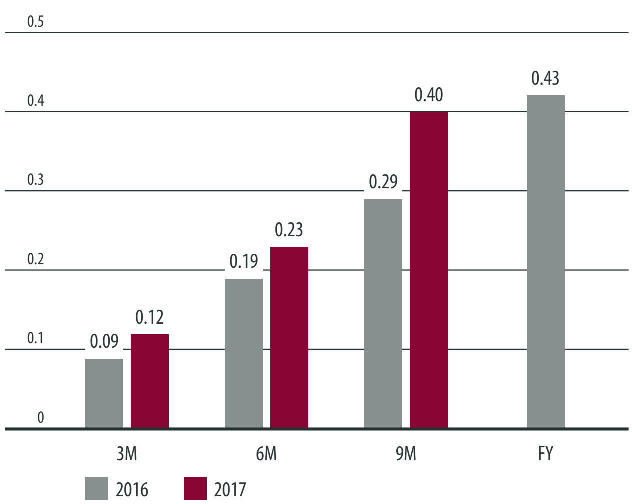
Q3 /// Interim Report for the first nine months of 2017

/// KEY FINANCIAL FIGURES

Consolidated Statement of Income (in EUR millions)	9M 2017	9M 2016
Net rental income	130.5	125.7
Earnings from property lettings	95.1	91.3
Earnings from the sale of properties	22.6	34.1
EBIT	120.0	217.3
Consolidated net profit	24.0	98.6
FFO I	27.1	18.6
FFO I per share in EUR [1]	0.40	0.29
FFO II	38.1	45.3
FFO II per share in EUR [1]	0.56	0.71
Consolidated Balance Sheet (in EUR millions)	**30.09.2017**	**31.12.2016**
Investment properties	2,640.7	2,442.0
EPRA NAV	1,101.8	1,069.9
EPRA NAV per share in EUR [1]	16.10	16.68
LTV (%) [2]	59.6	61.3
Cash flow (in EUR millions)	**9M 2017**	**9M 2016**
Net cash flow from operating activities	0.9	81.9
Net cash flow from investing activities	321.0	-74.4
Net cash flow from financing activities	-329.2	44.5
Employees	**30.09.2017**	**31.12.2016**
Number of employees	535	354
FTEs (full-time equivalents)	490	319

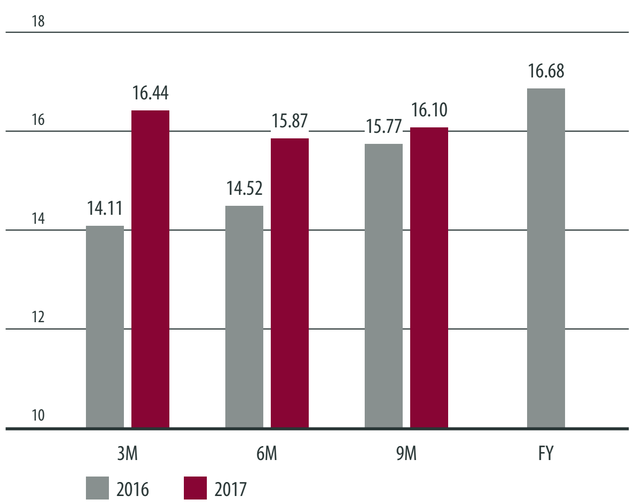
[1] Based on the number of shares outstanding as at balance sheet date plus shares from assumed conversion of mandatory bond, which is considered as equity; previous year adjusted corresponding to IAS 33.64, please see comments in notes to the interim consolidated statements under earnings per share
[2] Excluding convertible bonds

FFO I/SHARE in EUR



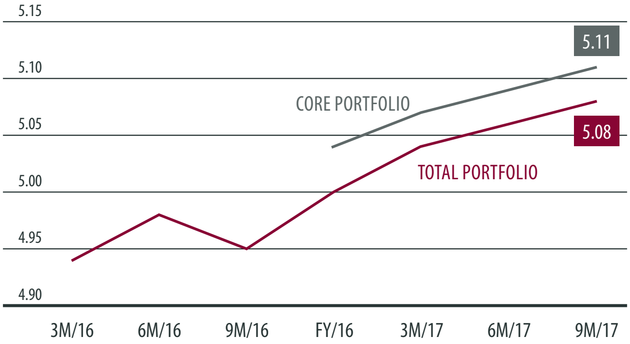
6M/17 after issue of bonus shares and conversion of 2013/2017 convertible

EPRA NAV/SHARE in EUR

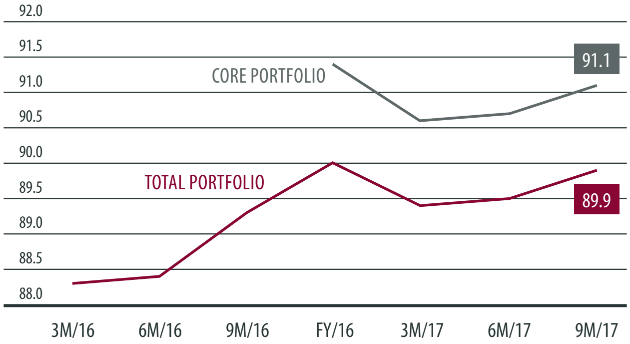


/// PROPERTY FIGURES

AVERAGE RENT* in EUR/sqm/month



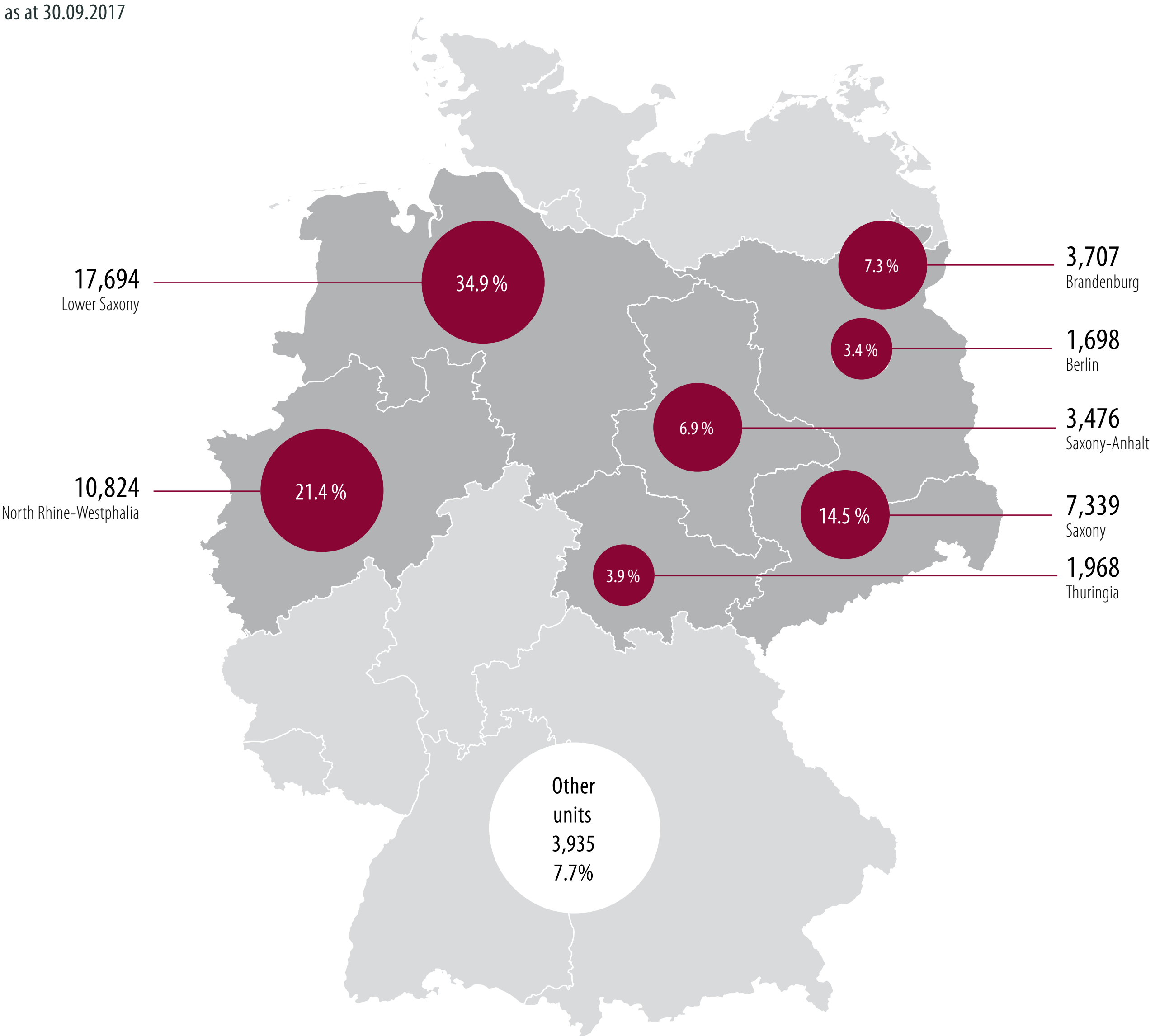
OCCUPANCY RATE* in %



* Reporting core portfolio started end of 2016 only

Rental units

as at 30.09.2017



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/// LETTER FROM THE MANAGEMENT BOARD

Dear Ladies and Gentlemen,

Up to the end of 2015, ADLER Real Estate AG was one of the fastest-growing real estate companies in Germany. After the 2016 consolidation phase, in which we overhauled our structures and converted our company into an integrated real estate Group, the focus returned to growth in 2017 – initially with two smaller acquisitions in the first half of the year and now, in the third quarter, with a bigger step to generate growth. The acquisition of over 2,500 rental units saw our portfolio increase by approx. 5 percent, meaning that our property portfolios expanded by over 7 percent overall this year.

Of course, an attractive price was an essential condition for the purchases. However, we were also keen to ensure that the new portfolios dovetail with our business model of offering affordable housing for people on average or low incomes on the edges of conurbations. As a Group that now provides all tenant-related services independently, we also firmly believe that in terms of their regional location, new portfolios should be a good fit for the structures of portfolio and facility management set up last year. This is the only way to achieve the positive effects that we are aiming for with internalisation: better utilisation of in-house staff capacity and an improved quality of support for tenants. The portfolios acquired in the course of the year are focused on the Bremen region, the Ruhr area between Duisburg, Essen and Gelsenkirchen, and southern Lower Saxony, i.e. regions where ADLER already has relevant support operations in place.

However, when making our acquisitions this year, we also gained the impression that the strategy of growing solely by buying portfolios is now starting to run its course: fewer and fewer portfolios are available on the market. And increasingly, the asking prices are so high that they are no longer attractive to us. In such a situation, development, densification or loft-conversion projects look more attractive. That is why we now aim to pay more attention to these issues – even if it is only to supplement our existing business model rather than replace it. To underpin this intention structurally, we have therefore set up a Portfolio/Project Development department that will deal with this matter in the future.

All projects will then be supported by this department, from the still-faltering development of a site in Dresden acquired years ago to the loft conversion of existing residential units in Göttingen or Wolfsburg, which we now aim to push forward.

To enable us to concentrate fully on expanding our letting business, we have also decided to move away from the trading activities that were previously a key pillar of our business. In mid-October, i.e. after the end of the period under report, we sold our shares in ACCENTRO Real Estate AG. This has freed up funds that we can use for further acquisitions or to reduce liabilities. In addition, the sale is likely to benefit our rating, as it strengthens our shareholders' equity and further reduces the LTV. This will create better financing terms for us in future.

We firmly believe that by doing this, we are contributing to the positive ongoing development of our company. After all, every strategy must be geared towards the prevailing market conditions. If these change, the strategy also needs to be adapted. Only the right combination of a sensible, clearly aligned business model and the courage to keep on adapting it to the changed situation will ensure commercial success.

Yet even if we pursue a new idea of some kind, most of our existing strategic objectives will remain in place. As before, one of them is to remove properties from the portfolio that do not fit with our business model – properties that we call “non-core”. For these approx. 2,500 units, we set up a structured sales process with an external cooperation partner in the third quarter. We have also received initial indicative offers. The next step is to hold further talks with the interested parties to clarify the terms and prices at which we can sell these units as a whole or in sub-portfolios. However, it is too early to tell whether this process can be concluded this year, as originally announced.

We also still intend to expand our range of services as part of our transition to an integrated real estate Group. For instance, we have now established an energy company called ADLER Energie Service GmbH that will handle all the heating systems and energy supply in our holdings starting in 2018. By bundling these activities, we expect to be able to make our energy supply more efficient.

In addition, we have successfully completed the programme to reduce the vacancy rate, which involved us renovating 1,500 empty apartments at a cost of approx. EUR 15 million. Because we can generate even more attractive rents than we originally envisaged for the renovated apartments, we have decided to continue this programme and invest a further sum of approx. EUR 15 million by the end of 2018 in renovating apartments that are or will become vacant.

Of course, money is not earned through strategic roadmaps, but by successfully conducting day-to-day operations. We also achieved this once again in the third quarter, in line with our expectations. Although we are not entirely on track in terms of our occupancy rate, rents are rising more sharply than initially forecast. The development of FFO I and NAV, our most important key figures, in the first nine months suggests that we can reach our targets for the year. The same applies to key financial figures such as LTV and average interest on our liabilities. We are therefore well on the way to achieving our targets for the year, which we regard as extremely ambitious.

However, operating stability and financial improvement are only partially reflected in the share price. ADLER shares are one of the few real estate share in Germany that are consistently traded at a significant gap from their intrinsic value and way below all target prices published by various financial institutions. Therefore, we have added a second tranche to the share buyback programme that expired in September, sending a signal to the capital market that we continue to see attractive upward potential in our shares.

Yours faithfully,

Arndt Krienen
CEO

Sven-Christian Frank
COO

/// Portfolio

/// ADLER on the capital market

/// PORTFOLIO

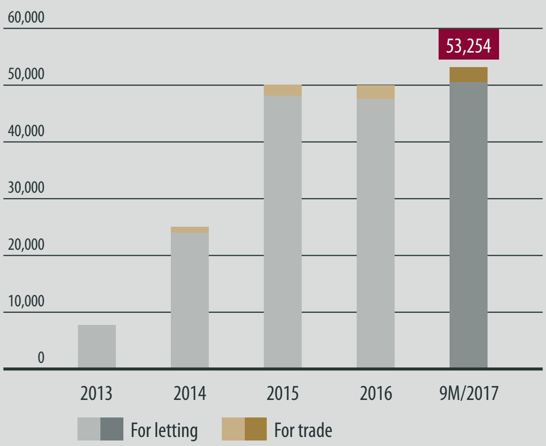
ADLER Real Estate AG pursued two business objectives in the reporting period – letting permanently held properties and trading with properties acquired specifically for this purpose and thus only retained in the portfolio for short periods. In October, ADLER sold its stake in ACCENTRO Real Estate AG, the group company in charge of the trading business. ADLER will thus concentrate on the letting business in the future. In the balance sheet, the properties let out permanently are recognised at fair value under "investment properties", while the properties held for trading are recognised at cost under "inventories". At the end of the third quarter of 2017, ADLER Real Estate AG held a total of 53,254 rental units, of which 2,613 units were held for trading and 50,641 units for permanent letting.

THE RENTAL PORTFOLIO

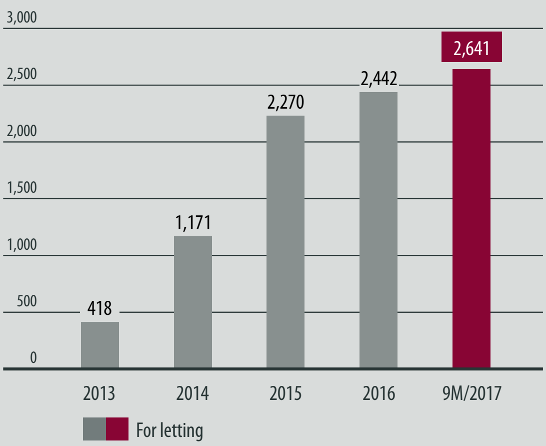
Focus on residential property

ADLER essentially sees itself as a provider of rented apartments. Consistent with this approach, these accounted for 49,553 units. Thus 97.9 percent of the properties in the portfolio were held for permanent letting as at the reporting date. Having said this, the overall portfolio also includes a small share of commercial units. In a certain sense, these are a by-product as some of the inner-city residential properties also include shop or office space. There were 1,088 such units at the reporting date, accounting for a 2.1 percent share of the portfolio of properties held for permanent letting.

PORTFOLIO



FAIR VALUE INVESTMENT PROPERTIES in EUR millions



Property holdings expanded through acquisitions

The number of rental units held for permanent letting increased by 6.3 percent in the first nine months of the year. A total of 498 rental units were sold in the course of streamlining the portfolio to remove units no longer viewed as forming part of the core portfolio. The holdings were augmented in particular through the acquisition of several portfolios, comprising 701 units in the Bremen area in the first quarter, 192 units in Senftenberg in the second quarter and 2,505 rental units with an emphasis on fast-growing locations in North Rhine-Westphalia, Lower Saxony and Bremen, which were acquired in the third quarter. ADLER has thus met the objective it set itself of moderately expanding its portfolio. The number of properties held for trading has also increased slightly.

