comply with certain financial covenants (especially a loan-to-value ratio of not more than 60% and an interest cover ratio of at least 2.11 during the first 18 months following the disbursement of the loan, and thereafter at least 2.30). In addition to other termination rights, the lender has a termination right in case the aforementioned financial covenants are not met or if the borrower defaults on a payment obligation arising from any other financial indebtedness and such failure continues for a period longer than 10 business days after the borrower has received written notification thereof from the creditor or a loan is called in for repayment by third parties because of any default on obligations of the borrower, if the total payment obligations exceed EUR 1 million (or the equivalent in other currencies). Moreover, all reasons for termination under the EUR 40 Million Junior Notes (as defined below) also result in a reason for termination in this case.

EUR 40 million 7.00% junior promissory note loan agreement

In addition, on October 21, 2014 Magnus-Relda Holding Vier GmbH issued junior notes due on October 28, 2024 in an aggregate principal amount of up to EUR 40 million and a coupon of 7.00% p.a. under a private placement (the “**EUR 40 Million Junior Notes**”). Interest shall be paid in arrears on April 28 and October 28 each year. The minimum transferable amount is EUR 100,000. The obligations under the EUR 40 Million Junior Notes constitute unconditional secured obligations of Magnus-Relda Holding Vier GmbH which rank *pari passu* to each other and are subordinated to the aforementioned EUR 86.5 Million Note Loan (in accordance with an intercreditor agreement). The junior notes 2014/2024 have to be repaid in six-monthly installments at 2.00% p.a. of the initial nominal amount. The loan is secured by subordinated liens on the properties of the Raven real estate portfolio (as set out under Property Purchase Agreements above). Further security consists in favor of the holders of the EUR 40 Million Junior Notes (and the lender of the EUR 86.5 Million Note Loan subject to the intercreditor agreement), in essence, of an assignment as collateral to a trustee of the receivables and rights arising from or in connection with (i) the renting of the collateral assets; (ii) future sale agreements relating to the

collateral assets; (iii) the asset and property management agreements relating to the collateral assets; (iv) intercompany loans and (v) certain other claims. In addition, the borrower has assigned its claims under the insurance policies as security to the trustee and pledged all accounts set up for managing the collateral assets as well as all shares in the borrower. Apart from other obligations, the borrower has undertaken to comply with certain financial covenants (especially a loan-to-value ratio of not more than 75%, gradually declining for pre-defined periods of time to 70.5% on the 8th anniversary of the agreement, and an interest cover ratio of at least 1.14 during the first 18 months following the disbursement of the loan, and thereafter at least 1.25). In addition to other termination rights, the lender has a termination right in case the aforementioned financial covenants are not met or if the borrower defaults on a payment obligation arising from any other financial indebtedness and such failure continues for a period longer than 10 business days after the borrower has received written notification thereof from the creditor or a loan is called in for repayment by third parties because of any default on obligations of the borrower, if the total payment obligations exceed EUR 1 million (or the equivalent in other currencies).

EUR 123 million senior promissory note loan agreement

On January 27, 2015, Wohnungsbaugesellschaft JADE mbH, as borrower, entered into a fixed interest rate senior loan agreement (senior promissory note (*Schuldschein*) loan agreement) for EUR 123.0 million with Deutsche Bank AG as lender (the “**EUR 123 Million Note Loan**”). The loan matures on January 30, 2025, and the principal is repayable by that date. Interest is payable on the loan at 3.50% p.a. in arrears on January 30 and July 30 each year, from the disbursement date (inclusive) until the maturity date (exclusive). Priority over the EUR 41 Million Junior Notes (as defined below) is agreed in an intercreditor agreement. The loan has been secured by providing first liens on the properties of the Magnus V portfolio (as set out under share purchase agreements above). Further security consists in favor of the lender of the EUR 123 Million Note Loan (and, in accordance with the intercreditor agreement, also in favor of the lender of the EUR 41 Million Junior Note, as defined below) in essence, of an assignment as collateral to a trustee of the receivables and rights arising from or in connection with (i) the leasing of the collateral assets; (ii) future sale agreements relating to the collateral assets; (iii) the asset and property management agreements relating to the collateral assets; (iv) intercompany loans and (v) certain other claims. In addition, the borrower has assigned its claims under the insurance policies as security to the trustee and pledged all accounts set up for managing the collateral assets. In addition, Magnus Fünfte Immobilienbesitz und Verwaltungs GmbH pledged all its shares held in the borrower to the lender (and to the lender of the EUR 41 Million Junior Note subject to the intercreditor agreement). Apart from other obligations (such as a negative pledge clause regarding the provision of security or collateral to other creditors and the prohibition to take on further debt), the borrower has undertaken to comply with certain financial covenants (especially a loan-to-value ratio not higher than 60% and an interest cover ratio of at least 10). In addition to other termination rights, the lender has a termination right in case the aforementioned financial covenants are not met or if the borrower defaults on a payment obligation arising from any other financial indebtedness and such failure continues for a period longer than 10 business days after the borrower has received written notification thereof from the creditor or a loan is called in for repayment by third parties because of any default on obligations of the borrower, if the total payment obligations exceed EUR 1 million (or the equivalent in other currencies). Moreover, all reasons for termination under the EUR 41 Million Junior Note Loan (as defined below) also result in a reason for termination with respect to the EUR 123 Million Note Loan.

EUR 41 million junior promissory note loan agreement

On January 27, 2015, Wohnungsbaugesellschaft JADE mbH, as borrower, entered into a junior promissory note (*Schuldschein*) loan agreement at a fixed interest rate of 7.00% p.a. for EUR 41.0 million with Deutsche Bank AG as lender (the “**EUR 41 Million Junior Note Loan**”). The loan matures on January 30, 2025, and has to be repaid in semi-annual installments at 7.00% p.a. of the original aggregate nominal amount of the junior loan. The remaining amount of the junior loan is repayable at the principal amount on the maturity date. Interest is payable on January 30 and July 30 each year as from the disbursement date until the maturity date. Subordination of the loan to the EUR 123 Million Note Loan (as defined above) is agreed in an intercreditor agreement. The loan has been secured by providing junior liens on the properties of the Magnus V portfolio (as set out under Share Purchase Agreements above). Further security consists in favor of the holders of the EUR 41 Million Junior Note Loan (and, in accordance with the intercreditor agreement, prior in favor of the lender of the EUR 123 Million Note Loan, as defined above) in essence, of an assignment as collateral to a trustee of the receivables and rights arising from or in connection with (i) the leasing of the collateral assets; (ii) future sale agreements relating to the collateral assets; (iii) the asset and property management agreements relating to the collateral assets; (iv) intercompany loans and (v) certain other claims. In addition, the borrower has assigned its claims under the insurance policies as security to the trustee and pledged all accounts set up for managing the collateral assets. In

addition, Magnus Fünfte Immobilienbesitz und Verwaltungs GmbH pledged all its shares held in the borrower to the lender (and prior to the lender of the EUR 123 Million Note Loan subject to the intercreditor agreement). Apart from other obligations, the borrower has undertaken to comply with certain financial covenants (especially a loan-to-value ratio not higher than 80%, an interest cover ratio of at least 1.30 and a debt service cover ratio of at least 1.10). In addition to other termination rights, the lender has a termination right in case the aforementioned financial covenants are not met or if the borrower defaults on a payment obligation arising from any other financial indebtedness and such failure continues for a period longer than 10 business days after the borrower has received written notification thereof from the creditor or a loan is called in for repayment by third parties because of any default on obligations of the borrower, if the total payment obligations exceed EUR 1 million (or the equivalent in other currencies). Moreover, all reasons for termination under the EUR 123 Million Note Loan (as defined above) also result in a reason for termination with respect to the EUR 41 Million Junior Note Loan.

Up to EUR 297 million loan agreement

On December 19, 2014, the companies Westgrund Wolfsburg GmbH, Westgrund Niedersachsen Nord GmbH, Westgrund Niedersachsen Süd GmbH, Westgrund Brandenburg GmbH Westgrund VII. GmbH, WAG Görlitz GmbH, WAG Neubrandenburg GmbH (together referred to as the “**Borrowers**”) entered into a loan agreement with Landesbank Baden-Württemberg (the “**Lender**”), which was amended by an amendment agreement dated February 26, 2015, with respect to an amount of up to EUR 297 million in connection with the acquisition of Berlinovo portfolio. The non-revolving loan amount is divided into a fixed-interest tranche (“**Tranche A**”) in an aggregate principal amount of EUR 272.8 million and a tranche with a variable interest (“**Tranche B**”) in an aggregate principal amount of up to EUR 24.2 million. As regards Tranche A, an interest rate of 2.14% p.a. was agreed upon.

In order to secure the claims of the Lender, land charges were created for the benefit of the Lender with respect to the financed properties (the “**Collateral Assets**”) and further collateral was provided, in particular, by assignment of claims arising under sale and purchase agreements with respect to the Collateral Assets, assignment of claims under all lease agreements for the Collateral Assets and pledging of accounts, in particular, rent collection accounts.

The Borrowers are jointly and severally liable for all obligations arising under or in connection with the loan agreement. On the basis of a collateral release agreement between WAG Görlitz GmbH, the other Borrowers, WESTGRUND and the Lender, WAG Görlitz GmbH was released from all obligations under the loan agreement and relating agreements at the end of 2014.

Tranche A is due for repayment on December 31, 2021 in the amount then outstanding. Tranche B was originally due for repayment on December 31, 2015, but had already been repaid at the end of January 2015 and at mid-June 2015 in full.

Under the agreement, the Borrowers undertook to comply with a so-called debt service cover ratio (“**DSCR**”). DSCR means the ratio between the expected net rental income during a fixed calculation period and the expected debt service during the respective calculation period. The DSCR shall not be less than 115%. Moreover, the Borrowers have to comply with an LTV at certain points in time between an initial maximum of 75% and a maximum of 65.00% as of January 2, 2021. In case of non-compliance with one or more of the financial ratios, the Lender has the right to revoke the power of disposition regarding the rental accounts that was granted to the Borrowers. At the same time, however, the agreement provides for mechanisms (e.g. up to four reserve payments during the term of the agreement) to remedy any non-compliance with the agreed financial ratios.

The agreement also provides for various rights of termination in favor of the Lender, in particular, in case of (i) default in payment, (ii) non-compliance with a financial ratio which is not remedied, (iii) a change of controlling interests in the Borrowers, (iv) a conversion, merger, demerger or change of legal form of one of the Borrowers, (v) a default in payment of at least EUR 100 thousand vis-à-vis third parties (so-called ‘cross default’) and (vi) a sale of one or more Collateral Assets contrary to the provisions of the loan agreement. Moreover, a material deterioration of the financial situation of the Borrowers or the value of the collateral constitutes a reason for termination under the agreement.

EUR 500 Million 4.75% Note 2015/2020

Between April and October 2015, the Company issued bonds in an aggregate principal amount of EUR 500 million which mature in April (the “Notes 2015/2020”). The terms of the Notes 2015/2020 are set forth in an indenture (as supplemented) governed by New York law and are divided into 500,000 partial bearer notes ranking *pari passu* among themselves with a nominal value of EUR 1,000.00 each. As from April 8, 2015, the Notes 2015/2020 bear interest at 4.75% p.a., payable in arrears on October 8 and April 8 of each year.

In November 2017, one of the definitions used in relation to the unencumbered assets covenant of the Notes 2015/2020 was amended following a consent solicitation process with the holders of the Notes 2015/2020 in order to provide clarification regarding the methodology used in determining compliance with such covenant.

In the terms and conditions of the Notes 2015/2020 the Company has undertaken, as of certain reference dates, not to raise any debt on a consolidated basis that exceeds 75% of consolidated total assets up to and including December 31, 2015, 72.5% from January 1, 2016 up to and including December 31, 2016, 70.0% from January 1, 2017 up to and including December 31, 2017 and 67.5% from January 1, 2018 until maturity. In the terms and conditions, the Company has further undertaken, as of certain reference dates, not to raise any secured debt on a consolidated basis that exceeds 60% of consolidated total assets up to and including December 31, 2015, 57.5% from January 1, 2016 up to and including December 31, 2016, 55% from January 1, 2017 up to and including December 31, 2017 and 52.5% from January 1, 2018 until maturity. In the terms and conditions, the Company has further undertaken to comply with a so-called interest cover ratio (ratio of the Company’s adjusted consolidated EBITDA to the Company’s net cash interest) at certain dates. In accordance therewith, the interest cover ratio must be at least 1.10 up to and including December 31, 2015, at least 1.20 from January 1, 2016 up to and including December 31, 2016, at least 1.25 from January 1, 2017 up to and including December 31, 2017 and at least 1.35 from January 1, 2018 until maturity. In case of a breach of the aforementioned covenants, the noteholders have the right to extraordinary termination and the right to call the notes due immediately.

The cross-default clause contained in the terms and conditions of the Notes 2015/2020 gives noteholders (which hold at least 25% of the nominal amount of the notes outstanding) also the right to extraordinary termination and the right to call the notes due immediately, if the Company or a significant subsidiary fails to meet payment obligations resulting from financial liabilities whose total exceeds EUR 15 million when due. In case of a change of control, the noteholders also have the right to extraordinary termination and the right to call the notes due immediately at 101% of the nominal amount of the Notes 2015/2020 plus any accrued interest.

As a follow-up obligation of the issue of the Notes 2015/2020 to obtain a rating by the rating agency Standard & Poor’s Ratings Services (“S&P”) and/or Moody’s Investors Service, Inc. (“Moody’s”) and/or Fitch Ratings, Inc. (“Fitch”) for the term of the Notes 2015/2020, ADLER was rated “BB/Stable Outlook” by S&P in October 2017. Unless the Company maintains a rating of S&P and/or Fitch and/or Moody’s for the term of the Notes 2015/2020, the interest rate on the Notes 2015/2020 will be increased from 4.75% to 5.25% p. a.

The Notes 2015/2020 are included for trading in the Open Market (*Freiverkehr*) of the Frankfurt Stock Exchange and are included in the prime standard for notes.

EUR 35 Million 8.75% Bearer Note 2013/2018

In March 2013, the Company issued a corporate note with an initial volume of EUR 20 million, which was increased by EUR 15 million to EUR 35.0 million in April 2013, with a coupon of 8.75% p.a. The note is divided into 35,000 bearer notes with a nominal amount of EUR 1,000.00 each, which rank *pari passu* with each other. The term of the note began on April 3, 2013 and ends at midnight on April 3, 2018. The note is listed on the Open Market (*Freiverkehr*) of Deutsche Börse AG (Regulated Unofficial Market of the Frankfurt Stock Exchange) in the Entry Standard segment for notes. The EUR 35 Million 8.75% Bearer Note 2013/2018 does not contain any financial covenants, but a cross-default clause, which gives the noteholders the right of extraordinary termination and the right to call the note due immediately, if the Company or a significant subsidiary (i.e. a subsidiary whose revenue or total assets exceed 10% of the Company’s consolidated revenue or consolidated total assets) fails to meet a payment obligation resulting from financial liabilities whose total exceeds EUR 1 million when due (prematurely, if appropriate) or after any grace period. The same applies in the case of a surety or guarantee provided for financial liabilities of third parties for such an amount and not settled within 30 days of such surety or guarantee being called upon. Based on the amendment of the negative pledge clause implemented in relation to the Notes 2014/2019, the Company is currently looking into the process for amending the negative

pledge clause contained in the EUR 35 Million 8.75% Bearer Note 2013/2018. The Company is not permitted to make any dividend payments or other distributions that exceed 50% of the balance sheet profits.

EUR 11.25 Million 6.0% Convertible Note 2013/2018

In December 2013, the Company issued a EUR 11.25 million 6.0% convertible note which matures on December 27, 2018 (the “**Convertible Note 2013/2018**”). The corresponding rights offering was published in the Federal Gazette (*Bundesanzeiger*) on December 9, 2013. Unsubscribed Convertible Notes 2013/2018 were placed with qualified investors by way of a private placement. In total, 3 million Convertible Notes 2013/2018 were issued at a nominal amount of EUR 3.75 each and admitted to trading on the Regulated Market (General Standard) of the Frankfurt Stock Exchange.

The Company, as issuer, grants each holder (the “**Noteholder WSV 2013/2018**”) of the Convertible Note 2013/2018 the right, during the exercise period defined below, to convert each Convertible Note 2013/2018, in whole but not in part, into ordinary bearer shares (no par value shares) in the Company (the “**Conversion Right WSV 2013/2018**”), each such share representing a notional interest in the Company’s share capital of EUR 1.00 as of the issue date. Due to the resolution of the general shareholders’ meeting held on June 7, 2017 to increase the Company’s share capital from own funds by issuing 4,773,135 bonus shares which was implemented on June 12, 2017, the initial conversion price was adjusted from EUR 3.75 to EUR 3.41 (the “**Conversion Price WSV 2013/2018**”). The conversion ratio is determined by dividing the nominal amount of a Convertible Note 2013/2018 by the Conversion Price WSV 2013/2018 applicable on the exercise date. The Conversion Right WSV 2013/2018 can be exercised by a Noteholder WSV 2013/2018 at any time from January 31, 2014 until the third business day before the redemption date (both dates inclusive) (the “**Exercise Period WSV 2013/2018**”). If the last day of the Exercise Period WSV 2013/2018 is not a business day, the Exercise Period WSV 2013/2018 ends on the business day immediately preceding that day. If the last day of the Exercise Period WSV 2013/2018 falls into a non-exercise period, the Exercise Period WSV 2013/2018 ends on the last business day before the start of the respective non-exercise period. If Convertible Notes 2013/2018 are terminated by Noteholders WSV 2013/2018, those Noteholders WSV 2013/2018 may no longer exercise the Conversion Right WSV 2013/2018 relating to the terminated Convertible Note 2013/2018. The exercise of the Conversion Right WSV 2013/2018 is excluded during the following periods: (i) on the occasion of annual general shareholders’ meetings of the Company, during a period starting on the eighth day before the annual general shareholders’ meeting and ending on the business day after the annual general shareholders’ meeting (exclusive in each case); (ii) during a period of four days before the end of the Company’s fiscal year; and (iii) during the period beginning on the day on which an ad-hoc disclosure with specific information about an impending rights offering is published, providing such ad-hoc disclosure does not appear more than two days prior to the publication of a rights offering in the Federal Gazette, or a rights offering of the Company to its shareholders for the subscription of (new or existing) shares, notes with option or conversion rights or obligations, participation notes, or profit participation certificates is published in the Federal Gazette, until the last day of the period intended for exercising the subscription right (inclusive in each case). To exercise the Conversion Right WSV 2013/2018, the Noteholder WSV 2013/2018 must submit to the conversion agent, at its own expense, during normal business hours on a business day during the exercise period, a duly completed and signed notice using the applicable form, which is obtainable from the conversion agent. Such exercise notice is irrevocable. The EUR 11.25 Million 6.0% Convertible Note 2013/2018 likewise does not contain any financial covenants, but contains a cross-default clause, which corresponds to that of the EUR 35 Million 8.75% bearer Note 2013/2018 and also stipulates a threshold of EUR 1 million. The obligations of the Company under the Convertible Notes 2013/2018 rank *pari passu* with each other and the obligations of the Company under the Convertible Notes 2013/2018 rank at least *pari passu* with all other unsubordinated and unsecured obligations of the Company.

Under the Terms and Conditions, the Company undertook as long as any of the Convertible Notes 2013/2018 are outstanding, but only up to the time when all amounts of principal and interest have been placed at the disposal of the Paying Agent, not to create or permit to subsist, and to procure that none of its subsidiaries will create or permit to subsist, any mortgage, lien, pledge, charge or other security interest (each such right, a “**Security**”) over the whole or any part of its business undertaking, assets or revenues, whether present or future, to secure any Capital Market Indebtedness or to secure any guarantee or indemnity given by the Company or any of its subsidiaries in respect of a Capital Market Indebtedness of any other person, without, at the same time or prior thereto, equally securing all amounts payable under the Convertible Notes 2013/2018 either with such Security or providing for all amounts payable under the Convertible Notes 2013/2018 such other Security as approved by an independent accounting firm of internationally recognized standing as being equivalent security, provided, however, that this undertaking shall not apply with respect to (i) any Security required by law or required as a condition precedent for public permissions; or (ii) any Security already existing with respect to such assets as at

the time of their acquisition by the Company to the extent such Security was not created in connection with, or in contemplation of, the acquisition of the respective asset and, moreover, provided that the amount secured by such Security is not increased after the acquisition of such asset, the Security is created at prevailing market conditions and the Security underlying the receivable falls due after the redemption date of the Convertible Notes 2013/2018.

Pursuant to the Terms and Conditions, every Noteholder WSV 2013/2018 has the right to terminate and claim payment of all claims under the Convertible Notes 2013/2018 by giving notice of termination to the Company and claiming repayment of the principal amount plus 15% as well as any interest incurred in this respect until the date on which repayment is actually effected (but excluding such date), amongst other things, if the Company passes on to third parties (except for the Company or any of its respective subsidiaries) its entire assets or material parts thereof and this leads to a material impairment of the value of the Company's assets (on group level). In the event of a sale of assets, a material impairment shall be deemed to exist if the value of the assets sold exceeds 50% of the Company's consolidated balance sheet total.

EUR 38 million loan agreement

On May 29, 2013, Westgrund Immobilien Beteiligung IV. GmbH, as borrower, ("**Borrower**") entered into a loan agreement regarding an amount of EUR 38.0 million to partially finance the portfolio "Staaken" with Berliner Volksbank eG, as lender, ("**Lender**"). The term of the loan expires on April 30, 2020 and bears interest at a rate of 3.25% p.a. as of the date of disbursement. The loan shall be subject to monthly principal repayments of 2.2% (EUR 172,583.33). Basically, the loan is secured by: (i) collective land charges amounting to EUR 53.2 million, in total, (ii) a directly enforceable fixed liability guarantee for an unlimited period (*selbstschuldnerische unbefristete Höchstbetragsbürgschaft*) on EUR 1.5 million of WESTGRUND, (iii) a directly enforceable fixed liability guarantee for an unlimited period on EUR 19.0 million of Westgrund Immobilien Beteiligungs III. GmbH and (iv) assignment of all current and future payment claims under lease and tenancy agreements which have already been or still remain to be concluded. Moreover, it was agreed that various financial ratios (an overall DSCR of 1.1 and an LTV not exceeding 80%) and corresponding information obligations of the Borrower shall be complied with. The Lender has an extraordinary right of termination in case one or more of these financial ratios are not complied with and such non-compliance is not remedied within a period of two months by one of the remediation mechanisms described in the loan agreement. In addition thereto, the Lender is entitled to terminate the loan agreement (i) if the Borrower fails to comply with its obligations under the loan agreement and does not remedy such non-compliance within a period of two weeks set for this purpose, (ii) if a judicial sequestration or a foreclosure sale of the pledged property or any part thereof is ordered, (iii) in case there are arrears of preferential public charges relating to the pledged property or interest of a prior-ranking right of more than two months, (iv) in case of an assignment, pledging or seizure of rent or in case the Borrower or property owner enter into obligations which may be set-off against rent without the prior consent of the Lender, (v) if the pledged property is sold in whole or in part without the Lender's consent or in case of a division of the pledged property.

EUR 54 million loan agreement

On September 3, 2015, WBL Wohnungsgesellschaft Berlin Lichtenberg 1 GmbH, WBL Wohnungsgesellschaft Berlin Lichtenberg 2 GmbH, WBL Wohnungsgesellschaft Berlin Lichtenberg 3 GmbH, WBL Wohnungsgesellschaft Berlin Lichtenberg 4 GmbH and WBL Wohnungsgesellschaft Berlin Lichtenberg 5 GmbH as jointly and severally liable borrowers entered into a master loan agreement on a non-revolving credit facility in the amount of EUR 54 million with Deutsche Genossenschafts-Hypothekenbank Aktiengesellschaft ("**DG HYP**") as lender. The loan is used for the partial financing of the acquisition costs as well as construction and reconstruction costs of several properties located in Berlin-Hohenschönhausen (project development "**Gehrensee**").

The loan is due for repayment at maturity, as of August 31, 2020, at the latest, in the remaining amount outstanding at the time. Own funds are provided for in the amount of EUR 15.0 million. The loan amount can be used as a current account overdraft facility (*Kontokorrentkredit*), as a term loan and as a guarantee line. If used as a current account overdraft facility, the interest rate is 7.25% p.a., unless further notice is given. The interest rate may be raised or reduced by the bank in its reasonable discretion as a result of changes in the average rates for 3 month EURIBOR funds. If used as a term loan, the interest rate is 2.00% p.a. above the 3 month EURIBOR determined for the respective interest period, whereas, if used as a guarantee line, the guarantee commission is 1.55% p.a. of the respective outstanding guarantee amount. Reference interest rates shall never be less than zero. Once construction of the Collateral Assets is finalized and the Collateral Assets are fully let, it is provided that

the loan be repaid by means of a long-term permanent financing (*langfristige Endfinanzierung*) with a repayment agreement.

To secure all claims of DG HYP arising from the loan agreement it was, in essence, agreed to provide an uncertificated registered land charge in the amount of EUR 54 million on the Collateral Assets plus 15% p.a. land charge interest and 10% non-recurring ancillary payment as well as the assumption of personal liability of the borrowers and consent to immediate enforcement into all assets of the borrowers. In addition, it was agreed, in particular, that the following collateral be provided: (i) assignment of all rights and claims arising from management agreements as well as from construction and service agreements for the individual trades against construction workers and architects, (ii) assignment of all existing and future claims from insurance contracts, which have been or will be entered into in connection with the Collateral Assets, (iii) assignment of the rental claims from all lease agreements entered into or to be entered into with respect to the Collateral Assets, (iv) pledge of the rent collection account, (v) pledge of credit receivables from the reserve account (which, until confirmation of the preliminary real property expert opinion, is to secure any rental income attributable to the Collateral Assets which is paid to), (vi) guarantee of ADLER Real Estate Aktiengesellschaft in the total amount of EUR 4.5 million to hedge cost increases during the construction and reconstruction phase and to hedge DG HYP's claims from capital service, respectively, as well as a (vii) a letter of subordination and a loan maintenance agreement of the shareholders of the borrowers for own funds contributed or to be contributed through intercompany loans. The borrowers are obliged to use up the entire loan by December 31, 2019. DG HYP is entitled to terminate its lending commitment up to the amount which has not been used up.

DG HYP has an extraordinary termination right in case the proposed collateral was not provided, property serving as collateral is sold individually or collectively or if the property serving as collateral is charged with further liens without consent of DG HYP. Under certain conditions, DG HYP has the right of extraordinary termination of the loan agreement also in the event of a change of control of the borrowers or in case of changes regarding the holdings under a project management agreement with an undertaking of Cavere group prior to December 31, 2019, and an asset management agreement.

EUR 38 million loan agreement

On October 7, 2014, ESTAVIS 5. Wohnen GmbH, as Borrower, entered into a loan agreement with Berliner Sparkasse Niederlassung der Landesbank Berlin AG, as Lender, to partially finance investments in and in connection with 43 residential and commercial buildings (the "**Property**") in the amount of EUR 38.0 million. The term of the loan expires on September 30, 2019. On this date, at the latest, the loan amount then utilized plus any outstanding interests, charges and commissions shall be redeemable in one amount whereas, however, a termination is possible to the end of each interest period. The loan shall be redeemed at a rate of at least 4.00% p.a. In case partial properties are sold, the Borrower is obliged to make special redemption payments. As of its drawdown, the loan shall bear variable interest at a rate based on the three-month EURIBOR plus liquidity surcharge and a margin of 1.70 percentage points. The Borrower undertakes to provide to the Lender the following collateral: (i) overall land charges in a total amount of EUR 38 million including the consent to immediate enforcement over the encumbered property in an amount of a last payable partial amount of at least EUR 3.8 million and the assumption of personal liability by the Borrower including the Borrower's consent to immediate enforcement up to at least 3.8 million in its entire assets, (ii) assignment of the rights and claims under existing and future tenancy and lease agreements with respect to the Property, (iii) assignment of all existing and future rights and claims under the purchase agreement for the Property dated March 7, 2014, (iv) assignment of all existing and future rights and claims against the respective purchaser(s) under purchase agreements already entered into or yet to be entered into with respect to the Property, (v) assignment of all existing and future rights and claims under management or administration agreements with the administrators of the Property already entered into or yet to be entered into, (vi) pledging of credit balances on the rent surplus account, the purchase price collection account and the reserve account, (vii) an unlimited absolute guarantee of ACCENTRO in the amount of EUR 7.6 million, and (viii) in case there are loans from shareholders of group companies or third parties to the Borrower, the lenders thereunder shall sign subordination agreements vis-à-vis the Lender covering at least the term of the loan agreement with respect to the loan and, in addition thereto, any such other loans may not be secured (or junior secured) in rem by the properties financed by the Lender hereunder. It was also agreed that several financial ratios (Debt Service Coverage Ratio, loan-to-value (*Verkehrswertauslauf*) and Junior Collateral Value (*Nachrangwertauslauf*)) and corresponding information obligations shall be complied with by the Borrower. The Lender has an extraordinary right of termination if one or more of these financial ratios are not complied with and such non-compliance is not remedied within a period of four weeks by one of the remediation mechanisms defined in the loan agreement.

Beyond this, the Lender has an extraordinary right of termination for good cause, i.e., in particular, if or in case of (i) a payment default, (ii) insolvency, (iii) a compulsory sale, (iv) a non-compliance with financial ratios, (v) the residential and commercial buildings in Leipzig and Düsseldorf are not sold en bloc, (vi) guarantee commitments are not complied with, (vii) a non-compliance with the intended use, (viii) documents are incomplete or incorrect, (ix) a non-disclosure of the economic circumstances and incorrect or incomplete information, respectively, (x) insurances to be entered into under the loan agreement are terminated or the coverage thereunder is limited, (xi) the Borrower fails to obtain any required permit or consent, (xii) the Borrower acts in breach of the equality clause (*Gleichbehandlungsklausel*), (xiii) an incorrectness of representations, (xiv) a breach of warranty obligations (*Einstandspflichten*), (xv) a breach of special duties regarding the Property, (xvi) a violation of statutory provisions or non-compliance with official orders and (xvii) material breaches of contract. In the event a violation of a contractual obligation of the Borrower under the loan agreement is deemed a good cause, the agreement may be terminated not until a reasonable period of time for remedying such violation has expired unsuccessfully or a warning notice has proven unsuccessful, unless the latter is dispensable due to the particularities of the individual case.

EUR 56.4 million loan agreement

On May 16, 2017, AFP (Germany) II S.à r.l. and AFP (Germany) III S.à r.l. as jointly and severally liable borrowers entered into a loan agreement for a term loan facility in the amount of EUR 56.4 million with Deutsche Genossenschafts-Hypothekenbank Aktiengesellschaft (“**DG HYP**”) as lender. The loan is used for the refinancing of certain existing financings with DG HYP and the repayment of shareholder loans/ equity capital in relation to a portfolio of 26 properties in North Rhine-Westphalia and the northern parts of Germany (portfolio “Compass”).

The loan is due for repayment at maturity, as of April 30, 2022, at the latest, in the remaining amount outstanding at the time. The loan is structured as an amortizing term loan. The loan is to be repaid in quarter annual installments of EUR 211,500.00 (1.5% p.a. of the initial loan amount) with any remaining outstandings to be repaid at maturity. The interest rate is 1.75% p.a. above the 3 month EURIBOR determined for the respective interest period. The reference interest rate shall never be less than zero. To the extent the properties are not eligible for a covered bond, the interest increases by an amount of 0.2% p.a. In addition the loan agreement provides for a hedging obligation limiting the interest exposure to a maximum of 2.75% p.a.

To secure all claims of DG HYP arising from the loan agreement it was, in essence, agreed to provide uncertificated (first and second ranking) registered land charges in the total amount of approximately EUR 57 million on the Collateral Assets plus 15% p.a. land charge interest and 10% non-recurring ancillary payment as well as the assumption of personal liability of the borrowers and consent to immediate enforcement into all assets of the borrowers. In addition, it was agreed, in particular, that the following collateral be provided: (i) assignment of all rights and claims arising from interest hedging agreements, (ii) assignment of all existing and future claims from property insurance contracts, which have been or will be entered into in connection with the Collateral Assets, (iii) assignment of the rental claims from all lease agreements entered into or to be entered into with respect to the Collateral Assets, (iv) pledge of the rent collection account, (v) pledge of the cash-trap account, (vi) assignment of all existing and future claims from future sale and purchase agreements, as well as a (vii) a letter of subordination and a loan maintenance agreement of the shareholders of the borrowers for own funds contributed or to be contributed through intercompany loans. DG HYP has customary extraordinary termination rights (including but not limited to insolvency, material misrepresentations, insufficient insurance cover not providing additional security if so requested by DG HYP). Under certain conditions, DG HYP has the right of extraordinary termination of the loan agreement also in the event of a change of control of the borrowers or in case of non-compliance with certain financial covenants (debt service cover of at least 110% and loan to value not exceeding 82%, in each case subject to customary cure provisions).

