ADLER REAL ESTATE

ANNUAL REPORT

2022 // Unaudited version

WHY AN UNAUDITED VERSION OF THE ANNUAL REPORT 2022?

To issue an unaudited version of the consolidated financial statements and annual accounts is probably unprecedented for a public company listed on a German stock exchange. What happened? Why are ADLER Real Estate AG as well as its mother company Adler Group S. A. unable to issue consolidated financial statements and annual accounts for the financial year 2022 that have been audited by an auditing firm as required by law?

Having issued the consolidated financial statements and annual accounts for the financial year 2021 in April 2022 as audited by KPMG, it was Adler Group's firm understanding that KPMG would continue its audit mandates for Adler Group and its group companies. Unfortunately, this was not the case: KPMG informed Adler Group on 17 May 2022 unexpectedly that it would no longer carry out the audit of the consolidated financial statements and annual accounts of Adler Group and its group companies.

Since then, Adler Group has done everything in its power to engage an auditor for its consolidated financial statements and annual accounts for the financial year 2022. This included also the appointment of KPMG as the auditor of the consolidated financial statements and annual accounts of Adler Real Estate AG obtained through the local court of Berlin, which KPMG again declined. Unfortunately, Adler Group's efforts have remained unsuccessful to date. The Group continues its intensive efforts to engage an auditor. For the above reason, the consolidated financial statements and annual accounts of ADLER Real Estate AG are issued today in an unaudited version. All relevant authorities and organisations have been informed in detail in advance in order to prevent potential penalties.

In the meantime, Adler Group has implemented a restructuring plan, supported by and in close consultation with its bondholders, which, among other objectives, envisages the issuance of audited consolidated financial statements and annual accounts for the financial year 2022 by 30 September 2024. As soon as an auditor has been engaged and fulfils their obligation to audit, ADLER Real Estate AG will resubmit an audited version of the consolidated financial statements and annual accounts for the financial year 2022.

/// KEY FIGURES

In EUR millions **Consolidated Statement of Income**	**2022**	**2021**
Net rental income	133.2	225.6
Earnings from property lettings	114.5	190.8
Earnings from the sale of properties	-18.8	0.6
EBIT	-410.0	375.8
Consolidated net profit from continuing operations	-459.3	74.6
Consolidated net profit	-459.3	74.6
FFO I	45.0	71.4
FFO I per share in EUR (fully diluted)[1)]	0.41	0.65
Consolidated Balance Sheet	**31.12.2022[2)]**	**31.12.2021[2)]**
Investment Properties (including inventories)	3,162.5	3,413.1
EPRA NRV (adjusted and fully diluted)	1,977.2	2,330.2
EPRA NRV per share in EUR (adjusted and fully diluted)[1)]	18.07	21.30
EPRA Loan-to-value in %	50.2	52.3
WACD	2.2	2.0
Cashflow	**2022**	**2021**
Net cash flow from operating activities	25.1	18.8
Net cash flow from investing activities	869.2	1,105.8
Net cash flow from financing activities	-886.1	-976.2
Employees	**31.12.2022**	**31.12.2021**
Number of employees	285	775
FTEs (Full-time equivalents)	269	723
Portfolio[3)]	**2022**	**2021**
Portfolio (units)	11,495	10,010
– of which residential	11,219	9,833
– of which commercial	276	177
Average rent (EUR /month/sqm)	7.07	6.96
Vacancy rate (%)	1.8	2
Fair value investment properties incl. inventories (EUR m)	1,934	1,676
Net rental income (EUR m)	61.2	52.9

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

/// CONTENT

/// PORTFOLIO

THE PROPERTY PORTFOLIO

At the end of 2022, ADLER Real Estate AG held a total of 11,495 rental units that are intended to be held permanently and are therefore recognised in the balance sheet as investment properties. They are mainly located in North Rhine-Westphalia and Berlin and comprise a total area of 746,300 square metres. Compared to the previous year, the number of rental units has increased through the purchase of a portfolio of 1,400 units which has been taken over from the mother company Adler Group. The 12,000 units of the BCP subsidiary continue to be contained in the balance sheet item "Non-current assets held for sale" due to the onging efforts to sell the portfolio.

The operational performance data for the portfolio consisting of the investment properties was as follows in 2022: The contracted rent/square metre/month averaged EUR 7.07 at the end of the reporting period, and the vacancy rate (excluding units under renovation) reached 1.8 percent.

The fair value of the total portfolio, calculated according to IFRS, amounted to EUR 3,010.5 million at the end of 2022.

/// THE ADLER SHARE

Shares no longer playing a major role on the stock exchange

ADLER shares are no longer playing a major role on stock exchange price lists as Adler Group holds 96.7 percent of ADLER's shares. Brokerage houses no longer issue reports on ADLER. Despite major fluctuations in the course of 2022, the share price was practically the same at the end of the year as at the beginning. It thus outperformed the Solactive DIMAX sector index, which comprises the major listed real estate companies in Germany and lost more about half its value over the same period of time.

Because the financing required for all Adler Group companies is handled by the Group's headquarters, ADLER has not been actively involved in the capital markets ever since its acquisition by Adler Group. Investor relations activities have been reduced correspondingly. However, ADLER continues to meet its obligations as a listed company, which include quarterly reporting.

/// STATEMENT OF THE SUPERVISORY BOARD ON THE SUBMITTED, UNAUDITED ANNUAL FINANCIAL STATEMENTS

Dear Shareholders,

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

Changes in composition

Ihe following changes occurred in the Supervisory Board of ADLER Real Estate AG in financial year 2022: First, Mr Thomas Zinnöcker was elected to the Supervisory Board by resolution of the Annual General Meeting on 31 August 2022, succeeding Dr Peter Maser. Dr Maser was appointed to the Supervisory Board by the competent court with effect from 14 March 2022 as the successor to Claus Jorgensen, who resigned for personal reasons. Following the filing of legal challenges against the election resolution, Mr Thomas Zinnöcker resigned from the Supervisory Board with effect from 10 November 2022 and was appointed as a member of the Supervisory Board by the competent court on 11 November 2022.

Supervisory Board meetings

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

In the 2022 financial year, a total of four regular Supervisory Board meetings were held, which were planned as face-to-face meetings, but were all held in the form of video conferences due to the various restrictions to contain the corona pandemic. These took place on 23 April, 27 May, 8 September and 8 December. In January, the main topics were a postponement of the publication date of the results for the 2021 financial year, in March the special investigation by KPMG into the allegations of a short-seller and on 25 August disposal projects. The meeting on 31 August served to constitute the Supervisory Board after the Annual General Meeting. All members of the Supervisory Board attended these meetings. In addition, further resolutions were passed in extraordinary meetings or video/telephone conferences as well as by circular resolutions. All members of the Supervisory Board also participated in these resolutions. In addition, further discussions took place for the purpose of exchanging information without additional resolutions.

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

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

Key focuses of activities

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

One focus of the Supervisory Board's activities was the monitoring of measures in connection with the allegations made against the company by Viceroy Research LLC. This included efforts to sell certain assets as well as dealing with existing receivables from previous asset sales, some of whose payment terms had already been extended. Other important topics were the repayment of the corporate bond due in the first half of 2022 and other liabilities, the withdrawal of LEG from the acquisition project of the shares in BCP and a loan granted to this majority-owned Group company, as well as the granting of an upstream loan to Adler Group S.A.

The Supervisory Board also had to deal with the request of Adler Group as majority shareholder for a squeeze-out. In addition, towards the end of the year the Supervisory Board dealt with the restructuring of ADLER Real Estate in connection with the restructuring at Adler Group. In this context, bondholders of the Adler Group undertook to stabilise the Adler Group, which includes ADLER Real Estate, and thus to provide secured debt financing in the event of a positive restructuring opinion, an adjustment of the bond terms and the provision of collateral. The agreement also included the extension of the loan granted by ADLER Real Estate to the Adler Group until 25 April 2023 and, in return, the standard market collateralisation. Members of the Supervisory Board were also very involved in the search for a new auditor after KPMG announced that it would not be available for further cooperation.

German Corporate Governance Code (DCGK)

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

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

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

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

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

Submitted unaudited consolidated financial statements 2022

The annual financial statements (HGB) and the consolidated financial statements (IFRS), including the combined management report, were submitted to the Supervisory Board for review. At its balance sheet meeting on 26 April 2023, the Supervisory Board discussed the documents relating to the individual and consolidated financial statements with the Executive Board and discussed them in detail. After detailed consultation and review of the annual financial statements, the consolidated financial statements and the combined management report, the Supervisory Board declares its agreement with the preparation presented by the Executive Board. By resolution of 26 April 2023, the Supervisory Board issues its opinion on the individual financial statements for 2022 and the consolidated financial statements.

The annual financial statements prepared by the Executive Board and the consolidated financial statements including the combined management report for the 2022 financial year have neither been audited nor confirmed by an auditing firm. After KPMG AG Wirtschaftsprüfungsgesellschaft issued a disclaimer of opinion for the consolidated financial statements and the individual financial statements for 2021 and also announced that it was not available for further co-operation, it was not possible to find an auditing company to audit the annual financial statements by the reporting date, despite considerable efforts and an extensive search. A court appointment also led to no result, as KPMG did not accept the court appointment as auditor for the individual and consolidated financial statements.

The Supervisory Board is currently prevented from adopting the annual financial statements due to the lack of an audit of the annual financial statements by an auditor. Therefore, this statement of the supervisory board is not a report of the supervisory board within the meaning of § 171 para. 2 AktG.

Members of the Supervisory Board

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

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

Berlin, April 2023

Martin Billhardt

Supervisory Board Chairman

/// COMBINED MANAGEMENT REPORT 2022

1. GROUP FUNDAMENTALS OF ADLER REAL ESTATE AG

BUSINESS MODEL

ADLER Real Estate is a German residential property companies with a focus on affordable housing. Its portfolio is primarily located in – or on the outskirts of – large and growing conurbations. All of the Group's properties and business operations are located in Germany.

The business model is the long-term letting of flats and the generation of sustainable cash flows. To secure long-term profitability, ADLER Real Estate opportunistically adjusts its residential portfolio through acquisitions and disposals.

All main functions relating to property management are carried out through the staff of Adler Group, of which ADLER Real Estate has been part of since the middle of 2020. The daily management of the portfolio lies in the hands of group companies like ADLER Wohnen Service GmbH, ADLER Gebaeude Service GmbH and ADLER Energie Service GmbH. The BCP portfolio is currently managed by its subsidiary RT Facility Management GmbH.

Residential real estate portfolio

The portfolio of ADLER Real Estate is largely composed of small to medium-sized residential units. The flats have an average size of slightly over 60 square metres and are particularly well suited to the needs of the company's target group, namely tenants with low to medium incomes. In order to maintain and improve the quality of its residential units, ADLER Real Estate regularly invests accordingly.

Acquisition strategy

Following its integration into the Adler Group, ADLER Real Estate no longer pursues its former independent acquisition strategy but instead follows the overall strategy of the new Group. ADLER Real Estate regularly streamlines its portfolio as part of its portfolio optimisation process.

Financing strategy

Following its integration into the Adler Group, ADLER Real Estate has ceased to pursue an independent financing strategy, but rather is subject to decisions taken by the new Group. The same is true for the accompanying risk management.

MANAGEMENT SYSTEM

Financial performance indicators

The main financial performance indicators used by ADLER Real Estate are the net rental income and the funds from operations I (FFO I). EPRA net reinstatement value (EPRA NRV)and loan-to-value (LTV) play a secondary role due - amongst others - to the integration into the Adler Group.

Non-financial performance indicators

Numerous non-financial performance indicators are regularly monitored within the Group's property management activities, some of which are included in the non-financial reporting. These are not used for active management of the company. From 2020, ADLER Real Estate is part of Adler Group's non-financial reporting, which is made available on the Adler Group's website.

EMPLOYEES

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

RESEARCH AND DEVELOPMENT

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

2. ECONOMIC REPORT

MACROECONOMIC AND SECTOR-SPECIFIC SETTINGS

In 2022, the German economy grew only moderately due to the Ukraine conflict and the ongoing pandemia. Compared to the previous year, the gross domestic product increased by 1.9 percent, adjusted for price and calendar effects. The unemployment rate was 5.4 percent at the end of 2022, about 0.3 percentage point higher than a year earlier. At the same time, prices rose sharply, with the inflation rate reaching 7.9 percent on average – mainly due to higher prices for energy and food. The real estate sector proved to be a stabilising factor, as rents only increased by 1.8 percent in 2022 according to the cost of living index.

Legal framework

On April 4, 2022, the new federal government decided that from 2023 landlords would also have to contribute to the CO_2 levy on heating costs. The staged model, which sets the share of landlords in inverse relation to the energy efficiency of the building has been determined in mid-November in a corresponding bill.

In October 2022, the federal government decided on a comprehensive package of measures to mitigate the consequences of the sharp increase in energy prices for private individuals and companies. These include, among other things, a cap on the gas price, the temporary assumption of heating costs or a postponement of the increase in the CO_2 levy. The measures benefit landlords in so far as they help to support and maintain the solvency of low-income tenants in particular.

ECONOMIC DEVELOPMENT OF ADLER REAL ESTATE

On January 13, 2022, the contract to sell more than 14,400 residential and commercial units to a subsidiary of KKR & Co. Inc. was signed. With the exemption of a minor number of units, the sale has meanwhile been completed.

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

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

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

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

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

On April 29, 2022, the Adler Group received notification from its auditor, KPMG, that it will issue a disclaimer on its audit opinion for the 2021 consolidated financial statements and annual accouunts. This also affects ADLER Real Estate AG.

On May 5, 2022, the rating agency Standard & Poor's changed ADLER Real Estate's corporate rating from B- to CCC and its bond rating from B to CCC.

On June 22, 2022 Adler Group welcomed the examination order (Prüfungsanordnung) of the German Federal Financial Supervisory Authority for the consolidated financial statements as of 31 December 2021 and the combined management report for the financial year 2021 of ADLER Real Estate AG which had been delivered to the company. The expected results will make a further contribution to clarifying the allegations by a short seller, according to which related parties had exerted influence on transactions and business events.

On June 23, 2022 ADLER Real Estate AG received the formal request pursuant to Section 327a para. 1 sentence 1 of the German Stock Corporation Act (AktG) from ADLER Group S.A. that the extraordinary general meeting of ADLER Real Estate AG shall resolve to transfer the shares of the remaining shareholders (minority shareholders) to ADLER Group S.A. for an appropriate cash settlement (so-called squeeze out under stock corporation law).

On 24 June 2022, ADLER Real Estate acquired a portfolio of 1,400 rental units from the parent company Adler Group. The transaction serves in particular to effectively manage the cash and assets. The transaction is structured as a share deal and includes 14 property companies with existing properties in Berlin. The transfer of rights and obligations took place at the beginning of the third quarter.

On August 1, 2022 Adler Group appealed against a decision by the German Federal Financial Supervisory Authority which, within the scope of an error determination, had notified the company that the audited consolidated financial statements as of 31 December 2019 and the related summarized management report for the 2019 financial year of ADLER Real Estate AG contain an accounting error pursuant to section 109 (1) of the German Securities Trading Act.

On August 3, 2022 LEG Immobilien SE announced that it will not make a public purchase offer for the shares in Brack Capital Properties N.V. (BCP) and thus not pursue the acquisition of these shares from ADLER any further.

On August 14, 2022 the maturity date of the loan agreement of up to EUR 200 million with the subsidiary BCP was newly agreed. Instead on 23 May 2023 it will be due now on 29 December 2023.

On 3 October 2022, Adler Group announced that, as expected, the option period for the irrevocable tender commitment for 63 percent of the shares in Brack Capital Properties N.V. granted to LEG Immobilien SE has expired on 30 September 2022, without a public tender offer.

On 17 November 2022, Adler Group announced to appeal against a further partial decision by BaFin. Adler does not share BaFin's view related to the further finding of partial error in ADLER Real Estate AG's consolidated financial statements as of 31 December 2019, continues to maintain the full accuracy and correctness of these audited consolidated financial statements and will pursue legal remedies to move the resolution of this issue forward.

On 18 November 2022, Adler Real Estate reported to be in advanced negotiations with its bondholders. In this framework it has been considered to provide a secured debt financing to the Adler group of companies, including ADLER Real Estate AG. At present, no final decision has been made as to whether ADLER Real Estate will become a party to such a potential agreement.

On 25 November 2022, ADLER Real Estate AG, together with its parent company Adler Group S.A. entered into an agreement with certain Adler Group bondholders to provide the Adler group of companies with secured debt financing amounting to EUR 937.5 million. It will be used in part to refinance financial liabilities of ADLER Real Estate and its subsidiaries in the amount of EUR 535 million that will become due in the next few years. The provision of the debt financing is still subject to certain conditions.

On December 9, 20222, Adler Group S.A. announced that more than 60 percent of its bondholders in aggregate have now acceded to the Lock-up Agreement first agreed with the Steering Committee of its bondholders on 25 November 2022. With the passing of this threshold, the Group will, if needed, complete the amendment of the terms and conditions of its Notes using an alternative implementation route, in the event the Consent Solicitation to amend each and all of the Group's six series of senior unsecured fixed rate notes launched on Friday, 2 December 2022 is not successful.

On December 20, 2022 Adler Group S.A. announced the voting results of Adler's initiated consent solicitation to effect the amendment of the terms and conditions of its senior unsecured fixed rate notes. There was overwhelming support in favour of the consent solicitation and resolutions were passed with the required majority regarding all, but one, series of Notes, which would have been sufficient to amend such series. With the support of more than 78 percent of bondholders who took part in the creditor votes, Adler shall now proceed to implement the Proposed Changes to the Notes via an alternative route.

3. RESULT FROM OPERATIONS, NET ASSETS AND FINANCIAL POSITION

RESULTS FROM OPERATIONS

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

In EUR millions	2022	2021
Gross rental income	222.8	337.8
– of which net rental income	133.2	225.6
Expenses from property lettings	-108.3	-147.0
Earnings from property lettings	**114.5**	**190.8**
Income from the sale of properties	1,290.6	1,428.7
Expenses from the sale of properties	-1,309.5	-1,428.1
Earnings from the sale of properties	**-18.8**	**0.6**
Personnel expenses	-25.5	-40.5
Other operating income	8.4	83.3
Other operating expenses	-76.0	-50.3
Income from fair value adjustments of investment properties	-297.5	225.2
Depreciation and amortisation	-115.2	-33.3
Earnings before interest and taxes (EBIT)	**-410.0**	**375.8**
Financial result	-109.7	-244.5
Net income from at-equity valued investment associates	0.0	0.1
Earnings before taxes (EBT)	**-519.7**	**131.4**
Income taxes	60.4	-56.8
Net consolidated result from continuing operation	**-459.3**	**74.6**
Earnings after tax from discontinued operation	0.0	0.0
Net consolidated result	**-459.3**	**74.6**

Earnings from property lettings

In 2022, both gross rental income (EUR 228.0 million) and net rental income (EUR 133.2 million) declined significantly compared to the same period of the previous year, because around 15,500 rental units had been sold at the end of the last financial year and around 14,000 further units in the course of the reporting period. A positive effect resulted from the acquisition of a small portfolio of 1,400 units at the half-year stage and from an improved operational performance with average contracted rent/square metre/month increasing slightly to EUR 7.07 and the vacancy rate decreasing to 1.8 percent at the end of 2022.

Along with the income, earnings from property lettings were also lower than in the comparable period of the previous year, reaching EUR 114.5 million.

Earnings from the sale of properties

2022, ADLER generated income from ther sale of properties of nearly EUR 1.3 billion mainly resulting from the portfolio transaction with KKR/Velero. Earnings from the sale of properties stood at minus EUR 18.8 million after deduction of transaction costs as for BCP inventories, the net transaction value determined by an independent external appraiser was lower than the carrying amount.

Income from fair value adjustments of investment properties

Fair value valuations of investment properties were dampened by the considerable changes in the general economic environment, in particular by actual and further expected changes in interest rates and by the fact that growth expectations have been softened due to the effects of the ongoing Russian war of aggression on Ukraine. Income from fair value adjustments therefore came out at minus EUR 297.5 million in 2022.

Expenses

Personnel expenses were reported at EUR 25.5 million for 2022. This is significantly less than in the previous year, because the number of employees declined in line with the portfolio sales. Other operating expenses, on the other hand, exceeded the comparable level of the previous year because real estate transfer tax obligations of EUR 20.4 million arose retrospectively in connection with LEG's acquisition of shares in BCP. In addition, expenses amounting to EUR 104.3 million were incurred in connection with the write-down of goodwill, of which EUR 57.6 million related to assets contained in assets held for sale.

Earnings

After taking into account all non-financial expenses, earnings before interest and taxes (EBIT) for 2022 came to minus EUR 410.0 million. The financial result reached a minus of EUR 109.7 million and was thus better than in the comparable period of the previous year. While receivables from the sale of the Accentro shares and in connection with a joint venture had to be revalued resulting in seizable expenses, the revaluation of LEG's acquisition options in BCP yielded substantial financial income.

Earnings before taxes (EBT) came to minus EUR 519.7 million and, after consideration of income tax credit, consolidated net profit totalled minus EUR 459.3 million.

Funds from operations (FFO) stable

The funds from operations (FFO) are calculated according to the scheme of the following table.

In EUR millions		2022	2021
Consolidated net profit		**-459.3**	**74.6**
of which from continuing operations		**-459.3**	**74.6**
+	Financial result	109.7	244.5
+	Income taxes	-60.4	56.8
+	Depreciation and amortisation	115.2	33.3
–	Income from measurement of investment properties	-297.5	225.2
–	Net income from at-equity-valued investment associates	33.0	0.1
EBITDA IFRS (continuing and discontinued operations)		**2.7**	**183.9**
+/–	Non-recurring and extraordinary items	74.1	3.9
Adjusted EBITA1[1]		**76.8**	**187.8**
–	Interest expense FFO	19.1	57.1
–	Current income taxes	4.3	3.7
–	Earnings before interest and taxes from the sale of properties, discontinued operations and minority interests	8.3	55.6
FFO I		**45.0**	**71.4**
Number of shares (basic)		109,416,860	109,416,860
FFO I per share (basic)		0.41	0.65
Number of shares (diluted)		109,416,860	109,416,860
FFO I per share (diluted)		0.41	0.65

[1] Substantial investments are shown in the non-recurring and extraordinary items; the previous year was adjusted.

Non-recurring and extraordinary items are structured as follows:

Non-recurring and extraordinary items In EUR millions	**2022**	**2021**
Non-cash income/expenses and one-off payments	52.4	-6.5
Costs of acquisition/integration/sale	6.8	2.1
Preservation capex	8.4	7.7
Optimisation of business model, structuring	0.7	0.6
Total of non-recurring and extraordinary items	**68.3**	**3.9**

The FFO interest charge is derived as follows:

Interest expense FFO I In EUR millions	**2022**	**2021**
Interest income	82.3	20.1
Interest expenses	-192.0	-264.6
Impairments on trade and other receivables	0.0	0.0
Total interest income (continued and discontinued operations)	**-109.7**	**-244.5**
Adjustments		
Prepayment compensation and provision costs	14.9	45.2
Effects of measurement of primary financial instruments	15.8	10.6
Other adjustments	59.9	131.6
Interest expenses FFO I	**-19.1**	**-57.1**

Calculated this way, FFO for 2022 amounted to EUR 45.0 million or EUR 0.41 per share on a diluted as well as on an undiluted basis as no convertibles are outstanding any more.

NET ASSETS

In EUR millions	31.12.2022	as percent-age of total assets	31.12.2022 adjusted[1]	as percent-age of total assets angepasst[1]	31.12.2021	as percent-age of total assets	31.12.2021 adjusted[1]	as percent-age of total assets angepasst[1]
Non-current assets	**1,958.6**	**47.5**	**3,110.4**	**75.4**	**1,822.7**	**32.6**	**3,541.3**	**63.4**
– of which investments properties	1,864.4	45.2	3,010.5	72.8	1,662.8	29.8	3,349.2	60.0
Current assets	**536.0**	**13.0**	**823.4**	**19.9**	**793.4**	**14.2**	**905.9**	**16.2**
– of which inventories	21.9	0.5	47.4	1.1	13.2	0.2	63.9	1.1
– of which cash and cash equivalents investments	119.1	2.9	329.6	8.0	296.8	5.3	321.7	5.8
Non-current assets held for sale	**1,630.2**	**39.5**	**191.0**	**4.6**	**2,968.6**	**53.2**	**1,137.5**	**20.4**
Assets	**4,124.8**	**100.0**	**4,124.8**	**100.0**	**5,584.7**	**100.0**	**5,584.7**	**100.0**
Equity	**1,643.6**	**39.8**	**1,643.6**	**40.1**	**2,144.0**	**38.4**	**2,144.0**	**38.4**
– of which capital stock	109.4	2.7	109.4	2.6	109.4	2.0	109.4	2.0
– of which capital reserve	750.2	18.2	750.2	18.1	772.6	13.8	772.6	13.8
– of which net retained profit	478.8	11.6	478.8	11.8	830.3	14.9	830.3	14.9
– of which non-controlling interests	305.1	7.4	305.1	7.5	431.7	7.7	431.7	7.7
Non-current liabilities	**1,050.2**	**25.5**	**1,475.9**	**35.6**	**2,023.9**	**36.2**	**2,600.0**	**46.6**
– of which liabilities from bonds	594.6	14.4	695.8	16.8	1,088.8	19.5	1,151.7	20.6
– of which financial liabilities to banks	337.4	8.2	549.8	13.3	703.8	12.6	1,059.1	19.0
Current liabilities	**735.5**	**17.8**	**938.5**	**22.6**	**551.5**	**9.9**	**840.6**	**15.1**
– of which liabilities from convertible bonds	517.4	12.5	582.4	14.0	421.9	7.6	433.5	7.8
– of which financial liabilities to banks	68.6	1.7	169.6	4.1	35.5	0.6	282.5	5.1
Liabilities held for sale	**695.6**	**16.9**	**66.8**	**1.6**	**865.3**	**15.5**	**0.0**	**0.0**
Equity and liabilities	**4,124.8**	**100.0**	**4,124.8**	**100.0**	**5,584.7**	**100.0**	**5,584.7**	**100.0**

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

The balance sheet position of non-current assets held for sale comprises all assets which are intended to be sold in foreseeable time. Assets of group company BCP are still contained herein. At the same time, a pro-forma balance sheet shows how the individual balance sheet items will appear if BCP is not considered a disposal group according to IFRS.

As at the reporting date of 31 December 2022, ADLER had net assets totalling EUR 0.0 million, #DIV/0! percent less than at the end of the previous year (EUR 0.0 million).

Assets

The value of investment properties was reported to be EUR 1,864.4 million (EUR 3,010.5 million adjusted) at end of December of 2022. The slight increase over the value at the start of the year (EUR 1,662.8 million) was due to the fact that the negative impact from value adjustments was smaller than capex and the positive contribution from the acquisition of a portfolio of 1,400 units from the mother company. The decrease in the adjusted calculation reflects the portfolio sales.

Current assets amounted to EUR 0.0 million (EUR 823.4 adjusted) as at the balance sheet date. The decrease compared with the start of the year is due to the fact that, after considerable repayment of debt cash and cash equivalents declined.

Non-current assets held for sale amounted to EUR 0.0 million as of 31 December 2022 and mainly include the properties of BCP and other assets for which sale and purchase agreements have already been notarized.

Shareholders' equity/liabilities

Shareholders' equity amounted to EUR 1,643.6 million at the end of December 2022 representing a decline compared to the end of the previous year due to the losses incurred. The equity ratio reached 39.8 percent.

Non-current liabilities decreased considerably in the course of 31 December 2022 to EUR 0.0 million as bonds amounting to EUR 400 million were paid back and liabilities against banks decreased considerably with the portfolio sales.

Current liabilities, on the other hand, increased to EUR 0.0 million.

Liabilities held for sale declined in the reporting period due to the portfolio sales in the reporting period and amounted to EUR 0.0 million as at 31 December 2022.

EPRA Loan to value (EPRA LTV)

EPRA has introduced a new key figure in 2022, the EPRA loan-to-value ratio. This EPRA LTV replaces the LTV previously used by ADLER Real Estate and is reported for the first time in this 2022 Annual Report. The EPRA LTV shows the relationship between the net debt and the total property value of a real estate company as shown in the following tables. EPRA LTV was 50.2 percent at the end of December 2022 after 52.3 percent at the end of 2021.

In EUR millions	Group loan-to-value	Non-controlling interests2)	Total 2022
Borrowings from financial institutions	406	0	406
Commercial paper	0	0	0
Hybrids	0	0	0
Bond loans	1,112	0	1,112
Foreign currency derivatives	0	0	0
Net payables	400	-313	87
Owner-occupied property (debt)	0	0	0
Current accounts (equity characteristics)	0	0	0
Cash and cash equivalents	-119	0	-119
Net financial liabilities	**1,799**	**-313**	**1,486**
Owner-occupied property	0	0	0
Investment properties at fair value	1,864	0	1,864
Properties held for sale[1)]	1,655	-585	1,070
Properties under development	0	0	0
Intangibles	0	0	0
Net receivables	0	0	0
Financial assets	23	0	23
Total property value	**3,542**	**-585**	**2,957**
EPRA loan-to-value	**50.8%**	**53.5%**	**50.2%**

[1)] Considers inventories at fair value amounted to EUR 22 million as well as non-current assets held for sale.
[2)] Considers the interest of minority shareholders in ADLER's subsidiary Brack Capital Properties N.V. ("BCP").

In EUR millions	Group loan-to-value	Non-controlling interests[2]	Total 2021
Borrowings from financial institutions	739	0	739
Commercial paper	0	0	0
Hybrids	0	0	0
Bond loans	1,511	0	1,511
Foreign currency derivatives	0	0	0
Net payables	465	-320	145
Owner-occupied property (debt)	0	0	0
Current accounts (equity characteristics)	0	0	0
Cash and cash equivalents	-297	0	-297
Net financial liabilities	**2,418**	**-320**	**2,098**
Owner-occupied property	0	0	0
Investment properties at fair value	1,663	0	1,663
Properties held for sale[1]	2,976	-710	2,267
Properties under development	0	0	0
Intangibles	0	0	0
Net receivables	0	0	0
Financial assets	79	0	79
Total property value	**4,718**	**-710**	**4,009**
EPRA loan-to-value	**51.2%**	**45.1%**	**52.3%**

[1] Considers inventories at fair value amounted to EUR 13 million as well as non-current assets held for sale.
[2] Considers the interest of minority shareholders in ADLER's subsidiary Brack Capital Properties N.V. ("BCP").

In EUR millions	31.12.2022	31.12.2021
Investments in associated companies	-3	-10
Other non-current assets	-49	-2
Trade receivables	-34	-18
Short term loans given IC	-282	-270
Income tax claims	-7	-7
Other current assets	-72	-189
(excl. Derivatives)	1	0
Pension reserves	1	1
Other provisions	0	0
Other non-current liabilities	5	9
(excl. Leasing)	-4	-5
(excl. Derivatives)	0	-1
Income tax liabilities	95	15
Trade payables	34	27
Other current liabilities	21	52
(excl. Leasing)	-1	-2
Liabilities held for sale	696	865
Net amount	**400**	**465**

The average cost of debt for all the ADLER Group's liabilities (WACD = weighted average cost of debt) stood at 2.2 percent as at 31 December 2022 (31 December 2021: 2.0 percent).