Portfolio realignment	30.09.2017			31.12.2016
		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 privatisation	2,613	669	860	2,422
Total	**53,254**	**1,167**	**4,359**	**50,062**

“Non-core” portfolio to be sold

ADLER Real Estate AG intends to dispose of holdings that are economically weak or no longer fit its business model. As of the reporting date, the company had specific intentions to sell a total of 3,331 rental units, corresponding to 6.6 percent of its existing portfolio. ADLER initiated a structured sales process with an external partner in the course of the third quarter and has already received initial indicative offers. However, the aim of disposing of significant portions of this “non-core” portfolio may not be achieved until the next financial year. The following table presents the key performance data and average market values of the “non-core” portfolio compared with the figures for the core portfolio (core properties).

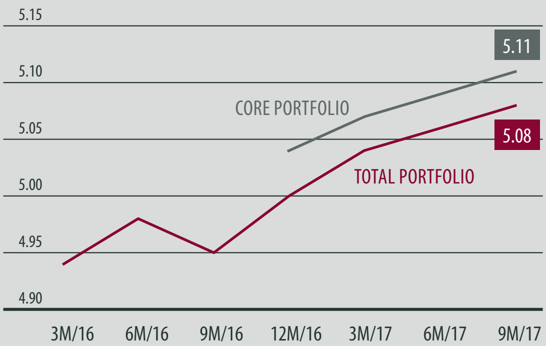
“Core” and “non-core” portfolio	Total	Core	Non-core
Rental units	50,641	47,310	3,331
Ø rent/sqm/month in EUR	5.08	5.11	4.72
Occupancy rate in %	89.9	91.1	75.9
Market value/sqm in EUR	829.0	849.0	583.0
NRI-multiple	15.1	15.2	13.6

Operating performance data – substantial rise in average rent

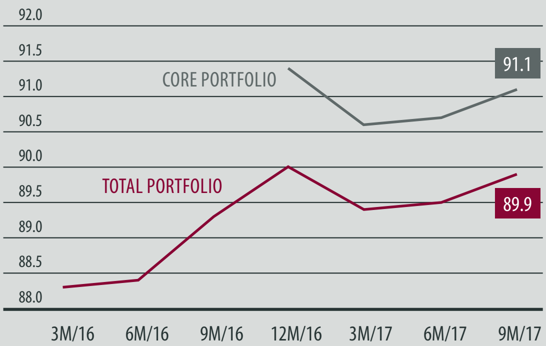
The Group further improved its key performance data in the first nine months of the current financial year. At the end of the period under report, the average contractually agreed rent per square metre per month for the overall portfolio amounted to EUR 5.08, EUR 0.13 higher than the figure for the previous year's period (9M 2016: EUR 4.95). In the core portfolio, the average rental income (per square metre and month) amounted to EUR 5.11 as of 30 September 2017, up EUR 0.07 on the start of the year (EUR 5.04), when this performance indicator was ascertained for the first time. In the course of nine months, the development of average rent therefore already reached the level that ADLER had previously expressed in its forecast for the year as a whole.

The occupancy rate for the overall portfolio came to 89.9 percent at the end of the first nine months of 2017 against 89.3 percent one year earlier. The occupancy rate in the core portfolio reached 91.1 percent at the end of the third quarter of 2017. This equates to an improvement of 0.4 percentage points since the year's halfway point (89.5 percent), but also a slight decline since the start of the year, when this performance indicator was also ascertained for the first time (91.4 percent). However, ADLER has not yet met its own target for this key figure. This is mainly due to the fact that the massive transition of tenant support services from external service providers to internal group property and facility management at the beginning of the year gave rise to a certain volume of "friction losses" that had not been expected. These were initially reflected in a higher tenant turnover rate and a higher vacancy rate. Although this negative development has been partially rectified over the course of the year, the original targets were no longer achievable in the first nine months of the year – and are not expected to be achieved by the end of the year either.

AVERAGE RENT* in EUR/sqm/month



OCCUPANCY RATE* in %



* Core portfolio reporting started at the end of 2016 only

The changes compared with the previous quarter are presented in the table below for the core portfolio. The figures are presented on a like-for-like basis, i.e. they only refer to properties forming part of the portfolio in both reporting periods.

Investment properties (Core portfolio) Like-for-like (30.09.2017 to 30.06.2017)	Residential and commercial	Change	Residential	Change	Commercial	Change
Units	44,612		43,810		802	
Ø rent EUR/sqm/month	5.11	0.8%	5.06	0.8%	6.66	0.3%
Occupancy rate (%)	90.9	0.04%	91.4	-0.04%	76.5%	0.8%

Further increase in fair values

The fair value of the portfolio calculated in accordance with IFRS amounted to EUR 2,640.7 million at the end of the third quarter of 2017, as compared to EUR 2,442.0 million at the end of last year. This value growth was partly driven by the acquisition of three property portfolios with a total of 3,398 rental units, partly by the fair value gains of the existing investment properties. ADLER expended EUR 36.1 million on maintenance and modernisation measures in the first nine months of 2017, and thus more than in the comparable period in the previous year (EUR 30.1 million). Of this total, EUR 17.0 million related to ongoing maintenance work and EUR 19.1 million to renovation and modernisation measures eligible for capitalisation (9M 2016: EUR 18.9 million and EUR 11.2 million, respectively). The additional expenses mainly relate to the vacancy refurbishment programme, which involved a total of 1,500 vacant apartments being fully renovated.

Key focuses in north and west of Germany

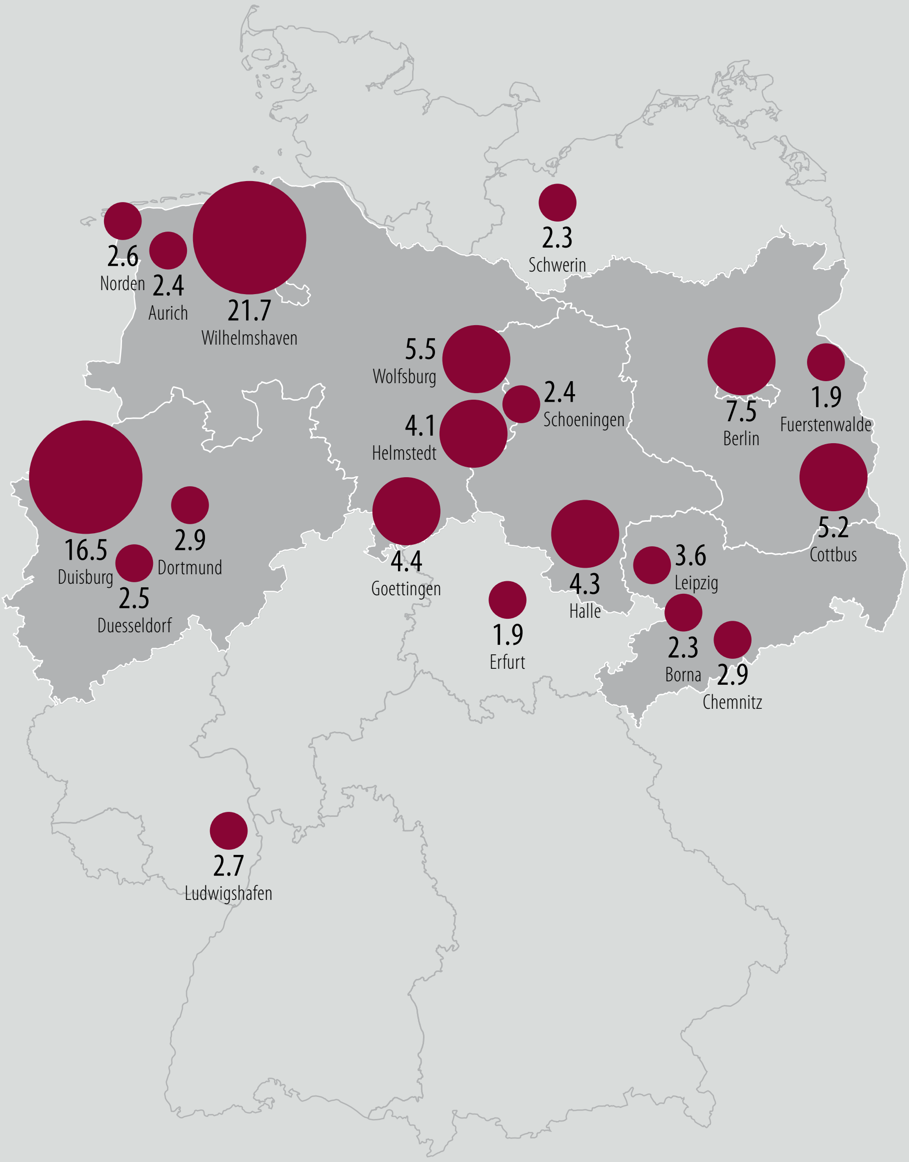
ADLER limits its business activities to Germany and holds most of its properties in the northern and western parts of the country. More than half of ADLER's properties are in the federal states of Lower Saxony (34.9 percent of the overall portfolio) and North Rhine-Westphalia (21.4 percent of the overall portfolio). More than 40 percent of ADLER's portfolio is located in the eastern part of the country, with key focuses here in Saxony (14.5 percent), Brandenburg (7.3 percent) and Saxony-Anhalt (6.9 percent).

ADLER mainly owns properties on the edges of conurbations. That is particularly apparent in North Rhine-Westphalia, where all of the company's properties are in the Ruhr, which is still Germany's largest industrial region. In Lower Saxony, the property holdings are mainly focused on the Wolfsburg/Braunschweig/Helmstedt region, traditionally a strong region in economic terms, and on Wilhelmshaven, a region which is benefiting from the new deep-water port and from what is the German Navy's largest base on the North Sea. In Saxony and Saxony-Anhalt, the properties are predominantly located in the catchment areas for Halle, Leipzig, Chemnitz and Dresden – cities that after German reunification initially lost their industry and part of their populations but which are now benefiting from strong growth once again. In the wake of this year's acquisitions, there is a new focal point in the Bremen catchment area.

Property holdings on the edges of conurbations are typically characterised by higher vacancy rates, but also generate higher rent yields than properties in central or "A" locations. Peripheral locations benefit to a particularly marked extent from tight rental markets in city centres. When rents rise in desirable locations in the centre and no more affordable apartments are available, then price-sensitive demand in particular automatically shifts to the surrounding areas.

ANNUAL NET RENTAL INCOME TOP 20 LOCATIONS

In EUR millions



Top 20 locations generate almost two thirds of rental income

The focus on metropolitan regions outlined above also means that the properties in ADLER's 20 most important towns and cities account for almost two thirds of the company's total rental income. Wilhelmshaven is the Group's most important location, with a net rental income per annum of EUR 21.3 million, followed by Duisburg with EUR 16.5 million, Berlin with EUR 7.2 million, Wolfsburg with EUR 5.5 million and Cottbus with EUR 5.1 million. ADLER does not play a significant role in the local housing markets in any of its top 20 locations apart from Wilhelmshaven, where almost one fifth of local housing belongs to the Group. This scale of dominance in a specific market is not automatically a disadvantage. That is apparent in the occupancy rate in Wilhelmshaven at the end of September 2017, which at 92.2 percent was clearly ahead of the group average.

Ort	Annual net rental income (€ m)	Units	Area (sqm thou)	Ø rent €/sqm/ month	Change as against 31.06.2017	Occupancy rate (%)	Change as against 31.06.2017 (pp)
Wilhelmshaven	21.7	6,908	407.3	4.82	0.02	92.2	-0.26
Duisburg	16.5	4,281	268.5	5.31	0.06	96.8	-0.89
Berlin	7.5	1,698	111.6	5.68	0.06	98.0	-0.68
Wolfsburg	5.5	1,300	87.5	5.51	0.05	95.5	-0.30
Cottbus	5.2	1,868	110.0	4.59	0.05	85.1	0.15
Goettingen	4.4	1,139	76.1	5.02	0.04	96.8	0.17
Halle	4.3	1,656	93.1	4.52	0.01	85.9	-0.19
Helmstedt	4.1	1,219	70.7	5.03	0.02	95.8	0.67
Leipzig	3.6	1,167	70.9	4.43	0.03	94.6	1.18
Chemnitz	2.9	1,023	62.9	4.83	0.05	78.7	-0.68
Dortmund	2.9	776	51.7	4.83	0.03	95.4	-0.06
Ludwigshafen	2.7	526	34.1	7.00	0.03	94.9	0.34
Norden	2.6	747	46.8	4.87	0.09	95.0	-1.62
Duesseldorf	2.5	466	28.0	7.68	0.10	95.6	-2.17
Aurich	2.4	782	52.5	4.60	0.07	83.1	1.37
Schoeningen	2.4	846	50.2	4.94	0.03	79.7	0.76
Borna	2.3	900	50.1	4.60	0.00	84.8	-2.57
Schwerin	2.3	816	48.0	4.47	0.06	89.1	-0.54
Erfurt	1.9	643	38.9	5.60	0.11	74.7	5.39
Fuerstenwalde	1.9	573	30.6	5.35	0.01	94.3	-1.31

core portfolio only

Focus on small to medium-sized residential units

The residential portfolio at all of the locations where ADLER is present largely comprises small to medium-sized residential units. The apartments have an average size of slightly more than 60 square metres and are thus well aligned to address the needs of the company's target group, namely tenants with low to medium incomes. For ADLER, this alignment makes economic sense. Its properties satisfy the trend observed for some time now towards an ongoing increase in the number of single-person households in Germany, and that despite a decline in the country's overall population. Not only that, the risk of tenants with low incomes defaulting on their rent payments is reduced as they can obtain support from social security providers if they are unable to settle their obligations from their own incomes. Furthermore, this category of affordable living space is now also in the sights of municipal and local councils on the lookout for permanent homes for refugees.

Size of apartment	Units	% of total units	Ø rent/sqm/ month in EUR
< 45 sqm	6,901	13.9	5.78
> = 45 and < 60 sqm	16,882	34.1	4.97
> = 60 and < 75 sqm	17,666	35.7	5.01
> = 75 and < 90 sqm	6,361	12.8	4.98
> 90 sqm	1,743	3.5	4.85
Total	**49,553**	**100.0**	**5.05**

Customer orientation with in-house property and facility management

ADLER has set itself the target 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 to manage all group properties. As of the reporting date, four out of five units were managed independently; this is to be the case for all properties from the start of 2018.

The Group is taking a similar approach in its facility management, i.e. for tradesman and caretaker services at and in the properties. Here, too, ADLER intends to perform the predominant share of activities 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 their turnover rates. This process shall be assisted by the ADLER tenant app, an innovative instrument that is unique in the sector to date, which was initially launched in the Helmstedt region in the second quarter and then rolled out gradually to other locations, and which is intended to facilitate communication with tenants and boost tenant retention. Initial experience shows that a large number of tenants assess the app positively and also actually use it. This new communication instrument is to be available to all tenants by the end of the year.

Programme to reduce vacancies to be expanded

In mid-2016, ADLER initiated a programme to renovate 1,500 vacant residential units, most of which have long been vacant, in order to bring them back in line with market standards and thus reduce the vacancy rate. At the end of the third quarter of 2017, renovation work was completed on a total of 1,201 apartments, while relevant work is underway or has been commissioned for all other apartments. The project will therefore be completed on schedule in the further course of the year. In most cases, renovation has involved replacing the flooring, completely renewing the bathrooms, redesigning the tiled sections in the kitchens, relaying electric cables and in some cases replacing doors and windows. Finally, the apartments were given a fresh coat of paint. Expenses of around EUR 11,000, and thus slightly more than originally planned, have been incurred per apartment. Based on experience to date, once the work has been completed it takes two to three months to find new tenants for the apartments. After the end of the third quarter of 2017, that was the case for 924 of the newly renovated apartments. The rental income generated from letting the apartments anew is significantly higher than the group average and also ahead of our own expectations. As a result, it has been decided to continue the programme in a second tranche, which should follow seamlessly on from the first tranche and be completed by the end of 2018. Investment funds of EUR 15 million have been made available once again for this purpose.

THE TRADING PORTFOLIO

The trading business and privatisation of residential units are handled by the group company ACCENTRO Real Estate AG. At the end of the first nine months of 2017, 2,613 rental units earmarked for privatisation were recognised in the balance sheet, 191 units more than at the beginning of the year (2,422 units). Most of the trading properties are located in Berlin, and thus in a market that has proven to be especially lucrative for the privatisation business in recent years and is also clearly expected to maintain its dynamic performance. However, ACCENTRO has also acquired portfolios in Cologne and Leipzig. After the sale of the shares in ACCENTRO in October, no trading portfolio will exist in the ADLER Group in the future.

/// ADLER ON THE CAPITAL MARKET

Real estate stocks outperform DAX

The German stock market performed positively in the first nine months of the current financial year. The DAX rose by slightly more than 7 percent in the period under report. At just over 12,300 points, it ended the period just short of the then-record high seen in mid-June. Over the same period, the SDAX, the index in which ADLER has been listed since June 2015, rose by almost 14 percent, and thus twice as fast. At just under 11,000 points, this index also ended the period just short of its record high.

