



ADLER Real Estate Aktiengesellschaft
a German stock corporation (Aktiengesellschaft)

EUR 400,000,000 1.500% Notes due 2022, issue price 100%

ADLER Real Estate Aktiengesellschaft, a stock corporation (*Aktiengesellschaft*) organized under the laws of Germany, having its registered office at Joachimsthaler Straße 34, 10719 Berlin, Federal Republic of Germany, registered with the commercial register (*Handelsregister*) at the Local Court (*Amtsgericht*) of Berlin-Charlottenburg under number HRB 180360 B (the “**Company**” or the “**Issuer**” and, together with its consolidated subsidiaries, “**ADLER**” or the “**Group**”) will issue on April 17, 2019 (the “**Issue Date**”) EUR 400,000,000 principal amount of 1.500% Notes due 2022 (the “**Notes**”).

The Notes will constitute direct, unconditional, unsecured and unsubordinated obligations of the Issuer, ranking *pari passu* among themselves and *pari passu* with all other unsecured and unsubordinated obligations of the Issuer, unless such obligations are accorded priority under mandatory provisions of statutory law. The Notes will bear interest from, and including, the Issue Date, until, and excluding, April 17, 2022 (the “**Maturity Date**”) at a fixed rate of 1.500% per annum as set forth in the terms and conditions of the Notes (the “**Terms and Conditions**”). Unless previously redeemed or purchased and cancelled in accordance with the Terms and Conditions, the Notes will be redeemed at par on the Maturity Date. The Notes may be redeemed before this date, in whole but not in part, at their principal amount, together with, if applicable, accrued interest, notably in the event of any change in taxation or in an event of default. If a change of control occurs, each Noteholder will have the option to require the Issuer to redeem or, at the Issuer's option, repurchase all or part of the Notes held by such Noteholder at their principal amount together with, if applicable, accrued interest. If 80% or more of the aggregate principal amount of the Notes have been redeemed or purchased by the Issuer or any direct or indirect subsidiary of the Issuer, the Issuer may at any time, redeem, at its option, the remaining Notes in whole but not in part at the principal amount thereof plus unpaid interest accrued to (but excluding) the date of actual redemption. The Notes will be issued in bearer form and in the denomination of EUR 100,000 each and will initially be represented by a temporary global bearer note (each a “**Temporary Global Note**”), without interest coupons attached, deposited with a common safekeeper for Euroclear Bank SA/NV (“**Euroclear**”) and Clearstream Banking, S.A., Luxembourg (“**Clearstream, Luxembourg**”). Each Temporary Global Note will be exchangeable for interests recorded in the records of Euroclear and Clearstream, Luxembourg in a permanent global note (each a “**Permanent Global Note**”, and together with the Temporary Global Note each a “**Global Note**”) not earlier than 40 days after the Issue Date in accordance with the provisions set out in the Terms and Conditions.

This prospectus (the “**Prospectus**”) constitutes a prospectus pursuant to Article 5 para. 3 of the Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 on the prospectus to be published when securities are offered to the public or admitted to trading as amended by the Directive 2010/73/EC of the European Parliament and of the Council (the “**Prospectus Directive**”) which will be fully replaced by Regulation (EU) 2017/1129 of the European Parliament and of the Council (the “**Prospectus Regulation**”) from July 21, 2019 onwards. This Prospectus has been approved by the Luxembourg Commission for the Supervision of the Financial Sector (*Commission de Surveillance du Secteur Financier* - “**CSSF**”). Pursuant to Article 7 para. 7 of the Luxembourg Law of 10 July 2005 on prospectuses for securities, as amended, (“**Luxembourg Prospectus Law**”), the CSSF does not take any responsibility for the economic or financial soundness of the transaction and the Issuer's quality and financial solvency. The approved prospectus (including the documents incorporated by reference therein) may be downloaded from the Issuer's website (www.adler-ag.com) under the heading “*Investor Relations/Bonds*” and the website of the Luxembourg Stock Exchange (*Société de la Bourse de Luxembourg*) (www.bourse.lu) (the “**Luxembourg Stock Exchange**”). Application has been made to the Luxembourg Stock Exchange for the Notes to be admitted to its regulated market, which qualifies as a regulated market for purposes of the Markets in Financial Instruments Directive II (Directive 2014/65/EU, “**MiFID II**”).

The Issuer is assigned a “BB” long-term issuer credit rating with stable outlook by Standard & Poor's Credit Market Services Europe Limited (“**S&P**”). The Notes are assigned a “BB+” long-term issue credit rating by S&P. The stable outlook reflects S&P's expectation of continued favorable demand for residential real estate in Germany translating into stable cash flow generation and positive revaluation for ADLER's portfolio of residential properties. The Issuer will announce any rating it receives from S&P for the Notes to the holders of the Notes as soon as practicable following the receipt of such a rating (which will include details of the rating). S&P is established in the European Community and is registered under Regulation (EC) No 1060/2009 of the European Parliament and of the Council of September 16, 2009 on credit rating agencies, amended by Regulation (EC) No 513/2011 of the European Parliament and of the Council of 11 May 2011 (the “**CRA Regulation**”). A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organisation.

The Notes have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the “Securities Act”). The Notes may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. Persons (as defined in Regulation S under the Securities Act), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The Notes are not being offered in the United States. This Prospectus does not constitute an offer to sell, or the solicitation of an offer to buy, the Notes in any jurisdiction where such offer or solicitation is unlawful.

INVESTMENT IN THE NOTES INVOLVES CERTAIN RISKS. PROSPECTIVE INVESTORS SHOULD CONSIDER THE RISK FACTORS BEGINNING ON PAGE 1 OF THIS PROSPECTUS.

Sole Global Coordinator and Joint Bookrunner

J.P. Morgan

Joint Bookrunners

Morgan Stanley

UniCredit Bank

The date of this Prospectus is April 15, 2019

NOTICE TO INVESTORS

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

The Company further confirms that (i) this Prospectus contains all relevant information with respect to the Issuer and the Group and to the Notes which is material in the context of the issue and the offering of the Notes, including all relevant information which, according to the particular nature of the Issuer and of the Notes is necessary to enable investors and their investment advisers to make an informed assessment of the assets and liabilities, financial position, profits and losses, and prospects of the Issuer, ADLER and of the rights attached to the Notes; (ii) the statements contained in this Prospectus relating to the Issuer, ADLER and the Notes are in every material respect true and accurate and not misleading; (iii) there are no other facts in relation to the Issuer, ADLER or the Notes the omission of which would, in the context of the issue and offering of the Notes, make any statement in the Prospectus misleading in any material respect; and (iv) reasonable enquiries have been made by the Issuer to ascertain such facts and to verify the accuracy of all such information and statements.