Net reinstatement value (EPRA NRV)

The net reinstatement value (EPRA NRV), adjusted for goodwill and fully diluted, which is calculated in accordance with the guidelines issued by the European Public Real Estate Association (EPRA), reached EUR 1.590.2 miillion (EUR 1,776.2 million adjusted calculation) as at 31 December 2022 . It thus decreased by 22.2 percent compared with the figure at the end of 2021 (EUR 2,043.1 million). The decrease was mainly due to the decrease in equity.

Based on the total number of existing shares in circulation at the balance sheet date, diluted and adjusted EPRA NRV per share amounted to EUR 14.53 (EUR 16.23 adjusted) as at 31 December 2022 (31 December 2021: EUR 18.67 or EUR 20.98 adjusted).

In EUR millions	31.12.2022	31.12.2022 adjusted[1)]	31.12.2021	31.12.2021 adjusted[1)]
Equity	**1,643.5**	**1,643.5**	**2,144.0**	**2,144.0**
Non-controlling interests	-305.1	-305.1	-431.7	-431.7
Equity attributable to ADLER shareholders	**1,338.4**	**1,338.4**	**1,712.3**	**1,712.3**
Deferred tax liabilities on investment properties	145.4	255.9	281.7	442.3
Diff. between fair values and carrying amounts of inventory properties	0.0	2.7	0.0	-5.5
RETT on investment properties	106.8	179.5	94.9	191.8
Fair value of derivative financial instruments	-0.7	-0.5	1.3	1.3
Deferred taxes for derivative financial instruments	0.2	0.1	-0.4	-0.4
EPRA NRV (diluted)	**1,590.2**	**1,776.2**	**2,089.8**	**2,341.8**
Goodwill - synergies	0.0	0.0	-46.7	-46.7
Adjusted EPRA NRV (diluted)	**1,590.2**	**1,776.2**	**2,043.1**	**2,295.1**
Number of shares, diluted	109,416,860	109,416,860	109,416,860	109,416,860
EPRA NRV per share (diluted) in EUR	**14.53**	**16.23**	**19.10**	**21.40**
Adjusted EPRA NRV per share (diluted) in EUR	**14.53**	**16.23**	**18.67**	**20.98**

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

FINANCIAL POSITION

In EUR millions	2022	2021
Cash flow from operating activities	25.1	18.8
Cash flow from investing activities	869.2	1,105.8
Cash flow from financing activities	-886.1	-976.2
Non-cash effective change in cash and cash equivalents from impairment losses	-0.4	-1.5
Changes in cash and cash equivalents in connection with non-current assets and disposal groups held for sale	0.0	0.0
Cash and cash equivalents at beginning of period	321.7	149.9
Cash and cash equivalents at end of period	329.5	296.8

In 2022, operating activities resulted in a cash inflow amounting to EUR 25.1 million.

Investing activities resulted in a cash inflow of EUR 869.2 million until December of 2022, which is mainly attributable to purchase price payments for the disposals of portfolio properties in the course of the portfolio transaction with KKR/Velero. This was partly offset by investments in the property portfolio, in particular the acquisition of 1,400 units from the mother company.

The cash outflow from financing activities amounted to EUR 886.1 million until December of 2022. The Group used the funds generated from the sale of investment properties to repay financial loans in the amount of EUR 507.2 million and the corporate bond 2019/2022 in the amount of EUR 400 million. BCP issued bonds in the amount of EUR 162.5 million in the reporting period.

As at 31 December 2022, the ADLER Group had cash and cash equivalents of EUR 329.5 million (31 December 2021: EUR 296.8 million).

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

OVERALL SUMMARY OF BUSINESS PERFORMANCE AND POSITION OF GROUP

The Group’s business performance and situation are assessed positively: The demand for housing remains high. The losses of the past year are mainly due to non-cash revaluation effects or value adjustments. The balance sheet structure is solid and financing is secured for the long term after the restructuring plan of Adler Group S.A., the parent company of ADLER Real Estate AG, was approved.

4. EVENTS AFTER THE BALANCE SHEET DATE

On January 9, 2023 the Local Court (Amtsgericht) Berlin Charlottenburg appointed KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, as auditor for the audit of ADLER Real Estate Aktiengesellschaft's stand-alone and consolidated financial statements for the financial year 2022.

On January 11, 2023, KPMG AG Wirtschaftsprüfungsgesellschaft rejected the judicial appointment as auditor for the audit of the stand-alone and consolidated financial statements for the financial year 2022 of ADLER Real Estate Aktiengesellschaft.

On January 12, 2023, Adler Group S.A. announced that it has agreed with the majority of its locked-up noteholders that an English restructuring plan is an appropriate alternative implementation method. In order to proceed with the English restructuring plan, Adler has substituted a wholly-owned English subsidiary, AGPS BondCo PLC as principal debtor in respect of all obligations under the Notes; and issued an irrevocable and unconditional guarantee in favour of the noteholders as required under the terms and conditions of the Notes. The New Issuer will launch English restructuring plan proceedings in order to implement the Proposed Changes to the Notes with the support of the requisite majority of its noteholders.

On March 17, 2023 Adler Group S.A. confirmed its formal request of 23 June 2022 regarding the transfer of the shares of the minority shareholders of ADLER Real Estate Aktiengesellschaft to Adler Group and specified the cash settlement at EUR 8.76 per ADLER Real Estate Aktiengesellschaft share. The resolution on the transfer is on the agenda of ADLER Real Estate Aktiengesellschaft's general meeting on April 28, 2023.

On 31 March 2023, the maturity date of part of the loan agreement for up to EUR 200 million with the subsidiary BCP was contractually renegotiated. EUR 70 million from this loan agreement will only become due on 30 June 2024 if special conditions are met, in particular collateral is granted.

On April 12, 2023, the High Court of Justice of England and Wales approved the restructuring plan under Part 26A of the Companies Act 2006 of AGPS BondCo PLC, a wholly owned subsidiary of Adler Group S.A., parent company of ADLER Real Estate AG.With the approval, essential requirements for the implementation of the amendment of the bond terms of AGPS BondCo PLC and the granting of the debt financing by part of the bondholders to the Adler Group have been met.

On 14 April 2023, the term of the existing Dalehen of ADLER Real Estate AG to Adler Group S. A. in the amount of EUR 265 million was extended until 30 April 2023 by way of an amendment agreement.

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

5. REPORT ON EXPECTED DEVELOPMENTS

The statements made concerning the expected development in key financials for the 2023 financial year are based on current planning at ADLER, which includes all group companies.

General conditions remain stable

On the basis of expected ongoing moderate economic growth, ADLER expects the macroeconomic conditions for companies in the property sector to remain stable overall in 2023 and demand for housing to continue to exceed supply at least in the main metropolitan areas. In addition, the many fugitives from the Ukraine war need shelter, even if it may only be temporary.

For 2023, the expectation of a sustainable high occupancy rate therefore again appears to be justified. The same applies to the assumption that there will again scope for rent adjustments.

Stay successful with smaller portfolio

With last year´s transactions, ADLER has adjusted and downsized its portfolio considerably. This will inevitably have an impact on net rental income and FFO I. ADLER therefore expects 2023 net rental income in the range of EUR 108 to 115 million. Following the sanctioning of the restructuring plan of Adler Group, Adler Real Estate refrains from a FFO I guidance for the year 2023 due to the current situation of the group which primarily focusses on steering its liquidity situation and de-leveraging through asset and portfolio disposals.

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

	2022 reported	2022 guided	Δ reported to guided
Net Rental Income (EUR m)	133.1	128 to 133	marginally exceeded
FFO I (EUR m)	45.1	34 to35	exceeded

Previous year’s forecasts met and partly exceeded

ADLER was able to meet its 2022 targets although. While net rental income only marginally exceeded the target corridor, FFO I came out well above the target line. Overall, the forecasts for 2022 provided an accurate picture of the future economic development of ADLER Real Estate AG.

6. ADDITIONAL STATUTORY DISCLOSURE

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

Composition of subscribed capital

The fully paid-up capital stock of ADLER Real Estate AG amounted to EUR 109,416,860 as at 31 December 2022 (previous year: EUR 109,416,860) and was divided into 109,416,860 no-par bearer shares (previous year: 109,416,860). All shares confer the same rights. Each share grants one vote and determines the bearer’s interest in the company’s net profit.

Restrictions on voting rights and transfers of shares

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

Direct or indirect voting rights exceeding 10 percent

The company is aware of the following direct or indirect equity interests accounting for more than 10 percent of voting rights at the end of 2022:
An equity interest in Adler Group S.A., Luxembourg, Grand Duchy of Luxembourg, comprising 106,027,869 voting rights in total. This equates to a share of 96.90 percent in the capital stock on the balance sheet date.

Shares with special rights granting powers of control

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

Type of voting right control for employee shareholdings

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

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

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

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

Powers of the Management Board to issue and buy back shares

Authorisation to acquire treasury shares

By resolution adopted by the Annual General Meeting of ADLER Real Estate Aktiengesellschaft on 11 June 2019, the Management Board is authorised until 10 June 2024 to acquire and dispose of treasury shares up to a total of 10 percent of the capital stock and to use the treasury shares thereby acquired to the exclusion of shareholders' subscription rights. The treasury shares acquired on the basis of this resolution may also be retired. The full wording of the resolution is stated in the invitation to the Annual General Meeting published in the Federal Gazette (Bundesanzeiger) on 29 April 2019. By 2019, the company acquired 2,583,232 treasury shares through three share buyback programmes on the basis of older share buyback authorisations. In 2019, 980,000 of these treasury shares were used as acquisition currency to acquire a property portfolio. In 2020, a further 1,603,232 treasury shares were transferred to Adler Group S.A. as part of a debt-to-equity swap. As at the balance sheet date of 31 December 2022, there were no remaining treasury shares in the company.

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

According to Section 4 (2) of the Articles of Association, the Management Board is authorized to increase the Company's share capital with the consent of the Supervisory Board up to and including December 4, 2025 on one or more occasions by up to a total of EUR 20,000,000.00 against cash and/or to increase contributions in kind by issuing up to 20,000,000 new no-par value bearer shares with a proportionate amount of the share capital of EUR 1.00 each. The Executive Board is authorized, with the consent of the Supervisory Board, to exclude the shareholders' subscription rights in the cases specified in the new Section 4 (2) of the Articles of Association.

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

Pursuant to Section 4 (3) of the Articles of Association, the Management Board is authorised until 10 June 2024, subject to the approval of the Supervisory Board, to increase the company's capital stock on one or several occasions by a total of up to EUR 392,513.00 by issuing up to 392,513 new no-par bearer shares in return for cash contributions or contributions in kind. The Management Board is authorised, subject to the approval of the Supervisory Board, to exclude shareholders' subscription rights in the cases listed in Section 4 (3) of the Articles of Association.

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

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

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

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

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

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

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

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

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

Authorisation to issue warrant and/or convertible bonds

2019 Authorisation

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

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

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

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

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

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

Supervisory Board compensation

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

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

Information on corporate governance practices*

As a subsidiary of the Adler Group, Adler Real Estate AG is integrated into the corporate governance of the parent company. All guidelines and regulations concerning corporate governance and compliance that apply to the Adler Group also apply to ADLER Real Estate. The main guidelines can be found on the parent company's website at https://www.adler-group.com/investor-relations/corporate-governance/compliance-und-richtlinien.

The risk management system (RMS) also applies throughout the parent company and is therefore also relevant to ADLER Real Estate. It is described in the risk and opportunity report. The internal control system (ICS) is a subarea of the risk management system. Process risks can be avoided or reduced through control measures established in the risk management system. As part of the further development of the Adler Group, work is being done on standardising processes in order to reduce the complexity of organisational structures, processes and IT systems used with the aim of making internal controls and the separation of functions even more efficient and effective. The accounting-related internal control system (ICS) is described in the risk and opportunity report.

For Adler, compliance is an essential element of responsible and successful corporate governance. Adler has defined rules of conduct in a code of conduct and in guidelines. The Code of Conduct sets out basic values and contains rules on corruption prevention, conflicts of interest, data protection and anti-discrimination in particular. The company-wide guidelines include in particular the Anti-Corruption Guideline, Anti-Discrimination Guideline, Whistleblower Guideline and Data Protection Guideline. It is the responsibility of every employee and manager to comply strictly with the applicable legal provisions and internal regulations. Compliance is a task for the entire Adler Group, to be performed equally by managers and employees. Various measures and controls are in place to ensure compliance with legal provisions and internal company guidelines.

The risk management system, the internal control system and the compliance management system are dynamic systems that are continuously adapted to changes in the business model, the type and scope of business transactions or responsibilities. We monitor the appropriateness and effectiveness of the systems by means of controls integrated into the processes of the systems and audits by the internal audit department. As a result, both the process-dependent and the process-independent monitoring of the internal audit result in potential for improvement with regard to the appropriateness and effectiveness of the systems. For

* This section describes information unrelated to the management report and was not audited as part of the audit of the annual and consolidated financial statements.

the overall assessment of these management systems, the Management Board and Supervisory Board note that none of the potential improvements identified in the reporting year speak against the appropriateness and effectiveness of the two management systems.

ADLER Real Estate is committed to the German Corporate Governance Code. Deviations from this Code are published as part of the corporate governance declaration on the Company's website under the heading Investor Relations/Corporate Governance and can be accessed there at: http://adler-ag.com/investor-relations/corporate-governance/erklaerung-zur-unternehmensfuehrung

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

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

The dependence report has not yet been audited due to the lack of an audit of the annual financial statements by an auditor (§ 313 AktG).

7. REPORT ON RISKS AND OPPORTUNITIES

RISK REPORT

Adler Real Estate AG ("ADLER") continually monitors and controls its risk positions in order to avoid developments which might threaten the existence of ADLER (and its subsidiaries) and, at the same time, to exploit any opportunities that occur. The risk management of Adler Group S.A. (the "Adler Group" and together with its subsidiaries, the "Group"), as the parent of ADLER, governs all organisational regulations and uses a risk management system ("Risk Management System") to monitor, identify and address business risks. The Risk Management System enables the senior management (the "Senior Management") of the Group and ADLER's supervisory board (the "Supervisory Board") to continuously identify and assess material risks within ADLER and in the environment. The Senior Management and the Supervisory Board currently see no risks that threaten ADLER's existence.

Risk management system

ADLER's risk management governs all organisational regulations and measures needed to monitor and identify business risks to address them with suitable countermeasures. As part of the risk management efforts, in 2020 the Group established a harmonised Group-wide Risk Management System to record and regularly assess all identifiable risks. Using the Risk Management System, the Senior Management and the Supervisory Board decide on the measures to be taken to address the respective risks that ADLER, as part of the Group, faces. The Risk Management System is aligned with the corporate strategy and the portfolio structure. The Risk Management System is reviewed on a regular basis to ensure it is aligned with the current risk environment and any relevant changes to ADLER's business.

The Risk Management System is documented in the Group-wide risk management handbook, which defines all the main six risk categories, corresponding processes, responsibilities and reportable obligations, all as further described in detail below.

In order to assess and address the level of risk that is appropriate for ADLER, a scoring model is used to assign a qualitative risk value (score) to individually identified risks or risk sub-categories. The qualitative assessment, as further described below, is based on the expected loss and probability of occurrence of each risk. Additionally, a top-down quantification scoring model that differentiates the impact of a specific risk on the funds from operations ("FFO") and the impact of a specific risk on total assets has been introduced to the Risk Management System in 2022, as further detailed in the "Risk quantification and risk-bearing capacity" section below.

Risk organisation and responsibilities

The Senior Management bears overall responsibility for risk management and decides on the structural and procedural organisation of risk management and on the necessary resources. It defines the risk strategy and risk policies of the Group (and ADLER) as well as the risk management procedures. The risk strategy contains the guidelines for operational risk management. These guidelines specify, for instance, maximum loss limits above which risk mitigation measures must be taken. The guidelines also specify tolerance limits up to which a risk is considered acceptable.

The Supervisory Board meets to discuss opportunities and risks as well as to review how effective the current risk management and internal control procedures for ADLER are.

The risk owners, usually division manager or head of a department, assume the responsibility for identifying, assessing, documenting, managing and communicating all material risks in their area of responsibility. They are responsible to report risks to Central Risk Management (as defined below).

Risk management process

The Group's central risk management department ("Central Risk Management") coordinates the risk management processes for ADLER, checks the plausibility of and consolidates the results of risk identification and assessment submitted by the risk owners and prepares regular reports for the Senior Management and Supervisory Board.

At the same time, an early warning system with various early warning indicators has been established. This enables ADLER's management to take appropriate measures to avoid risks in good time.

Risk identification and assessment

The purpose of the scoring models is to provide the means by which ADLER can identify, assess, and numerically rank its risks. The scoring models are also used to assess the relevance of the measured risks in order to identify significant risks. The risk scoring also enables ADLER to continuously review and monitor risks.

Categories

The risks are divided into the following six categories:
- Macroeconomic, sector-specific and socio-political environment
- Strategic risks
- Financial and financing risks
- Operating risks in property management (portfolio)
- Operating risks in project development
- Company-specific risks (such as reputational, etc.)

The six risk categories contain 38 risk sub-categories with a total of 106 individual risks.

Qualitative Assessment

A scoring model is used to assign a qualitative risk value (score) to the individual risks or risk sub-categories. It is based on the expected loss and the probability of occurrence, each of which is in turn divided into the following six classes:

Accepted risk | Ad-hoc reportable risk | Initiation of emergency measure

Expected loss	Unlikely (1)	Remote (2)	Seldom (3)	Conceivable (4)	Likely (5)	Probable (6)
Threatening the Company / portfolio / project (6)	3.5	4	4.5	5	5.5	6
Severe (5)	3	3.5	4	4.5	5	5.5
Serious (4)	2.5	3	3.5	4	4.5	5
Significant (3)	2	2.5	3	3.5	4	4.5
Medium (2)	1.5	2	2.5	3	3.5	4
Low (1)	1	1.5	2	2.5	3	3.5

Probability of occurrence

Measures already taken to reduce or avert a risk are taken into account for both the expected loss and the probability of occurrence.

An individual risk or a risk sub-category is considered relevant if the risk score is higher than 3.0, and it is considered highly relevant if the risk score exceeds 4.5. Risks and risk sub-categories with a risk score of 5 or higher are considered to be a threat to the going concern of ADLER. However, as the risk assessment at this point does not take into account the overall impact on ADLER (i.e., non-material vs. material risks), these risks individually not necessarily constitute a threat to the ongoing existence of the Company.

Furthermore, a risk or risk sub-category is defined as "material" if the weighting in the overall risk assessment exceeds 5 percent, which is calculated as the weight of the risk category multiplied by the weight of the risk or risk sub-category within the risk category. This risk report only describes such risks that are considered material and at the same time have a risk score of more than 4.5.

Risk quantification and risk-bearing capacity

A top-down quantification scoring model that is based on the qualitative assessment was added to the Risk Management System in 2022. The model differentiates between the impact of a specific risk on the FFO (i.e. the part of the income statement that has an impact on liquidity) and the impact of a specific risk on total assets.

The risks are categorised in a risk matrix (i.e. heat map). The matrix differentiates between the expected loss from a certain risk (in EUR million) affecting either the FFO or the total assets (or both) and the probability of its occurrence (in percent). Both criteria are divided into the same six risk classes (as in the qualitative assessment).

Measures already taken to reduce or avert a risk are taken into account for both the expected loss and the probability of occurrence. The top-down quantification is carried out at the level of the sub-categories depending on their weighted contribution to the risk score of ADLER.

The following classes of expected loss and probability of occurrence have been defined:

Expected loss

Risk class	FFO* (in EUR million)	Total assets* (in EUR million)
Threatening (6)	> 200	> 1,500
Severe (5)	> 100 – 200	> 750 – 1,500
Serious (4)	> 30 – 100	> 225 – 750
Significant (3)	> 10 – 30	> 75 – 225
Medium (2)	> 4 – 10	> 30 – 75
Low (1)	> 0 – 4	> 0 – 30

* Expected amount of damage over two years

Probability of occurrence

Risk class	Percent
Probable (6)	> 90
Likely (5)	> 75 – 90
Conceivable (4)	> 50 – 75
Seldom (3)	> 25 – 50
Remote (2)	> 10 – 25
Unlikely (1)	> 0 – 10

The concept for calculating the risk-bearing capacity of ADLER as part of the risk management system entails comparing indicators of the risk-bearing capacity based on liquidity and equity with the weighted and aggregated risks in order to ensure that sufficient funds and equity are available to cover the risks.

Monitoring and reporting

The Risk Management System is continuously monitored to determine whether the risk management measures taken have had the intended effect.

Once a quarter, Central Risk Management prepares a risk report to inform the Senior Management and the Supervisory Board about relevant risks, current status and any further developments. In addition, the Senior Management and the Supervisory Board are immediately notified if new risks with potentially significant effects arise, or if existing risks become more relevant.

Internal control system

The internal control system ("ICS") is a sub-sector of the risk management system. Control measures can avert or reduce risks. ADLER's management is responsible for implementing, monitoring and reviewing the effectiveness of the ICS as well as further developing it.

Accounting-based ICS

According to the relevant regulations, the accounting-based ICS aims to:,
- ensure the profitability of business activities and protect the assets of the Group
- ensure the reliability of internal and external accounting; and
- ensure compliance with the relevant legal requirements, in particular the conformity of the consolidated financial statements and the management report with the applicable accounting policies.

The Group's accounting department is responsible for the processes that ensure uniform and standardised application of the relevant accounting policies in accordance with the International Financial Reporting Standards (IFRS) and the German Commercial Code (HGB). Furthermore, the department is responsible for collecting the content in the financial statement preparation process. A dual control procedure is in place for important approval processes.

One key aspect in guaranteeing the correctness and reliability of financial reporting involves deliberately separating administrative, executive, invoicing and approval functions by assigning separate responsibilities for each function. ADLER uses the expertise of external property valuation specialists to ensure a fair and accurate valuation of its assets.

In cooperation with the Senior Management and the Supervisory Board, the internal auditors prepare a risk-oriented audit plan and verify whether the legal provisions and the guidelines for control and risk management have been complied with. The functionality and effectiveness of the defined controls is thus monitored. The audit plan is submitted to the Senior Management and the Supervisory Board. This enables the Senior Management and the Supervisory Board to rectify potential errors and to optimise the ICS in general.

Risk environment

The risk environment describes general and specific circumstances influencing the risk assessment and overall risk situation of ADLER. The risk environment of ADLER at the end of 2022 was characterized, mainly, to (i) the economic, political and financial factors affecting the residential and commercial real estate market in Germany, (ii) a short-seller attack and related investigations, (iii) the absence of an auditor and (iv) the worsening liquidity and its upcoming maturities, as further described below.

Economic, political and financial factors

Throughout 2022, raising inflation rates, supply chain disruptions, rising energy and raw material (including building material) prices caused by the war in Ukraine and the ongoing impacts of the COVID-19 pandemic had a significant negative impact on the German economy. The resulting domestic and global economic downturns, high interest rates and decreased business confidence reduced demand for residential and commercial real estate in Germany in 2022, impacting the core businesses of the ADLER. In addition, ADLER's ability to meet its debt services obligations may depend on its ability to sell assets at attractive prices, which is affected by the German real estate market conditions and the general economic, financial, competitive, regulatory and other factors described above that are beyond ADLER's control. Selling assets at a substantial discount to the fair value of the relevant properties could adversely impact the value of ADLER's remaining portfolio, reducing ADLER's ability to meet its debt services obligations and significantly and adversely affecting its financial performance.

Short-seller attack and related investigations

In October 2021, as part of a short-seller attack on the Group, a report was published making various allegations against the Group and ADLER. The Group and ADLER engaged KPMG Forensic to conduct a forensic investigation, and in April 2022, it found no evidence to support the allegations. However, with respect to the so-called Gerresheim transaction to an allegedly related party, KMPG Forensic was unable to refute the allegation that the sales price for the project company was excessive. The Group still believes that the fair value of the project company agreed in the transaction as reflected and testified in various audited financial statements is correct. KPMG Forensic identified deficiencies in certain aspects of governance and noted that it had not been provided with sufficient documentation to complete the audit, referring to 800,000 electronic documents.

In 2021, BaFin and CSSF initiated an examination into the Group's and ADLER's consolidated financial statements and annual accounts for the financial years 2019, 2020, and 2021. BaFin announced its view that the audited consolidated financial statements as of 31 December 2019 and the related summarised management report for the 2019 financial year of ADLER contained accounting errors. In August 2022 and November 2022, BaFin issued determinations of accounting errors in the annual financial statements for the 2019 financial year of ADLER, claiming errors related to a book value of a certain transaction and to the consolidation of the Group by ADLER in 2019. The determinations of accounting errors have no impact on the validity of the 2019 annual financial statements. The Group disputes BaFin's determination and ADLER has filed for an annulment of BaFin's decisions[1].

[1] For further information, please see the following press releases by the Group:
https://www.adler-group.com/en/investor-relations/translate-to-english-news-publications/news/detail-news?tx_news_pi1%5Baction%5D=detail&tx_news_pi1%5Bcontroller%5D=News&tx_news_pi1%5Bnews%5D=975&cHash=72e080b5aef3cda212a3b9a8eae84828;
https://www.adler-group.com/en/investor-relations/translate-to-english-news-publications/news/detail-news?tx_news_pi1%5Baction%5D=detail&tx_news_pi1%5Bcontroller%5D=News&tx_news_pi1%5Bnews%5D=961&cHash=71f357e70dc8e1632db564a563c613fb.

The Group's statement of 21 April 2022 on the results of the KPMG Forensic review (and other information) on this topic can be found in the Investor Relations section of the Group's website (https://www.adler-group.com/en/investors/publications/news).

The Group's and ADLER's reputation suffered considerable damage from the short-seller attack report and subsequent BaFin and CSSF examination and determinations. The Group, including ADLER, cannot exclude that it may be exposed to additional reputational damage in relation to further investigations and/or determinations by BaFin, CSSF or other regulatory and/or governmental bodies. Such investigations could also require the Group, and therefore ADLER, to expend significant time and resources in response, and the occurrence of any material fine or penalty may inhibit the Group's and ADLER's ability to operate and generate liquidity and revenue. The Group and/or ADLER may also be subject to additional lawsuits and investigations stemming from various allegations or forensic investigations. The Group and ADLER cannot predict the number or outcome of any such proceedings and the impact that they or the matters described above will have on its financial results, but any such impact may be material.

Absence of an auditor

In April 2022, KPMG Luxembourg S.A. and KPMG AG Wirtschaftsprüfungsgesellschaft issued a disclaimer of opinion on the stand-alone accounts and consolidated financial statements of the Group and ADLER for the financial year ending 31 December 2021, to the effect that the auditor was not able to obtain sufficient evidence to support the aforementioned financial statements. The auditor claimed that the preconditions for performing a statutory audit of the 2021 annual financial statements were not met.[2] KMPG Luxembourg SA also stated that its audit reports on the annual accounts of the Group and the consolidated financial statements of the Group for the financial year ended 31 December 2020 should no longer be relied upon. Subsequently, during the second quarter of 2022, KPMG Luxembourg S.A. and KPMG AG Wirtschaftsprüfungsgesellschaft informed the Group that they were not available to audit the annual and consolidated financial statements for the financial year 2022 of the Group and ADLER, respectively.

The absence of an auditor for the Group and ADLER up until April 2023 meant that the Group and ADLER were unable to complete the audit of their financial statements, putting it at risk of breaching the reporting covenants under various debt obligations. As part of implementation of the Group's Restructuring Plan (as further described below), the six series of senior unsecured notes issued by AGPS BondCo PLC (the "SUNs") have been amended to avoid breach of the reporting covenants. Additional consents and/or waivers have been obtained by the Group to avoid breaching the reporting covenants under other debt obligations.

On 24 April 2023, ADLER announced the engagement of Rödl & Partner as the auditor to audit the annual and consolidated financial statements of ADLER for the year 2022.

[2)] KPMG Luxembourg SA's official statement on this topic can be found on KPMG's website (https://kpmg.com/lu/en/home/media/press-releases/2022/04/official-statement-on-adler-group-s-a.html).

Worsening liquidity and upcoming maturities

During 2022, the Group was faced with a critical liquidity position and upcoming debt maturities, with ADLER's outstanding €500,000,000 1.875 percent senior unsecured notes due 27 April 2023 ("ADLER 2023 SUNs") and an intra-group loan and other interest payments and expenses coming due. If ADLER failed to meet the upcoming maturity of the ADLER 2023 SUNs, creditors under certain other financing arrangements would have been entitled by cross-default provisions to terminate those financing arrangements and declare the relevant debts immediately due and payable. Such non-consensual and uncoordinated acceleration of outstanding debt would have risked significant value destruction, as the ADLER and other Group companies would have been unable to satisfy these material accelerated debt obligations given its liquidity position and inability to sell assets at the necessary speed and price. As a result, in this scenario, the directors of the debtor entities would have had a statutory duty to file ADLER and other Group companies into bankruptcy or insolvency proceedings. As such, the risk-subcategories of breach of financial covenants and liquidity risk have reached a score of at least 5.0 and were considered a threat to ADLER's existence.

Due to the above risks, the Group proposed a restructuring plan (the "Restructuring Plan") aimed to facilitate a successful implementation of amendments to the SUNs, allowing the Group to incur EUR 937,500,000 if new money financing via four term loan facilities (the "New Money Funding") and complete a wider financial restructuring of the Group (the "Restructuring"). In doing so, the Restructuring helped improve the Group's liquidity position, avoid imminent defaults under ADLER 2023 SUNs and the SUNs and reduce the risk of termination and acceleration of the Group's debt obligations, and avoid the commencement of bankruptcy or insolvency proceedings of the Group, ADLER or any other Group company.

The Restructuring

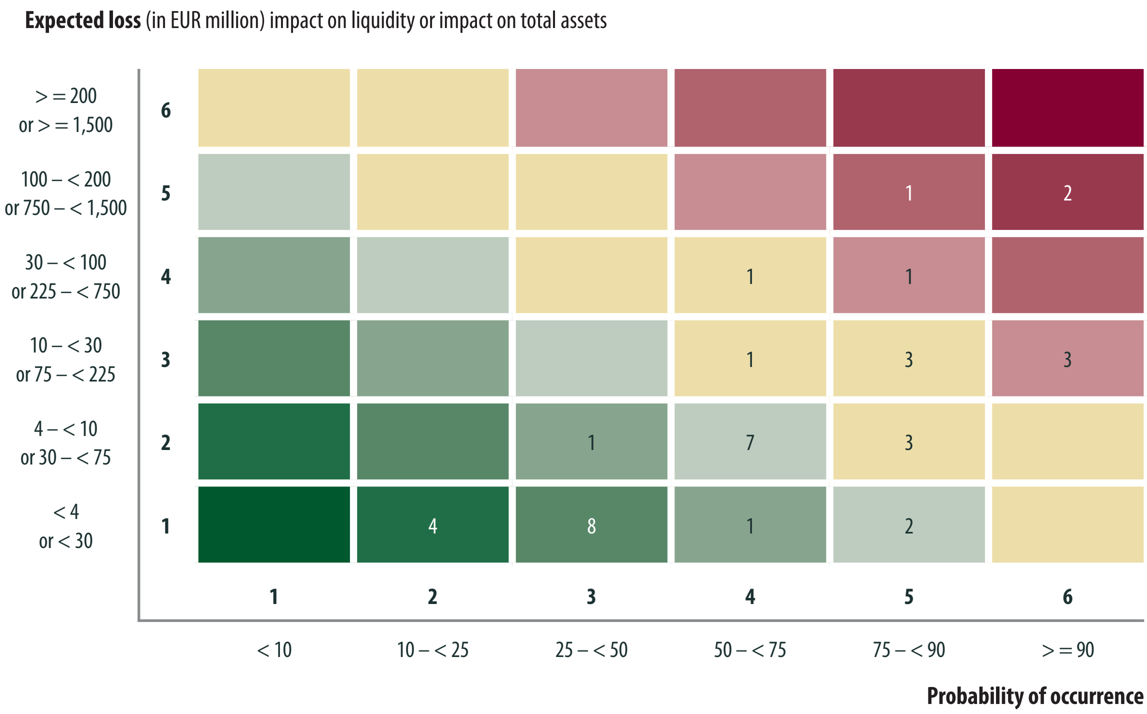
On 12 April 2023, the Restructuring Plan was sanctioned by the High Court of Justice of England and Wales and the Group announced completion of the Restructuring Plan on 17 April 2023. The Restructuring Plan and the wider Restructuring, including incurrence of the New Money Funding provided the liquidity needed to manage ADLER's and the wider-Group's upcoming debt maturities, stabilise its business operations, and avoid the need for material Group members, including ADLER, to file for insolvency and sell assets at a deep discount in the current challenging market conditions. For more detail on the Restructuring please see the "Material Events" section of the Combined Management Report in the Group's Annual Report 2022.