Real estate stocks also performed positively in the first half of 2017. Solactive DIMAX, the index comprising Germany's main listed real estate companies, was 12.5 percent higher at the end of September than at the beginning of the year. Real estate stocks thus significantly outperformed the DAX in the first nine months of the year.

In the course of the year, the value of the ADLER share ranged between EUR 13 and EUR 15, and at the end of September it was at virtually the same level as at the beginning of the year. It should be noted that the Annual General Meeting on 7 June decided to grant shareholders bonus shares from company funds at a ratio of 10 to 1. These bonus shares were credited to shareholders on 22 June. In purely mathematical terms, without this capital increase, the share price would be 10 percent higher, putting it in line with the average performance of all real estate stocks as tracked in the DIMAX.

On 16 June, ADLER then adopted a share buyback programme aimed at acquiring treasury stock at a total purchase price of up to EUR 10 million. With a total of 664,541 shares having been acquired by mid-September at a total price of EUR 9.1 million, the programme was ended.

ADLER REAL ESTATE AG STOCK, DAX, SDAX AND DIMAX SINCE JANUARY 2017 | JANUARY 2017 = 100

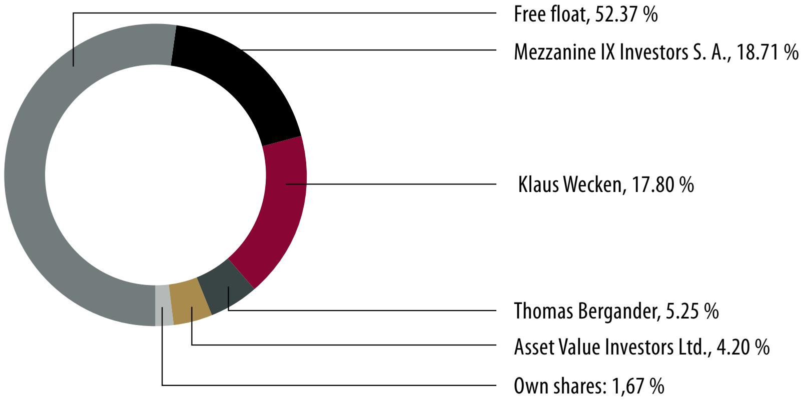
A supplementary programme was then adopted on 21 September, under which up to EUR 5 million was provided for the purchase of over 380,000 more shares. By the end of the period under report, ADLER had bought a total of 782,982 treasury stock shares, corresponding to almost 1.4 percent of the company's share capital.

Number of shares significantly increased by bonus shares and conversion of existing convertible bonds

The total number of voting rights in ADLER Real Estate AG amounted to 57,545,464 as of 30 September 2017, compared with 47,702,374 voting rights at the beginning of 2017. This increase was chiefly due to the issuing of bonus shares (4,773,135 shares) and to conversions resulting from the expiry in June of the 2013/2017 convertible bond (5,014,206 shares). Voting rights relating to the shares bought back by ADLER by the end of the period under report (782,982 shares) can no longer be exercised.

The shareholder structure changed only slightly during the first nine months of 2017. The largest single shareholder, Klaus Wecken, has reduced his shareholding, but remains one of the two largest shareholders of ADLER Real Estate AG by some distance. Based on the notifications received by ADLER from shareholders when crossing the relevant thresholds, the shareholder structure as of 30 September 2017 was as follows:

SHAREHOLDER STRUCTURE AS AT 30 SEPTEMBER 2017



In the third quarter of 2017, ADLER emphasised its growth ambitions by acquiring a further portfolio of 2,500 units.

/// Fundamentals of ADLER Real Estate AG Group

/// FUNDAMENTALS OF ADLER REAL ESTATE AG GROUP

BUSINESS MODEL

Until the end of the period under report, the business model of ADLER Real Estate AG comprised two fields of activity – Rental (investment properties) and Trading (inventory properties). The company's segment reporting is structured accordingly. However, in mid-October 2017, ADLER sold most of its shares in ACCENTRO Real Estate AG, the Group company responsible for the trading business, thus ceasing its trading activities. In the future, ADLER will therefore focus solely on investment properties and simplify its business model accordingly.

The portfolios from which ADLER Real Estate AG aims to generate long-term gross rental income through lettings are combined in the Rental segment. They are intended to cover all letting-related expenses and prospectively enable the company to pay a dividend to its shareholders. Gross rental income and the expenses associated with the letting business portray the activities of the Group's central Asset Management department, which manages residential units held in the portfolio in technical and commercial terms. It performs these activities mostly under its own management. Where this is not the case, it manages external property management companies on site by way of service agreements.

With ADLER Wohnen Service GmbH, which was founded in 2016, ADLER now has a company in which internal Group activities in the field of property management have been pooled and now expanded to the extent that they cover the predominant share of the Group. ADLER intends to fully integrate this section of the value chain into the Group by the end of 2017. Similar plans are in place for Facility Management under the auspices of ADLER Gebäude Service GmbH, a Group company formed from the former Arkadio Facility Management GmbH.

The Trading segment was largely managed by and under the responsibility of ACCENTRO Real Estate AG. It acquired buildings with residential units that are suitable for individual sale, usually held them for a short period and then sold them to the respective tenants or to investors in an individual sale. At the end of the third quarter, ADLER Real Estate AG held 86.3 percent of the shares in this company.

Rental

All activities relating to the management of properties due to be retained in the portfolio on a permanent basis are pooled in the Rental segment. These relate almost exclusively to residential units. This portfolio has been built up over the past five years by acquiring individual portfolios or shares in real estate companies. It is regularly reviewed, adjusted in line with earnings and value considerations and developed further with the aim of increasing rental income and reducing the vacancy rate. The properties are regularly valued by independent surveyors. With a portfolio of over 50,000 units, ADLER is now one of Germany's top five listed residential property companies.

ADLER intends to further expand this portfolio by making further acquisitions in the future. As previously stated, ADLER will be focusing its investments on residential property portfolios in "B" locations and on the edges of large conurbations, where the rental yields are typically higher than in inner-city "A" locations. When suitable market opportunities arise, however, ADLER also supplements its portfolio by investing in so-called "A" cities, such as Berlin, in order to benefit from value growth in these markets. Either way, ADLER believes acquisitions only make sense when the properties promise to generate positive cash flows directly from acquisition onwards. As it has become increasingly difficult to acquire portfolios on the market at attractive prices in the last two years, to complement its existing approach – which will remain unchanged – ADLER will also expand its portfolio in future by means of project developments, portfolio densification or loft conversions of existing portfolios.

The apartments in ADLER's portfolio have an average size of around 60 square metres and have two or three main rooms. At the end of the current period under report, the average monthly rent amounted to EUR 5.08 per square metre. ADLER thus operates in a market segment focusing on people with medium to below-average incomes. ADLER offers decent living quality at appropriate market rents to this target group. Demand for affordable living space is continuing to grow as the average age of the population is rising in conjunction with an increasing number of single-person households. Furthermore, people are moving to Germany from various parts of the EU as they see better employment prospects here, while others are coming to Germany as asylum seekers from further afield. At the same time, despite the renewed increase in overall construction activity, the supply of new housing in this segment remains low. This is because new construction is mostly only viable in the higher-priced rental segment.

In the balance sheet, existing real estate is typically recognised as investment properties at their fair value, which in turn is determined by independent companies specialising in this kind of valuation. Changes in the value of the properties are recognised through profit or loss in the income statement and also change the Group's net asset value (NAV).

Trading

Operations in the Trading segment involve the purchase and sale of residential properties and individual apartments. At the ADLER Group, this segment was primarily covered by the majority interest in the listed company ACCENTRO Real Estate AG, which was sold before the reporting date. ACCENTRO marketed suitable residential properties and individual apartments from the ADLER Group and also on behalf of third parties to owner-occupiers and capital investors in Germany and abroad. According to its own assessment, ACCENTRO is Germany's largest privatiser of residential property.

Acting for the Trading segment, ACCENTRO regularly acquired residential properties suitable for privatisation. They were then usually only held for short periods. Given that the Trading segment accorded priority to marketability factors, when selecting properties ACCENTRO did not automatically target the same locations as those favoured in the Rental business, but consciously also included properties in "A" cities such as Berlin in its target portfolio.

In the balance sheet, properties held for trading are recognised at cost as inventories. These items are typically not subject to value changes. Only when they are sold is the difference between the sale price and their respective carrying amount recognised through profit or loss in the income statement.

Targets and strategies

ADLER Real Estate AG bases its decisions on sustainably increasing the company's value and performance. All aspects of the corporate strategy are aligned towards this objective. The company's value is measured by reference to net asset value (NAV), as defined by the European Public Real Estate Association (EPRA). ADLER is a member of this organisation.

Strategy for the Rental segment

The value of the real estate portfolio portrayed in the Rental segment can mainly be increased by achieving the highest possible income from letting activities and ensuring that this income remains stable over time. The objective of asset management is therefore to raise occupancy rates and rental income. Changes in value can also be generated by expanding the existing portfolio after buying individual portfolios or investments or by selling parts of the portfolio in the context of identifying "non-core" properties, i.e. the regular measures for portfolio optimisation.

When the portfolios are extended by way of acquisitions, the earnings strength can be boosted by exploiting benefits of scale, as certain fixed costs can then be distributed across a larger portfolio, with a corresponding reduction in the absolute charge per individual unit. Not only that, costs can also be reduced and the efficiency of property management enhanced by grouping services with external service providers or by centralising and pooling tasks within the Group.

The key focus in optimising the existing portfolio involves identifying those properties that are only able to make below-average contributions to the Group's overall income due to their location or their qualities. Once these are sold, this automatically boosts the earnings strength of the remaining portfolio. This being said, the portfolio can also be optimised by increasing the density of existing properties by building new individual residential blocks or adding new floors to existing properties – a variant that ADLER now intends to pursue with greater priority.

Rental portfolios are managed by the Asset Management department, which was reorganised with a regional focus in mid-2016. 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 building maintenance or modernisation measures. High residential value makes the apartments attractive and thus easier to let out. It goes without saying that in its investment measures, the Asset Management department always takes due account of the costs and benefits of individual measures. In addition to ongoing maintenance and modernisation measures, in 2016 the Group introduced a programme to renovate a total of approx. 1,500 previously unoccupied residential units and made a sum of approx. EUR 15 million available for this purpose. This programme, which is intended to reduce the existing vacancy rate and resultant costs, has been successfully implemented and is due to be continued in a second tranche with a similar investment volume until 2018.

Strategy for the Trading segment

In its Trading segment, ADLER creates value through income that the company generates from buying and selling residential properties. The subsidiary responsible for this business field, ACCENTRO Real Estate AG, which was sold as at the reporting date, drew almost exclusively on properties specifically acquired for trading. ADLER held a sufficiently large portfolio of properties earmarked for privatisation at all times in order to generate as consistent a stream of income as possible and thus not have to rely on opportunistic sales. For this reason, a large share of the income generated from the sale of properties was used to restock the supply of inventory properties and maintain these at a suitable level.

Financing strategy

Due to economic efficiency and risk considerations, ADLER believes that the appropriate ratio of equity to debt for financing its Group activities is one that produces a loan-to-value (LTV) of between 50 percent and 60 percent as defined by Standard & Poor's (net debt/GAV). These levels are also consistent with a rating target of Investment Grade (IG) for the medium term if not earlier. This automatically makes it necessary to finance future acquisitions at corresponding ratios if at all possible. In terms of its debt financing, ADLER aims for a maturity structure that corresponds to the long-term nature of the financed assets. By repaying existing liabilities or refinancing existing facilities on more favourable terms, ADLER also aims to reduce its average interest charge.

ADLER has good access both to the market for secured bank lending and to the market for unsecured financing. This two-pronged market access reduces the risks associated with obtaining debt capital and also helps reduce financing costs. Since the end of 2016, when assessing the creditworthiness of ADLER Real Estate AG, capital-market players have been able to refer to a rating that ADLER has obtained from world-renowned rating agency Standard and Poor's.

Economic success sometimes depends on the company's own speed of reaction. To be able to react to any market opportunities at short notice, ADLER has authorised and conditional capital, both of which are approved by shareholders, that can be drawn on at any time to make acquisitions. The treasury stock purchased under the share buyback programmes could also be used as acquisition currency.

Acquisition strategy

In order to firmly establish itself as a major residential-property player in Germany, ADLER aims to generate growth by making acquisitions in future as well. Size is not an end in itself, but rather a way to enhance viability by drawing on benefits of scale and efficiency gains. New portfolios for the Rental segment should be consistent with the existing business model, or supplement it in a way that makes sense. They should also be expected to generate positive cash flows immediately from acquisition onwards. However, larger-scale portfolios are currently rarely on offer on the market. Even for smaller real estate portfolios, the prices are often unattractive from a buyer's perspective. In view of this situation, ADLER is also reviewing whether measures to increase the density of use of existing residential estates and closer cooperation with project developers could harbour growth opportunities, as the price differential between existing real estate and new properties has noticeably reduced, at least in some regions. ADLER nevertheless intends to moderately expand its property holdings further by purchasing smaller portfolios in the years ahead as well.

ADLER will no longer target new portfolios for Trading, as this segment was relinquished after the sale of ACCENTRO in mid-October 2017.

ADLER is able to take acquisition decisions at short notice and can offer sellers a high degree of transaction security.

MANAGEMENT SYSTEM

Financial performance indicators

The financial performance indicators used by ADLER are: the net asset value (NAV) figure typical for the sector to indicate the company's value; funds from operations I (FFO I) to indicate cash flow-based operating earnings in the Rental segment; funds from operations II (FFO II) to indicate cash flow-based operating earnings in the Trading and Rental segments; and loan-to-value (LTV) to indicate financial stability. In the rental segment, greater priority is accorded to key figures based on the cash flow, as this corresponds to the target of generating sustainable inflows of cash from lettings. The Trading segment, by contrast, focuses more closely on earnings before interest and taxes (EBIT) and thus on its contribution to the Group's total comprehensive income. Having said this, in its Group forecast, ADLER Real Estate AG does not provide any disclosures on the Group's expected EBIT, as this key figure is typically affected to a significant extent by non-cash-effective valuation items in the Rental portfolio that are difficult to predict. The earnings expectations for the Trading segment are therefore portrayed in the FFO II forecast.

Non-financial performance indicators

Numerous non-financial performance indicators are regularly monitored within the Group's property management activities. This applies both to the Group's own property management and to the few external service providers with which ADLER still works. These indicators include the occupancy rate, the number of contract termination notices received from tenants, the number of new rental agreements, compliance with time schedules for maintenance measures, the availability of property managers and so forth. Should actual figures deviate from budget figures on an ongoing basis, then corrective measures are devised.

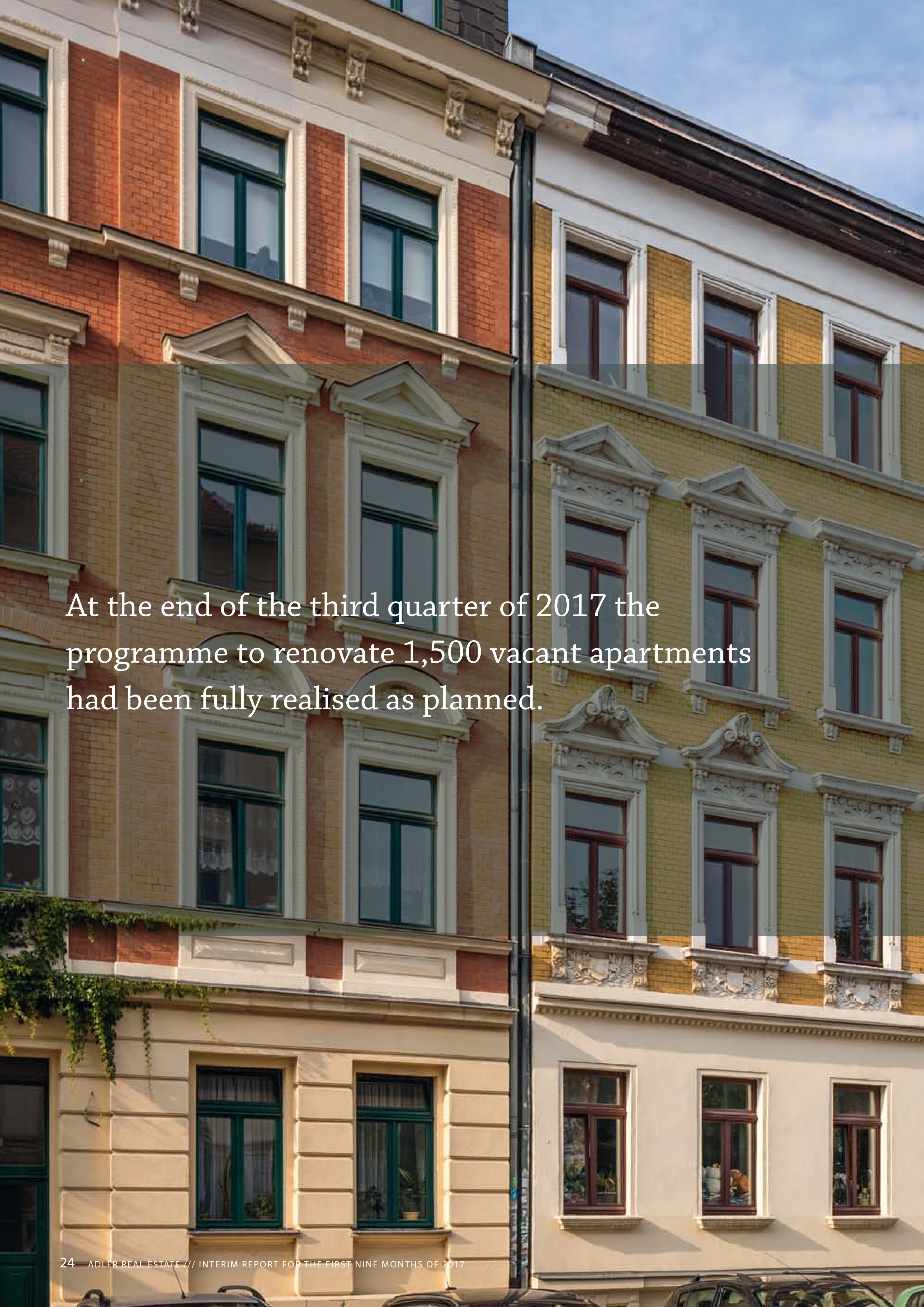
Non-financial key figures also play a major role upon the acquisition of new property portfolios. After all, the potential development in the value of a property also depends on factors such as changes in infrastructure, expected demographic developments and potential changes in regional labour markets. An awareness or assessment of these key figures is factored into all decisions concerning the acquisition of properties or property portfolios.