12 GENERAL INFORMATION ABOUT THE COMPANY

12.1 Formation, name, registered office, year and duration of the Company

The Company is a stock corporation (*Aktiengesellschaft*) incorporated under the Stock Corporation Act (*Aktiengesetz*) of the Federal Republic of Germany. The Company has been registered with the commercial register (*Handelsregister*) at the Local Court (*Amtsgericht*) of Berlin-Charlottenburg under number HRB 180360 B on September 28, 2016 and is subject to the laws of the Federal Republic of Germany, in particular the German Stock Corporation Act (*Aktiengesetz*). The business address of the Company is Joachimsthaler Straße 34, 10719 Berlin, Germany.

The Company can be reached at the telephone number +49-30-398-018-10.

The trade name of the Company is “ADLER”.

The fiscal year of the Company runs from January 1 to December 31 of each year. The duration of the Company is unlimited.

12.2 Business purpose of the Company

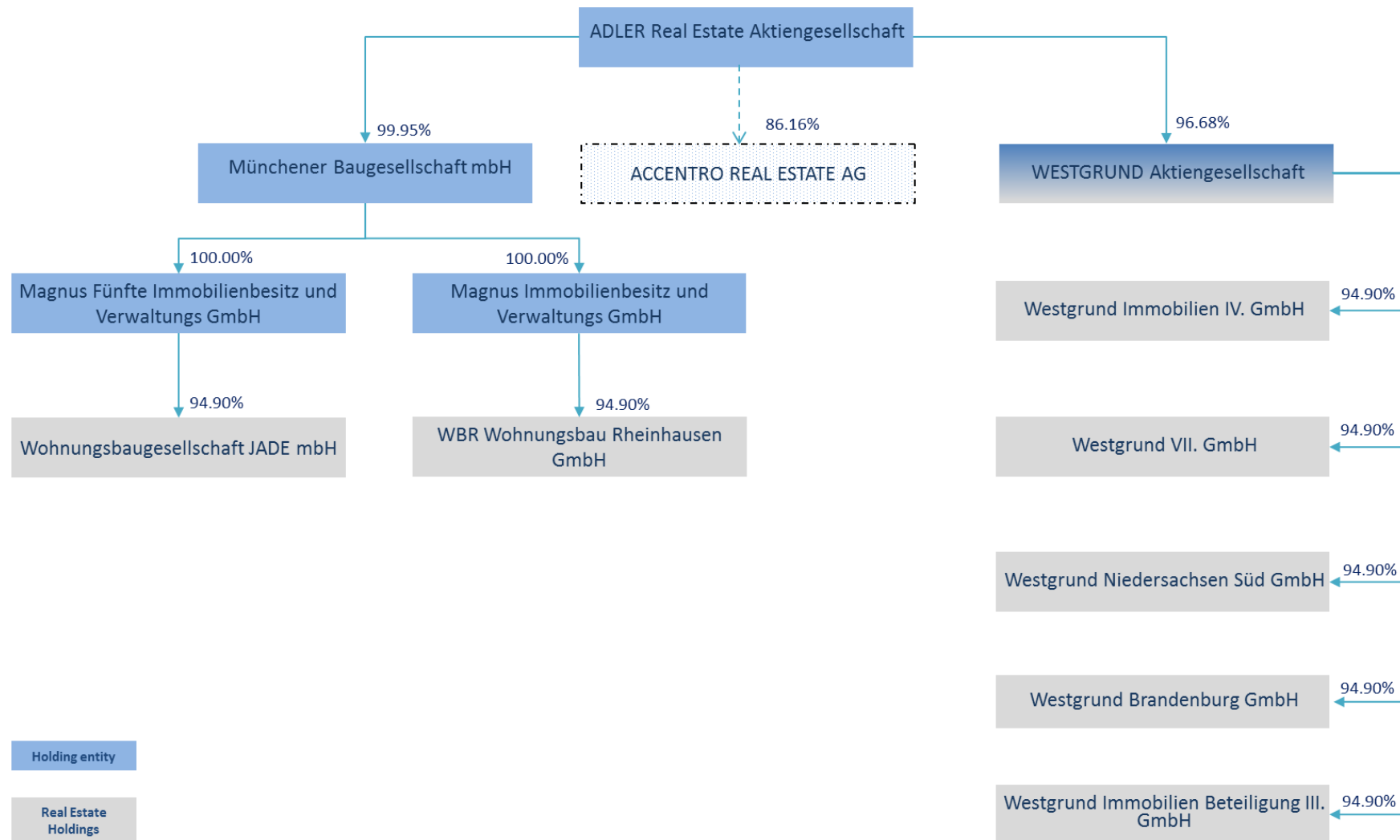
Pursuant to § 2 paragraph 1 of the articles of association of the Company, its corporate purpose is purchasing and selling as well as holding, managing and realizing properties, real estate and rights equivalent to real estate and developing, planning and building them; furthermore, the purpose of the business is assuming services related to real estate, for example, managing construction and real properties.

Pursuant to § 2 paragraph 2 of the articles of association of the Company, the Company is authorized to establish enterprises, enter into participations, conclude corporate group agreements, establish communities of interests, establish branches in Germany and abroad and conduct all relevant transactions which are appropriate to promote the business.

12.3 Information about the Company’s corporate group structure

The Company is the holding company of ADLER group and is responsible for central management functions. The Company holds participations through its subsidiaries in various real estate portfolios.

The simplified structure of ADLER group as of the date of this Prospectus is as follows:



On October 20, 2017, the Company entered into a share purchase agreement for the sale of approximately 80% out of its current 86% stake in ACCENTRO. See section 6.13 “Share purchase agreements-Share purchase agreement regarding the sale of shares of ACCENTRO, dated October 20, 2017” for details.

12.4 Major Subsidiaries of the Company

The major subsidiaries of the Company are (on the basis of the financial statements of the Company as of September 30, 2017):

Name and registered office of company	Main activity	Held proportion of the voting rights
ACCENTRO Real Estate AG, Berlin	Acquiring, holding and managing (including management as a trustee) of assets, especially real property as well as related activities, excluding activities under Section 34c German Trade Code (<i>Gewerbeordnung</i>) and Section 1 of the German Banking Act (<i>Gesetz über das Kreditwesen, "KWG"</i>).	86.16% (direct)*
WBR Wohnungsbau Rheinhausen GmbH, Hamburg	Building, acquiring and maintaining apartments and other structures in all legal forms and forms of use, including carrying out and servicing measures for the renovation, renewal and development of residential areas and their infrastructure with focus on Duisburg-Rheinhausen.	94.90% (indirect)
WESTGRUND AG, Berlin	All real estate and housing industry transactions, in particular, the management of residential properties.	96.68% (direct)
WESTGRUND Immobilien Beteiligung III. GmbH, Berlin	Acquiring, holding and managing of real estate as well as managing own assets.	94.90% (indirect)
WESTGRUND Immobilien IV. GmbH, Berlin	Acquiring, holding and managing of real estate as well as managing own assets.	94.90% (indirect)
Westgrund VII. GmbH, Berlin	Acquiring, holding and managing of real estate as well as managing own assets.	94.90% (indirect)
Westgrund Niedersachsen Süd GmbH, Berlin	Acquiring, holding and managing of real estate as well as managing own assets.	94.90% (indirect)
Westgrund Brandenburg GmbH, Berlin	Acquiring, holding and managing of real estate as well as managing own assets.	94.90% (indirect)
Wohnungsbaugesellschaft JADE mbH, Wilhelmshaven	Building, servicing, maintaining and managing structures and buildings in all legal forms and forms of use.	94.90% (indirect)

* On October 20, 2017, following a strategic review with a view to focusing on its core residential rental business and increasing its level of unencumbered assets, the Company entered into a share purchase agreement regarding approximately 80% out of its current 86% stake in ACCENTRO and 4,743,359 convertible notes issued by ACCENTRO with respect to a further 4,809,282 underlying shares which are not yet issued. Subject to the closing of this transaction, which is expected to occur in the fourth quarter of 2017, the Company intends to discontinue its Trading segment by the end of 2017. With respect to the remaining approximately 6% in ACCENTRO the Company has a put option which becomes exercisable one year after closing of the transaction.

12.5 Important events in the development of the Corporate's business

The Company had its origins in the Frankfurter Adlerwerke whose history extends back to the late 19th century. The purpose of the business at that time was initially the industrial manufacturing of bicycles and motor vehicles.

2000	Change of the company name to ADLER Real Estate Aktiengesellschaft and beginning of the business in real estate development projects;
2000-2005	Project development of commercial properties (including the Technology Park Heidelberg, the Frankfurt Stock Exchange and the Airrail Center Frankfurt am Main);
2005	Entry by a U.S. American major shareholder;
2006	Consolidation and capital increase; asset management for AIG Global Real Estate;
2007	Acquisition of the operative residential property business of Münchener Baugesellschaft mbH;
2008-2011	Reorganization of the inventory held in the real estate portfolio;
2012	Changes in the shareholder structure and realization of the new corporate strategy with ADLER focusing on the holding of residential real estate in Germany;
2013	Acquisition of majority participations in large real estate portfolios (Magnus, Cato, Schwelm, and S.I.G. RE);
2014	Acquisition of a further portfolio (Zoe) in Lower Saxony with approximately 2,400 units and increasing the already existing participation in real estate portfolios with approximately 1,900 units in six German states (S.I.G. RE); Acquisition of a majority share in ACCENTRO Real Estate AG; Acquisition of majority participations in seven real estate holding companies (portfolio "Spartacus") as well as a further acquisition of a smaller portfolio in Thuringia (combined in the "Magnus III Portfolio") with a total of approximately 8,000 residential and 500 commercial units with lettable total space of approximately 560,000 sqm;
2015	Acquisition of the portfolio Magnus V with about 6,750 units in Wilhelmshaven/Lower Saxony; Acquisition of a majority share in WESTGRUND AG; Acquisition of an indirect interest in conwert Immobilien Invest SE.
2016	Legal domicile relocated to Berlin, Germany; ADLER Real Estate AG established among the leading listed residential real estate companies in Germany. Process of internalization of all property management and facility management activities started
2017	ADLER Real Estate AG has received EUR 422 million in connection with the successful tender of its 26% share in conwert Immobilien Invest SE to Vonovia SE. The transaction took place in the context of the voluntary takeover offer of Vonovia to the shareholders of conwert. Entering into a share purchase agreement regarding approximately 80% out of the current 86% stake in ACCENTRO and 4,743,359 convertible notes issued by ACCENTRO with respect to a further 4,809,282 underlying shares. Subject to the closing of this transaction, which is expected to occur in the fourth quarter of 2017, the Company intends to discontinue its Trading segment by the end of 2017.

12.6 Announcements

The Company publishes its announcements in the Federal Gazette (*Bundesanzeiger*).

12.7 Auditor

Ebner Stolz GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Ludwig-Erhard-Straße 1, 20459 Hamburg, Germany, has audited the consolidated financial statements of the Company prepared according to the International Financial Reporting Standards as applied in the EU (“**IFRS**”) for the fiscal years ended December 31, 2016, December 31, 2015 and December 31, 2014 pursuant to Section 317 German Commercial Code (Handelsgesetzbuch, “**HGB**”) in accordance with the generally accepted accounting principles in Germany as determined by the Institute of Accountants (*Institut der Wirtschaftsprüfer*, “**IDW**”) and has issued unqualified certifications thereon.

Ebner Stolz GmbH & Co. KG Wirtschaftsprüfungsgesellschaft, Hamburg, Germany, is a member of the Chamber of Accountants in Berlin, Germany.

12.8 Paying Agent

Bankhaus Neelmeyer AG, Am Markt 14-16, 28195 Bremen, Germany, is the paying agent with regard to the shares of the Company.

13 SHAREHOLDER STRUCTURE

As of the date of this Prospectus, the share capital of the Company amounts to EUR 57,547,740.00.

On the basis of the notifications received by the Company as of the date of this Prospectus in accordance with the German Securities Trading Act (*Wertpapierhandelsgesetz*, “**WpHG**”), the following shareholders directly or indirectly hold more than 3% of the Company's shares. The percentage values shown in the table below are based on the amount of voting rights last notified to the Company with regard to the stated reference date by the respective shareholder pursuant to Sections 21 et seqq. WpHG in relation to the Company's share capital as of the date of this Prospectus. It should be noted that the number of voting rights last notified could have changed since such notifications were submitted to the Company because the relevant shareholders are not required to submit a corresponding updated voting rights notification if no notifiable thresholds have been reached or crossed.

As of the date of this Prospectus, the Company holds 1,041,104 own shares. The related 1,041,104 voting rights are suspended.

Other shareholders, including those shareholders whose shareholdings represent less than 3% of the total voting rights in the Company, hold the remaining shares of the Company.

Shareholders	% of share capital / voting rights⁽¹⁾
Mezzanine IX Investors S.A. ^{(2), (3)}	18.71%
Klaus Wecken ⁽⁴⁾	17.80%
Thomas Bergander ⁽⁵⁾	5.25%
Asset Value Investors Limited ⁽⁶⁾	4.20%
Total	45.96%

⁽¹⁾ Based on the voting rights reported to the Company according to Section 21 WpHG, calculated on the basis of the current share capital in the amount of EUR 57,547,740.00.

⁽²⁾ Including attributed voting rights in accordance with Section 22 WpHG, which are directly held by Fortitudo Capital SPC (reference date: June 30, 2017).

⁽³⁾ Including attributed voting rights in accordance with Section 22 WpHG, which are directly held by Pruß GmbH (reference date: June 30, 2017).

⁽⁴⁾ Including attributed voting rights in accordance with Section 22 WpHG, which are directly held by Wecken & Cie (reference date: June 30, 2017).

⁽⁵⁾ Including attributed voting rights in accordance with Section 22 WpHG, which are directly held by Uhlandstraße Investments GmbH (reference date: July 2, 2014).

⁽⁶⁾ Including attributed voting rights in accordance with Section 22 WpHG, which are directly held by British Empire Trust plc (reference date: June 30, 2016).

The principal shareholders of the Company are Mezzanine IX Investors S.A., which holds (including attributed voting rights in accordance with Section 22 WpHG) 18.71% of the total shares and total voting rights in the Company, and Klaus Wecken, who (including attributed voting rights in accordance with Section 22 WpHG) holds 17.80% of the total shares and total voting rights in the Company (together referred to as the “**Principal Shareholders**”). Due to this shareholding structure, none of the two Principal Shareholders has a controlling influence on the Company.

There are no different classes of voting rights for certain shareholders.

14 GENERAL INFORMATION ABOUT THE SHARE CAPITAL OF THE COMPANY

14.1 Share capital and shares

As of the date of this Prospectus, the share capital of the Company as shown in the commercial register amounts to EUR 52,475,509.00. It is divided into 52,475,509 no-par value bearer shares (*Stückaktien*). Furthermore, due to the exercise of conversion rights in connection with already issued convertible notes of the Company, the Company issued an additional 5,072,231 shares which have not yet been registered in the commercial register so that the actual current share capital of the Company is EUR 57,547,740.00. It is divided into 57,547,740 no-par value bearer shares (*Stückaktien*). Each no-par value bearer share (*Stückaktie*) represents a proportionate value of EUR 1.00 in the share capital. The 57,547,740 issued shares have been paid in full.

The claim of the shareholders for certification of their shares is excluded.

New shares under a future capital increase can be given preferred rights for the use of profits in deviation from Section 60 German Stock Corporation Act (*Aktiengesetz*). The shares of the Company are certificated in several global notes which have been deposited with Clearstream Banking AG, Mergenthalerallee 61, 65760 Eschborn, Germany (“**Clearstream Banking AG**”). The Company’s shareholders have co-ownership shares in the respective global notes.

14.2 Development of the share capital since the founding of the Company

The share capital of the Company has developed as follows:

At the time of registration of the Company with the commercial register of the Local Court of Frankfurt am Main on January 10, 2005, the share capital of the Company amounted to EUR 10,000,000.00. It was divided into 10,000,000 bearer shares representing a respective, notional amount in the share capital of EUR 1.00 per share. The articles of association of the Company provided for authorized capital in the amount of EUR 5,000,000.00.

Upon using the authorized capital 2006/I, the management board of ADLER resolved on June 27, 2006 with the consent of the supervisory board of the same date to increase the share capital from EUR 10,000,000.00 by EUR 5,000,000.00 to EUR 15,000,000.00 by issuing 5,000,000 new bearer shares representing a respective amount in the share capital of EUR 1.00 each. The new shares were offered for subscription to the existing shareholders of the Company. The share capital was accordingly increased from EUR 10,000,000.00 by EUR 5,000,000.00 to EUR 15,000,000.00 upon registration of the implementation of the capital increase with the commercial register on July 18, 2006.

Upon partially using the authorized capital 2012/I, the management board of the Company resolved on September 6, 2013 with the consent of the supervisory board of the same date to increase the share capital from EUR 15,000,000.00 by EUR 1,500,000.00 to EUR 16,500,000.00 by issuing 1,500,000 new bearer shares representing a notional amount in the share capital of EUR 1.00 each. The share capital was accordingly increased from EUR 15,000,000.00 by EUR 1,500,000.00 to EUR 16,500,000.00 upon registration of the implementation of the capital increase with the commercial register on September 24, 2013.

Based on the exercise of conversion rights under the EUR 10 Million 6.0% Convertible Note 2013/2017, the share capital increased to EUR 16,547,824.00. The increase in the share capital resulting from the issuance of new shares under the contingent capital 2012/I by an additional 47,824 shares has been registered with the commercial register on March 20, 2014.

In the course of the voluntary public takeover offer of the Company to the shareholders of ACCENTRO for the acquisition of all no par bearer shares in ACCENTRO (the “**ACCENTRO Shares**”) for consideration of 14 new no par bearer shares in the Company for 25 ACCENTRO Shares (the “**ACCENTRO Exchange Offer**”), a total of 21,465,229 ACCENTRO Shares were delivered for exchange by the expiration of the extended acceptance period on June 13, 2014. This corresponded to a shareholding of approximately 92.7% of the share capital and the voting rights in ACCENTRO (which stake decreased to approximately 86% since such acquisition as a result of the conversion of convertible notes issued by ACCENTRO that were held by persons other than the Company). The shares in ACCENTRO for which the ACCENTRO Exchange Offer was accepted were contributed to the Company in the context of a capital increase against contributions in kind. The registration of

the implementation of the capital increase by EUR 12,020,528.00 at the Local Court of Frankfurt am Main, register court, took place on June 24, 2014. Therefore, the share capital was increased to EUR 28,568,352.00.

On October 28, 2014, the management board with the consent of the supervisory board of the same date resolved to increase the share capital from EUR 28,568,352.00 by EUR 2,850,000.00 to EUR 31,418,352.00 by issuing 2,850,000 new bearer shares each representing a notional amount in the share capital of EUR 1.00. The share capital was accordingly increased from EUR 28,568,352.00 by EUR 2,850,000.00 to EUR 31,418,352.00 upon registration of the implementation of the capital increase with the commercial register on October 30, 2014.

Based on the further exercise of conversion rights under the EUR 10 Million 6.0% Convertible Note 2013/2017 as well as the EUR 11.25 Million 6.0% Convertible Note 2013/2018 in the fiscal year ended December 31, 2014, the share capital was further increased by a total of EUR 458,320.00 until December 31, 2014. The issuance of the new shares under the contingent capital 2012/I by an additional 458,320 shares has been registered with the commercial register on February 12, 2015.

On April 29, 2015, the extraordinary general shareholders' meeting resolved to increase the share capital of the Company by a capital increase against contributions in kind by up to EUR 14,987,197.00 by issuing up to 14,987,197 no par bearer shares (no par value shares) with a notional amount in the share capital of EUR 1.00 each. The implementation of this capital increase in the amount of EUR 14,075,155.00 by issuing 14,075,155 no par bearer shares (no par value shares) with a notional amount in the share capital of EUR 1.00 has been registered in the commercial register of the Company on June 26, 2015 and has, thus, become effective.

In consequence of a further exercise of conversion rights under the EUR 10 million 6.0% Convertible Note 2013/2017 and the EUR 11.25 million 6.0% Convertible Note 2013/2018 during the fiscal year ended December 31, 2015, the share capital was increased by an additional amount of EUR 151,410.00. The increase of the share capital by the issue of additional 151,410 new shares from the contingent capital 2012/I was registered with the commercial register on February 23, 2016.

Based on the further exercise of conversion rights under the EUR 10 Million 6.0% Convertible Note 2013/2017 as well as the EUR 11.25 Million 6.0% Convertible Note 2013/2018 in the fiscal year ended December 31, 2016, the share capital was further increased by a total of EUR 1,599,137.00 until December 31, 2016. The issuance of the new shares under the contingent capital 2012/I by an additional 1,599,137 shares was registered with the commercial register on April 26, 2017.

On June 7, 2017, the general shareholders' meeting resolved to increase the share capital of the Company from own funds by EUR 4,773,135.00. The implementation of this capital increase by issuing 4,773,135 new shares has been registered in the commercial register of the Company on June 12, 2017.

14.3 General provisions on the liquidation of the Company

According to its articles of association, the Company is established for an indefinite period of time. Apart from liquidation as a result of insolvency proceedings, the Company can only be liquidated by a resolution of the general shareholders' meeting which is to be passed with a majority of at least three-fourths of the represented share capital. Pursuant to the provisions of the German Stock Corporation Act (*Aktiengesetz*), in case of a liquidation of the Company, the assets that remain after satisfaction of all liabilities of the Company will be distributed among the shareholders proportionately to their interest in the share capital. There are certain provision for the protection of creditors to be complied with in this context.

14.4 General provisions relating to the increase of the share capital

In accordance with the provisions of the German Stock Corporation Act (*Aktiengesetz*), the share capital of a German stock corporation may be increased by a resolution of the general shareholders' meeting. In principle, the resolution requires a majority of at least three quarters of the share capital represented at the passing of the resolution and the simple majority of the votes cast. For the issuance of preference shares without voting rights (Section 182 para. 1 sentence 2 German Stock Corporation Act (*Aktiengesetz*)) or the exclusion of the shareholders' subscription right at the passing of the resolution on the increase of the share capital (Section 186 para. 3 German Stock Corporation Act (*Aktiengesetz*)), a majority of three quarters of the share capital represented at the passing of the resolution is also required.

Furthermore, the general shareholders' meeting may approve the issuance of authorized capital. For the approval of the issuance of authorized capital, a resolution with a majority of three quarters of the share capital represented at the passing of the resolution is required by which the management board is authorized to issue shares up to a certain amount within a period not exceeding five years. The nominal value of the authorized capital must not exceed half of the share capital existing at the time of authorization.

The general shareholders' meeting may also resolve to issue contingent capital for the purpose of issuing shares to the holders of convertible notes or other securities which grant a subscription right or for the purpose of issuing shares that serve as consideration for a merger with another company or for the purpose of issuing shares which have been offered to officers and employees, whereas in each case a resolution with a majority of three quarters of the represented share capital is required. The nominal value of the contingent capital must not exceed half or, in the case of contingent capital created for the purpose of issuing shares to officers and employees 10%, of the capital existing at the time of the resolution. In order to protect the holders of conversion or subscription rights, the German Stock Corporation Act (*Aktiengesetz*) provides that, in case of a capital increase from company funds, the contingent capital shall automatically be increased in the same ratio as the share capital.

In accordance with the provisions of the German Stock Corporation Act (*Aktiengesetz*), each shareholder has, in principle, a subscription right for new shares to be issued under a capital increase as well as any convertible notes, notes with warrants, profit participation rights or participating notes issued by the Company. Subscription rights are transferable and may normally be traded during a specified period before the expiry of the subscription period at a German stock exchange. With the majority of the votes cast and the majority of at least three quarters of the share capital represented at the passing of the resolution, the general shareholders' meeting may resolve to exclude the subscription right of the shareholders. The exclusion of the subscription right is, in principle, only permissible, if the interest of the Company in excluding the subscription right outweighs the interest of the shareholders to be granted such subscription right. Without such special justification, an exclusion of the subscription right in the context of the issuance of new shares may be permissible, in particular, if the Company increases the capital against cash contributions and the amount of the capital increase does not exceed 10% of the existing share capital and the issue price of the new shares is not significantly below the market price. The management board shall submit to the general shareholders' meeting a written report indicating the reason for the partial or full exclusion of the subscription right in which the reason for the proposed issue price shall also be stated.

The purpose of the subscription right is to enable shareholders to maintain their existing percentage share in the share capital and maintain their voting power ("protection against dilution"). If the subscription right of shareholders is excluded, the threshold of Section 255 para. 2 German Stock Corporation Act (*Aktiengesetz*) must always be complied with, i.e. the specified issue price of the new shares must not be "unreasonably low". The new shares may only be issued at a price which fully compensates the loss of the shareholding (*mitgliedschaftliche Vermögenssubstanz*) of the shareholder who is exempt from the subscription right. In this context, the issue price of the new shares must always be determined in consideration of the actual value of the stock corporation.

14.5 Authorized capital

Authorized capital 2015/I

On May 22, 2015, the general shareholders' meeting of the Company resolved to create a further authorized capital. Upon registration of the authorized capital 2015/I with the commercial register on June 26, 2015, the management board is authorized to increase the share capital of the Company by May 21, 2020 with the consent of the supervisory board by issuing new bearer shares in exchange for cash contribution and/or contributions in kind once or multiple times by up to a total amount EUR 13,300,000.00.

The management board is authorized, with the consent of the supervisory board, to exclude the subscription right of the shareholders once or multiple times

- (i) for remainder amounts;
- (ii) if the capital increase is made against contributions in cash or the total notional amount of the share capital attributable to the new shares for which the subscription right is excluded does not exceed 10% of the share capital either at the point in time when the capital increase takes effect or at the point in time when this authorization is exercised and if the issue price for the new shares does not materially fall

below the stock exchange price for already listed shares in the same class and with the same rights at the time of the final determination of the issue price within the meaning of Sections 203 paragraphs 1 and 2, 186 paragraph 3 sentence 4 German Stock Corporation Act (*Aktiengesetz*); shares which were issued or must be issued to service auction notes or convertible notes must be credited against the maximum amount of 10% of the share capital if these notes were issued subject to exclusion of the subscription right in corresponding application of Section 186 paragraph 3 sentence 4 German Stock Corporation Act (*Aktiengesetz*); furthermore, those treasury shares of the company which were sold during the term of the authorized capital subject to exclusion of the subscription right of the shareholders pursuant to Sections 71 paragraph 1 no. 8 sentence 5, 186 paragraph 3 sentence 4 German Stock Corporation Act (*Aktiengesetz*) must be credited against the maximum limit of 10% of the share capital;

- (iii) in the case of capital increases against contributions in kind in order to grant shares for the purpose of acquiring enterprises, parts of enterprises or participations in enterprises as well as other assets, especially real estate portfolios;
- (iv) to the extent necessary in order to grant a subscription right for new shares to holders of option rights or conversion rights or duties to exercise options or to convert in the volume to which they would have as shareholders after exercising the option or conversion right or after fulfilling the duty to convert.

The management board is authorized with the consent of the supervisory board to determine the further details for implementing the capital increase. The supervisory board is authorized to amend the articles of association in accordance with the respective use of authorized capital.

Authorized capital 2017/I

On June 7, 2017, the general shareholders' meeting of the Company resolved to create a further authorized capital. Upon registration of the authorized capital 2017/I with the commercial register on June 27, 2017, the management board is authorized to increase the share capital of the Company by May 9, 2022 with the consent of the supervisory board by issuing new bearer shares in exchange for cash contribution and/or contributions in kind once or multiple times by up to a total amount of EUR 12,500,000.00.

The management board is authorized, with the consent of the supervisory board, to exclude the subscription right of the shareholders as follows:

- (i) for remainder amounts;
- (ii) if the capital increase is made against contributions in cash and the total notional amount of the share capital attributable to the new shares for which the subscription right is excluded does not exceed 10% of the share capital neither at the point in time when the capital increase takes effect nor at the point in time when this authorization is exercised and if the issue price for the new shares does not materially fall below the stock exchange price for already listed shares in the same class and with the same rights at the time of the final determination of the issue price within the meaning of Sections 203 paragraphs 1 and 2, 186 paragraph 3 sentence 4 German Stock Corporation Act (*Aktiengesetz*). Shares which were issued or must be issued to service warrant notes or convertible notes must be credited against the maximum amount of 10% of the share capital if these notes were issued subject to exclusion of the subscription right in corresponding application of Section 186 paragraph 3 sentence 4 German Stock Corporation Act (*Aktiengesetz*). Furthermore, those treasury shares of the Company which were sold during the term of the authorized capital subject to exclusion of the subscription right of the shareholders pursuant to Sections 71 paragraph 1 no. 8 sentence 5, 186 paragraph 3 sentence 4 German Stock Corporation Act (*Aktiengesetz*) must be credited against the maximum limit of 10% of the share capital;
- (iii) in the case of capital increases against contributions in kind in order to grant shares for the purpose of acquiring enterprises, parts of enterprises or participations in enterprises as well as other assets;
- (iv) to the extent necessary in order to grant a subscription right for new shares to holders of option rights or conversion rights or duties to exercise options or to convert in the volume to which they would have as shareholders after exercising the option or conversion right or after fulfilling the duty to convert.

The management board is authorized with the consent of the supervisory board to determine the further details for implementing the capital increase. The supervisory board is authorized to amend the articles of association in accordance with the respective use of authorized capital.

14.6 Contingent capital

Contingent capital 2012/I

A contingent capital 2012/I in the amount of EUR 8,250,000.00 has been created based on the resolution of the general shareholders' meeting of June 28, 2012, as supplemented by resolution of the extraordinary general shareholders' meeting on October 15, 2013. The supplement to the original resolution was registered with the commercial register on October 22, 2013.

On June 7, 2017, the general shareholders' meeting resolved to increase the share capital of the Company from own funds by EUR 4,773,135.00. The implementation of this capital increase by issuing 4,773,135 new shares has been registered in the commercial register of the Company on June 12, 2017. Pursuant to Section 218 Stock Corporation Act (*Aktiengesetz*), the contingent capital increases in the same proportion as the share capital. For this reason, the contingent capital 2012/I was increased by EUR 825,000.00 to EUR 9,075,000.00 which has been registered in the commercial register of the Company on June 12, 2017.

The contingent capital increase serves the purpose of issuing shares to holders of option notes and convertible notes having duties to exercise an option and duties to convert in accordance with the respective terms and conditions of the option notes and convertible notes. The contingent capital increase will only be implemented to the extent that the owners of the option notes and/or convertible notes exercise their option rights or conversion rights or to the extent that the holders of option notes and convertible notes who have obligations to exercise an option or convert fulfill their duty to exercise the option or convert, to the extent that the option or conversion rights are not serviced by granting treasury shares or to the extent that other forms of performance are not used to service them. The new shares are entitled to participate in dividends starting at the beginning of the fiscal year in which they are issued for all fiscal years for which the general shareholders' meeting has not yet adopted a resolution about the use of profits.

Contingent capital 2015/I

Based on the resolution of the general shareholders' meeting of May 22, 2015, as amended by resolution of the extraordinary shareholders' meeting of October 15, 2015, and resolution of the general shareholders' meeting of June 9, 2016, the Company has a contingent capital 2015/I in the amount of EUR 4,850,000.00. The supplement to the original resolutions was registered with the commercial register on October 22, 2013.

The resolution of the general shareholders' meeting of June 9, 2016 regarding the increase of the contingent capital 2015/I from EUR 4,000,000.00 to EUR 4,850,000.00 was registered with the commercial register on July 21, 2016.