This Prospectus should be read and understood in conjunction with any supplement hereto and with all documents incorporated herein or therein by reference.

This Prospectus is drawn up in the English language, except for the Terms and Conditions which are drawn up in English and German language, whereas German is the legally binding language. In case there is any discrepancy between the English text and the German text, the English text stands approved for the purposes of approval under the Prospectus Directive.

No person has been authorized in connection with the offering and the listing of the Notes to give any information or make any representation regarding the Company, its financial results, the Notes, the Sole Global Coordinator or the Joint Bookrunners other than as contained in this Prospectus. Any such representation or information must not be relied upon as having been authorized by the Company or the Joint Bookrunners.

This Prospectus may only be used for the purpose for which it has been published. This Prospectus reflects the status as at its date. The offering, sale and delivery of the Notes and the distribution of the Prospectus may not be taken as an implication that the information contained herein is accurate and complete subsequent to the date hereof or that there has been no adverse change in the financial condition of the Issuer since the date hereof.

To the extent permitted by the laws of any relevant jurisdiction, neither any Joint Bookrunner nor any of its respective affiliates nor any other person mentioned in the Prospectus, except for the Issuer, accepts responsibility for the accuracy and completeness of the information contained in this Prospectus or any other documents incorporated by reference and accordingly, and to the extent permitted by the laws of any relevant jurisdiction, none of these persons accept any responsibility for the accuracy and completeness of the information contained in any of these documents. The Joint Bookrunners have not independently verified any such information and accept no responsibility for the accuracy thereof.

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

- (a) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained in this Prospectus or any applicable supplement;
- (b) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact such investment will have on its overall investment portfolio;
- (c) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where the currency for principal and interest payments is different from the potential investor's currency;

- (d) understand thoroughly the Terms and Conditions of the Notes and be familiar with the behavior of the financial markets in which they participate; and
- (e) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

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

Legal investment considerations may restrict certain investments. The investment activities of certain investors are subject to legal investment laws and regulations, or to review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) the Notes are legal investments for it, (2) the Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk-based capital or similar rules.

Neither this Prospectus nor any other information supplied in connection with the offering of the Notes constitutes an offer of Notes or an invitation by or on behalf of the Issuer or the Joint Bookrunners to purchase any Notes. Neither this Prospectus nor any other information supplied in connection with the Notes should be considered as a recommendation by the Issuer or the Joint Bookrunners to a recipient hereof and thereof that such recipient should purchase any Notes.

The distribution of this Prospectus and the offering, sale and delivery of Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Company and the Joint Bookrunners to inform themselves about and to observe any such restrictions.

For a description of the restrictions see section 13“*OFFER, SUBSCRIPTION AND SALE, USE OF PROCEEDS – Selling Restrictions*” below. In particular, the Notes have not been and will not be registered under the Securities Act and are subject to United States tax law requirements. Subject to certain exceptions, the Notes may not be offered, sold or delivered within the United States of America or to U.S. persons as defined in Regulation S under the Securities Act (“**Regulation S**”).

Neither the Company nor the Joint Bookrunners represent that this Prospectus may be lawfully distributed, or that the Notes may be lawfully offered in compliance with any applicable registration or other requirements in any such jurisdiction or pursuant to an exemption available thereunder, nor do they assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Company or the Joint Bookrunners which is intended to permit a public offering of the Notes or the distribution of this Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations.

NOTICE TO CERTAIN EUROPEAN INVESTORS

MIFID II product governance / Professional investors and ECPs only target market

Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, “**MiFID II**”); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a “**distributor**”) should take into consideration the manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

For the avoidance of doubt, the Target Market Assessment does not constitute (i) an assessment of suitability or appropriateness for the purposes of MiFID II or (ii) a recommendation to any investor or group of investors to invest in, or purchase, or take any other action whatsoever with respect to the Notes.

PRIIPs Regulation / Prohibition of sales to EEA retail investors

The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (“**EEA**”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the “**Insurance Distribution Directive**”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the “**PRIIPs Regulation**”) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

STABILIZATION

IN CONNECTION WITH THE ISSUE OF THE NOTES, J.P. MORGAN SECURITIES PLC (THE “**STABILISING MANAGER**”) (OR ANY PERSON ACTING ON BEHALF OF THE STABILISING MANAGER) MAY OVER-ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, STABILISATION MAY NOT NECESSARILY OCCUR. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE NOTES IS MADE AND, IF BEGUN, MAY CEASE AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE NOTES AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE NOTES. ANY STABILISATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE STABILISING MANAGER (OR ANY PERSON ACTING ON BEHALF OF THE STABILISING MANAGER) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

FORWARD-LOOKING STATEMENTS

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

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

The Company's audited consolidated financial statements as of and for the fiscal years ended December 31, 2018 and 2017 incorporated by reference into this Prospectus, together with the notes relating thereto, were prepared in accordance with International Financial Reporting Standards as endorsed by the European Union (“**IFRS**”) as at the time of preparing these financial statements.

Certain individual figures (including percentages) stated in this Prospectus have been rounded using the common commercial method (*kaufmännische Rundung*). As a result the totals or interim totals contained in the tables may not be exact arithmetic aggregations of the figures that precede them and may also differ from the non-rounded figures contained elsewhere in this Prospectus due to this rounding.

The Company's fiscal year ends on December 31 of each year. References to any fiscal year refer to the year ended December 31 of the calendar year specified. Year-end exchange rates represent balances and amounts as of the end of the year. Average exchange rates represent the average over the year.

CURRENCY INFORMATION

The Company presents its consolidated financial statements in Euro. In this Prospectus, references to EUR, € or Euro are to the Euro, the common legal currency of the Member States participating in the third stage of the European Economic and Monetary Union, which includes Germany. Unless otherwise indicated, all currency amounts contained in this Prospectus are in euros. To the extent individual figures are in a different currency this will be stated using the name of the respective currency or the currency symbol.