EMPLOYEES

As the Group holding company, ADLER Real Estate AG has two Management Board members, but no proprietary employees. Operational tasks relating to commercial asset management and central administration for the Group are mostly performed via the wholly-owned subsidiary ADLER Real Estate Service GmbH. Employees at this company are deployed to perform various tasks at the respective Group companies on a flexible basis and in line with their individual specialisms. The overwhelming share of employees work at the divisions handling property and facility management. Due to the strategic objective of internalising functions previously outsourced in the field of property and facility management, the number of employees at the ADLER Group grew substantially in the first nine months of 2017, rising from 354 at the beginning of the year to 535 full-time and part-time employees at the end of the period under report.

RESEARCH AND DEVELOPMENT

As a real estate Group, ADLER Real Estate AG does not perform any research and development in a traditional sense. Having said this, ongoing market analyses are needed to assess future developments in housing markets. Here, ADLER draws on assessments compiled by estate agents' associations, federal authorities, specialist research institutes, prestigious valuation companies and bank research departments. This information is supplemented by the experienced gained by the company itself from letting properties on site. Not only that, various developments in the construction sector and in building technology also have to be monitored and analysed, as do any changes in regulatory requirements. The insights gained from these analyses form an important basis for all of the company's operating activities. With its new tenant app, ADLER now also has an innovative tenant communication and customer instrument, one that is unique in the sector to date.



At the end of the third quarter of 2017 the programme to renovate 1,500 vacant apartments had been fully realised as planned.

/// Interim Group Management Report

/// Economic report

/// Report on risks and opportunities

/// Outlook

/// Report on events after the balance sheet date

/// Results from operations, net assets and financial position

/// ECONOMIC REPORT

MACROECONOMIC AND SECTOR-SPECIFIC SETTINGS

The macroeconomic and sector-specific framework in Germany remained stable, and thus favourable for the real estate sector, in the first nine months of the current financial year. Adjusted for calendar-related factors, gross domestic product grew by 2.0 percent in the second quarter of 2017 compared with the corresponding quarter of the previous year. In the first quarter, the growth rate was 2.1 percent. No figures are available yet for the third quarter.

With the economy remaining in good health, growth forecasts for 2017 were increased as the year progressed. For instance, in their joint autumn report, the German economic research institutes predicted that gross domestic product would rise by 1.9 percent. In spring, the institutes' forecast was 1.5 percent. Inflation rate rose slightly as the year progressed, reaching 1.8 percent in August. Employment totals reached a record high of more than 44 million, while interest rates remain at historic lows. Although the widely recognised ifo Business Climate Index generated by the Munich-based ifo Institute fell slightly in September 2017, it is still placed only just below the record high achieved in August and well above its long-term average.

For a company like ADLER Real Estate AG that, up to the sale of ist share in ACCENTRO Real Estate AG, operated in two business fields, residential unit rental and residential unit trading, both the transaction market and the housing rental market are relevant. According to the consultancy firm CBRE, transactions worth EUR 5.7 billion were implemented in the transaction market for housing portfolios of 50 units and more in the first half of 2017, 22 percent more than in the same period in the previous year (EUR 4.8 billion). The number of portfolios transferred decreased, as did the number of residential units per portfolio transferred, but the average price per unit was significantly higher than the comparable figure for the previous year.

The climate in the housing rental market also remained stable in the first nine months of 2017. According to the Cost of Living Index, rents in Germany were 1.7 percent higher on a nationwide basis in September 2017 than in the same month in the previous year. Rents thus rose slightly faster than the overall cost of living. However, the average figure conceals variations between individual regions, urban and rural locations, new and existing housing and different apartment sizes. With its real estate, ADLER Real Estate AG chiefly operates in "B" locations and on the periphery of conurbations. Such locations typically benefit from sharp rent increases in the centre of such towns, or "A" locations, as is the case in most towns in Germany. After all, tenants no longer able or willing to pay higher rents look for alternatives and are often prepared to accept living further from the centre of their town or city.

GROUP BUSINESS PERFORMANCE

Following the successful steps taken to generate growth in previous years, in 2016 ADLER Real Estate AG concentrated on reorganising its Group structures and adapting these to the new requirements arising in the wake of the acquisitions made. These measures all serve the objective of developing ADLER into an integrated real estate group capable of offering all services of key relevance to tenants from a single source by the end of 2017. Consistent with this objective, at the beginning of the year a further 10,000 residential units previously administered by external service providers were taken into the proprietary administration portfolio in terms of property and facility management services. A further 25,000 units have been taken into proprietary administration as the year has progressed. The rest will follow at the turn of the year.

In mid-January 2017, ADLER Real Estate AG received EUR 422 million from the sale of its 26 percent stake in conwert Immobilien Invest SE to Vonovia SE in the context of the voluntary offer made by Vonovia to shareholders in conwert.

As previously announced, following receipt of the funds ADLER Real Estate AG began to redeem its liabilities, mostly those with higher interest rates. In January, short-term loans with a total volume of EUR 199.7 million used to finance the acquisition of conwert shares were repaid immediately upon completion of the transaction.

In February, ADLER acquired convertible bonds in the Group company ACCENTRO Real Estate AG with a carrying amount of EUR 12.3 million. This was motivated by the intention to maintain ADLER's share of voting rights in the company at a constant level even once the convertible bonds have been exercised while at the same time reducing liabilities.

In March, ADLER signed a purchase agreement to acquire a real estate portfolio with 693 residential and eight commercial units in Osterholz-Scharmbeck and Schwanewede.

Located directly in the Bremen catchment area, these properties fit in with the objective of ADLER Real Estate AG of offering high-quality yet affordable living space on the edges of conurbations. The portfolio, which generates gross rental income of more than EUR 2 million a year, also represents an advantageous addition to the Group's existing holdings in northern Germany. This acquisition underlines our intention to expand our portfolio moderately once again following a year of consolidation in 2016.

The Group company ACCENTRO Real Estate AG called its 2013/2018 bond at the end of March and paid it back on 26 June 2017 at 101.5 percent of the nominal amount plus interest accumulated to the repayment date. The bond had a volume of EUR 10 million and bore interest at 9.25 percent p.a.

Furthermore, ADLER repaid subordinate promissory notes of EUR 33.0 million in the course of the first quarter.

In April, ADLER Real Estate AG executed a private placement to stock up its 2015/2020 bond by EUR 150 million. Given the significantly above-par issue price, the tap carries a 2.5 percent yield to call compared to the nominal coupon of 4.75 percent. With this, ADLER has created additional financial scope enabling it to decide at short notice on the acquisition of smaller-scale portfolios on favourable terms. ADLER is currently reviewing portfolios of this kind on a total scale of several thousand units.

The 2014/2019 bond with a volume of EUR 130 million and an interest rate of 6.0 percent was terminated at the same time in April. This was repaid on 10 May 2017 at 101.5 percent of the nominal amount plus interest accumulated and as yet unpaid as at the repayment date.

The Annual General Meeting held on 7 June 2017 adopted a resolution increasing the company's capital from company funds and providing shareholders with bonus shares at a ratio of 10:1 to existing capital stock. This was intended to enable shareholders to benefit from the company's economic performance. The new shares were credited to shareholders' accounts on 22 June 2017. As a result, the company's capital stock has risen to the same extent.

In June, ADLER Real Estate AG adopted a share buyback programme under which treasury stock could be acquired for a total purchase price (excluding ancillary expenses) of up to EUR 10 million. Once the limit was reached, the programme was ended in mid-September.

At the end of June, ADLER acquired a portfolio of 192 residential units with floor space of approx. 11,600 square metres in Senftenberg, a medium-sized town located in the south of Brandenburg around halfway between Dresden and Cottbus. The portfolio generates an annual gross rental income of approx. EUR 0.7 million and will supplement the company's holdings in Brandenburg. This acquisition is consistent with the strategy of investing in medium-sized towns in northern, western and eastern Germany, and especially in "B" locations as these still allow for the generation of attractive returns from the outset.

In September, ADLER acquired a further portfolio with 2,500 units in fast-growing locations. Approx. 60 percent of the 2,453 apartments and 52 commercial units are situated in North Rhine-Westphalia with a focus on the Ruhr area and the eastern Westphalia region, 15 percent each in southern Lower Saxony and Bremen and just under 10 percent in the Hamburg catchment area in Schleswig-Holstein. The new acquisition is also in line with the strategic intention of providing affordable housing in or on the outskirts of conurbations. In addition, the new holdings can be easily integrated in the property and facility management structures that are now in place. Through the resultant economies of scale, this enables cost-effective management of the holdings. The portfolio generates an annual basic net rent of over EUR 9 million, and will also have a positive impact on FFO I and WACD. With this acquisition, ADLER is more firmly on course for moderate growth. The purchase was financed by available cash and cash equivalents.

In September, the Management Board resolved to supplement the first share buyback programme ended in mid-September and purchase additional shares for a total purchase price (excluding ancillary costs) of up to EUR 5 million. Based on the share price as at 20 September 2017, this equates to up to 384,615 shares, or approx. 0.67 percent of the company's statutory capital stock at the time. The programme was launched on 21 September and the progress made is documented on a week-by-week basis on the company's website.

/// REPORT ON RISKS AND OPPORTUNITIES

ADLER Real Estate AG reported in detail on the opportunities and risks involved in its business activities in its 2016 Annual Report. This information was supplemented in the reports on the first quarter and the first half-year. The overall situation has changed only slightly at most since the last reporting date.

Since the US Federal Reserve took the first steps towards raising base rates at the beginning of the year, there have been increasing signs that the European Central Bank could soon follow suit. The probability that the period of extremely low interest rates could come to an end is therefore increasing.

Following the devastating fire at a high-rise block in London's North Kensington in mid-June, fire safety has become a topic of public debate in Germany as well. As a professional landlord, ADLER routinely ensures that fire safety requirements are met at all of the Group's properties. We have also refreshed all of our property managers' awareness of this topic and called upon them to carefully review all relevant fire-avoidance and fire-fighting procedures in cooperation with local fire-safety authorities, where necessary. The increased awareness of this issue has triggered measures to further improve fire safety in some locations.

In connection with the divested stake in conwert Immobilien Invest SE, the Austrian Takeover Commission has determined in review proceedings which are now legally binding that the company achieved a controlling stake in conwert by mutual agreement with other persons and then failed to make a mandatory bid as required. The company could therefore be confronted in future with restitution proceedings and administrative penalties. The company continues to reject the determinations of the Takeover Commission as ascertained in its review as inaccurate and erroneous, due to being verifiable by any second instance.

Although it is not yet clear which coalition will make up the Federal Government in the future, it became apparent in the run-up to the federal election that all parties have recognised the housing-shortage problem and want to address it. If these efforts result in measures to prevent rent rises, this would involve the risk of ADLER having limited scope to increase rents in the future. Currently, less than 10 percent of the rental units fall under the regulation of the "Mietpreisbremse". By contrast, if they involve promotion of the development of new housing in general or in the affordable-housing segment in particular, ADLER could benefit from political initiatives of this kind, especially if the eligible activities include projects for densification, loft conversion or development of sites.

/// REPORT ON EXPECTED DEVELOPMENTS

In its 2016 Annual Report, ADLER Real Estate AG reported in detail on its expectations for the current financial year, and confirmed them in the first and second quarters reports. In light of developments in the first nine months of 2017, only minor changes are appropriate. ADLER Real Estate AG continues to expect that the macroeconomic framework for companies operating in the property sector will remain overall favourable in 2017. Net rental income is still expected to rise by more than 3 percent in 2017. However, this increase will be driven more by a rise in average rents and less by a rise in the occupancy rate. The average rent of EUR 5.08, which has been expected for the end of year, has already been achieved in the course of the first nine months.

These adjustments have no impact on the other financial performance figures for which ADLER issues annual forecasts. The expectation of being able to generate FFO I of EUR 40 million in 2017, an increase of around 50 percent, remains unchanged. Targeting FFO II does not seem to be sensible any longer after the sale of the stake in the trading platform ACCENTRO.

The forecasts for the financial indicators for 2017 also remain unchanged. At the end of the year, ADLER expects an LTV of 55 percent, i.e. a significant decrease of approx. 6 percentage points compared with the figure attained in the previous year. Average debt interest is likely to drop by 0.2 percentage points year-on-year to around 3.5 percent.

For its NAV, ADLER still expects to see growth in a low double-digit percentage range in 2017.

/// REPORT ON EVENTS AFTER THE BALANCE SHEET DATE

In October, ADLER Real Estate AG reached an agreement to sell an approx. 80 percent stake in ACCENTRO Real Estate AG as well as approx. 92 percent of the 2014/2019 convertible bonds issued by ACCENTRO Real Estate AG. The buyer was a fund advised by Vestigo Capital Advisors LLP, a company authorised and regulated by the UK Financial Conduct Authority. The purchase price for the stake totalled approx. EUR 180 million. Under the terms of the agreement, the seller receives a down payment on conclusion of the contract, and further tranches will be paid over the next 12 months. In addition, ADLER Real Estate AG has the option to sell a further holding of up to approx. 6 percent in ACCENTRO Real Estate AG to the fund at the same price per share amounting to approx. € 11 million.

With this sale, ADLER has moved away from the trading business and taken a decisive step towards simplifying and concentrating its business model. In future, ADLER will focus on its portfolio business, i.e. providing housing in line with market standards and with appealing quality for tenants primarily in the affordable housing segment.

Also in October, the internationally renowned rating agency Standard & Poor's Ratings Services increased ADLER Real Estate AG's rating by one notch from "BB-/positive outlook" to "BB/stable outlook".

Following the sale of the shares in ACCENTRO Real Estate AG, Standard & Poor's expects ADLER to be able to improve its debt/equity ratio and reduce its LTV to below 55%.

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

/// RESULTS FROM OPERATIONS, NET ASSETS AND FINANCIAL POSITION

RESULT FROM OPERATIONS

ADLER Real Estate AG generates its revenue from two main activities – property management and property sales. Its business model is based on these activities, which are correspondingly reflected in the statement of comprehensive income and the segment report.

In EUR millions	9M 2017	9M 2016
Gross rental income	196.1	196.4
– of which net rental income	130.5	125.7
Expenses from property lettings	-101.0	-105.1
Earnings from property lettings	**95,1**	**91.3**
Income from the sale of properties	113.4	145.2
Expenses from the sale of properties	-90.8	-111.1
Earnings from the sale of properties	**22.6**	**34.1**
Personnel expenses	-16.7	-13.4
Other operating income	6.7	4.9
Other operating expenses	-24.0	-22.2
Income from fair value adjustments of investment properties	37.0	123.5
Depreciation and amortisation	-0.8	-0.9
Earnings before interest and taxes (EBIT)	**120.0**	**217.3**
Net income from at-equity valued investment associates	0.2	11.1
Financial result	-69.8	-80.8
Earnings before taxes (EBT)	**50.4**	**147.6**
Consolidated net profit	**24.0**	**98.6**

Income and earnings from property lettings slightly up on previous year

In the first nine months of 2017, net rental income reached EUR 130.5 million, up 3.8 percent on the same period of the previous year (9M 2016: EUR 125.7 million). The total number of rental units belonging to the ADLER Group and held for permanent letting was 50,614 at the end of the period under report. This was 6.2 percent more than a year ago (47,662 units). However, most of the acquisition-related growth did not occur until September and has therefore not yet made a material contribution to gross rental income.

At the end of the period under report, the average contractually agreed rent per square metre per month for the overall portfolio amounted to EUR 5.08, EUR 0.13 higher than the figure for the same period of the previous year (9M 2016: EUR 4.95). In the core portfolio, the average rental income (per square metre per month) amounted to EUR 5.11 as of 30 September 2017, up EUR 0.07 on the start of the year (EUR 5.04), when this performance indicator was ascertained for the first time.