Risk assessment as at 31 December 2022

ADLER's risk assessment as at 31 December 2022 was performed in compliance and accordance with the Group's Risk Management System described above.

Quantification scoring model

The risk status identified by ADLER under the top-down quantification scoring model as at 31 December 2022 is illustrated in the following heat map, showing the number of risks in the individual expected loss and probability of occurrence clusters:



The two risks in the red area are:

- Liquidity risk (EL 5 / PO 5)
- Reputation risk (EL 3 / PO 6)

Assessment of ADLER's risk bearing capacity

Based on the risk quantification model and the aggregated liquidity risk position, ADLER depends on the successful implementation of the restructuring plan and the provision of funds to facilitate the repayment of the ADLER 2023 SUN. Additionally, ADLER's liquidity risk bearing capacity depends on the Group's ability to repay loans granted by ADLER to other Group companies and/or the provision of additional funds.

Based on the risk quantification model and the aggregated equity risk position, ADLER will be able to cover the aggregated risk position.

Qualitative assessment

The table below provides an overview as at 31 December 2022 of the risk sub-categories that were given a risk score of more than 4.5 according to the qualitative assessment for ADLER and were therefore classified as highly relevant. Risk sub-categories that are considered material (i.e. weighting in the overall risk assessment exceeds 5 percent) are also noted below.

Risk category	Risk subcategory	Risk score	Materiality
Macroeconomic, sector-specific and socio-political environment	Real estate market risks	5.0	
	Economic development	4.8	
Financial and financing risks	Risks from violation of non-financial covenants	5.4	
	Liquidity risks	5.1	Material
	Accounting and valuation risks	4.8	Material
	Audit opinion and disclosure risks	4.6	
	Risks from violation of financial covenants	4.6	Material
Operating risks in property management	Environmental risks	4.7	
Operating risks in project development	Risks in the "Build & Deliver" project phase	4.7	Material
Company-specific risks	Public relations risks	5.9	Material
	Central purchasing	4.8	

Highly relevant and material risks

Following the implementation of the Restructuring Plan, certain risks or risk sub-categories identified by ADLER as highly relevant (i.e. have a risk score of more than 4.5 in the qualitative assessment) and material (i.e. weighting in the overall risk assessment exceeds 5 percent) still exist. . These include (1) liquidity risks, (2) accounting and valuation risks, (3) risks from violation of financial covenants, and (4) public relations risks, which are all addressed in more detail below. Non-material risks or risk sub-categories are not addressed, or only briefly, even if they have been given a high-risk score.

Financial and refinancing risks

In this risk category, a total of 21 risks were identified in eight risk sub-categories. As described above, the financial and refinancing conditions give rise to risks that threaten the going concern of ADLER. The following three risk sub-categories are highly relevant and material:

Liquidity risks

ADLER's operational earnings power is generally sufficient to cover expenses, including the interest incurred. However, it is not sufficient to repay outstanding bonds or other debt financing. The Group proposed a restructuring plan aimed to facilitate a successful implementation of amendments to the Groups's and ADLER's senior unsecured notes and to complete a wider financial restructuring of the Group, including ADLER. Subsequently, ADLER was granted a loan from its parent company to facilitate the repayment of the ADLER 2023 SUNs on 27 April, 2023.

While ADLER believes that the Restructuring alleviates the pressure to sell assets at deep discounts, in the event that ADLER is required to sell parts of its portfolio, it may not be able to do so in a timely fashion, on favourable terms or at all. The ability of ADLER to sell properties generally depends on the liquidity of the real estate markets at the time of the potential sale. In addition, the demand for real estate assets is influenced by, among other factors, the quality of the property, vacancy rates, the overall economic, environmental, social and market situation at the time of the sale, the level of interest rates and the availability of debt financing to market participants.

As a result, if ADLER is required to sell parts of its portfolio, particularly on short notice or under legal, financial or time pressure (including to repay debt), there is no guarantee that it would be able to do so in a timely fashion or on favourable terms or at all, and there can be no guarantee that the price obtained by ADLER would represent a fair or market value for the property or property portfolio or shares.

Although this risk is classified as highly relevant and material, this risk is not immediately threatening the existence of the Group.

Accounting and valuation risks

ADLER's accounts for its real estate properties at fair value. The valuation model is predominantly based on the present value of net cash flows to be generated from the property in question, taking into account expected rental growth rates, vacancy periods, occupancy rates, lease incentive costs such as rent-free periods and other costs not paid by tenants, as well as capex and maintenance expenses related to the property. In specific cases the appraisers use special assumptions, assuming facts that differ from the actual facts existing at the valuation date or that would not be made by a typical market participant in a transaction on the valuation date. The expected net cash flows are discounted using risk-adjusted discount rates. Among other factors, the discount rate estimation considers the quality of a building and its location, tenant credit quality, lease duration and terms, and the interest rate environment.

Establishing the valuation parameters involves substantial judgment and such judgments may prove to be inaccurate in the future. In addition, any change to valuation methodology, including as a result of changes to the statutory requirements, may result in gains or losses in ADLER's financial statements, based on the change to each property's valuation compared with prior valuations. There can be no assurance that any particular valuation could be realized in a third-party sale.

The fair value determination also reflects not only the circumstances directly connected with the property but also the general conditions of the real estate markets, such as regional market developments and general economic conditions or interest rate levels. Accordingly, the effects of falling market prices and rising interest rates on the IFRS value of the investment property may be quite significant and lead to a need for impairment losses at the expense of equity. This effect is already visible in ADLER's financial statements for the year ending 31 December 2022, and may continue in the future.

Although this risk is classified as highly relevant and material, this risk is not immediately threatening the existence of the Group.

Risks from violation of financial covenants

ADLER's facilities require compliance with certain covenants, as non-compliance gives the respective creditor the right to terminate the corresponding financing agreement and demand repayment of the debt. In connection, the Group and ADLER have established internal control process to ensure compliance with the financial covenants.

Throughout 2022, certain financial covenants limited ADLER's ability to incur new debt and refinance upcoming maturities. For example, consolidated coverage ratio covenants under the Group´s financing arrangements risked being breached if ADLER had borrowed the New Money Funding directly. As a result, the completion of the Restructuring Plan amended the SUNs to allow the Group to incur the New Money Funding and refinance certain existing indebtedness, as more fully described above. As part of these amendments to the SUNs, the Group became subject to a maintenance loan-to-value ratio ("Maintenance LTV Ratio") covenant requiring the Maintenance LTV Ratio not to exceed 87.5 percent on each maintenance reporting date on and prior to 31 December 2025, and 85 percent thereafter. The Maintenance LTV Ratio is to be tested quarterly beginning on 31 December 2024. For additional details on the covenants and undertakings restricting the actions of the Adler Group, ADLER and other certain members of the Group, please see the "Material Events" section of the Combined Management Report in the Group's Annual Report 2022.

The Group's ability to comply with the Maintenance LTV Ratio covenant, among other covenants and restrictions, may be affected by events beyond its control. These include prevailing economic, financial and industry conditions. If the Group breaches the Maintenance LTV Ratio covenant or any other restrictive covenants or restrictions, it may be in default under the SUNs and the New Money Funding facilities agreement ("New Money Facilities Agreement"). The relevant holders or lenders could then elect to declare the debt, together with accrued and unpaid interest and other fees, if any, immediately due and payable. If the SUNs, New Money Facilities Agreement or any other material financing arrangement entered into by the Group or ADLER were to be accelerated at the same time, the Group's and ADLER's assets may be insufficient to repay in full the SUNs, the New Money Funding and any other indebtedness then outstanding.

Although this risk is classified as highly relevant and material, this risk is not immediately threatening the existence of the Group.

Company-specific risks

In this risk category, a total of 29 risks were identified in eight risk sub-categories, one of which was classified as highly relevant and material:

Public relations risks

If the Group or ADLER is unable to maintain its reputation and high level of customer service, tenant satisfaction and demand for our services and properties could suffer. In particular, if the Group's or ADLER's reputation is harmed, it may become more difficult for ADLER to let residential units and could lead to delays in rental payments or the termination of rental contracts by our tenants, as well as finalising and selling development projects. Any reputational damage due to the Group's or ADLER's inability to meet customer service expectations could consequently limit the ability to retain existing and attract new tenants and buyers.

Furthermore, harm to the Group's or ADLER's reputation could impair the ability to raise capital on favourable terms or at all. For example, the Group's and ADLER's reputation suffered considerable damage after the short-seller attack was published in October 2021 and the Group's auditors subsequently issued a disclaimer of opinion on the stand-alone accounts and consolidated financial statements of the Group and ADLER for the financial year ending 31 December 2021, despite KPMG Forensic finding no evidence to support the short-seller's allegations.

Any downturn in tenant satisfaction, demand for our services and properties and any damage to our reputation could have a material adverse effect on ADLER's business, net assets, financial condition, results of operations, cash flows and prospects. Although this risk is classified as highly relevant and material, this risk is not immediately threatening the existence of ADLER.

Sustainability risks

Stimulated by the public debate on human rights issues, environmental protection, climate change and corporate social responsibility, sustainability has become a growing imperative in recent years. As a result, capital markets and the public increasingly evaluate companies based on their potential negative environmental impacts, the measures they take to reduce or stop these impacts, corporate governance or compliance with the fundamental principles of diversity. Non-compliance with these aspects poses not only financial risks but also risks to the reputation of a company.

The separate risk category of "Sustainability risks" was removed in 2022, and the risks that had previously been categorised therein, if still relevant, have been assigned to the other six above-mentioned categories.

The following sustainability risk was classified as "highly relevant":

Environmental risks

Environmental aspects play a crucial role in all of ADLER's business activities, both in portfolio management and in development projects.

ADLER has set itself the objective to halve the CO_2 emissions of its property portfolio by the year 2030 (compared to the emissions in 2020). Even though the legal, financial and reputational consequences of failing to meet this objective are still uncertain, failure to achieve this goal is fraught with certain risk.

With its Green Deal, the European Union (EU) has formulated important sustainability goals – and the renovation and energy-efficient refurbishment of buildings contribute to their achievement. In keeping with the Green Deal, the German government has launched a climate protection programme that introduces a levy on CO_2 emissions. The CO_2 levy for heating residential buildings is borne by both the tenants and landlords. The ratio for how this is divided between landlords and tenants depends on the energy efficiency of the building: the lower the energy efficiency of the building, the higher the share borne by landlords. In order to lower their contribution, landlords have to take measures to increase energy efficiency.

OPPORTUNITIES REPORT

As part of ADLER's opportunity policy, those responsible regularly assess the business opportunities of the Group as a whole.

Opportunities from the macroeconomic, sector-specific and socio-political environment

Since the beginning of 2023, energy prices have started to decline again and, while inflation continues to be high, it is now forecast to slow down. The general rise in interest rates have also had a negative impact on demand in the real estate markets. However, in ADLER's current portfolio, index-linked tenancy agreements help to increase the rental income as long as inflation rates remain high. Additionally, if prices for construction materials and real estate services do not rise as sharply as in recent years, it may have a positive effect on the ADLER's earnings position.

Strategic opportunities

Corporate strategy

ADLER continues its efforts to sell non-strategic parts of its portfolio. This includes a potential sale of its interest in, Brack Capital Properties N.V. The sale of properties generates positive cash flow, which in turn can be used to further repay debt and thus strengthen the LTV.

Digitalisation in the real estate industry and company organisation

ADLER sees ongoing digitalisation as an opportunity to increase the efficiency of administrative processes and thus reduce administrative expenses in the longer term. Digitalised processes help collect tenant, property and project development data in a standardised format and provide the basis for timely and comprehensive reporting and controlling of all real estate activities. The digitalisation of internal business processes (e.g. in financial management and human resources) also improves efficiency and has a positive impact on ADLER's cost structure.

Financial and refinancing opportunities

The Group completed the implementation of its Restructuring Plan on 17 April 2023. In accordance with the Restructuring Plan and the Restructuring the Group incurred the New Money Funding and fully repaid the ADLER 2023 SUNs on maturity. The Restructuring, together with the New Money Funding improved operational flexibility and the ability to address near-term maturities across its financing arrangements, which affords the Group and ADLER period of limited financial pressure.

Opportunities related to sustainability

The steadily increasing interest of investors, business partners, tenants and employees in sustainable business practices creates considerable opportunities for a company that acts sustainably.

This plays a particularly important role in the strategic energy refurbishment of existing properties in line with the goal to halve greenhouse gas emissions by 2030. Thus, ADLER can improve the competitiveness of ADLER's existing property portfolio on the rental markets, as energy refurbished flats go hand-in-hand with lower ancillary costs for heat and energy, while offering significantly higher quality and comfort.

Opportunities from the operating business

The residential property market continues to be characterised by high demand for, and a general shortage of, good and affordable housing. In recent financial years, ADLER was able to increase the average basic rent per month and square metre and has at the same time reduced its vacancy rate. These opportunities continue to exist, although the absolute amount of net rental income has declined due to the sales of sub-portfolios and will continue to decline in the event of additional sales. In this context, rent increases are limited by the existing regulatory and statutory controls. They are also usually dependent on strategic investments in the modernisation, refurbishment or repositioning of the properties.

Company-specific opportunities

The further harmonisation and development of standardised processes and guidelines, the implementation of a common IT landscape and the streamlining of the Group's tax structure offer opportunities to increase efficiency and reduce costs. Measures taken to increase its attractiveness as an employer, paying fair and competitive salaries and a range of fringe benefits make ADLER an attractive employer for qualified and motivated employees.

Overall management assessment of risks and opportunities

ADLER's management has identified the above-mentioned risks and has initiated appropriate measures to avert them. It is also confident that the implementation of the Restructuring creates the conditions necessary for a positive going concern forecast and the financing of all material maturities for the next two years.

Concluding remark

This Report on Risks and Opportunities contains forward-looking statements and information. These forward-looking statements may be identified by words such as "expects", "intends", "will" or words of similar meaning. Such statements are based on our current expectations, assessments and assumptions about future developments and events and, therefore, are naturally subject to uncertainties and risks. Actual developments and events may turn out to be considerably more positive or negative than the forward-looking statements, so that the expected, anticipated, intended, believed or estimated developments and events may subsequently prove to be inaccurate.

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

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

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

9.1 BUSINESS FUNDAMENTALS AND ECONOMIC REPORT

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

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

9.2 RESULTS FROM OPERATIONS, NET ASSETS AND FINANCIAL POSITION

Result of operations

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

In EUR millions	2022	2021
Turnover	1.6	3.4
Other operating income	8.2	23.6
Personnel expenses	-0.4	-0.3
Other operating expenses	-27.6	-21.9
Income from participations	0.0	1.0
Income from securities and lending of financial assets	37.0	53.3
Other financial and similar income	8.6	13.1
Depreciation on financial assets and on securities from currents assets	-88.3	-4.1
Other financial and similar expenses	-59.4	-58.1
Income taxes	0.0	-0.5
Earnings after taxes	**-120.3**	**9.5**
Other taxes	0.0	0.0
Net result	**-120.3**	**9.5**
Loss carried forward from previous year	-491.0	-500.5
Purchase of treasure shares	0.0	0.0
Net accumulated loss	**-611.3**	**-491.0**

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

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

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

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

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

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

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

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

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

Financial position and net assets

In EUR millions	31.12.2022	31.12.2021
Non-current assets	**1,656.1**	**2,319.2**
Financial assets	1,653.9	2,317.0
Property, plant and equipment	2.2	2.2
Current assets	**710.4**	**272.5**
Receivables against associated companies	525.2	51.6
Other assets	14.5	73.1
Other securities	131.0	123.5
Deposits	39.7	24.3
Deferred income	**2.8**	**4.7**
Assets	**2,369.3**	**2,596.4**
Equity	**142.1**	**262.4**
Capital stock (Previous year: minus treasury stock)	109.4	109.4
Capital reserve	644.0	644.0
Contributions made to carry out the capital increase decided	0.0	0.0
Net accumulated loss	-611.3	-491.0
Provisions	**4.7**	**2.0**
Liabilities	**2,222.5**	**2,332.0**
Liabilities from convertibles and bonds	1,118.2	1,522.5
Financial liabilities to banks	10.2	0.0
Trade payables	0.8	0.5
Liabilities against associated companies	1,093.2	801.4
Other liabilities	0.0	7.6
Equity and liabilities	**2,369.3**	**2,596.4**

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

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

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

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

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

Financial assets include the following:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

9.3 REPORT ON EVENTS AFTER THE BALANCE SHEET DATE

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

9.4 REPORT ON EXPECTED DEVELOPMENTS

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

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

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

9.5 REPORT ON RISKS AND OPPORTUNITIES

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

Berlin, 29 April 2023

Thierry Beaudemoulin
CEO/COO

Sven-Christian Frank
CLO

/// CONSOLIDATED BALANCE SHEET
/// CONSOLIDATED STATEMENT OF INCOME AND ACCUMULATED EARNINGS
/// CONSOLIDATED CASH FLOW STATEMENT
/// CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

/// CONSOLIDATED BALANCE SHEET

(IFRS) as at 31 December 2022

In EUR ´000	Note	31.12.2022	31.12.2021
Assets		**4,124,816**	**5,584,662**
Non-current assets		**1,958,637**	**1,822,655**
Goodwill	8.1	0	46,699
Intangible assets	8.1	101	282
Property, plant and equipment	8.2	13,070	18,438
Investment properties	8.3	1,864,442	1,662,824
Investments in associated companies	8.4	3,465	10,489
Other financial investments	8.5	23,402	79,375
Other non-current assets	8.5	49,128	1,987
Deferred tax assets	8.6	5,028	2,561
Current assets		**535,991**	**793,382**
Inventories	8.7	21,870	13,213
Trade receivables	8.8	34,349	17,587
Receivables from affiliated companies	8.8, 14.2	281,863	270,105
Income tax receivables	8.8	7,109	7,062
Other current assets	8.8	71,718	188,608
Cash and cash equivalents	8.9	119,082	296,807
Non-current assets held for sale	8.10	**1,630,188**	**2,968,624**

In EUR ´000	Note	31.12.2022	31.12.2021
Equity and liabilities		**4,124,816**	**5,584,662**
Shareholders' equity		**1,643,482**	**2,144,018**
Capital stock	8.11	109,417	109,417
		109,417	109,417
Capital reserve	8.12	783,332	783,332
Retained earnings	8.13	-445	-875
Other reserves	8.14	-32,640	-9,860
Net retained profit		478,734	830,263
Equity attributable to owners of the parent company		1,338,397	1,712,277
Non-controlling interests	8.15	305,085	431,741
Non-current liabilities		**1,050,152**	**2,023,897**
Pension provisions	8.16	641	1,067
Deferred tax liabilities		112,050	222,304
Other provisions	8.17	46	5
Liabilities from bonds	8.18	594,624	1,088,780
Financial liabilities to banks	8.19	337,355	703,830
Other non-current liabilities	8.20	5,436	7,911
Current liabilities		**735,550**	**551,488**
Other provisions		0	248
Income tax liabilities		94,965	14,760
Liabilities from bonds	8.18	517,353	421,893
Financial liabilities to banks	8.19	68,598	35,483
Trade payables	8.21	34,032	27,432
Other current liabilities	8.21	20,601	51,673
Liabilities held for sale	8.10	**695,632**	**865,259**

/// CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(IFRS) for the period from 1 January to 31 December 2022

In EUR '000	Note	2022	2021
Gross rental income	9.1	222,782	337,758
Expenses from property lettings	9.2	-108,291	-147,007
Earnings from property lettings		**114,491**	**190,751**
Income from the sale of properties	9.3	1,290,635	1,428,702
Expenses from the sale of properties	9.4	-1,309,458	-1,428,061
Earnings from the sale of properties		**-18,823**	**641**
Personnel expenses	9.5	-25,456	-40,548
Other operating income	9.6	8,415	83,314
Other operating expenses	9.7	-75,971	-50,269
Income from fair value adjustments of investment properties	9.8	-297,459	225,207
Depreciation and amortisation	9.9	-115,163	-33,272
Earnings before interest and tax (EBIT)		**-409,966**	**375,824**
Financial income	9.10	82,339	20,082
Financial costs	9.11	-102,912	-243,333
Impairments on trade and other receivables		-89,165	-21,271
Net income from at-equity-valued investment associates	9.12	33	83
Earnings before tax (EBT)		**-519,671**	**131,385**
Income taxes	9.13	60,384	-56,827
Consolidated net profit		**-459,287**	**74,558**
Actuarial gains/losses before taxes		429	3
Deferred taxes on actuarial gains/losses		1	-1
OCI gains/losses not reclassifiable into profit or loss		**430**	**2**
Gains/losses from currency translation	8.15	-15,732	27,448
Change in value of financial assets measured at fair value	11.1	-3,659	-4,049
OCI gains/losses reclassifiable into profit or loss		**-19,391**	**23,399**
Other comprehensive income		**-18,961**	**23,401**
Total comprehensive income		**-478,249**	**97,959**

In EUR '000	Note	2022	2021
Consolidated net profit attributable to:			
Owners of the parent company		-351,530	69,152
Non-controlling interests		-107,758	5,407
Total comprehensive income attributable to:			
Owners of the parent company		-370,491	92,553
Non-controlling interests		-107,758	5,407
Earnings per share, basic in EUR (consolidated net profit)	9.15	-3.21	0.66
Earnings per share, diluted in EUR (consolidated net profit)	9.15	-3.21	0.69

/// CONSOLIDATED STATEMENT OF CASH FLOWS

(IFRS) for the period from 1 January to 31 December 2022

In EUR '000		2022	2021
Earnings before interest and taxes (EBIT) – continuing and discontinued operations		-409,966	375,824
+	Depreciation and amortisation	115,163	33,272
–/+	Net income from at-equity valued investment associates	0	0
–/+	Net income from fair value adjustments of investment properties	297,459	-225,207
–/+	Non-cash income/expenses	82,444	-64,787
–/+	Changes in provisions and accrued liabilities	-3,588	-3,275
–/+	Increase/decrease in inventories, trade receivables and other assets not attributable to investment or financing activities	153,068	-103,943
–/+	Decrease/increase in trade payables and other liabilities not attributable to investment or financing activities	-208,396	-33,967
+	Interest received	5,566	5,398
+/–	Tax payments	-17,253	-19,583
=	**Operating cash flow before dis-/reinvestment into the trading portfolio**	**14,497**	**-36,268**
–/+	Increase/decrease in inventories (commercial properties)	16,566	55,027
=	**Net cash flow from operating activities**	**31,063**	**18,759**
–	Acquisition of subsidiaries, net of cash acquired	0	1,114
+	Disposal of subsidiaries, net of cash disposed	126,101	0
–	Advance payments received for land held for sale from non-current assets	10,200	0
+	Purchase of investment properties	-361,759	-165,631
–	Disposal of investment properties	1,088,751	1,520,208
+	Purchase of property, plant and equipment and intangible assets	-835	-2,505
–	Disposal of property, plant and equipment and intangible assets	175	2,942
+	Payments into short-term deposits	-8,619	0
+	Proceeds from short-term deposits	8,871	37,485
–	Proceeds from disinvestment of financial assets	2,928	0
–	Investments in financial assets	0	-6,559
+	Tax payments	0	-15,994
=	Payments from issuance of loans to associated companies	0	-265,221
	Net cash flows from investing activities	**865,813**	**1,105,839**
+/–	Non-cash changes in equity	17,835	0
–	Transactions with non-controlling interests	-39,387	4,099

	In EUR '000	2022	2021
–	Proceeds from issue of bonds	162,518	0
–	Repayment of bonds	-462,660	-511,298
–	Repayment of convertible bonds	0	-90,264
+	Interest payments	-54,845	-130,094
–	Proceeds from bank loans	74,809	508,623
–	Repayment of bank loans	-582,760	-725,049
–	Repayment of leasing liabilities	-1,471	-2,455
+	Payment of interest portion of leasing liabilities	-159	-783
–	Proceeds from borrowings of loans and advances from affiliated companies	0	593,340
=	Repayment of borrowing of loans and advances to affiliated companies	0	-622,292
	Net cash flows from financing activities	**-886,120**	**-976,173**
	Reconciliation to Consolidated Balance Sheet		
	Cash and cash equivalents at beginning of periods	**296,807**	**149,857**
	Non-cash changes in cash and cash equivalents from impairment losses	-415	-1,475
	Changes in cash and cash equivalents due to changes in the scope of consolidation	-2,451	0
	Changes in cash and cash equivalents in connection with non-current assets and disposal groups held for sale	-185,616	0
	Net cash flow from operating activities	31,063	18,759
	Net cash flow from investing activities	865,813	1,105,839
	Net cash flow from financing activities	-886,120	-976,173
=	**Cash and cash equivalents at end of periods**	**119,082**	**296,807**

/// CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(IFRS) for the period from 1 January to 31 December 2022

In EUR '000	Capital stock	Capital reserves
As at 1 January 2021	**73,659**	**331,696**
Consolidated net profit	0	0
Other comprehensive income (OCI) – reclassifiable	0	0
Other comprehensive income (OCI) – non-reclassifiable	0	0
Sum of Other comprehensive income (OCI)	0	0
Increase/decrease in shareholding with no change in status	0	1,122
Change in scope of consolidation	0	0
Dividend	0	0
Conversion of convertible bonds	651	7,457
Capital increase in kind	35,107	443,056
As at 30 December 2021	**109,417**	**783,332**
As at 1 January 2022	**109,417**	**783,332**
Consolidated net profit	0	0
Other comprehensive income (OCI) – reclassifiable	0	0
Other comprehensive income (OCI) – non-reclassifiable	0	0
Sum of Other comprehensive income (OCI)	0	0
Increase/decrease in shareholding with no change in status	0	0
Change in scope of consolidation	0	0
Capital increase in kind	0	0
As at 30 December 2022	**109,417**	**783,332**

Retained earnings	Other Reserves	Net retained profit	Equity attributable to the owners of the parent company	Non-controlling inerests	Total equity
-877	**-50,583**	**761,112**	**1,115,007**	**465,763**	**1,580,770**
0	0	69,152	69,152	5,407	74,558
0	23,400	0	23,400	0	23,399
2	0	0	2	0	2
0	23,400	0	23,401	0	23,401
0	17,212	0	18,334	19,830	38,164
0	111	0	111	-55,420	-55,309
0	0	0	0	-3,838	-3,838
0	0	0	8,108	0	8,108
0	0	0	478,163	0	478,163
-875	**-9,860**	**830,263**	**1,712,277**	**431,741**	**2,144,018**
-875	**-9,860**	**830,263**	**1,712,277**	**431,741**	**2,144,018**
0	0	-351,530	-351,530	-107,758	-459,287
0	-19,391	0	-19,391	0	-19,391
430	0	0	430	0	430
0	-19,391	0	-18,961	0	-18,961
0	-3,389	0	-3,389	-36,683	-40,072
0	0	0	0	17,785	17,785
0	0	0	0	0	0
-445	**-32,640**	**478,734**	**1,338,397**	**305,085**	**1,643,482**

/// NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2022

/// NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

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

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

The consolidated financial statements and the group management report were approved for publication by the Management Board, subject to approval by the Supervisory Board, on 30 April 2023.

2. BASIS OF ACCOUNTING

2.1 Basis for the preparation of financial statements

ADLER’s consolidated financial statements as at 31 December 2022 have been prepared in accordance with the International Financial Reporting Standards (IFRS) effective in the European Union and the provisions of § 315e (1) of the Handelsgesetzbuch (HGB – German Commercial Code). The requirements of the standards applied have been met and the financial statements represent a true and fair view of the company’s net assets, financial position and result of operations.

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

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

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

2.2 Accounting standards applicable for the first time in the 2022 financial year

The Group applied the following new and revised IFRS standards and interpretations in the 2022 financial year:

Standard/ Interpretation	Title	IASB Effective Date[1]	Initial application date in the EU[1]
Amend. IFRS 3	Reference to the conceptual framework	1 January 2022	1 January 2022
Amend. IAS 16	Income before intended use	1 January 2022	1 January 2022
Amend. IAS 37	Onerous contracts – cost of fulfilling a contract	1 January 2022	1 January 2022
Annual improvement process (2018-2020)	Amendments to IFRS 1, IFRS 9, IAS 41 and IFRS 16	1 January 2022	1 January 2022

1) For financial years beginning on or after this date

Amendment IFRS 3, IAS 16 und IAS 37

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

Annual improvement process (2018-2020)

The amendments of the annual improvement process (cycle 2018-2020) include minor changes to IFRS 1, IFRS 9, IFRS 16 and IAS 41 and will not have a material impact on the consolidated financial statements.

The other amendments also have no material impact on the consolidated financial statements.

2.3 Standards and interpretations not prematurely applied

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

Standard/Interpretation	Title	IASB Effective Date[1)]	Initial application date in the EU[1)]
Endorsed by the EU:			
Amend. IAS 1, IFRS Practise Statement 2	Disclosure of Accounting Policies	1 January 2023	expected 1 January 2023
Amend. IAS 8	Definition of Accounting Estimates	1 January 2023	expected 1 January 2023
Amend. IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction		expected 1 January 2023
IFRS 17 und Amend. IFRS 17	Insurance contracts	1 January 2023	1 January 2023
EU endorsement still pending:			
Amendments to IAS 1	Classification of Liabilities as Current or Non-Current	1 January 2023	open
Amend. IFRS 16	Definition of accounting estimates	1 January 2024	expected 1 January 2024

1) For financial years beginning on or after this date

Amendment IAS 1, IFRS Practise Statement 2

The amendments clarify which accounting and valuation methods are to be disclosed in the notes. In future, significant rather than important accounting policies are to be disclosed. Not only the amount should be taken into account, but also all information that the users of the financial statements need in order to understand other material information in the financial statements. ADLER expects a stronger focus on accounting policies that are material to ADLER's business model.

Amendment IAS 8

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

Amendment IAS 12

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

Amendment IAS 1

The amendments clarify that the existing right of the entity at the reporting date is decisive for the classification of liabilities as current or non-current. Management's expectations or intentions regarding the actual exercise of the right and potential early repayments are not to be taken into account. ADLER does not expect any material effects on its consolidated financial statements, as the resulting clarifications have already been taken into account at ADLER.