NON-IFRS MEASURES

This Prospectus includes certain references to non-IFRS measures including

- “**EBITDA**” refers to earnings before interest, tax, depreciation and amortization and is calculated by adjusting “earnings before interest and tax (EBIT)” for depreciation and allowances. Investors should consider that EBITDA is neither uniformly applied nor standardized and its calculation may substantially vary from company to company, and, taken by itself, it should not be drawn upon as a basis for comparison to other companies.
- “**Adjusted EBITDA**” in general refers to adjusted earnings before interest, taxes, depreciation, amortization, write-ups and write-downs and is calculated by adjusting EBITDA for consolidated result or expense from the measurement of investment property, project costs of a one-off nature, other extraordinary and prior-period income and expenses.
- “**Consolidated Coverage Ratio**” is the Ratio of Consolidated Adjusted EBITDA to Net Cash Interest. Net Cash Interest means all interest and other financing charges accrued to persons who are not members of the Group less the amount of any interest and other financing charges accrued to be received from persons who are not members of the Group, in each case, excluding any one-off financing charges (including without limitation, any one-off fees and/or break costs).
- “**FFO I**” refers to funds from operations (not including net income/expense from the sale of investment property). In FFO I, the Adjusted EBITDA for the respective periods is adjusted to generally reflect the interest income and expenses impacting cash and the income taxes impacting cash.
- “**FFO II**” refers to funds from operations (including from the sale of real estate held as investment properties). The income from real estate sold, the income from companies accounted for at equity, the income before tax of the trading segment and the remaining income before tax which is not attributed to a segment are added in the respective periods. The Company decided not to report FFO II figures in the financial year 2018 and going forward.
- “**EPRA NAV**” refers to net asset value calculated in accordance with the guidelines by the European Public Real Estate Association. It is used to represent the Group's long-term equity and is calculated based on the net asset value (NAV) excluding the fair value of financial instruments (net) and deferred taxes. The EPRA NAV includes fair value adjustments for all main balance sheet items that are not recognized at fair value as part of the NAV in the IFRS accounts.
- “**LTV**” is defined as the ratio of adjusted net financial liabilities (net financial liabilities adjusted for sales receivables/ marketable securities) to adjusted fair value of real estate portfolio. Convertible notes were excluded.

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

See section 5.5 “*Other selected key figures (inter alia Alternative Performance Measures)*” for further information on non-IFRS measures.

See section 12 “*TERMS AND CONDITIONS OF THE NOTES*” for the definition of “*Adjusted EBITDA*” under the Terms and Conditions of the Notes.

NO INCORPORATION BY REFERENCE OF WEBSITE

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

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1 RISK FACTORS

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

1.1 Market-specific risks

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

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

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

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

The European and global economies may also be impacted by the outcome of the referendum in the United Kingdom in favour of a withdrawal from the European Union (Brexit), the current severe geopolitical crises in the Middle East as well as in the Ukraine, the uncertain economic prospects in China and other parts of the

world, the possibility of increased barriers to trade or “trade wars” e.g. between the United States and China or with other countries or regions, and other factors, such as the fluctuation of raw material prices and currency fluctuations. Such instability and the resulting market volatility and the economic situation in Germany and Europe may result in an unfavorable development of the real estate market in Germany. Deterioration in Germany's economic performance and falling demand for real estate or rental property in Germany could negatively affect ADLER's business performance and could have material adverse effects on ADLER's business, net assets, financial condition and results of operations.

Moreover, there is the risk of an unfavorable development in economic conditions in Germany driven by instability in the Eurozone, especially due to Brexit. Any such political instability in the Eurozone may result in an unfavorable development of the real estate market in Germany and thus indirectly negatively affect ADLER's business.

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

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

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

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

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

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

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

ADLER aims at growing and managing a profitable and cash-flow generating real estate portfolio throughout Germany. This strategy requires that attractive real estate portfolios are available to it for purchase at reasonable prices. Given the high current demand for residential real estate portfolios in Germany, such portfolios may be unavailable or available only at unfavorable terms. Additionally, the supply of real estate portfolios might be limited, for example due to fewer sales of real estate portfolios by municipalities and federal states. Prior to the beginning of the financial crisis in 2008, many of these portfolios were privatized in Germany. The pace of such privatization has subsequently slowed. Any such development could constrict supply, increase competition for acquisitions that would be suitable to ADLER and result in price increases of residential properties on the German market, as a result of which ADLER would be forced to pay higher prices or would be able only to acquire fewer (or no) properties.

In pursuing its strategy, ADLER competes with various other, and in particular larger, companies and is subject to intense competition from them. ADLER's competitors in acquiring residential real estate and trading real estate include foreign and domestic real estate companies and institutional investors. Some of these competitors have substantially greater financial resources or better financing opportunities, larger or more diversified real estate holdings, or, because of greater specialization, they have real estate holdings more specific to their target groups, or they may have other competitive advantages over ADLER. In addition, in the recent past, there has been a consolidation trend in the real estate industry which may continue and thus further intensify competition in the future. In comparison to these companies, ADLER is still a comparatively small market player. As a result of such competition for real estate portfolios in Germany attractive portfolios may become unavailable to ADLER or available only at unfavorable terms, due to sustained price increases. Higher purchase prices in conjunction with stagnating or more slowly rising rents can reduce the estimated return on the property holdings. Conversely, competition or a market surplus of available residential properties at a time when ADLER is ready to sell can lead to unexpectedly low selling prices or prevent ADLER from selling residential properties at all.

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

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

ADLER finances its business activities with its own and borrowed capital. Since current interest rates in Germany on (real estate) loans are at historically low levels, there is a high likelihood that interest rates may rise in the future. The European Central Bank ("ECB") last raised interest rates in early 2011 and the Company expects a tightening in monetary policy for the Eurozone.

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

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

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

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

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

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

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

As of December 31, 2018, ADLER held 60,854 residential and 1,156 commercial units with a rental space of approx. 3.8 million sqm and a fair value of EUR 4,989.1 million and an annualized actual rent (including parking spaces and other areas) of approximately EUR 231.5 million, with a regional focus on Lower Saxony (18,767 units), North Rhine-Westphalia (15,325 units) and Saxony (10,609 units).

North Rhine-Westphalia, Germany's most populated state with approximately 16 million inhabitants is composed of various socio-economically heterogeneous regional sub-markets. Parts of the Ruhr region, including Duisburg, are currently undergoing certain structural transformations, resulting from, *inter alia*, the suspension of mining activities. The debt of the state of North Rhine-Westphalia amounted to EUR 171,423 million as of September 30, 2018 (source: Statista, "Schulden der Bundesländer in Deutschland am 30. September 2018"). This level of debt and the uncertainty about the future ability of North Rhine-Westphalia to balance its budget in the short-run may force North Rhine-Westphalia's government to cut spending and to increase regional taxes and charges. As of January 1, 2015, the real estate transfer tax payable in North Rhine-Westphalia was increased by additional 1.5% to 6.5%. This increase negatively impacted the valuation of ADLER's investment properties (*i.e.* real estate held to generate rental income and/or for capital appreciation).