On June 7, 2017, the general shareholders' meeting resolved to increase the share capital of the Company from own funds by EUR 4,773,135.00. The implementation of this capital increase by issuing 4,773,135 new shares has been registered in the commercial register of the Company on June 12, 2017. Pursuant to Section 218 Stock Corporation Act (*Aktiengesetz*), the contingent capital increases in the same proportion as the share capital. For this reason, the contingent capital 2015/I was increased by EUR 485,000.00 to EUR 5,335,000.00 which has been registered in the commercial register of the Company on June 12, 2017.

The contingent capital increase exclusively serves the purpose of issuing shares to holders of option notes and convertible notes which are issued in the period between May 22, 2015 and May 21, 2020 in accordance with the authorization of the general shareholders' meeting. The contingent capital increase serves the purpose of issuing shares to holders of option notes and convertible notes having duties to exercise an option and duties to convert in accordance with the respective terms and conditions of the option notes and convertible notes. The contingent capital increase will only be implemented to the extent that the owners of the option notes and/or convertible notes exercise their option rights or conversion rights or to the extent that the holders of option notes and convertible notes who have obligations to exercise an option or convert fulfill their duty to exercise the option or convert, to the extent that the option or conversion rights are not serviced by granting treasury shares or to the extent that other forms of performance are not used to service them. The new shares are entitled to participate in

dividends starting at the beginning of the fiscal year in which they are issued for all fiscal years for which the general shareholders' meeting has not yet adopted a resolution about the use of profits.

Contingent Capital 2015/II

Based on the resolution of the extraordinary shareholders' meeting of October 15, 2015, the Company has a contingent capital 2015/II in the amount of EUR 10,606,060.00. The resolution of the extraordinary shareholders' meeting of October 15, 2015, regarding the creation of contingent capital 2015/II was registered with the commercial register on November 25, 2015.

On June 7, 2017, the general shareholders' meeting resolved to increase the share capital of the Company from own funds by EUR 4,773,135.00. The implementation of this capital increase by issuing 4,773,135 new shares has been registered in the commercial register of the Company on June 12, 2017. Pursuant to Section 218 Stock Corporation Act (*Aktiengesetz*), the contingent capital increases in the same proportion as the share capital. For this reason, the contingent capital 2015/II was increased by EUR 1,060,606.00 to EUR 11,666,666.00 which has been registered in the commercial register of the Company on June 12, 2017.

The contingent capital increase exclusively serves the purpose of issuing shares to Noteholders of EUR 175 Million Mandatory Convertible Notes, which have been issued on December 28, 2015, to partially finance the acquisition of MountainPeak (see section "*Share purchase agreements – Share purchase agreement for acquisition of all shares in MountainPeak Trading Limited, Nicosia (Cyprus) dated August 17, 2015*").

The contingent capital increase will only be implemented to the extent that the holders of the EUR 175 Million Mandatory Convertible Notes exercise their conversion rights or fulfill their duty to convert. The new shares are entitled to participate in dividends starting at the beginning of the fiscal year in which they are issued.

14.7 Authorization to issue option notes and/or convertible notes

Authorization 2015

In a resolution dated May 22, 2015, as amended by resolution of the general shareholders' meeting of June 9, 2016, the general shareholders' meeting of the Company authorized the management board with the consent of the supervisory board to issue option notes and/or convertible notes as bearer notes or registered notes once or multiple times up to an amount of EUR 250,000,000.00 which have a term of up to ten years by May 21, 2020 and to grant to the holders of option notes or convertible notes option rights or conversion rights for new bearer shares of the Company in accordance with the terms and conditions of the option notes or convertible notes.

The shareholders generally have a subscription right to the option notes or the convertible notes. The option notes or convertible notes can also be taken over by one or more credit institutions or enterprises which are equivalent to them pursuant to Section 186 paragraph 5 AktG which then offer the notes to the shareholders for subscription. However, the management board is authorized with the consent of the supervisory board to exclude the subscription right of the shareholders for the option notes or convertible notes

- (i) for remainder amounts resulting on the basis of the subscription ratio;
- (ii) to the extent that the issuing price of the option notes or convertible notes does not materially fall below the theoretical market value of the option notes or convertible notes using recognized financial mathematical methodology. This authorization to exclude the subscription right, however, applies only for option notes or convertible notes with option rights and conversion rights and/or obligations to exercise options or to convert convertible notes issued in exchange for payment of cash for shares representing a notional amount in the share capital which in total do not exceed 10% of the share capital either on the date when this authorization takes effect or on the date when the option or convertible notes are issued, whereby the exclusion of the subscription right on the basis of other authorizations pursuant to Section 186 paragraph 3 sentence 4 AktG must be included when calculating the 10% threshold,
- (iii) to the extent necessary to grant to holders of option or conversion rights or obligations a Subscription Right to New Shares to the extent they would be entitled to it after exercising the option or conversion right or complying with the conversion obligation as shareholders.

The holders of option notes and convertible notes shall have the right or, to the extent the terms and conditions of the option notes or convertible notes so provide, are required to exchange their individual notes for shares in the company in accordance with the terms and conditions of the option notes or convertible notes. The exchange ratio for convertible notes results from dividing the nominal amount of an individual note or the issuing price for an individual note that is lower than the nominal amount by the fixed conversion price for a share in the Company. An additional payment to be rendered in cash can be fixed where appropriate by rounding up or rounding down to a full number on the basis of the exchange ratio. Furthermore, the remainder amounts can be aggregated and/or settled in money. The terms and conditions of the option notes or conversion notes can provide that the exchange ratio or the option price or conversion price is fixed within a range to be determined depending on the development of the stock price during the term. The terms and conditions of the option notes or convertible notes can also establish a duty to exercise the option for duty to convert at the end of the term or another point in time.

The notional amount in the share capital of the shares to be issued upon exercise of the option or conversion must not exceed the nominal amount of the option note or the convertible note. The shares to be issued must include an authorization to participate in dividends for all fiscal years for which the general shareholders' meeting has not yet adopted a resolution on the use of profits.

The option price or conversion price for a share of the Company will be fixed in Euro. In the case of a variable exchange ratio or option price or conversion price, the price must be at least 80% of the average stock exchange price weighted according to turnover for the shares of the Company in XETRA trading (or a comparable successor system) on the Frankfurt Stock Exchange on the five trading days prior to the date when the management board adopts the resolution about the issuance of option notes or convertible notes. This does not affect Section 9 paragraph 1 AktG.

Notwithstanding Section 9 paragraph 1 AktG, the option price or conversion price can be adjusted on the basis of a clause protecting against dilution according to the more detailed provisions in the terms and conditions of the option notes or conversion notes if the Company increases the share capital or grants additional option notes or convertible notes during the option or conversion period while granting a subscription right to the Company's shareholders and the holders of option notes or convertible notes are not granted a subscription right in the extent which they would have upon exercise of the conversion right. The terms and conditions can also provide for an adjustment of option rights or conversion rights in the event of other capital measures or other comparable measures which can lead to a dilution of the value of the issued shares in the Company. A reduction of the option price or conversion price can also be effected by a cash payment upon exercise of the option right or conversion right.

The management board is authorized to determine all further details about the issuance and the structuring of the option notes and the convertible notes and their terms and conditions.

The supervisory board is authorized to amend Section 4 paragraph 1 of the articles of association in accordance with the respective issuance of subscription shares and make all other amendments to the articles of association connected therewith which only relate to the aforementioned version. The same applies in case of the non-exercise of the aforementioned authorization to issue option and/or convertible notes after the expiry of the authorization period and in case of the non-exercise of the right to issue contingent capital after the expiry of the periods for exercising option and conversion rights, respectively.

14.8 Authorization to acquire own shares

The Company's extraordinary shareholders' meeting held on October 15, 2015 authorized the management board to acquire the Company's own shares in an aggregate amount of up to 10% of the Company's existing share capital until October 14, 2020, in compliance with the principle of equal treatment (Section 53a AktG). The shares acquired due to this authorization, together with all other shares in the Company, which were acquired by the Company before or are still held by the Company or are allocable to the Company pursuant to Sections 71d, 71e AktG, shall at no point in time amount to more than 10% of the respective share capital of the Company.

The authorization may be exercised in full or in partial amounts, once or several times. The acquisition may also be made by group companies, which are dependent upon the Company, or for its or their account by third parties. An acquisition of own shares is only permitted if the Company could set up reserves in the amount of the

expenses for the acquisition without reducing the share capital or any other reserve required by law or the articles of association that cannot be used for payments to shareholders.

The acquisition may, at the discretion of the management board, be carried out (i) via the stock exchange or (ii) via a public offer for purchase addressed to all shareholders of the Company or via a public solicitation for offers for sale by the shareholders.

- (i) If the Company's own shares are purchased via the stock exchange, the purchase price per share (not including the ancillary costs of purchase) paid by the Company must not exceed the stock exchange price for the share determined on the trading day by the opening auction in the XETRA system (or any comparable successor system) at the Frankfurt Stock Exchange by more than 10% and or be lower by more than 10%;
- (ii) If the Company's own shares are purchased via a public offer for purchase addressed to all shareholders or via a public solicitation for offers, the Company shall determine the purchase price or a purchase price range per share. If a purchase price range is determined, the final purchase price shall be calculated on the basis of the statements of acceptance or submissions of offers received. The offer may state a period for acceptance or for submission of offers, conditions and the possibility to adjust the purchase price or the purchase price range during the period for acceptance or for submission of offers, if, following the announcement of the offer for purchase or the public solicitation for offers, the prices are very volatile. The purchase price or the purchase price range per share offered by the Company or by the shareholders (not including the ancillary costs for purchase) must not exceed the relevant stock exchange price per share of the Frankfurt Stock Exchange by more than 20% or be lower by more than 20%. In connection to this, the relevant stock exchange price is deemed to be the calculated average of the stock exchange price for the shares of the Company in the closing auction of the XETRA system at the Frankfurt Stock Exchange (or any comparable successor system) during the last 5 trading days before the day on which the decision of the management board to make an offer for purchase or a solicitation for offers is announced. If the purchase price or the purchase price range is adjusted, the stock exchange price during the last 5 trading days before the day of announcement of the decision to adjust the offer for purchase or the offer for sale shall be taken as a basis.

If the number of shares offered for sale or offered for purchase exceeds the total number of shares planned to be acquired by the Company, offers shall be accepted on a pro rata basis between the shares offered for sale and the shares offered for purchase. A preferential acceptance of small numbers of up to 100 shares which have been offered for purchase or offered for sale per shareholder may be provided for, however.

The management board is authorized to resell own shares acquired on the basis of the above authorization via the stock exchange in compliance with the principle of equal treatment (Section 53a AktG) or offer them to the shareholders via an offer addressed to all shareholders in compliance with their subscription rights. The trading of own shares shall be excluded.

The management board is also authorized to use the own shares acquired on the basis of the above authorization in other ways:

- (i) to offer or transfer them to third parties, with the consent of the supervisory board, as consideration within the framework of mergers with other companies or within the framework of the acquisition of companies, businesses or participations in companies or other assets (such as real estate portfolios),
- (ii) to sell them, with the consent of the supervisory board, in a way other than via the stock exchange or via an offer addressed to all shareholders, provided that these shares are sold against payment in cash at a price which on the respective trading day is not substantially lower at the time of sale than the stock exchange price for the shares of the Company of the same class and rights that has been determined by the opening auction; in this case the number of shares to be sold must not exceed a total of 10% of the Company's share capital registered at the time of sale of the shares; this maximum amount of 10% of the share capital must be offset against the pro rata amount of the share capital attributable to those shares of the Company which have been issued during the term of this authorization in the context of a capital increase, under exclusion of the subscription rights of the shareholders pursuant to Section 186 paragraph 3 sentence 4 AktG, or for the purpose of serving option notes or convertible notes, or participation rights with conversion or option rights, to the extent that such notes have been issued during

the term of this authorization under exclusion of the subscription rights of the shareholders in application mutatis mutandis of Section 186 paragraph 3 sentence 4 AktG,

- (iii) to use them for granting shares to employees of the Company and to members of the management and other employees of companies associated with the Company within the meaning of Section 15 AktG, which may be subscribed by the aforementioned persons due to share options which are granted to them under future stock option programs, if any,
- (iv) to use them for granting employee shares to persons linked to the Company and companies associated with the Company within the meaning of Section 15 AktG by an employment contract,
- (v) to redeem them and decrease the share capital at the same time, with the consent of the supervisory board, without another resolution of the general meeting being required for such redemption or decrease. In deviation from this, the management board may also determine, with the consent of the supervisory board, that the share capital not be decreased, but the participation of the remaining shares in the share capital be increased according to Section 8 paragraph 3 AktG. In this case, the supervisory board shall be authorized to adjust the number of shares mentioned in the articles of association accordingly.

The supervisory board is authorized to use the own shares acquired on the basis of the above authorization as follows:

- (i) to grant them to members of the Company's management board which are entitled to subscribe them due to share options which are granted to them under future stock option programs, if any,
- (ii) to grant them to the members of the Company's management board as stock-based compensation under the same conditions as those granted to the employees as employee shares (cf. clause (iv) above). The details of the stock-based compensation granted to the management board shall be determined by the supervisory board.

15 GOVERNING BODIES OF THE COMPANY

15.1 Overview - Administration, management and supervisory bodies

The governing bodies of the Company are the management board, the supervisory board and the general shareholders' meeting (Section 6 of Company's articles of association). The Company has a two-tier management and control system, consisting of the management board and the supervisory board. The powers of these governing bodies are determined by the German Stock Corporation Act (*Aktiengesetz*), the articles of association and the internal rules of procedure of both the management board and the supervisory board. Moreover, in order to advise and support the management board in its management board work, the Company has an executive committee.

15.2 Management board

Pursuant to Section 7 sentence 1 of the Company's articles of association, the management board of the Company consists of one or more persons. Pursuant to Section 7 sentence 2 of the Company's articles of association, the supervisory board determines the exact number of the members of the management board to be appointed by the supervisory board. The internal rules of procedure for the management board were issued by the supervisory board on June 10, 2015.

As the governing body, the management board of the Company conducts the business, determines the strategic direction of the Company and implements this strategy in consultation with the supervisory board. The management board is bound to the interests and the business policy principles of the Company. The management board reports to the supervisory board on a regular basis and comprehensively about the course of business, strategy and risks. Pursuant to Section 9 of the Company's articles of association, the applicable internal rules of procedure provide that there are certain matters for the management board which are subject to a reservation for approval by the supervisory board or which must be notified to the supervisory board, the modalities for meetings and adopting resolutions within the management board as well as further aspects of the work of the management board.

Pursuant to Section 8 of the Company's articles of association, the Company is legally represented by two members of the management board or by one member of the management board acting jointly with a holder of statutory power of attorney (*Prokurist*). If the management board consists of one person only, that person has sole power of representation. The supervisory board may grant an individual member, several members or all members of the management board sole representative authority and/or release them from the restrictions of Section 181 2nd alternative German Civil Code (*Bürgerliches Gesetzbuch* - "BGB").

At present, the Company's management board consists of the following members:

Arndt Krienen, Chief Executive Officer (CEO)

Arndt Krienen was appointed to the Company's management board as of January 1, 2016 for a term of three years and became Chief Executive Officer (CEO) with effect as of June 9, 2016. Thus, the term of office of Mr. Krienen as management board member of the Company ends upon expiry of December 31, 2018.

Mr. Krienen is an attorney and is a member of the board of the Company's subsidiary WESTGRUND, which was taken over by the Company in mid-2015, since 2000; besides that, he holds numerous management positions with group companies of WESTGRUND. Prior to this Mr. Krienen led the legal department of an international company with an annual turnover exceeding 300 million euro. Krienen has a long-standing expertise in the real estate industry.

Aside from the aforementioned position with WESTGRUND, Mr. Krienen is not, or has not been within the last five years a member of the administrative board, managing board of directors or supervisory board or partner or member in comparable control bodies in Germany or foreign countries in any enterprise. There are also no service agreements between the Company or its subsidiaries and Mr. Krienen which provide for benefits upon the termination of the service relationship.

For the fiscal year ended December 31, 2016, Mr. Krienen received compensation in the amount of EUR 619,840.00 (comprising fixed and variable components, as well as benefits in kind) as member of the management board of the Company.

As of the date of this Prospectus, Mr. Krienen holds 1,600 shares in the Company as well as 140,000 Stock Appreciation Rights (see section 6.11 “*Incentive Program (“Stock Appreciation Rights Program”)*”). Aside from the Company’s entitlement to replace the Company’s Stock Appreciation Rights with shares of the Company, Mr. Krienen holds no stock options.

Sven-Christian Frank, Chief Operating Officer (COO)

With effect as of June 9, 2016, Sven-Christian Frank became member of the Company’s management board as Chief Operating Officer (COO). Mr. Frank is responsible for the operational management, including property and facility management, asset management as well as project development. The term of office of Mr. Frank as management board member of the Company ends upon expiry of June 30, 2019. Prior thereto, he had been Head of Asset Management since September 1, 2015. Besides that, he holds numerous management positions with group companies of ADLER.

Mr. Frank is a fully qualified lawyer (*Volljurist*), qualified banking clerk and real estate asset manager (IREBS) with some 25 years of professional experience. Before joining ADLER, Mr. Frank held executive or management positions in various companies in the real estate sector over many years. Before becoming managing partner of Lighthouse Asset Management GmbH, he last held a position in the management board of Gestrim Deutschland AG and was director of Gestrim Deutsche Fonds Management GmbH. Besides being member of the management board of Gestrim Deutschland AG, Mr. Frank was also a member of the management board of Wohnbauten-Aktiengesellschaft Buckow.

For the fiscal year ended December 31, 2016, Mr. Frank received compensation in the total amount of EUR 352,437.00 (comprising fixed and variable components, as well as benefits in kind).

As at the date of this Prospectus, Mr. Frank holds no shares in the Company, but 100,000 Stock Appreciation Rights. Aside from the Company’s entitlement to replace the Company’s Stock Appreciation Rights (see section 6.11 “*Incentive Program (“Stock Appreciation Rights Program”)*”) with shares of the Company, Mr. Frank holds no stock options.

The management board may be reached at the Company’s office at Joachimsthaler Straße 34, 10719 Berlin, Germany.

Service agreements between the Company or its subsidiaries and the members of the management board, which provide for benefits upon termination of the service relationship, do not exist.

In the last five years, no member of the management board has been convicted of fraudulent offences. In the last five years, no member of the management board has been associated with any bankruptcy, receivership or liquidation acting in its capacity as a member of any administrative, management or supervisory body or as a senior manager. In the last five years, no official public incriminations and/or sanctions have been made by statutory or legal authorities (including designated professional bodies) against the members of the management board, nor have sanctions been imposed by the aforementioned authorities. No court has ever disqualified any of the members of the management board from acting as a member of the administrative, management, or supervisory body of an issuer, or from acting in the management or conduct of the affairs of any issuer for at least the previous five years.

The members of the management board are covered by a directors’ and officers’ insurance policy (“**D&O Insurance**”) with coverage for up to a total of EUR 15 million per insured event and year. The D&O Insurance covers financial losses arising from a breach of duty on part of the management board member in the course of his duties. The costs in the amount of EUR 30,000.00 for each insured year are borne by the Company. The D&O Insurance provides for a deductible for the member of the management board in line with the respective provisions of the German Stock Corporation Act (*Aktiengesetz – “AktG”*).

15.3 Supervisory board

Pursuant to Section 10 paragraph 1 of the articles of association, the supervisory board of the Company consists of three members. There are internal rules of procedure dated February 1, 2016 for the supervisory board. The supervisory board advises and supervises the management board.

Details about the work of the supervisory board and its committees, for example, composition and responsibilities, are regulated in the internal rules of procedure for the supervisory board of the Company. The provisions about preparation of articles of association and adopting resolutions in the supervisory board apply accordingly to the work in any committees (which, at present, do not exist).

The supervisory board consists of the following members which, during the last five years, have also been members of the management, managing or supervisory boards of the following German and foreign enterprises and companies:

Dr. Dirk Hoffmann (lawyer, Berlin)

- ADLER Real Estate Aktiengesellschaft, Berlin, chairman of the supervisory board
- ACCENTRO Real Estate AG, Berlin, vice-chairman of the supervisory board
- Squadra Immobilien GmbH & Co. KGaA, Frankfurt am Main, chairman of the supervisory board
- conwert Immobilien Invest SE, Vienna/Austria, member of the management board (term of office ended)
- Aggregate Holdings SA, Luxembourg/Luxembourg, chairman of the management board (term of office ended)
- Dexia Kommunalbank Deutschland AG, Berlin, member of the supervisory board (term of office ended)
- Bremer Kreditbank AG, Bremen, vice-chairman of the supervisory board (term of office ended)
- DEMIRE AG, Frankfurt am Main, vice-chairman of the supervisory board (term of office ended)
- C & A BANK GmbH, Düsseldorf, chairman of the supervisory board (term of office ended)
- Banque Bauer (Suisse) S.A., Geneva/Switzerland, president of the management board (term of office ended)
- Bauer Glarus Holding AG, Glarus/Switzerland, president of the management board (term of office ended)
- CATELLA Property GmbH, Berlin, member of the supervisory board (term of office ended)

Thomas Katzuba von Urbisch (lawyer and entrepreneur, Monte Carlo/Monaco)

- ADLER Real Estate Aktiengesellschaft, Berlin, vice-chairman of the supervisory board
- Mezzanine IX Investors S.A., Luxembourg/Luxembourg, chairman of the management board (term of office ended)
- KvU Land und Jagd Beteiligungen GmbH, Pforzheim, owner and managing director
- Manoir des Aigions S.à r.l., owner and managing director
- FARBOURG Limited, United Kingdom, owner
- FARBOURG S.à r.l., Monaco (term of office ended)

- MACLAREN EUROPE LIMITED (term of office ended)
- MACLAREN Deutschland GmbH (term of office ended)

Thilo Schmid (project controller, Blotzheim/France)

- ADLER Real Estate Aktiengesellschaft, Berlin, member of the supervisory board
- Jedox AG, Freiburg, member of the supervisory board
- DTH Luxembourg, member of the board
- Mindlab Solutions GmbH, Stuttgart, member of the supervisory board
- Yeditepe Marina Yatırım Turizm İnşaat A.Ş., Istanbul, member of the board
- Cynora GmbH, member of the supervisory board
- Talentory AG, Zurich/Switzerland, member of the management board (term of office ended)

Dr. Dirk Hoffmann is a lawyer holding a doctorate degree in law. As a result of his activity in management bodies of various banks for more than 20 years, he has experience in the management of companies. Dr. Hoffmann is admitted as a lawyer in Berlin and has been chairman of the Company's supervisory board since June 2012. The term of office of Dr. Hoffmann as a member of the supervisory board ends at the end of the general shareholders' meeting which resolves about ratification of actions for the fiscal year ending December 31, 2019.

Thomas Katzuba von Urbisch is a lawyer and entrepreneur and as such owner and managing director of KvU Land und Jagd Beteiligungen GmbH, which holds minority interests in 22 of ADLER's property companies. The term of office of Mr. Katzuba von Urbisch as a member of the supervisory board ends at the end of the general shareholders' meeting which resolves about ratification of actions for the fiscal year ending December 31, 2019.

Thilo Schmid works as a project controller at care4 Ltd., a wholly owned subsidiary of Wecken & Cie., where he is responsible for venture capital and real estate investments. The term of office of Mr. Schmid as a member of the supervisory board ends at the end of the general shareholders' meeting which resolves about the ratification of actions for the fiscal year ending December 31, 2017.

Other than listed above, the members of the supervisory board have not been a member of any administrative, management or supervisory body or partner or member in any comparable domestic or foreign control bodies outside ADLER group within the last five years.

In the last five years, no member of the supervisory board of the Company has been convicted of fraudulent offences. In the last five years, no member of the supervisory board has been associated with any bankruptcy, receivership or liquidation acting in its capacity as a member of any administrative, management or supervisory body. In the last five years, no official public incriminations and/or sanctions have been made by statutory or legal authorities (including designated professional bodies) against the members of the supervisory board, nor have sanctions been imposed by the aforementioned authorities. No court has ever disqualified any of the members of the supervisory board from acting as a member of the administrative, management, or supervisory body of an issuer, or from acting in the management or conduct of the affairs of any issuer for at least the previous five years.

The extraordinary general meeting of the Company held on October 15, 2015, resolved that each member of the supervisory board receives a fixed annual remuneration the amount of which is to be determined by the general meeting and which can be paid in quarterly installments, in addition to the reimbursement of expenses. Thereafter, the general meeting of the Company held on June 9, 2016 resolved that, as of the fiscal year ending December 31, 2016, each member of the supervisory board besides the reimbursement of expenses shall receive an annual remuneration of EUR 40,000.00. The chairman shall receive EUR 80,000.00 and the vice-chairman shall receive EUR 60,000.00. The remuneration can be paid in quarterly installments.

In the fiscal year ended December 31, 2016, Dr. Hoffmann received compensation in the amount of EUR 80,000.00 as chairman of the supervisory board and a compensation in the amount of EUR 30,000.00 as member of the supervisory board of ACCENTRO Real Estate AG. In the fiscal year ended December 31, 2016, Mr. Katzuba von Urbisch received compensation in the amount of EUR 60,000.00 as vice-chairman of the supervisory board. In the fiscal year ended December 31, 2016, Mr. Schmid received a compensation of EUR 40,000.00 as a member of the supervisory board.

In addition to the respective annual compensation, the members of the supervisory board are also reimbursed for any disbursements incurred by them. If the compensation and the reimbursement of disbursements are subject to value added tax, this is reimbursed by the Company if this value added tax can be separately invoiced by the member of the supervisory board. The Company also bears the insurance premiums for liability insurance which insures the activity of its members of the supervisory board.

Stock options for the members of the supervisory board do not exist. There are also no service agreements between the Company or its subsidiaries and the members of the supervisory board which provide for benefits upon the termination of the service relationship.

As of the date of this Prospectus, the members of the supervisory board hold a total of 865,000 shares in the Company. Of this amount, Dr. Hoffmann holds 385,000 shares and Mr. von Urbisch holds 480,000 shares.

The members of the supervisory board may be reached at the Company's office at Joachimsthaler Straße 34, 10719 Berlin, Germany.

15.4 Executive Committee

In order to advise and support the management board of the Company in its management board work, the management board has created an executive committee ("**Executive Committee**"). There are internal rules of procedure dated March 21, 2017 for the Executive Committee.

The Executive Committee consists of the members of the management board, the head(s) of important core business departments (Business Heads) (as determined by the management board) and any other employee and/or individual the management board considers appropriate due to its specific skills and expertise.

The role of the Executive Committee is to advise the management board on and to support the management board in its day-to-day work, to coordinate the Company's business departments and the Company's regional business activities and to coordinate the Company's capital market activities.

The Executive Committee is tasked with and responsible for (i) the regular review of the Company's business developments and specific transactions, in particular capital market transactions, (ii) the regular review of the Companies' business segments, business departments and regional business activities, (iii) the discussion of strategic issues and providing the management board with advice and (iv) further tasks and responsibilities determined by the management board.

The Executive Committee has no power to take decisions or to pass resolutions in place of or on behalf of the management board and the management board is not bound by the Executive Committee's decisions or resolutions.

The Executive Committee currently consists of the members of the Company's management board Mr. Krienen and Mr. Frank and is complemented by the following persons:

Tomas de Vargas Machuca (Chief Financial Officer, Executive Director)

Mr. Tomas de Vargas Machuca holds a Bachelor of Arts degree (B.A.) in economics as well as a Master of Arts (M.A.) in Management of International Firms from Bocconi University in Milan, Italy. He has more than 14 years' professional experience in banking, of which more than ten years are in the areas of private equity as well as financing and investments in the real estate sector. Prior to working for ADLER, Mr. de Vargas Machuca worked as executive director in the real estate financing division of the investment bank UBS. At UBS, he was responsible for co-investment, development, structuring and implementation of important mezzanine and equity positions secured by real property in Central and Eastern Europe. Previously, Mr. de Vargas Machuca worked as

vice-president for the European real estate finance team of Credit Suisse and was responsible for the entire European market.

In addition to his work at the Company, Mr. de Vargas Machuca is managing director and shareholder in Consortium Finance Limited, London (United Kingdom) as well as managing director and shareholder in Consortium Shipping Partners GmbH, Zug (Switzerland).

Mr. de Vargas Machuca has been a holder of statutory power of attorney (*Prokurist*) of the Company since July 2014 and also holds general power of attorney (*Generalbevollmächtigung*) since that time relating to the comprehensive handling of all business matters in the area of financing.

For the fiscal year ended December 31, 2016, Mr. de Vargas Machuca received compensation in the amount of EUR 750,000 (fixed and variable components).

As of the date of this Prospectus, Mr. de Vargas Machuca holds 351,500 shares in the Company as well as 120,000 Stock Appreciation Rights (see section 6.11 "*Incentive Program ("Stock Appreciation Rights Program")*"). Aside from the Company's entitlement to replace the Company's Stock Appreciation Rights with shares of the Company, Mr. de Vargas Machuca holds no stock options.

Carsten Wolff (Head of Accounting and Finance)

Mr. Carsten Wolff has worked in the areas of accounting, controlling, risk management as well as internal auditing for more than 25 years and has had various management functions since 1993. Mr. Wolff joined the Company at the beginning of 2003, taking over the accounting and finance department.

Mr. Wolff has been a holder of statutory power of attorney (*Prokurist*) for the Company since 2005 and also a holder of statutory power of attorney (*Prokurist*) in numerous group companies. Since September 1, 2014, Mr. Wolff is a member of the supervisory board of ACCENTRO. Moreover, since July 16, 2015, Mr. Wolff is a member of the supervisory board of WESTGRUND. In 2016, Mr. Wolff was appointed as member of the Company's Executive Committee.

In the fiscal year ended December 31, 2016, for his services rendered to the Company, Mr. Wolff received compensation in the total amount of EUR 195,545.03 (comprising fixed and variable components, as well as benefits in kind). Moreover, as member of the supervisory board of ACCENTRO and WESTGRUND, Mr. Wolff received compensation in the total amount of EUR 37,500.

As of the date of this Prospectus, Mr. Wolf holds no shares in the Company but 30,000 Stock Appreciation Rights (see section 6.11 "*Incentive Program ("Stock Appreciation Rights Program")*"). Aside from the Company's entitlement to replace the Company's Stock Appreciation Rights with shares of the Company, Mr. Wolff holds no stock options.

Other than listed above, the members of the Executive Committee have not been a member of any administrative, management or supervisory body of any other company or partner or member in comparable domestic and foreign control bodies within the last five years.

In the last five years, no member of the Executive Committee has been convicted of fraudulent offences. In the last five years, no member of the Executive Committee has been associated with any bankruptcy, receivership or liquidation acting in its capacity as a member of any administrative, management or supervisory body or as a senior manager. In the last five years, no official public incriminations and/or sanctions have been made by statutory or legal authorities (including designated professional bodies) against the members of the Executive Committee, nor have sanctions been imposed by the aforementioned authorities. No court has ever disqualified any of the members of the Executive Committee from acting as a member of the administrative, management, or supervisory body of an issuer, or from acting in the management or conduct of the affairs of any issuer for at least the previous five years.

There are also no service agreements between the Company or its subsidiaries and the members of the Executive Committee which provide for benefits upon the end of the service relationship.

The members of the Executive Committee may be reached at the Company's office at Joachimsthaler Straße 34, 10719 Berlin, Germany.

15.5 Declaration about relationships to relatives

There are no family relationships between the members of the management board, the supervisory board and the Executive Committee.

15.6 Potential conflict of interest

There are no potential conflicts of interest between the obligation towards the Company of the members of the management board, the supervisory board and the Executive Committee and their private interests.

15.7 General shareholders' meeting

Introduction

The general shareholders' meeting is the corporate body in which the shareholders can exercise their rights within the Company. The general shareholders' meeting of the Company takes place at a location to be determined by the management board or the supervisory board pursuant to Section 18 of the articles of association of the Company. It is supposed to take place at the location of German group companies, the registered office of the Company or at a location where there is a German stock exchange. The regular general shareholders' meeting is held within the first eight months of each fiscal year and is convened by the management board, the supervisory board or other persons in those instances contemplated in the law. Extraordinary general shareholders' meetings can be convened as often as it appears to be necessary in the interests of the Company.