Amendment IAS 16

The amendment to IFRS 16 is intended to clarify how the seller/lessee should apply the rules for subsequent measurement of a lease liability in a sale and leaseback transaction.

At the date of sale, the seller-lessee shall recognise a lease liability under the leaseback obligation in accordance with IFRS 16, even if all payments for the lease are variable and do not depend on an index or a rate. For subsequent measurement, no gain or loss is recognised to the extent that it relates to the retained right-of-use asset. The subsequent measurement of the right of use from the leaseback is based on the general regulations of IFRS 16. ADLER does not expect any material effects on the consolidated financial statements.

The above-mentioned other standards and amendments are not expected to have any material impact.

3. BASIS OF CONSOLIDATION

3.1 Subsidiaries

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

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

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

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

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

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

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

3.2 Joint arrangements

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

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

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

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

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

3.3 Associated companies

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

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

4. SCOPE OF CONSOLIDATION, BUSINESS COMBINATIONS AND PROPERTY COMPANIES

Shares in subsidiaries

Including the parent company, the scope of consolidation comprises a total of 213 (31 December 2021: 206) fully consolidated companies. The Group owns no real estate outside Germany.

The consolidated group has developed as follows:

Quantity	2022	2021
As of 01.01.	206	226
Additions	17	1
Disposals	3	17
Mergers/accruals	7	4
As of 31.12.	**213**	**206**

Additions to the scope of consolidation

In order to optimise asset and financial structures within ADLER Group, Münchener Baugesellschaft mbH, by way of a purchase agreement dated 24 June 2022 and effective 1 July 2022, acquired from Adler Group and its subsidiaries ADO 9540 Golding GmbH, ADO SBI Holdings S.A. & Co. KG, Bosem Grundstücks GmbH, Mezi Grundstücks GmbH, Parpar Grundstücks GmbH and Rimon Holding GmbH the majority shares (89.9 percent of the shares in each case) in 14 companies, namely ADO 9230 Grundstücks GmbH, ADO 9250 Grundstücks GmbH, ADO 9270 Grundstücks GmbH, ADO 9460 Grundstücks GmbH, ADO 9500 Grundstücks GmbH, ADO 9560 Grundstücks GmbH, AHAVA Grundstücks GmbH, Anafa Grundstücks GmbH, Badolina Grundstücks GmbH, MAYA Grundstücks GmbH, Melet Grundstücks GmbH, Sharav Grundstücks GmbH, Wernerwerkdamm 25 Berlin Grundstücks GmbH and 8. Ostdeutschland Invest GmbH were acquired. The companies are real estate portfolio companies with a portfolio of a total of 1,400 rental units in Berlin, most of which are held in the investment portfolio and a small proportion in the trading portfolio. The acquisition was not a business combination, but the acquisition of a tangible entity. The acquisition costs were allocated to the individual assets and liabilities on the basis of their fair values. Münchener Baugesellschaft mbH acquired investment properties with a fair value (after deduction of deferred taxes) of EUR 285,380k, trading properties with a fair value (after deduction of deferred taxes) of EUR 9,049k and other assets of EUR 3,032k, as well as liabilities to banks with a book value of EUR 33,887k, net financial liabilities to affiliated companies from the parent group of EUR 83,427k and other liabilities of EUR 3,569k. The proportional purchase price for the assets and liabilities was EUR 158,749k. Taking into account the redemption paid for the net financial liabilities to affiliated companies, the total consideration was EUR 240,819k.

With purchase agreements dated 6 July 2022, the companies Westgrund I. Halle Verschmelzungs GmbH, RELDA 39. Wohnen Verschmelzungs GmbH and Spree Zweite Ost V GmbH were acquired by FORIS Gründungs GmbH. The companies were not active in business until this date. This had no effect on the net assets, financial position and results of operations of the Group.

Disposals from the scope of consolidation

On 30 December 2022, Brack Capital Leipzig B.V., a subsidiary of BCP - Brack Capital Properties N.V., sold a portfolio of over 2,400 residential units in the city of Leipzig to Tristan Capital Partners LLP, London, for a preliminary purchase price of EUR 126,101k. The sale was carried out by transferring the majority of shares in the companies BCRE Leipzig Wohnen Nord B.V., BCRE Leipzig Wohnen Ost B.V. and BCRE Leipzip Wohnen West B.V..

In EUR ´000	30.12.2022
Preliminary Purchase price	**126,101**
Net assets	
Investment properties	216,142
Trade receiables	436
Other current assets	5
Cash and cash equivalents	2,451
Total assets	**219,034**
Deferred tax liabilities	23,919
Financial liabilities to banks	63,968
Trade payables	1,798
Other current liabilities	163
Total liabilities	**89,848**
Result from deconsolidation	**-3,085**

The result from deconsolidation was recognised in other expenses. The deconsolidation led to a disposal of cash and cash equivalents in the amount of EUR 2,451k. The assets and liabilities of the companies sold belonged to the subgroup BCP - Brack Capital Properties N.V.. The subgroup will be reported as a disposal group under non-current assets and liabilities available for sale as at 31 December 2021.

In the previous year, the Adler Group concluded a portfolio transaction with a subsidiary of LEG Immobilien SE for the sale of 15,500 units by way of a purchase agreement dated 30 November/1 December 2021. The transaction was effected by way of a sale of shares with effect from 29 December 2021. As a result, ADLER gained control over thirteen subsidiaries (AFP II Germany GmbH, HKA Grundstücksverwaltungsgesellschaft mbH & Co. KG, HKA Verwaltungsgesellschaft mbH, Relda 38. Wohnen GmbH, Relda 45. Wohnen GmbH, Resident Baltic GmbH, Westgrund Immobilien GmbH, Westgrund Immobilien VIII. GmbH, Westgrund Wolfsburg GmbH, WBG Jade mbH, Zweite REO Real Estate Opportunities GmbH, Westgrund Niedersachsen Nord GmbH and Westgrund Niedersachsen Süd GmbH) were lost. The companies were deconsolidated as of 31 December 2021.

Mergers

In the first quarter, Energy AcquiCo I GmbH was merged into Magnus zweite Immobilienbesitz und Verwaltungs GmbH, WER 1. Wohnungsgesellschaft Erfurt Rieth mbH into Magnus Neunzehnte Immobilienbesitz und Verwaltungs GmbH, WER 2. Wohnungsgesellschaft Erfurt Rieth mbH into Magnus Zwanzigste Immobilienbesitz und Verwaltungs GmbH, RELDA 39. Wohnen GmbH into RELDA 39. Wohnen Verschmelzungs GmbH and Westgrund I. Halle GmbH merged into Westgrund I. Halle Verschmelzungs GmbH. In the second quarter, Spree Zweite Beteiligung Ost GmbH was merged into Spree Zweite Ost V GmbH and Magnus Fünfte Immobilienbesitz und Verwaltungs GmbH into Magnus Elfte Immobilienbesitz und Verwaltungs GmbH. This had no effect on the asset, financial and earnings situation of the Group.

ADLER's shareholdings as at 31 December 2022, which also correspond to voting rights, are presented from page 194 onwards.

5. SPECIFIC ACCOUNTING POLICIES

5.1 Intangible assets and property, plant and equipment

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

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

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

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

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

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

5.2 Investment properties

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

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

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

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

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

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

5.3 Impairment of intangible assets and property, plant and equipment

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

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

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

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

5.4 Financial assets

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Financial assets at fair value through profit or loss

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

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

Financial assets measured at fair value through other comprehensive income

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

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

Financial assets measured at amortised cost

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

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

Impairments

ADLER recognises impairment losses on expected credit losses:

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

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

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

Impairment losses on trade receivables (rental receivables, receivables from the disposal of properties and contract assets) are always measured in the amount of the expected credit loss over the term. ADLER uses an impairment matrix to measure the expected credit losses of its rent receivables, which comprise a very large number of small balances. The loss rates are determined on the basis of an assumption based on the probability that a receivable advances through successive stages in the delay in payment. The assessment takes into account not only the historical default rates depending on the past due status, which are updated over time as required, but also future expectations.

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

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

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

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

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

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

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

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

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

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

5.5 Derivative financial instruments

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

Upon initial recognition and subsequent measurement, derivatives are measured at fair value. Relevant changes are recognised through profit or loss in the Statement of Comprehensive Income. The fair values of derivatives are determined using standard market valuation methods and take account of the market data available on the valuation date. (Level 2 input factors of the fair value hierarchy.)

5.6 Inventories

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

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

5.7 Cash and cash equivalents

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

5.8 Non-current assets and liabilities held for sale

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

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

5.9 Shareholders' equity

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

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

5.10 Pension provisions

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

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

5.11 Other provisions

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

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

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

5.12 Financial liabilities

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

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

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

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

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

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

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

5.13 Taxes

Current tax assets and tax liabilities are measured at the amount of refund or payment expected to or from the tax authorities based on the tax rate and tax laws applicable as at the balance sheet date. Insofar as uncertainties arrise with regard to the income tax implacations of business transations, ADLER alleviates this uncertainty by recognising relavant tax provisions.

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

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

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

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

5.14 Leases

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

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

As a lessee

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

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

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

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

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

As a lessor

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

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

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

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

5.15 Revenue recognition

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

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

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

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

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

5.16 Currency translation

The consolidated financial statements are prepared in euros.

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

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

5.17 Residual interests and dividend distributions

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

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

5.18 Cash flow statement

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

6. SIGNIFICANT DISCRETIONARY DECISIONS AND ESTIMATES

6.1 General

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

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

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

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

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

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

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

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

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

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

- Due to the Urkaine crisis, prices for operating and heating costs have risen sharply. To account for the increased billing risk, ADLER recognises impairments for contract assets from operating and heating costs not yet billed to tenants. The impairment rate is determined on a company-by-company basis, taking into account the additions to impairments per rental revenue in the past financial year.

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

- ADLER does not recognise any deferred taxes for deductible temporary differences, loss carryforwards and interest carryforwards in excess of the amount of taxable temporary differences.

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

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

6.2 Uncertainties regarding the company’s ability to continue as a going concern

Due to existing or imminent breaches of credit agreements, the Group’s options for raising new and refinancing existing financial debt have been limited since the beginning of the 2022 financial year. During the 2022 financial year, it became apparent that the Group’s refinancing options would not be sufficient to service the 2018/2023 bond due on 27 April 2023. In order to avert this scenario, the management of the ultimate parent company of ADLER (Adler Group) has drawn up a restructuring plan to enable a rescheduling of financial obligations and the immediate possibility of raising additional funds with a total volume of EUR 937,500 thousand. This restructuring plan was approved by the High Court of Justice of England and Wales on 12 April 2023; the threat of insolvency of ADLER was averted. ADLER thus continues to structure the Group under the going concern assumption.

7. SEGMENT REPORTING

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

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

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

Income and EBIT are structured as follows:

ADLER Group In EUR ´000	Rental		Other		Group	
	2022	**2021**	**2022**	**2021**	**2022**	**2021**
Gross rental income and income from the sale of properties	1,513,231	1,766,319	186	141	1,513,417	1,766,460
– of which gross rental income	222,596	337,617	186	141	222,782	337,758
– of which income from sales	1,290,635	1,428,702	0	0	1,290,635	1,428,702
Change in the value of investment property	-297,459	225,207	0	0	-297,459	225,207
Earnings before interest and taxes (EBIT)	**-409,209**	**375,905**	**-6**	**-81**	**-409,215**	**375,824**
Net income from at-equity-valued investment associates	-33	83			-33	83
Financial result	**-109,781**	**-244,547**	**43**	**25**	**-109,738**	**-244,522**
Earnings before taxes (EBT)	**-519,713**	**131,354**	**42**	**31**	**-519,671**	**131,385**

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

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

ADLER Group In EUR ´000	Rental		Other		Group	
	2022	**2021**	**2022**	**2021**	**2022**	**2021**
Depreciation of property, plant and equipment	2,802	4,562	0	0	2,802	4,562
Depreciation of financial assets	7,807	4,640	0	0	7,807	4,640
Amortisation of intangible assets	104,553	24,070	0	0	104,553	24,070

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

ADLER Group In EUR ´000	Rental 2022	Other 2022	Consolidation 2022	Group 2022
Assets per segment	4,121,348	1,428	-1,425	4,121,351
Result of investments accounted for using the equity method	3,465	0	0	3,465
Total segment assets	**4,124,813**	**1,428**	**-1,425**	**4,124,816**
Segment liabilities	**2,482,642**	**33**	**-1,425**	**2,481,250**
Segment investments	**54,906**	**0**	**0**	**54,906**

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

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

Segment assets mainly comprise property, plant and equipment, investment properties and receivables due from third parties and the "Other" segment. Goodwill of EUR 0k (31 December 2021: EUR 46,699k) is recognised in the Rental segment. Please refer to the comments under Note 8.1, Goodwill, intangible assets. The consolidation effects are mainly attributable to interest resulting from financing relationships in the Group.

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

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

8. NOTES TO THE CONSOLIDATED BALANCE SHEET

8.1 Goodwill and intangible assets

In EUR '000 2022	Goodwill	Other intangible assets
Carrying amounts 01.01.2022	**46,699**	**282**
Additions (+)	0	35
Depreciation current year (–)	-104,337	-216
Change in the carrying amount of intangible assets included in disposal groups	57,638	0
Carrying amounts 31.12.2022	**0**	**101**

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

Against the backdrop of the Ukraine crisis and the increase in the key interest rate for the euro ADLER performed an impairment test of goodwill as at 30 June 2022. Since the last non-routine impairment test as at 31 December 2021, the weighted average cost of capital (WACC) had risen significantly from 2.45 percent to 5.02 percent. An increase in the WACC of 0.5 percentage points would have resulted in a complete impairment of all regional business units as at 31 December 2021. Based on an updated corporate plan, ADLER has determined an impairment requirement in the amount of the residual carrying amount of goodwill (EUR 46,699k) as at 30 June 2022. The impairment test was carried out on the basis of the cash-generating units (CGUs) corresponding to the regional business segments (East, Central, West, North). The assets of the CGUs are almost exclusively portfolio properties. As part of the impairment test, ADLER compared the carrying amounts of the CGUs with the respective recoverable amount (here: value in use). The value in use corresponds to the present value of the future net cash inflows resulting from the corporate planning. Corporate planning takes into account both experience from past financial periods and management's expectations of future industry and business developments. Net cash inflows can result both from rentals and from the sale of (sub)portfolios and individual properties. The terminal value corresponds to the present value of a perpetual annuity, which is based on the planning result of the last period of the detailed planning period and assumes a sustainable growth of the period results in the amount of 2.00 percent. The detailed planning period extends over 10 years, as is customary in the real estate industry. In deriving the weighted average cost of capital, a risk-free interest rate of 1.61 percent, a beta factor of 0.58 and a market risk premium of 7.50 percent were taken into account. The discount rate is 5.02 per cent before tax and 4.54 per cent after tax. An impairment test has been performed for the goodwill allocated to the disposal group Brack Capital Properties N.V. taking into account the expected purchase price for the disposal group. and the goodwill was fully impaired in fiscal year 2022.

8.2 Property, plant and equipment

in EUR '000	2022	2021
Carrying amounts 01.01.	**18,438**	**22,276**
Additions (+)	1,477	5,430
Depreciation current year (–)	-2,802	-4,562
Reclassifications (+/-)	-777	-56
Disposals (–)	-3,146	-4,650
Change in the carrying amount of tangible assets included in disposal groups	-120	0
Carrying amounts 31.12.	**13,070**	**18,438**

The property, plant and equipment mainly refer to office equipment and furniture. The disclosures according to IFRS 16 on the rights of use to assets in the context of leases are presented in Section 12 of the notes to the consolidated financial statements.

8.3 Investment properties

In EUR '000	Let Investment properties	Project development properties	Total 2022
Carrying amounts 01.01.	**1,422,470**	**240,355**	**1,662,824**
Additions through investment properties/property companies (+)	285,381	0	285,381
Other additions (+)	31,231	23,798	55,029
Result fair value measurement	-172,572	-124,887	-297,459
Changes in the carrying amount of investment properties in disposal groups	279,160	130,200	409,360
Reclassifications IFRS 5 (+/-)	0	-47,200	-47,200
Reclassifications (+/-)	41,493	-34,167	7,326
Reclassification from inventories (+/-)	13,863	0	13,863
Disposals (-)	-213,683	-11,000	-224,683
Carrying amounts 31.12.	**1,687,343**	**177,099**	**1,864,441**

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

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

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

EUR 285,381k (2021: EUR 0) of the additions resulted from investments in fourteen property companies purchased from related companies.

In addition, EUR 31,231k of the additions resulted from modernisation measures eligible for capitalisation, EUR 23,798k from investments in project development properties under construction. In the previous year, EUR 318,505k of the additions resulted from investments in project development properties under construction, EUR 116,822k from modernisation measures eligible for capitalisation, EUR 127,264k from other additions.

In the 2022 financial year, loss from the valuation of investment properties was generated in the amount of EUR -297,458k (2021: income EUR 225,207k). Negative valuation effects result from the value adjustments of a number of portfolio properties (EUR -285,057k) and project development properties (EUR 12,401k).

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

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

In EUR '000	2022	2021
Income from property management	222,782	337,758
Expenses from property management	-108,291	-147,007
Earnings from property management	**114,491**	**190,751**

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

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

Let investment Properties – DCF method

The DCF method involves discounting the cash flows expected to be generated by a property to the measurement date. To this end, the cash flows from the respective properties are determined for a detailed planning period (ten years). These involve the net balance of expected inflows and outflows of cash. While inflows generally relate to net rents, the (gross) outgoing payments particularly involve the operating costs borne by the owner. The net cash flows for each period are then discounted to the balance sheet date through application of a market-based, property-specific discount rate. This results in the capitalised value of the net cash flows for the respective period. A potential discounted disposal value (terminal value) is forecast for the property at the end of the detailed planning period. This reflects the price most likely to be achievable at the end of the detailed planning period. This involves capitalising the discounted net cash flows as perpetuity figures through application of the capitalisation rate of the respective property (exit rate). The sum of the discounted cash flows and the discounted potential disposal value provides the gross value of the property to be assessed. Market-specific transaction costs incurred by any potential buyer and quantified at 6.75 percent to 10.6 percent are then deducted from this gross value (31 December 2021: 6.75 percent to 10.6 percent), following which the properties are recognised at net value.

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

Valuation parameters	Unit	Average	Range
Discount rate	%	4.63	4,05-5,34
Capitalisation rate	%	2.85	2,12-4,45
Maintenance costs	EUR/sqm	10.31	8,80-13,30
Administrative expenses	EUR/per rental unit/ year	254.63	215,00-355,00
Stabilised vacancy rate	%	1.05	0,38-7,00
CBRE Market rent	EUR/sqm	9.66	6,00-19,50
Market rent growth p.a.	%	2.44	1,50-3,00
Valuation results			
Actual rent multiplier		29.37	16,96-49,41
Market value per sqm	EUR/sqm	3,720.75	1.207,70-8.887,31

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

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

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

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

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

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

	Discount/ and Capitalisation rate		Market rent		Vacancy rate	
	-0.25 PP	**+0.25 PP**	**-10.0 %**	**+10.0 %**	**-1.0 PP**	**+1.0 PP**
Change in value						
In EUR ´000	174	-144	-157	123	17	-24
in %	10.30	-8.49	-9.31	7.25	1.00	-1.43

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

	Capitalisation rate		Market rent		Vacancy rate	
	-0.5 PP	**+0.5 PP**	**-10.0 %**	**+10.0 %**	**-1.0 PP**	**+1.0 PP**
Change in value						
In EUR ´000	146	-120	-128	101	15	-20
in %	10.28	-8.46	-9.05	7.09	1.04	-1.39

The following overview presents the geographical distribution of the property portfolios broken down by rental area, market values and the main parameters used in the valuation methods outlined above:

	Total rental area in sqm	Discount rate in %	Capitalisation rate in %	Actual rent multiplier	Stabilised vacancy rate in %	Market value 2022 in EUR '000
Lower Saxony	22,320	5.56%	4.97%	14.92	3.58%	21,130
North Rhine-Westphalia	471,035	4.90%	3.43%	21.41	1.81%	644,394
Saxony	9,364	4.99%	4.20%	16.59	5.36%	6,510
Saxony-Anhalt	6,698	4.40%	3.91%	20.08	4.86%	6,990
Berlin	260,538	4.43%	2.44%	34.97	0.42%	1,002,930
Other	1,720	4.53%	3.92%	16.48	6.33%	1,100
Total	**776,942**	**4.63%**	**2.85%**	**29.37**	**1.05%**	**1,693,894**

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

	Total rental area in sqm	Discount rate in %	Capitalisation rate in %	Actual rent multiplier	Stabilised vacancy rate in %	Market value 2021 in EUR '000
Lower Saxony	22,320	5.12	4.15	16.84	3.39	24,200
North Rhine-Westphalia	471,035	4.91	3.47	21.33	1.80	640,680
Saxony	9,650	4.67	3.99	17.25	4.79	7,440
Saxony-Anhalt	6,698	4.26	3.35	20.47	4.85	7,200
Berlin	163,375	4.32	2.32	37.14	0.43	741,950
Other	1,720	4.06	3.56	15.82	6.88	1,280
Total	**674,798**	**4.60**	**2.89**	**29.46**	**1.15**	**1,422,750**

Project development properties – Residual value method

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

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

Valuation parameters	Unit	Average
Capitalisation rate	%	3.76
Calculated construction costs of the net rentable area	EUR/sqm	4,838.96
Risk deduction for risk and profit	%	9.00
Multiplier gross annual profit		26.50

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

Valuation parameters	Unit	Average	Range
Capitalisation rate	%	2.89	2.72-3.17
Calculated construction costs of the net rentable area	EUR/sqm	4,305.05	3,282-7,598
Risk deduction for risk and profit	%	10.25	44,875
Multiplier gross annual profit		29.08	26.7-30.5

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

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

	Capitalisation rate		Market rent		Calculated Building[1)]	
	-0.5 PP	+0.5 PP	-10.0 %	+10.0 %	-10.0 %	+10.0 %
Change in value						
In EUR ´000	-31,500	-48,400	-16,300	16,300	10,000	-9,900
in %	-42.7	-65.6	-22.1	22.1	13.6	-13.4

[1)] Without consideration of potential project guarantees

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

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

[1)] Without consideration of potential project guarantees

Project development properties – DCF method

For projects that are already very advanced, the DCF method used for existing properties is applied. In the previous year, one project was valued using the DCF method. In 2022, one project was valued using the income method. The fair value amounted to EUR 23,300k.

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

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

Valuation parameters	Unit	Value
Market rent	EUR per sqm p.a.	35.09
Capitalisation rate	%	3.30
Discount rate weighted average	%	3.30

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

	Discount rate		Market rent		Calculated Building[1]	
	-0.5 PP	+0.5 PP	-10.0 %	+10.0 %	-10.0 %	'+10.0 %
Change in value						
In EUR ´000	26,500	20,600	20,800	25,700	23,400	23,100
in %	13.73	-11.59	-10.73	10.30	0.43	-0.86

[1] Without consideration of potential project guarantees

8.4 Investments in associates and joint ventures

As at the balance sheet date, three associates (31 December 2021: three) were included in the consolidated financial statements with their proportionate equity. In addition, the Group has investments in four (31 December 2021: four) joint ventures. For reasons of materiality, two (31 December 2021: two) of these companies are not included in the consolidated financial statements with the proportional equity. The carrying amount of the associated companies included with the proportionate equity developed as follows:

in EUR '000	2022	2021
Carrying amounts 01.01.	**10,489**	**63,585**
Other disposals	0	-51,743
Share of gains and losses (at-equity result)	32	83
Impairments	-7,807	-1,436
Reclassifications	751	0
Carrying amounts 31.12.	**3,465**	**10,489**

The associated companies include Accentro Real Estate AG, AB Immobilien B.V. and Caesar JV Immobilienbesitz und Verwaltungs GmbH. Caesar JV Immobilienbesitz und Verwaltungs GmbH was reported under available-for-sale assets as at 31 December 2021 and was reclassified to shares in associates and joint ventures in the 2022 financial year, as the previous potential acquirers did not exercise an acquisition option granted until 30 June 2022.

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

The investment in ACCENTRO developed as follows:

in EUR '000	**2022**	**2021**
Carrying amounts 01.01.	**10,466**	**11,557**
Share of gains and losses (at equity result)	32	345
Impairments	-7,056	-1,436
Carrying amounts 31.12.	**3,442**	**10,466**

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

In EUR ´000	**30.09.2022**	**31.12.2021**
Assets		
Non-current assets	455,095	427,705
– of which goodwill	17,776	17,776
Current assets	433,145	485,761
– of which inventories	241,366	300,597
– of which cash and cash equivalents	121,746	121,502
Assets held for sale	0	16,000
Equity and liabilities		
Equity	252,552	260,637
Non-current liabilities	187,513	508,796
– of which financial liabilities to banks	74,675	148,248
– of which liabilities from bonds	99,350	346,701
Current liabilities	448,175	160,032
– of which financial liabilities to banks	141,518	104,672
– of which liabilities from bonds	252,562	6,655

In EUR ´000	9M 2022	2021
Earnings from sale of inventories	33,818	47,791
Earnings from property lettings	118	7,018
Earnings from services	293	1,946
EBIT	9,565	45,165
EBT	-4,610	20,597
Consolidated net profit	-7,078	13,127

In EUR ´000	9M 2022	2021
Cash flow from operating activities	69.9	99.6
Cash flow from investing activities	-12.2	-85.4
Cash flow from financing activities	-56.4	50.0
Change in cash and cash equivalents	1.2	64.2

As at 30 November 2017, ADLER had sold the majority of its shares in Accentro Real Estate AG to a third party. From this sale, there are payment claims from deferred purchase price receivables in the amount of EUR 60,512k (31 December 2021: EUR 58,592k). Information on these receivables, their credit quality and impairments is provided in section 14.2.

The book value of the pro rata equity of Caesar JV Immobilienbesitz und Verwaltungs GmbH and AB Immobilien B.V. is not material for the presentation of the Group's net assets, financial position and results of operations. The table below breaks down in aggregate form the carrying amount and share of profit and other comprehensive income of these companies:

In EUR ´000	2022	2021
Carrying amount of shares on Caesar JV Immobilienbesitz und Verwaltungs GmbH und AB Immobillien B.V.	**0**	**0**
Group's share in the result of Caesar JV Immobilienbesitz und Verwaltungs GmbH und AB Immobillien B.V.:		
– Profit from continuing operations	0	-3,908
– Other results	0	0
Total result	**0**	**-3,908**

Due to negative earnings prospects, ADLER has written down the shares in Caesar JV Immobilienbesitz und Verwaltungs GmbH in full in financial year 2022.

There are payment claims against Caesar JV Immobilienbesitz und Verwaltungs GmbH from deferred purchase price receivables in the amount of EUR 28,204k (31 December 2021: EUR 27,802k) and against AB Immobilien B.V. in the amount of EUR 17,628k (31 December 2021: EUR 34,346k). Information on these receivables, their credit quality and impairments is provided in section 14.2.

Joint ventures include ADLER Accentro Real Estate Assekuranzmakler GmbH & Co. KG and Brack Capital (Chemnitz) B.V. The carrying amount of the pro rata equity of these companies is not material to the presentation of the Group's financial position and financial performance.

The table below breaks down in aggregate form the book value and share in the profit and other result of these companies:

In EUR ´000	2022	2021
Carrying amount of shares on not-vital-at-equity consolidated companies	**23**	**23**
Group's share in the result of non-vital-at-equity companies:		
– Profit from continuing operations	0	0
– Other results	0	0
Total result	**0**	**0**

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

8.5 Other financial investments and other non-current assets

Other financial assets include an amount of EUR 18,911 thousand (31 December 2021: EUR 18,927 thousand), which are held as minority interest in connection with the sale of property companies from 30 December 2020. These were measured at fair value through profit and loss.

Other financial assets at the balance sheet date also include debt instruments (bonds) of an associated company with a term until 9 November 2025, which are held as part of a business model whose objective is both to hold the financial assets in order to collect the contractual cash flows and to sell them if necessary. The debt instruments are therefore measured at fair value with changes in other comprehensive income. The interest rate is 6.88 percent p.a., and semi-annual interest payments are scheduled. As of 31 December 2022, the fair value based on the stock market price amounts to EUR 4,491 k (31 December 2021 EUR 8,078k). The change in value in the amount of EUR 3,587k (2021: EUR 4,441k) was recognised in other comprehensive income. ADLER received interest income of EUR 829k (2021: EUR 662k) and from these bonds in the reporting year.

In the course of the second quartet of 2022, receivables from minority shareholders were pooled under two loan agreements at market interest rates. These loans are due for repayment at maturity on 30 September 2024 and are secured by share liens. The receivables ware valued at 31 December 2021 at EUR 67,170k and are reported under other current assets. As part of the portfolio transaction with KKR & Co. Inc, ADLER bought back a total of fourteen investments from one of the minority shareholders towards the end of the second quarter of 2022 (further information are provided in section 8.15). In the process, ADLER offset the purchse price agreed for the repurchse against the loan receivables to the extent that the purchase prices from the original acquisition of shares had not yet been paid. The offsetting reduced the loan balance by the total of EUR 16,127k. In the reporting year, ADLER generated interest income in the amount of EUR 3,340k (2021: EUR 644k).

As of 31 DEcember 2021, advance payments made for project developments were also reported under other non-current assets. In the financial year 2022 the advance payments were classified in their entirety to investment properties.

In addition, the balance of other non-current assets included the carrying amount of a convertible bond issued by Adler Group. The bond matures on 23 November 2023 and is included in other current assets as of 31 December 2022.

8.6 Deferred taxes

Deferred tax assets (+) and liabilities (-) are composed as follows:

In EUR ´000	2022	2021
Tax loss carryforwards (deferred tax assets)	32,211	58,280
Valuation of other liabilities (deferred tax assets)	0	-139
Valuation of pension provisions (deferred tax assets)	-22	65
Valuation of financial liabilities (deferred tax assets)	3,047	2,933
Valuation of rights of use leasing liabilities (deferred tax assets)	0	6
Valuation of investment properties/inventories (deferred tax liabilities)	-145,407	-281,229
Valuation of (convertible) bonds (deferred tax liabilities)	-1,092	-2,157
Accrual of financing costs (deferred tax liabilities)	-126	-13
Other	4,366	2,510
Total deferred tax assets	35,236	61,145
Total deferred tax liabilities	-142,258	-280,888
	-30,208	-58,584
Offsetting	30,208	58,584
Reported deferred tax assets	**5,028**	**2,561**
Reported deferred tax liabilities	**-112,050**	**-222,305**

The decrease of deferred taxes for investment properties/inventories in the financial year 2022 can be mainly attributed to the disposals which took place in that year.

Deferred tax assets are recognised for tax losses carried forward to the extent that there are deferred tax liabilities that can be netted against them. The loss carryforwards relate exclusively to Germany and are therefore not expected to expire. As a result, the maturity structures of those loss carryforwards which have not been capitalised have not been disclosed.

No deffered taxes were recognised for deductible temporary differences amounting to EUR 29,817k (31 December 2021: EUR 1,627k).