Lower Saxony, a territorial state in the north of Germany with approximately 7.8 million inhabitants, includes three metropolitan regions, with the most important region located around the capital city of Hannover. Lower Saxony's economy depends in large parts on few major corporations active in the automotive, aircraft or shipbuilding industry. The debt of the state of Lower Saxony amounted to EUR 59,733 million as of September 30, 2018 (source: Statista, "Schulden der Bundesländer in Deutschland am 30. September 2018"). In case of structural changes in the metropolitan regions, Lower Saxony's government may be forced to raise regional taxes and charges to control the state's debt. Comparable to other federal states, in Lower Saxony the real estate transfer tax was increased by 1.5 percentage points to 5% effective on January 1, 2014, which negatively impacted the valuation of ADLER's investment properties in Lower Saxony. Similar future measures could negatively affect ADLER's business.

Saxony, a federal state in the east of Germany with approximately 4 million inhabitants, had to face a structural transformation after the German Revolution in 1990. Saxony's economy is strong in comparison to other federal states in the east of Germany, but relatively weak with regard to the economic strength of federal states in West Germany. As of September 30, 2018, the debt of Saxony amounted to EUR 1,409 million (source: Statista, "Schulden der Bundesländer in Deutschland am 30. September 2018"). In comparison to other federal states, the real estate transfer tax rate in Saxony is lower, at 3.5%. Any decline in the economy of Saxony could negatively affect ADLER's business.

Economic and demographic developments in the relevant regions where ADLER's real estate is situated significantly impact the demand for ADLER's properties, the rents ADLER is able to achieve and the payment

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

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

1.2 Risks related to ADLER's growth

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Risks may arise in connection with acquisitions and investments, e.g. the acquisition of an approximately 70% stake in Brack Capital Properties N.V. by ADLER. Such risks include a higher level of indebtedness, higher interest expenses, issues arising from the integration of the business and the generation of planned synergies. Expected income and synergy effects from possible acquisitions may be lower than expected.

ADLER pursues a strategy of sustainable, profitable growth together with a steady increase in ADLER's value. This includes, *inter alia*, the further increase in enterprise value through the acquisition of further residential real estate, residential real estate portfolios, and investments in other real estate companies, as soon as opportunities arise that ADLER considers strategically useful and advantageous.

For example, in April 2018, ADLER acquired a stake of approximately 70% in Brack Capital Properties N.V. (“BCP”), a public limited liability company incorporated under the laws of the Netherlands, the shares of which are admitted to trading on the Tel Aviv Stock Exchange (“TASE”). The acquisition was completed through a share purchase agreement entered into on February 16, 2018 (as amended on March 26, 2018) in combination with a special tender offer (“STO”) and the acquisition of further shares in BCP from members of BCP’s senior management team.

The total consideration for this acquisition amounts to approximately ILS 2.37 billion (approximately EUR 555 million, using an average exchange rate of 4.28 ILS/EUR).

BCP owns a substantial real estate portfolio in Germany of almost 11,000 residential units and approximately 330,000 sqm of commercial real estate. For the purpose of financing the acquisition of the shares in BCP, the Company as borrower entered into a bridge term loan facility in an aggregate amount of up to EUR 585 million which was repaid in April 2018 by partly using the issue proceeds of the 800 million dual tranche notes 2018/2023 and 2018/2026 (see Risk Factor 1.5 *Financial risks - ADLER’s level of debt and the terms and conditions of its existing and future financing arrangements could increase ADLER’s borrowing costs and associated expenses, and could adversely affect ADLER’s ability to refinance its financial obligations by entering into new or extending existing financial liabilities. In addition, the documents governing ADLER’s debt obligations require ADLER to comply with financial and other covenants, and the Company’s failure to comply with such covenants could result in defaults under or acceleration of financing arrangements under which the Company is an obligor. In the event it needs to refinance its debt obligations, ADLER might not be in a position to obtain adequate alternative financing quickly or at all. In addition, lenders could under certain circumstances liquidate the extensive collateral provided by ADLER to secure loans and other secured obligations of the Company, and the proceeds from any such liquidation could prove to be less than the value of the collateral*”).

Acquisitions of portfolios and businesses that have already been carried out or will be carried out in the future or the acquisition of investments may involve considerable risks. In addition to risks pertaining to the real estate itself, there is the risk that acquisitions tie up management resources which cannot be used for other purposes at the company. Moreover, the acquisition of portfolios, businesses and investments may result in a higher level of indebtedness and higher interest expenses. If ADLER’s growth is realized by the acquisition of, or investments in, other businesses, the successful integration of business units or investments acquired into ADLER is also necessary in order to achieve the synergies pursued by the acquisition or investment. This applies in particular where the acquired companies operate in a different segment of the residential real estate market, such as BCP, which in contrast to ADLER has a residential portfolio with a stronger focus on “A” locations, or where acquired companies operate businesses which are not ADLER’s core investment focus. For example, BCP has a substantial commercial retail park portfolio and also operates in the property development sector. In such cases, in particular where ADLER does not hold 100% of the shares in an acquired company, the integration process, which often entails the restructuring of acquired companies or portfolios or the sale of non-core properties following an acquisition, may take longer than expected, require more resources than planned or fail completely. For this reason, anticipated synergies, economies of scale and cost savings may not be realized at all or in full or may be delayed.

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

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

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

ADLER could fail to adapt and expand corporate structures in line with the Company’s growth, which could also cause disruptions or interference with the Company’s IT systems. In addition, the integration of

IT systems of newly acquired portfolios could lead to significant expenses, particularly if aspects of the acquired IT systems are not immediately compatible with the Company's existing IT systems.

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

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

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

Within the course of the planned further growth, ADLER might have to continue to materially extend or establish these resources. If future acquisitions were to alter ADLER's geographical focus, it could become necessary to create or integrate new corporate structures in order to improve regional supervision and risk management. This process of growth and integration could prove to be more difficult, or more time-consuming and costly, than the Company expects. If ADLER were to be unsuccessful in integrating the residential real estate portfolios recently acquired and yet to be acquired in the future, this could have material adverse effects on ADLER's business, net assets, financial condition and results of operations.