Adopting resolutions

Resolutions of the general shareholders' meeting are generally adopted with a simple majority of the votes cast unless the articles of association or provisions stipulated by law provide otherwise. If the German Stock Corporation Act (*Aktiengesetz*) also requires a majority of the share capital represented in order to adopt a resolution, the simple majority of the share capital represented when adopting the resolution is sufficient to the extent permitted by law. According to mandatory provisions stipulated by law, especially capital increases excluding the subscription right, reductions of capital, dissolution, conversion of corporate form or a merger of the Company, the transfer of the Company's assets and the approval of corporate group agreements within the meaning of Sections 291 et seq. German Stock Corporation Act (*Aktiengesetz*) require a majority of at least three quarters of the share capital represented when adopting the resolution. In case of a tie vote, except in case of elections to office, a proposal is deemed to have been rejected. If the simple majority is not reached in the first round of voting in an election, there is a run-off vote between the two persons receiving the most votes. In case of a tie vote in the second round of voting, lots drawn by the chairman of the general shareholders' meeting shall decide.

Each share entitles its holder to one vote at the general shareholders' meeting. The voting right begins upon complete contribution. The voting right may also be exercised by proxy. If neither a credit institution nor a shareholders' association has been granted proxy, the proxy as well as the proof of grant of proxy must be issued and revoked with regard to the Company in text form (Section 126b German Civil Code (*BGB*)). The details about issuing this proxy will be announced together with the invitation to the general shareholders' meeting in the corporate publications. The exercise of the power of attorney by one of the voting rights representatives designated by the Company is excluded if the power of attorney is not based on an individual instruction.

Each shareholder has a personal right to speak and pose questions at the general shareholders' meeting which is subject to various limitations, especially in the interests of confidentiality for the Company and the proper and efficient conduct of the general shareholders' meeting. Under certain prerequisites, as set forth in the German Stock Corporation Act (*Aktiengesetz*), shareholders and members of the management board and the supervisory board are entitled to challenge resolutions of the general shareholders' meeting in a complaint to the District Court (*Landgericht*) having jurisdiction based on various legal aspects or to have the nullity of the resolution declared by the court.

15.8 Areas of responsibility

The general shareholders' meeting adopts resolutions in those situations expressly determined in the law and the articles of association and accordingly decides, among other issues, about the appointment of the members of the supervisory board to the extent they are not required to be otherwise appointed to the supervisory board, about the use of the balance sheet profit, the ratification of actions by the members of the management board and the supervisory board, the appointment of the auditor, any amendments to the articles of association, measures to procure capital and reduce capital, the appointment of auditors to examine matters involving management or the dissolution of the Company.

15.9 Corporate governance

The German Corporate Governance Code which was adopted in February 2002 and last amended on February 2, 2017 (the "**Code**") makes proposals concerning the management and supervision of German listed companies.

It is based on internationally and nationally recognized standards of good, responsible governance.

The Code contains recommendations ("**shall provisions**") and suggestions ("**should provisions**") for corporate governance in relation to shareholders and the general shareholders' meeting, the management board and the supervisory board, transparency and accounting and auditing of financial statements. The Code's recommendations or suggestions are not obligatory, although deviations from the recommendations (but not from the suggestions) are required to be published by the management board and the supervisory board of listed companies in an annual announcement pursuant to Section 161 of the German Stock Corporation Act (*Aktiengesetz*). This announcement regarding whether or not the recommendations in the Code were complied with and are complied with, or explains which recommendations have not been complied with and are not being applied and the reasons underlying this non-compliance (*Entsprechenserklärung*). The declaration of compliance regarding the Code must be publicly available on the Company's website at all times.

The current version of the Code was adopted on February 2, 2017 and was published in the German Federal Gazette (*Bundesanzeiger*) on April 24, 2017 (publication revised on May 19, 2017).

Due to the listing of the shares of the Company on the regulated market segment (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) with simultaneous admission to the sub-segment of the regulated market with additional post-admission obligations (Prime Standard) of the Frankfurt Stock Exchange, the Company is obligated to issue a declaration relating to the Code. The management board and the supervisory board of the Company agree with the goals of the Code in promoting responsible and transparent management and control of the Company directed towards a sustained increase in the enterprise value.

At present, the Company complies with and intends to further comply with all recommendations in the Code with the following deviations:

- As a deviation from Section 3.8 (3) of the Code, no deductible has been stipulated with respect to the D&O insurance agreement concluded for the supervisory board. The supervisory and management boards are of the opinion that concluding a deductible agreement would not improve incentive and performance at ADLER Real Estate AG.
- As a deviation from Section 5.3 of the Code, the supervisory board has currently not formed any committees (Section 5.3.1). No audit committee has been set up (Section 5.3.2). The duties of the audit committee are carried out jointly by all members of the supervisory board (Section 5.3.2). The supervisory board currently consists of the minimum number of three members prescribed by the German Stock Corporation Act (*Aktiengesetz*). The number of supervisory board members is not suited to form an audit or other committees.
- As a deviation from Section 5.3.3 of the Code, the supervisory board has not formed a nomination committee. The entire supervisory board nominates suitable candidates for the consideration of the shareholders at the general shareholders' meeting. The number of members of the supervisory board is not suited to establish a nomination committee.

- As a deviation from Section 5.4.2 of the Code, supervisory board members may also carry out board functions or advisory duties for other major competitors of the Company. The management and supervisory Boards are of the opinion that the experience gained from such activities can be used profitably for ADLER Real Estate AG.

16 TRANSACTIONS AND LEGAL RELATIONSHIPS WITH RELATED PARTIES

The Company is subject to the International Financial Reporting Standards (IFRS) as applied in the EU. Persons related to the Company include, on the one hand, the members of the management board and the supervisory board as well as managerial employees and in each case their closely related family members in the Company and, on the other hand, companies on which this circle of persons can exercise an at least material influence. In addition, the related persons include those companies with which the Company constitutes a corporate group or in which it holds a participation which gives it material influence over the business policy of the company in which it has a participation as well as the main shareholders of the Company, including its affiliated enterprises.

16.1 Transactions and legal relationships between the Company and its related parties

The following transactions were made between the Company and its related persons in the period from January 1, 2014 until the date of this Prospectus:

Thomas Katzuba von Urbisch

Mr. Thomas Katzuba von Urbisch was the chairman of the administrative board of Mezzanine IX Investors S.A. until 2017, which, as at the date of this Prospectus, holds 18.71% of the Company's shares and voting rights (allocated voting rights included).

Moreover, Mr. von Urbisch is managing director of KvU Land und Jagd Beteiligungen GmbH ("KvU", formerly: Deutsche Land- und Jagdimmobilien GmbH), which holds minority interests in 22 of ADLER's property companies.

In the period from January 1, 2014 until the date of this Prospectus, ADLER and KvU executed transactions in the form of loan agreements. The loans granted by ADLER and its subsidiaries, including accrued interest claims, were valued as follows at the balance sheet date:

Lender	December 31, 2016	of which interest in 2016	December 31, 2015	of which interest in 2015
			audited	
			EUR thousand	
ADLER Real Estate Aktiengesellschaft	476	29	450	26
Magnus Zweite Immobilienbesitz und Verwaltungs GmbH	3,653	196	3,456	195
Magnus Dritte Immobilienbesitz und Verwaltungs GmbH	31	2	30	2
Münchner Baugesellschaft mbH	54	3	51	3
Magnus Fünfte Immobilienbesitz und Verwaltungs GmbH	4,826	273	4,553	251
Total	9,040	503	8,540	477

The loans have indefinite terms and may be terminated by ADLER at any time with a notice period of one month to the end of the quarter. No write-downs were recognized on the loan receivables in the fiscal year 2016. In addition to the loan receivables, in the previous year the Group recognized a liability of EUR 124 thousand due to KvU.

Magnus Immobilienbesitz und Verwaltungs GmbH also granted KvU a loan of EUR 17 thousand in 2014 which was also repaid in 2014.

In the fiscal year ended December 31, 2016, the Company sold 5.1% of the shares held in Westgrund Immobilien GmbH, Westgrund Immobilien II. GmbH, Westgrund Immobilien Beteiligung III. GmbH, Westgrund Immobilien IV. GmbH, Westgrund Immobilien VI. GmbH, Westgrund VII. GmbH, Westgrund VIII. GmbH, Westgrund Wolfsburg GmbH, Westgrund Brandenburg GmbH, Westgrund Niedersachsen Nord GmbH

and Westgrund Niedersachsen Süd GmbH as well as all of the shares held in Liaen Lorentzen Partners AG, Zug/Switzerland to Manoir des Aiglons S.á r.l., Luxembourg, at a total price of EUR 4,000,000. Mr. von Urbisch is owner and managing director of Manoir des Aiglons S.á r.l. No receivables are outstanding in this respect. Furthermore, in connection with the shares thereby transferred the Company undertook to provide the buyer with a minimum profit distribution of EUR 380 thousand in total (before taxes) per year for a ten-year period. These dividend claims have been recognized under non-current other liabilities.

Mezzanine IX Investors S.A.

On February 20, 2015, the Company entered into a written agreement with Mezzanine IX S.A., which had already been orally agreed on February 16, 2015, according to which it will only accept the takeover offer for the WESTGRUND shares held by it at the time of the conclusion of the agreement after it has been requested by the Company to do so (so-called “**Non Tender Agreement**”). This only concerns a total share of approximately 2.88% of the shares of WESTGRUND issued at such time.

Thomas Bergander

Until August 31, 2014, Thomas Bergander was a member of the supervisory board of ACCENTRO, a subsidiary of the Company, and is also an indirect shareholder of the Company and managing director of Taurecon Real Estate Consulting GmbH (“**Taurecon**”).

In the fiscal year 2014, the interest in Hanse-Center Objektgesellschaft mbH and Glockenhofcenter Objektgesellschaft mbH was sold on December 22, 2014 to Alpine Real Estate Invest GmbH at 94.9% and to Taurecon Real Estate Consulting GmbH at 5.1%. In the fiscal year 2015, Taurecon also provided companies of ADLER with consulting services. For its services, Taurecon billed EUR 137 thousand in 2016 (2015: EUR 301 thousand, 2014: EUR 537 thousand). In the fiscal years 2016 and 2015, Taurecon made lease payments of EUR 31 thousand for the rental of premises and office equipment from WESTGRUND.

In September 2017, a company related to Mr. Bergander was granted a EUR 3.65 million loan bearing interest of 4% p.a. in connection with the acquisition of a 5.1% minority share of an ADLER property company (portfolio “Compass”).

Moreover, in the fiscal year 2015, Mr. Thomas Bergander was temporarily managing director of Wohnungsbaugesellschaft JADE mbH and JADE Immobilienmanagement GmbH, which had become part of ADLER in January 2015.

Peer Hoffmann

Mr. Peer Hoffmann, head of the financing department, held a participation of 16.5% in Taurecon, which rendered services in the area of due diligence examinations for a net amount of approximately EUR 150 thousand for the Company and its subsidiaries up to the date of this Prospectus. He sold this participation in Taurecon in November 2014.

Sandro Jäger

Mr. Sandro Jäger, head of the asset management department of the Company until August 31, 2015, was a co-managing director of Taurecon and had a participation of 33.5% in Taurecon. He also sold his participation in Taurecon in November 2014 and was removed as a co-managing director of Taurecon.

Pruß GmbH

A subsidiary of the Company acquired 94% of the shares in Rostock Verwaltungs GmbH for EUR 423 thousand and loan receivables of Pruß GmbH from Rostock Verwaltungs GmbH of EUR 1,548 thousand at nominal value in 2014. Rostock Verwaltungs GmbH is a real estate company with a real estate portfolio of 282 rental units.

According to the WpHG notifications received by the Company, Pruß GmbH is a shareholder of the Company.

Wecken & Cie.

On February 16, 2015, the Company and Wecken & Cie. having its registered office in Basle, Switzerland, entered into an Irrevocable Undertaking for the acceptance of the underlying Takeover Offer for a total number of 30,000,000 WESTGRUND shares plus the shares from the conversion of partial convertible notes in the total principal amount of EUR 9,659,017.00 under the Convertible Note 2014/2016 to which Wecken & Cie. had committed itself. As consideration, 0.565 shares of the Company and an additional cash consideration of EUR 9.00 for each three shares of WESTGRUND were agreed.

CARE4 AG, Basle/Switzerland

CARE4 AG, Basle/Switzerland, is a related company as it is influenced by Wecken & Cie., Basle/Switzerland, which is a major shareholder in ADLER. ADLER concluded a contract governing the premature conversion of convertible notes with CARE4 AG. CARE4 AG held a total of 1,541,856 ADLER's convertible note 2013/2018. The nominal amount per note amounts to EUR 3.75 and is equivalent to the conversion price. As compensation for premature conversion, CARE4 AG received an amount of EUR 0.492 per note from ADLER. This compensation corresponds to the discounted total of the interest which would have been payable until maturity on December 27, 2018.

16.2 Claims against and liabilities to related parties

ADLER had the following material loan receivables, including interest claims, due from unconsolidated companies, associates or joint ventures, as of the respective balance sheet date:

	December 31		
	2016 (EUR thousand)	2015 (EUR thousand)	2014 (EUR thousand)
Nominal values:			
Airport Center Luxembourg GmbH	0	0	3,447
MRT (Mountleigh Roland Ernst) B.V.	2,560	2,535	2,486
Stovago B.V.	861	737	443
Malplaquetstraße 23 Grundstücksverwaltungsgesellschaft mbH	0	221	419
SIAG Sechzehnte Wohnen GmbH & Co. KG	17	17	273
Wohneigentum Berlin GbR	0	211	-
Total	3,438	3,271	7,068

In addition to the aforementioned receivables, as at December 31, 2015, ADLER also reported liabilities due to associates, namely an amount of EUR 329 thousand to Wohneigentum GbR and EUR 6 thousand to Malplaquetstrasse 23. Grundstücksverwaltungsgesellschaft mbH.

An indirect subsidiary of the Company is the personally liable shareholder of the Joint Venture Wohneigentum Berlin GbR. This results in a liability for the GbR's obligations of EUR 914 thousand.

All legal transactions, income, the provision of services and allocations described above were conducted at arm's length.

17 DESCRIPTION OF THE NOTES

17.1 General

ADLER Real Estate Aktiengesellschaft (the “**Company**”) will issue 1.500% Notes due 2021 (the “**2021 Notes**”) and 2.125% Notes due 2024 (the “**2024 Notes**” and, together with the 2021 Notes, the “**Notes**”, and each of the 2021 Notes and the 2024 Notes also referred to as a “**Tranche of Notes**”), each Tranche of Notes to be issued under an indenture (the “**Indenture**”) expected to be dated on or about December 6, 2017 (the “**Issue Date**”), among, inter alia, the Company and Deutsche Trustee Company Limited, Winchester House, 1 Great Winchester Street, London EC2N 2DB, United Kingdom, as trustee (the “**Trustee**”).

The 2021 Notes will be issued in an aggregate principal amount of EUR 500,000,000, and the 2024 Notes will be issued in an aggregate principal amount of EUR 300,000,000, subject in each case to the Company’s ability to issue Additional Notes (as defined below). Unless the context requires otherwise, references in this section 17 “*Description of the Notes*” to the Notes or a Tranche of Notes include any Additional Notes (as defined below) (of the Notes or of a Tranche of Notes, as applicable) that may be issued from time to time.

The following description is a summary of the material provisions of the Indenture and the Notes. It does not restate the Indenture in its entirety, and where reference is made to particular provisions of the Indenture, such provisions, including the definitions of certain terms, are qualified in their entirety by reference to all of the provisions of the Notes and the Indenture. You should read the Indenture because it contains additional information, because it and not this description defines your rights as a Noteholder, and because each Noteholder is deemed to have notice of the provisions therein. Copies of the Indenture and the forms of Notes are available as set forth below under “—*Additional information*.”

Noteholders can find definitions of certain terms used in this Description of the Notes under “—*Certain definitions*.” Certain defined terms used in this description but not defined below under “—*Certain definitions*” have the meanings assigned to them in the Indenture. However, in this description, the term “**Company**” refers only to the Company and not to any of its Subsidiaries.

The Notes and the Indenture are not required to be and will not be qualified under the U.S. Trust Indenture Act of 1939, as amended (the “**Trust Indenture Act**”), and will not incorporate by reference any of the provisions of the Trust Indenture Act. Consequently, the holders of the Notes generally will not be entitled to the protections provided under the Trust Indenture Act to holders of debt securities issued under a qualified indenture.

The registered Noteholder will be treated as the owner of a Note for all purposes. Only registered Noteholders will have rights under the Indenture with respect to Notes, including, without limitation, with respect to enforcement and the pursuit of other remedies. The Notes will not be registered under the Securities Act and will therefore be subject to certain transfer restrictions. The Notes will not be offered, sold or directed into the United States.

17.2 Principal, Maturity and Interest

The Company may further issue additional Notes (“**Additional Notes**”) of either Tranche of Notes under the Indenture from time to time after the Issue Date. Such Additional Notes may be issued in one or more series under the Indenture. Any issuance of Additional Notes is subject to all of the covenants in the Indenture, see “—*Certain covenants*.” The Notes (including any Additional Notes subsequently issued under the Indenture) will be treated as a single class for all purposes under the Indenture, including, without limitation, waivers, amendments, redemptions and offers to purchase, except as otherwise provided in the Indenture.

The Company will issue the Notes in minimum denominations of EUR 100,000 and integral multiples of EUR 1,000 in excess thereof. The 2021 Notes will mature on December 6, 2021 (the “**2021 Notes Maturity Date**”) and the 2024 Notes will mature on February 6, 2024 (the “**2024 Notes Maturity Date**”, and each of the 2021 Notes Maturity Date and the 2024 Notes Maturity Date a “**Maturity Date**”), in each case unless redeemed prior thereto as described herein.

Interest on the 2021 Notes shall accrue at 1.500% per annum on the principal amount of the 2021 Notes, and interest on the 2024 Notes shall accrue at 2.125% per annum on the principal amount of the 2024 Notes, in each case from (and including) the Issue Date to and excluding the respective Maturity Date and payable in euro annually in arrears on each Interest Payment Date, with the first Interest Payment Date being December 6, 2018

in respect of the 2021 Notes and February 6, 2019 in respect of the 2024 Notes. The Company will make each interest payment to Noteholders of record on the Record Date (whether or not a Business Day), as the case may be, next preceding such Interest Payment Date.

Interest will be calculated on the basis of the actual number of calendar days from (and including) the first date in the relevant period to (but excluding) the last date of the relevant period, divided by the actual number of calendar days in the Interest Period in which the relevant period falls (including the first such day of the relevant Interest Period, but excluding the last day of the relevant Interest Period).

17.3 Payments on the Notes

Principal, premium, if any, and interest, if any, on the Global Notes (as defined below) will be payable, and the Global Notes may be exchanged and transferred, at the corporate trust office or agency of the Paying Agent (as defined below) in London, except that, at the option of the Company, payment of interest may be made by check mailed to the address of the Noteholders as such address appears in the Note register. Payments on the Global Notes will be made to the common depository whose nominee is the registered holder of the Global Notes.

The Company will pay interest on the Notes to Persons who are registered Noteholders at the close of business on the Record Date immediately preceding the Interest Payment Date for such interest. The Noteholders must surrender their Notes to a Paying Agent to collect principal payments. If any payment with respect to the Notes is due on a day which is not a Business Day, then the payment need not be made on such date, but may be made on the next succeeding Business Day, and no additional interest shall accrue.

17.4 Ranking of the Notes

Ranking

The Notes will:

- (1) be the Company's general unsecured obligations;
- (2) be effectively subordinated in right of payment to all existing and future Secured Indebtedness of the Company to the extent of the assets securing such Indebtedness;
- (3) rank equally in right of payment with all of the Company's existing and future unsecured Indebtedness that is not subordinated in right of payment to the Notes;
- (4) rank senior in right of payment to any and all of the Company's existing and future Indebtedness that is subordinated in right of payment to the Notes; and
- (5) be structurally subordinated to all of the Subsidiaries' existing and future Indebtedness.

Although the Indenture contains limitations on the amount of additional Indebtedness that the Company and its Subsidiaries may incur, the amount of such additional Indebtedness could be substantial.

As of September 30, 2017, on a *pro forma* basis adjusted to give effect to the issuance of the Notes, the Company had outstanding EUR 1,439,536 thousand aggregate principal amount of consolidated unsecured unsubordinated Indebtedness. The Notes are not guaranteed by any Subsidiary of the Company or any other Person.

17.5 Paying Agent and Registrar for the Notes

The Company will maintain one or more paying agents (each, a "**Paying Agent**"). The Company will undertake to maintain a Paying Agent in London, United Kingdom, or in a member state of the European Union that is not obliged to withhold or deduct tax but to participate in the automatic exchange of information pursuant to Directive 2014/107/EU (as amended from time to time), amending Directive 2011/16/EU on administrative cooperation in the field of taxation so as to introduce an extended automatic exchange of information regime in accordance with the Global Standard released by the OECD Council in July 2014. The initial Paying Agent will

be Deutsche Bank AG, London Branch, Winchester House, 1 Great Winchester Street, London EC2N 2DB, United Kingdom.

The Company will also maintain one or more registrars (each, a “**Registrar**”). The initial Registrar will be Deutsche Bank Luxembourg S.A., 2 Boulevard Konrad Adenauer, 1115 Luxembourg, Luxembourg. The Company will also maintain a transfer agent (“**Transfer Agent**”). The initial Transfer Agent will be Deutsche Bank Luxembourg S.A., 2 Boulevard Konrad Adenauer, 1115 Luxembourg, Luxembourg. The Registrar and the Transfer Agent acting as agent of the Company solely for this purpose will maintain a register (the “**Register**”) reflecting ownership of Definitive Registered Notes (as defined below) outstanding from time to time and will make payments on and facilitate transfer of Definitive Registered Notes on behalf of the Company and a copy of the Register will be sent to the Company on the Issue Date and after any change to the Register made by the Registrar, with such copy to be held by the Company and at its registered office. In case of discrepancies between the Register and the register held by the Company at its registered office, the latter will prevail for purposes of German law. See “*Book Entry, Delivery and Form.*”

The Company may change the Paying Agents, the Registrar or the Transfer Agent without prior notice to the Noteholders. The Company will publish a notice of any change of Paying Agent, Registrar or Transfer Agent. Notices to Noteholders will be valid, for so long as the Notes are admitted to trading on the Irish Stock Exchange plc (the “**Irish Stock Exchange**”), when such notice is filed in the Companies Announcement Office of the Irish Stock Exchange.

If the Company fails to appoint or maintain another entity as Paying Agent, Registrar or Transfer Agent, the Trustee, acting as agent of the Company solely for this purpose, shall act as such. The Company may act as Registrar.

17.6 Transfer and exchange

The Notes will be initially issued in the form of registered notes in global form, without interest coupons (the “**Global Notes**”).

The Global Notes representing each Tranche of Notes will, on the Issue Date, be deposited with, and registered in the name of, the nominee of the depositary for the account of Euroclear Bank S.A./N.V. (“**Euroclear**”) and Clearstream Banking S.A. (“**Clearstream**”).

Ownership of interests in the Global Notes (the “**Book-Entry Interests**”) will be limited to persons that have accounts with Euroclear or Clearstream or Persons that may hold interests through such participants. Ownership of interests in the Book-Entry Interests and transfers thereof will be subject to the restrictions on transfer described more fully under “—*Transfer restrictions.*” In addition, transfers of Book-Entry Interests between participants in Euroclear or Clearstream will be effected by Euroclear or Clearstream pursuant to customary procedures and subject to the applicable rules and procedures established by Euroclear or Clearstream and their respective participants.

If definitive registered Notes in certificated form (“**Definitive Registered Notes**”) are issued, they will be issued only in minimum denominations of EUR 100,000 and integral multiples of EUR 1,000 in excess thereof upon receipt by the Registrar of instructions relating thereto and any certificates and other documentation required by the Indenture. It is expected that such instructions will be based upon directions received by Euroclear or Clearstream, as applicable, from the participant that owns the relevant Book-Entry Interests.

Subject to the restrictions on transfer referred to above, Notes issued as Definitive Registered Notes may be transferred or exchanged, in whole or in part, in minimum denominations of EUR 100,000 and integral multiples of EUR 1,000 in excess thereof, to persons who take delivery thereof in the form of Definitive Registered Notes. In connection with any such transfer or exchange, the Indenture requires the transferring or exchanging Noteholder to, among other things, furnish appropriate endorsements and transfer documents to the Registrar, furnish information regarding the account of the transferee at Euroclear or Clearstream, where appropriate, furnish certain certificates and opinions and pay any Taxes in connection with such transfer or exchange. Any such transfer or exchange will be made without charge to the Noteholder, other than any Taxes payable in connection with such transfer or exchange; provided that if the Company is a party to the transfer or exchange, the Noteholder will not be required to pay such Taxes.

Notwithstanding the foregoing, the Company is not required to register the transfer of any Definitive Registered Notes:

- (1) for a period of 15 days prior to any date fixed for the redemption of the Notes;
- (2) for a period of 15 days prior to the Record Date with respect to any Interest Payment Date; or
- (3) which the Noteholder has tendered (and not withdrawn) for repurchase in connection with a Change of Control Offer.

17.7 Additional Amounts

All payments made by or on behalf of the Company under or with respect to the Notes will be made free and clear of and without withholding or deduction for, or on account of, any present or future Taxes unless the withholding or deduction of such Taxes is then required by law. If any deduction or withholding for, or on account of, any Taxes imposed or levied by or on behalf of (1) any jurisdiction in which the Company is then incorporated or organized, engaged in business for tax purposes or otherwise resident for tax purposes or any political subdivision thereof or therein or (2) any jurisdiction of any Paying Agent or any political subdivision thereof or therein (each, a “**Tax Jurisdiction**”) will at any time be required to be made from any payments made by or on behalf of the Company under or with respect to the Notes, including payments of principal, redemption price, purchase price, interest or premium, the Company will pay such additional amounts (the “**Additional Amounts**”) as may be necessary in order that the net amounts received in respect of such payments by each Noteholder after such withholding, deduction or imposition (including any such withholding, deduction or imposition from such Additional Amounts) will equal the respective amounts that would have been received in respect of such payments in the absence of such withholding, deduction or imposition; provided, however, that no Additional Amounts will be payable with respect to:

- (1) any Taxes, to the extent such Taxes would not have been imposed but for the existence of any present or former connection between the Noteholder or the beneficial owner of the Notes (or between a fiduciary, settlor, beneficiary, partner of, member or shareholder of, or possessor of a power over, the relevant Noteholder or, if the relevant Noteholder is an estate, trust, nominee, partnership, limited liability company or corporation) and the relevant Tax Jurisdiction (including being or having been a citizen, resident, or national thereof or being or having been present or engaged in a trade or business therein or having or having had a permanent establishment therein), but excluding any connection arising merely from the holding of such Note, the exercise or enforcement of rights under such Note or the receipt of any payments in respect of such Note;
- (2) any Taxes, to the extent such Taxes were imposed as a result of the presentation of a Note for payment (where Notes are in the form of Definitive Registered Notes and presentation is required) on a day more than 30 days after the relevant payment is first made available for payment to the Noteholder (except to the extent that the Noteholder would have been entitled to Additional Amounts had the Note been presented on the last day of such 30 day period);
- (3) any estate, inheritance, gift, sales, excise, transfer, personal property or similar Taxes;
- (4) Taxes imposed on or with respect to a payment made to a Noteholder or beneficial owner of Notes who would have been able to avoid such withholding or deduction by presenting the relevant Note to another Paying Agent in a member state of the European Union;
- (5) any Taxes payable other than by deduction or withholding from payments under, or with respect to, the Notes;
- (6) any Taxes to the extent such Taxes would not be imposed or withheld but for the failure of the Noteholder or beneficial owner of Notes (including, for these purposes, any financial institution through which the Noteholder or beneficial owner holds the Notes or through which payment on the Notes is made), following a written request by or on behalf of the Company or a Paying Agent addressed to the Noteholder or beneficial owner (and made at a time that would enable the Noteholder or beneficial owner acting reasonably to comply with that request, and in all events, at least 30 days before any withholding or deduction would be required), to comply with any certification, identification, information or other reporting requirement whether required by statute, treaty, regulation or administrative practice of a Tax

Jurisdiction, that is a precondition to exemption from, or reduction in the rate of deduction or withholding of, Taxes imposed by the Tax Jurisdiction (including, without limitation, a certification that the Noteholder or beneficial owner is not resident in the Tax Jurisdiction), but in each case, only to the extent the Noteholder or beneficial owner is legally entitled to provide such certification, information or documentation;

- (7) any Taxes to the extent such Taxes would not be imposed or withheld but for the application of Section 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended (the “Code”), any successor provision thereto or any current or future Treasury regulations or other official interpretations thereof, any agreement entered into pursuant to Section 1471 (b) of the Code, or any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement entered into in connection with the implementation of such Sections of the Code or any agreement entered into pursuant to the Code;
- (8) any Taxes imposed on or with respect to any payment by the Company to the Noteholder if such Noteholder is a fiduciary or partnership or any person other than the sole beneficial owner of such payment to the extent that Taxes would not have been imposed on such payment had such Noteholder been the sole beneficial owner of such Note; or
- (9) any combination of items (1) through (8) above.

In addition to the foregoing, the Company will also pay and indemnify the Noteholder for any taxes, charges or similar levies which are levied by any Tax Jurisdiction on the execution, delivery, issuance, registration or transfer (other than a transfer of the Notes after the Offer Date) of any of the Notes, the Indenture or any other document referred to therein, and any taxes, charges or similar levies imposed by any jurisdiction as a result of, or in connection with, the enforcement of any of the Notes.

If the Company becomes aware that it will be obligated to pay Additional Amounts with respect to any payment under or with respect to the Notes, the Company will deliver to the Trustee and the Paying Agents on a date that is at least 30 days prior to the date of that payment (unless the obligation to pay Additional Amounts arises less than 45 days prior to that payment date, in which case the Company shall notify the Trustee promptly thereafter) an Officer’s Certificate stating the fact that Additional Amounts will be payable and the amount estimated to be so payable. The Officer’s Certificate must also set forth any other information necessary to enable the Paying Agents or the Trustee, if applicable, to pay such Additional Amounts to Noteholders on the relevant payment date. The Company will provide the Trustee with documentation reasonably satisfactory to the Trustee evidencing the payment of Additional Amounts. The Trustee and the Paying Agents shall be entitled to rely solely on such Officer’s Certificate as conclusive proof that such payments are necessary.

The Company will make all withholdings and deductions required by law and will timely remit the full amount deducted or withheld to the relevant Tax authority in accordance with applicable law. The Company will use its reasonable efforts to obtain Tax receipts from each Tax authority evidencing the payment of any Taxes so deducted or withheld. The Company will furnish to the Trustee (or to a Noteholder upon written request), within a reasonable time after the date the payment of any Taxes so deducted or withheld is made, certified copies of Tax receipts evidencing payment by the Company or if, notwithstanding such entity’s efforts to obtain receipts, receipts are not obtained, other evidence of payments (reasonably satisfactory to the Trustee or the Noteholder) by such entity.

Whenever in the Indenture or in this section “*Description of the Notes*” there is mentioned, in any context, the payment of amounts of principal, interest or any other amount payable under, or with respect to, any of the Notes, such mention shall be deemed to include mention of the payment of Additional Amounts to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

The above obligations will survive any termination, defeasance or discharge of the Indenture, any transfer by a Noteholder or beneficial owner of its Notes, and will apply, *mutatis mutandis*, to any jurisdiction in which any successor Person to the Company is incorporated, engaged in business for tax purposes or otherwise resident for tax purposes or any jurisdiction from or through which such Person makes any payment on the Notes and any department or political subdivision thereof or therein.

17.8 Redemption for Changes in Taxes

The Company may redeem the Notes, in whole but not in part, at its discretion at any time upon giving not less than 30 nor more than 60 days' prior notice to the Noteholders (which notice will be irrevocable and given in accordance with the procedures described in "*—Selection and notice*"), at a redemption price equal to 100% of the aggregate principal amount thereof, together with accrued and unpaid interest, if any, to the date fixed by the Company for redemption (a "**Tax Redemption Date**") and all Additional Amounts (if any) then due or which will become due by the Tax Redemption Date as a result of the redemption or otherwise (subject to the right of Noteholders on the relevant Record Date to receive interest due on the relevant Interest Payment Date and Additional Amounts (if any) in respect thereof), if on the next date on which any amount would be payable in respect of the Notes, the Company is or would be required to pay Additional Amounts and the Company cannot avoid any such payment obligation by taking reasonable measures available, and the requirement arises as a result of:

- (1) any amendment to, or change in, the laws, treaties or any regulations or rulings promulgated thereunder of a relevant Tax Jurisdiction which change or amendment has not been publicly announced before and which becomes effective on or after the Issue Date (or, if the applicable Tax Jurisdiction became a Tax Jurisdiction on a date after the Issue Date, such later date); or
- (2) any amendment to, or change in, an official written interpretation or application of such laws, treaties, regulations or rulings (including by virtue of a holding, judgment, order by a court of competent jurisdiction or a change in published administrative practice) which amendment or change has not been publicly announced before and which becomes effective on or after the Issue Date (or, if the applicable Tax Jurisdiction became a Tax Jurisdiction on a date after the Issue Date, such later date) (each of the foregoing clauses (1) and (2), a "**Change in Tax Law**").