No deferred tax assets were recognised for corporate tax loss carryforwards of around EUR 290.7 million (31 December 2021: around EUR 66.2 million) and trade tax loss carryforwards of around EUR 145.5 million (31 December 2021: around EUR 48.6 million) as their realisation is not sufficiently certain.

No deferred tax assets were recognised for interest carryforwards of around EUR 133 million (31 December 2021: aroung EUR 207 million) as their recoverability is notsufficiently definitive.

No deferred tax liabilities have been recognised on amounts totalling EUR 61.5 million (31 December 2021: EUR 75.4 million) in connection with shareholdings in group companies. This is due to the Group’s ability to control their reversal, which is not expected to be the case in the foreseeable future.

The deferred taxes of ADLER are essentially non-current.

8.7 Inventories

Inventories include an amount of EUR 21.870k for properties acquired for sale (31 December 2021 EUR 13,213k). The portfolio of inventory properties or properties from project developments (newly built apartments) acquired for sale developed as follows:

In EUR '000	2022	2021
Carrying amounts 01.01.	**13,213**	**68,240**
Additions (+)	8,657	2,997
Disposals (-)	0	-7,304
Reclassifications IFRS 5 due to sale	0	-50,720
Carrying amounts 31.12.	**21,870**	**13,213**

No material write-ups or write-downs were recognised on properties recognised under inventories in the financial year under report.

8.8 Trade receivables, receivables from affiliated companies and other current assets

Current trade receivables comprise the following items:

In EUR ´000	2022	2021
Rent receivables	6,302	4,198
Contractual assets from operating costs	14,997	4,784
Receivables from sale of investment properties	1,321	40
Receivables from energy and heat deliveries to third parties	4,960	576
Accounts receivable from creditors	2,730	5,528
Other	4,039	2,461
Total	**34,349**	**17,587**

The increase of contractual assets from allocable but not yet billed operating and heating costs is due to the crisi-related rise in energy prices. ADLER has recognised appropriate impairments on the contractual assets for potential credit-related defaults. Further information on balances from contracts with customers are provided in the section 10.

Receivables from affiliated companies include a loan granted by ADLER to Adler Group in the amount of EUR 273,481k (31 December 2021: EUR 265.221k) and trade receivables in the amount of EUR 7,654k (31 December 2021: EUR 4.834k). Further information on receivables from affiliated companies are provided in section 14.2.

Other current assets break down as follows:

In EUR ´000	2022	2021
Purchase price receivables from the prchaser of the Accentro shares	0	58,592
Convertible bond ADOP	41,643	0
Current securities	114	188
Earmarked financial assets	11,651	5,357
Short-term loans to third parties	0	9,963
Purchase price receivables from minority shareholders	0	56,121
Short-term receivables to associated companies	6,204	42,775
Sales tax receivables	6	56
Advance payment of financing costs	253	201
Derivates current	554	0
Receivables reductions in purchase price	264	624
Other current assets	11,029	14,732
Total	**71,718**	**188,608**

The ACCENTRO purchase price receivable (including the unpaid interest and late fees) amounted on 31 December 2022 to EUR 60,512k (31 December 2021: EUR 58,592k). The debtor has been in default since the end of the fourth quarter of 2022. The receivables have been written off in full. In reporting year, interest income of EUR 3,920k /2021: EUR 2,715k) was recognised. The debtor has made interest payments of EUR 2,000k (2021: EUR 3,250k).

Purchase price receivables from associated companies include receivables from the sale of real estate to AB Immobilien B.V. and Caesar JV Immobilienbesitz und Verwaltungs GmbH. Forther information on these receivables is provided in section 14.2.

Receivables from minority shareholders were combined in fiscal year 2022 under two non-current loan agreements. Further information is provided in section 8.5.

Restricted financial resources include bank balances with special restrictions in use, such as the repayment of certain liabilities, or use for special maintenance measures. ADLER cannot freely dispose of these financial resources.

Receivables from the sale of real estate result mainly from the sale transaction with a subsidiary of LEG Immobilien SE. The amount of the receivables is undisputed and is to be settled in the course of the final settlement of the transaction.

All items within other current assets are of a short-term nature as they mainly result from contractual arrangements due to be settled within one year.

The Group’s default risk, impairment losses of financial assets and the disclosures on the derivatives are presented in Section 11 of the notes to the consolidated financial statements.

8.9 Cash and cash equivalents

Cash and cash equivalents include cash on hand and credit balances at banks.

Cash and cash equivalents amounted to EUR 119,082k (31 December 2021: EUR 296,807k) as at the balance sheet date, of which an amount of EUR 6,049k (31 December 2021: EUR 1,147k) was subject to restrictions on disposal. ADLER can dispose of these resources, but they are intended for a special use. In particular, these are credit accounts on which funds are accumulated, which are then used for interest payment and repayment.

Due to the specific restrictions on disposal, bank credit balances of EUR 11,651k (31 December 2021: EUR 5,357k) have been reported for the year under report under other current assets.

8.10 Non-current assets and liabilities held for sale

With a purchase agreement dated 1 December 2021, Adler Group sold around 7 percent of the shares held by ADLER in the subsidiary Brack Capital Properties N.V. (BCP) to a subsidiary of LEG Immobilien SE. At the same time, ADLER has undertaken to tender the remaining shares it holds in a public purchase offer by 30 September 2022, provided that the purchase price does not fall below approximately EUR 765,000k. The transaction did not result in a loss of control over BCP (share reduction without loss of control). On 3 August 2022 LEG Immobilien SE announced not to make a public offer for the shares of Brack Capital Properties N.V. and not to make use of the tender commutment. ADLER nevertheless adheres to the disinvestment plan and offers the share it holds for sale. However, in the view of the changed market conditions, bids from purchasers below the originally advertised price will also be considered. ADLER reports the net assets and liabilities of BCP as a disposal group in the financial statements as at 31 December 2022. The assets and liabilities of the disposal group are composed as follows:

In EUR ´000	31.12.2022	31.12.2021
Goodwill	0	57,638
Property, plant and equipment	120	0
Investment properties	1,146,022	1,686,330
Financial Investments	5,287	13,344
Inventories	25,500	50,720
Other assets	51,759	55,869
Cash and cash equivalents	210,477	24,861
Total assets	**1,439,165**	**1,888,762**

In EUR ´000	31.12.2022	31.12.2021
Deferred tax liabilities	88,818	154,970
Financial liabilities to banks	313,438	602,267
Liabilities from bonds	166,207	74,504
Income tax liabilities	410	0
Trade payables	6,172	0
Other liabilities	53,807	33,518
Total liabilities	**628,852**	**865,259**

The investment properties of the disposal group comprise of income-generating residential real estate of EUR 903,854k (31 December 2021: 1,292,590k), income-generating commercial real estate of EUR 38,240k (31 December 2021: around EUR 49,100k) and development properties of EUR 208,170k (31 December 2021: EUR 355,500k). The fair value was determined in valuations performed by independent outside appraisers who hold recognized and relevant professional qualifications and who have extensive experience in the location and category of the property valued.

Information on the impairment of goodwill attributable to the disposal group is provided in section 8.1.

Other non-current assets held for sale (EUR 47,200k; 31 December 2021: EUR 32,580k) include real estate for which notarized purchase agreements have been signed.

ADLER completed a portfolio transaction with a purchase agreement dated 13 January 2022 to sell more than 14,400 residential and commercial units of ADLER, mainly located in medium-sized cities in eastern Germany, to a subsidiary of KKR & Co. Inc. As of 31 DEcember 2021, ADLER had reported the properties belonging to this portfolio with an amount of EUR 1,046,531k under assets held for sale. The disposal took place beginning of the first quarter of 2022 until the end of the financial year 2022. By 31 Decemebr 2022 all the properties in question have been disposed of.

8.11 Capital stock

The fully paid up share capital at ADLER amounted to EUR 109,417k as at 31 December 2022 (31 December 2021: EU109,417k) and was divided into 109,417,860 (31 December 2021: 109,417,860) no-par bearer shares with equal voting rights. The number of outstanding shares is as follows:

Amount	2022	2021
As at 01.01.	109,416,860	73,658,680
Conversion of convertible bonds	0	650,693
Capital increase in kind	0	35,107,487
As at 31.12.	**109,416,860**	**109,416,860**

Authorized capital

Authorised Capital 2017/I
The Ordinary General Meeting of the company resolved on 7 June 2017 to create additional authorised capital. By entry of Authorised Capital 2017/I in the Commercial Register on 27 June 2017, the Management Board is authorised until 9 May 2022, subject to the approval of the Supervisory Board, to increase the company's capital stock on one or several occasions by a total of up to EUR 12,500k by issuing new no-par bearer shares in return for cash contributions or contributions in kind, excluding shareholders' subscription rights.

Authorised Capital 2019/I
The Ordinary General Meeting of the company resolved on 11 June 2019 to create additional authorised capital. By entry of Authorised Capital 2019/I in the Commercial Register on 17 June 2019, the Management Board is authorised until 10 June 2024, subject to the approval of the Supervisory Board, to increase the company's capital stock on one or several occasions by a total of up to EUR 23,000k by issuing new no-par bearer shares in return for cash contributions or contributions in kind, excluding shareholders' subscription rights.

Authorised Capital 2020/I
The Annual General Meeting of the Company on 15 December 2020 resolved to create further authorised capital. By entry of Authorised Capital 2020/I in the Commercial Register on 4 March 2021, the Management Board is authorised until 14 December 2025, subject to the approval of the Supervisory Board, to increase the company's capital stock on one or several occasions by a total of up to EUR 20,000k by issuing new no-par bearer shares in return for cash contributions or contributions in kind, excluding shareholders' subscription rights.

Contingent Capital

Contingent Capital 2015/I
The company has Contingent Capital 2015/I of EUR 12,000k based on the resolution by the Annual General Meeting held on 22 May 2015, last amended by resolution by the Ordinary General Meeting held on 30 May 2018. The resolution by the Annual General Meeting held on 30 May 2018 regarding the increase in Contingent Capital 2015/I was entered in the Commercial Register on 18 June 2018.

The contingent capital increase exclusively serves to issue shares to the bearers of warrant or convertible bonds issued until 21 May 2020 on the basis of the authorisation granted by the Annual General Meeting on 22 May 2015. In accordance with the terms and conditions of the warrant and convertible bonds, the contingent capital increase also serves to issue shares to the bearers of warrant or convertible bonds furnished with option or conversion obligations. The contingent capital increase is only executed to the extent that the bearers of warrant and/or convertible bonds exercise their option and conversion rights, or that the bearers of warrant or convertible bonds obliged to exercise their options or convert their bonds meet such obligations to exercise their options or convert their bonds, to the extent that the option or conversion rights are not satisfied by issuing treasury stock or that other forms of settlement are not drawn on to satisfy the respective claims. The new shares enjoy dividend entitlements from the beginning of the financial year in which they are issued, for all financial years for which the Annual General Meeting has not yet adopted any resolutions in respect of the appropriation of profit.

Following the exercising of conversion rights in connection with the EUR 137.9 million, 2.5 percent 2016/2021 convertible bond, Contingent Capital 2015 still amounted to EUR 8,143k as at 31 December 2021.

Contingent Capital 2019/I
The company has Contingent Capital 2019/I of EUR 22,000k based on the resolution by the Ordinary General Meeting held on 11 June 2019. The resolution by the Annual General Meeting held on 11 June 2019 regarding the increase in Contingent Capital 2019/I was entered in the Commercial Register on 17 June 2019.

The contingent capital increase exclusively serves to issue shares to the bearers of warrant or convertible bonds issued until 10 June 2024 on the basis of the authorisation granted by the Annual General Meeting on 11 June 2019. In accordance with the terms and conditions of the warrant and convertible bonds, the contingent capital increase also serves to issue shares to the bearers of warrant or convertible bonds furnished with option or conversion obligations. The contingent capital increase is only executed to the extent that the bearers of warrant and/or convertible bonds exercise their option and conversion rights, or that the bearers of warrant or convertible bonds obliged to exercise their options or convert their bonds meet such obligations to exercise their options or convert their bonds, to the extent that the option or conversion rights are not satisfied by issuing treasury stock or that other forms of settlement are not drawn on to satisfy the respective claims. The new shares enjoy dividend entitlements from the beginning of the financial year in which they are issued, for all financial years for which the Annual General Meeting has not yet adopted any resolutions in respect of the appropriation of profit.

8.12 Capital reserve

The capital reserve mainly relates to the premiums paid on capital increased in previous years offset against the costs of the respective capital increases. Furthermore, the capital reserve includes the equity component of the convertible bonds issued net of allocable transaction costs and income tax effects. Moreover, differential amounts arising from acquisitions of shares not leading to a change of status are also recognised in the capital reserve.

In 2022 there were no changes to the capital reserves, neither throught the exercise of conversion rights (an increase of EUR 7,457k in 2021), nor due to the capital increase against contributions in kind (an increase of EUR 443,056k in 2021). As a result of the repurchase of shares in subsidiaries, the capital reserve decreased by EUR 1,115k in the previous year.

On 9 June 2021, the Annual General Meeting of WESTGRUND AG resolved to transfer the shares of the minority shareholders to ADLER. The transfer resolution was entered in the commercial register on 3 November 2021 and announced on 4 November. The part of the consolidated carrying amount of the minority interests exceeding the cash compensation to the minorities in the amount of EUR 2,237k was derecognised against an increase of the capital reserve.

Authorization to purchase treasury shares

The Management Board is authorised until 10 June 2024 to acquire treasury stock of the company up to a total of 10 percent of the existing share capital of the company while observing the principle of equal treatment (Section 53a AktG). At no time may the shares acquired on the basis of this authorisation, together with other shares of the company that the company has already acquired or still holds or which are attributable to the company pursuant to Sections 71d and 71e AktG, account for more than 10 percent of the company's respective share capital. The authorisation may be exercised in whole or in part, once or several times. The acquisition may also be carried out by group companies dependent on the company or by third parties for its or their account. Treasury shares may be acquired only to the extent that the company could form a reserve in the amount of the expenses for the acquisition without reducing the share capital or a reserve to be formed in accordance with the law or the Articles of Association, which may not be used for payments to shareholders.

The Management Board is authorised, subject to compliance with the principle of equal treatment within the meaning of Section 53a AktG, to resell on the stock exchange any treasury stock acquired by virtue of the aforementioned authorisation or any prior authorisations, or to offer them to the shareholders by way of an offer to all shareholders by maintaining the shareholders' subscription rights. Trading in treasury stock is not permitted.

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

8.13 Retained earnings

Retained earnings include current effects from the valuation of the pension provision.

8.14 Other reserves

Other capital reserve includes adjustments in the opening balance sheet due to the conversion of accounting from the German Commercial Code HGB to International Financial Reporting Standards (IFRS) implemented in the 2005 financial year (first-time adoption), as well as items resulting from changes to accounting policies pursuant to IAS 8. In addition, changes in the fair value of financial assets measured at fair value through other comprehensive income and shares in other comprehensive income and companies accounted for using the equity method are recognised.

Changes in the value from the reclassifiable and non-reclassifiable other comprehensive income amounting to EUR -19,391k (31 December 2021: EUR 23,400k) were recorded in other reserves after offsetting applicable taxes.

In the reporting year, ADLER recognised the difference between the pro rata carrying amount of equity transferred and the proceeds from the sale of minority interests (See section 8.15) in other reserves in the amount of EUR 3,389k.

With a purchase agreement dated 1 December 2021, Adler Group also sold around 7% of the shares held by ADLER in the subsidiary Brack Capital Properties N.V. (BCP) to a subsidiary of LEG Immobilien SE. The amount of the proceeds from the sale exceeding the proportionate carrying amount of the equity transferred (EUR 17,212k) was transferred to retained earnings.

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

8.15 Minority interests

The item comprises the share of equity and annual earnings of consolidated subsidiaries. The consolidated net income attributable to shareholders in the parent company corresponds to the difference between the consolidated net income before non-controlling interests and the non-controlling interests reported in the Statement of Comprehensive Income.

Non-controlling interests break down as follows:

In EUR ´000	**2022**	**2021**
Subsidiary WESTGRUND[1)]	24,883	45,530
Subsidiary BCP	200,153	301,964
WBR Wohnungsbau Rheinhausen GmbH	32,785	31,964
Other	47,264	52,283
Carrying amounts 31.12.	**305,085**	**431,741**

[2)] The remaining minorities are minorities in property companies.

The development in non-controlling interests is presented separately in the statement of changes in equity.

In course of the portfolio transaction with KKR & Co. Inc. (see section 8.10), a significant number of ADLER's subsidiaries sold their entire real estate portfolio during the financial year 2022. Subsequently, ADLER repurchased the shares of the minority sharholders involved in the companies in question for a total amount of EUR 39,425k. Of the total purchase price, EUR 21,155k was settled by offsetting it against receivables from the shareholders. The remaining part of the purchase price was paid in cash.

Effective 01 July, 2022, Münchener Baugesellschaft acquired fourteen subsidiries from Adler Group (see section 4). As a result of the transaction, non-controlling interest increased by EUR 17,835k.

In the financial year 2021, non-controlling interest decreased by EUR 32,258k due to a squeeze.out at WEST-GRUND Aktiengesellschaft. By contrast, non-controlling interest increased by EUR 57,789k due to tthe sale of shares to LEG Immobilien SE.

The following tables show the significant financial information of the subsidiary in which non-controlling interests are held that is material to the Group. The amounts are stated before consolidation. Following the change of name, the Subsidiary Westgrund no longer prepares financial statements in accordance with IFRS.

Combined consolidated balance sheets IFRS	**Subsidiary BCP**	
Headquarters Minority interest %	**Amsterdam 37.22**	**Amsterdam 37.22**
in EUR ´000	**2022**	**2021**
Current assets[1]	389,085	83,367
Current liabiliets[1]	415,046	286,805
Net current assets	**-25,961**	**-203,151**
Investment properties	925,123	1,317,230
Other non-current assets	252,346	354,063
Non-current liabilities	417,267	556,420
Net fixed assets	**760,202**	**1,114,873**
Equity	**734,241**	**911,435**

[1] Includes non-current assets and liabilities held for sale
[2] The remaining minorities are minorities in property companies

Combined statement of comprehensive income IFRS	**Subsidiary BCP**	
in EUR ´000	**2022**	**2021**
Revenue	84,724	82,949
Annual result	**-177,194**	**72,576**
Other comprehensive income	0	0
Net result	**-177,194**	**72,576**
Profit or loss attributable to non-controlling interests	-6636	-100

Combined cash flow statement	**Subsidiary BCP**	
In EUR ´000	**2022**	**2021**
Cash flow from operating activities	-569	20,032
Cash flow from investing activities	122,474	-18,042
Cash flow from financing activities	65759	-11,943
Change in cash and cash equivalents	**187,664**	**-9,953**

8.16 Pension provisions

The projected unit credit method was used for the recognition and measurement of pension provisions as at 31 December 2022. This takes account of both the pensions and known pension entitlements at the balance sheet date and any increases in pension and salaries expected in the future.

The calculation was based on the following material actuarial assumptions:

In EUR ´000	31.12.2022	31.12.2021
Discount rate	3.13% to 3.66%	0.78% to 1.00%
Future salary increases	0.00% to 2.35%	0.00% to 2.35%
Future pension increases	1.5% to 2.0%	1.5% to 1.6%
Best-estimate actuarial assumptions	Mortality tables 2018 G by Dr. Klaus Heubeck	Mortality tables 2018 G by Dr. Klaus Heubeck

As the pension provisions at ADLER Real Estate Service GmbH solely comprise historic commitments to employees who have left the company (vested claims and current benefits), the personnel turnover rate is 0 percent (31 December 2021: 0 percent). A customary personnel turnover rate was used to measure the pension provision at ADLER Wohnen Service GmbH.

After offsetting against plan assets, the pension provisions amounted to EUR 641k as at the balance sheet date (31 December 2021: EUR 1,067k). Plan assets were taken into account at EUR 182k (31 December 2021: EUR 209k).

Actuarial income 2022 of EUR 430k (excluding deferred taxes) were recognised in other comprehensive income in 2021 (31 December 2021: losses EUR 3k).

If all other assumptions remain unchanged, an increase or decrease in material actuarial assumptions would have had the following impact on the DBO as of 31 December 2022:

In EUR ´000		2022	2021
Actuarial interest	Increase of 0.5 PP	-36	-80
	Decrease of 0.5 PP	48	88
Pension increase	Increase of 0.25 PP	0	0
	Decrease of 0.25 PP	0	0
Income trend	Increase of 0.25 PP	0	1
	Decrease of 0.25 PP	0	-1

Of pension provisions, an amount of EUR 36k is due to mature within one year (31 December 2021: EUR 36k). This amount has been uniformly reported together with the other pension obligations under non-current liabilities. As the commitments mainly relate to employees who have left the company and no new commitments are being made, an annual disbursement of around EUR 36k is expected in future years as well.

8.17 Other provisions

The other non-current provisions relate to anniversary provisions of EUR 46k (31 December 2021: EUR 5k), while the other current provisions were recognised for anticipated losses from pending transactions.

8.18 Liabilities from bonds

These liabilities were structured as follows as at the balance sheet date:

In EUR ´000	31.12.2022	31.12.2021
Bond 2017/2024	304,312	303,076
Bond 2018/2023	505,510	502,869
Bond 2018/2026	302,156	301,049
Bond 2019/2022	0	403,679
Total	**1,111,978**	**1,510,672**
– of which non-current	594,624	1,088,780
– of which current	517,353	421,893

In December 2017, ADLER issued a corporate bond of EUR 800,000k in two tranches. The first tranche (2017/2021) with a coupon of 1.50 percent and a volume of EUR 500,000k runs until December 2021 and was issued at 99.52 percent. The tranche was repaid in two instalments at par plus accrued interest and fees during the reporting year. The second tranche (2017/2024) with a coupon of 2.13 percent and a volume of EUR 300,000k expires in February 2024 and was issued at 99.28 percent.

In April 2018, ADLER successfully placed corporate bonds of EUR 800,000k in two tranches again with institutional investors in Europe. The first tranche has a volume of EUR 500,000k, a coupon of 1.88 percent and a term until April 2023; the second tranche has a volume of EUR 300,000k, a coupon of 3.0 percent and a term until April 2026. On average, the interest on the bonds overall is 2.30 percent.

In April 2019, ADLER successfully placed a corporate bond of EUR 400,000k with a coupon of 1.5 percent with institutional investors in Europe. The bond has a three-year term and matures in April 2022.

Nominal bond amounts have been recognised under non-current liabilities less transaction costs, which are expensed on a time-apportioned basis using the effective interest method if the remaining term is longer than one year. Bondholders' interest claims as at the balance sheet date have been recognised under current liabilities.

8.19 Financial liabilities to banks

Non-current financial liabilities to banks include liabilities relating to the acquisition and financing of investment properties. The liabilities to finance investment properties have terms that are in most cases medium to long term and mostly also have fixed interest rates. Non-current loans with floating interest rates are largely hedged with interest swaps.

Non-current financial liabilities to banks amounted to EUR 337,355k as at the balance sheet date (31 December 2021: EUR 703,830k). The decrease is mainly due to unscheduled repayments received by the Group from the sale of real estate to KKR & Co. Inc (see Section 8.10).

Current financial liabilities to banks amounted to EUR 66,598k as at the balance sheet date (31 December 2021: EUR 35,483k). The increase is mainly due to the transfer of liabilities as part of the acqusition of companies from ADLER Group S.A. (see also Section 4).

Liabilities to banks are largely secured with land charges. Further security includes the assignment of gross rental income, the pledging of bank credit balances and shareholdings and letters of subordination.

When taking up borrowing facilities or taking over loan agreements upon company acquisitions, the company has in some cases provided the financing banks with specific financial covenants. These include requirements typical to the industry in terms of loan-to-mortgage lending value, interest and capital coverage, overall debt-to-equity ratio, minimum total rental income and minimum investment amounts. Failure to comply with these covenants may result in the termination of the respective facilities or the mandatory deposit of additional security.

Financial liabilities are secured by assets as follows:

In EUR ´000	2022	2021
Investment properties	405,748	740,452
Deposits with banks	14,713	5,051
Rent receivables	2,843	3,014

8.20 Other non-current liabilities

Other non-current liabilities mainly include non-current lease liabilities at EUR 3,536k (31 December 2021: EUR 4,713k), the negative fair values of long-term interest hedges at EUR 0k (31 December 2021: EUR 1,298k) – further information about these can be found in Note 11.3, Derivative financial instruments and hedge accounting and Note 12, Information on leases in accordance with IFRS 16.

Distribution claims on the part of non-controlling interests have been recognised at EUR 1,900k (31 December 2021: EUR 1,900k).

8.21 Trade payables, income tax liabilities and other current liabilities

All the trade payables of EUR 34,032k (31 December 2021: EUR 27,432k) are current and are partially owed to third parties with the amount of EUR 22,710 (31 December 2021: 18,227). These items mainly relate to letting liabilities but also include unbilled maintenance measures and advisory services.

An amount of EUR 11,322k (31 December 2021: EUR 9,205k) of trade payables are attributable to related parties. Detailed information on liabilities to related parties can be found in Section 14.2.

The income tax liabilities of EUR 94,965k (31 December 2021: EUR 14,760k) relate to corporate income and trade tax obligations for the current and previous financial years. The increase compared to the previous year is mainly due to the expected income taxes in connection with the sale of real estate to KKR & Co. Inc. (see Section 8.10). ADLER believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience.

Other current liabilities comprise the following items:

In EUR ´000	2022	2021
Purchase price liabilities	0	0
Payments received – Investment Properties	10,200	1,125
Deferred rental income	875	1,897
Security deposits received	9	9
Personnel obligations	1,087	1,048
Current lease liabilities	749	1,503
Liabilities to minority shareholders	3,929	5,814
Declaration of commitment to LEG	0	38,227
Other current liabilities	3,752	2,050
Total	**20,601**	**51,673**

Advance payments received for investment properties (contract liabilities) relate to disposals for which the benefits and obligations had not yet been transferred and control had not yet been transferred in the reporting year.

Deferred rental income mainly comprises rent payments from social security authorities for the January of the following financial year.

Liabilities to minority shareholders mainly include outstanding dividend payments and liabilities to minority shareholders.

The additional disclosures in accordance with IFRS 15 to the balances related to contracts with customers are presented in Section 10. The additional disclosures in accordance with IFRS 16 on lease liabilities are presented in Section 12 of the notes to the consolidated financial statements.

The commitment to LEG (see section 4) was measured at fair value in 2021. The valuation was performed using an option pricing model (Black-Scholes), taking into account the share prices and volatilities of the shares of Brack Capital Properties N.V. Further information on the valuation and the effects on the result of the derivative can be found in section 9.

9. NOTES TO THE STATEMENT OF INCOME AND ACCUMULATED EARNINGS

9.1 Gross rental income

Gross rental income is structured as follows:

In EUR '000	2022	2021
Net rental income	133,247	225,587
Income from recoverable expenses	72,043	101,613
Other income from property management	22,701	10,558
Total	**227,991**	**337,758**

The decrease in net rental income is due to the sale of the rental units in the 2021 and 2022 financial years.

9.2 Expenses from property lettings

Expenses from property lettings are broken down as follows:

In EUR '000	2022	2021
Apportionable and non-apportionable operating costs	89,469	119,881
Maintenance	23,517	26,759
Other property management expenses	536	367
Total	**113,523**	**147,007**

9.3 Income from the sale of properties

Income from the sale of properties is structured as follows:

In EUR '000	2022	2021
Income from the disposal of project development inventory properties	0	8,301
Income from the disposal of investment properties	1,290,240	1,420,401
Selling of flats	395	0
Total	**1,290,635**	**1,428,702**

EUR 1,049,011k of the income from the sale of investment properties resulted from the sale of more then 14,400 residential and commercial units to a subsidiary of KKR & Co. Inc. The additional EUR 229,788k result from the sale of properties from the BCP portfolio to Tristan Capital Partners LLP and from the sale of further individual properties in Berlin and Brilon (North Rhine-Westphalia).

Income from the sale of investment properties of EUR 1,290,453k is mainly attributable to the portfolio transaction involving 15,500 units with LEG described in Section 4. In addition, a further 1,605 residential and commercial units were sold in Borna, Osterholz-Scharmbeck and Schwanewede, as well as 3 commercial properties in Dusseldorf, Erlangen and Bad Aibling. Revenue from the previous year was dominated by the sale of construction projects (project developments) in Dusseldorf, which were previously reported under portfolio properties.

9.4 Expenses from the sale of properties

Expenses from the sale of properties are structured as follows:

In EUR '000	2022	2021
Carrying amount of disposed project development inventory properties	13,557	7,304
Carrying amount of disposed investment properties	1,290,437	1,420,418
Costs of disposal	5,219	338
Selling of condominiums - cost	245	0
Total	**1,309,458**	**1,428,061**

As in the previous year, the carrying amount of project developments is fully attributable to the business operations of the BCP subgroup.

The carrying amount of disposed investment properties result from the aforementioned property sales to KKR & Co. Inc. and Tristan Capital Partner LLP, as well as from the sale of further individual properties. In the previous year, these amounts were mainly related to the sale of real estate to LEG Immobilien SE and other properties.

9.5 Personnel expenses

Personnel expenses include the following items:

In EUR '000	2022	2021
Wages, salaries and other benefits	21,680	33,722
Social security contributions	3,600	6,538
Old-age pension expenses	176	287
Total	**25,456**	**40,548**

9.6 Other operating income

Other operating income is structured as follows:

In EUR '000	2022	2021
Reversal of provisions and of provision-like liabilities	3,784	2,627
Insurance claims	979	1,669
Income from deconsolidation	0	73,771
Other	3,652	5,248
Total	**8,415**	**83,314**

The income from deconsolidation in the previous year are mainly related to the transaction with LEG Immobilien SE (see also section 4).

9.7 Other operating expenses

Other operating expenses break down as follows:

In EUR '000	2022	2021
Legal and consulting expenses	14,786	11,139
Impairment and write-downs of receivables	5,151	4,094
General and administrative expenses	10,540	1,111
Purchased services	1,960	3,081
Management and administrative allocations affiliated companies	10,666	4,545
Office and IT expenses	2,997	9,507
Cost of premises	2,464	1,810
Public relations	253	1,049
Miscellaneous other operating expenses	27,131	13,933
Total	**75,948**	**50,269**

The legal and consulting expenses is mainly attributable to the restructuring measured, special audits and portfolio transactions. Similar justification can be given to the increase of expenses from affiliated companies within the ADLER Group.

Impairment and write-downs of receivables mainly result from impairment of trade receivables. The Group's default risks and impairment losses of financial assets are presented in Section 11 of the notes to the consolidated financial statements.

The additions to provisions for the transfer tax risks relate to the possible real estatete transfer tax charges from the sale of the real estate held by BCP.

Miscellaneous other expenses mainly include vehicle costs, expenses from insurance compensation, incidental costs of monetary transactions and expenses unrelated to the accounting period.

9.8 Income from fair value adjustments of investment properties

These items include gains and losses on the fair value measurement of investment properties as at the balance sheet date. Further information can be found in Note 8.3.

9.9 Depreciation and amortisation

This item includes the amortisation of intangible assets in the amount of EUR 104,553k (2021: EUR 24,070k) and the depreciation of property, plant and equipment in the amount of EUR 2,802k (2021: EUR 4,562k) and financial assets of EUR 7,807k (2021: EUR 4,651k). Amortisation of intangible assets results from impairment losses on goodwill (see also Section 8.11). Write-downs on financial assets mialy relate to the carrying amount of investment in Accentro Real Estate AG.