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

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

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

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

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

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

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

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

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

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

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

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

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

1.3 Risks related to the Company's business

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

ADLER's business success significantly depends on its ability to maintain and increase rental income and to reduce vacancy rates in rental properties in the course of its real estate management activities. This involves various risks. As of December 31, 2018, the occupancy rate of ADLER's core portfolio was 94.0% (2017: 92.1%) in the core portfolio and 92.7% (2017: 90.6%) in the overall portfolio.

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

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

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

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

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

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

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

In order to sustain demand for a rental property and to generate adequate revenue over the long term, the property's condition must be maintained or improved to a standard that meets market demand. ADLER is largely unable to pass on maintenance costs to the respective tenant as, under German law, such costs are predominantly

to be borne by the owner of the property. If repairs or upgrades are required to meet changing legal or market requirements, e.g. with regard to energy savings, the property owner may be burdened with expenses that may be substantial. These expenses may be compensated for by rent increases only under certain conditions. In Germany, annual rents payable under existing contracts may be increased by only up to 11% of the costs incurred in connection with such modernization measures. ADLER may not even be able to increase the rent to the extent legally permissible in competitive regions either on account of prevailing market conditions or the inability of tenants receiving state aid to pay increased rents (as is the case for a significant part of ADLER's tenants) or otherwise.

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

ADLER may incur additional and unexpected costs if the necessary costs of maintaining or upgrading its properties exceed ADLER's estimates, if ADLER is not permitted to raise the rents in connection with maintenance upgrades due to contractual or statutory constraints (such as due to the so-called rent control (*Mietpreisbremse*) which was introduced in 2015 and entered into force in 13 of the 16 German federal states as at the date of this Prospectus even though it has been decided by the respective federal state governments that rent control will be repealed in North Rhine-Westphalia and Schleswig-Holstein), or if hidden defects that are not covered by insurance or contractual warranties are discovered during maintenance or upgrading process. The value and net operating income derived from ADLER's properties may be substantially reduced if competing properties of a similar type are built in the area where ADLER's properties are located, or if such properties are properties with a comparable price but of higher quality.

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

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

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

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

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

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

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

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

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

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

The unauthorized access by third parties, the misuse or unintended disclosure of confidential data by employees or third parties commissioned may result not only in the disclosure of business secrets, but also violate privacy provisions and, thus, constitute administrative or criminal offences and substantiate claims for damages and/or the issuance of cease and desist orders as well as trigger public penalties, such as administration fines. Such IT security incidents, any unauthorized data leakage of confidential information or violations of applicable law, such as violations of the EU General Data Protection Regulation (“GDPR”). The GDPR which has entered into force on May 25, 2018 together with corresponding amendments to national regulations such as the Federal Data Protection Act (*Bundesdatenschutzgesetz*) may also cause considerable damage to ADLER's reputation. Moreover, there are risks in connection with the outsourcing of the IT infrastructure to third parties. This increases the risk that damage or loss may occur due to circumstances which are beyond ADLER's control.

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

1.4 Risks related to the valuation of the properties

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

ADLER focuses its business on the acquisition, management, optimization, and expansion of a profitable residential real estate portfolio. ADLER carries the real estate held as investment properties (*i.e.* properties held for the purpose of generating income from their rental and/or for the purpose of appreciation) at fair value. Upon acquisition, investment properties are measured at cost including ancillary purchase costs. In subsequent reporting periods, investment properties are measured at fair value. The value of real estate usually depends on the general development of the real estate market as well as the general economic situation and certain factors relating to specific properties. If the real estate market or general economic situation were to suffer a downturn, there is a risk that the carrying amounts recognized for real estate in ADLER's portfolio would have to be corrected. In addition, there is a risk that negative economic developments in individual locations in which ADLER's residential properties or land are situated could necessitate correction of the carrying amounts of one or more residential properties or parcels of land. Any change in this fair value must be recognized as a gain or loss from changes in fair value in profit or loss in the income statement. Material fair value adjustments that

must be made by ADLER could therefore have material adverse effects on ADLER's financial condition and results of operations. Moreover, material changes in fair value could negatively affect ratios important for ADLER such as net asset value (NAV) or the loan-to-value ratio (LTV ratio), which in turn could result in the violation of financial covenants in loan agreements or bond terms.

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

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

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

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

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

There is a risk of impairment of recorded goodwill.

As of December 31, 2018, the Company recorded goodwill on a consolidated basis of EUR 170.8 million (2017: EUR 101.2 million) an increase following the acquisition of BCP. Pursuant to IAS 36, the goodwill is not subject to a scheduled depreciation, but to an unscheduled depreciation depending on the results of an impairment test which is to be carried out annually and in case of indications. Depreciation must be recorded in the profit and loss statement, if the impairment test showed that the carrying amounts of the cash generating units (CGU) to which goodwill was allocated can no longer be realized. The maximum amount of depreciation is limited by the amount of goodwill recorded in the balance sheet. As a basis for the impairment test, assumptions with regard to the valuation parameters must be established and future cash flows must be forecast at regular intervals. Both the valuation parameters and the future cash flows may deteriorate for ADLER by certain circumstances and events and result in an impairment of the goodwill which, in turn, might have material adverse effects on ADLER's business, net assets, financial condition and results of operations.

1.5 Financial risks

ADLER's level of debt and the terms and conditions of its existing and future financing arrangements could increase ADLER's borrowing costs and associated expenses, and could adversely affect ADLER's ability to refinance its financial obligations by entering into new or extending existing financial liabilities. In addition, the documents governing ADLER's debt obligations require ADLER to comply with financial and other covenants, and the Company's failure to comply with such covenants could result in defaults

under or acceleration of financing arrangements under which the Company is an obligor. In the event it needs to refinance its debt obligations, ADLER might not be in a position to obtain adequate alternative financing quickly or at all. In addition, lenders could under certain circumstances liquidate the extensive collateral provided by ADLER to secure loans and other secured obligations of the Company, and the proceeds from any such liquidation could prove to be less than the value of the collateral.

ADLER has incurred considerable debt in the form of notes, convertible notes, loans and promissory notes (*Schuldscheine*). As of December 31, 2018, ADLER's non-current and current liabilities together amounted to EUR 4,277.0 million (taking into account liabilities held for sale in the amount of EUR 0.5 million). The Company's total non-current and current liabilities corresponded to a debt to equity ratio of 270.73% (37.8% of which are secured) based on the Company's total assets and liabilities as of December 31, 2018. Further growth will probably require ADLER to borrow additional funds.