The Company will not give any such notice of redemption earlier than 60 days prior to the earliest date on which the Company would be obligated to make such payment or withholding if a payment in respect of the Notes were then due, and the obligation to pay Additional Amounts must be in effect at the time such notice is given. Prior to the publication or, where relevant, mailing of any notice of redemption of the Notes pursuant to the foregoing, the Company will deliver to the Trustee an opinion of independent tax counsel (the choice of such counsel to be subject to the prior written approval of the Trustee (such approval not to be unreasonably withheld or delayed)) to the effect that there has been such Change in Tax Law which would entitle the Company to redeem the Notes hereunder. In addition, before the Company publishes or mails notice of redemption of the Notes as described above, it will deliver to the Trustee an Officer's Certificate to the effect that it cannot avoid its obligation to pay Additional Amounts by the Company taking reasonable measures available to it.

The Trustee will accept and shall be entitled to rely on such Officer's Certificate and opinion of counsel as sufficient evidence of the existence and satisfaction of the conditions precedent as described above, in which event it will be conclusive and binding on the Noteholders.

17.9 Early Redemption at the Option of the Company with "Make-Whole" Amount

2021 Notes

The Company has the right at its option to redeem, on at least 30 calendar days' but not more than 60 calendar days' notice, on any date specified by it (the "redemption date"), the 2021 Notes (except for any Note which is the subject of the prior exercise by the relevant Noteholder of its right to require the Company to repurchase such Note as described below under the caption "*—Change of Control*") in whole or in part, at their Call Redemption Amount together with any unpaid interest accrued to (but excluding) the redemption date (but excluding accrued interest accounted for in the Call Redemption Amount). In addition, the Company has the right at its option to redeem, on at least 30 calendar days' but not more than 60 calendar days' notice, the 2021 Notes (except for any Note which is the subject of the prior exercise by the relevant Noteholder of its right to require the Company to repurchase such Note as described below under the caption "*—Change of Control*") in whole or in part within the period from November 6, 2021 to the 2021 Notes Maturity Date at their principal amount together with any unpaid interest accrued to (but excluding) the date fixed for redemption.

2024 Notes

The Company has the right at its option to redeem, on at least 30 calendar days' but not more than 60 calendar days' notice, on any date specified by it (the "redemption date"), the 2024 Notes (except for any Note which is the subject of the prior exercise by the relevant Noteholder of its right to require the Company to repurchase such Note as described below under the caption "*—Change of Control*") in whole or in part, at their Call Redemption Amount together with any unpaid interest accrued to (but excluding) the redemption date (but excluding accrued interest accounted for in the Call Redemption Amount). In addition, the Company has the right at its option to redeem, on at least 30 calendar days' but not more than 60 calendar days' notice, the 2024 Notes (except for any Note which is the subject of the prior exercise by the relevant Noteholder of its right to require the Company to repurchase such Note as described below under the caption "*—Change of Control*") in whole or in part within the period from January 6, 2024 to the 2024 Notes Maturity Date at their principal amount together with any unpaid interest accrued to (but excluding) the date fixed for redemption.

17.10 Change of Control

If a Change of Control occurs, each Noteholder will have the right to require the Company to repurchase all or any part of that Noteholder's Notes (in integral multiples of EUR 1,000; *provided* that Notes of EUR 100,000 or less may only be redeemed in whole and not in part), pursuant to an offer on the terms set forth in the Indenture. In the Change of Control Offer, the Company will offer a payment in cash equal to 101% of the aggregate principal amount of Notes repurchased, plus accrued and unpaid interest and Additional Amounts, if any, on the Notes repurchased to the date of purchase (the "**Change of Control Payment**"), subject to the rights of Noteholders on the relevant Record Date to receive interest due on the relevant Interest Payment Date. Within 30 days following any Change of Control, the Company will deliver a notice in accordance with the procedures described under "*—Selection and Notice*," stating that a Change of Control Offer is being made and offering to repurchase Notes on the date (the "**Change of Control Payment Date**") specified in the notice, which date will be no earlier than 30 days and no later than 60 days from the date such notice is mailed or delivered, pursuant to the procedures required by the Indenture and described in such notice. The Company will comply with any applicable securities laws and regulations to the extent those laws and regulations are applicable in connection with the repurchase of the Notes as a result of a Change of Control Offer. To the extent that the provisions of any securities laws or regulations conflict with the Change of Control provisions of the Indenture, the Company will comply with any applicable securities laws and regulations and will not be deemed to have breached its obligations under the Indenture by virtue of such compliance.

On the Change of Control Payment Date, the Company will, to the extent lawful:

- (1) accept for payment all Notes or portions of Notes properly tendered pursuant to the Change of Control Offer;
- (2) deposit with the Paying Agents an amount equal to the Change of Control Payment in respect of all Notes or portions of Notes properly tendered; and
- (3) deliver or cause to be delivered to the Trustee the Notes properly accepted together with an Officer's Certificate stating the aggregate principal amount of Notes or portions of Notes being purchased by the Company.

The Paying Agents will as soon as reasonably practicable mail (or cause to be delivered) to each Noteholder properly tendered the Change of Control Payment for such Notes, and the Trustee (or its authenticating agent) will as soon as reasonably practicable authenticate and mail (or cause to be transferred by book-entry) to each Noteholder a new Note equal in principal amount to any unpurchased portion of the Notes surrendered, if any. The Company will publicly announce the results of the Change of Control Offer on or as soon as practicable after the Change of Control Payment Date.

The provisions described above that require the Company to make a Change of Control Offer following a Change of Control will be applicable whether or not any other provisions of the Indenture are applicable. Except as described above with respect to a Change of Control, the Indenture does not contain provisions that permit the Noteholders to require that the Company repurchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction.

The Company will not be required to make a Change of Control Offer upon a Change of Control if a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer made by the Company and

purchases all Notes properly tendered and not withdrawn under the Change of Control Offer. Notwithstanding anything to the contrary contained herein, a Change of Control Offer may be made in advance of a Change of Control, conditioned upon the consummation of such Change of Control, if a definitive agreement is in place for the Change of Control at the time the Change of Control Offer is made.

The Company's ability to repurchase the Notes pursuant to the Change of Control Offer may be limited by a number of factors. The ability of the Company to pay cash to the Noteholders following the occurrence of a Change of Control may be limited by then existing financial resources of the Company, and sufficient funds may not be available when necessary to make any required repurchases. The Company expects that it would require third party financing to make an offer to repurchase the Notes upon a Change of Control, and it may not be able to obtain such financing. Any failure by the Company to offer to purchase Notes would constitute a Default under the Indenture. See *"Risk factors—Risks related to the Notes—Although the occurrence of specific change of control events will permit Noteholders to require redemption or repurchase of the Notes, the Company may not be able to redeem or repurchase such Notes."*

The definition of Change of Control includes a phrase relating to the direct or indirect sale, lease, transfer, conveyance or other disposition of "all or substantially all" of the properties or assets of the Group taken as a whole. Although there is a limited body of case law interpreting the phrase "substantially all," there is no precise established definition of the phrase under applicable law. Accordingly, the ability of a Noteholder to require the Company to repurchase its Notes as a result of a sale, lease, transfer, conveyance or other disposition of less than all of the assets of the Company and its Subsidiaries taken as a whole to another Person or group may be uncertain.

The provisions under the Indenture relating to the Company's obligation to make an offer to repurchase the Notes as a result of a Change of Control may be waived or modified with the consent of the Noteholders of a majority in principal amount of the Notes prior to the occurrence of the Change of Control.

The Company will publish a notice with respect to the results of any Change of Control Offer. Notices to Noteholders will be valid, for so long as the Notes are admitted to trading on the Irish Stock Exchange, when such notice is filed in the Companies Announcement Office of the Irish Stock Exchange.

17.11 Selection and Notice

In the case of a partial redemption of any Notes that are represented by a Global Note held on behalf of Euroclear and/or Clearstream, the Notes to be redeemed shall be selected in accordance with the customary proceedings of the Euroclear and Clearstream. Such partial redemption shall be reflected in the records of Euroclear and Clearstream as either a pool factor or a reduction in principal amount, at the discretion of Euroclear and Clearstream.

Notices of redemption will be mailed by first class mail at least 30 but not more than 60 days before the redemption date to each Noteholder to be redeemed at its registered address, except that redemption notices may be mailed more than 60 days prior to a redemption date if the notice is issued in connection with a defeasance of the Notes or a satisfaction and discharge of the Indenture. Notes called for redemption become due on the date fixed for redemption. On and after the redemption date, interest ceases to accrue on Notes called for redemption.

Notwithstanding the previous paragraph, for Notes that are represented by Global Notes held on behalf of Euroclear and/or Clearstream, notices required under the Indenture to be provided to Noteholders may be given by delivery of the relevant notices to Euroclear and/or Clearstream for communication in accordance with their policies and procedures, in lieu of a mailing.

Notices to Noteholders will be valid, for so long as the Notes are admitted to trading on the Irish Stock Exchange, when such notice is filed in the Companies Announcement Office of the Irish Stock Exchange.

17.12 Certain Covenants

Limitation on Incurrence of Indebtedness

The Company will not, and will procure that none of its Subsidiaries will, after the Issue Date, incur any Indebtedness if, immediately after giving effect to the incurrence of such additional Indebtedness and the

application of the net proceeds of such incurrence:

- (a) the sum of (i) the Consolidated Indebtedness of the Group as of the Reporting Date for which the Most Recent Consolidated Financial Statements of the Company have been published and (ii) the Net Nominal Indebtedness incurred since the Reporting Date for which the Most Recent Consolidated Financial Statements of the Company have been published would exceed 60 percent of the sum of (without duplication) (x) Total Assets as of the Reporting Date for which the Most Recent Consolidated Financial Statements of the Company have been published, (y) the purchase price of any Real Estate Property acquired or contracted for acquisition since the Reporting Date for which the Most Recent Consolidated Financial Statements of the Company have been published and (z) the proceeds of any Indebtedness incurred since the Reporting Date for which the Most Recent Consolidated Financial Statements of the Company have been published (but only to the extent such proceeds were not used to acquire Real Estate Property or to reduce Indebtedness); or
- (b) the sum of (i) the Consolidated Secured Indebtedness of the Group as of the Reporting Date for which the Most Recent Consolidated Financial Statements of the Company have been published and (ii) the Net Nominal Secured Indebtedness incurred since the Reporting Date for which the Most Recent Consolidated Financial Statements of the Company have been published would exceed 40 percent of the sum of (without duplication) (x) Total Assets as of the Reporting Date for which the Most Recent Consolidated Financial Statements of the Company have been published, (y) the purchase price of any Real Estate Property acquired or contracted for acquisition since the Reporting Date for which the Most Recent Consolidated Financial Statements of the Company have been published and (z) the proceeds of any Indebtedness incurred since the Reporting Date for which the Most Recent Consolidated Financial Statements of the Company have been published (but only to the extent such proceeds were not used to acquire Real Estate Property or to reduce Indebtedness).

Maintenance of Consolidated Coverage Ratio

The Company has undertaken that on each Reporting Date the Consolidated Coverage Ratio will be at least:

- (a) 1.50 to 1.00, with respect to any Reporting Date falling on or after the Issue Date and on or before December 31, 2018;
- (b) 1.60 to 1.00, with respect to any Reporting Date falling on or after January 1, 2019 and on or before December 31, 2019;
- (c) 1.70 to 1.00, with respect to any Reporting Date falling on or after January 1, 2020 and on or before December 31, 2020; and
- (d) 1.80 to 1.00, with respect to any Reporting Date falling on or after January 1, 2021 and as long as any Note is outstanding.

Negative Pledge

So long as any Note remains outstanding, the Company will not, and will not permit any of its Subsidiaries to, create or permit to subsist any Lien (other than Permitted Liens) upon, or with respect to, any of its present or future business, undertaking, assets or revenues to secure any Relevant Indebtedness, without at the same time or prior thereto securing the Notes equally and ratably therewith.

Restrictions on Mergers, Consolidations and Sales of Substantially all Assets

The Company will not consolidate with or merge into any other Person, or sell, convey, transfer or lease all or substantially all of the Company's assets to any other Person unless:

- the successor Person is a Person organized under the laws of any member state of the Pre-Expansion European Union, Switzerland, the United States of America, any State thereof or the District of Columbia which assumes its obligations in the Notes and under the Indenture; and

- after giving effect to such transaction, no Default or Event of Default under the Indenture has occurred or is continuing.

Upon compliance with these provisions by a successor Person in connection with a consolidation with or merger of the Company into, or sale, conveyance, transfer or lease to, such successor Person, the Company (except in the case of a lease) would be relieved of its obligations under the Indenture and the Notes.

Upon any consolidation or merger, or any sale, transfer, lease or conveyance of all or substantially all of the properties or assets of the Company, in a transaction that is subject to, and that complies with, these provisions, the successor Person formed by such consolidation or into or with which the Company is merged or to which such sale, transfer, lease or conveyance is made shall succeed to, and be substituted for the Company, so that from and after the date of such consolidation, merger, sale, transfer, lease or conveyance, the provisions of the Indenture applicable to the Company apply instead to the successor Person and not to the Company, and may exercise every right and power of the Company under the Indenture with the same effect as if such successor Person had been named as the Company in the Indenture.

Notwithstanding the foregoing, the Company need not comply with the provision described in the second bullet point of the first paragraph under “—*Restrictions on Mergers, Consolidations and Sales of Substantially all Assets*” in connection with (i) a sale, conveyance, transfer or lease between or among the Company and any Wholly Owned Subsidiaries or (ii) any merger of the Company with or into any Wholly Owned Subsidiary or (iii) a merger of the Company with or into any of its affiliates incorporated or organized solely for the purpose of the Company reincorporating or reorganizing in another jurisdiction.

Reports

For so long as any Note is outstanding, to the extent the shares of the Company are no longer listed on the regulated market (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) and the sub-segment thereof with further post-admission obligations (Prime Standard) (as may be modified from time to time, the then “**Current Reporting Standards**”) or any other EU regulated market such that the Company is no longer subject to disclosure obligations substantially the same, in terms of timing and content, as the Current Reporting Standards, the Company will furnish to the Trustee in electronic form, annual and interim reports and such other information (including *ad hoc* notices) as if it were still subject to the Current Reporting Standards.

The Company will also make available copies of all reports required by the first paragraph of this reporting covenant (i) on the Company’s website and (ii) at the specified office of the Paying Agent. If and for so long as any Tranche of Notes is admitted to trading on the Main Securities Market of the Irish Stock Exchange, reports to Noteholders with respect to such Tranche of Notes shall be deemed to be duly given if they are filed with the Companies Announcements Office of the Irish Stock Exchange.

Following any changes in law as a result of which a mandatory independent appraisal of property assets of the Company and its Subsidiaries is no longer required for purposes of preparing and presenting audited financial statements, the Company will cause each of its real property assets, and the real property assets of its Subsidiaries, to be appraised, no less frequently than once per year, by an Approved Independent Valuer; *provided, however*, that real property assets undergoing material construction or material development need not be appraised. Any such appraisal shall be reflected in the Company’s audited financial statements to the same extent as would be the case for any audited financial statements published as of the Issue Date, accompanied by an Officer’s Certificate attesting that the Approved Independent Valuer meets the definition thereof, which shall be provided to the Trustee no later than the date the relevant audited financial statements are published.

Maintenance of listing

The Company will use its reasonable best efforts to obtain and maintain the admission to trading on the Main Securities Market of the Irish Stock Exchange of each Tranche of Notes for so long as any Note of such Tranche of Notes is outstanding; provided that if the Company is unable to obtain admission to trading on the Main Securities Market of the Irish Stock Exchange of any Tranche of Notes, or if at any time the Company determines that it will not maintain such listing, it will use its reasonable best efforts to obtain and maintain a listing of such Tranche of Notes on the regulated market of another recognized stock exchange.

Lines of business

The Company will not, and will not permit any of its Subsidiaries to, engage in any business other than a Permitted Business, except to such extent as would not be material to the Company and its Subsidiaries, taken as a whole.

Payments for consent

The Company covenants in the Indenture that it will not, and will not permit any of its Subsidiaries to, directly or indirectly, pay or cause to be paid any consideration to or for the benefit of any Noteholder for or as an inducement to any consent, waiver or amendment of any of the terms of the provisions of the Indenture or the Notes unless such consideration is offered to be paid and is paid to all Noteholders that consent, waive or agree to amend in the time frame set forth in the solicitation documents relating to such consent, waiver or agreement. Notwithstanding the foregoing, the Company and its Subsidiaries shall be permitted, in any offer or payment of consideration for, or as an inducement to, any consent, waiver or amendment of any of the terms or provisions of the Indenture or the Notes, to exclude the Noteholders in any jurisdiction where (i) the solicitation of such consent, waiver or amendment, including in connection with an offer to purchase for cash; or (ii) the payment of the consideration therefor would require the Company or any of its Subsidiaries to file a registration statement, prospectus or similar document under any applicable securities laws (including, but not limited to, the United States federal securities laws and the laws of the European Union or its member states), which the Company in its sole discretion determines (acting in good faith) (A) would be materially burdensome (it being understood that it would not be materially burdensome to file the consent document(s) used in other jurisdictions, any substantially similar documents or any summary thereof with the securities or financial services authorities in such jurisdiction); or (B) such solicitation would otherwise not be permitted under applicable law in such jurisdiction.

17.13 Events of Default and Remedies

Each of the following is an “**Event of Default**”:

- (1) default in the payment when due (at maturity, upon redemption, required repurchase or otherwise) of the principal of, or premium, if any, on the Notes; or
- (2) default for 30 days in the payment when due of interest or Additional Amounts, if any, with respect to the Notes; or
- (3) failure by the Company to comply with the provisions set forth under “*Certain covenants—Restrictions on Mergers, Consolidations and Sales of Substantially all Assets*”; or
- (4) failure by the Company for 30 Business Days after written notice to the Company by the Trustee or the Noteholders of at least 25% in aggregate principal amount of Notes then outstanding, voting as a single class, to comply with any of the agreements in the Indenture or the Notes (other than a default in performance, or breach, of a covenant or agreement which is specifically dealt with in clauses (1), (2) or (3) above); or
- (5) default under any mortgage, indenture or instrument under which there may be issued or by which there may be secured or evidenced any Indebtedness for money borrowed by the Company or any of its Subsidiaries, whether such Indebtedness or guarantee now exists, or is created after the Issue Date, if that default: (a) is caused by a failure to pay principal of, or interest or premium, if any, on, such Indebtedness at the Stated Maturity thereof prior to the expiration of the grace period provided in such Indebtedness on the date of such default (a “**Payment Default**”); or (b) results in the acceleration of such Indebtedness prior to its express maturity, and, in each case, the principal amount of any such Indebtedness, together with the principal amount of any other such Indebtedness under which there has been a Payment Default or the maturity of which has been so accelerated, aggregates EUR 15 million or more (or its equivalent in any other currency or currencies);
- (6) failure by the Company or any of its Subsidiaries to pay final and enforceable judgments and/or orders entered by a court of competent jurisdiction aggregating in excess (individually or when aggregated with other judgment(s) and/or order(s)) of EUR 15 million (or its equivalent in the applicable currency) (exclusive of any amounts that a solvent insurance company has acknowledged liability for), which

judgments or orders shall not have been discharged or waived and there shall have been a period of 45 consecutive days during which a stay of enforcement of such judgment or order, by reason of an appeal, waiver or otherwise, shall not have been in effect;

- (7) certain events of bankruptcy or insolvency described in the Indenture with respect to the Company or any of its Subsidiaries that is a Significant Subsidiary or any group of the Company's Subsidiaries that, taken together (as of the latest audited consolidated financial statements for the Company and its Subsidiaries), would constitute a Significant Subsidiary.

In the case of an Event of Default specified in clause (7) of the preceding paragraph, with respect to the Company, any of its Subsidiaries that is a Significant Subsidiary or any group of Subsidiaries of the Company that, taken together, would constitute a Significant Subsidiary, all outstanding Notes will become due and payable immediately without further action or notice. If any other Event of Default occurs and is continuing with respect to a Tranche of Notes, the Trustee or the Noteholders of at least 25% in aggregate principal amount then outstanding of such Tranche of Notes may, and the Trustee, upon request of such Noteholders, shall, declare all the Notes of such Tranche to be due and payable immediately.

Noteholders may not enforce an Indenture except as provided in such Indenture. Subject to certain limitations, Noteholders of at least a majority in aggregate principal amount then outstanding of a Tranche of Notes may direct the Trustee in its exercise of any trust or power with respect to such Tranche of Notes. The Trustee may withhold from Noteholders notice of any continuing Default or Event of Default if it determines that withholding notice is in their interest, except a Default or Event of Default relating to the payment of principal, interest or Additional Amounts or premium, if any.

Subject to the provisions of the Indenture relating to the duties of the Trustee, in case an Event of Default occurs and is continuing, the Trustee will be under no obligation to exercise any of the rights or powers under the Indenture at the request or direction of any Noteholders unless such Noteholders have provided to the Trustee pre-funding, indemnity and/or security satisfactory to the Trustee against any loss, liability, cost or expense. Except (subject to the provisions described under "*—Amendment, Supplement and Waiver*") to enforce the right to receive payment of principal, premium, if any, or interest or Additional Amounts when due, no Noteholder may pursue any remedy with respect to the Indenture or the Notes unless:

- (1) such Noteholder has previously given the Trustee notice that an Event of Default is continuing;
- (2) Noteholders of at least 25% in aggregate principal amount of each Tranche of Notes then outstanding have requested the Trustee to pursue the remedy;
- (3) such Noteholders have provided the Trustee pre-funding, security and/or indemnity satisfactory to the Trustee against any loss, liability, cost or expense;
- (4) the Trustee has not complied with such request within 60 days after the receipt of the request and the offer of security or indemnity; and
- (5) Noteholders of a majority in aggregate principal amount of each Tranche of Notes then outstanding have not given the Trustee a direction inconsistent with such request within such 60-day period.

The Noteholders of not less than a majority in aggregate principal amount of each Tranche of Notes outstanding may, on behalf of the Noteholders, waive any existing or past default under the Indenture and its consequences, except a continuing default in the payment of the principal of, premium, if any, any Additional Amounts or interest on any Note held by a non-consenting Noteholder of a Tranche of Notes (which may only be waived with the consent of each Noteholder affected).

The Company is required to deliver to the Trustee annually a statement regarding compliance with the Indenture.

17.14 No Personal Liability of Directors, Officers, Employees and Stockholders

No director, officer, employee, incorporator or stockholder of the Company, as such, will have any liability for any obligations of the Company under the Notes, the Indenture or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Noteholder by accepting a Note waives and releases all such liability and agrees not to enforce any claim in respect of the Notes or the Indenture to the extent that it would

give rise to such personal liability. The waiver and release are part of the consideration for issuance of the Notes. The waiver and release may not be effective to waive liabilities under applicable securities laws.

17.15 Legal Defeasance and Covenant Defeasance

The Company may at any time elect to have all of its obligations discharged with respect to the outstanding Notes (“**Legal Defeasance**”) except for:

- (1) the rights of Noteholders of outstanding Notes to receive payments in respect of the principal of, or interest (including Additional Amounts) or premium, if any, on, such Notes when such payments are due from the trust referred to below;
- (2) the Company’s obligations with respect to the Notes concerning issuing temporary Notes, registration of Notes, mutilated, destroyed, lost or stolen Notes and the maintenance of an office or agency for payment and money for security payments held in trust;
- (3) the rights, powers, trusts, duties and immunities of the Trustee and the Company’s obligations in connection therewith; and
- (4) the Legal Defeasance and Covenant Defeasance (as defined below) provisions of the Indenture.

Legal Defeasance otherwise means that the Company will be deemed to have paid and discharged the entire Indebtedness represented by the outstanding Notes. In addition, the Company may, at its option and at any time, elect to have the obligations of the Company released with respect to certain covenants (including its obligation to make Change of Control Offers) that are described in the Indenture (“**Covenant Defeasance**”) and thereafter any omission to comply with those covenants will not constitute a Default or Event of Default with respect to the Notes. In the event Covenant Defeasance occurs, all Events of Default described under “—*Events of Default and Remedies*” (except those relating to payments on the Notes or, bankruptcy or insolvency events) will no longer constitute an Event of Default with respect to the Notes. The Company may exercise its Legal Defeasance option regardless of whether it has previously exercised Covenant Defeasance.

In order to exercise either Legal Defeasance or Covenant Defeasance:

- (1) the Company must irrevocably deposit with the Trustee (or such entity appointed by the Trustee for this purpose), in trust, for the benefit of the Noteholders, cash in Euro, Euro-denominated European Government Obligations or a combination thereof in amounts as will be sufficient, in the opinion of a nationally recognized investment bank, appraisal firm or firm of independent public accountants, to pay the principal of, or interest (including Additional Amounts and premium, if any) on the outstanding Notes on the stated date for payment thereof or on the applicable redemption date, as the case may be, and the Company must specify whether the Notes are being defeased to such stated date for payment or to a particular redemption date;
- (2) in the case of Legal Defeasance, the Company must deliver to the Trustee an opinion reasonably acceptable to the Trustee of United States counsel confirming that (a) the Company has received from, or there has been published by, the U.S. Internal Revenue Service a ruling or (b) since the Issue Date, there has been a change in the applicable U.S. federal income tax law, in either case to the effect that, and based thereon such opinion of counsel will confirm that, Noteholders of the outstanding Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Legal Defeasance and will be subject to tax on the same amounts, in the same manner and at the same times as would have been the case if such Legal Defeasance had not occurred;
- (3) in the case of Covenant Defeasance, the Company must deliver to the Trustee an opinion reasonably acceptable to the Trustee of United States counsel confirming that Noteholders of the outstanding Notes will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such Covenant Defeasance and will be subject to U.S. federal income tax on the same amounts, in the same manner and at the same times as would have been the case if such Covenant Defeasance had not occurred;
- (4) no Default or Event of Default shall have occurred and be continuing on the date of the deposit referred to in clause (1) above;

- (5) the Company must deliver to the Trustee an Officer's Certificate stating that the deposit referred to in clause (1) above was not made by the Company with the intent of preferring the Noteholders over the other creditors of the Company with the intent of defeating, hindering, delaying or defrauding any creditors of the Company or others; and
- (6) the Company must deliver to the Trustee an Officer's Certificate and an opinion of counsel, subject to customary assumptions and qualifications, each stating that all conditions precedent relating to the Legal Defeasance or the Covenant Defeasance have been complied with.

17.16 Amendment, Supplement and Waiver

Except as provided otherwise in the succeeding paragraphs, the Indenture or the Notes may be amended or supplemented with the consent of the Noteholders of a majority in aggregate principal amount of the Notes then outstanding (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, the Notes), and any existing Default or Event of Default or compliance with any provision of the Indenture or the Notes may be waived with the consent of the Noteholders of at least a majority in aggregate principal amount of the then outstanding Notes (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, the Notes). If any amendment, supplement or waiver that may be made with the consent of Noteholders of a majority in aggregate principal amount of Notes then outstanding only affects or would only affect the Noteholders of the 2021 Notes or the 2024 Notes, and it would not affect Noteholders of the Notes generally, only the consent of the Noteholders of a majority in aggregate principal amount of 2021 Notes or 2024 Notes, as the case may be, shall be required.

Unless consented to by the Noteholders of at least 90% of the aggregate principal amount of the then outstanding Notes (including, without limitation, consents obtained in connection with a purchase of, or tender offer or exchange offer for, the Notes), an amendment, supplement or waiver may not:

- (1) reduce the principal amount of Notes whose Noteholders must consent to an amendment, supplement or waiver;
- (2) reduce the principal of or change the fixed maturity of any Note or alter the provisions with respect to the redemption of the Notes (other than provisions relating to the covenants described above under the caption "*—Change of Control*");
- (3) reduce the rate of or change the time for payment of interest, including default interest, on any Note;
- (4) impair the right of any Noteholder to receive payment of principal of and interest on such Noteholder's Notes on or after the due dates therefor or to institute suit for the enforcement of any payment on or with respect to such Noteholder's Notes in respect thereof;
- (5) waive a Default or Event of Default in the payment of principal of, or interest, Additional Amounts or premium, if any, on, the Notes (except a rescission of acceleration of the Notes by the Noteholders of a majority in aggregate principal amount of the then outstanding Notes and a waiver of the Payment Default that resulted from such acceleration);
- (6) make any Note payable in money other than that stated in the Notes;
- (7) make any change in the provisions of the Indenture relating to waivers of past Defaults or the rights of Noteholders to receive payments of principal of, or interest, Additional Amounts or premium, if any, on, the Notes;
- (8) waive a redemption payment with respect to any Note (other than a payment required by the covenant described above under the caption "*—Change of Control*"); or
- (9) make any change in the preceding amendment and waiver provisions;

provided that, if an amendment, supplement or waiver that may be made with the consent of Noteholders holding not less than 90% of the then outstanding principal amount of the Notes only affects, or would only affect, Noteholders of the 2021 Notes or the 2024 Notes, and not Noteholders of the Notes generally, then the consent

of the Noteholders of 90% of the then outstanding principal amount of 2021 Notes or 2024 Notes, as the case may be, shall be required to make the changes referred to in clauses (1) to (9) above.

Any amendment, supplement or waiver consented to by Noteholders of at least 90% of the aggregate principal amount of the then outstanding Notes will be binding against any non-consenting Noteholders of the Notes.

Notwithstanding the preceding, without the consent of any Noteholder, the Company and the Trustee (as applicable) may amend or supplement the Indenture or the Notes with respect to a Tranche of Notes:

- (1) to cure any ambiguity, defect or inconsistency;
- (2) to provide for the assumption of the Company's obligations to Noteholders in the case of a merger or consolidation or sale of all or substantially all of the Company's assets, as applicable;
- (3) to make any change that would provide any additional rights or benefits to the Noteholders or that does not adversely affect the legal rights under the Indenture of any such Noteholder in any material respect;
- (4) to conform the text of the Indenture or the Notes to any provision of this Description of the Notes to the extent that such provision in this Description of the Notes was intended to be a verbatim recitation of a provision of the Indenture or the Notes;
- (5) to secure the Notes or to release any collateral or lien securing the Notes in accordance with the terms of the Notes;
- (6) to add guarantors or co-obligors with respect to the Notes;
- (7) to provide for the issuance of Additional Notes in accordance with the limitations set forth in the Indenture as of the Issue Date;
- (8) to provide for uncertificated Notes in addition to or in place of certificated Notes (provided that the uncertificated Notes are issued in registered form for purposes of Section 163(f) of the Code, or in a manner such that the uncertificated Notes are described in Section 163(f)(2)(B) of the Code); or
- (9) to evidence and provide the acceptance of the appointment of a successor Trustee under the Indenture.

The consent of the Noteholders is not necessary under the Indenture to approve the particular form of any proposed amendment. It is sufficient if such consent approves the substance of the proposed amendment.

In connection with its entry into any amendment, supplement or waiver, the Company shall deliver to the Trustee an opinion of a counsel and an Officer's Certificate, on which the Trustee may rely absolutely, *provided*, however, that the Trustee shall be entitled to request and rely upon further evidence as it deems appropriate, stating that such amendment, supplement or waiver is permitted under the Indenture and that all conditions precedent to such amendment, supplement or waiver have been satisfied.