At 89.9 percent, the occupancy rate in the overall portfolio at the end of the first nine months of 2017 was also higher than one year earlier (89.3 percent). The occupancy rate in the core portfolio reached 91.1 percent at the end of the third quarter of 2017. This equates to an improvement of 0.4 percentage points since the year's halfway point (89.5 percent), but also a slight decline since the start of the year, when this performance indicator was also ascertained for the first time (91.4 percent). The improvement in the two occupancy rates was not greater primarily because, given the massive transition in tenant support services from external service providers to internal group property and facility management departments, it was not possible to avoid a certain degree of frictional losses. The Group's key performance data was additionally held back by the first-time inclusion of new holdings in Erfurt. Following proprietary project development, ADLER included these in its rental portfolio – and thus began marketing them – at the end of last year.

Expenses from property lettings comprise apportionable and unapportionable operating costs and maintenance expenses. These expenses decreased by 3.9 percent in the first nine months of the year. This is because they include expenses for external property management service providers that are gradually being replaced by internal group services. At EUR 17.0 million, maintenance expenses, which also form part of expenses from property lettings, were significantly lower in the first three quarters of 2017 than in the same period of the previous year (9M 2016: EUR 18.9 million), as the renovation and modernisation measures eligible for capitalisation of EUR 19.1 million were significantly higher than in the same period of the previous year (9M 2016: EUR 11.2 million). Overall, a total of EUR 36.1 million was spent on modernisation and renovation in the first nine months of 2017, as against EUR 30.1 million in January to September of the previous year. This increase is related to the additional outlays incurred for the programme to renovate 1,500 vacant apartments.

Net of expenses from property lettings, earnings from property lettings amounted to EUR 95.1 million in the first nine months of 2017. This key figure was therefore 4.2 percent higher than in the first nine months of the previous year (9M 2016: EUR 91.3 million).

Income and earnings from the sale of properties fall short of previous year's strong figures

ADLER Real Estate AG generated income of EUR 113.4 million from the sale of properties in the first three quarters of 2017, as against EUR 145.2 million in the same period of the previous year. Expenses, largely corresponding to the carrying amounts of the units sold, nevertheless also decreased significantly. Earnings from the sale of properties amounted to EUR 22.6 million in the first nine months of the current financial year, down from EUR 34.1 million in the same period of the previous year. These earnings were chiefly attributable to trading and privatisation activities at the group subsidiary ACCENTRO Real Estate AG, but do not adequately 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.

Sales of non-core units – one of ADLER's strategic objectives since the beginning of 2015 and intended to increase the performance capacity of the overall portfolio – are not reflected in earnings to any significant extent as they were predominantly executed at the respective carrying amounts. A total of 498 units were sold from the non-core holdings identified at the Group. Such units are earmarked for sale as they no longer fit in with ADLER's business model.

Significantly lower income from fair value adjustments of investment properties

The company's growth has automatically been accompanied by increases in most expense items. Part of this cost growth is nevertheless due to the withdrawal of tasks from external service providers in the context of the Group's realignment toward becoming an integrated real estate group. These tasks have been taken over by internal group departments that have either been newly founded or had their personnel resources increased. As a result, ADLER had a total of 535 employees at the end of September 2017, 181 more than at the beginning of the year. These employees mostly work at the subsidiaries dealing with property and facility management. The growth in the workforce is automatically reflected in personnel expenses, which reached EUR 16.7 million in the first nine months of 2017 and were thus significantly higher than in the same period of the previous year (9M 2016: EUR 13.4 million).

Other operating expenses amounted to EUR 24.0 million in the first nine months of 2017 (9M 2016: EUR 22.2 million). This line item includes general administration expenses, office premise rents, IT expenses, legal and advisory expenses, impairments of receivables and public relations expenses. The increase in this item was mainly due to higher legal and consulting expenses incurred in connection with the sale of conwert shares, the financing measures completed in April and the preparations now needed for the squeeze-out at WESTGRUND AG. No such activities occurred in the same period of the previous year. Furthermore, part of the increase is also due to the introduction of a uniform IT system landscape at the operating subsidiaries, a measure that became necessary upon the internalisation of property and facility management activities. Part of these additional expenses was already reported in the financial statements for the first quarter and the first half of the year.

Other operating income, which comprises numerous individually insignificant items, amounted to EUR 6.7 million in the period up to September 2017 and was thus significantly higher than in the first nine months of the previous year (9M 2016: EUR 4.9 million).
The fair value adjustments of investment properties generated an earnings contribution of EUR 37.0 million in the first nine months of 2017. This was much lower than in the previous year (9M 2016: EUR 123.5 million).

EBIT dominated by income from fair value adjustments

As well as the lower earnings from the sale of properties, a sharp decline in income from fair value adjustments is also the main reason that the EBIT of the first nine months of 2017 of EUR 120.0 million was significantly lower than in the same period of the previous year (9M 2016: EUR 217.3 million).

Reduction in current interest charge

The financial result for the first nine months of 2017 amounted to minus EUR 69.8 million, as against minus EUR 80.8 million in the same period of the previous year.

This improvement reflects the efforts to reduce debt and refinance higher-interest liabilities. The company bought back promissory note bonds of approx. EUR 33 million in the first and second quarters of 2017. In the second quarter of 2017, ADLER also repaid a corporate bond with a volume of EUR 130 million and an interest rate of 6 percent. Moreover, in the first quarter of 2017 ADLER acquired convertible bonds in the group company ACCENTRO Real Estate AG at a carrying amount of EUR 12.3 million. These bore interest at 6.25 percent.

When buying back liabilities, however, the company automatically incurs prepayment penalties, which increase the interest charge on a one-off basis in the period in which the liabilities are settled. ADLER incurred one-off expenses totalling EUR 7.5 million in this way in the first nine months of 2017. Of this total, EUR 4.1 million related to prepayment penalties (9M 2016: EUR 3.5 million), EUR 1.9 million to transaction costs requiring premature recognition as expenses and EUR 1.5 million related to the reversal of the reserves recognised in equity in the previous year for the shares held in conwert. Interest expenses would have been significantly lower without these items, despite the fact the company issued a convertible bond with a total nominal value of EUR 137.9 million in the third quarter of 2016 and stocked up its existing 2015/2020 corporate bond by EUR 150 million in the second quarter of 2017.

Financial income only changed immaterially compared with the same period of the previous year.

Net income from at-equity valued investment associates fell significantly from EUR 11.1 million in the first nine months of 2016 to just EUR 0.2 million in 2017, after the nearly 25 percent share in the Austrian conwert Immobilien Invest SE was sold in the first quarter.

Earnings before tax (EBT) amounted to EUR 50.4 million in the first nine months. Because of the effects mentioned above – lower earnings from the sale of properties, lower income from fair value adjustments, and the sharp decline in net income from at-equity valued investment associates – they fell considerably short of the earnings achieved in the same period of the previous year (9M 2016: EUR 147.6 million).

Income tax expenses came to EUR 26.4 million in the first nine months of 2017, of which EUR 19.2 million related to deferred taxes and EUR 7.2 million to current tax expenses (9M 2016: deferred tax expenses of EUR 37.1 million and current tax expenses of EUR 11.9 million). Net of taxes, consolidated net profit for the period under report amounted to EUR 24.0 million (9M 2016: EUR 98.6 million). Of the consolidated net profit, EUR 18.6 million was attributable to owners of the parent company (9M 2016: EUR 89.0 million).

Segment reporting

In its segment reporting, ADLER Real Estate AG distinguishes between its Rental and Trading segments. All business transactions executed in connection with the letting of investment properties are pooled in the Rental segment. The Trading segment includes all activities in connection with the purchase and sale of properties, including the brokerage business on behalf of third parties. Other Group activities that do not constitute standalone segments are pooled in the "Other" column. These mainly involve historic holdings relating to development projects that have been sold off since the Group's realignment or are still in the process of being sold off.

The allocation of income and earnings from the operating business to the Rental and Trading segments largely corresponds to the equivalent line items in the consolidated income statement. Furthermore, the allocation of the various expense items and the segments' financial results are presented in the following table:

ADLER Group	Trading		Rental		Other		Group	
In EUR millions	9M 2017	9M 2016*	9M 2017	9M 2016*	9M 2017	9M 2016	9M 2017	9M 2016
Gross rental income and income from the sale of properties	89.0	114.7	219.8	225.3	0.8	1.6	309.6	341.6
– of which gross rental income	5.7	5.1	190.3	190.4	0.1	0.9	196.1	196.4
– of which income from disposals	82.0	108.5	29.5	34.9	0.7	0.7	112.2	144.0
– of which income from brokerage	1.2	1.2	0	0	0	0	1.2	1.2
Change in the value of investment properties	0	0	37.0	123.5	0	0	37.0	123.5
Earnings before interest and taxes (EBIT)	**22.2**	**33.1**	**97.9**	**184.3**	**-0.2**	**-0.2**	**120.0**	**217.3**
Income from investments accounted for using the at-equity method	0.2	0.5	0	10.7	0	0	0.2	11.1
Financial result	**-4.4**	**-3.8**	**-65.4**	**-77.1**	**0**	**0**	**-69.8**	**-80.8**
Earnings before taxes (EBT)	**17.8**	**29.9**	**32.8**	**117.9**	**-0.2**	**-0.2**	**50.4**	**147.6**

* Amended statement, please see comments under "Segment reporting" in notes to interim consolidated financial statements

Further increase in funds from operations (FFO)

As is customary in the real estate sector, to assess the profitability of its operating business ADLER Real Estate AG refers to funds from operations (FFO) as its major cash flow-based figure. FFO I presents the performance capacity of the property letting business. FFO II additionally presents the results of trading with and sales of properties.

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

In EUR millions		9M 2017	9M 2016
Consolidated net profit		**24.0**	**98.6**
+	Financial result	69.8	80.8
+	Income taxes	26.4	49.0
+	Depreciation and amortisation	0.8	0.9
–	Income from measurement of investment properties	37.0	123.5
–	Income from investments accounted for using the at-equity method	0.2	11.1
EBITDA IFRS		**83.8**	**94.6**
+/–	Non-recurring and extraordinary items	11.9	13.1
Adjusted EBITDA		**95.7**	**107.7**
–	Interest expense FFO	53.3	60.1
–	Current income taxes	0.9	1.4
+	Capitalisable maintenance measures	6.7	6.2
–	Earnings before interest and taxes from the sale of properties	21.1	33.8
FFO I		**27.1**	**18.6**
+	Earnings after interest and taxes from the sale of properties	11.4	21.5
–	Interest from investments accounted for using the at-equity method	0.2	3.2
+	Value change realised upon sale	-0.6	0.3
+	Liquidity-related income from investments accounted for using at-equity method	0.4	8.1
FFO II		**38.1**	**45.2**
Number of shares (basic)[1)]		68,429,148	64,120,594
FFO I per share (basic)		0.40	0.29
FFO II per share (basic)		0.56	0.71
Number of shares (diluted)[2)]		80,644,473	70,456,346
FFO I per share (diluted)		0.34	0.26
FFO II per share (diluted)		0.48	0.64

[1)] Number of shares as at reporting date: 56,762,482 (previous year: 52,453,928) plus 11,666,666 shares resulting from conversion of mandatory convertible bond counting as share capital (previous year: 11,666,666), previous year adjusted corresponding to IAS 33.64; please see comments in notes to the interim consolidated statements under earnings per share
[2)] Plus assumed conversion of other convertible bonds to the extent that they are already convertible: 12,215,325 (previous year, equally adjusted: 6,335,752); please see comments in notes to the interim consolidated statements under earnings per share

Non-recurring and extraordinary items are structured as follows:

Non-recurring and extraordinary items In EUR millions	9M 2017	9M 2016
Non-cash income/expenses and one-off payments	1.8	5.3
Costs of acquisition/integration	1.2	0.3
Optimisation of business model, restructuring	8.9	7.5
Total of non-recurring and extraordinary items	**11.9**	**13.1**

The FFO interest charge is derived as follows:

Interest expense FFO In EUR millions	9M 2017	9M 2016
Interest income	2.2	1.7
Interest expenses	-72.0	-82.5
Financial result	**-69.8**	**-80.8**
Adjustments		
Interest expenses from the sale of properties	3.7	2.0
Prepayment compensation and provision costs	4.4	4.7
Effects of valuation of primary financial instruments	6.5	8.9
Other adjustments	1.9	5.1
Interest expenses FFO	**53.3**	**60.1**

Calculated this way, FFO I for the first nine months of 2017 amounted to EUR 27.1 million, EUR 8.5 million or 45.3 percent higher than the figure for the same period of the previous year (9M 2016: EUR 18.6 million). The FFO II figure is reported at EUR 38.1 million for the period under report. This represents a significant reduction compared with the first nine months of 2016 (EUR 45.2 million). This is because earnings from the sale of properties were lower while net income from at-equity valued companies fell to zero following the sale of the conwert shares.

Calculated on an undiluted basis (shares issued less treasury shares plus shares arising from conversion of the mandatory convertible bond allocated to capital stock), FFO I per share amounted to EUR 0.40 in the first half of 2017. On a diluted basis (shares issued less treasury shares plus shares arising from conversion of the mandatory convertible bond allocated to capital stock, plus shares from the assumed conversion of the other convertible bonds to the extent that they are already convertible), FFO I per share came to EUR 0.34.

NET ASSETS

In EUR millions	30.09.2017	as percentage of total assets	31.12.2016	as percentage of total assets
Non-current assets	**2,777.5**	**84.6**	**2,577.6**	**75.1**
– of which investments properties	2,640.7	80.5	2,442.0	71.2
Current assets	**485.1**	**14.8**	**418.2**	**12.2**
– of which inventories	279.9	8.5	227.1	6.6
– of which cash and cash equivalents investments	116.6	3.6	123.9	3.6
Non-current assets held for sale	**18.6**	**0.6**	**434.7**	**12.7**
Assets	**3,281.2**	**100.0**	**3,430.5**	**100.0**
Equity	**918.7**	**28.0**	**914.2**	**26.6**
– of which capital stock (net of treasury shares)	56.8	1.7	47.7	1.4
– of which capital reserve	328.7	10.0	352.1	10.3
– of which net retained profit	454.6	13.9	445.7	13.0
Non-current liabilities	**2,195.3**	**66.9**	**2,111.2**	**61.5**
– of which liabilities from convertible bonds	124.6	3.8	143.9	4.2
– of which liabilities from bonds	528.0	16.1	509.5	14.9
– of which financial liabilities to banks	1,378.6	42.0	1,312.5	38.3
Current liabilities	**160.4**	**4.9**	**397.5**	**11.6**
– of which financial liabilities to banks	83.9	2.6	320.3	9.3
Liabilities held for sale	**6.8**	**0.2**	**7.6**	**0.2**
Equity and liabilities	**3,281.2**	**100.0**	**3,430.5**	**100.0**

After the first nine months of 2017, both the balance sheet total (total assets) and the balance sheet structure have changed significantly. The main reasons for this are the sale of the shares held in conwert Immobilien Invest SE in the first quarter, the acquisition of a total of approx. 3,400 rental units during the first nine months, the extensive debt repayments and financing measures, the issuing of bonus shares and the conversion of maturing convertible bonds. As of 31 December 2016, ADLER Real Estate AG reported assets of EUR 3,430.5 million. Nine months later, on 30 September 2017, this figure was 4.4 percent lower (EUR 3,281.2 million).

Investment properties boosted by acquisitions and value growth

Investment properties had a market value of EUR 2,640.7 million at the end of the third quarter of 2017, 8.1 percent higher than at the end of the previous year (EUR 2,442.0 million). This growth was largely driven by the acquisitions made in the first nine months of the year. These included the portfolio of 701 rental units close to Bremen, whose benefits and obligations were transferred at the end of the first quarter, the portfolio of 192 units in Senftenberg taken over towards the end of the second quarter and the portfolio of 2,505 units focused on North Rhine-Westphalia and Lower Saxony, which ADLER has held since mid-September. The value growth resulting from revaluation of existing real estate holdings amounted to EUR 37.0 million. At the same time, real estate worth approx. EUR 28.4 million was reclassified to “non-current assets held for sale”.

Investment properties accounted for 80.5 percent of total assets at the end of the first half of 2017.

Following the sale of the shareholding of approx. 26 percent in conwert Immobilien Invest SE in the first quarter of 2017, non-current assets held for sale – the second-largest item on the asset side of the balance sheet at the end of the previous year – have now decreased significantly. This item amounted to EUR 434.7 million at the end of 2016, but by the end of the third quarter of 2017 it only included assets of EUR 18.6 million.

Properties held for trading were recognised under inventories at an amount of EUR 263.7 million at the end of the first nine months. This corresponds to an increase of 23.3 percent compared with the balance at the end of the previous year (EUR 219.5 million). ACCENTRO, the group company operating in the trading and privatisation business, sold a total of 669 units from its holdings in the first three quarters and acquired 860 units with correspondingly higher fair values. Alongside properties in Berlin, the newly acquired holdings also include properties in Cologne and Leipzig. Inventory properties are measured at cost, which usually falls significantly short of the respective market value.

Investment properties, inventory properties and "non-current assets held for sale" cover all of the property holdings at ADLER Real Estate AG and together accounted for 89.6 percent of the company's total assets.