9.10 Financial income

Financial income is structured as follows:

In EUR '000	2022	2021
Interest income – financial assets measured at amortised cost	14,788	7,516
Interest income – financial assets at fair value	1,264	1,308
Interest income – financial assets at fair value through other comprehensive income	829	662
Net change in fair value of derivatives	38,428	994
Net change in fair value of financial instruments at fair value through profit or loss	2,931	3,828
Derecognition of financial liabilities measured at amortised cost	0	2,971
Reversal of impairments of financial assets measured at amortised cost (Loans to associated companies, loans, restricted funds, deposits at banks)	2,512	2,766
Reversal of impairments of financial assets at fair value with changes in other comprehensive income	75	11
Net foreign exchange gain	15,973	0
Other financial income	5,540	27
Total	**82,339**	**20,082**

Interest income relates to, among other things, income from loans to associated companies (see also Section 14.2)

The income from the change in the fair value of financial instruments measured at fair value through profit or loss results from the convertible bond issued by Adler Group, which is held proportionately by ADLER.

Of the net change in the fair value of derivatives, EUR 38,277k resulted from the derecognition of Tender Commitmnent to LEG Immobilien S.E.

The income from the derecognition of financial liabilities measured at amortised cost results from the early repayment of the financial debt to ADO Group Ltd. and the refinancing of debt.

The net foreign currency gains result from the exchange rate fluctuations of the NIS against the EUR.

9.11 Financial expenses

Financial expenses are structured as follows:

In EUR '000	2022	2021
Interest expenses – financial liabilities measured at amortised cost		
– Interest expenses – bank loans	27,263	76,579
– Interest expenses – bonds	49,897	43,015
– Interest expenses – convertible bonds	0	3,346
– Interest expenses – financial liabilities to affiliated companies	0	6,201
– Interest expenses – leasing	159	775
– Interest expenses – other	-132	67
Net change in fair value of derivatives	42	30,727
Net change in fair value of financial instruments at fair value through profit or loss	19,713	38,530
Impairment of financial assets at fair value with changes in other comprehensive income	2	5
Derecognition of financial instruments measured at amortised cost	0	5,591
Net foreign exchange losses/gain	6,071	38,484
Accrued interest on provisions	8	14
Other financial expenses	-112	0
Total	**102,912**	**243,332**

Expenses for interest on bank loans and bonds include early repayment penalties and transaction costs recognised immediately as expenses for the early repayment of financial liabilities to banks and bonds, as well as other expenses in connection with refinancing totalling EUR 14,931k (2021: EUR 46,744k).

The net change in the fair value of financial instruments at fair value through profit or loss includes expenses from the reporting date valuation of the commitment to LEG (see also sections 4, 8.25, 11.1.A, 11.1.B and 11.1.C) with an amount of EUR 0 (2021: EUR 30,727k).

9.12 Income from at-equity valued investment associates

Explanations on the result from associated companies valued at equity are given in section 8.4.

9.13 Income taxes

Taxes on income are broken down as follows:

In EUR '000	2022	2021
Current income tax expense	66,149	14,589
Income tax expense (income) from other accounting periods	12,351	2,073
Actual income tax expense	**78,500**	**16,662**
Deferred tax expense (income), loss carry forwards	26,562	23,837
Deferred tax expense (income), temporary differences	-165,446	16,327
Deferred taxes	**-138,884**	**40,165**
Total	**-60,384**	**56,827**

Current tax expense is calculated on the basis of the taxable income for the financial year. For the 2022 financial year, the tax rate for domestic companies, which combines corporate income tax and the solidarity surcharge, amounts to 15.8 percent (2021: 15.8 percent). Including the trade tax rate of around 14.4 percent (2021: 14.4 percent), the group tax rate therefore amounts to 30.2 percent (2021: 30.2 percent). When measuring deferred taxes, account is taken of the expected implications of the extended trade tax reduction for the domestic trade tax charges. The tax on the Group's pre-tax profit deviates from the theoretical tax rate that would result from applying the group tax rate of 30.2 percent (2021: 30.2 percent) as follows:

In EUR '000	2022	2021
Earnings before taxes	-519,671	131,385
Expected income tax 30.175% (previous year: 30.175%)	-156,811	39,645
Reconciliation due to tax effects:		
Income taxes, previous years	12,359	2,241
Derecognition of deferred tax assets, previous years	182	3,660
Sales proceeds exempt from taxes	-12,221	-15,804
Different tax rates	24,876	-13,604
Utilisation of loss carryforwards not capitalised as deferred taxes	-10,727	-7,837
Non-deductible expenses	29,956	9,788
Goodwill impairment	32,170	11,444
Unrecognised deferred tax assets on losses	24,497	24,764
Deferred taxes on loss carryforwards acquired	-2,218	0
Trade tax effects	4,797	4,462
Deferred taxes, previous years	-10,243	0
Other	2,999	-1,932
Total	**-60,384**	**56,827**

9.14 Earnings per share

With the approval of the Supervisory Board, the Executive Board of ADLER had resolved on 2 October 2020 to exercise the authorised capital in the amount of EUR 35,107k in the context of a debt-equity swap announced by the Company on 30 August 2020 and to increase the Company's share capital recorded in the commercial register accordingly. The necessary non-cash capital increase in the amount of EUR 478,163k was entered in the commercial register on 23 February 2021. The capital increase in kind created 35,107,487 new shares.

Earnings per share are structured as follows:

	2022 Continuing operations	2022 Total
Consolidated net earnings (in EUR ´000)	**-459,287**	**-459,287**
Consolidated net earnings without non-controlling interests	-351,530	-351,530
Expenses including deferred taxes on convertibles	0	0
Consolidated net earnings without non-controlling interests (diluted)	-351,530	-351,530
Number of shares (in thousands)		
Weighted number of subscribed shares	109,416	109,416
Effect of conversion of convertibles	0	0
Weighted number of shares (diluted)	109,416	109,416
Earnings per share (in EUR)		
Basic earnings per share	-3.21	-3.21
Diluted earnings per share	-3.21	-3.21

	2021 Continuing operations	2021 Total
Consolidated net earnings (in EUR ´000)	**74,558**	**74,558**
Consolidated net earnings without non-controlling interests	69,151	69,151
Expenses including deferred taxes on convertibles	2,336	2,336
Consolidated net earnings without non-controlling interests (diluted)	71,488	71,488
Number of shares (in thousands)		**0**
Weighted number of subscribed shares	104,292	104,292
Effect of conversion of convertibles	0	0
Weighted number of shares (diluted)	104,292	104,292
Earnings per share (in EUR)		**0**
Basic earnings per share	0.66	0.66
Diluted earnings per share	0.69	0.69

10. DISCLOSURES ON REVENUES FROM CONTRACTS WITH CUSTOMERS (IFRS 15)

The table below shows the sources of income related to property management and the sale of properties and the respective date of revenue recognition. The classified income is reconciled to the Group's reportable segments (see also Section 7, Segment reporting).

		Segments				Group	
In EUR ´000	**Notes**	**Rental**		**Other**			
		2022	**2021**	**2022**	**2021**	**2022**	**2021**
Revenues from leases (IFRS 16)		**143,013**	**241,424**	**186**	**141**	**143,199**	**241,565**
Net rental income	9.1	133,061	225,446	186	141	133,247	225,587
Income from charging of expenses for property tax and building insurance	12	9,952	15,978	0	0	9,952	15,978
Revenues from contracts with customers (IFRS 15)		**1,370,218**	**1,524,962**	**0**	**0**	**1,370,218**	**1,524,962**
Income from charged operating costs	9.1	62,091	85,702	0	0	62,091	85,702
Other income from property management	9.1	17,492	10,558	0	0	17,492	10,558
Income from the disposal of project developments	9.3	0	8,301	0	0	0	8,301
Income from the disposal of other inventory properties	9.3	395	0	0	0	395	0
Income from the sale of investment properties	9.3	1,290,240	1,420,401	0	0	1,290,240	1,420,401
Date of revenue recognition							
Revenue recognition over a period of time		222,596	345,918	186	141	222,782	346,059
Revenue recognition based on a point in time		1,290,635	1,420,401	0	0	1,290,635	1,420,401
Income from property lettings		**222,596**	**337,617**	**186**	**141**	**222,782**	**337,758**
Income from the sale of properties		**1,290,635**	**1,428,702**	**0**	**0**	**1,290,635**	**1,428,702**

The table below provides information on receivables, contractual assets and contract liabilities from contracts with customers.

in EUR ´000	Notes	31.12.2022	31.12.2021
Contractual assets operating expenses	8.9	14,997	4,784
Receivables from sale of investment properties	8.9	1,321	40
Prepayments received from investment properties	8.25	10,200	1,125
Contractual assets project developments	8.9	0	0
Prepayments received project developments	8.25		0

Liabilities from the services that have not yet been invoiced related to operating costs are reported net with the advance payments of operating costs, while the net amount is recognised under trade payables as contract assets operating costs or liabilities from advance payments of operating costs. Liabilities from advance payments of operating costs are paid to the respective tenants after settlement.

Payments received for sales of investment properties are recognised under other liabilities if control has not yet been transferred. Receivables from the sale of investment properties are offset when control has been transferred.

Receivables from the services which have not yet been invoiced for project developments are recognised under trade receivables as contract assets project development. Payments received for sales of project development properties are recognised under other liabilities if it is not possible to offset against the contract assets.

As permitted under IFRS 15, no information is provided on the remaining performance obligations as at 31 December 2022, which have an expected original maturity of one year or less.

11. DISCLOSURES ON FINANCIAL INSTRUMENTS AND FAIR VALUES DISCLOSURES

11.1 General information on financial instruments

(A) Classification

The Adler Group bases its classification of financial instruments as required by IFRS 7 on the respective balance sheet items. The table below shows the reconciliation of the carrying amounts for each IFRS 7 category (balance sheet item) and the IFRS 9 measurement categories as at the individual balance sheet dates.

31.12.2022 In EUR '000	Category according to IFRS 9	Total carrying amount
Assets		
Loans to associated companies	aac	6,204
Other financial investments	aafv, aafvoci	23,402
Other non-current assets	aac	49,128
Trade receivables	aac	34,349
Receivables from affiliated companies	aac	281,863
Other current assets	aac, aafv, aafvoci	65,514
thereof bonds	aafvoci	
Cash and cash equivalents	aac	119,082
Liabilities		
Financial liabilities to banks and (convertible) bonds	flac	1,517,913
Trade payables	flac	34,032
Other liabilities	flac	26,037
of which aggregated by IFRS 9 categories		
Financial assets measured at amortised costs	aac	
Financial assets at fair value through profit or loss	aafv	
Financial assets at fair value through other comprehensive income	aafvoci	
Financial liabilities measured at amortised costs	flac	

Abbreviation	Category
aac	Financial assets measured at amortised costs
aafv	Financial assets at fair value through profit or loss
aafvoci	Financial assets at fair value through other comprehensive income
flac	Financial liabilities measured at amortised costs
lafv	Financial liabilities at fair value through profit or loss

Carrying amount of financial instruments	Amortised cost	Fair value directly to equity	Fair value through profit or loss	Fair value for compartive purposes	Inpairment losses IFRS 9
6,204	6,204	0	0	6,204	-44,096
23,402	0	4,491	18,911	23,402	0
0	0	0	0	0	0
34,349	34,349	0	0	34,349	-20,556
281,863	281,863	0	0	281,863	0
65,514	23,643	114	41,757	65,514	-60,873
41,757	0	114	41,757	41,871	0
119,082	119,082	0	0	119,082	-415
1,517,913	1,517,913	0	0	1,270,636	0
34,032	34,032	0	0	34,032	0
26,037	26,037	0		26,037	0
465,141	465,141	0	0	465,141	-125,940
60,668	0	0	60,668	60,668	0
4,605	0	4,605	0	4,605	0
1,577,982	1,577,982	0	0	1,330,705	0

31.12.2020 In EUR '000	Category according to IFRS 9	Total carrying amount
Assets		
Loans to associated companies	aac	0
Other financial investments	aafv, aafvoci	79,375
Other non-current assets	aac	1,987
Trade receivables	aac	17,587
Receivables from affiliated companies	aac	270,105
Other current assets	aac, aafv, aafvoci	188,608
thereof bonds	aafvoci	
thereof Debt instruments held for trading	aafv	
Cash and cash equivalents	aac	296,807
Liabilities		
Financial liabilities to banks and (convertible) bonds	flac	2,249,986
Financial liabilities to affiliated companies	flac	0
Trade payables	flac	27,432
Other liabilities	flac, lafv	59,584
thereof derivate	lafv	39,525
of which aggregated by IFRS 9 categories		
Financial assets measured at amortised costs	aac	
Financial assets at fair value through profit or loss	aafv	
Financial assets at fair value through other comprehensive income	aafvoci	
Financial liabilities at fair value through profit or loss	lafv	
Financial liabilities measured at amortised costs	flac	

Abbreviation	Category
aac	Financial assets measured at amortised costs
aafv	Financial assets at fair value through profit or loss
aafvoci	Financial assets at fair value through other comprehensive income
flac	Financial liabilities measured at amortised costs
lafv	Financial liabilities at fair value through profit or loss

Carrying amount of financial instruments	Amortised cost	Fair value directly to equity	Fair value through profit or loss	Fair value for compartive purposes	Inpairment losses IFRS 9
0	0	0	0	0	-4,288
79,375	0	8,078	71,297	79,375	0
0	0	0	0	0	0
17,587	17,587	0	0	17,587	-19,335
270,105	270,105	0	0	270,105	0
184,476	184,288	114	74	184,476	-21,036
114	114	114	0	114	0
74	74		74	74	0
296,807	296,807	0	0	296,807	-819
2,249,986	2,249,986	0	0	2,117,710	0
0	0	0	0	0	0
27,432	27,432	0	0	27,432	0
55,391	15,866	0	39,525	55,391	0
39,525	0	0	39,525	39,525	0
768,787	768,787	0	0	768,787	-45,478
71,371	0	0	71,371	71,371	0
8,192	0	8,192	0	8,192	0
39,525	0	0	39,525	39,525	0
2,293,284	2,293,284	0	0	2,161,008	0

In the financial year, liabilities from the payments of ancillary expenses amounting to EUR 34.735k (31 December 2021: EUR 49,457k) were netted against an amount of EUR 49.733k (31 December 2021: EUR 54,241k) for receivables from unbilled services, with the net amount being recognised as trade receivables.

(B) Fair value disclosures

Financial assets and liabilities measured at fair value can be classified and assigned to levels according to the significance of the factors and information used in their measurement. Assets and liabilities are classified based on the significance of the input factors for their overall measurement. This in turn is based on those input factors in the lowest level relevant or significant for overall measurement. The measurement levels are hierarchically structured in line with their input factors. Further explanations of the fair value hierarchy are provided in Section 6).

- Level 1: Prices quoted for identical assets or liabilities on active markets (adopted unchanged).
- Level 2: Inputs that are not quoted prices considered in Level 1, but are observable directly or indirectly for the asset or liability (i.e. derived from prices).
- Level 3: Factors not based on observable market data for the measurement of the asset or liability (unobservable inputs).

		Overview of the measurement levels used to determine fair values		
31.12.2022 In EUR '000	**Total carrying amount**	**of which Level 1**	**of which Level 2**	**of which Level 3**
Assets				
Investment properties	1,864,442	0	0	1,864,442
Other financial instruments: Equity instruments – aafv	60,554	41,643	0	18,911
Other current assets: Debt instruments – aafvoci	4,605	4,605	0	0
Other current assets: Derivatives – aafv	554	0	554	0
Non-current assets held for sale according to IFRS 5	1,630,188	191,023	0	1,439,165
Equity and liabilities				
Liabilities held for sale according to IFRS 5	695,632	0	0	695,632

		Overview of the measurement levels used to determine fair values		
31.12.2021 In EUR '000	**Total carrying amount**	**of which Level 1**	**of which Level 2**	**of which Level 3**
Assets				
Investment properties	1,667,394	0	0	1,667,394
Other financial instruments: Equity instruments – aafv	71,297	52,370	0	18,927
Other current assets: Debt instruments – aafvoci	8,192	8,192	0	0
Other current assets: Debt instruments held for trading – aafv	74	0	74	0
Non-current assets held for sale according to IFRS 5	2,968,624	1,079,863	0	1,888,761
Equity and liabilities				
Other liabilities: Derivatives – lafv	39,525	0	0	39,525
Liabilities held for sale according to IFRS 5	865,259	0	0	865,259

Trade receivables, other current assets and cash and cash equivalents have short remaining terms. Their carrying amounts as at the balance sheet date are therefore approximate to their fair values. The same applies for current liabilities to banks, trade payables and other current liabilities.

The fair value of non-current liabilities to banks and other non-current liabilities is determined by discounting future cash flows. Discounting is based on a market interest rate matching term and risk (Level 3). The fair values of bond and convertible bond liabilities are determined by reference to their market prices as at the balance sheet date (Level 1).

The fair value of the commitment to LEG (see also sections 4, 8.25, 9.11, 11.1.A and 11.1.C) was determined using an option pricing model. For this purpose, expected future cash flows and, if available, market parameters were used (level 3).

Explanations on the determination of the fair values of investment properties are provided in section 8.3.

(C) Net result from financial instruments

The net result from financial instruments broken down into individual measurement categories is presented in the table below. Interest income and interest expenses from financial instruments represent a component of the net result. The gains and losses are due to impairments and reversals from the fair value measurement.

In EUR '000	Category IFRS 9	Net result 2022 Interest	Profit/loss	Total
Financial assets measured at amortised cost	aac	14,788	-69,178	-54,390
Financial assets at fair value through profit or loss	aafv	1,264	-16,782	-15,518
Financial assets measured at fair value through other comprehensive income	aafvoci	829	-3,587	-2,758
Financial liabilities measured at fair value through profit or loss	lafv	0	36,386	36,386
Financial liabilities measured at amortised cost	flac	-77,187	-5,557	-82,744
Total		**-60,306**	**-58,718**	**-119,024**

In EUR '000	Category IFRS 9	Net result 2021 Interest	Profit/loss	Total
Financial assets measured at amortised cost	aac	7,516	-28,191	-20,675
Financial assets at fair value through profit or loss	aafv	1,308	-34,702	-33,394
Financial assets measured at fair value through other comprehensive income	aafvoci	662	-4,043	-3,381
Financial liabilities measured at fair value through profit or loss	lafv	0	-29,733	-29,733
Financial liabilities measured at amortised cost	flac	-129,983	-34,671	-164,654
Total		**-120,497**	**-131,340**	**-251,837**

Interest income and interest expenses are presented in financial income and financial expenses. Gains and losses relating to financial assets at amortised cost are recognised under trade receivables under other operating expenses (impairments/reversals) and also under financial income and finance costs. Gains and losses relating to financial assets or financial liabilities measured at fair value through profit or loss are recognised under financial income and financial expenses. Gains and losses relating to financial assets measured at fair value through other comprehensive income are generally recognised in other comprehensive income, but impairments are reclassified from other comprehensive income to financial expenses. Gains and losses relating to financial liabilities measured at amortised cost are recognised under other operating income or expenses in the case of trade payables and otherwise under financial income and financial expenses.

11.2 Financial risk management and IFRS 7 disclosures

The risk management system comprises all organisational requirements and activities necessary for the systematic, regular and Company-wide implementation of the processes needed for risk management. Each risk is assigned to a designated employee. Risk management coordination is incumbent on the Governance-Risk-Compliance department, which keeps the Management Board regularly informed about the Group's overall risk situation. Within the quarterly Supervisory Board meeting framework, the Management Board in turn then reports the findings to the Supervisory Board. The core function of the Group-wide risk management system is to recognise developments that pose a risk to its existence, to measure risk-bearing capacity and to assess the extent of the threat. The risk management system is itself described in a risk policy, which is updated each year and whenever a specific need arises. An extensive risk catalogue documents all material risks to which ADLER is exposed.

Financial risk management is part of the Group-wide risk management system. The material risks monitored and managed by the Group's financial risk management include interest rate, default, liquidity and financing risks and currency risk.

ADLER does not currently expect the crisis triggered by the Covid-19 pandemic to have any significant impact on its business activities or business performance due to its business model. So far, only a few tenants have deferred their rental payments. In the commercial property sector, the changed economic environment was taken into account through impairments. Increases in energy and heating prices can generally be passed onto tenants. Possible payment defaults have been accounted for by impairments. On the basis of a joint management of Adler Group and ADLER and the restructuring plan approved by court on 12 April 2023, the Adler Group is in position to refinance the ADLER's payment obligations.

(A) Interest rate risk
Virtually all the interest rate risks to which the Adler Group is exposed are in the euro area.

Interest rate risks arise upon the conclusion of credit facilities with floating interest rates, in the context of follow-up financing or in the event of any significant change in capital market conditions. To a limited extent, changes in interest rates may therefore lead to higher interest payments. However, ADLER predominantly finances its business with financial liabilities that have interest rates that are either fixed permanently or for longer periods of time. Thus the Group basically pursues a risk-averse financing policy.

The interest risk for all of the Group's current and non-current financial liabilities with floating interest rates is determined in a sensitivity analysis which also takes account of fixed-interest periods. By analogy with the interest rate scenarios used to determine the value of investment properties, two interest scenarios have been referred to for the sensitivity analysis of loans. Based on the financial liabilities outstanding as at 31 December, any increase/decrease in the loan interest rate by 0.5 percent points would have led to the following increase/decrease in interest expense:

Interest rate risk sensitivity analysis	31.12.2022		31.12.2021	
Change in interest rate	+ 50 bp	- 50 bp	+ 50 bp	- 50 bp
Effect on interest expense in EUR ´000	43	-43	102	-102

Given the low impact on the carrying amount and income and the currently favourable capital market conditions, the Group's interest rate risk, taking due account of existing interest rate sensitivities, is assessed as moderate.

To reduce its interest rate risk further, ADLER deploys interest rate hedging instruments in the form of swaps (see Note 11.3). Had the interest rate level as at 31 December 2022 been 100 basis points higher/lower, the fair values of derivatives (EUR 554,31k, 31 December 2021: EUR 1,298k) would have changed by EUR +741k (31 December 2021: EUR +738k) or EUR +374k (31 December 2021: EUR -725).

(B) Credit risk

Default risk results from the risk of contractual partners failing to meet their contractually agreed payment obligations. The maximum default risk corresponds to the carrying amounts of financial assets.

In EUR '000	Category according to IFRS 9	2022	2021
Impairment loss trade receivables	aac	5,274	6,698
Impairment loss loans to associated companies	aac	22,035	16,559
Impairment loss other non-current assets	aac	0	0
Impairment loss other current assets – loans, restricted funds and cash and cash equivalents – deposits at banks	aac	59,610	1,680
Impairment loss other current assets – bonds	aafvoci	84	5
Total		**87,003**	**24,942**

Trade receivables

Trade receivables mainly relate to a large number of customers (tenants and buyers of investment properties or apartments as part of project developments). The credit risk is managed on a portfolio level. ADLER has introduced a receivables management system through which new customers are initially analysed on an individual basis with regard to their credit rating. In the tenant selection process, priority is accorded to those with a pre-existing sound credit rating. Dunning procedures are initiated for all past due receivables and, upon completion, enforcement measures. The Group does not have any significant clusters of potential credit risks.

Against the backdrop of the consequences of the Ukraine crisis, ADLER has recognised an impairment to the contract assets. There are no significant default rissk for the receivables from the sale of investment properties and contract assets in connection with project developments, so that no impeirments are recognised. Purchase prices for investment properties are usually lodged to notary accounts and paid to ADLER when control has been transferred. No expected credit losses are recognised for contractual assets in connection with project developments, as the apartments are handed over to the purchasers only after the full purchase price has been paid.

For rental receivables, the simplified IFRS 9 impairment model is used. Deposits are not taken into account when measuring expected credit losses.

The following overview shows a summary of the default risk for trade receivables. ADLER uses an impairment matrix to estimate the expected credit losses on receivables from tenants, which comprise a very large number of small balances.

In EUR '000	2022		
	not impaired	impaired	
		credit rating not impaired	credit rating impaired
Rent receivables	5,521	873	20,791
Contractual assets from operating costs	15,884	0	0
Receivables from the sale of investment properties	1,321	0	0
Other	11,264	0	0
Gross total carrying amount	**33,991**	**873**	**20,791**
Accumulated impairment losses	551	370	20,382
Net total carrying amount	**33,440**	**503**	**409**

In EUR '000	2021		
	not impaired	impaired	
		credit rating not impaired	credit rating impaired
Rent receivables	3,185	675	19,673
Contractual assets from operating costs	4,784	0	0
Receivables from the sale of investment properties	40	0	0
Other	8,565	0	0
Gross total carrying amount	**16,574**	**675**	**19,673**
Accumulated impairment losses	0	135	19,200
Net total carrying amount	**16,574**	**540**	**473**

Assessment of expected credit losses:

ADLER uses an impairment matrix to measure the expected credit losses of its receivables due from tenants of apartments, which comprise a very large number of small balances.

31.12.2022 EUR '000	Loss rate	Gross carrying amount	Impairment	Impaired credit rating
1 to 30 days past due	0%	5,521	0	no
31 to 90 days past due	20%	873	175	no
91 to 180 days past due	50%	819	410	yes
more than 180 days past due	100%	19,972	19,972	yes

31.12.2021 EUR '000	Loss rate	Gross carrying amount	Impairment	Impaired credit rating
1 to 30 days past due	0%	3,185	0	no
31 to 90 days past due	20%	675	135	no
91 to 180 days past due	50%	946	473	yes
more than 180 days past due	100%	18,727	18,727	yes

Impairments of trade receivables have developed as follows:

In EUR '000	2022	2021
Carrying amounts 01.01.	**19,335**	**37,196**
Change in the scope of consolidation	185	-4,749
Reclassification IFRS 5	0	-6,932
Additions (impairment)	5,284	6,698
Utilisation/reversals	-4,053	-12,878
Carrying amounts 31.12.	**20,751**	**19,335**

The changes in value adjustment on trade receivables result mainly from changes in the scope of consolidation and reclassification to assets held for sale.

Other financial assets

The default risk on borrowings, loans, bonds and credit balances at banks is managed at Group level. There are trading rules to ensure that transactions are only made with business partners if they have shown adequate payment behaviour in the past. In the borrower selection process, care is taken to ensure that they have at least a satisfactory credit rating. The analysis of credit includes external ratings, where available, as well as annual financial statements, information from credit agencies, industry information and, in some cases, bank information. ADLER monitors changes in credit risk by tracking the published information mentioned above.

The general impairment model pursuant to IFRS 9 is used. The risks of a default for a 12-month period and over the entire term are based on historical information provided by various rating agencies for each credit rating or classification and aggregated using the rating map or rating matrix (Creditreform or Stuttgart Stock Exchange).

As at the balance sheet date, the default risk for the other financial assets is as follows:

In EUR '000	Category according to IFRS 9	Net carrying amount 2022	Net carrying amount 2021
Receivables from and Loans to associated companies	aac	6,204	42,775
Other assets – bonds	aafvoci	4,491	8,078
Other current assets – purchase price receivable ACCENTRO	aac	0	58,592
Other current assets – restricted funds	aac	11,651	5,357
Other current assets – loans and other miscellaneous	aac	10,615	77,566
Other current assets – bonds	aafvoci	114	114
Cash and cash equivalents – deposits at banks	aac	116,023	296,797
Total		**149,098**	**489,278**

The table below shows an analysis of the credit rating of borrowers of other financial assets (aac and aafvoci), if an impairment loss has been recognised for them. It shows whether a loss allowance has been recognised for an expected 12-month credit loss or for lifetime expected credit losses for those assets measured at amortised cost or fair value in other comprehensive income and whether – in the latter case – an impaired credit rating exists:

	2022					
	At fair value through other comprehensive income (aafvoci)			Measured at amortised cost (aac)		
In EUR ´000	Expected 12-month credit loss	Lifetime expected credit loss – credit rating not impaired	Lifetime expected credit loss– impaired credit rating	Expected 12-month credit loss	Lifetime expected credit loss – credit rating not impaired	Lifetime expected credit loss– impaired credit rating
Very good to good credit rating (very low default risk)	-	-	-	-	-	-
Good to satisfactory credit rating (low default risk)	-	-	-	128,103	-	-
Satisfactory credit rating (average default risk)	12,170	-	-	50,490	-	-
Sufficient credit rating (increased default risk)	-	-	-	-	17,628	-
Poor credit rating (high default risk)	-	-	-	-	-	-
Insufficient credit rating (very high default risk)	-	-	-	-	-	4,468
Gross total carrying amount	**12,170**	**-**	**-**	**178,593**	**17,628**	**4,468**
Accumulated impairment losses	133	-	-	1,527	17,628	4,468
Other comprehensive income	7,432	-	-	-	-	-
Net total carrying amount	**4,605**	**-**	**-**	**177,066**	**0**	**0**

	2021					
	At fair value through other comprehensive income (aafvoci)			Measured at amortised cost (aac)		
In EUR ´000	**Expected 12-month credit loss**	**Lifetime expected credit loss – credit rating not impaired**	**Lifetime expected credit loss– impaired credit rating**	**Expected 12-month credit loss**	**Lifetime expected credit loss – credit rating not impaired**	**Lifetime expected credit loss– impaired credit rating**
Very good to good credit rating (very low default risk)	-	-	-	-	-	-
Good to satisfactory credit rating (low default risk)	-	-	-	302,978	-	-
Satisfactory credit rating (average default risk)	12,095	-	-	68,346	-	-
Sufficient credit rating (increased default risk)	-	-	-	-	33,346	-
Poor credit rating (high default risk)	-	-	-	-	-	-
Insufficient credit rating (very high default risk)	-	-	-	-	-	4,288
Gross total carrying amount	**12,095**	**-**	**-**	**371,325**	**34,346**	**4,288**
Accumulated impairment losses	131	-	-	2,482	19,374	4,288
Other comprehensive income	3,772	-	-	-	-	-
Net total carrying amount	**8,192**	**-**	**-**	**368,843**	**14,972**	**0**

No expected credit loss is taken into account for the balances on notary escrow accounts due to existing collateral.

Cash and cash equivalents are deposited at banks that predominantly have a good to satisfactory credit rating. The loans are partly due to associates that have no active operating activities.