17.17 Satisfaction and Discharge

The Indenture will be discharged and will cease to be of further effect (except for surviving rights, obligations and indemnities, if any) as to all Notes issued thereunder, when:

- (1) either:
 - (a) all Notes that have been authenticated, except lost, stolen or destroyed Notes that have been replaced or paid and Notes for whose payment money has been deposited in trust and thereafter repaid to the Company, have been delivered to the Trustee for cancellation; or
 - (b) all Notes that have not been delivered to the Trustee for cancellation have become due and payable by reason of the mailing of a notice of redemption or otherwise or will become due and payable within one year and the Company has irrevocably deposited or caused to be deposited with the Trustee (or an entity designated by the Trustee for such purpose) as trust funds in trust solely for the benefit of the Noteholders, cash, Cash Equivalents, European Government Obligations or a

combination thereof, in each case, denominated in Euro in amounts as will be sufficient, in the opinion of a nationally recognized investment bank appraisal firm or firm of independent public accountants, without consideration of any reinvestment of interest, to pay and discharge the entire indebtedness on the Notes not delivered to the Trustee for cancellation of principal, premium and Additional Amounts, if any, and accrued interest to the date of maturity or redemption;

- (2) the Company has paid or caused to be paid all sums payable by it under the Indenture and the Paying Agent is not prohibited from paying such money to the Noteholders; and
- (3) the Company has delivered irrevocable instructions to the Trustee under the Indenture to apply the deposited money toward the payment of the Notes at maturity or on the redemption date, as the case may be.

In addition, the Company must deliver an Officer's Certificate and an opinion of counsel to the Trustee stating that all conditions precedent to satisfaction and discharge have been satisfied; provided that any such counsel may rely on any Officer's Certificate as to matters of fact (including as to compliance with the foregoing clauses (1), (2) and (3)).

17.18 Judgment Currency

The sole currency of account and payment for all sums payable by the Company under the Indenture and the Notes is Euro. Any amount received or recovered in a currency other than Euro in respect of the Notes (whether as a result of, or the enforcement of, a judgment or order of a court of any jurisdiction, in the winding-up or dissolution of the Company, any Subsidiary or otherwise) by the Noteholder or by the Trustee in respect of any sum expressed to be due to it from the Company will constitute a discharge of the Company only to the extent of the Euro amount which the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not possible to make that purchase on that date, on the first date on which it is possible to do so). If that Euro amount is less than the Euro amount expressed to be due to the recipient under any Note, the Company will indemnify the recipient against any loss sustained by it as a result. In any event the Company will indemnify the recipient against the cost of making any such purchase.

For the purposes of this indemnity, it will be sufficient for the Noteholder or the Trustee to certify that it would have suffered a loss had an actual purchase of Euro been made with the amount so received in that other currency on the date of receipt or recovery (or, if a purchase of Euro on such date had not been practicable, on the first date on which it would have been practicable). These indemnities constitute a separate and independent obligation from the other obligations of the Company, will give rise to a separate and independent cause of action, will apply irrespective of any waiver granted by any Noteholder or the Trustee (other than a waiver of the indemnities set out herein) and will continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect to any sum due under any Note or any other judgment or order.

17.19 Concerning the Trustee

The Company shall deliver written notice to the Trustee within thirty (30) days of becoming aware of the occurrence of a Default or an Event of Default. The Trustee will be permitted to engage in transactions with the Company; however, if it acquires any conflicting interest it must eliminate such conflict within 90 days or resign as Trustee.

The Noteholders of a majority in aggregate principal amount of the then outstanding Notes will have the right to direct the time, method and place of conducting any proceeding for exercising any remedy available to the Trustee, subject to certain exceptions. The Indenture provides that in case an Event of Default occurs and is continuing, the Trustee will be required, in the exercise of its power, to use the degree of care of a prudent man in the conduct of his own affairs. Subject to such provisions, the Trustee will be under no obligation to exercise any of its rights or powers under the Indenture at the request of any Noteholder, unless such Noteholder has provided to the Trustee pre-funding, security and/or indemnity satisfactory to it against any loss, liability or expense.

The Company will indemnify the Trustee for certain claims, liabilities, costs and expenses incurred without gross negligence, willful default or fraud on its part, arising out of or in connection with its duties.

17.20 Admission to Trading

Application has been made for admission of the Notes to trading on the Main Securities Market of the Irish Stock Exchange.

17.21 Additional Information

Pursuant to the Indenture and as long as the Notes are outstanding, any Noteholder may obtain a copy of the Indenture and the form of Note, without charge by writing to ADLER Real Estate Aktiengesellschaft, Joachimsthaler Straße 34, 10719 Berlin, Germany.

So long as the Notes are admitted to trading on the regulated market of the Irish Stock Exchange and the rules of the Irish Stock Exchange so require, copies of the financial statements included in this Prospectus may be obtained, free of charge, during normal business hours at the offices of the Paying Agent in London.

17.22 Governing Law

The Indenture and the Notes will be governed by, and construed in accordance with, the laws of the State of New York.

17.23 Consent to Jurisdiction and Service of Process

The Indenture provides that the Company will appoint CT Corporation System, 111 Eighth Avenue, 13th Floor, New York, New York 10011, as its agent for service of process in any suit, action or proceeding with respect to the Indenture and the Notes brought in any U.S. federal or New York state court located in the City of New York and will submit to such jurisdiction.

17.24 Enforceability of Judgments

All of the assets of the Company are located outside the United States. As a result, any judgment obtained in the United States against the Company may not be collectable within the United States.

17.25 Prescription

Claims against the Company for the payment of principal or Additional Amounts, if any, on the Notes will be prescribed ten years after the applicable due date for payment thereof. Claims against the Company for the payment of interest on the Notes will be prescribed five years after the applicable due date for payment of interest.

17.26 Certain Definitions

“**ACCENTRO Purchaser**” means Brookline Capital Limited Partnership, a limited partnership incorporated under the laws of Guernsey, having its registered office at Granary House, The Grange, St. Peter Port, Guernsey, GY1 2QG, as purchaser under the ACCENTRO SPA.

“**ACCENTRO SPA**” means the share purchase agreement regarding the sale of shares of ACCENTRO, dated October 20, 2017, between the Issuer as seller and the ACCENTRO Purchaser.

“**Acquired Indebtedness**” means Indebtedness of a Person (a) existing at the time such Person is merged or consolidated with or into, or becomes a Subsidiary of, the Company or (b) assumed by the Company or any of its Subsidiaries in connection with the acquisition of assets from such Person. Acquired Indebtedness shall be deemed to be incurred on the date the acquired Person is merged or consolidated with or into, or becomes a Subsidiary of, the Company or the date of the related acquisition, as the case may be.

“**Adjusted EBITDA**” means the consolidated profit/(loss) of the Company and its Subsidiaries before interest, taxes, depreciation, amortization, income from fair value adjustments to investment properties, non-cash expenses, and extraordinary or non-recurring items, as determined by reference to the Most Recent Published Financial Statements.

“**Approved Independent Valuer**” means an internationally recognized firm providing market value appraisals of real estate, which is not in any way affiliated with the Company.

“**Beneficial Owner**” has the meaning assigned to such term in Rule 13d-3 and Rule 13d-5 under the U.S. Securities Exchange Act of 1934, as amended (the “**Exchange Act**”), except that in calculating the beneficial ownership of any particular “person” (as that term is used in Section 13(d)(3) of the Exchange Act), such “person” will be deemed to have beneficial ownership of all securities that such “person” has the right to acquire by conversion or exercise of other securities, whether such right is currently exercisable or is exercisable only after the passage of time. The terms “Beneficially Owns” and “Beneficially Owned” have a corresponding meaning.

“**Benchmark Yield**” means the yield to maturity at the Redemption Calculation Date of a *Bundesanleihe* (senior unsecured bond) of the Federal Republic of Germany with a constant maturity (as officially compiled and published in the most recent financial statistics of the Federal Republic of Germany that have then become publicly available on the Redemption Calculation Date (or if such financial statistics are not so published or available, as apparent from any publicly available source of similar market data selected by the Company in good faith)), most nearly equal to the period from the redemption date to the Maturity Date of the relevant Notes; *provided*, however, that if the period from the redemption date to the relevant Maturity Date is not equal to the constant maturity of the *Bundesanleihe* of the Federal Republic of Germany for which a weekly average yield is given, the Benchmark Yield shall be obtained by linear interpolation (calculated to the nearest one-twelfth of a year) from the weekly average yields of *Bundesanleihen* of the Federal Republic of Germany for which such yields are given, except that if the period from such redemption date to the relevant Maturity Date is less than one year, the weekly average yield on actually traded *Bundesanleihen* of the Federal Republic of Germany adjusted to a constant maturity of one year shall be used.

“**Board of Directors**” means:

- (1) with respect to the Company or any other corporation, the board of directors (or analogous governing body such as the management board (*Vorstand*) of the Company) of the corporation or any committee thereof duly authorized to act on behalf of such board;
- (2) with respect to a partnership, the board of directors of the general partner of the partnership; and
- (3) with respect to any other Person, the board or committee of such Person serving a similar function.

“**Business Day**” means a day other than a Saturday, Sunday or other day on which banking institutions in Frankfurt, London or New York or a place of payment under the Indenture are authorized or required by law to close.

“**Call Redemption Amount**” means an amount per Note equal to the higher of (i) the principal amount per Note and (ii) the Make-Whole Amount per Note.

“**Cash Equivalents**” means:

- (1) direct obligations (or certificates representing an interest in such obligations) issued by, or unconditionally guaranteed by, the government of a member state of the Pre-Expansion European Union, the United States of America, Switzerland or Canada (including, in each case, any agency or instrumentality thereof), as the case may be, the payment of which is backed by the full faith and credit of the relevant member state of the European Union or the United States of America, Switzerland or Canada, as the case may be;
- (2) overnight bank deposits, time deposit accounts, certificates of deposit, banker’s acceptances and money market deposits with maturities (and similar instruments) of 12 months or less from the date of acquisition issued by a bank or trust company which is organized under, or authorized to operate as a bank or trust company under, the laws of a member state of the Pre-Expansion European Union or of the United States of America or any state thereof, Switzerland or Canada; provided that such bank or trust company has capital, surplus and undivided profits aggregating in excess of EUR 250 million (or the foreign currency equivalent thereof as of the date of such investment) and whose long-term debt is rated “A-1” or higher by Moody’s or A+ or higher by S&P or the equivalent rating category of another internationally recognized rating agency;

- (3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clauses (1) and (2) above entered into with any financial institution meeting the qualifications specified in clause (2) above;
- (4) commercial paper having one of the two highest ratings obtainable from Moody's or S&P and, in each case, maturing within one year after the date of acquisition; and
- (5) money market funds at least 95% of the assets of which constitute Cash Equivalents of the kinds described in clauses (1) through (4) of this definition.

“Change of Control” means the occurrence of any of the following:

- (1) the direct or indirect sale, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of the Company's properties or assets and of its subsidiaries' properties or assets taken as a whole to any “person” (as that term is used in Section 13(d)(3) of the Exchange Act) other than to the Company or one of its Subsidiaries;
- (2) the adoption of a resolution relating to the Company's liquidation or dissolution (other than by way of merger or consolidation);
- (3) the consummation of any transaction (including, without limitation, any merger or consolidation) the result of which is that any “person” (as that term is used in Section 13(d)(3) of the Exchange Act) becomes the beneficial owner (as defined in Rule 13d-3 and 13d-5 under the Exchange Act), directly or indirectly, of more than 50% of the then outstanding number of shares of the Company's Voting Stock measured by voting power rather than number of shares; or
- (4) the Company consolidates with, or merges with or into any Person, or any Person consolidates with, or merges with or into, the Company, in any such event pursuant to a transaction in which any of the Company's outstanding Voting Stock or the outstanding Voting Stock of such other Person is converted into or exchanged for cash, securities or other property, other than any such transaction where the shares of the Company's Voting Stock outstanding immediately prior to such transaction constitute, or are converted into or exchanged for, a majority of the Voting Stock (measured by voting power rather than number of shares) of the surviving Person immediately after giving effect to such transaction; or
- (5) the first day on which a majority of the members of the Company's Board of Directors are not Continuing Directors.

Notwithstanding the foregoing, a transaction will not be deemed to involve a Change of Control if (1) the Company becomes a direct or indirect wholly-owned subsidiary of a holding company and (2)(A) the direct or indirect holders of the Voting Stock of such holding company immediately following that transaction are substantially the same as the holders of the Company's Voting Stock immediately prior to that transaction or (B) immediately following that transaction, no “person,” as that term is used in Section 13(d)(3) of the Exchange Act (other than a holding company satisfying the requirements of this sentence), is the Beneficial Owner, directly or indirectly, of more than 50% of the Voting Stock of such holding company.

“Change of Control Offer” has the meaning assigned to that term in the Indenture governing the Notes.

“Consolidated Coverage Ratio” means the ratio of (A) the aggregate amount of Adjusted EBITDA in the Relevant Period to (B) the aggregate amount of Net Cash Interest in the Relevant Period.

“Continuing Directors” means, as of any date of determination, any member of the Company's Board of Directors who (1) was a member of the Company's Board of Directors on the Issue Date or (2) was nominated for election, elected or appointed to such Board of Directors with the approval of a majority of the Continuing Directors who were members of such Board of Directors at the time of such nomination, election or appointment (either by a specific vote or by approval of the proxy statement of the Company in which such member was named as a nominee for election as a director, without objection to such nomination).

“Consolidated Financial Statements” means the consolidated financial statements of the Company and its Subsidiaries prepared in accordance with IFRS, including the notes to such financial statements.

“**Consolidated Indebtedness**” means Indebtedness of the Company and its Subsidiaries, on a consolidated basis, determined in accordance with IFRS.

“**Consolidated Secured Indebtedness**” means that portion of Consolidated Indebtedness that is secured by a Lien on properties or other assets of the Company or any of its Subsidiaries, excluding any such indebtedness for which the release or waiver of the relevant security has been agreed and the effectiveness of which release or waiver is subject only to technical or clerical process, such as entries in public registries or implementation by notaries.

“**continuing**” means, with respect to any Default or Event of Default, that such Default or Event of Default has not been cured or waived.

“**Default**” means any event that is, or with the passage of time or the giving of notice or both would be, an Event of Default.

“**Designated Loan Instruments**” means certificates of indebtedness (*Schuldschein*) governed by German law.

“**European Government Obligations**” means any security that is (a) a direct obligation of any country that is a member of the European Economic and Monetary Union on the date of the Indenture whose long-term debt is rated “Aa2” or higher by Moody’s or “AA” by S&P or the equivalent rating category of another internationally recognized rating agency, for the payment of which the full faith and credit of such country is pledged; or (b) an obligation of a person controlled or supervised by and acting as an agency or instrumentality of any such country the payment of which is unconditionally guaranteed as a full faith and credit obligation by such country, which, in either case under the preceding clause (a) or (b), is not callable or redeemable at the option of the issuer thereof.

“**Event of Default**” has the meaning assigned to such term in “—*Events of Default and Remedies.*”

“**Group**” means the Company together with its Subsidiaries.

“**IFRS**” means International Financial Reporting Standards as endorsed by the European Union and in effect as of the Issue Date; provided that for purposes of the covenant described under the caption “—*Certain covenants—Reports,*” “**IFRS**” means International Financial Reporting Standards as endorsed by the European Union and in effect from time to time.

“**incur**” means, with respect to any Indebtedness or other obligation of any Person, to create, issue, incur (including by conversion, merger, exchange or otherwise), assume, guarantee or otherwise become liable in respect of such Indebtedness or other obligation or the recording, as required pursuant to IFRS otherwise, of any such Indebtedness or other obligation on the balance sheet of such Person (and “**incurrence,**” “**incurred**” and “**incurring**” shall have meanings correlative to the foregoing), *provided* that (a) Indebtedness of a Person existing at the time such Person becomes a Subsidiary or is merged or consolidated with or into the Company or any Subsidiary shall be deemed to be incurred at the time it becomes a Subsidiary or is so merged or consolidated, (b) neither the accrual of interest, nor the accretion of original issue discount, shall be deemed to be an incurrence of Indebtedness, (c) the mere extension of the term of lender commitments to extend credit or funds to the Company or any of its Subsidiaries pursuant to a revolving credit agreement or similar arrangement shall not be deemed to be an incurrence of Indebtedness and (d) the extension of the original or stated maturity of Indebtedness shall not be deemed the incurrence of that Indebtedness.

“**Indebtedness**” means, without duplication, any indebtedness (excluding Intercompany Indebtedness), net of cash and cash equivalents, of the Company or any Subsidiary as shown in the Most Recent Published Financial Statements for or in respect of:

- (a) borrowed money or evidenced by notes, notes, debentures or similar instruments;
- (b) any reimbursement obligations, in connection with any letters of credit actually issued or any dematerialized equivalent instrument;
- (c) any amount raised pursuant to any note purchase facility or the issue of bonds, notes, commercial papers, debentures, loan stock or any similar instrument;

- (d) amounts representing the balance deferred and unpaid of the purchase price of any Property or services, except any such balance that constitutes an accrued expense or trade payable; or
- (e) any lease of Property by the Company or any Subsidiary as lessee that is reflected on the Company's consolidated balance sheet as a capitalized lease in accordance with IFRS (as in effect on the date hereof);
- (f) receivables sold or discounted (other than any receivables to the extent they are sold on a non-recourse basis);
- (g) any amount raised under any other transaction (including any forward sale or purchase agreement) having the commercial effect of a borrowing, but excluding bank guarantee facilities (as amended from time to time) made or to be made available by financial institutions to the Company or a Subsidiary under which the Company or the respective Subsidiary may request the issue of a bank guarantee or bank guarantees in favor of a person who agrees to purchase a Real Estate Property owned by the Company or a Subsidiary;
- (h) any counter-indemnity obligation in respect of a guarantee, indemnity, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution; and
- (i) the amount of any liability in respect of any guarantee or indemnity for any of the items referred to in paragraphs (a) to (h) above,

in each case whether or not secured by any Lien, to the extent that any such items (other than letters of credit) would appear as a liability on the Company's consolidated balance sheet in accordance with IFRS. Indebtedness also includes, to the extent not otherwise included, any obligation by the Company or any Subsidiary to be liable for, or to pay, as obligor, guarantor or otherwise (other than for purposes of collection in the ordinary course of business), indebtedness of another Person (other than the Company or any Subsidiary) of the type described above. Indebtedness shall also include Indebtedness for borrowed money of a Person other than the Company or a Subsidiary that is secured by any Lien on Property, to the extent of the lesser of (i) the amount of indebtedness so secured and (ii) the fair market value of the Property subject to such Lien. Indebtedness shall not include any derivative instruments or any deferred tax liabilities shown in the Most Recent Published Financial Statements.

For so long as the ACCENTRO Purchaser has not fully discharged its payment obligations to the Company under the ACCENTRO SPA, such portion of the total purchase price under the ACCENTRO SPA that remains outstanding to the Company or its Subsidiaries from time to time (including accrued interest thereon) shall be counted as a cash equivalent for purposes of calculating Indebtedness.

"Intercompany Indebtedness" means Indebtedness to which the only parties are the Company and any Subsidiary or Subsidiaries, or only Subsidiaries.

"Interest Payment Date" shall mean, in respect of the 2021 Notes, December 6 of each year for so long as any of the 2021 Notes is outstanding, and in respect of the 2024 Notes, February 6 of each year for so long as any of the 2024 Notes is outstanding.

"Interest Period" means the period from (and including) the Issue Date to (but excluding) the first Interest Payment Date and thereafter from (and including) each relevant Interest Payment Date to (but excluding) the next following Interest Payment Date.

"Lien" means, with respect to any Property, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind. For the purposes of this definition, a Person shall be deemed to be the owner of any Property which it has acquired or holds subject to a conditional sale agreement, capital lease or other arrangement pursuant to which title to the Property has been retained by or vested in some other Person for security purposes, and such retention of title shall constitute a "Lien".

"Make-Whole Amount" means an amount calculated by the Company on the Redemption Calculation Date by discounting the principal amount and the remaining interest payments to the Maturity Date of the relevant Notes on an annual basis, assuming a 365-day year or a 366-day year, as the case may be, and the actual number of days elapsed in such year and using the Benchmark Yield plus 30 basis points in case of the 2021 Notes and the Benchmark Yield plus 35 basis points in case of the 2024 Notes.

"Moody's" means Moody's Investors Service, Inc.

“**Most Recent Published Financial Statements**” as of any date means the most recent published annual or quarterly Consolidated Financial Statements prior to such date.

“**Net Cash Interest**” means all interest and other financing charges accrued to persons who are not members of the Group less the amount of any interest and other financing charges accrued to be received from persons who are not members of the Group, in each case, excluding any one-off financing charges (including without limitation, any one-off fees and/or break costs).

“**Net Nominal Indebtedness**” means the nominal amount of Indebtedness incurred minus the nominal amount of Indebtedness repaid.

“**Net Nominal Secured Indebtedness**” means the nominal amount of Secured Indebtedness incurred minus the nominal amount of Secured Indebtedness repaid.

“**Officer**” means, with respect to any Person, the chairman or any executive director of the Board of Directors, the chief executive officer and the chief financial officer of such Person or a responsible accounting or financial officer of such Person including, with respect to a German stock corporation, a member of the management board (*Vorstand*).

“**Officer’s Certificate**” means a certificate signed by an Officer.

“**Permitted Business**” means (a) any business, services or activities engaged in by the Company or any of its Subsidiaries on the Issue Date; and (b) any businesses, services and activities that are related, complementary, incidental, ancillary or similar to any of the foregoing, or are extensions or developments of any thereof.

“**Permitted Lien**” means:

- (a) any Lien of a company existing at the time that such company is merged into, or consolidated with or acquired by, the Company or any other member of the Group (as the case may be), provided that such Lien was not created in contemplation of, and the principal amount secured has not increased in contemplation of or since, such merger, consolidation or acquisition;
- (b) any Lien existing on any property or assets prior to the acquisition thereof by the Company or any other member of the Group (as the case may be), provided that such Lien was not created in contemplation of, and the principal amount secured has not increased in contemplation of or since, such acquisition;
- (c) any Lien granted by the Company or any other member of the Group in connection with a Securitization or Project Financing;
- (d) any Lien outstanding on the Issue Date; or
- (e) any renewal of or substitution for any Lien permitted by any of subparagraphs (a) to (d) (inclusive) of this definition, provided that with respect to any such Lien (i) the principal amount secured has not increased and (ii) the Lien has not been extended to any additional assets.

“**Person**” means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

“**Pre-Expansion European Union**” means the European Union as of January 1, 2004, including the countries of Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, Sweden and the United Kingdom, but not including any country which became or becomes a member of the European Union after January 1, 2004; provided that “Pre-Expansion European Union” shall not include any country whose long-term debt does not have a long-term rating of at least “AA” by S&P or at least “Aa2” by Moody’s or the equivalent rating category of another internationally recognized rating agency. For the avoidance of doubt, the Company shall not trigger a Default or Event of Default under the Indenture if at the time it takes particular action that depends on the status of a country under this definition, that country was included in Pre-Expansion European Union and thereafter ceases to be so.

“**Project**” means the acquisition, construction or development of any assets.

“**Project Finance Company**” means a special purpose company whose sole business comprises a Project and the ownership, maintenance, improvement, operation and exploitation of the assets of that Project.

“**Project Financing**” means any financing of all or part of the costs of a Project, provided that (i) any Lien created by the Company or any other member of the Group in connection therewith is limited solely to such assets or the share capital of a Project Finance Company relating to that Project, and (ii) the documentation in respect of such financing provides for recourse to be limited to the assets financed and the revenues (including insurance proceeds) derived from such assets as the principal source of repayment for the money borrowed.

“**Property**” means any property or asset, whether real, personal or mixed, including, without limitation, Real Estate Property, other current assets and shares of capital stock, but excluding deposit accounts, owned at the Issue Date or thereafter acquired by the Company or any of its Subsidiaries.

“**Real Estate Property**” of any Person means the real estate property of such Person and its subsidiaries.

“**Record Date**” for the interest payable on any Interest Payment Date means, in respect of the 2021 Notes, each November 21 (whether or not a Business Day), and in respect of the 2024 Notes, each January 22 (whether or not a Business Day), in each case next preceding the relevant Interest Payment Date.

“**Redemption Calculation Date**” means the sixth Business Day prior to the date on which any Notes are redeemed in connection with a redemption as described under “—*Early Redemption at the Option of the Company with “Make-Whole” Amount*”.

“**Relevant Indebtedness**” means any Indebtedness which is in the form of, or represented by, notes, notes or any similar securities which are, for the time being, or are ordinarily capable of being, listed, quoted or traded on any stock exchange or in any securities market (including, without limitation, any over-the-counter market), but shall not include any indebtedness under Designated Loan Instruments.

“**Relevant Period**” means the respective most recent four consecutive quarters ending prior to the respective date of determination of the Consolidated Coverage Ratio.

“**Reporting Date**” means March 31, June 30, September 30 and December 31 of each year and such other dates, if any, on which a period for which the Company publishes Consolidated Financial Statements ends.

“**S&P**” means Standard & Poor’s Investors Ratings Services.

“**Secured Indebtedness**” means that portion of the aggregate principal amount of all outstanding Indebtedness of the Group that is secured by a Lien on properties or other assets of the Group.

“**Securitization**” means any securitization of existing or future assets and/or revenues, provided that (i) any Lien in connection therewith is limited solely to the assets and/or revenues which are the subject of the securitization; and (ii) recourse in respect of such securitization is limited to the assets and/or revenues so securitized as the principal source of repayment for the money advanced.

“**Significant Subsidiary**” means, at the date of determination, any Subsidiary of the Company that together with its Subsidiaries that are also Subsidiaries of the Company (a) for the most recent year, accounted for more than 10% of the consolidated revenues of the Company and its consolidated Subsidiaries or (b) as of the end of the most recent year, was the owner of more than 10% of the Total Assets.

“**Stated Maturity**” means, with respect to any installment of interest or principal on any series of Indebtedness, the date on which the payment of interest or principal was scheduled to be paid in the documentation governing such Indebtedness as of the Issue Date, and will not include any contingent obligations to repay, redeem or repurchase any such interest or principal prior to the date originally scheduled for the payment thereof.

“**Subsidiary**” means, with respect to any Person (such Person, for purposes of this definition, the “specified person”), any corporation or other Person more than 50% of the outstanding Voting Stock (measured by voting power rather than number of shares) of which at the date of determination is owned, directly or indirectly, by the specified person and/or by one or more other Subsidiaries of the specified person.

“**Taxes**” and “**Taxation**” shall be construed to have corresponding meanings and shall mean, any present or future tax, duty, levy, impost, assessment or other governmental charges (including, without limitation, penalties, interest and other similar liabilities related thereto) of whatever nature.

“**Total Assets**” means the value of the consolidated total assets of the Company and its Subsidiaries, as such amount appears, or would appear, on a consolidated balance sheet of the Company prepared in accordance with IFRS, provided that, for purposes of the covenant described under “—*Certain Covenants—Limitation on Incurrence of Indebtedness*”, “Total Assets” shall include the proceeds of the Indebtedness or Secured Indebtedness to be incurred.

“**Treasury regulations**” means regulations issued by the U.S. Department of the Treasury.

“**Voting Stock**” means capital stock (or equivalent equity interest) of a Person of the class or classes having general voting power under ordinary circumstances to elect at least a majority of the Board of Directors, managers or Trustees of such Person (irrespective of whether or not at the time capital stock (or equivalent equity interests) of any other class or classes has or might have voting power upon the occurrence of any contingency).

“**Wholly Owned Subsidiary**” means any Subsidiary of the Company of which all the outstanding voting securities (other than directors’ qualifying shares or an immaterial amount of shares required to be owned by other Persons pursuant to applicable law) are owned by the Company or one or more Wholly Owned Subsidiaries.

18 BOOK-ENTRY, DELIVERY AND FORM

18.1 General

Each Tranche of Notes will initially be represented by a global note in registered form without interest coupons attached (each a “**Global Note**” and together the “**Global Notes**”).

Ownership of interests in the Global Notes (the “**Book-Entry Interests**”) will be limited to persons that have accounts with Euroclear and/or Clearstream or persons that hold interests through such participants. Euroclear and/or Clearstream will hold interests in any Global Note on behalf of their participants who in turn hold such interests through securities accounts as depositories for their respective customers. Except under the limited circumstances described below, Book-Entry Interests will not be issued in definitive form.

Book-Entry Interests will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and/or Clearstream and their participants. The laws of some jurisdictions may require that certain purchasers of securities take physical delivery of those securities in definitive form. The foregoing limitations may impair the investor’s ability to own, transfer or pledge Book-Entry Interests. In addition, while the Notes are in global form, holders of Book-Entry Interests may in such jurisdictions not be considered the owners or “holders” of Notes for any purpose.

So long as the Notes are held in global form, Euroclear and/or Clearstream (or their nominee) will be considered the sole holders of any Global Note for all purposes under the Indenture. In addition, participants must rely on the procedures of Euroclear and/or Clearstream, and indirect participants must rely on the procedures of Euroclear and/or Clearstream and the participants through which they own Book-Entry Interests, to transfer their interests or to exercise any rights of holders of Notes under the Indenture.

Neither the Company nor the Trustee will have any responsibility, or be liable, for any aspect of the records relating to the Book-Entry Interests.

18.2 Action by owners of Book-Entry Interests

Euroclear and/or Clearstream have advised the Company that they will take any action permitted to be taken by a holder of Notes (including the presentation of Notes for exchange as described above) only at the direction of one or more participants to whose account the Book-Entry Interests in the Global Notes are credited and only in respect of such portion of the aggregate principal amount of Notes as to which such participant or participants has or have given such direction. Euroclear and/or Clearstream will not exercise any discretion in the granting of consents or waivers or the taking of any other action in respect of any Global Note. However, if there is an Event of Default under the Notes, Euroclear and/or Clearstream, at the request of the holders of the Notes, reserve the right to exchange the Global Note for definitive registered Notes in certificated form (the “**Definitive Registered Notes**”), and to distribute such Definitive Registered Notes to their participants.

18.3 Definitive Registered Notes

Under the terms of the Indenture, owners of the Book-Entry Interests will receive Definitive Registered Notes:

- (1) if Euroclear and/or Clearstream notify the Company that it is unwilling or unable to continue to act as depository and a successor depository is not appointed by the Company within 120 days;
- (2) if the owner of a Book Entry Interest requests such exchange in writing delivered through Euroclear and/or Clearstream following an Event of Default under the Indenture.

Euroclear and/or Clearstream have advised the Company that upon request by an owner of a Book-Entry Interest described in the immediately preceding clause (2), their current procedure is to request that the Company issues or causes to be issued Notes in definitive registered form to all owners of Book-Entry Interests and not only to the owner who made the initial request.

In such an event, the Registrar will issue Definitive Registered Notes, registered in the name or names and issued in any approved denominations, requested by or on behalf of Euroclear and/or Clearstream or the Company, as applicable (in accordance with their respective customary procedures and based upon directions received from

participants reflecting the beneficial ownership of Book-Entry Interests), and such Definitive Registered Notes will bear the restrictive legend as provided in the Indenture, unless that legend is not required by the Indenture or applicable law.

To the extent permitted by law, the Trustee, the relevant Paying Agent and the Registrar shall be entitled to treat the registered holder of any Global Note as the absolute owner thereof and no person will be liable for treating the registered holder as such. Ownership of any Global Note will be evidenced through registration from time to time at the registered office of the Company and such registration is a means of evidencing title to the Notes.

The Company will not impose any fees or other charges in respect of the Notes; however, owners of the Book-Entry Interests may incur fees normally payable in respect of the maintenance and operation of accounts in Euroclear and/or Clearstream.

18.4 Redemption of the Global Notes

In the event that any Global Note (or any portion thereof) is redeemed, Euroclear and/or Clearstream will redeem an equal amount of the Book-Entry Interests in such Global Note from the amount received by them in respect of the redemption of such Global Note. Euroclear and/or Clearstream will surrender such Global Note to the Registrar for cancellation or, in the case of a partial redemption, will request the Registrar or the Trustee to mark down, endorse and return the applicable Global Note to reflect the reduction in the principal amount of such Global Note as a result of such partial redemption. The redemption price payable in connection with the redemption of such Book-Entry Interests will be equal to the amount received by Euroclear and/or Clearstream, as applicable, in connection with the redemption of such Global Note (or any portion thereof). The Company understands that, under the existing practices of Euroclear and/or Clearstream, if fewer than all of the Notes under each Tranche of Notes are to be redeemed at any time, Euroclear and/or Clearstream will credit their participants' accounts on a proportionate basis (with adjustments to prevent fractions), by lot or on such other basis as they deem fair and appropriate, provided, however, that no Book-Entry Interest of less than EUR 100,000 principal amount may be redeemed in part.