Solid liquidity resources

Current assets amounted to EUR 485.1 million at the end of September 2017. The increase compared with the end of the previous year was due in part to the growth in inventory properties referred to above. Cash and cash equivalents decreased slightly over the course of the year from EUR 123.9 million to EUR 116.6 million. ADLER does not intend to retain those cash and cash equivalents exceeding its working capital requirements on a permanent basis. The funds are rather to be used to repay liabilities with higher interest rates or to acquire additional real estate portfolios.

Further increase in equity ratio

Due to the repayment of liabilities and the conversion of outstanding convertible bonds, the financing structure of ADLER Real Estate AG moved further towards a higher share of equity in the first nine months of 2017. The equity ratio came to 28.0 percent and was thus 1.4 percentage points higher than at the end of the previous year (26.6 percent).

Shareholders' equity increased from EUR 914.2 million to EUR 918.7 million in the period under report. An amount of EUR 22.8 million was charged to the capital reserve in the first quarter in connection with the acquisition of convertible bonds in the group company ACCENTRO. This transaction served to stabilise the prorated shareholding in ACCENTRO and reduce liabilities with higher interest rates. The issue of bonus shares at a ratio of 10 to 1 (EUR 4.8 million) in June also led to a reduction in the capital reserve; in this case, however, the same amount was credited to subscribed capital. Due to conversions of convertible bonds, subscribed capital and the capital reserve increased by EUR 9.3 million in total. This was due in particular to the 2013/2017 convertible bond, which matured in June. The two share buyback programmes, the first initiated in June and the second in September, led to a reduction in shareholders' equity by EUR 10.6 million by the reporting date.

Non-current liabilities increase slightly, current liabilities fall sharply

Non-current liabilities amounted to EUR 2,195.3 million as of 30 September 2017, EUR 84.1 million more than at the end of the previous year (EUR 2,111.2 million). Liabilities from convertible bonds decreased as a result of ADLER Real Estate AG buying back corresponding securities at ACCENTRO with a carrying amount of EUR 12.3 million and due to the expiry of the 2013/2017 convertible bond in June.

Liabilities from bonds increased from EUR 509.5 million at the end of 2016 to EUR 528.0 million at the end of the period under report. The 2013/2018 corporate bond with a volume of EUR 130 million was repaid prematurely, but the existing 2015/2020 corporate bond was stocked up by EUR 150 million. Furthermore, at the end of the second quarter of 2017 the group company ACCENTRO repaid a bond with a total nominal amount of EUR 10.0 million.

Non-current liabilities to banks increased by EUR 66.1 million. On 30 September 2017, these liabilities amounted to EUR 1,378.6 million and thus accounted for the largest share of non-current liabilities. The growth relates primarily to the acquisition of the various portfolios for which existing bank financing was carried over or new financing was arranged.

Current liabilities amounted to EUR 160.4 million at the end of the third quarter of 2017, EUR 237.1 million lower than at the end of the previous year (EUR 397.5 million). Above all, this reduction reflects the repayment of liabilities of EUR 199.7 million that had served to finance the acquisition of conwert shares and were repaid following the sale of these shares in the first quarter.

Net financial liabilities amounted to EUR 2,012.5 million at the end of the first nine months of the current financial year and thus decreased substantially compared with the end of the previous year (EUR 2,172.1 million).

Improvement in loan-to-value (LTV)

The ratio of financial liabilities to total assets (loan-to-value), with both figures adjusted to exclude cash and cash equivalents, amounted to 63.6 percent at the end of the period under report, 2.1 percentage points lower than at the beginning of the year (65.7 percent). Assuming that the convertible bonds outstanding at the reporting date are converted into shares, LTV would amount to 59.6 percent, 1.7 percentage points lower than at the end of 2016.

In EUR millions		**30.09.2017**	**31.12.2016**
Convertible bonds		125.5	145.4
+	Bonds	541.0	517.7
+	Financial liabilities to banks	1,462.6	1,632.8
–	Cash and cash equivalents	116.6	123.9
=	**Net financial liabilities**	**2,012.5**	**2,172.1**
Assets*		**3,164.6**	**3,306.6**
LTV including convertible bonds in %		63.6	65.7
LTV excluding convertible bonds in %		59.6	61.3

* Adjusted for cash

Due to the extensive repayments of liabilities with higher interest rates, it was possible to reduce the average interest obligations on all liabilities (weighted average cost of debt, WACD) for all of the ADLER Group's liabilities in the first nine months of the year. The impact of this approach was nevertheless diluted by the fact that the current liabilities redeemed for the conwert financing facility had comparatively low interest rates. WACD amounted to 3.45 percent at the end of the third quarter, compared with 3.69 percent at the end of 2016.

Further increase in net asset value (EPRA NAV)

ADLER Real Estate AG refers to net asset value (NAV) as its key group management figure and calculates this in accordance with the guidelines issued by the European Public Real Estate Association (EPRA). At the end of the first nine months of 2017, NAV reached EUR 1,101.8 million, 3.0 percent higher than at the end of the previous year (EUR 1,069.9 million). At the end of the first quarter of 2017, the company had reported a negative impact on shareholders' equity and NAV in connection with the buyback of convertible bonds at the group company ACCENTRO.

Based on the total number of existing shares in circulation at the balance sheet date less treasury shares plus the shares resulting from the assumed conversion of the mandatory convertible bond counted as shareholders' equity, undiluted EPRA NAV per share amounted to EUR 16.10 on 30 September 2017. The fact that NAV per share is lower than at the start of the year is mainly due to the significant increase in the number of shares on which the calculation was based following the extensive conversions and issue of bonus shares.

Diluted EPRA NAV per share amounted to EUR 15.19. This also represents a reduction compared with the start of the year. In this case, the reduction particularly reflects the fact that the number of shares accounted for in dilution for the first time now also includes the 2016/2021 convertible bond, as the related conversion rights have been eligible to be exercised since 29 June 2017. ADLER Real Estate AG bases its NAV calculation on the shareholders' equity attributable to owners of the parent company.

In EUR millions	30.09.2017	31.12.2016
Equity	**918.7**	**914.2**
Non-controlling interests	-79.5	-71.0
Equity attributable to ADLER shareholders	**839.2**	**843.2**
Deferred tax liabilities	192.6	169.5
Difference between fair values and carrying amounts of inventory properties	65.9	52.1
Fair value of derivative financial instruments	5.8	7.4
Deferred taxes for derivative financial instruments	-1.8	-2.2
EPRA NAV	**1,101.8**	**1,069.9**
Number of shares, basic[1)]	68,429,148	64,142,175
EPRA NAV per share in EUR	**16.10**	**16.68**
Number of shares, diluted[2)]	80,644,473	70,456,346
EPRA NAV per share (diluted) in EUR	**15.19**	**15.39**

1) Number of shares at reporting date: 56,762,482 (previous year: 52,475,509) plus 11,666,666 shares resulting from conversion of mandatory convertible bond counting as share capital (previous year: 11,666,666), previous year adjusted corresponding to IAS 33.64; please see comments in notes to the interim consolidated statements under earnings per share

2) Plus assumed conversion of other convertible bonds to the extent that they are already convertible: 12,215,325 (previous year, equally adjusted: 6,314,171)

FINANCIAL POSITION

In EUR millions	9M 2017	9M 2016
Cash flow from operating activities	0.9	81.9
Cash flow from investing activities	321.0	-74.3
Cash flow from financing activities	-329.2	44.5
Cash-effective change in cash and cash equivalents	-7.3	52.1
Cash and cash equivalents at beginning of period	123.9	49.5
Cash and cash equivalents at end of period	116.6	101.6

At EUR 0.9 million, the cash flow from operating activities in the first nine months of the current financial year fell short of the previous year's figure (EUR 81.9 million). This development was influenced in particular by the increase in trading properties at ACCENTRO (outgoing payments of EUR 53.3 million), which contrasted with the reduction in property holdings in the same period of the previous year (incoming payments of EUR 4.4 million). At EUR 54.3 million, the operating cash flow before divestments/reinvestments in the trading portfolio was approx. EUR 23.3 million lower than the previous year's figure (EUR 77.5 million). The difference here was due in particular to ACCENTRO's lower operating cash flow and the increase in tax payments in the first nine months of the current financial year. By contrast, the previous year's figure also included the conwert dividend of EUR 7.4 million.

The cash flow from investing activities led to an overall inflow of funds of EUR 321.0 million in the first nine months of 2017. An amount of EUR 416.3 million was attributable to the sale of the shares held in conwert Immobilien Invest SE. This item was countered by an outflow of funds for the acquisition of subsidiaries, net of cash acquired, of EUR 59.9 million and investments in existing holdings (investment properties) of EUR 57.9 million.

Financing activities resulted in an outflow of funds amounting to EUR -329.2 million in the first nine months of 2017. This was the extent by which funds were channelled into interest payments and repayments of existing financing facilities. Repayments particularly included current liabilities of EUR 199.7 million which had served to finance the acquisition of the conwert shares and liabilities from bonds of approx. EUR 140.0 million. Furthermore, non-current promissory note bond liabilities of EUR 33.0 million were prematurely redeemed. These items were countered by the inflow of EUR 150 million due to the stocking up of the existing 2015/2020 corporate bond.

As of 30 September 2017, the ADLER Group had financial funds (cash and cash equivalents) of EUR 116.6 million.

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

OVERALL SUMMARY OF BUSINESS PERFORMANCE AND POSITION OF GROUP

Given the further development in existing real estate portfolios, the expansions of the portfolio during the year and planned for the future, the successful initiation of the Group's realignment, the consistent improvement in its financing structure and the financing facilities secured on a long-term basis, the business performance and position of the Group are assessed as positive. A foundation has been laid for a stable performance in the future.

/// Group interim financial statement as at 30 September 2017

/// CONSOLIDATED BALANCE SHEET

(IFRS) as at 30 September 2017

In EUR ´000	30.09.2017	31.12.2016
Assets	**3,281,212**	**3,430,477**
Non-current assets	**2,777,526**	**2,577,578**
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
Current assets	**485,149**	**418,211**
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
Non-current assets held for sale	**18,536**	**434,688**

In EUR ´000	30.09.2017	31.12.2016
Equity and liabilities	**3,281,212**	**3,430,477**
Shareholders' equity	**918,671**	**914,222**
Capital stock	57,545	47,702
Treasury shares	-783	0
	56,672	47,402
Capital reserve	328,684	352,105
Retained earnings	-921	-2,510
Currency translation reserve	87	90
Net retained profit	454,576	445,786
Equity attributable to owners of the parent company	839,188	843,174
Non-controlling interests	79,483	71,048
Non-current liabilities	**2,195,315**	**2,111,222**
Pension reserves	4,727	4,954
Deferred tax liabilities	133,226	113,142
Other provisions	1,919	1,622
Liabilities from convertible bonds	124,618	143,870
Liabilities from bonds	528,042	509,454
Financial liabilities to banks	1,378,634	1,312,502
Other non-current liabilities	24,147	25,677
Current liabilities	**160,411**	**397,482**
Other provisions	2,317	3,926
Income tax liabilities	15,914	13,969
Liabilities from convertible bonds	869	1,554
Liabilities from bonds	12,960	8,281
Financial liabilities to banks	83,938	320,328
Trade payables	28,841	22,492
Other current liabilities	15,571	26,931
Liabilities held for sale	**6,815**	**7,553**

/// CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(IFRS) for the period from 1 January to 30 September 2017

In EUR ´000	9M 2017	9M 2016	Q3 2017	Q3 2016
Gross rental income	196,135	196,369	65,030	65,560
Expenses from property lettings	-100,958	-105,053	-32,341	-35,218
Earnings from property lettings	**95,150**	**91,316**	**32,689**	**30,342**
Income from the sale of properties	113,415	145,205	60,601	75,872
Expenses from the sale of properties	-90,771	-111,151	-49,221	-58,341
Earnings from the sale of properties	**22,644**	**34,054**	**11,380**	**17,531**
Personnel expenses	-16,724	-13,442	-6,075	-4,511
Other operating income	6,693	4,859	624	1,458
Other operating expenses	-23,999	-22,175	-7,688	-8,755
Income from fair value adjustments of investment properties	36,957	123,530	1,549	97,684
Depreciation and amortisation	-761	-868	-196	-285
Earnings before interest and tax (EBIT)	**119,960**	**217,274**	**32,283**	**133,464**
Financial income	2,244	1,660	572	903
Financial costs	-72,017	-82,511	-21,658	-33,066
Net income from at-equity valued investment associates	197	11,147	197	217
Earnings before taxes (EBT)	**50,384**	**147,570**	**11,394**	**101,518**
Income taxes	-26,416	-48,976	-9,097	-34,675
Consolidated net profit	**23,968**	**98,594**	**2,297**	**66,843**
OCI SWAP – reclassifiable	0	411	0	152
Deferred taxes OCI – reclassifiable	0	-133	0	-49
Gains/losses from currency translation	-3	-1	-2	4
Change in value of interests in companies accounted for under at equity	1,589	-1,589	0	-533
OCI gains/losses reclassifiable into profit or loss	**1,586**	**-1,312**	**-2**	**-426**
Total comprehensive income	**25,554**	**97,282**	**2,295**	**66,417**
Profit attributable to:				
Owners of the parent company	18,642	88,996	1,035	60,493
Non-controlling interests	5,326	9,589	1,262	6,350
Total comprehensive income attributable to:				
Owners of the parent company	20,228	87,684	1,033	60,067
Non-controlling interests	5,326	9,598	1,262	6,350
Earnings per share, basic (EUR) [1]	0.28	1.42	0.01	0.96
Earnings per share, diluted (EUR) [1]	0.29	1.30	0.02	0.89

[1] previous year adjusted according to IAS 33.64, please see comments in notes to the interim consolidated statements under earnings per share

/// CONSOLIDATED STATEMENT OF CASH FLOWS

(IFRS) for the period from 1 January to 30 September 2017

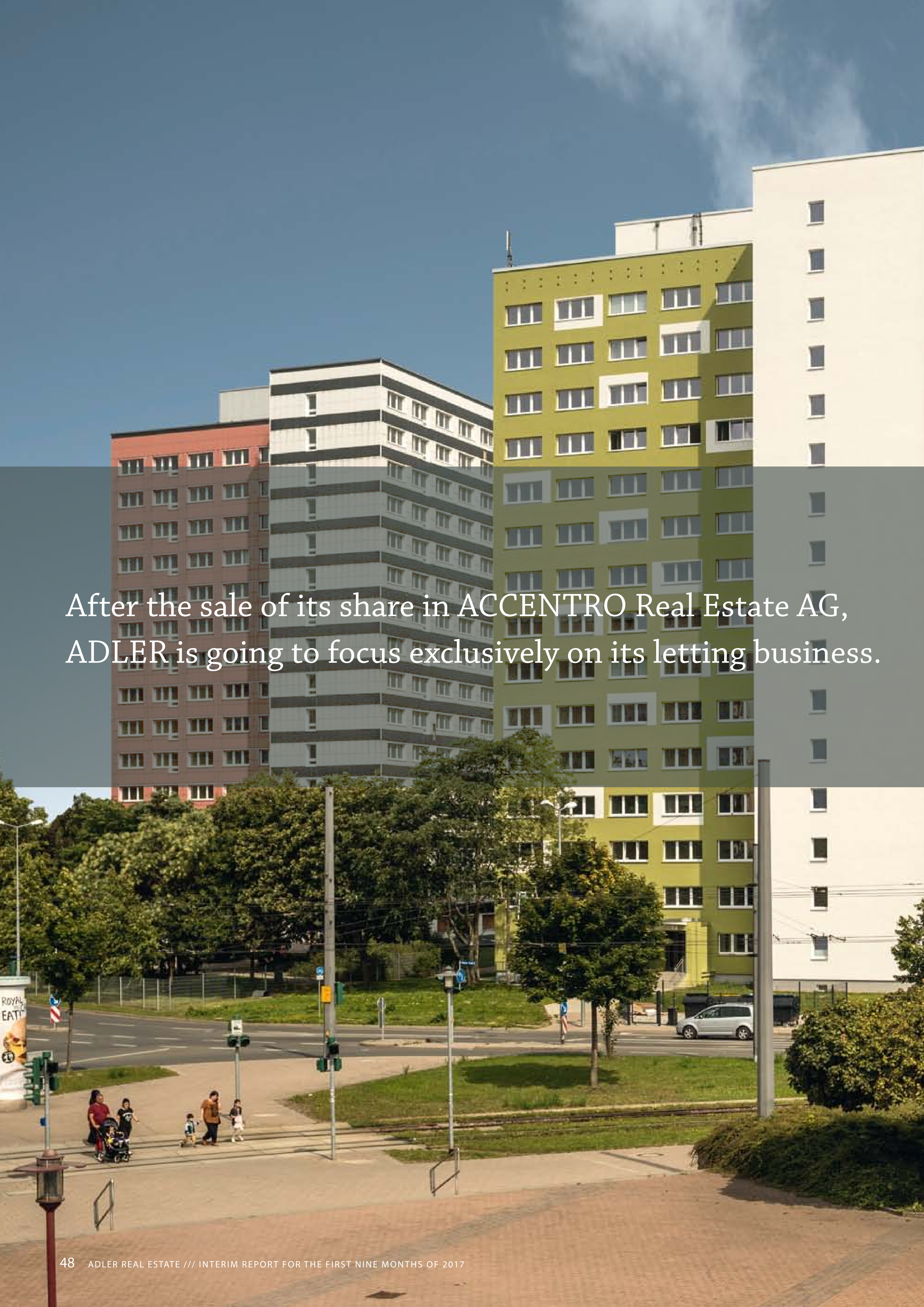
	In EUR ´000	9M 2017	9M 2016
	Earnings before interest and taxes (EBIT)	119,960	217,274
+	Depreciation and amortisation	761	868
–/+	Net income from fair value adjustments of investment properties	-36,957	-123,530
–/+	Non-cash income/expenses	1,996	819
–/+	Changes in provisions and accrued liabilities	-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 activities	-12,940	-6,553
+	Interest received	2,415	379
+	Dividends received	223	8,097
+/–	Tax payments	-4,329	-713
=	**Operating cash flow before de-/reinvestment into the trading portfolio**	**54,249**	**77,548**
–/+	Increase/decrease in inventories (commercial properties)	-53,338	4,389
=	**Net cash flow 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 deinvestments of financial assets less costs to sell	416,260	0
–	Investments in financial assets	-144	-78,979
–	Proceeds from short-term deposits	19,500	11,800
+	Payments into term deposits	-24,584	-14,624
=	**Net cash flows 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
–	Repayment of bank loans	-347,819	-279,902
=	**Net cash flows from financing activities**	**-329,224**	**44,508**
	Reconciliation to consolidated balance sheet		
	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 end of periods**	**116,609**	**101,565**

/// CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(IFRS) for the period from 1 January to 30 September 2017

In EUR ´000	Subscribed capital	Treasury shares	Capital reserve
As at 1 January 2016	**46,103**	**0**	**449,360**
Net result	0	0	0
Other result – reclassifiable	0	0	0
Change in scope of consolidation	0	0	0
Convertible bond issue	0	0	12,742
Conversion of convertible bonds	1,578	0	3,863
As at 30 September 2016	**47,681**	**0**	**465,965**
As at 1 January 2017	**47,702**	**0**	**352,105**
Net result	0	0	0
Other result – reclassifiable	0	0	0
Dividend payments to shareholders	0	0	0
Change in scope of consolidation	0	0	0
Increase/decrease in shareholding with no change in status	0	0	0
Capital increase from company funds	4,773	0	-4,773
Acquisition of treasury shares	0	-783	0
Acquisition of convertible bonds	0	0	-22,883
Conversion of convertible bonds	5,070	0	4,235
As at 30 September 2017	**57,545**	**-783**	**328,684**

Retained profit	Currency translation reserve	Net profit/loss	Capital and reserves attributable to the shareholders of the parent company	Minority interests	Total equity
-88	**92**	**223,891**	**719,358**	**58,562**	**777,921**
0	0	88,995	88,995	9,599	98,594
-1.311	-2	0	-1,313	0	-1,313
0	0	0	0	158	158
0	0	0	12,742	0	12,742
0	0	0	5,441	702	6,143
-1,399	**91**	**312,886**	**825,224**	**69,021**	**894,245**
-2,510	**90**	**445,786**	**843,173**	**71,048**	**914,222**
0	0	18,640	18,640	5,327	23,967
1,589	-3	0	1,586	0	1,586
0	0	0	0	-511	-511
0	0	0	0	3,665	3,665
0	0	0	0	-488	-488
0	0	0	0	0	0
0	0	-9,850	-10,633	0	-10,633
0	0	0	-22,883	0	-22,883
0	0	0	9,305	442	9,747
-921	**87**	**454,576**	**839,188**	**79,483**	**918,671**



After the sale of its share in ACCENTRO Real Estate AG, ADLER is going to focus exclusively on its letting business.

/// Selected notes on the group interim financial statements in accordance with IFRS as at September 2017

/// SELECTED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (IFRS)

GENERAL INFORMATION

ADLER Real Estate Aktiengesellschaft (hereinafter "ADLER") is the parent company of the Group and has its legal domicile at Joachimsthaler Strasse 34, Berlin, Germany. The company is entered in the Commercial Register of Charlottenburg District Court under HRB°180360°B. Its financial year is the calendar year.

ADLER is a publicly listed real estate company focusing on establishing and developing a substantial and profitable property portfolio. Its activities centre on the acquisition and management of residential properties throughout Germany.

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

Furthermore, ADLER's core activities also included trading with residential properties and individual apartments. Within the ADLER Group, trading activities were largely covered by the Group's majority interest in the listed company ACCENTRO Real Estate AG (hereinafter "ACCENTRO"). Mid-October ADLER has sold most of its shares in ACCENTRO. Further information about can be found in the "Events after the balance sheet" section.

BASIS OF ACCOUNTING

Basis of preparation

The interim consolidated financial statements as of 30 September 2017 have been prepared in accordance with International Financial Reporting Standards (IFRS), which are mandatory in the European Union. The consolidated financial statements, comprising the consolidated balance sheet, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows and selected note disclosures, also take particular account of the requirements of IAS 34 "Interim Financial Reporting".

In accordance with IAS 34.41, greater reference is made to estimates and assumptions when preparing the interim consolidated financial statements than is the case for annual reporting. ADLER has adjusted the measurement of investment properties in line with changes in market conditions. No other changes in estimates with material implications for the Group's net assets, financial position and results of operations arose in the interim reporting period.

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

Further information about the accounting policies can be found in the consolidated financial statements as of 31 December 2016, which form the basis for these interim consolidated financial statements.

Accounting standards applicable for the first time in the 2017 financial year

To date, there have been no amendments to standards or interpretations requiring first-time mandatory application in the EU in the 2017 financial year which would impact materially on the consolidated financial statements.

No premature application has been made of new standards and interpretations only requiring mandatory application from 1 January 2018 and in subsequent years.

BASIS OF CONSOLIDATION

Subsidiaries are included in the consolidated financial statements in accordance with the requirements of IFRS 10. Subsidiaries are all entities that are controlled by the Group. The Group controls an entity when it has direct or indirect decision-making powers over the respective group company in the form of voting or other rights, participates in the positive and negative variable returns from the group company and can influence these returns due to its decision-making powers. These criteria have to be cumulatively fulfilled.

Subsidiaries are included in the consolidated financial statements (full consolidation) from the date on which the Group gains control. They are deconsolidated from the date on which control ceases.

Companies over which the Group can exercise significant influence are recognised as associates using the equity method in accordance with IAS 28. Significant influence is presumed when a Group company directly or indirectly holds no less than 20 percent but no more than 50 percent of the voting rights.

Further information about consolidation principles can be found in the comments in the “Consolidation principles” section of the 2016 Annual Report.

SCOPE OF CONSOLIDATION AND BUSINESS COMBINATIONS

Including the parent company, the scope of consolidation includes a total of 135 companies (31 December 2016: 127) that are fully consolidated and a further five companies that are recognised at equity.

A total of twelve companies were newly included in the scope of consolidation in the period under report. Four companies were merged with other companies within the scope of consolidation.

A service company (KKL Immobilienservice GmbH) was acquired in the second quarter (purchase price: EUR 375k) and fully consolidated pursuant to IFRS 3. Due to the low volume of its business activities, however, this company does not have any material implications for the Group.

Furthermore, the company also acquired shares (94.9 percent) in a property company (TGA Immobilien Erwerb 3 GmbH) at the end of the second quarter. This acquired company does not constitute a business operation as defined in IFRS 3 and has been presented as a direct real estate acquisition. The costs of acquiring the property company have been allocated to the individual identifiable assets and liabilities based on their fair values. Investment properties of EUR 9,981k were acquired via this property company.

Mid-September 2017, shares (94.9 percent respectively 94.0 percent) were acquired in the following property companies via Magnus Elfte Immobilienbesitz und Verwaltungs GmbH, an intermediate holding company in which ADLER indirectly owns a 100 percent stake: ADP Germany S.à.r.l (hereinafter ADP), AFP Germany II S.à.r.l (hereinafter AFP II) and AFP Germany III S.à.r.l. (hereinafter AFP III). This acquired company does not constitute a business operation as defined in IFRS 3 and has been presented as a direct real estate acquisition. This involved allocating the cost of acquiring the property companies to the identifiable assets and liabilities in accordance with their fair values. Via these property companies, the Group acquired investment properties amounting to EUR 130,676k and financial liabilities to banks amounting to EUR 68,865k.

The other additions result from seven companies newly founded for the privatisation business in the first and third quarters. Following the exit of one shareholder in each case, MBG Moosburg GmbH & Co. KG and Dritte ADLER Real Estate GmbH & Co. KG were each merged into the respective remaining shareholder within the scope of consolidation. KKL Immobilienservice GmbH and J2P Service GmbH were merged into another service company in the scope of consolidation in the third quarter. These measures did not have any material implications for the Group's net assets, financial position and results of operations.

SEGMENT REPORTING

1. Rental: this segment chiefly comprises investment properties. It also includes a small number of inventory properties not allocated to the Trading segment.

2. Trading: this segment includes purchases and sales of properties, in which individual apartments are generally sold to private investors. The brokerage business associated with residential privatisation is also allocated to this segment. As the properties are temporarily owned by the company alongside income from the sale of properties, a low volume of gross rental income is also reported in this segment.

Other group activities that do not constitute standalone segments are pooled in the “Other” column. These mainly relate to historic holdings at ADLER that have already been or are in the process of being sold.

Segment reporting based on the Rental and Trading segments is consistent with the internal reporting system to ADLER’s Management Board, which is the top management body pursuant to IFRS (management approach). As the Group only trades in properties that are located in Germany, no geographical segmentation has been performed.

In the course of the strategic realignment of ACCENTRO, this subsidiary has focused on the Trading segment. Segment reporting was correspondingly adjusted in the fourth quarter of 2016. This particularly involves a higher share of ACCENTRO’s personnel and financial expenses being allocated to the Trading segment. The previous year’s comparative earnings figures have been adjusted accordingly.

Income and EBIT for the period from 1 January 2017 to 30 June 2017 and for the previous year’s comparative period are broken down across the segments as follows:

ADLER Group	Trading		Rental		Other		Group	
In EUR thousands – 9 months/ 9M	**2017**	**2016***	**2017**	**2016***	**2017**	**2016**	**2017**	**2016**
Gross rental income and income from the sale of properties	88,973	114,737	219,775	225,262	802	1,575	309,550	341,574
– of which gross rental income	5,726	5,128	190,269	190,372	140	869	196,135	196,369
– of which income from sales	82,034	108,452	29,506	34,890	662	706	112,202	144,048
– of which income from brokerage	1,213	1,157	0	0	0	0	1,213	1,157
Change in the value of investment property	0	0	36,957	123,530	0	0	36,957	123,530
EBIT	**22,202**	**33,117**	**97,929**	**184,316**	**-171**	**-159**	**119,960**	**217,274**
Income from investments accounted for using the equity method	197	494	0	10,653	0	0	197	11,147
Financial result	**-4,434**	**-3,752**	**-65,357**	**-77,078**	**18**	**-21**	**-69,773**	**-80,851**
Earnings before taxes (EBT)	**17,768**	**29,859**	**32,768**	**117,890**	**-153**	**-179**	**50,383**	**147,570**

* Amended statement

The Trading segment generated income of EUR 88,973k in the first nine months (EUR 114,737k), of which EUR 82,034k (EUR 108,452k) resulted from sales. EBIT in this segment amounted to EUR 22,202k (EUR 33,117k) and earnings before taxes came to EUR 17,768k (EUR 29,859k). The revenues and earnings of the previous year were mainly influenced by the sale of a property portfolio, which had originally been earmarked for individual privatisation, in its entirety on attractive terms.

Revenues in the Rental segment amounted to EUR 219,775k (EUR 225,262k). Gross rental income amounted to EUR 190,269k (EUR 190,372k). Changes in the value of investment property amounted to EUR 36,957k (EUR 123,530k) in the first nine months of the year. Nine-month EBIT in the Rental segment amounted to EUR 97,929k (EUR 184,316), while earnings before taxes came to EUR 32,768k (EUR 117,890).

The EBIT and earnings before taxes were negatively affected in the first months of the period under report by one-off items relating in particular to the Rental segment. Personnel expenses rose by a total of EUR 3,064k compared with the first nine months of the 2016 financial year. In the course of ADLER's realignment as an integrated real estate group, tasks have been removed from third-party service providers and taken over by departments within the Group that have either been newly created or whose personnel resources have been boosted. Furthermore, legal and advisory costs rose by approx. EUR 1,600k, a development due in particular to the redemption of financial liabilities and the announced squeeze-out at WESTGRUND AG (hereinafter "WESTGRUND"). The increase in IT costs by approx. EUR 1,700k was mainly due to the implementation of a uniform IT system landscape across the Group in the context of its realignment. Financial costs of approx. EUR 4,100k (EUR 3,502k) were incurred for prepayment penalties in connection with the redemption of financial liabilities with higher interest rates and bonds. The premature repayment of the 2014/2019 bond also led to the immediate recognition of transaction costs of EUR 1,920k, which would otherwise have been spread over the term. The reversal of reserves recognised in equity resulting from the assignment of conwert shares led to financial costs of EUR 1,589k. In the previous year, by contrast, the company reported income of EUR 10,653k from the recognition of conwert shares at equity.

The income and EBIT for the third quarter (from 1 July 2017 to 30 September 2017) and for the equivalent period in the previous year can be broken down across the segments as follows:

ADLER Group	Trading		Rental		Other		Group	
In EUR thousands – 3 months/ Q3	**2017**	**2016***	**2017**	**2016***	**2017**	**2016**	**2017**	**2016**
Gross rental income and income from the sale of properties	46,289	61,642	78,633	79,738	709	52	125,631	141,432
– of which gross rental income	1,900	1,777	63,083	63,735	47	48	65,030	65,560
– of which income from sales	43,944	59,505	15,550	16,003	662	4	60,156	75,512
– of which income from brokerage	445	360	0	0	0	0	445	360
Change in the value of investment property	0	0	1,549	97,684	0	0	1,549	97,684
EBIT	**11,252**	**17,576**	**20,911**	**115,922**	**120**	**-34**	**32,283**	**133,464**
Income from investments accounted for using the equity method	197	105	0	112	0	0	197	217
Financial result	**-1,363**	**-1,080**	**-19,729**	**-31,068**	**7**	**-15**	**-21,085**	**-32,163**
Earnings before taxes (EBT)	**9,889**	**16,601**	**1,377**	**84,967**	**127**	**-49**	**11,393**	**101,519**

* Amended statement

Segment assets, segment liabilities and segment investments were structured as follows as of 30 September 2017:

ADLER Group In EUR thousands as at 30 September 2017	Trading	Rental	Other	Consolidation	Group
Segment assets	328,822	2,956,376	6,567	-10,833	3,280,932
Investments accounted for using the equity method	255	25	0	0	280
Total segment assets	**329,077**	**2,956,401**	**6,567**	**-10,833**	**3,281,212**
Segment liabilities	**184,243**	**2,182,114**	**7,017**	**-10,833**	**2,362,541**
Segment investments	**112,389**	**190,636**	**0**	**0**	**303,025**

Segment assets, segment liabilities and segment investments were structured as follows as of 31 December 2016:

ADLER Group In EUR thousands as at 31 December 2016	Trading	Rental	Other	Consolidation	Group
Segment assets	290,198	3,157,181	7,681	-25,080	3,429,980
Investments accounted for using the equity method	472	25	0	0	497
Total segment assets	**290,670**	**3,157,206**	**7,681**	**-25,080**	**3,430,477**
Segment liabilities	**160,068**	**2,374,046**	**7,223**	**-25,080**	**2,516,257**
Segment investments	**96,075**	**133,154**	**0**	**0**	**229,229**

SELECTED NOTES ON THE CONSOLIDATED BALANCE SHEET

Investment properties

The carrying amount of investment properties amounted to EUR 2,640,732k as at the balance sheet date (31 December 2016: EUR 2,441,988k). EUR 29,925k of this increase was due to the acquisition on 31 March 2017 of a real estate portfolio in Osterholz-Scharmbeck and Schwanewede, EUR 9,981k to the acquisition on 30 June 2017 of the real estate portfolio in Senftenberg via the property company TGA Immobilien Erwerb 3 GmbH and EUR 130,676k to the acquisition in September 2017 of a further real estate portfolio with a total of 2,505 rental units in North Rhine-Westphalia, Lower Saxony, Bremen and Schleswig-Holstein via the property companies ADP, AFP II and AFP III. EUR 36,957k of the increase is also attributable to measurement results. These items were opposed by disposals, including IFRS 5 reclassifications, amounting to EUR 28,892k.

Inventories

Inventories include an amount of EUR 263,715k for properties acquired for sale (31 December 2016: EUR 219,523k), an amount of EUR 16,121k for advance payments (31 December 2016: EUR 7,486k) and an amount of EUR 33k for other inventories (31 December 2016: EUR 49k). The increase in inventory properties acquired for sale was mainly due to the acquisition by ACCENTRO of apartments earmarked for privatisation. This development was countered by retirements resulting from disposals of inventory properties at ACCENTRO.