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

ADLER's loan agreements and notes stipulate many different obligations that ADLER must fulfill. For instance, the terms of the EUR 800 million 1.5% and 2.125% dual tranche Notes 2017/2021 and 2017/2022 and the EUR 800 million 1.875% and 3.00% dual tranche Notes 2018/2023 and 2018/2026 (the “**Dual Tranche Notes**”) issued by the Company include what is known as a “negative pledge clause” which categorically prohibits the Company and its subsidiaries from furnishing and maintaining security for capital market liabilities if the same type of security with the same rank is not provided to the bond creditors, or if the security provided to them is not economically equivalent. Capital market liabilities within the meaning of a negative pledge clause include promissory notes (*Schuldscheine*) and securities that can be traded on or off exchange. Subject to certain limitations, this prohibition does not apply to security that already exists on assets (such as real estate portfolios) at the time they are acquired by the Company.

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

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

If ADLER were to violate financial or other covenants, lenders or bond creditors could under certain circumstances terminate or accelerate the respective indebtedness. In addition, many of the agreements governing ADLER's financing arrangements contain so-called cross-default and cross-acceleration clauses, so that an event of default under one instrument could result in events of default or acceleration under the other financing agreements or instruments, including the Notes.

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

Also, in case of a breach of a financial covenant under certain agreements, ADLER's right to freely dispose of the rental income from its properties that serves to secure the relevant loan agreements could be limited, and debt instruments under which an event of default occurs could become due and payable immediately. In addition, ADLER could be prevented from using planned income for certain payments, particularly for paying other

financial liabilities, without the prior permission of lenders. This could result in the non-fulfilment of ADLER's payment obligations under such other loan agreements.

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

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

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

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

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

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

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

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

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

The majority of ADLER's current financial liabilities will be due in the fiscal years 2019 to 2021 and 2023 to 2026, which means the refinancing risk is concentrated at certain points in time. If market or economic conditions were to be unfavorable for ADLER at these times, ADLER could be forced to refinance on significantly less attractive terms or may not be able to contractually agree new financing in time.

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

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

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

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

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

On September 20, 2018, S&P Global Ratings affirmed its "BB" long-term corporate credit rating to the Company. The outlook was revised from positive to stable. S&P Global Ratings believe that the Company's actions to reduce debt, including through asset disposals, and execute on its refinancing plans will take longer than previously forecast. S&P Global Ratings has also affirmed their 'BB+' long-term issue rating on the Company's debt, including the two EUR 800 million Dual Tranche Notes. With respect to the EUR 500 million 4.75% notes 2015/2020 ("Notes 2015/2020") issued by the Company, the Company is obliged to maintain a rating from the rating agency S&P and/or Moody's Investors Service, Inc. ("Moody's") and/or Fitch Ratings, Inc. ("Fitch") from December 31, 2016 for the term of the Notes 2015/2020 as otherwise, in accordance with the terms and conditions of the Notes 2015/2020, the interest rate on the Notes 2015/2020 will be increased from 4.75% to 5.25% p. a. Moreover, in accordance with the General Terms and Conditions of Deutsche Börse AG for Participation in the Prime Standard for Corporate Bonds, the Company is, in principle, obliged to obtain a current and valid company or bond rating in order to participate in the Prime Standard for corporate bonds.

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

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

ADLER has significantly expanded its real estate portfolio through the acquisition of numerous real estate portfolios since 2013. To finance these transactions, ADLER has incurred considerable debt in the form of notes, convertible notes, loans and promissory notes (*Schuldscheine*). As of December 31, 2018, ADLER's non-current and current liabilities together amounted to EUR 4,277.0 million (taking into account liabilities held for sale in

the amount of EUR 0.5 million). As of December 31, 2018 ADLER's interest coverage ratio (“ICR”) was 2.33 (2017: 1.71). ADLER has budgeted debt service of EUR 75.2 million for the fiscal year 2019. However, the planned further growth of ADLER may require the raising of additional debt capital which may in turn result in an increase in expenses for principal and interest payments. ADLER relies on generating positive cash flow from its property management business to pay these debt financing expenses (principal and interest) which mainly stems from rental income. In the future, if ADLER were to fail to generate positive cash flow from its property management business, it could be forced to sell residential units regardless of the market situation and possibly on terms unattractive to it, to use up existing liquidity, and, to the extent possible, to raise equity or debt capital under possibly unattractive financial conditions. This could have overall material adverse effects on ADLER's business, net assets, financial condition and results of operations.

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

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

1.6 Legal and regulatory risks

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

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

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

ADLER appealed this ruling to the Austrian Supreme Court (*Oberster Gerichtshof*, “**OGH**”) on December 14, 2016. However, in a decision communicated to the Company on April 10, 2017, the OGH upheld the ruling of the Commission. The decision is binding and not subject to appeal. As a result, the Company could face restitution proceedings in which shareholders and holders of convertible bonds issued by conwert may seek damages from ADLER, WESTGRUND and MountainPeak asserting that they sold shares or convertible notes at a price which was lower than the minimum offer price that the aforementioned companies and further persons

acting in concert with them would have been obliged to pay in the context of the wrongfully omitted takeover offer. Further, the OGH stated in its decision that the mandatory bid obligation may have ceased since meanwhile, circumstances changed and that this fact would need to be considered in potential restitution claims. From the Company's perspective, neither the number nor the specific structure and, in particular, the financial outcome of such cases can be determined.

Currently two damage claims of former Conwert-shareholders are pending at Vienna Commercial court. The total amount in dispute is EUR 1.136m. The outcome of the proceedings is hard to foresee because there is no case law on the relevant legal question. In one case the first instance decision is to be expected this spring with a favourable outcome but the claimant may appeal.

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

In addition, the Commission initiated administrative penal proceedings against directors of ADLER and WESTGRUND who were in office at the time at which control was gained due to the failure to submit a mandatory offer. The potential penalties range from EUR 5,000 to EUR 50,000 per defendant. ADLER and WESTGRUND are liable for the collection of any potential penalty. Whereas the proceeding against the director of WESTGRUND was suspended without a penalty, the Commission fined the director of ADLER with EUR 20,000. The director of ADLER and ADLER appealed to the Austrian Federal Administrative Court. The administrative penal proceeding is still ongoing.