Impairment losses on financial assets measured at amortised cost developed as follows over the course of the year:

	2022			
In EUR '000	**Expected 12-month credit loss**	**Lifetime expected credit loss – credit rating not impaired**	**Lifetime expected credit loss– impaired credit rating**	**Total**
As at 01.01.	**2,482**	**19,374**	**4,288**	**26,144**
Net remeasurement of impairment losses	-	-1,746	Meine Ä	-1,746
Change in the scope of consolidation	-	-	-	0
Reclassifications IFRS 5 due to sale	-	-	-	0
Reclassified as lifetime expected credit losses – credit rating not impaired	-	-	-	-
Reclassified as lifetime credit losses – impaired credit rating	-	-	-	-
Repaid financial assets	-1,654	-	-	-1,654
Newly acquired financial assets	-2,788	-	180	-2,608
As at 31.12.	**-1,960**	**17,628**	**4,468**	**20,136**

	2021			
In EUR '000	**Expected 12-month credit loss**	**Lifetime expected credit loss – credit rating not impaired**	**Lifetime expected credit loss– impaired credit rating**	**Total**
As at 01.01.	**3,917**	**4,857**	**4,067**	**12,841**
Net remeasurement of impairment losses	-	14,517		14,517
Change in the scope of consolidation	-116	-	-	-116
Reclassifications IFRS 5 due to sale	-2,054	-	-	-2,054
Reclassified as lifetime expected credit losses – credit rating not impaired	-	-	-	-
Reclassified as lifetime credit losses – impaired credit rating	-	-	-	-
Repaid financial assets	-2,766	-	-	-2,766
Newly acquired financial assets	3,501	-	221	3,722
As at 31.12.	**2,482**	**19,374**	**4,288**	**26,144**

Impairment losses on financial assets measured at fair value through comprehensive income developed as follows over the course of the year:

	2022			
In EUR '000	Expected 12-month credit loss	Lifetime expected credit loss – credit rating not impaired	Lifetime expected credit loss– impaired credit rating	Total
As at 01.01.	**131**	**-**	**-**	**131**
Net remeasurement of impairment losses	-	-	-	-
Reclassified as lifetime expected credit losses – credit rating not impaired	-	-	-	-
Reclassified as lifetime credit losses – impaired credit rating	-	-	-	-
Repaid financial assets	-82	-	-	-82
Newly acquired financial assets	84	-	-	84
As at 31.12.	**133**	**-**	**-**	**133**

	2021			
In EUR '000	Expected 12-month credit loss	Lifetime expected credit loss – credit rating not impaired	Lifetime expected credit loss– impaired credit rating	Total
As at 01.01.	**138**	**-**	**-**	**138**
Net remeasurement of impairment losses	-	-	-	-
Reclassified as lifetime expected credit losses – credit rating not impaired	-	-	-	-
Reclassified as lifetime credit losses – impaired credit rating	-	-	-	-
Repaid financial assets	-12	-	-	-12
Newly acquired financial assets	5	-	-	5
As at 31.12.	**131**	**-**	**-**	**131**

(C) Liquidity risk

Responsibility for liquidity risk management rests with the Management Board, which has developed a suitable concept for managing the Company's short-, medium- and long-term financing and liquidity requirements. The Group manages liquidity risks by continually monitoring its expected and actual cash flows and aligning the maturity profiles of financial assets and liabilities. Liquidity management aims to ensure that the Group is always able to meet its payment obligations by maintaining adequate liquidity reserves and optimising group-internal liquidity flows.

The Group's earning power is sufficient to service all current obligations including interest due. However, loan or bond repayments cannot be made from the current cash surpluses. Due to certain credit conditions, the Group has had only limited ability to raise new debt and refinance existing debt since the beginning of fiscal year. During fiscal year 2022, it became apparent that the Group's refinancing options would be not be sufficient to service the 2018/2023 bond maturing on April 27, 2023. To avert this scenario, the management of the ultimate parent company of ADLER Real AG (the Adler Group S.A.) has drawn up a restructuring plan, which includes a rescheduling of financial obligations and the immediate possibility to raise additional funds with a total volume of EUR 937,500 thousand. This restructuring plan was approved on April 12, 2023 by the by the High Court of Justice of England and Wales; the imminent insolvency of ADLER Real Estate AG was thus averted.

However, non-compliance with the credit terms and financial covenants agreed under the restructuring plan and / or anchored in the existing financing agreements (e.g. in connection with the achievement of perating cash surpluses at the level of the property companies) may still lead to a liquidity risk.

The Adler Group had cash and cash equivalents of EUR 119,082k at the balance sheet date (31 December 2021: EUR 296,807k). In addition, restricted cash and cash equivalents of EUR 11,651k are subject to restrictions on disposal and have been recognised under other current assets (31 December 2020: EUR 5,357k).

The following liquidity analyses present the contractually agreed (undiscounted) cash flows for primary financial liabilities including interest payments, as at the respective balance sheet date. The analyses include all financial instruments held on the respective reporting date. Budget figures for future new liabilities are not included. Floating-rate interest payments were calculated by reference to the relevant spot rates on the respective balance sheet dates. With regard to outflows of cash for convertible bonds, it has been assumed that these will not be converted.

31.12.2022	Cash outflows					
In EUR '000	**2023**	**2024**	**2025**	**2026**	**2027**	**> 2027**
Liabilities to banks	74,195	13,083	44,944	17,897	9,221	277,327
Liabilities from bonds	524,750	315,375	9,000	309,000	0	0
Trade payables	22,710	0	0	0	0	0
Other liabilities	7,680	0	0	0	0	0
Total	**629,335**	**328,458**	**53,944**	**326,897**	**9,221**	**277,327**

31.12.2021	Cash outflows					
In EUR '000	**2022**	**2023**	**2024**	**2025**	**2026**	**> 2026**
Liabilities to banks	47,565	76,999	40,213	61,352	37,124	544,703
Liabilities from bonds	430,750	524,750	315,375	9,000	309,000	0
Liabilities from convertible bonds						
Trade payables	27,507	0	0	0	0	0
Other liabilities	15,249	380	380	380	380	380
Total	**521,071**	**602,129**	**355,968**	**70,732**	**346,504**	**545,083**

1) Including liabilities to banks (IFRS 5)

Cash outflows from lease liabilities are disclosed in Section 12.

(D) Financing risk

The Group's earning power is sufficient to service all current obligations including interest due. However, loan or bond repayments cannot be made from the current cash surpluses. Should it not be possible to refinnace or extend existing loans or bonds, such payment obligations can be met by sellijng properties or (sub-)portfolios form the Group's real estate portfolio. Whether - in such a scenario - property sales can be made to a sufficient extent and at acceptable prices depends on the general liquidity of the real estate markets, which are dependant on a large numebr of factors and are fundamentally subject to risk.

Due to certain credit conditions, the Group has had only limited ability to raise new debt and refinance existing debt since the beginning of fiscal year. Within the scope of consolidation there are loan agreements with a total carrying amount of around EUR 404 million (31 December 2021: around EUR 690 million) on which the banks have imposed requirements in the form of financial covenants. Depending on the property to which such agreements apply, the Group must achieve a debt service coverage ratio (DSCR) of between 107 percent and 120 percent (31 December 2021: between 107 percent and 120 percent), an interest coverage ratio (ICR) of 1.26 to 1.72 (31 December 2021: 1.26 to 1.72), a loan-to-value (LTV) ratio of between 60 percent and 80 percent (31 December 2021: between 60 percent and 80 percent) or a loan-to-mortgage-lending-value (LTMLV) ratio of no more than 74 percent (31 December 2021: no more than 74 percent). Individual credit agreements require a minimum amount of maintenance work or rental income. Should the maintenance measures agreed in the loan agreement not be carried out, the Company must maintain a cash reserve of the same amount on restricted accounts. Failure to comply with such covenants entitles the lenders to impose various sanctions, which may also include terminating the respective facility.

ADLER is integrated into the financial management of the ultimate parent company (Adler Group). Due to a restructuring plan jointly developed by the management of Adler Group and ADLER and approved by the court, Adler Group is in a position to refinance ADLER's payment obligations. However, this results in dependencies for ADLER,in particular with regard to the Adler Group's contractual obligations arising from the restructuring plan.

As at 28 February 2023, the rating agency Standard & Poor's adjusted the corporate rating of ADLER Real Estate AG and the parent company Adler Group to "CC/Outlook Negative". The agency's assessment particularly included risks with regard to debt restructuring through changes to certain bond terms and covenants and the associated refinancing by the Adler Group and the uncertainty regarding the disposal of assets close to the carrying amount.

(E) Currency risk

In the course of the acquisition of the ADO Group and BCP, ADLER took over bonds issued in New Israeli Shekels (NIS). The bonds of the BCP subgroup were reclassified to liabilities held for sale in the 2021 financial year.

Had the exchange rate (EUR/NIS) as at 31 December 2022 been 5 percent higher/lower, the book value of the bonds would have changed by EUR 7,629k or EUR -7,629k (31 December 2021: EUR 3,878k or EUR -3,878k). If the CPI had increased/reduced by 3 percent, the book value of the bonds would have changed by EUR -4,578k (31 December: EUR -2,112k) or EUR 4,578k (31 December 2021: EUR 349k).

11.3 Derivative financial instruments

Derivative financial instruments include, in particular, hedging transactions used to hedge interest rate risks in variable-interest loan agreements. No material rating risk is involved, as the interest hedges are concluded with the financing banks.

The fair values of the interest hedge contracts amounted to EUR 0 as at the balance sheet date (31 December 2021: EUR -1,298k). The fair values and nominal values of the interest hedge contracts broken down by maturity are presented below:

	Fair Values		Nominal	
In EUR '000	**2022**	**2021**	**2022**	**2021**
Up to 1 year	0	0	0	0
Due between 1 and 5 years	554	-1,298	7,076	51,126
Total	**554**	**-1,298**	**7,076**	**51,126**

The derivative financial instruments are initially measured at fair value, which is attributable to them on the day the contract is concluded. Subsequent measurement is based on the fair value of the respective balance sheet.

The fair value of derivates broken down by balance sheet item are presented below:

Balance Sheet item in EUR '000	**Hedging relationship under IFRS 9**	**31.12.2022**	**31.12.2021**
Other current asset (measured at fair value though profit or loss)	no	557	0
Other current liabilities (measured at fair value through profit or loss)	no	0	0
Other non-current liabilities (measured at fair value through profit or loss)	no	0	-1,298
Total		**557**	**-1,298**

A valuation result of EUR 201k was recognised for derivatives in the financial year (2021:EUR 994k).

12. DISCLOSURES ON LEASES IN ACCORDANCE WITH IFRS 16

Leases as a lessee

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

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

Leasehold contracts have terms of up to 200 years and sometimes provide for preferential rights of renewal in the event of a renewed leasehold following the expiry of the contract or for the right of first refusal in the event of the land being sold. The lessee has no renewal or purchase options. Some of the leasehold payments are index-linked. The future cash flows are discounted using interest rates for specific properties or market-based discount rates ranging from 4.25 percent to 6.26 percent (31 December 2020: 4.25 percent to 6.26 percent).

ADLER leases office space, garages and storage space. These leases typically do not have a fixed term and can be terminated by the contracting parties observing a defined notice period. In assessing the term of such leases, ADLER assumed that the respective leases will remain in effect for five years, unless there were specific indications of shorter use. Some leases provide for additional lease payments based on changes in local price indexes.

The terms for leases for cars and commercial vehicles are typically between three and four years. Typically there are no renewal or purchase options, or such options are not exercised.

ADLER leases hardware and heating equipment (contracting). The terms for leases for hardware are typically between four and five years. Typically there are no renewal or purchase options, or such options are not exercised. In the context of contracting agreements, the leases for heating equipment will gradually expire by 2031 at the latest and will not be renewed.

Lease obligations not resulting from leaseholds are discounted using the incremental borrowing rate. Discount rates of between 1.89 percent and 3.00 percent were applied in the reporting year (31 December 2021: 1.89 percent to 3.00 percent).

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

The following table shows the right-of-use assets that do not meet the definition of an investment property.

In EUR '000 2022	Property	Vehicles	Hardware/ Contracting	Total
Carrying amounts 01.01.	**2,777**	**1,011**	**519**	**4,307**
Additions (+)	87	591	0	678
Depreciation (–)	-488	-601	-62	-1,151
Disposals (–)	-392	-229	-457	-1,078
Carrying amounts 31.12.	**1,984**	**772**	**0**	**2,756**

In EUR '000 2021	Property	Vehicles	Hardware/ Contracting	Total
Carrying amounts 01.01.	**1,514**	**2,256**	**699**	**4,469**
Additions (+)	2,414	536	0	2,950
Depreciation (–)	-750	-1,200	-180	-2,130
Disposals (–)	-401	-581	0	-982
Carrying amounts 31.12.	**2,777**	**1,011**	**519**	**4,307**

The following table shows the amounts recognised in the Consolidated Statement of Comprehensive Income in connection with leases (including leaseholds):

In EUR '000	2022	2021
Interest expenses for lease liabilities	159	775
Expenses for short-term leases	10	58
Expenses for low-value leases	979	2,232
Total	**1,148**	**3,065**

The expenses for low-value leases essentially relate to payments for emergency call devices in lifts, smoke alarms, heating and water meters.

The carrying amounts of lease liabilities and the cumulative lease payments over the lease term (including leaseholds) break down as follows by maturity:

in EUR ´000	Carrying amount 2022	Lease payments in 2022	Carrying amount 2021	Lease payments in 2021
Up to 1 year	749	1,011	1,503	1,793
1 to 5 years	1,975	2,437	2,523	3,008
More than 5 years	1,561	15,507	2,190	16,236
	4,285	**18,955**	**6,216**	**21,037**
Less future interest costs		-14,670		-14,821
Total	**4,285**	**4,285**	**6,216**	**6,216**

Leases as a lessor

ADLER leases its investment property. A lessor classifies these leases as operating leases as the lessee does not receive substantially all of the risks and rewards incidental to ownership.

Thus, revenue from the charge of property tax and building insurance expenses of EUR 10,588k (2021: EUR 15,978k) are included in the scope of IFRS 16.

The claims to lease payments from long-term operating leases generally result from the letting of commercial properties. In the residential property segment, leases are generally subject to the three-month statutory term of notice. There are no further claims to lease payments. The lease payments shown in the following tables include the net rental income only.

2021 Disclosures on operating leases in accordance with IFRS 16.97 in EUR ´000	2022	2023	2024 to 2027	From 2028
		Up to 1 year	1 to 5 years	More than 5 years
Total future lease payments under non-cancellable operating leases as a lessor	128,604	30,137	2,346	736

2020 Disclosures on operating leases in accordance with IFRS 16.97 in EUR ´000	2021	2022	2023 to 2026	From 2027
		Up to 1 year	1 to 5 years	More than 5 years
Total future lease payments under non-cancellable operating leases as a lessor	225,446	33,514	1,063	513

13. CAPITAL RISK MANAGEMENT

The Group manages its capital with the objective of maximising the earnings of shareholders by optimising the ratio of equity to debt. This ensures that all group companies can continue to operate as going concerns. Consolidated equity as posted in the balance sheet is used as an important key figure for capital management.

As a stock corporation, the Company is subject to the minimum capital requirements set out in the German Stock Corporation Act (AktG). Furthermore, the Group is subject to both standard and industry-specific minimum capital requirements imposed by lenders, especially for financing specific property projects. These minimum capital requirements are continually monitored and were met in the year under report and the previous year.

Risk management reviews the Group's capital structure on a quarterly basis. Accounting ratios are identified and projected in order to ensure compliance with external capital requirements and the financial covenants applicable to numerous credit agreements. These also include property-specific debt service ratios, loan-to-value figures and contractually defined balance sheet and income ratios.

The year-end equity ratio was determined as follows:

In EUR '000	**31.12.2022**	**31.12.2021**
Equity (incl. non-controlling interest)	1,643,482	2,144,018
Total assets	4,124,816	5,584,662
Equity ratio in %	**39.8**	**38.4**

Excluding convertible bonds, the ratio of net financial liabilities to assets net of cash (LTV) amounted to 50.2 percent (31 December 2021: 52.3 percent). Further details can be found in the disclosures on the asset position in the combined management report.

14. OTHER DISCLOSURES

14.1 Other financial obligations and contingent liabilities

(A) Other financial obligations

The Group had the following significant financial obligations at the balance sheet date:

In EUR '000	2022	2021
Rental and lease obligations		
– Due within 1 year	2,839	4,070
– Due between 1 and 5 years	10,756	10,903
– Due in more than 5 years	5,365	4,442
	18,960	19,415
Management contracts, support agreements		
– Due within 1 year	6,898	16,204
– Due between 1 and 5 years	13,849	16,093
– Due in more than 5 years	4,934	3,227
	25,681	35,524
Total	**44,641**	**54,939**

Rental and lease obligations primarily result from leasing relationships of minor value or from short-term leases within the meaning of IFRS 16 as well as from contracts that do not entitle the holder to control the use of an identified asset for a specified period of time.

(B) Contingent liabilities

In connection with the divested stake in conwert Immobilien Invest SE, the Austrian Takeover Board has determined in review proceedings pursuant to Section 33 Uebernahmegesetz (ÜbG – Takeover Act), which are now legally binding, that the Company achieved a controlling stake in conwert by mutual agreement with other persons within the meaning of Section 1 clause 6 ÜbG and then failed to make a mandatory bid as required pursuant to Section 33 (1) clause 2 ÜbG. In connection with this, ADLER is engaged in seven litigation proceedings against companies that are seeking to claim compensation from ADLER. The total litigation value is roughly EUR 8.4 million. Two further lawsuits for compensation have already been legally decided in favour of the Company. In addition, the Company is subject to two administrative prosecutions initiated on the basis of the original decision of the Takeover Commission , in which fines totalling EUR 55,000 were imposed. The Company has filed a complaint against this decision, which was upheld by the Federal Administrative Court after referral to the ECJ, which ruled that the structure of the proceedings before the Takeover Commission was contrary to EU law due to a violation of Art 47 GRC and due to the dual responsibility for criminal proceedings by the Takeover Commission and the Financial Market Authority (FMA), and the proceedings were discontinued. Due to the fact that the claims have already been dismissed in two proceedings, the Company considers it largely probable that it will also win in all other ongoing lawsuits with the same subject matter and has therefore not recognised any provisions as at the balance sheet date of 31 December 2021.

In connection with the acquisition of the shares in BCP, a class action was brought before the Tel Aviv District Court, Tel Aviv/Israel, by a minority shareholder. The lawsuit (the motion for certification of a claim as a class action) alleged that the majority shareholders Redzone Empire Holding Limited, Cyprus, and the three members of the senior management sold their shares in full to ADLER, while the other minority shareholders of BCP were only able to contribute their shares to a limited extent under the special tender offer (STO). The lawsuit claimed an amount in dispute of NIS 78 to 116 million (equivalent to approximately EUR 18 to 27 million), the total value of the affected minority shareholders' shares. The court dismissed the claim concerning the Redzone transaction, and certified the claim concerning the options granted to the senior management members. ADLER's exposure is estimated at approximately EUR 600,000, representing the evaluation of the benefit received by the senior management (as a result of the options) by the court appointed expert. ADLER has accounted for this risk with an provision. In the meantime, ADLER has reached an agreement with the parties for a settlement in the amount of NIS 8,800,000. ADLER has adjusted the valuation of the provision for this dispute accordingly.

14.2 Related-party disclosures

Related parties of ADLER include Adler Group, as well as its subsidiaries, associates and joint ventures, to the extent that these are not included in ADLER's consolidated financial statements. Business transactions between ADLER and its subsidiaries are eliminated through consolidation. They are not included in the reporting on related party transactions. In addition, related parties include ADLER's associates and joint ventures, as well as key management personnel of ADLER and Adler Group.

Significant transactions with associated companies are presented in the tables below.

As at the balance sheet date, the Group had the following balance sheet and result items with associated companies:

In EUR '000 31.12.2022	Receivables and Borrowings	Short-term loans given	Trade receivables	Other current assets
Associates				
Nominal value	50,807	0	-6	0
Accumulated impairment losses	-44,603	0	0	0
Carrying amount	**6,204**	**0**	**-6**	**0**
Joint Ventures				
Nominal value	2,072	0	0	0
Accumulated impairment losses	-2,069	0	0	0
Carrying amount	**3**	**0**	**0**	**0**
Parent				
Nominal value	0	273,481	812	0
Accumulated impairment losses	0	0	0	0
Carrying amount	**0**	**273,481**	**812**	**0**
Affiliates				
Nominal value	0	0	7,570	0
Accumulated impairment losses	0	0	0	0
Carrying amount	**0**	**0**	**7,570**	**0**

In EUR '000 31.12.2021	Receivables and Borrowings	Short-term loans given	Trade receivables	Other current assets
Associates				
Nominal value	66,436	0	648	702
Accumulated impairment losses	-23,662	0	0	0
Carrying amount	**42,774**	**0**	**648**	**702**
Joint Ventures				
Nominal value	4,000	0	0	0
Accumulated impairment losses	-1,928	0	0	0
Carrying amount	**2,072**	**0**	**0**	**0**
Parent				
Nominal value	0	265,272	1,115	0
Accumulated impairment losses	0	0	0	0
Carrying amount	**0**	**265,272**	**1,115**	**0**
Affiliates				
Nominal value	0	0	3,719	0
Accumulated impairment losses	0	0	0	0
Carrying amount	**0**	**0**	**3,719**	**0**

In EUR '000 2022	Interest income	Other income from property management	Impairment and write-downs of financial assets	Other
Associates	1,073	592	-28,441	0
Joint Ventures	0	0	0	0
Parent	9,729	0	0	850
Affiliates	0	9,325	0	1,590

In EUR '000 2021	Interest income	Other income from property management	Impairment and write-downs of financial assets	Other
Associates	3,429	1,227	-17,084	21
Joint Ventures	0	0	-1,821	0
Parent	51	0	0	982
Affiliates	0	5,542	0	1,321

The receivables and loans from associated companies relate to receivables from AB Immobilien B.V. and Caesar JV Immobilienbesitz und Verwaltung GmbH from the real estate sales in 2019.

In accordance with the contractual agreements, the receivable from AB Immobilien B.V. was written down to the final repayment amount. In the reporting year, ADLER recorded cash inflows of EUR 9,072k and impairment losses of EUR 5,769k on this receivable. As of December 31, 2021, the nominal value of this receivable was EUR 34,346k and the accumulated impairment losses were EUR 19,374k. Similarly, as of December 31, 2021, items from cut-off date settlements of EUR 438k recognized under other current assets were derecognized in full.

Caesar JV Immobilienbesitz und Verwaltungs GmbH owes ADLER (including interest and default interest) an amount of EUR 28,975k (December 31, 2021: EUR 27,802 thousand). Interest income in the amount of amounting to EUR 908k (2021: EUR 810k) was received. In the previous year, receivables from the final settlement of the sale of real estate to Caesar JV Immobilienbesitz und Verwaltungs GmbH in the amount of EUR of EUR 246k were reported under other current assets. In the current financial year, these balances reclassified to receivables and loans in the current financial year. In the financial year 2022 ADLER revised its assessment regarding the realizability of these receivables and recognized impairment losses of EUR 22,508k.

Receivables from joint ventures relate to receivables from Brack Capital (Chemnitz) B.V. The change in the balance compared to the previous year results from impairments.

On December 29, 2021, ADLER granted Adler Group a loan in the amount of thous. 265,221 thousand with an original term until December 29, 2022 and an interest rate of 2.84 percent. The repayment of the loan was extended until April 15, 2023 and will be repaid from November 25, 2022 at an interest rate of 5.16 percent per annum. In the financial year, interest income amounting to EUR 9,729k (2022: EUR 51k) was received.

In financial year 2022, ADLER received interest payments of EUR 1,519k for securities investments of the Adler Group. The liability from the obligation to forward these interest payments was offset against the receivables from outstanding interest payments from the loan extended on December 29, 2021.

The other income and trade receivables from the Adler Group result from Group allocations.

Trade receivables due from affiliated companies in the Adler Group result from Group allocations. result from intercompany allocations, recharges and energy and heat deliveries by ADLER Energie Services GmbH.

In EUR '000 31.12.2022	Borrowings received	Short-term loans received	Trade payables	Other current liabil-ities
Associates	0	0	0	0
Joint Ventures	0	0	0	0
Parent	0	0	7,577	0
Affiliates	0	0	3,729	0
Total carrying amount	**0**	**0**	**11,306**	**0**

In EUR '000 31.12.2021	Borrowings received	Short-term loans received	Trade payables	Other current liabil-ities
Associates	0	0	0	0
Joint Ventures	0	0	0	0
Parent	0	0	4,043	0
Affiliates	0	0	5,162	0
Total carrying amount	**0**	**0**	**9,205**	**0**

In EUR '000 2022	Interest expense	Expenses from property manage-ment	Other expenses
Associates	0	0	0
Joint Ventures	0	0	0
Parent	0	0	13,554
to Affiliates	0	0	172

In EUR '000 2021	Interest expense	Expenses from property manage-ment	Other expenses
Associates	0	0	0
Joint Ventures	0	0	0
to Parent	6,201	0	6,395
to Affiliates	0	242	525

Other expenses and trade payables to the Adler Group result from recharges and cost allocations.

Trade payables and other expenses result from recharges and cost allocation, as well as from purchased services in the area of facility management.

In addition, ADLER holds listed bonds of an associated company, which were not acquired from transactions with related parties and are therefore presented in section 8.5.

The Supervisory Board and Management Board hold the key management positions at ADLER AG. The compensation paid to these persons is structured as follows:

In EUR '000	2022	2021
Supervisory Board remuneration	291	267
Management Board remuneration	390	549

Not all members of the Executive Board receive remuneration from ADLER. They are remunerated at the level of Adler Group. Adler Group charged EUR 1,119k (2021: EUR 2,660k) to ADLER for Executive Board activities, which were reported under operating expenses.

14.3 Auditor's fee

The total fee invoiced by the auditor for the financial year is structured as follows:

In EUR '000	2022	2021
Audit of financial statements	0	445
Other assurance services	0	0
Other services	0	0
Total	**0**	**445**

The Annual General Meeting of ADLER has not yet appointed an auditor for the financial year 2022.

14.4 Employees

The average number of employees was as follows:

Number	2022	2021
Board members	3	3
Full-time employees	354	804
Total	**357**	**807**

14.5 Notes to the consolidated cash flow statement

Financial funds generally correspond to cash and cash equivalents of EUR 119,082k (31 December 2021: 296,807k). It decreased by a total of EUR 177,725k (2021: decreased by EUR 146,948k). The Group was at all times able to meet its payment obligations.

Furthermore, restricted liquid funds of EUR 11,651k (31 December 2021: EUR 5,357k) with limitations on disposal were recognised under other assets.

Cash flows are subdivided into cash flows from operating, (divesting) investing and financing activities. The indirect method has been used to present cash flow from operating activities.

Net of non-cash income and expenses and including changes in working capital and investments in inventory properties (trading portfolio), Adler Group generated a net inflow of funds of EUR 31,063k (2021: EUR 18,759k) from operating activities.

The cash inflow from investing activities amounts to EUR 865,813k (2021: cash outflow EUR 1,105,839k). This mainly results from purchase price payments for the sale of portfolio properties as part of the transaction with KKR/Velero. This was offset in particular by investments in the real estate portfolio.

The cash outflow from financing activities amounted to EUR 886,120k (2021: EUR 976,173k). The Group used the funds generated from the sale of investment properties to repay financial loans of EUR 582,760k, the corporate bond (2019/2022) of EUR 400,000k. During the reporting period, BCP has issued bonds in the amount of EUR 162,518k and repaid bonds of EUR 62,660k.

Changes from financing cash flows, changes arising from obtaining or losing control of subsidiaries or other businesses, changes due to accrued interest, changes due to the effective interest method, changes from exercising conversion rights and changes due to reclassifications in a reconciliation statement between the opening and closing balances in the statement are presented in the following. There were no material implications from changes in foreign exchange rates.

In EUR '000	31.12.2021	Cash effective
Non-current liabilities		
Liabilities from bonds	1,088,780	0
Liabilities to banks	703,830	-347,322
Leasing liabilities	4,713	0
Financial liabilities to affiliated companies	0	0
Current liabilities		
Liabilities from bonds	421,893	-430,750
Liabilities to banks	35,483	-13,418
Leasing liabilities	1,503	-1,630
Financial liabilities to affiliated companies	0	0
Total liabilities from financing	**2,256,202**	**-793,120**

In the previous year, the reconciliation statement was as follows:

In EUR '000	31.12.2020	Cash effective
Non-current liabilities		
Liabilities from convertibles	0	0
Liabilities from bonds	1,548,970	-511,298
Liabilities to banks	1,039,179	-210,047
Leasing liabilities	16,886	-37
Financial liabilities to affiliated companies	1	-232,842
Current liabilities		
Liabilities from convertibles	97,384	-92,604
Liabilities from bonds	530,340	-33,306
Liabilities to banks	367,339	-37,425
Leasing liabilities	2,263	-3,219
Financial liabilities to affiliated companies	22,551	-57,067
Total liabilities from financing	**3,624,913**	**-1,177,845**

Not cash effective								
Acquisitions/ sale	**Index and exchange rate effects**	**Interest liabilities**	**Amortisation effective interest method**	**Conversions**	**Reclassifi- cation**		**Other**	**31.12.2022**
0	0	0	4,984	0	-499,140		0	594,624
0	0	49	1,178	0	-21,673		1,293	337,355
-287	0	0	0	0	-890		0	3,536
0	0	0	0	0	0		0	0
0	0	26,508	562	0	499,140		0	517,353
32,553	0	2,224	0	0	21,673		-9,917	68,598
-151	0	137	0	0	890		0	749
0	0	0	0	0	0		0	0
32,115	**0**	**28,918**	**6,724**	**0**	**0**		**-8,624**	**1,522,215**

Not cash effective								
Acquisitions/ sale	**Index and exchange rate effects**	**Interest liabilities**	**Amortisation effective interest method**	**Conversions**	**Reclassifi- cation**	**Reclassifi- cation IFRS 5**	**Other**	**31.12.2021**
0	0	0	0	0	0	0	0	0
0	10,023	0	7,612	0	96,384	-62,911	0	1,088,780
145,185	0	0	-3,047	0	83,878	-355,288	3,970	703,830
-475	0	0	0	0	-1,742	0	-9,919	4,713
0	0	0	2,013	0	0	0	230,828	0
0	0	1,148	2,175	-8,103	0	0	0	0
0	0	32,791	0	0	-96,384	-11,548	0	421,893
0	0	36,601	0	0	-83,878	-246,979	-175	35,483
41	0	789	0	0	1,742	0	-113	1,503
0	0	42	15	0	0	0	34,459	0
144,751	**10,023**	**71,371**	**8,768**	**-8,103**	**0**	**-676,726**	**259,050**	**2,256,202**

14.6 Management Board and Supervisory Board

At the time of preparation, the Management Board of ADLER comprised Maximilian Rienecker, Master of Science in Management, Thierry Beaudemoulin, Master in Regional and Urban Strategy and Sven-Christian Frank, lawyer. Sven-Christinan Frank has been a member of the Management Board as COO since 9 June 2016 and was in office until 30 March 2021. He has been a member of the Management Board as CLO since 1 April 2021. Maximilian Rienecker was appointed to the Management Board as Co-CEO on 22 December 2017; and Thierry Beaudemoulin joined the Management Board as Co-CEO on 1 April 2021, and assumed the role of COO on the same date.

Maximilian Rienecker and Thierry Beaudemoulin are also co-CEO's of Adler Group (Executive Director on the Administrative Board).