Cash and cash equivalents

Cash and cash equivalents amounted to EUR 116,609k at the balance sheet date, as against EUR 123,911k at the end of the previous year. An amount of EUR 17,787k is subject to restraints on disposal (EUR 13,370k).

Non-current assets held for sale

In December 2016, the ADLER Group tendered its shareholding of approx. 26 percent in conwert within the framework of the voluntary takeover bid successfully addressed by Vonovia SE to shareholders in conwert. With Vonovia's approval, it selected the option of cash consideration. In January 2017, the consideration was received for the assignment of the conwert shares within the voluntary takeover bid addressed by Vonovia to conwert's shareholders.

The shares were measured at the lower of their carrying amount and their fair value less costs to sell. As of 31 December 2016, fair value less costs to sell as based on the consideration offered in Vonovia's voluntary takeover bid was lower than the previous carrying amount, as a result of which it was necessary to recognise an impairment loss. Apart from the reversal of the reserves recognised in equity for the conwert shares, the retirement of the shares at a carrying amount of EUR 416,260k has therefore not impacted on earnings in the 2017 financial year. The reversal of the reserves recognised in equity for the conwert shares led to expenses of EUR 1,589k, which have been recognised in the financial result in line with the impairment loss recognised in the previous year.

The other non-current assets held for sale include properties recognised at an amount of EUR 18,536k (31 December 2016: EUR 18,428k), for which notarial purchase contracts were mostly available at the balance sheet date. Liabilities relating to the properties sold have accordingly been reported as liabilities held for sale. The disposal of the non-current assets held for sale in the previous year did not have any material impact on earnings, as the assets were already measured at fair value. This corresponded to the sale price for the properties less related expenses.

Shareholders' equity

The capital stock of ADLER AG amounted to EUR 57,545k as of 30 September 2017 (31 December 2016: EUR 47,702k) and is divided into 57,545,464 no-par ordinary shares (31 December 2016: 47,702,374) with one voting right per share.

The Annual General Meeting of ADLER decided on 7 June 2017 to increase the capital stock by EUR 4,773k from company funds by issuing 4,773,135 no-par ordinary shares (bonus shares). The new shares are attributable to shareholders in accordance with their share of existing capital stock and have dividend entitlement from 1 January 2017. The issue of bonus shares has changed the conversion prices and conversion ratios of outstanding convertible bonds.

Due to the exercising of conversion rights, capital stock increased by EUR 5,070k and the capital reserve increased by EUR 4,235k.

On 16 June 2017, the company approved a share buyback programme with a total purchase price (excluding ancillary costs) of up to EUR 10,000k. Another EUR 5,000k was added to the share buyback program on 21 September 2017. ADLER is authorised to buy back treasury stock by resolution of the Extraordinary General Meeting held in October 2015. A total of 782,982 no-par ordinary shares had been bought back as of 30 September 2017. The nominal amount of the treasury stock thereby acquired (EUR 783k) has been deducted from share capital, while the acquisition costs in excess of the nominal amount (EUR 9,850k) have been deducted from net retained profit.

Due to the acquisition of convertible bonds in ACCENTRO, the capital reserve was already reduced by the respective equity share of EUR 22,883k in the first quarter. Moreover, in the first quarter ADLER also further increased its shareholding in WESTGRUND without this resulting in any change of status.

Further details can be found in the consolidated statement of changes in equity.

Liabilities for convertible bonds

Liabilities from convertible bonds were structured as follows as at the balance sheet date:

In EUR thousands	30.09.2017	31.12.2016
2013/2017 convertible bond	0	9,009
2013/2018 convertible bond	3,961	4,036
2015/2018 mandatory convertible bond	936	1,594
2016/2021 convertible bond	119,466	116,897
ACCENTRO AG 2014/2019 convertible bond	1,124	13,888
Total	**125,487**	**145,424**
– of which non-current	124,618	143,870
– of which current	869	1,554

Due to the issuing of bonus shares, the conversion prices and conversion ratios of outstanding convertible bonds have changed as follows:

Description	Nominal value per unit	Old conversion price	New conversion price	Old conversion ratio	New conversion ratio
2013/2017 convertible bond	2.00	2.00	1.8182	1.0000	1.0999
2013/2018 convertible bond	3.75	3.75	3.4091	1.0000	1.0999
2015/2018 mandatory convertible bond	100,000.00	16.50	15.0000	6060.6061	6666.6666
2016/2021 convertible bond	13.79	13.79	12.5364	1.000	1.0999

The convertible bond 2013/2017 had a due date of June 30, 2017. The outstanding convertible bonds have nearly completely been converted into ADLER shares.

The reduction in the liabilities from the ACCENTRO AG 2014/2019 convertible bond mainly resulted from the acquisition by ADLER of bonds with a nominal value of EUR 11,858k.

To the extent that they have not yet been converted as of the balance sheet date, the debt capital components of the convertible bonds have been recognised less prorated transaction costs under non-current liabilities. Current liabilities from bonds include the interest claims of the bondholders as of the balance sheet date.

Liabilities for bonds

Liabilities from bonds were structured as follows as at the balance sheet date:

In EUR thousands	30.09.2017	31.12.2016
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 Real Estate AG successfully stocked up its 2015/2020 bond (EUR 350 million; 4.75 percent) by EUR 150 million at an issue price of 104.4 percent (equivalent to a return of approx. 2.5 percent).

The 2014/2019 bond, with a volume of EUR 130 million and an interest rate of 6.0 percent, was terminated and prematurely redeemed on 10 May 2017 at 101.5 percent of the nominal amount plus interest accumulated and as yet unpaid as of the repayment date.

In the first quarter, ACCENTRO decided to prematurely repay its 2013/2018 bond. This bond, which had a total nominal volume of EUR 10 million, was fully repaid on 26 June 2017 at a price of 101.5 percent plus interest accumulated on the nominal amount as of the repayment date.

Nominal bond amounts have been recognised under non-current liabilities less transaction costs, which are expensed on a time-apportioned basis using the effective interest method. Bondholders' interest claims as of the balance sheet date have been recognised under current liabilities.

Financial liabilities to banks

Non-current financial liabilities to banks amounted to EUR 1,378,634k as of the balance sheet date (31 December 2016: EUR 1,312,502k). EUR 68,865k of the increase compared to the end of the previous year is attributable to financial liabilities assumed in connection with the acquisition of ADP, AFP II and AFP III. A long-term loan of EUR 22,000k was arranged to replace the intra-group financing for the property portfolio in Osterholz-Scharmbeck and Schwanewede acquired in the first quarter of 2017. This was offset by unscheduled repayments of promissory note bonds with higher interest rates of approx. EUR 33,000k in the first and second quarters of 2017.

Current financial liabilities to banks amounted to EUR 83,938k as of the balance sheet date (31 December 2016: EUR 320,328k). EUR 199,707k (including interest) of the reduction compared with the end of the previous year was due to repayment of the loan to finance the acquisition of conwert shares.

SELECTED NOTES ON THE STATEMENT OF COMPREHENSIVE INCOME

Gross rental income

Gross rental income is structured as follows:

In EUR 000s	9M 2017	9M 2016
Net rental income	130,522	125,733
Income from recoverable expenses	64,210	68,186
Other income from property management	1,403	2,450
Total	**196,135**	**196,369**

Expenses from property lettings

Expenses from property lettings are broken down as follows:

In EUR 000s	9M 2017	9M 2016
Apportionable and non-apportionable operating costs	83,105	85,527
Maintenance	16,977	18,865
Other property management expenses	903	661
Total	**100,985**	**105,053**

Income from the sale of properties

Income from the sale of properties is structured as follows:

In EUR thousands	9M 2017	9M 2016
Income from the sale of inventory properties	82,696	109,203
Income from the sale of investment properties	29,507	34,845
Brokerage revenue	1,212	1,157
Total	**113,415**	**145,205**

EUR 82,034k of the income from the sale of inventory properties relates to disposals at ACCENTRO AG (previous year: EUR 108,451k).

Expenses from the sale of properties

Expenses from the sale of properties are structured as follows:

In EUR thousands	9M 2017	9M 2016
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
Total	**90,771**	**111,151**

EUR 58,833k of the retirements of inventory properties relate to disposals at ACCENTRO AG (previous year: EUR 73,090k).

Income from the measurement of investment properties

Income from fair value adjustments of investment properties amounted to EUR 36,957k (previous year: EUR 123,530k) and comprises income of EUR 52,298k from fair value adjustments (previous year: EUR 138,836k) and expenses of EUR 15,342k for fair value adjustments (previous year: EUR 15,306k).

Financial costs

Financial costs are structured as follows:

In EUR thousands	9M 2017	9M 2016
Interest expenses for bank loans	33,694	44,821
Interest expenses for bonds	25,658	24,375
Interest expenses for convertible bonds	6,741	3,053
Other	5,924	10,262
Total	**72,017**	**82,511**

Bond expenses include transaction costs of EUR 1,920k that required immediate recognition as expenses due to the premature repayment of the 2014/2019 bond.

Other financial costs include an amount of EUR 4,100k for prepayment penalties for repayments of financial liabilities with higher interest rates (previous year: EUR 3,502k) and an amount of EUR 1,589k for the reversal of the reserves recognised in equity for the conwert shares (previous year: EUR 0k). Reference is made in this respect to the comments under “Non-current assets held for sale”. In the previous year, other financial costs also mainly related to interest swap expenses.

Earnings per share

The number of no-par ordinary shares has increased due to the issue of 4,773,135 bonus shares. Accordingly, the number of potential no-par ordinary shares from convertible bonds has also increased due to the issuing of bonus shares and the resultant 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.

The number of shares used as a basis for the calculation is as follows:

In thousands	9M 2017	9M 2016*
Weighted numer of shares issued	66,012	62,755
Effect of the conversion of convertible bonds	5,074	6,336
Weighted numer of shares (diluted)	71,086	69,091

* Retrospectively adjusted

DISCLOSURES ON FINANCIAL INSTRUMENTS AND FAIR VALUE DISCLOSURES

The classification of financial instruments required in accordance with IFRS 7 was unchanged compared with 31 December 2016. There were no reclassifications within the categories of financial instruments or the fair value hierarchy levels in the period under report.

The allocation of assets and liabilities measured at fair value in accordance with the input factors of the respective measurement method was unchanged compared with 31 December 2016. Investment properties are still allocated to Level 3 in the fair value hierarchy.

OTHER DISCLOSURES

Related-party disclosures

There have been no material changes in related parties compared with the information provided as of 31 December 2016.

Financial risk management

The material risks monitored and managed by the Group's financial risk management include interest rate, default, liquidity and financing risks. There have been no material changes in these risks since 31 December 2016. A detailed description of these risks can be found in the notes to the consolidated financial statements as of 31 December 2016.

Events after the balance sheet date

On 20 October 2017, ADLER Real Estate AG reached an agreement to sell an approx. 80 percent stake in ACCENTRO as well as approx. 92 percent of the 2014/2019 convertible bonds issued by ACCENTRO. This equates to a total stake of 82 percent on a fully diluted basis. The buyer is a partnership advised by Vestigo Capital Advisors LLP, London, a company authorised and regulated by the UK Financial Conduct Authority. The purchase price totals approx. EUR 180 million. Under the terms of the agreement, the seller receives a down payment on conclusion of the contract, and – along with market interest and appropriate collateral – further tranches will be paid over the next twelf months. In addition, ADLER has the option to sell a further holding of up to approx. 6 percent in ACCENTRO to the partnership advised by Vestigo Capital Advisors LLP at the same price per share.

ADLER acquired the total stake and the convertible bond at acquisition costs totalling EUR 108 million. In future, ADLER will concentrate on the letting business and thus focus and simplify its business model. ADLER wants to use the proceeds from the disposal to expand the property portfolio and/or repay liabilities. The sale is also expected to strengthen ADLER's shareholders' equity by approx. EUR 45 million and therefore help ADLER achieve its financial targets, especially the reduction of the LTV to less than 55 percent and the receipt of an investment-grade rating.

The conclusion of the transaction is scheduled for the end of November at the latest. The conclusion of the transaction is expected to trigger a mandatory bid from the buyer for all shares in ACCENTRO in accordance with the German Securities Acquisition and Takeover Act, unless the buyer makes a qualifying, voluntary public takeover bid for all shares in ACCENTRO.

Other than the above, no material events have occurred since the balance sheet date.

/// AFFIRMATION BY THE LEGAL REPRESENTATIVES

Statements Pursuant to § 37y No. 1 of the Securities Trading Act

“We hereby affirm to the best of our knowledge, pursuant to the applicable accounting principles for interim financial reporting, with due regard for the requirements of § 37w of the Securities Trading Act, that these interim consolidated financial statements convey a true and fair view of the Group’s financial, earnings and liquidity position, that the course of business, including the results of operations and the position of the Group, is represented in the interim consolidated management report in such a manner as to convey a true and fair view and that all essential opportunities and risks foreseeable for the Group in the remainder of the financial year are described.”

Berlin, 14 November 2017

Arndt Krienen
CEO

Sven-Christian Frank
COO

/// LEGAL REMARK

This report contains future-oriented statements that reflect the current management views of ADLER Real Estate AG regarding future events. Every statement in this report that reflects intentions, assumptions, expectations or predictions, as well as the assumptions on which they are based, constitutes such a future-oriented statement. These statements are based on plans, estimates and forecasts currently available to the management of ADLER Real Estate AG. Therefore, they only apply to the day on which they are made. By their nature, future-oriented statements are subject to risks and uncertainty factors, and the actual developments can deviate considerably from the future-oriented statements or the events implicity expressed in them. ADLER Real Estate AG is not obligated, nor does it intend, to update such statements in view of new information or future events.

/// GLOSSARY

EBIT

Earnings before Interest and Tax

Consolidated earnings before interest and tax – an indicator of the result of operations, also includes measurement gains/losses for investment property and profits generated from real estate disposals.

EBITDA

Earnings before Interest, Tax, Depreciation and Amortisation

Defined as operating earnings (earnings before interest and taxes) plus depreciation and amortisation, or as earnings before interest, taxes, depreciation and amortisation. This key figure is unaudited. Potential investors should note that EBITDA is not a uniformly applied or standardised key figure and that its calculation may vary widely from company to company. Taken alone, EBITDA therefore does not necessarily provide a basis for comparison with other companies.

Adjusted EBITDA

EBITDA adjusted to exclude the result of measurement of investment property, associates measured at equity results and one-off and non-recurring items – an indicator of operating earnings excluding measurement and special items.

FFO I

Funds from Operations I

Adjusted EBITDA less interest charge for FFO, current taxes on income, investments to maintain substance and earnings before interest and taxes in the Trading and Other Activities segment – an indicator of cash flow-based operating earnings excluding disposals.

FFO II

Funds from Operations II

FFO I plus earnings from disposals of investment property – an indicator of cash flow-based operating earnings including disposals.

EPRA

European Public Real Estate Association Association of publicly listed real estate companies, after which the EPRA Index is named.

EPRA – NAV

Net asset value based on EPRA

Equity allocable to shareholders adjusted to exclude deferred taxes, value differences between fair values and carrying amounts of real estate and present value of derivative financial instruments – an indicator of company value.

LTV

Loan-to-value

Ratio of net financial liabilities (liabilities to banks less cash and cash equivalents) to total assets less cash and cash equivalents – an indicator of financial stability.

Swap

Designation for financial derivatives (financial instruments) based on a payment flow swap transaction between two parties. An interest swap designates a swap transaction in which two parties undertake to periodically swap interest payments over a previously agreed period.

Dilution of shares

Reduction in the value of a share resulting from new shares being issued in a capital increase executed without subscription rights.

WACD

Weighted average cost of debt

Weighted average cost of interest paid on debt – a measurement of current interest charge on debt financing.

/// AT A GLANCE

Supervisory Board	
Dr. Dirk Hoffmann	Chairman of the Supervisory Board
Thomas Katzuba von Urbisch	Vice Chairman of the Supervisory Board
Thilo Schmid	Member of the Supervisory Board
Management Board	
Arndt Krienen	Chairman of the Management Board
Sven-Christian Frank	Member of the Management Board
Company Facts	
Legal domicile	Berlin Charlottenburg, Berlin HRB 180360 B
Address	ADLER Real Estate Aktiengesellschaft Joachimsthaler Straße 34 10719 Berlin Phone: +49 30 398 018 10 E-Mail: info@adler-ag.com
Website	www.adler-ag.com
Investor relations/public relations	ADLER Real Estate Aktiengesellschaft Dr. Rolf-Dieter Grass Joachimsthaler Straße 34 10719 Berlin Phone: +49 30 2000 914 29 E-Mail: r.grass@adler-ag.com
Total voting rights	EUR 57,545,464[1)]
Classification of shares	No-par value shares.
Arithmetical value	EUR 1 per share
Voting right	1 vote per share
Identification	WKN 500 800 ISIN DE0005008007 Ticker symbol ADL Reuters ADLG.DE
Designated sponsors	ODDO SEYDLER BANK AG HSBC Trinkaus & Burkhardt AG Baader Bank AG
Stock exchanges	Xetra, Frankfurt am Main
Indices	SDAX, CDAX, FTSE EPRA/NAREIT Global Real Estate Index, GPR General Index, DIMAX
Financial year	Calendar year

1) As at 30 September 2017

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