Finally, the Austrian Financial Market Authority (*Finanzmarktaufsicht "FMA"*) initiated administrative penal proceedings against ADLER, WESTGRUND and MountainPeak with respect to the failure to make voting right notifications. Austrian law provides that parties (including parties acting in concert) who reach a certain voting rights threshold are required to notify the applicable company, the Vienna Stock Exchange and the FMA thereof. The relevant voting right thresholds are *inter alia* 25% and 30%. The fines for such misconduct were recently increased in Austria and could amount to up to EUR 10 million or 5% of the Company's annual net sales (on a consolidated basis) or twice the amount of the benefit which resulted from the breach of notification duties. The FMA fined ADLER with EUR 38,500 whereas the proceedings against WESTGRUND and MountainPeak were suspended without a penalty. ADLER appealed to the Austrian Federal Administrative Court. The proceeding is still ongoing. Overall, at this stage, an outflow of financial resources is not regarded as probable by ADLER. Therefore, the Company has not made any provisions in its financial statements.

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

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

In particular, an across-the-board increase in the land transfer tax or land tax, changes in capital gains taxation, limitations on tax deductions, or stricter add-back rules for interest expenses could occur at any future subsidiaries of the Company. Furthermore, tax benefits or regulatory rules concerning investments in real estate companies could be changed, which could dampen general interest in real estate in Germany and could result in reduced proceeds from the sale of parts of the residential property portfolio. Despite the general principle of non-retroactivity, any changes in applicable laws, regulations and directives may have a retroactive effect. Also, for example, depreciation allowances for real property may be restricted. This may have a material adverse effect on the attractiveness of residential properties. There have been significant changes in the legal and tax environment in past years. For example, the real estate transfer tax has undergone significant changes and been increased from 3.5% to up to 6.5% in some German states. The Company cannot rule out that further increases might take place in the future. With effect as of June 7, 2013, the German Real Estate Transfer Tax Act was amended as to prevent or restrict the implementation of so called “RETT blockers”, which were frequently used in the past to avoid German real estate transfer tax becoming due in the course of real estate acquisitions. Consequently, future sales and acquisitions of properties or property companies are likely to become more cumbersome. According to current legislation, real estate transfer tax is, in general, only triggered, if the aggregate direct and indirect shares of the Company in the newly acquired real estate holding amount to less than 95%. In order to purchase real estate holding units with a tax-neutral effect ADLER would, thus, have to unite with one or several third parties which acquire more than 5% in the unit.

A reform of the German Real Estate Transfer Tax Act with regard to so called “Share Deals” is expected. According to public statements, the ministers of finance of the German states have decided to reform the German Real Estate Transfer Tax Act according to which the (i) decisive aggregate share amount acquired will be lowered from 95% to 90%, (ii) the holding period will be extended from five to ten years and (iii) the rules for partnerships will be extended to corporations, *i.e.* if 90% of shares of a corporation owning property are transferred to new shareholders within ten years, Real Estate Transfer Tax is triggered. However, it is currently unclear whether, when and with which regulations a reform of the German Real Estate Transfer Tax Act will be implemented. Nevertheless, this may render a transaction more complex and result in stronger minority rights of the partners. As a consequence, the costs of the transaction and future administrative efforts arising in connection with the newly acquired unit will also regularly increase. In April 2018, the German Constitutional Court decided that the regulations regarding the valuation base for the assessment of land tax (*Einheitsbewertung*) are unconstitutional. The legislator is obliged to adopt new regulations by December 2019, but can in the meantime apply the existing rules. The new regulations with regard to the valuation base are supposed to lead to the approximate same tax revenue as hitherto. However it can be expected that the property values in agglomerations will increase as the last valuation of the base for the assessment of land tax took place in 1964 in Western and in 1935 for Eastern Germany. Furthermore, the provisions of landlord-tenant law are especially relevant to ADLER.

German residential landlord-tenant law (*Wohnraummietrecht*) is considered to be tenant friendly in many respects, restricting the ability to increase rents. If the parties to a tenancy agreement have not agreed on a stepped rent or an indexation – both unusual in the German residential market – a rent increase is feasible only within certain limits and taking into account statutory limits, for example, as a result of the so-called rent control (*Mietpreisbremse*) which was introduced in 2015 and has been implemented by 13 of the 16 German federal states as at the date of this Prospectus. Further obligations for landlords are stipulated in the Tenancy Law Adjustment Act (*Mietrechtsanpassungsgesetz*) which is in effect since January 1, 2019 and pursuant to which allocation of modernisation costs shall be reduced from 11% to 8% of the investment amount (applicable to all housing markets) with absolute caps of rent growth following a modernisation. Moreover, landlords are required to disclose the previous rent vis-à-vis the new tenant if the new rent is set at more than 10% above the local comparable rent. It is currently being discussed whether to reform tenancy law once again, in particular to extend the observation period for the calculation of the local comparable rent from four to six years. This shall hinder an excessive increase of rents. However, there is currently no corresponding draft law. In addition, rent increases due to an agreed staggered rent or indexation of rent are limited pursuant to the provisions of tenancy law. Changes in the legal rights of tenants, in particular limitations on rent increases, and the protection of tenants against termination could curtail the Company's flexibility in changing the tenant structure of its portfolio and negatively affect the overall value of the leased properties. In addition, the new EU General Data Protection Regulation (*EU-Datenschutzgrundverordnung*) which has come into effect in Germany on May 25, 2018, which applies to the fully or partly automated processing of personal data of natural persons as well as the non-automated processing of personal data which is stored in a data storage system also affects landlords with respect to data about their tenants which they processed or store. The new regulation imposes stricter rules on the processing or storage of personal data. Processing of personal data which is unlawful under the regulation may

be fined with up to EUR 20 million or 4% of the total group revenues of a company in the fiscal year preceding the violation, whichever is higher.

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

Furthermore, controversial political discussions are currently held as a consequence of rising rents across Germany but in particular in Berlin with initiatives proposing a referendum to expropriate multi-unit private properties owning more than 3,000 apartments in Berlin. According to Moody's, such an expropriation of real estate companies would reduce the Berlin's ability to attract investors and also push its debt further while according to Moody's it is estimated that up to €36bn will be needed to pay compensations to the affected housing companies. However, there is currently no corresponding draft law.

Further debates refer to the current property tax reform. The German Federal Supreme Court has decided that the legal regulations on property tax must be revised by the end of 2019. In this context, it is currently being discussed whether the allocation of property tax to tenants should be prohibited in order to reduce the tenants' financial burden. This would result in the landlord no longer being able to allocate these costs to the tenant and having to bear the property tax costs himself.

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

ADLER is subject to a wide variety of other regulations, including with respect to anti-corruption, bribery and money-laundering, and may face substantial liability if it fails to comply with such regulations.

In addition to regulatory conditions applying directly to the real estate industry, ADLER has to comply with laws, regulations and administrative policies which relate to anti-corruption, bribery, money laundering and trade sanctions, e.g. administered and enforced by the U.S. Office of Foreign Assets Control (OFAC). ADLER's ability to operate its business is contingent on its ability to comply with these laws and regulations.