18.5 Payments on Global Notes

The Company will make payments of any amounts owing in respect of any Global Note (including principal, premium, if any, interest and additional amounts, if any) to the Principal Paying Agent. The Principal Paying Agent will, in turn, make said payments to the depositary or its nominee for Euroclear and/or Clearstream. Euroclear and/or Clearstream will distribute such payments to participants in accordance with their respective customary procedures. The Company will make payments of all such amounts without deduction or withholding for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature, except as may be required by law and as described under "*Description of the Notes—Additional Amounts.*" If any such deduction or withholding is required to be made, then, to the extent described under "*Description of the Notes—Additional Amounts*" above, the Company will pay additional amounts as may be necessary in order for the net amounts received by any holder of any Global Note or owner of Book-Entry Interests after such deduction or withholding to be equal to the net amounts that such holder or owner would have otherwise received in respect of such Global Note or Book-Entry Interest, as the case may be, absent such withholding or deduction. The Company expects that standing customer instructions and customary practices will govern payments by participants to owners of Book-Entry Interests held through such participants.

Under the terms of the Indenture, the Company, the Trustee and the Paying Agents will treat the registered holders of any Global Note (e.g., Euroclear and/or Clearstream (or their nominee)) as the owners thereof for the purpose of receiving payments and for all other purposes. Consequently, none of the Company, the Trustee and the Paying Agents or any of their agents has or will have any responsibility or liability for:

1. any aspect of the records of Euroclear and/or Clearstream or any participant or indirect participant relating to, or payments made on account of, a Book-Entry Interest or for maintaining, supervising or reviewing the records of Euroclear and/or Clearstream or any participant or indirect participant relating to, or payments made on account of, a Book-Entry Interest; or
2. Euroclear and/or Clearstream or any participant or indirect participant.

18.6 Currency of Payment for the Global Notes

The principal of, premium, if any, and interest on, and all other amounts payable in respect of, any Global Note will be paid to holders of interests to such Notes through Euroclear and/or Clearstream in Euro.

18.7 Transfers

Transfers between participants in Euroclear and/or Clearstream will be effected in accordance with Euroclear's and/or Clearstream's rules and will be settled in immediately available funds. If a holder of Notes requires physical delivery of Definitive Registered Notes for any reason, including to sell Notes to persons in states which require physical delivery of such securities or to pledge such securities, such holder of Notes must transfer its interests in the Global Notes in accordance with the normal procedures of Euroclear and/or Clearstream and in accordance with the procedures set forth in the Indenture governing the Notes.

Definitive Registered Notes may be transferred and exchanged for Book-Entry Interests in a Global Note only as described under "*Description of the Notes—Transfer and exchange*" and, if required, only if the transferor first delivers to the Trustee a written certificate (in the form provided in the Indenture) to the effect that such transfer will comply with the appropriate transfer restrictions applicable to such Notes.

Any Book-Entry Interest in one of the Global Notes that is transferred to a person who takes delivery in the form of a Book-Entry Interest in any other Global Note will, upon transfer, cease to be a Book-Entry Interest in the first mentioned Global Note and become a Book-Entry Interest in such other Global Note, and accordingly will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to Book-Entry Interests in such other Global Note for as long as it remains such a Book-Entry Interest.

18.8 Information concerning Euroclear and/or Clearstream

All Book-Entry Interests will be subject to the operations and procedures of Euroclear and/or Clearstream, as applicable. The Company provides the following summaries of those operations and procedures solely for the convenience of investors. The operations and procedures of the settlement system are controlled by the settlement system and may be changed at any time. Neither the Company nor the Joint Bookrunners are responsible for those operations or procedures.

The Company understands as follows with respect to Euroclear and/or Clearstream: Euroclear and/or Clearstream hold securities for participating organizations. They facilitate the clearance and settlement of securities transactions between their participants through electronic book-entry changes in the accounts of such participants. Euroclear and/or Clearstream provide various services to their participants, including the safekeeping, administration, clearance, settlement, lending and borrowing of internationally traded securities. Euroclear and/or Clearstream interface with domestic securities markets. Euroclear and/or Clearstream participants are financial institutions such as underwriters, securities brokers and dealers, banks, trust companies and certain other organizations. Indirect access to Euroclear and/or Clearstream is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Euroclear and/or Clearstream participant, either directly or indirectly.

Because Euroclear and/or Clearstream can only act on behalf of participants, who in turn act on behalf of indirect participants and certain banks, the ability of an owner of a beneficial interest to pledge such interest to persons or entities that do not participate in the Euroclear and/or Clearstream system, or otherwise take actions in respect of such interest, may be limited by the lack of a definitive certificate for that interest. The laws of some jurisdictions require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer beneficial interests to such persons may be limited.

18.9 Global Clearance and Settlement under the Book-Entry System

The Notes represented by the Global Notes are expected to be listed and admitted to trading on the Main Securities Market of the Irish Stock Exchange. Transfers of interests in the Global Notes between participants in Euroclear and/or Clearstream will be effected in the ordinary way in accordance with Euroclear's and/or Clearstream's rules and operating procedures.

Although Euroclear and/or Clearstream currently follow the foregoing procedures in order to facilitate transfers of interests in the Global Notes among participants in Euroclear and/or Clearstream, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued or modified at any time. None of the Company, the Trustee or the relevant Paying Agent will have any responsibility for the performance by Euroclear and/or Clearstream or their participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

18.10 Initial settlement

Initial settlement for the Notes will be made in Euro. Book-Entry Interests owned through Euroclear and/or Clearstream accounts will follow the settlement procedures applicable to conventional notes in registered form. Book-Entry Interests will be credited to the securities custody accounts of Euroclear and/or Clearstream holders on the business day following the settlement date against payment for value of the settlement date.

19 OFFER, SUBSCRIPTION AND SALE, USE OF PROCEEDS

19.1 Subject matter of the offering of the Notes

The Company offered EUR 500,000,000 principal amount of 1.500% Notes due 2021 and EUR 300,000,000 principal amount of 2.125% Notes due 2024 for issuance on or about December 6, 2017.

The obligations under the Notes will constitute immediate, unconditional, unsubordinated and non-secured liabilities of the Company. The Notes will rank *pari passu* without any preference among themselves and all other unsecured and unsubordinated obligations of the Company, save for certain mandatory exceptions provided by law.

The offering of the Notes consisted of a “**Private Placement**” to qualified investors within the meaning of Article 2 para. (1)(e) of Directive 2003/71/EC of the European Parliament and the Council dated November 4, 2003 as amended (the “**Prospectus Directive**”) in the European Union and certain other countries, with the exception of the United States of America as well as Japan according to the applicable exemption clauses regarding private placements performed by the Joint Bookrunners on a Best Efforts basis.

There is no maximum amount for purchases of Notes. Initial investors had to place purchase offers in any amount starting at EUR 100,000.00.

19.2 Allotment

The allotment of the Notes to investors (the “**Allotment**”) has been made by the Joint Bookrunners in coordination with the Company.

19.3 Delivery and settlement

The Notes will be delivered to the investors following the Allotment by the Joint Bookrunners with value as at the Issue Date, presumably on December 6, 2017. In this context, the Joint Bookrunners have undertaken *vis-à-vis* the Company to underwrite the Notes following the Allotment by way of a financial agency for the account of the Company, to deliver the Notes to the investors in accordance with the Allotment and to perform the settlement. Delivery of the Notes will be made on a delivery against payment basis.

The Joint Bookrunners are obliged to transfer the issue proceeds received after deduction of costs, fees and commissions in accordance with the terms of the Subscription Agreement (as defined below).

19.4 Issue price, interest and yield

The issue price for the 2021 Notes will be 99.520%. The issue price for the 2024 Notes will be 99.283%.

The 2021 Notes will bear interest on their nominal amount, from, and including, December 6, 2017 to, but excluding December 6, 2021 at a rate of 1.500% p.a. The interest will be payable annually in arrears on December 6 of each year. The first payment of interest on the 2021 Notes will be made on December 6, 2018. The yield amounts to 1.625% on the basis of the issue price of 99.520% of the nominal amount and redemption at the end of the term of the 2021 Notes.

The 2024 Notes will bear interest on their nominal amount, from, and including, December 6, 2017 to, but excluding February 6, 2024 at a rate of 2.125% p.a. The interest will be payable annually in arrears on February 6 of each year. The first payment of interest on the 2024 Notes will be made on February 6, 2019. The yield amounts to 2.250% on the basis of the issue price of 99.283% of the nominal amount and redemption at the end of the term of the 2024 Notes.

19.5 Subscription Agreement

Subject to the terms and conditions of the subscription agreement (the “**Subscription Agreement**”) between the Company and the Joint Bookrunners signed on November 29, 2017, the Company agreed to sell to the Joint Bookrunners and the Joint Bookrunners agreed, subject to certain customary closing conditions, to purchase such Notes which have been subscribed by, and allotted to, investors in the course of the offering of the Notes, and to

sell and transfer such Notes to the respective investors. Proceeds to the Company will be net of commissions and expenses of the Joint Bookrunners. The Company agreed to reimburse the Joint Bookrunners for certain expenses incurred in connection with the offering of the Notes. In addition, the Company agreed to indemnify the Joint Bookrunners against certain liabilities in connection with the offering of the Notes. The Joint Bookrunners are entitled, under certain circumstances, to terminate the Subscription Agreement with the Company. The circumstances include: any material adverse change in the financial condition, results of operations, business or prospects of the ADLER group and any material adverse change in conditions on the capital markets. If the Subscription Agreement is terminated, the offering of the Notes will not be consummated. Any allotments already made to investors will be invalidated and investors will have no claim for delivery of the Notes. In this case the Joint Bookrunners will not be obliged to deliver Notes to investors.

19.6 Transfer restrictions

General

Under the Subscription Agreement, the Joint Bookrunners have undertaken to comply with all applicable rules and regulations in the countries in which they conduct sales or other activities in connection with the issue of the Notes or in which the Joint Bookrunners possess or intend to distribute this Prospectus or other documents relating to the offering.

European Economic Area

This Prospectus has been prepared on the basis that any offer of Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “**Relevant Member State**”) has been or will be made pursuant to an exemption under the Prospectus Directive from the requirement to publish a prospectus for offers of Notes. Accordingly, any person making or intending to make any offer of the Notes in a Relevant Member State may only do so in circumstances in which no obligation arises for the Company or the Joint Bookrunners to publish a prospectus pursuant to Article 3 of the Prospectus Directive, in each case, in relation to such offer. Neither the Company nor the Joint Bookrunners have authorized, nor do they authorize, the making of any offer of the Notes through any financial intermediary, other than offers made by the Joint Bookrunners.

In relation to each Relevant Member State, the Joint Bookrunners have represented and agreed in the Subscription Agreement that, with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State, they have not made and will not make an offer of the Notes which are the subject of the offering described in this Prospectus to the public in that Relevant Member State other than:

- (a) to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the Joint Bookrunners; and
- (c) in any other circumstances falling within Article 3(2) of the Prospectus Directive;

provided that no such offer of Notes shall require the Company or the Joint Bookrunners to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive. For the purposes of the above, the expression “offer of Notes to the public” in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the securities to be offered so as to enable an investor to decide to purchase or subscribe for the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State. The expression “Prospectus Directive” means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU).

Each subscriber for, or purchaser of, Notes in the offering located within a Relevant Member State will be deemed to have represented, acknowledged and agreed that it is a “qualified investor” within the meaning of Article 2(1)(e) of the Prospectus Directive. The Company, the Joint Bookrunners and their affiliates and others will rely upon the truth and accuracy of the foregoing representation, acknowledgment and agreement.

United States of America

The Notes have not been, and will not be, registered under the Securities Act. The Notes have not been and may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. Persons (as defined in Regulation S under the Securities Act), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements under the Securities Act. The Notes have not been offered in the United States.

The Joint Bookrunners and the Company have represented and warranted in the Subscription Agreement that neither they nor any other person acting on their behalf has offered or sold or will offer or sell the Notes within the United States except pursuant to Regulation S of the Securities Act or another exemption from the registration requirement. Accordingly, the Joint Bookrunners and the Company have represented and warranted that neither they nor any affiliate (as defined in Rule 405 of the Securities Act) has taken or will take measures either directly or through an intermediary acting in its/their name which constitute “direct selling efforts” within the meaning of Rule 902(c) of Regulation S of the Securities Act.

Japan

The offering of the Notes was not directed at investors in Japan. This Prospectus and any other documents related to the offering of the Notes may not be sent by post or otherwise mailed or sent to Japan and the Notes may not be sold to any persons in these jurisdictions.

United Kingdom

Under the Subscription Agreement, the Joint Bookrunners have represented and warranted that:

- (a) they have not received, communicated or caused to be communicated, and will not communicate or cause to be communicated, any invitation or inducement to engage in investment activity within the meaning of section 21 of the Financial Services and Markets Act 2000 (as amended) (the “FSMA”) in connection with the sale of the Notes except in circumstances in which section 21 of the FSMA does not apply to the Company; and
- (b) they have complied and will comply with all applicable provisions of the FSMA with respect to actions taken by them in relation to the Notes in, from, or otherwise in connection with the United Kingdom.

19.7 Use of proceeds

The gross proceeds accruing to the Company from the Offering will amount to EUR 800 million. The Company estimates that the total costs that it will incur in connection with the Offering, including underwriting fees and commissions, advisory and other transaction costs and professional fees, will amount to approximately EUR 12 million (which includes underwriting commissions and fees payable to the Joint Bookrunners of approximately EUR 10 million) resulting in net proceeds from the Offering of EUR 788 million.

The Company intends to use the net proceeds from the Offering for the following purposes:

- (i) approximately EUR 768.75 million are intended to be used for repayment of existing debt (including EUR 89.29 million of prepayment fees and/or breakage costs, but excluding accrued and unpaid interest, and EUR 75 million for the repayment of a bridge financing for Project Riverside);
- (ii) the remaining approximately EUR 19.25 million are intended to be used to finance general corporate purposes.

The actual amounts may be subject to adjustment and may differ at the time of the consummation of the Offering depending on several factors, including differences from the Company’s estimate of costs, fees and expenses.

Assets with a market value of approximately EUR 822.8 million will be unencumbered following the repayment of existing debt from the proceeds of the Offering.

20 TAXATION

The following information is basic in nature and represents a general description of the main tax consequences in the Federal Republic of Germany as of the date of this Prospectus, which may be relevant for ADLER or when acquiring, holding or selling the Notes (including the Notes) under German law. Also, the following information does not claim to be a complete description of all potential tax considerations which might be important when making an investment decision. Certain tax aspects may not be described because they correspond to general principles in the law or are assumed to be part of the general knowledge of Noteholders. This summary is based on the applicable provisions in the laws in the Federal Republic of Germany on the date of the Prospectus and is subject to future legislative changes, decisions by the courts, changes in administrative practice and other changes. The following information does not constitute legal or tax advice and should not be viewed as such advice. Future Noteholders should obtain advice from their tax advisors and attorneys in order to obtain information about special legal consequences that might arise for the Noteholders in their personal tax situations and under their applicable legal systems.

20.1 Taxation of the Company

Corporate income tax

The Company is a German corporation having its registered office and management in Germany, therefore, it is in general fully liable to taxation in Germany with its worldwide income. German corporations which are fully taxable in Germany are generally subject to corporate income tax on their taxable income at a uniform rate of currently 15% plus solidarity surcharge in the amount of 5.5% on the corporate income tax obligation (total 15.825%). Dividends or other shares in the profit which the Company receives from German or foreign corporations are generally not included when determining the income of the Company if the participation at the beginning of the calendar year is directly at least 10% of the share capital or stated capital; if there is no share capital or stated capital, the participation in the assets, or in the case of cooperatives, the participation in the total assets of the business is determinative. As an acquisition of a participation of at least 10% in the course of the year is deemed to have been made at the beginning of the calendar year, the corresponding dividends are tax-exempt under the provisions set forth above. To the extent that dividends or other shares in the profit are not included, however, 5% of the respective revenues are deemed not to constitute business expenses and, thus, increase the income of the Company. This also applies for profits of the Company from the sale of shares in a German or foreign corporation. However, the 10% minimum participation threshold does not apply and the capital gains from shares in corporations are not taken into account in this regard, whereby also here 5% of the respective gains are generally deemed not to be deductible business expenses and thus increase the income of the Company. Losses from the sale of such shares are not deductible for tax purposes.

Interest expenses are generally tax-deductible, the interest barrier, however, limits deductibility for tax purposes. Interest expenses can be deducted without any restriction up to the amount of the interest income received. According thereto, the tax deduction of the net interest expense (excess of interest expenses over interest income) is limited to 30% of the taxable earnings before interest, taxes, depreciation and amortization determined under tax law (so-called tax EBITDA) in any given financial year. However, the interest barrier does not apply if the amount of interest expenses in the respective financial year exceeds the amount of interest income by less than EUR 3.0 million (so-called exemption limit). The interest barrier also does not apply if the enterprise does not belong to a corporate group and there is no situation involving harmful shareholder debt financing. If the business belongs to a corporate group, the interest barrier also does not apply if evidence can be provided to the effect that the equity capital ratio of the business wanting to deduct interest expenses is no less than two percentage points below the corporate group equity capital ratio and there is no situation involving harmful shareholder debt financing. An amount which cannot be deducted can generally be carried forward to future years where it is tax-deductible subject to the limitations set forth above. Similarly, any tax EBITDA which is not fully used for tax deduction purposes can be carried forward to future years.

Trade tax

Corporations are also generally subject to trade tax on the taxable trade income generated by their operations or their German permanent establishments. In order to determine the tax basis for trade tax, the profit determined for purposes of corporate income tax is modified with additions and deductions. Certain expenses which are fully deductible for corporate income tax purposes are accordingly only deductible to a limited degree for purposes of trade tax and are added back when determining the trade tax basis. For example, consideration for debt is added back in an amount of 25%, rent expenses as well as leasing installments for certain assets are added back in an

amount of 5%, leasing installments for movable assets are added back in an amount of 12.5%, royalties are added back in an amount of 6.25%, and certain other expenses are added back to the trade tax basis. An exemption amount for the addition provision in an aggregate annual amount of EUR 100,000 for the sum of the aforementioned expenses is granted.

Furthermore, real property holding companies can apply under narrow circumstances to reduce the earnings for trade tax purposes by that portion of the earnings which is attributable to the management and use of the own real property. A reduction of the earnings for trade tax purposes is also provided for profits from commercial German and foreign partnerships in which the corporation is considered a co-entrepreneur. Corresponding losses, however, do not result in a reduction of the earnings for trade tax purposes.

Profits from the sale of shares in another corporation are generally 95% exempt from trade tax. The 95% trade tax exemption applies for dividends only if the company has a participation of at least 15% in a German corporation distributing the dividend at the beginning of the tax period or a participation of at least 10% in a non-German, EU corporation within the meaning of the Directive No. 90/435/EEC of July 23, 1990 on the common system of taxation applicable in the case of parent companies and subsidiaries of different Member States in the respectively applicable version (the “**Parent Subsidiary Directive**”). In the case of a foreign non-EU company granting dividends, the prerequisite for the 95% trade tax exemption on dividends is, among other aspects, that the company has an uninterrupted participation of at least 15% in this foreign corporation since the beginning of the tax period. Furthermore, there are additional prerequisites for the tax exemption of dividends of non-EU corporations granting dividends. Favorable treatment for dividends is also available under the prerequisites in treaties for the avoidance of double taxation.

The amount of the trade tax depends on the local community or communities in which the Company has permanent establishments. The tax assessment factor is uniformly 3.5%. The respective community applies the valid trade tax assessment rate for that community. The resulting trade tax rate is at least 7% and otherwise varies depending on the community’s trade tax assessment rate in which the permanent establishment is located. The nominal trade tax rate is currently between 7% and approximately 18.5%.

Use of losses

The Company is limited in its ability to use its tax losses. A loss carry-back is only possible for corporate income tax and only for the immediately previous tax period up to an amount of EUR 1.0 million. A loss carry-forward has no time limit both for purposes of corporate income tax as well as trade tax. However, loss carry-forwards are only fully deductible in the subsequent tax periods up to an aggregate amount of the income or earnings for trade tax purposes in a maximum amount of EUR 1.0 million. Beyond that, to the extent the total amount of the income or trade tax earnings of the Company exceeds the amount of EUR 1.0 million, the deduction of loss carry-forwards is only possible in an amount of 60% of the excess (so-called minimum tax). Unused tax loss carry-forwards can generally be carried forward without any restriction on time and can be deducted in future tax periods subject to the described restrictions.

As a result of certain indirect or direct transfers of subscribed capital, membership rights, participation rights or voting rights in the Company or comparable sets of facts (so-called harmful acquisition of participations), a compensation or deduction of losses can be limited or excluded. Certain conversions of corporate form (mergers, spin-offs, splits etc.) can also eliminate loss carry-forwards or restrict the ability to use them.

For this purpose, it is generally required that more than 25% of the subscribed capital are transferred to one purchaser or to a group of purchasers with similar interests (*Gruppe von Erwerbern mit gleichgerichteten Interessen*) within a period of five years.

In addition to the already existing exemptions (the so-called group clause or the so-called hidden reserves clause) a new provision applies to all harmful acquisition of participations after December 31, 2015 at the taxpayer’s request. This new section permits the preservation of unused losses if the business operations of the corporation are sustained after the date of the harmful acquisition of participation and any other use of the so-called continuation-bound loss carry forward is excluded. The amendment applies to all harmful acquisition of participations after December 31, 2015.

20.2 Taxation of Noteholders

Taxation of Noteholders domiciled in Germany holding their Notes as private assets

Taxation of interest income

Any payments of interest on Notes to individuals who are fully liable to taxation in Germany, i.e., Noteholders having their residence or habitual abode in Germany, are subject to income tax. Income tax is generally levied by tax deduction at a flat rate for capital income of 25% (plus solidarity surcharge of 5.5% thereon, i.e., in total, 26.375%, also referred to as flat income tax (*Abgeltungsteuer*) plus church tax, if any). The total amount of taxable capital income of a taxpayer is reduced by the lump-sum saver's allowance in the amount of EUR 801 (*Sparer-Pauschbetrag*) (EUR 1,602 for married couples filing jointly or registered partners (*eingetragene Lebenspartner*)). Any further deduction of actually incurred income-related expenses is excluded.

Where the interest is paid in a currency other than Euro, the interest amount has to be converted into Euro on the basis of the foreign exchange rate prevailing on the date of accrual (*Zufluss*) of such interest payments.

Taxation of capital gains

Any gains from the sale, transfer or repayment of the Notes are also subject to the flat income tax rate for capital income of 25% (plus a solidarity charge of 5.5% of the income tax and church tax, if any). If the Notes are assigned, redeemed, repaid or contributed into a corporation by way of a hidden contribution (*verdeckte Einlage in eine Kapitalgesellschaft*) rather than sold, as a rule, such transaction is treated like a sale.

Any losses from the disposal of Notes are off-settable against positive capital income of the same or subsequent calendar years. In case evidence on the acquisition costs for the Notes is not duly furnished (e.g. following a transfer of a custody account from a non-EU-country), capital gains tax is deducted by the domestic depository bank at a rate of 30% of the proceeds from the sale or redemption of the Notes plus any accrued interest received (alternative assessment basis (*Ersatzbemessungsgrundlage*)). The lump-sum saver's allowance applies respectively, but apart from that, income related expenses directly incurred in connection with capital gains are not deductible.

Church tax

For Noteholders who are members of a tax-charging religious community, i.e. are subject to church tax and hold their Notes as private assets, church tax on capital gains, which are subject to flat income tax, is withheld automatically, unless the Noteholder has filed a blocking notice (*Sperrvermerk*) as an objection to automated data retrieval to the Federal Central Tax Office (*Bundeszentralamt für Steuern, BZSt*). In consequence a Noteholder being a member of a religious community is obliged – as also in case of an insufficient withholding of capital gains tax – to report the capital gains that are subject to church tax subsequently within the scope of his income tax return.

Withholding and assessment procedure

The Company is not responsible for withholding and paying flat income tax. Flat tax on interest from Notes of German issuers whose partial Notes are kept in collective safe custody in Germany or in individual safe custody is to be withheld by the (domestic) credit institution or financial services institution which effects the interest payments, including the German branch (*inländische Zweigstelle*) or branch office of a foreign undertaking (*Zweigniederlassung eines ausländischen Unternehmens*), the domestic securities trading firm or the domestic securities trading bank (each a “**domestic collective custodian**”). Capital gains tax will be deducted by the domestic securities clearing and deposit bank (*Wertpapiersammelbank*) to the extent that such bank has been entrusted with the collective safe custody of the Notes and pays the capital gains to a foreign entity. For this purpose, the domestic collective custodian receives the full amount of interest from the Company, withholds tax at a rate of 25% for the Noteholder and the solidarity surcharge of 5.5% thereon plus church tax, if any, transfers it to the competent tax office and pays the remaining net amount to the Noteholder.

Capital gains tax, however, is – other than in case of the payment of interest – only withheld if the note is held in safe custody or managed for the Noteholder by a German credit institution, a German financial services institution (including a German branch of a foreign institution), a German securities trading firm or a German securities trading bank (each, a “**domestic depository bank**”) and the sales proceeds are credited or paid by such

domestic depositary bank. If the sale of the Notes is carried out by a domestic depositary bank and the capital gains are paid or credited by the domestic depositary bank, capital gains tax of 25% (plus a solidarity surcharge of 5.5% thereon, in total, 26.375%, plus church tax, if any), will be levied on the difference between the sales price after deduction of any expenses which are directly connected with the sale and the acquisition costs of the Notes.

In principle, no capital gains tax is withheld if the Noteholder is an individual who has submitted a tax exemption request (*Freistellungsauftrag*) up to the amount of the lump-sum saver's allowance to the domestic collective custodian/ depositary bank. However, this only applies to the extent the interest income/capital gains derived from the Notes, together with all other capital income, do not exceed the submitted tax exemption request. Moreover, no capital gains tax is withheld if the domestic collective custodian/ depositary bank is provided with a corresponding certificate of non-assessment (*Nichtveranlagungsbescheinigung*) issued by the competent tax office. To the extent interest payments are not made through a domestic collective custodian, however, the aforementioned provisions cannot be taken into account when tax is deducted. If the Notes are not held in safe custody or managed by a domestic depositary bank, taxation is generally effected through general tax assessment by applying the flat tax rate.

In principle, the withholding of capital gains tax has a discharging effect, so that the Noteholder is not subject to any further taxation. If and to the extent capital gains tax has not been levied, e.g. in case Notes are held in custody abroad or in case no domestic depositary bank is involved in the sales process, the Noteholder is obliged to state any realized capital gains in his tax return and will, in principle, then also be subject to tax at a rate of 25% (plus solidarity surcharge and church tax, if any) on his income. If the capital gains tax was calculated on the basis of the alternative assessment basis and the actually realized capital gains are higher, the Noteholder is, in principle, also obliged to state in his tax return the capital gains calculated on the basis of his actual acquisition costs.

The Noteholder may request that its interest income as well as any other capital income of one calendar year be taxed at the standard progressive income tax rate (*tariflicher Einkommensteuersatz*) instead of the flat income tax rate (*gesonderter Einkommensteuertarif*) for capital income if this results in a lower tax burden (*Günstigerprüfung*). In this case, the withheld capital gains tax is set off against the standard income tax and any excess amount is reimbursed. The prohibition to deduct income-related expenses and the loss offsetting restrictions (any loss from capital income is, in principle, only off-settable against positive capital income) also apply in case of an assessment at the standard income tax rate. Certain particularities are available based on the decree of the German Federal Ministry of Finance dated January 18, 2016 (IV C 1 – S 2252/08/10004).

20.3 Taxation of Noteholders holding their Notes as operating assets in Germany

Interest income and capital gains from Notes of Noteholders domiciled in Germany, i.e. individuals having their domicile or habitual abode in Germany or legal persons having their registered office or place of management in Germany, who hold the Notes as operating assets (including income realized through commercial partnerships (*gewerbliche Personengesellschaften*)), are, in principle, subject to German income tax or corporate income tax (uniform 15% tax rate), respectively, plus a solidarity surcharge of 5.5% thereon. Individuals may, in addition thereto, be subject to church tax. Interest income and capital gains are also subject to trade tax if the Notes form part of the operating assets of a German commercial business.

As regards the deduction of capital gains tax on interest income, reference is made to the principles set forth under "Taxation of Noteholders domiciled in Germany holding their Notes as private assets – Taxation of interest income". In this case, however, the deduction of capital gains tax does not have a discharging effect for the Noteholder, but is credited as advance payment against the Noteholder's liability to pay personal income tax or corporate income tax and solidarity surcharge and any excess amount is reimbursed, respectively. The Company does not assume any responsibility for withholding amounts for tax levied on Noteholders.

Capital gains from a sale, transfer, redemption or hidden contribution into a corporation (*verdeckte Einlage in eine Kapitalgesellschaft*) of the Notes will generally not be subject to capital gains tax (i) if the Notes are held as operating assets by a corporation, which is fully liable to tax in Germany, and (ii) if the Notes are held as operating assets of a sole trader or a partnership and due evidence to this effect is provided to the domestic depositary bank. An exemption from the deduction of capital gains tax is also possible upon request if a certificate of non-assessment (*Nichtveranlagungsbescheinigung*) is provided by the Noteholder.

20.4 Taxation of Noteholders domiciled abroad

Interest and other capital income are generally not subject to tax in Germany if realized generated by Noteholders not domiciled in Germany, unless such income qualify as domestic income. Noteholders are not deemed to be domiciled in Germany if they have neither their residence nor their habitual abode, registered office or place of management in Germany.

Domestic income may be considered in case of interest income if it is secured by mortgages on German property or is considered as profit-related income (should not be applicable in the present case), in case of capital gains from the disposal of Notes only if the Notes were held as operating assets, e.g., because it forms part of a German business or of a permanent establishment in Germany.

In case of foreign Noteholders who do not hold the Notes as operating assets of a domestic business establishment or permanent establishment or as operative assets for which a permanent representative is appointed in Germany, the tax burden in Germany is deemed discharged by the withholding of capital gains tax on interest (subject to a claim for full or partial reimbursement of any tax so withheld).

For Noteholders holding the Notes through a domestic business establishment or permanent establishment or as operating assets for which a permanent representative was appointed in Germany, the above provisions applying to Noteholders domiciled in Germany apply *mutatis mutandis*.

In this case the Notes are subject to capital gains tax as described above in section “Taxation of Noteholders holding their Notes as operating assets in Germany”, if the sale of the Notes is carried out by a domestic depository bank. A domestic depository bank does not withhold capital gains tax in case the Noteholder is not subject to limited tax liability in Germany and furnishes evidence thereof.

Upon request, foreign corporate bodies may be reimbursed for two fifths of the capital gains tax on interest withheld and paid. For interest paid to a company domiciled in a member state of the European Union within the meaning of Annex 3 of the German Income Tax Act (*Einkommensteuergesetz* – “**EStG**”) in conjunction with Section 50g EStG and the “Interest and Royalties Directive” (Council Directive 2003/49/EC of June 3, 2003) or to a person domiciled in a state with which the Federal Republic of Germany has entered into a double taxation treaty (DTT), capital gains tax may, upon request, not or only partially be withheld, or withheld capital gains tax may be refunded, if further prerequisites are met.

Apart from that, the following provisions apply to interest payments to Noteholders domiciled abroad: If the Federal Republic of Germany entered into a DTT with the country of residence of the Noteholder and if the Noteholder holds its Notes neither as assets of a business establishment or permanent establishment in Germany nor as operating assets for which a permanent representative in Germany has been appointed, which is regarded as a business establishment according to the provisions of the applicable DTT, German tax may be reduced in accordance with the applicable DTT. A tax reduction is, in principle, granted in such manner that the difference between the total amount withheld for capital gains tax, including solidarity surcharge, and the maximum tax rate permitted under the applicable DTT (usually 15%) is refunded by the German fiscal authorities upon request. Forms for the refund procedure may be obtained from the Federal Central Tax Office (*BZSt.*), An der Kuppe 1, 53225 Bonn, Germany) and the German embassies and consulates or downloaded from the website of the Federal Central Tax Office under www.bzst.bund.de.