The Supervisory Board of ADLER Real Estate AG consists of the following members:

- Martin Billhardt, Pfäffikon/Switzerland, lawyer, Chairman
- Thilo Schmid, Blotzheim/France, project controller, Deputy Chairman
- Claus Jørgensen, London/UK, businessman, until March 14, 2022
- Dr. Peter Maser, Stuttgart/Germany, lawyer, since March 14, 2022 until August 31, 2022
- Thomas Zinnöcker, businessman, since November 11, 2022

The following members of the Supervisory Board of ADLER Real Estate Aktiengesellschaft, Berlin, held the following further positions on supervisory boards and other supervisory bodies as defined in § 125 (1) Sentence 5 of the German Stock Corporation Act (AktG):

- Martin Billhardt
  Deutsche Rohstoff AG, Heidelberg (Supervisory Board Chairman)
  Cub Greek Energy LLC, Highlands Ranch/USA (Non-executive member of the Board of Directors)
  Bright Rock Energy LLC, Denver/USA (Non-executive member of the Board of Directors)

- Thilo Schmid
  Adler Group S.A., Luxembourg (Member of the directos Bord)
  Consus Real Estate AG (Member of the Supervisory Board), since August 2022
  Brack Capital Properties N.V. (non-executive director), since December 2022
  Jedox AG, Freiburg (Member of the Supervisory Board), until January 2021, afterwards Jedox GmbH, Freiburg (alternating member of the Advisory Board)
  Data Trust Holding S.A., Luxembourg (Non-executive Member of the Board of Directors), until Aptil 2021, afterwards Data Trust Holding S.à.r.l., Luxembourg (non-executive director)
  Cynora GmbH, Bruchsal (Advisory Board)
  YEDiTEPE MARiNA YATIRIM TURiZM iNSAAT A.S., Istanbul, Türkei (Member of the directors Board)
  Whitebox Services AG, Wollerau, Switzerland (Member of the directors Board), until June 2022
  mobileObjects AG, Büren-Ahden (Member of the Supervisory Bord)
  rankingCoach International GmbH, Köln (Advisory Board member)
  clickworker GmbH, Essen (Advisory Board member)

- Dr. Peter Maser
  Adler Group S.A., Luxembourg (Deputy Chairman of the Board of Directors)
  Consus Real Estate AG (Member of the Supervisory Board), since August 2022
  Brack Capital Properties N.V., Amsterdam/NL (Chairman), until January 2022
  Kuratorium der Familienstiftung Becker & Kries (Chiarman)
  THING TECHNOLOGIES GmbH (Advisory Board), since July 2022

14.7 Events after the balance sheet date

On January 9, 2023 the District Court Berlin Charlottenburg appointed KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin as auditor for the audit of the single-entity and consolidated financial statements of ADLER for the financial year 2022.

On January, 11, 2023 KPMG AG Wirtschaftsprüfungsgesellschaft rejected the court's appointment for auditing the single-entity and consolidated financial statements of ADLER for the financial year 2022.

On January 12, 2023 Adler Group agrred with the majority of the bondholders, who have signed a lock-up agreement, that an English restructuring plan is the appropriate choice for implementation. In order to proceed with this English restructuring plan, Adler Group has appointed its wholly-owned subsidiary, AGPS BondCo PLC as principal debtor and new issuer in respect of all liabilities under the bonds and, as required by the terms and conditions of the bonds, has given an irrevocable and unconditional guarantee in favor of the bondholders. The new issuer will initiate an English restucturing plan in accordance with the proposed amendments to the bonds with the support of the required majority of bondholder.

On March 17, 2023 Adler Group confirmed its formal requested dated June 23, 2022 regarding the transfer of shared of the minority shareholders of ADLER to the Adler Group and informed that it has determined the cash compensation to be paid at EUR 8.76 per share. The resolution is an item on the agenda of the Annual General Meeting of ADLER on April 28, 2023.

On March 31, 2023 the maturity date of part of the loan agreement for up to EUR 200 million with the subsidiary BCP was contractually renegotiated. EUR 70 million under this loan agreement will not become due until June 30, 2024, if the special conditions are met, in particual - collateral is provided.

On April 12, 2023, the High Court of Justice of England and Wales approved the restructuring plan pursuant to Part 26A of the Companies Act 2006 of AGPS BondCo PLC, a wholly owned subsidiary of Adler Group, the parent company of ADLER. With this approval, essential conditions for the implementation of the amendment of the bond terms of AGPS BondCo PLC and the granting of debt financing by a part of the bondholders to the Adler Group have been fulfilled.

On April 14, 2023 the term of the existing loan of ADLER to Adler Group in the amount of EUR 265 million was extended until April 30, 2023 by an amendment agreement. With the payment of the bond issue 2018/2023 by Adler Group on the maturity date of April 27, 2023, this loan was repaid (see also 6.2 uncertainties regarding going concern).

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

14.8 Declaration of Conformity with the German Corporate Governance Code

The Declaration of Conformity of ADLER was most recently submitted by the Management Board in December 2021. It is permanently available to shareholders at:

http://adler-ag.com/investor-relations/corporate-governance/entsprechenserklaerung

Berlin, 29 April 2023

Thierry Beaudemoulin
CEO/COO

Sven-Christian Frank
CLO

SUBSIDIARIES

No.	Company	Headquarters
	Subsidiaries fully consolidated	
1	ADLER Real Estate AG (Muttergesellschaft)	Berlin
2	ADLER Real Estate Service GmbH	Hamburg
3	Verwaltungsgesellschaft ADLER Real Estate mbH	Berlin
4	Achte ADLER Real Estate GmbH & Co. KG	Hamburg
5	Münchener Baugesellschaft mbH	Berlin
6	ADLER Wohnen Service GmbH	Berlin
7	MBG Großbeeren GmbH & Co. KG	Hamburg
8	MBG Trachau GmbH & Co. KG	Hamburg
	MBG Erste Vermögensverwaltungs GmbH	
10	Magnus zweite Immobilienbesitz und Verwaltungs GmbH	Berlin
11	Magnus Dritte Immobilienbesitz und Verwaltungs GmbH	Berlin
12	ESTAVIS 6. Wohnen GmbH	Berlin
13	ESTAVIS 7. Wohnen GmbH	Berlin
14	ESTAVIS 8. Wohnen S.à r.l.	Luxembourg/Grand Duchy of Luxembourg
15	ESTAVIS 9. Wohnen S.à r.l.	Luxembourg/Grand Duchy of Luxembourg
16	RELDA 36. Wohnen GmbH	Berlin
17	RELDA Bernau Wohnen Verwaltungs S.à r.l	Luxembourg/Grand Duchy of Luxembourg
18	MBG Sachsen S.à r.l.	Luxemburg/Großherzogtum Luxemburg
19	Magnus-Relda Holding Vier GmbH	Berlin
20	Cato Immobilienbesitz und -verwaltungs S.à r.l.	Luxemburg/Großherzogtum Luxemburg
21	Magnus Immobilienbesitz und Verwaltungs GmbH	Berlin
22	WBR Wohnungsbau Rheinhausen GmbH	Berlin
23	S.I.G. RE GmbH	Berlin
24	Resident Sachsen P & K S.à r.l	Luxemburg/Großherzogtum Luxemburg
25	Resident West GmbH	Berlin
26	MBG Schwelm GmbH	Berlin
27	Alana Properties GmbH	Berlin
28	Aramis Properties Luna S.à r.l.	Luxembourg/Grand Duchy of Luxembourg
29	REO-Real Estate Opportunities S.à r.l	Luxembourg/Grand Duchy of Luxembourg
30	Roslyn Properties Luna S.à r.l	Luxembourg/Grand Duchy of Luxembourg
31	Rostock Verwaltungs S.à r.l	Luxembourg/Grand Duchy of Luxembourg
32	Sepat Properties GmbH	Berlin
33	Wallace Properties Luna S.à r.l	Luxembourg/Grand Duchy of Luxembourg
34	ADLER ImmoProjekt Erste GmbH	Berlin
35	ADLER Energie Service GmbH	Berlin
36	Magnus Neunte Immobilienbesitz und Verwaltungs GmbH	Berlin
37	ADLER Immo Invest GmbH	Berlin
38	ADLER Gebäude Service GmbH	Berlin
39	Westgrund Holding GmbH	Berlin
40	Westgrund Immobilien II. GmbH	Berlin

	Equity interest in %	Held by No.	Business activity
			Holding
2)	100.0	1	Service company
	100.0	1	General Partner
1)	100.0	1	Project development
	99.95	1	Intermediate holding Company
	0.05	58	
2)	83.3	5	Service company
	16.7	1	
1)	100.0	5	Project development
1)	99.9	5	Project development
	100.0	5	Intermediate holding Company
	100.0	5	Intermediate holding Company
	100.0	5	Intermediate holding Company
	94.8	19	Portfolio management
	94.8	19	Portfolio management
	100.0	19	None
	100.0	19	None
	94.8	19	Portfolio management
	100.0	19	None
	100.0	5	None
	98.0	5	Intermediate holding Company
2)	100.0	10	None
	100.0	5	Intermediate holding Company
3)	87.4	21	Portfolio management
	100.0	9	Intermediate holding Company
	100.0	23	None
	89.9	23	Portfolio management
	89.9	10	Portfolio management
	89.9	11	Portfolio management
	100.0	11	None
	100.0	11	None
2)	100.0	11	None
	100.0	11	None
	89.9	11	Portfolio management
	100.0	11	None
	89.9	1	Project development
2)	100.0	1	Service company
	89.9	5	Intermediate holding Company
	100.0	1	None
2)	100.0	5	Service company
	100.00	1	Holding
	89.9	39	Portfolio management

No.	Company	Headquarters
	Subsidiaries fully consolidated	
41	Westconcept GmbH	Berlin
42	IMMOLETO Gesellschaft mit beschränkter Haftung	Berlin
43	ICR Idee Concept und Realisation von Immobilienvorhaben GmbH	Berlin
44	Westgrund Immobilien Beteiligung GmbH	Berlin
45	Westgrund Immobilien Beteiligung II. GmbH	Berlin
46	Westgrund Immobilien Beteiligung III. GmbH	Berlin
47	WESTGRUND Immobilien IV. GmbH	Berlin
48	Westgrund Immobilien V. S.à r.l	Luxembourg/Grand Duchy of Luxembourg
49	Westgrund Immobilien VI. S.à r.l	Luxembourg/Grand Duchy of Luxembourg
50	WAB Hausverwaltungsgesellschaft mbH	Ludwigshafen am Rhein
51	Westgrund Brandenburg S.à r.l	Luxembourg/Grand Duchy of Luxembourg
52	Westgrund VII S.à r.l.	Luxembourg/Grand Duchy of Luxembourg
53	Westgrund Halle Immobilienverwaltung GmbH	Berlin
54	Westgrund Immobilien II. Halle GmbH & Co. KG	Berlin
55	RESSAP - Real Estate Service Solution Applications - GmbH	Berlin
56	Xammit GmbH	Berlin
57	Magnus Zehnte Immobilienbesitz und Verwaltungs GmbH	Berlin
58	Magnus Elfte Immobilienbesitz und Verwaltungs GmbH	Berlin
59	Zweite CM Real Estate GmbH	Berlin
60	Dritte CM Real Estate GmbH	Berlin
61	Vierte CM Real Estate GmbH	Berlin
62	TGA Immobilien Erwerb 3 S.à r.l	Luxembourg/Grand Duchy of Luxembourg
63	ADP Germany GmbH	Berlin
64	AFP III Germany GmbH	Berlin
65	RIV Harbour West MI 1 GmbH	Berlin
66	RIV Harbour East WA 1 GmbH	Berlin
67	RIV Total MI 2 GmbH	Berlin
68	RIV Central WA 2 GmbH	Berlin
69	RIV Square West MI 3 GmbH	Berlin
70	RIV Square East WA 3 GmbH	Berlin
71	RIV Channel MI 4 GmbH	Berlin
72	RIV Kornspeicher GmbH	Berlin
73	Magnus Zwölfte Immobilienbesitz und Verwaltungs GmbH	Berlin
74	Magnus Dreizehnte Immobilienbesitz und Verwaltungs GmbH	Berlin
75	TGA Immobilien Erwerb 10 GmbH	Berlin
76	Brack Capital Properties N.V. (BCP)	Amsterdam/Netherlands
77	Magnus Fünfzehnte Immobilienbesitz und Verwaltungs GmbH	Berlin
78	Magnus Sechszehnte Immobilienbesitz und Verwaltungs GmbH	Berlin
79	Brack German Properties B.V.	Amsterdam/Netherlands
80	Brack Capital (Düsseldorf-Rossstrasse) B.V.	Amsterdam/Netherlands
81	Brack Capital (Düsseldorf-Schanzenstraße) B.V.	Amsterdam/Netherlands
82	Brack Capital (Bad Kreuznach) B.V.	Amsterdam/Netherlands
83	Brack Capital (Gelsenkirchen) B.V.	Amsterdam/Netherlands

	Equity interest in %	Held by No.	Business activity
	100.0	39	Service company
	100.0	39	Intermediate holding Company
	89.9	42	Portfolio management
	100.0	39	None
	100.0	39	None
	89.9	39	Portfolio management
	89.9	39	Portfolio management
	100.0	39	None
	100.0	39	None
	100.0	39	None
	100.0	39	None
2)	100.0	39	None
	100.0	197	General Partner
1)	99.9	197	Portfolio management
	100.0	5	None
	100.0	39	None
	100.0	5	Intermediate holding Company
	100.0	5	Intermediate holding Company
	89.9	36	Portfolio management
	89.9	36	Portfolio management
	89.9	36	Portfolio management
	100.0	11	None
	89.9	58	Portfolio management
	89.9	58	Portfolio management
	89.9	57	Portfolio management
	89.9	57	Portfolio management
	89.9	57	Project development
	89.9	57	Portfolio management
	89.9	57	Portfolio management
	89.9	57	Portfolio management
	89.9	57	Portfolio management
	89.9	57	Project development
	100.0	5	Intermediate holding Company
	89.9	5	Project development
	89.9	73	Portfolio management
	62.8	1	Holding
	89.9	5	Project development
	89.9	5	Project development
	100.0	76	Intermediate holding Company
	99.9	79	Portfolio management
	100.0	79	None
	99.9	79	Portfolio management
	100.0	79	Portfolio management

No.	Company	Headquarters
	Subsidiaries fully consolidated	
84	Brack Capital (Neubrandenburg) B.V.	Amsterdam/Netherlands
85	Brack Capital (Ludwigsfelde) B.V.	Amsterdam/Netherlands
86	Brack Capital (Remscheid) B.V.	Amsterdam/Netherlands
87	Brack Capital Theta B.V.	Amsterdam/Netherlands
88	Graniak Leipzig Real Estate GmbH & Co KG	Frankfurt am Main
89	BCRE Leipzig Residenz am Zoo GmbH	Frankfurt am Main
90	Brack Capital Epsilon B.V.	Amsterdam/Netherlands
91	Brack Capital Delta B.V.	Amsterdam/Netherlands
92	Brack Capital Alfa B.V.	Amsterdam/Netherlands
93	Brack Capital (Hamburg) B.V.	Amsterdam/Netherlands
94	BCP Leipzig B.V.	Amsterdam/Netherlands
95	Brack Capital Germany (Netherlands) XVIII B.V.	Amsterdam/Netherlands
96	Brack Capital Germany (Netherlands) XXII B. V.	Amsterdam/Netherlands
97	BCRE Essen Wohnen B.V.	Amsterdam/Netherlands
98	BCRE Duisburg Wohnen B.V.	Amsterdam/Netherlands
99	BCRE Dortmund Wohnen B.V.	Amsterdam/Netherlands
100	Brack Capital Germany (Netherlands) XVII B.V.	Amsterdam/Netherlands
101	Brack Capital Germany (Netherlands) Hedging B.V.	Amsterdam/Netherlands
102	Brack Capital Germany (Netherlands) XLV B.V.	Amsterdam/Netherlands
103	S.I.B. Capital Future Markets Ltd.	Tel Aviv/Israel
104	Brack Capital Labda B.V.	Amsterdam/Netherlands
105	LBHQ Investments B.V.	Amsterdam/Netherlands
106	RealProb (Rodelheim) C.V.	Amsterdam/Netherlands
107	RealProb Investment Germany (Netherlands) III B.V.	Amsterdam/Netherlands
108	Brack Capital Germany (Netherlands) XLVII B.V.	Amsterdam/Netherlands
109	Brack Capital Germany (Netherlands) L B.V.	Amsterdam/Netherlands
110	Brack Capital Germany (Netherlands) LI B.V.	Amsterdam/Netherlands
111	Brack Capital Germany (Netherlands) LIII B.V.	Amsterdam/Netherlands
112	Brack Capital Germany (Netherlands) LIV B.V.	Amsterdam/Netherlands
113	Brack Capital Germany (Netherlands) XLVIII B.V.	Amsterdam/Netherlands
114	Brack Capital Beta B.V.	Amsterdam/Netherlands
115	Grafental Mitte B.V.	Amsterdam/Netherlands
116	Brack Capital Germany (Netherlands) XXVI B.V.	Amsterdam/Netherlands
117	Grafental GmbH & Co. KG	Duesseldorf
118	Brack Capital Germany (Netherlands) XLIX B.V.	Amsterdam/Netherlands
119	Brack Capital Germany (Netherlands) XLVI B.V.	Amsterdam/Netherlands
120	Brack Capital (Witten) GmbH & Co. Immobilien KG	Duesseldorf
121	Brack Capital Witten GmbH (GP)	Duesseldorf

	Equity interest in %	Held by No.	Business activity
	99.9	79	Portfolio management
	99.9	79	Portfolio management
	99.9	79	Portfolio management
	100.0	79	Intermediate holding Company
	99.9	87	Portfolio management
	94.9	87	General Partner
	100.0	79	None
	52.29	79	None
	37.61	76	
	10.10	5	
	52.29	79	None
	37.61	76	
	10.10	5	
	100.0	79	None
	100.0	79	Intermediate holding Company
	100.0	79	None
	100.0	79	Intermediate holding Company
	99.9	96	Portfolio management
	99.9	96	Portfolio management
	99.9	96	Portfolio management
	100.0	79	None
	100.0	79	None
	100.0	79	Service company
	100.0	102	Service company
	100.0	79	Intermediate holding Company
	100.0	79	None
	99.0	105	None
	1.0	107	
	100.0	79	None
	99.9	79	Portfolio management
	100.0	79	Intermediate holding Company
	99.9	79	Intermediate holding Company
	99.9	79	Portfolio management
	100.0	79	None
	100.0	79	Intermediate holding Company
	89.9	79	Intermediate holding Company
	99.9	114	Project development
	99.9	114	Project development
	100.0	116	Project development
	99.9	79	Portfolio management
	100.0	79	None
	100.0	119	None
	100.0	119	General Partner

No.	Company	Headquarters
	Subsidiaries fully consolidated	
122	Brack Capital Germany (Netherlands) XII B.V.	Amsterdam/Netherlands
123	Brack Capital Germany (Netherlands) XIX B.V.	Amsterdam/Netherlands
124	Brack Capital Germany (Netherlands) XXI B.V.	Amsterdam/Netherlands
125	Brack Capital Germany (Netherlands) XLI B.V.	Amsterdam/Netherlands
126	Brack Capital Germany (Netherlands) XXIII B.V.	Amsterdam/Netherlands
127	Brack Capital Germany (Netherlands) XLII B.V.	Amsterdam/Netherlands
128	Brack Capital Germany (Netherlands) XLIII B.V.	Amsterdam/Netherlands
129	Brack Capital Germany (Netherlands) XLIV B.V.	Amsterdam/Netherlands
130	Brack Capital Germany (Netherlands) XXX B.V.	Amsterdam/Netherlands
131	Brack Capital (Darmstadt Goebelstrasse) GmbH	Frankfurt am Main
132	Brack Capital Germany (Netherlands) XXXI B.V.	Amsterdam/Netherlands
133	Brack Capital Germany (Netherlands) XXXV B.V.	Amsterdam/Netherlands
134	Brack Capital Germany (Netherlands) XXXVI B.V.	Amsterdam/Netherlands
135	Brack Capital Germany (Netherlands) XXXVII B.V.	Amsterdam/Netherlands
136	Brack Capital Germany (Netherlands) XXXVIII B.V.	Amsterdam/Netherlands
137	Brack Capital Germany (Netherlands) XXXIX B.V.	Amsterdam/Netherlands
138	Brack Capital Germany (Netherlands) XXV B.V.	Amsterdam/Netherlands
139	Brack Capital Wuppertal (Netherlands) B.V.	Amsterdam/Netherlands
140	Brack Capital (Wuppertal) GmbH	Frankfurt am Main
141	Invest Partner GmbH	Frankfurt am Main
142	Brack Capital Gelsenkirchen GmbH & Co. Immobilien KG	Frankfurt am Main
143	Brack Capital (Oberhausen) GmbH	Frankfurt am Main
144	Grafental Verwaltungs GmbH (phG)	Duesseldorf
145	Brack Capital Kaufland Sarl	Luxembourg/Grand Duchy of Luxembourg
146	TPL Augsburg S.á r.l	Luxembourg/Grand Duchy of Luxembourg
147	TPL Bad Aibling S.á r.l.	Luxembourg/Grand Duchy of Luxembourg
148	TPL Biberach S.á r.l.	Luxembourg/Grand Duchy of Luxembourg
149	TPL Borken S.á r.l.	Luxembourg/Grand Duchy of Luxembourg
150	TPL Geislingen S.á r.l.	Luxembourg/Grand Duchy of Luxembourg
151	TPL Neckarsulm S.á r.l.	Luxembourg/Grand Duchy of Luxembourg
152	TPL Vilshofen S.á r.l.	Luxembourg/Grand Duchy of Luxembourg
153	TPL Ludwigsburg S.á r.l.	Luxembourg/Grand Duchy of Luxembourg
154	Brack Capital Eta B.V.	Amsterdam/Netherlands
155	Brack Capital Germany (Netherlands) XL B.V.	Amsterdam/Netherlands
156	Parkblick GmbH & Co. KG	Duesseldorf
157	Grafental am Wald GmbH (PhG)	Duesseldorf
158	Brack Capital Germany (Netherlands) LII B.V. "Holdco BV"	Amsterdam/Netherlands
159	Brack Capital Patros GmbH "Holdco GmbH"	Frankfurt am Main
160	Brack Capital Magdeburg I GmbH	Berlin
161	Brack Capital Magdeburg II GmbH	Berlin
162	Brack Capital Magdeburg III GmbH	Berlin
163	Brack Capital Magdeburg IV GmbH	Berlin

	Equity interest in %	Held by No.	Business activity
	100.0	79	Intermediate holding Company
	99.9	79	Portfolio management
	99.9	79	Portfolio management
	99.9	79	Portfolio management
	100.0	79	None
	99.9	79	Portfolio management
	100.0	79	None
	99.9	79	Portfolio management
	99.9	79	Portfolio management
	100.0	126	None
	99.9	79	Portfolio management
	99.9	79	Portfolio management
	99.9	79	Portfolio management
	99.9	79	Portfolio management
	99.9	79	Project development
	99.9	79	Portfolio management
	100.0	79	None
	100.0	79	None
	100.0	79	None
	93.9	140	Portfolio management
	99.2	83	Intermediate holding Company
	100.0	83	General Partner
	100.0	122	General Partner
	89.9	79	None
	10.1	5	
	92.0	145	Portfolio management
	91.9	145	Portfolio management
	91.9	145	Portfolio management
	92.0	145	None
	91.9	145	Portfolio management
	91.9	145	Portfolio management
	92.0	145	None
	91.9	145	Portfolio management
	100.0	79	Intermediate holding Company
	100.0	79	Intermediate holding Company
	99.9	155	Portfolio management
	100.0	155	General Partner
	100.0	79	Intermediate holding Company
	100.0	158	Intermediate holding Company
	94.8	159	Portfolio management
	94.8	159	Portfolio management
	94.8	159	Portfolio management
	94.8	159	Portfolio management

No.	Company	Headquarters
	Subsidiaries fully consolidated	
164	Brack Capital Magdeburg V GmbH	Berlin
165	Brack Capital Magdeburg VI GmbH	Berlin
166	Brack Capital Halle I GmbH	Berlin
167	Brack Capital Halle II GmbH	Berlin
168	Brack Capital Halle III GmbH	Berlin
169	Brack Capital Halle IV GmbH	Berlin
170	Brack Capital Halle V GmbH	Berlin
171	Brack Capital Leipzig I GmbH	Berlin
172	Brack Capital Leipzig II GmbH	Berlin
173	Brack Capital Leipzig III GmbH	Berlin
174	Brack Capital Leipzig IV GmbH	Berlin
175	Brack Capital Leipzig V GmbH	Berlin
176	Brack Capital Leipzig VI GmbH	Berlin
177	Brack Capital Germany (Netherlands) LV B.V.	Amsterdam/Netherlands
178	RT Facility Management GmbH & Co. KG	Duesseldorf
179	RT Facility Management (Germany) GmbH (GP)	Duesseldorf
180	BCRE Kassel I B.V.	Amsterdam/Netherlands
181	Brack Objekt Kassel Hafenstrasse GmbH	Frankfurt am Main
182	Brack Capital (Kassel) GmbH & Co. Immobilien KG	Frankfurt am Main
183	RealProb Investment (Duisburg) B.V.	Amsterdam/Netherlands
184	Magnus Siebzehnte Immobilienbesitz und Verwaltungs GmbH	Berlin
185	Wasserstadt Co-Living GmbH	Berlin
186	WER 1. Wohnungsgesellschaft Erfurt Rieth S.à r.l	Luxembourg/Grand Duchy of Luxembourg
187	WER 2. Wohnungsgesellschaft Erfurt Rieth S.à r.l	Luxembourg/Grand Duchy of Luxembourg
188	Spree Röbellweg 2 - 10 Verwaltungs GmbH	Berlin
189	ADO GROUP LTD.	Israel
190	BCP Invest Rostock B.V.	Amsterdam/Netherlands
191	BCP Invest Celle B.V.	Amsterdam/Netherlands
192	BCP Invest Castrop B.V.	Amsterdam/Netherlands
193	Eurohaus Frankfurt AG	Berlin
194	Glasmacherviertel Verwaltungs GmbH (phG)	Duesseldorf
226	Brack Capital (Duisburg 2) GmbH & Co. Immobilien KG	Frankfurt am Main
196	Glasmacherviertel GmbH & Co. KG	Duesseldorf
197	Westgrund I. Halle S.à r.l.	Luxembourg/Grand Duchy of Luxembourg
198	RELDA 39. Wohnen S.à r.l	Luxembourg/Grand Duchy of Luxembourg
199	Spree Zweite Beteiligung Ost S.à r.l	Luxembourg/Grand Duchy of Luxembourg
200	8. Ostdeutschland Invest GmbH	Berlin
201	ADO 9230 Grundstücks GmbH	Berlin
202	ADO 9250 Grundstücks GmbH	Berlin
203	ADO 9270 Grundstücks GmbH	Berlin
204	ADO 9460 Grundstücks GmbH	Berlin
205	ADO 9500 Grundstücks GmbH	Berlin

	Equity interest in %	Held by No.	Business activity
	94.8	159	Portfolio management
	94.8	159	Portfolio management
	94.8	159	Portfolio management
	94.8	159	Portfolio management
	94.8	159	Portfolio management
	94.8	159	Portfolio management
	94.8	159	Portfolio management
	94.8	159	Portfolio management
	94.8	159	Portfolio management
	94.8	159	Portfolio management
	94.8	159	Portfolio management
	94.8	159	Portfolio management
	94.8	159	Portfolio management
	100.0	79	Intermediate holding Company
	100.0	177	Service company
	100.0	178	General Partner
	89.9	79	Intermediate holding Company
	10.1	5	
	94.9	180	General Partner
	100.0	180	Portfolio management
	100.0	79	Portfolio management
	99.9	5	None
	100.0	5	Intermediate holding Company
	100.0	5	None
	100.0	5	None
	89.9	1	Portfolio management
	100.0	1	Holding
	100.0	79	Intermediate holding Company
	100.0	79	Intermediate holding Company
	100.0	79	Intermediate holding Company
	89.99	1	Portfolio management
	100.0	113	General Partner
	99.33	122	None
	100.00	113	Portfolio management
	100.00	39	Intermediate holding Company
	100.00	19	Intermediate holding Company
	100.00	1	Intermediate holding Company
	89.90	5	Portfolio management
	89.90	5	Portfolio management
	89.90	5	Portfolio management
	89.90	5	Portfolio management
	89.90	5	Portfolio management
	89.90	5	Portfolio management

No.	Company	Headquarters
	Subsidiaries fully consolidated	
206	ADO 9560 Grundstücks GmbH	Berlin
207	Ahava Grundstücks GmbH	Berlin
208	Anafa Grundstücks GmbH	Berlin
209	Badolina Grundstücks GmbH	Berlin
210	Maya Grundstücks GmbH	Berlin
211	Melet Grundstücks GmbH	Berlin
212	Sharav Grundstücks GmbH	Berlin
213	Wernerwerkdamm 25 Berlin Grundstücks GmbH	Berlin

No.	Company	Headquarters
	Associated Companies or Joint Ventures included in the consolidated financial statements	
214	ACCENTRO REAL ESTATE AG	Berlin
215	ADLER Real Estate Assekuranzmakler GmbH & Co. KG	Duesseldorf
216	AB Immobilien B.V.	Amsterdam/Netherlands
217	Caesar JV Immobilienbesitz und Verwaltungs GmbH	Berlin
218	Brack Capital (Chemnitz) B.V.	Amsterdam/Netherlands
	Companies not significant enough to be included at equity in the consolidated financial statements	
219	MRT (Mountleigh Roland Ernst) B.V.	Rotterdam / Netherlands
220	Stovago B.V.	Rotterdam / Netherlands

[1] The Company intends to utilise the exemption option under § 264 b HGB with regard to disclosure requirements
[2] The Company intends to utilise the exemption option under § 264 Art. 3 HGB with regard to disclosure requirements
[3] The Company intends to utilise the exemption option under § 264 Art. 3 HGB with regard to disclosure requirements of the management report

	Equity interest in %	Held by No.	Business activity
	89.90	5	Portfolio management
	89.90	5	Portfolio management
	89.90	5	Portfolio management
	89.90	5	Portfolio management
	93.90	5	Portfolio management
	89.90	5	Portfolio management
	89.90	5	Portfolio management
	89.90	5	Portfolio management

	Equity interest in %	Held by No.	Business activity
	6.2	1	Trade
	50.0	1	Insurance Broker
	25.0	5	Portfolio management
	25.0	5	Portfolio management
	59.9	79	Portfolio management
	50.0	1	None
	50.0	1	None

/// AFFIRMATION BY THE LEGAL REPRESENTATIVES

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

Berlin, 29 April 2023

Thierry Beaudemoulin
CEO/COO

Sven-Christian Frank
CLO

/// LEGAL REMARK

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

/// AT A GLANCE

Supervisory Board	
Martin Billhardt	Chairman of the Supervisory Board
Thilo Schmid	Vice Chairman of the Supervisory Board
Thomas Zinnöcker	Member of the Supervisory Board
Management Board	
Thierry Beaudemoulin	Member of the Management Board (CEO and COO)
Sven-Christian Frank	Member of the Management Board (CLO)
Company Facts	
Legal domicile	Berlin Charlottenburg, Berlin HRB 180360 B
Address	ADLER Real Estate Aktiengesellschaft Am Karlsbad 11 10789 Berlin Phone: +49 30 39 80 18 – 10 Email: info@adler-ag.com
Website	www.adler-ag.com
Investor Relations	Gundolf Moritz Email: investorrelations@adler-group.com
Public Relations	Dr Rolf-Dieter Grass Email: r.grass@adler-group.com
Identification	WKN 500 800 ISIN DE0005008007 Ticker symbol ADL Reuters ADLG.DE
Designated sponsors	Baader Bank AG
Stock exchanges	Xetra, Frankfurt am Main
Indices	CDAX, GPR General Index, DIMAX
Financial year	Calendar year

ADLER REAL ESTATE AKTIENGESELLSCHAFT
Berlin-Charlottenburg

Registered Office Location:
Am Karlsbad 11
10789 Berlin
Phone: +49 (30) 398 018 10
Email: info@adler-ag.com

www.adler-ag.com