For EU-residents the EU Savings Directive has been repealed as of January 1, 2016 (January 1, 2017 in the case of Austria) (in each case subject to transitional arrangements). The Council of the European Union has adopted Directive 2014/107/EU (the “Amending Cooperation Directive”), amending Directive 2011/16/EU on administrative cooperation in the field of taxation so as to introduce an extended automatic exchange of information regime in accordance with the Global Standard released by the OECD Council in July 2014. Germany has implemented the Amending Cooperation Directive by means of a Financial Account Information Act (*Finanzkonten-Informationsaustauschgesetz*, FKAustG) according to which it will provide information on financial accounts to EU Member States and certain other states as of January 1, 2016.

Gift and inheritance tax

Such part of the enrichment obtained by an acquisition of Notes by reason of death or in the form of a gift *inter vivos*, which exceeds the respective allowances, is generally subject to German inheritance or gift tax, provided that the decedent at the time of his death, the donor when making the gift, or the acquirer when the tax is

incurred has its residence, habitual abode, registered office or place of management in Germany Special provisions apply to certain German nationals and former German nationals who are resident outside Germany.

Should a DTT be in effect in the individual case, however, German taxation provisions may be restricted thereby.

Other taxes

In principle, no other taxes, such as capital transfer tax, stamp, issue or similar taxes or duties, are payable in Germany in connection with a purchase, disposal or other form of transfer of Notes. However, it is possible that an entrepreneur opts to tax and, in consequence thereof, the sale of Notes to another entrepreneur becomes subject to VAT. Wealth tax (*Vermögenssteuer*) is currently not imposed in Germany.

The Sale or the transfer of Notes is currently not subject to Stock Transfer Tax (*Börsenumsatzsteuer*) in Germany. However, several member states of the European Union agreed on a proposal of the implementation of a common Financial Transaction Tax (*Finanztransaktionssteuer*). On February 14, 2013, the European Commission released a proposal of a directive implementing a Financial Transaction Tax. Under this proposal, participating member states are permitted to charge as from January 1, 2014 a EU financial transaction tax on all financial transactions (i) if at least one of the parties to the transaction resides in a participating member state, and (ii) if a financial institution which is a party to the transaction resides in a participating member state and acts either at its own expense or at the expense of another person or on behalf of a party to the transaction. The proposal covers a wide range. Even if none of the parties is deemed to be resident in one of the member states, the Financial Transaction Tax might apply if the financial instrument is issued in one of the member states. In this case both parties are considered as resident in the participating member state. Hence, the income from securities may be affected by the application of this tax, if the aforementioned conditions are met. The profit of the financial instruments will be affected and the tax will be deducted by the financial institutions. The tax rate shall be at least 0.01% of the nominal value in case of financial transactions referring to derivative contracts and at least 0.1% of the consideration or market price for all other taxable financial transactions and shall be deducted by the financial institutions. However, for the time being, a Financial Transaction Tax has not been implemented yet and it is unclear if and in what form such tax will be actually introduced.

21 LEGAL MATTERS

Certain legal matters with respect to the Company will be passed upon for the Company by Norton Rose Fulbright LLP with respect to German law and New York law.

Certain legal matters will be passed upon for the Joint Bookrunners by Allen & Overy LLP with respect to German law and New York law.

22 SERVICE OF PROCESS AND ENFORCEABILITY OF JUDGMENTS

The Company is incorporated under the laws of Germany. The members of the Management Board (*Vorstand*) and the Supervisory Board (*Aufsichtsrat*) live outside the United States. All of the Company's assets are located outside the United States. As a result, it may be difficult for investors to serve process on those persons or on the Company in the United States or to enforce judgments obtained in U.S. courts against them based on civil liability provisions of the securities laws of the United States.

The United States and Germany currently do not have a bilateral treaty providing for the reciprocal recognition and enforcement of judgments, other than arbitration awards, in civil and commercial matters. Consequently, a final judgment for payment given by any court in the United States, whether or not predicated solely upon U.S. securities laws, would not automatically be enforceable in Germany. A final judgment by a U.S. court, however, may be recognized and enforced in Germany in an action before a court of competent jurisdiction in accordance with the proceedings set forth by the German Code of Civil Procedure (*Zivilprozessordnung*). In such an action, a German court generally will not reinvestigate the merits of the original matter decided by a U.S. court, except as noted below.

A final and conclusive judgment for the payment of a specific sum of money rendered by a U.S. federal or state court (and any court of appeal of the same jurisdiction) will be recognized and enforceable by the competent German courts without review of its merits, unless:

3. the foreign courts which issued the judgment did not have jurisdiction according to German law;
4. the judgment was given in default of appearance if the defendant was not served with the document which instituted the proceedings properly in due manner or within sufficient time to enable him to arrange for his defense;
5. the judgment is irreconcilable with an earlier German or other recognizable foreign judgment or the foreign proceedings leading to such judgment are irreconcilable with proceedings that were pending in Germany (*rechtshängig*) previously if the German proceedings were commenced earlier than the foreign proceedings;
6. such recognition entails results which are obviously irreconcilable with fundamental principles of German law (order public), including, among others, the basic rights provided by the German Constitution (*Grundgesetz*); or
7. reciprocity is not guaranteed.

Subject to the foregoing, purchasers of the Notes may be able to enforce judgments in civil and commercial matters obtained from U.S. courts in Germany. The Company cannot, however, assure that attempts to enforce judgments in Germany will be successful.

German courts usually deny the recognition and enforcement of punitive damages on the grounds of a violation of the German order public. Moreover, a German court may not recognize and enforce the full amount of damages granted by a U.S. court and recognize damages only to the extent that they are necessary to compensate actual losses or damages.

German civil procedure differs substantially from U.S. civil procedure in a number of respects. In as far as the production of evidence is concerned, U.S. law and the laws of several other jurisdictions based on common law provide for pre-trial discovery, a process by which parties to the proceedings may prior to trial compel the production of documents by adverse or third parties and the deposition of witnesses. Evidence obtained in this manner may be decisive in the outcome of any proceeding. No such pre-trial discovery process exists under German law and Germany has made a reservation to Article 23 of the Convention on the Taking of Evidence Abroad in Civil or Commercial Matters.

23 LISTING AND GENERAL INFORMATION

23.1 Authorization

The creation and issue of the Notes have been authorized by a resolution of the management board of the Company, with the consent of the supervisory board, dated November 29, 2017.

23.2 Clearance and settlement

The Notes have been accepted for clearance by Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium, and/or Clearstream Banking, société anonyme, 42 Avenue J.F. Kennedy, L-1855 Luxembourg.

The 2021 Notes have been assigned the following securities codes: ISIN XS1731858392, WKN A2G8S2.

The 2024 Notes have been assigned the following securities codes: ISIN XS1731858715, WKN A2G8S3.

23.3 Admission to trading

Admission of the Notes to trading on the Main Securities Market of the Irish Stock Exchange is expected to occur on December 6, 2017.

23.4 Rating

On November 20, 2017, S&P Global Ratings assigned a “BB+” long-term issue rating relating to the Notes. S&P Global Ratings' business operations in the European Union are currently conducted through Standard & Poor's Credit Market Services Europe Limited which is established in the EU and is registered under Regulation (EC) No 1060/2009.

23.5 Material adverse change statement

There has been no material adverse change in the prospects of the Company since the date of its last published audited financial statements as at December 31, 2016.

23.6 Significant change statement

There has been no significant change in the financial or trading position of the Company since the date of its last published unaudited financial statements as at September 30, 2017.

23.7 Governmental, legal and arbitration proceedings statement

Other than as described in section 4.3 “*Contingent liabilities and other financial commitments*” and section 6.15 “*Litigation*”, the Company has not been involved in any governmental, legal or arbitration proceedings (including such proceedings which are pending or threatened of which the Company is aware, during the last 12 months, which may have, or have had in the recent past, significant effects upon the financial position or profitability of the Company or the Group.

23.8 Listing statement

Arthur Cox Listing Services Limited is acting solely in its capacity as listing agent for the Issuer in relation to the Notes and is not itself seeking admission of the Notes to the Official List of the Irish Stock Exchange or to trading on the regulated market of the Irish Stock Exchange for the purposes of the Prospectus Directive.

The estimate of the total expenses related to admission of the Notes to trading is EUR 7,000.

24 GLOSSARY

AG	German stock corporation (<i>Aktiengesellschaft</i>)
Asset deal	Acquisition of company by transfer of individual assets.
BaFin	The German Federal Financial Supervisory Authority
Bearer note	A bearer note is a special form of a note where the holder is not named in the note. The person who possesses the note is deemed the noteholder. In contrast thereto, there are registered notes where the holder is named in the note. Bearer notes are subject to the provisions of the German law of obligations in Section 793 et seq. BGB (German Civil Code).
BGB	German Civil Code
Cash flow / Net cash flow	In general, cash flow is a parameter which reflects the net inflow of liquid funds generated from business activities in a certain period.
Company	ADLER Real Estate Aktiengesellschaft, Berlin.
Customers	Customers are the respective purchasers of a product, good or service.
EBIT	EBIT means a company's earnings before interest (interest income less interest expenses) and tax and is a commonly used ratio in a company's profit and loss account.
EBITDA	EBITDA means a company's earnings (earnings before financial result and income tax) plus depreciation or earnings before interest, tax and depreciation or allowances. This ratio is unaudited. Potential investors should consider that EBITDA is neither uniformly applied nor standardized and that its calculation may substantially vary from company to company, and taken by itself, it should not be drawn upon as a basis for comparison to other companies.
EStG	German Income Tax Act
EU	European Union
EURIBOR	The Euro Interbank Offered Rate (EURIBOR) is the interest rate at which European banks offer to lend each other fixed-term deposits within Europe.
Financial covenants	In loan agreements, obligation of borrower to lender to comply with certain financial ratios.
Financial result	The financial result can be defined as interest income, interest expenses, exchange rate gains or losses, valuation differences on derivatives, capital income and financial investments.
Financial indebtedness	Financial indebtedness means (i) obligations from taking out loans; (ii) obligations under notes, promissory notes (<i>Schuldscheinen</i>) or similar debt instruments; (iii) the main obligation under acceptance, discount and similar loans; and (iv) obligations under financial leasing and sale and leaseback agreements and factoring agreements.
Fitch	Fitch Ratings, Inc. Its EU-based entities are established in the EU and are registered under Regulation (EC) No 1060/2009.
FTE	Full time equivalent.

GmbH	Company with limited liability
Global note	In banking, global note refers to a security which uniformly represents the rights of several shareholders of a stock issue or several holders of a note issue.
HGB	German Commercial Code
HRB	Commercial register (<i>Handelsregister</i>), section B
IFRS	International Financing Reporting Standards as endorsed by the European Union
ISIN	International Securities Identification Number – the purpose of the ISIN is to clearly identify securities on an international level. The ISIN consists of a two-digit country code (for example, DE for Germany) followed by a ten-digit numeric identifier.
Issue/issuance	The issuance and placement of new securities (shares, notes etc.) on a capital market by public sale is referred to as an issue. It may be carried out by a bank acting as agent (issuing bank) or as an own issue without using an intermediary. In most cases, the purpose of an issue of securities is to raise capital for the issuing company.
Issuer	ADLER Real Estate Aktiengesellschaft, Berlin, Germany.
IT	Information technology; comprises information and data processing as well as the required hard and software.
KG	Limited partnership with two or more natural oder legal persons, where one person (general partner) is fully liable for obligations of the company and the other person (limited partner) is only liable for its contribution.
KStG	Corporate Income Tax Act
Leverage	Ratio between the total net debt and the total EBITDA.
Liquidity	Liquidity means the liquid funds which are directly available to a company as well as the capability of a company to meet all obligations when due.
Moody's	Moody's Investors Service, Inc. Its EU-based entities are established in the EU and are registered under Regulation (EC) No 1060/2009.
Net debt	Net debt comprises long-term liabilities (with the exception of reserves for pensions and similar obligations, reserves, liabilities to third parties and deferred tax liabilities) less cash and cash equivalents. For so long as the purchaser has not discharged its obligations to the Company under the ACCENTRO SPA, such portion of the purchase price under the ACCENTRO SPA as remains outstanding from time to time (including accrued interest thereon) shall be counted as a cash equivalent for purposes of calculating net debt.
Note	A note is a debt instrument by which the issuer undertakes to the holder to effect payment of the debt and regular interest payment.
Open Market	Trading in securities which are not officially listed. Trading takes place either on the trading floor at normal stock exchange hours or via electronic trading systems. Trading policies are to ensure a due trading of the securities. Compared to the regulated market, the qualitative requirements as to securities and the requirements as to disclosure are less strict.

Prime Standard	In addition to the General Standard segment, Prime Standard being a sub-segment of the regulated market with additional post-admission obligations is the segment of the Frankfurt Stock Exchange (<i>Frankfurter Wertpapierbörse</i>) with the highest transparency standards which is established under private law and regulated by law and a prerequisite for inclusion in the indices DAX, MDAX, TecDAX, and SDAX.
S&P	S&P Global Ratings. S&P Global Ratings' business operations in the European Union are currently conducted through Standard & Poor's Credit Market Services Europe Limited which is established in the EU and is registered under Regulation (EC) No 1060/2009.
WKN	WKN (German securities code) is a six-digit combination of figures and letters (national securities identifying number) for the identification of financial instruments.
WpHG	German Securities Trading Act
WpPG	German Securities Prospectus Act
WpÜG	German Securities Acquisition and Takeover Act
XETRA	the electronic trading system of Deutsche Börse AG

25 INCORPORATION BY REFERENCE

The pages specified below of the following documents which have been published at the Company's website at www.adler-ag.com are incorporated by reference into this Prospectus. All documents being incorporated by reference into this Prospectus have been filed with the Central Bank of Ireland. The page numbers set out below refer to the page numbers of the respective pdf documents of the financial statements published on the Company's website.

- the German language unaudited consolidated interim financial statements of the Company prepared in accordance with the International Accounting Standard 34: Interim Financial Reporting as of and for the nine-month period ended September 30, 2017 (*Konzernzwischenabschluss zum 30. September 2017*), available via the following link:
http://adler-ag.com/new/wp-content/uploads/2017/11/adler-q3-2017_de.pdf
- the German language annual report 2016 containing the audited consolidated financial statements (prepared in accordance with IFRS) of the Company as of and for the fiscal year ended December 31, 2016 (*Konzernabschluss zum 31. Dezember 2016 nach den International Financial Reporting Standards*), available via the following link:
http://adler-ag.com/new/wp-content/uploads/2017/05/adler-gb-2016_de.pdf
- the German language annual report 2015 containing the audited consolidated financial statements (prepared in accordance with IFRS) of the Company as of and for the fiscal year ended December 31, 2015 (*Konzernabschluss zum 31. Dezember 2015 nach den International Financial Reporting Standards*), available via the following link:
http://adler-ag.com/new/wp-content/uploads/2017/05/adler-gb-2015_de.pdf
- the German language annual report 2014 containing the audited consolidated financial statements (prepared in accordance with IFRS) of the Company as of and for the fiscal year ended December 31, 2014 (*Konzernabschluss zum 31. Dezember 2014 nach den International Financial Reporting Standards*), available via the following link:
http://adler-ag.com/new/wp-content/uploads/2017/06/adler-gb-2014_de.pdf

Unaudited consolidated interim financial statements (prepared in accordance with IFRS for Interim Financial Reporting (IAS 34) as of and for the nine-month period ended September 30, 2017

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Copies of documents incorporated by reference in this Prospectus may be obtained without charge from the office of the Company and the website of www.adler-ag.com.

The Auditor's Reports have been issued in accordance with Section 322 German Commercial Code (*Handelsgesetzbuch*) and relate (i) to the complete annual reports 2016, 2015 and 2014, respectively, of the Company comprising the consolidated balance sheets, the consolidated statements of income and accumulated earnings, consolidated cash flow statements, consolidated statements of changes in equity and notes and the group management reports (*Konzernlageberichte*) as of and for the fiscal years ended December 31, 2016, 2015 and 2014. The group management reports are neither included nor incorporated by reference in this Prospectus.

English language translations of the German language financial statements of the Company which are being incorporated by reference into this Prospectus are available at the Company's website at www.adler-ag.com:

- the English language unaudited consolidated interim financial statements of the Company prepared in accordance with the International Accounting Standard 34: Interim Financial Reporting as of and for the nine-month period ended September 30, 2017, available via the following link:
http://adler-ag.com/new/wp-content/uploads/2017/11/adler-q3-2017_en.pdf
- the English language annual report 2016 containing the audited consolidated financial statements (prepared in accordance with IFRS) of the Company as of and for the fiscal year ended December 31, 2016, available via the following link:
http://adler-ag.com/new/wp-content/uploads/2017/05/adler-gb-2016_en.pdf
- the English language annual report 2015 containing the audited consolidated financial statements (prepared in accordance with IFRS) of the Company as of and for the fiscal year ended December 31, 2015, available via the following link:

http://adler-ag.com/new/wp-content/uploads/2017/05/adler-gb-2015_en.pdf

- the English language annual report 2014 containing the audited consolidated financial statements (prepared in accordance with IFRS) of the Company as of and for the fiscal year ended December 31, 2014, available via the following link:
http://adler-ag.com/new/wp-content/uploads/2017/05/adler-gb-2014_en.pdf

Any statement contained in this Prospectus or in a document that is incorporated by reference herein will be deemed to be modified or superseded for purposes of this Prospectus to the extent that a statement contained herein or in any other subsequently filed document that is also incorporated by reference herein modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement will not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any such statement so modified or superseded will not be deemed, except as so modified or superseded, to constitute a part of this Prospectus.

26 RECENT DEVELOPMENTS AND OUTLOOK

26.1 Recent developments

In 2016, ADLER had undergone organizational and structural changes with the objective of offering its tenants virtually the whole range of residential services on an in-house basis, rather than via third-party service providers as in the past. To establish maximum direct contact with its tenants, in 2016 ADLER pooled its in-house property management activities into the newly founded company ADLER Wohnen Service GmbH. This company has now built up a regional structure which allows it manage all Group properties. Whereas this was the case for just over half of the portfolio at the beginning of 2017, ADLER expects its entire portfolio to be managed and supported by internal resources by early 2018.

ADLER is taking a similar approach with regard to its facility management, i.e. for tradesman and caretaker services at and in the properties. Here, too, ADLER intends to provide the predominant share of services with in-house resources. To this end, ADLER Gebäude Service GmbH (previously: Arkadio Facility Management GmbH) has also developed a regional structure largely analogous to its property management counterpart.

Furthermore, ADLER is on schedule with regard to its vacancy reduction program in relation to 1,500 previously unoccupied apartments. Launched in 2016, this program is progressing as planned and ADLER expects its completion by year-end 2017. The refurbishment measures have already proven to be worthwhile, as the newly refurbished apartments achieve significantly higher rents as compared with the existing portfolio. Against this background, ADLER has decided to launch a second vacancy reduction program and to invest a further EUR 15 million in renovating another 1,000 vacant apartments until year-end 2018.

Aside from turning ADLER into a fully integrated real estate company, the Management Board was set to reduce liabilities, improve LTV and reduce the weighted average cost of debt (WACD). To this end, ADLER repaid liabilities totaling EUR 380 million in the course of 2017, mainly financed through the sale of ADLER's 26% share in conwert with ADLER receiving a cash consideration in the amount of EUR 422 million in the context of the voluntary takeover offer made by Vonovia to the conwert shareholders.

Following receipt of the funds from Vonovia, ADLER began redeeming higher yielding debt in January 2017 by redeeming short-term loans with a total volume of EUR 199.7 million which had been used for the acquisition of the conwert shares. In February 2017, ADLER acquired convertible bonds issued by ACCENTRO with a carrying amount of EUR 12.3 million. This was motivated by the intention to maintain ADLER's shareholding in ACCENTRO at a constant level in light of the conversion of the convertible bonds into ACCENTRO shares while at the same time reducing liabilities. In March 2017, ACCENTRO called its EUR 10 million 9.25% notes 2013/2018 at 101.5% of the nominal amount plus accrued interest. Likewise in the first quarter of 2017, ADLER repaid junior promissory notes (*nachrangige Schuldscheindarlehen*) in an aggregate principal amount of EUR 33.0 million. In April 2017, the Company called its EUR 130 million 6.00% Notes 2014/2019 at 101.5% of the nominal amount plus accrued interest.

The repayment of these liabilities improved ADLER's LTV and will also boost FFO in the future as interest expenses are reduced by over EUR 12 million on a rolling 12 month basis. At the same time, ADLER used the favorable market conditions to tap its then EUR 350 million 4.75% Note 2015/2020 by EUR 150 million to EUR 500 million in April 2017.

ADLER is thus well positioned to achieve its third major goal as well, namely the further growth of its portfolio. To this end, a portfolio comprising 700 units located in the Bremen area was acquired in the first quarter of 2017. This portfolio comprises 693 residential and 8 commercial units in Osterholz-Scharmbeck and Schwanewede. Located in the Bremen catchment area, these properties fit ADLER's objective of offering high quality yet affordable living space on the edges of conurbations. The portfolio, which generates rental income of more than EUR 2 million p.a., thus represents a favorable addition to ADLER's existing portfolio in northern Germany. In the second quarter of 2017, ADLER acquired a further portfolio with nearly 200 residential units in Senftenberg, a medium-sized town located in the south of Brandenburg, half way between Dresden and Cottbus. The portfolio generates annual rental income of approximately EUR 0.7 million and fits well into ADLER's Brandenburg portfolio. In the third quarter of 2017, ADLER acquired a further portfolio with approximately 2,500 rental units primarily located in Western and Northern Germany (portfolio "Compass"). Approximately 60% of the approximately 2,500 units are located in North Rhine Westphalia. This portfolio has a vacancy rate of approximately 6% with a rental income of approximately EUR 9 million on an annualized basis. The

properties can easily be integrated into ADLER's existing property and facility management structures and will thus allow for economies of scale through the cost-efficient administration of the properties.

The Company's general shareholder's meeting held on June 7, 2017 adopted a resolution in relation to a capital increase from own funds and providing shareholders with bonus shares at a ratio of 10:1 to the Company's existing share capital at the time and to let the existing shareholders benefit from the Company's economic performance. As a result, 4,773,135 new shares were issued in June 2017.

Likewise in June 2017, the Company launched a share buyback program under which a total of 664,451 treasury shares for a total purchase price of approximately EUR 9.08 million and an average share price of EUR 13.66 were acquired until termination of the buyback program on September 18, 2017. On September 21, 2017, the Company launched a second share buyback program under which a total of 376,653 treasury shares for a total purchase price of approximately EUR 5.00 million and an average share price of EUR 13.2721 were acquired until termination of the buyback program on November 29, 2017.

Finally, on October 20, 2017, following a strategic review and with a view to focusing on its core residential rental business and increasing its level of unencumbered assets, the Company entered into a share purchase agreement with Brookline regarding approximately 80% out of its current 86% stake in ACCENTRO and 4,743,359 convertible notes issued by ACCENTRO with respect to a further 4,809,282 underlying shares which are not yet issued. Subject to the closing of this transaction, which is expected to occur in the fourth quarter of 2017, the Company intends to discontinue its Trading segment by the end of 2017. On October 20, 2017, as agreed under the ACCENTRO SPA, Brookline made an initial down payment on the purchase price in an amount of EUR 2,000,000. The first installment of the purchase price amounting to EUR 18,000,000 will become due and payable on closing. The remaining portion of the purchase price will be deferred by one year from closing. With respect to the remaining approximately 6% stake in ACCENTRO the Company has a put option which is exercisable one year after closing of the transaction. The purchase price to be paid per retained share in ACCENTRO under the put option amounts to approximately EUR 11.4 million in total.

On November 13, 2017, ADLER entered into a share purchase agreement with respect to the acquisition of shares in eight companies (hereinafter together the "**Riverside Targets**") holding properties located in Berlin and developing residential and commercial buildings with up to 700 residential units ("Project Riverside"). The Riverside Targets are owners of eight properties located in central Berlin which are subject to the development and construction of up to approximately 700 residential units with approximately 44,000 sqm of living space and additional approximately 5,200 sqm of office and retail space. The preliminary purchase price for ADLER's 94.9% shares in each of the Riverside Targets amounts to EUR 85.4 million. The purchase price for the shares and the shareholder loans amounts to EUR 32.2 million and will be fully borne by ADLER. The total purchase price is payable in three installments. Project Riverside has an expected overall investment volume of approximately EUR 300 million.

26.2 Outlook

Stable macroeconomic framework

The Company expects the macroeconomic framework for companies in the real estate sector to remain overall favorable in 2017 and 2018. The Company furthermore expects the domestic macroeconomic developments to be robust, with expected economic growth and private consumer spending growth of between 1.5 and 2% in both years.

At the same time, the Company expects the interest rates in Germany to remain low in 2017 and to persist at a low stage in 2018, too. Even if interest rates should rise in the near future, the Company only expects a rather moderate interest increase. Against this background, the Company expects that German real estate will continue to be an attractive investment category for private and institutional investors. In the Company's view, the framework is therefore set to remain favorable for ADLER's rental business model.

The Company expects housing to remain scarce in 2017 and 2018, with demand continuing to rise due to the three fundamental demographic trends in Germany, i.e. (i) a long-term population decline, (ii) an increase in the number of households while the average household size decreases and (iii) an aging population (source: Federal Statistical Office, press release no. 67/17, "*43 Millionen Privathaushalte im Jahr 2035*", published on February 28, 2017)). In addition, the Company expects immigration to continue, albeit not on the same scale as in 2015 and 2016. The housing supply, by contrast, will only grow to the extent that new construction projects

have already been approved. In the Company's estimation, this will be insufficient to cover the increasing demand, particularly not in the segment of affordable housing.

The Company therefore expects increasing use to be made of existing capacities in the rental market in 2017 and 2018, resulting in higher occupancy rates. In this context, the Company expects this development to allow for a certain degree of rent increases. Overall, the Company therefore regards the prevailing conditions as favorable in relation to its business model.

Focus on consolidation and portfolio optimization

In 2017, in terms of its strategic objectives, the Company has been focusing on the further development of ADLER into an integrated property group and has expanded its proprietary property and facility management activities. This process will be continued in 2018. It will also be extended to other services, as ADLER is preparing to start its own energy business. To this end, ADLER Energie Service GmbH has been founded which, from 2018 on, will take over the complete energy-related business of the ADLER Group, including heating systems and the complete energy supply.

Portfolio optimization will remain another important objective on ADLER's agenda. Properties classified as "non-core" are to be sold in order to boost the earning strength of the overall portfolio. To this end, ADLER has initiated a structured offering process in cooperation with a highly renowned broker. However, ADLER also intends to grow further and is interested in acquiring properties that match its business model like it has done in 2017. ADLER therefore continues to focus on portfolio acquisitions in regions in which it already operates. In line with this strategy, ADLER is assessing various portfolios that currently comprise approximately 6,500 rental units. However, as the number of suitable portfolios on the market has decreased and asking prices have become less attractive, ADLER has decided to expand its existing strategy by investing in projects such as the extension of existing buildings by adding extra levels, the construction of new buildings on own plots of land or the cooperation with developers on the premise that developments risks are covered.

Further improvement of financial indicators expected

In its day-to-day business, ADLER has and will further focus on improving its key operational indicators, such as the occupancy rate and average rent per square meter in order to increase rental income and thus also to improve the net asset value of its residential portfolio.

The Company has not yet published any guidance for 2018 as it considers it too early and will do so only after finalization of its planning for the coming year. The Company expects a further reduction of ADLER's vacancy rate, partly by means of its investment programs to renovate vacant apartments. During 2017, however, it became clear that the internalization of the property management from third was not as frictionless as expected, thus creating pressure on the occupancy rate. The development so far shows that, while there is improvement, it may be difficult to reach the original targets which anticipated an improvement between 3 and 4%. At the same time, ADLER will likely be able to raise average rents in its existing property portfolio holdings by more than the anticipated 1 to 2%, compensating for the likely shortfall in occupancy.

Based on these expectations, ADLER expects net rental income in 2017 to increase by approximately 3%, as originally planned. In 2017, the recent acquisitions will contribute little as the major expansion of the portfolio came at the end of the third quarter only.

With operational improvements and particularly the benefits from debt reduction and refinancing, for the fiscal year 2017, the Company expects to achieve an estimated FFO I of EUR 40 million in line with its guidance, resulting in a year-on-year growth of nearly 50%. Due to its nature, FFO II is more difficult to predict, as this key figure also includes the contribution from the property trading business operated by ACCENTRO. ACCENTRO made an unusually high FFO II contribution in 2016 due to the sale of a whole portfolio originally earmarked for privatization, i.e. individual sale, in a block sale. No such transaction has occurred or will occur in 2017. However, the Company expects to achieve an estimated FFO II of EUR 50 million for the fiscal year 2017 (2016: EUR 55.3 million). Due to the sale of ACCENTRO, however, the Company does not intend to issue a FFO II guidance going forward.

Moreover, the Company expects ADLER's financial indicators to show further improvements. After the diverse buyback and refinancing measures in the first half year of 2017 in particular, the Company expects to significantly reduce its LTV figure to approximately 55% at year end. ADLER would then have reached what it

considers to be the appropriate ongoing level, as this offers a balance between the needs of debt capital providers for financial security and those of equity providers for suitable leverage. Furthermore, through the implementation of refinancing measures and, in particular, the early repayment of higher-interest debt, ADLER expects to reduce its weighted average cost of debt (WACD) to approximately 3.5% at year-end 2017.

27 EXPERT OPINIONS ON PROPERTIES

27.1 Investment properties

Investment properties comprise all properties which are held in the long term to realize rental income and increases in value. The fair value of the investment properties is determined on the basis of opinions of external experts based on current market data collected by means of internationally recognized valuation methods. For this purpose, the discounted cash flow method and the income capitalization method in accordance with the German Ordinance on the Valuation of Property/Real Estate (*Immobilienwertermittlungsverordnung*) are used.

As of September 30, 2017, ADLER held 49,553 residential and 1,088 commercial units (excluding 2,613 units held in inventories for privatization) with a rental space of 3.2 million sqm and a fair value of EUR 2,640.7 million and an annualized actual rent (including parking spaces and other areas) of approximately EUR 178 million, with a regional focus on Lower Saxony (17,694 units), North Rhine-Westphalia (10,824 units), Saxony (7,339 units), Brandenburg (3,707 units) and Saxony-Anhalt (3,476 units).

27.2 Experts of real property expert opinions

The independent external experts of Jones Lang LaSalle GmbH, Wilhelm-Leuschner-Straße 78, 60329 Frankfurt am Main, Germany, and the experts of NAI apollo valuation & research GmbH, Große Eschenheimer Straße 13, 60313 Frankfurt am Main, Germany have drafted the real property expert opinions for the property portfolio in which ADLER holds majority participations.

The experts of Jones Lang LaSalle GmbH as well as the independent external experts of Jones Lang LaSalle GmbH, Wilhelm-Leuschner-Straße 78, 60329 Frankfurt, Germany, are certified real property experts. The Company hereby confirms that, according to its knowledge, there have been no major changes in the overall value of the properties, which are the subject of the expert opinions, since the effective dates of the expert opinions.

27.3 Overview of real property expert opinions

Portfolio	Appraiser
Magnus II	Jones Lang LaSalle GmbH
Magnus III	Jones Lang LaSalle GmbH
Magnus IV	Jones Lang LaSalle GmbH
Magnus V	Jones Lang LaSalle GmbH
Magnus IX	Jones Lang LaSalle GmbH
WESTGRUND	Jones Lang LaSalle GmbH
Bremecketal	Jones Lang LaSalle GmbH
Kupferhammer	Jones Lang LaSalle GmbH
TGA Immobilienerwerb 3 GmbH	Jones Lang LaSalle GmbH
ADLER Real Estate Properties GmbH & Co. KG Portfolio Grünstadt	NAI apollo valuation & research GmbH
MBG Lüdenscheid GmbH Portfolio	NAI apollo valuation & research GmbH
MBG Sachsen GmbH Portfolio	NAI apollo valuation & research GmbH
Resident Baltic GmbH Portfolio	NAI apollo valuation & research GmbH
Resident Sachsen P & K GmbH Portfolio	NAI apollo valuation & research GmbH

Resident West GmbH Portfolio

NAI apollo valuation & research GmbH

WBR Wohnungsbau Rheinhausen GmbH Portfolio (Magnus)

NAI apollo valuation & research GmbH

WER 1. und 2. Wohnungsbaugesellschaft Erfurt Rieth GmbH

NAI apollo valuation & research GmbH

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