ADLER's failure to comply with laws, regulations and administrative policies which relate to anti-corruption, bribery, money laundering and trade sanctions could lead to substantial penalties, including criminal or administrative penalties or other punitive measures, result in increased regulatory scrutiny, impair the Group's reputation, subject it to liability for damages, trigger a default under one or more of its financing agreements or invalidate or increase the cost of the insurance that it maintains for its business. This, in turn, could have a material adverse effect on ADLER's business, net assets, financial condition and results of operations.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

In the event of a future tax audit by the tax authorities, differences in the tax authority's interpretation of matters could result in follow-up tax liabilities that will lower results of operations. In addition, changes in the legal and tax environment may affect the outcome of any audit. For example the German Real Estate Transfer Tax Act will be further aggravated as to prevent transaction structures that avoided German real estate transfer tax becoming due. Although such transaction structures were common practice, it cannot be ruled out that issues could be raised by the tax administrations in connection with certain acquisitions the Company made in the past. Furthermore, the introduction of even tighter laws against RETT blockers are expected as stated on page 36.

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

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

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

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

ADLER is regularly involved in litigation, mostly against its tenants with respect to unpaid rent or actions for eviction. ADLER could also be subject to risks from legal disputes arising in the course of ADLER's business as a developer of properties, as a manager of residential property holdings or resulting from ADLER's mergers and acquisition activities. For example, with respect to the acquisition of shares in Austrian listed company conwert Immobilien Invest SE in August 2015 and further discussions in 2016, the Austrian Takeover Commission has ruled that the Company has acted in concert with certain other persons and may become subject to fines (see "*The Austrian Takeover Commission has ruled that the Company has acted in concert with certain other persons in September 2015 and in early 2016 with respect to the acquisition or exercise of control over the Austrian listed company conwert Immobilien Invest SE. The Company unsuccessfully appealed against this ruling to the Austrian Supreme Court, which upheld the Takeover Commission's ruling. As a consequence, the Company could be subject to restitution claims by former conwert shareholders and holders of convertible notes issued by conwert group. In addition, the Company could be subject to substantial administrative fines that could be imposed by the Austrian Financial Markets Authority.*" above). In addition, on April 8, 2018, a petition to certify a lawsuit as a class action was filed in the Tel Aviv District Court by a minority shareholder of Brack Capital Properties NV ("BCP") against the Company, Redzone Empire Holding Limited ("Redzone") and members of the senior management of BCP in connection with the purchase of BCP shares by the Company from Redzone, the special tender offer launched by the Company in respect of BCP's shares on February 19, 2018 in Israel, and put option agreements entered into by the Company and the members of the senior management, claiming that the purchase violated the principle of equality under applicable tender offer rules. The petitioner requests that the court declares that the BCP shares purchased by the Company are dormant shares, *i.e.*, they do not carry any rights (voting or other), and requests monetary compensation for the shareholders other than Redzone and the senior management members.

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

1.7 Risks in connection with the Company's shareholder structure

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

At present, the Company's principal shareholders are Mezzanine IX Investors S.A. which (including any voting rights attributed to it) holds 14.44% of the total voting rights in the Company, Klaus Wecken who (including any voting rights attributed to him) holds 14.66% of the total voting rights in the Company, and Mirabella Malta Limited (including voting right attribute to it) holds 14.16% (together referred to as the “**Principal Shareholders**”). Due to this shareholding structure, none of the three Principal Shareholders has a controlling influence on the Company.

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

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

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

1.8 Risks related to the Notes

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

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

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

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

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

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

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

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

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

The market price of the Notes may be volatile.

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

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

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

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

The yield of the Notes may be affected by inflation.

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

There may not be a liquid market for the Notes.

Application has been made to the Luxembourg Stock Exchange for the Notes to be admitted to its regulated market. There can, however, be no assurance that a liquid market for the Notes exists or, if it exists, that it will continue to exist. In an illiquid market, an investor may not be able to sell its Notes at any time at fair market prices. Further restrictions on sales of Notes may arise under the applicable securities laws of specific jurisdictions.

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

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

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

Application has been made to the Luxembourg Stock Exchange for the Notes to be admitted to its regulated market. Due to the Notes' admission to stock exchange trading, the Company is subject to various follow-up obligations and standards of conduct. In principle, non-compliance with the follow-up obligations and the standards of conduct has various legal consequences, which may include termination of the Notes' admission to trading at a stock exchange. As a result thereof, noteholders may not or may only barely be able to trade their Notes and, thus, suffer a significant disadvantage (for example, a falling market price).

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

The market price of the Notes depends on various factors, such as the economic development of ADLER, changes in the general interest rate level, the policy of the central banks, general economic developments, the rate of inflation as well as a lack of or excessive demand for the Notes. If a Noteholder holds the Notes until their final redemption date, the Notes are repaid in accordance with its terms under the Terms and Conditions

governing the Notes. However, Noteholders are exposed to the risk of an unfavorable price development of their Notes, which arises when they sell the Notes prior to the final redemption date.

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

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

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

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

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

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

On September 20, 2018, S&P Global Ratings affirmed its "BB" long-term corporate credit rating to the Company. The outlook was revised from positive to stable. S&P Global ratings believe that the Company's actions to reduce debt, including through asset disposals, and execute on its refinancing plans will take longer than previously forecasted. S&P Global Ratings also affirmed their 'BB+' long-term issue rating on the Company's senior unsecured debt, including the two EUR 800 million Dual Tranche Notes. However, a rating of the Company or the Notes may not take into account all potential consequences of all risks related to the structure, the market, the additional risk factors which are described above, or other factors which may affect the value of the Notes. A rating by a rating agency or third party does not constitute a recommendation to purchase, sell or hold Notes of the Company and may at any time be reviewed, suspended or withdrawn by the rating agency or third party. There is also the risk that another rating agency, which the Company has not commissioned to assign a rating, assigns a rating to the Notes or the Company with a different assessment of the creditworthiness and the rating agency publishes such rating without the Company's consent. There is no guarantee that a rating by a rating agency or a third party is maintained for a certain period, is not downgraded or is not entirely withdrawn, if so deemed necessary by the rating agency or third party. The suspension, downgrading or withdrawal of a rating of the Company or the Notes by one or several third parties or a rating agency as well as the publication of an additional rating with a different assessment of the creditworthiness could have a material adverse effect on the price and trading of the Notes of the Company as well as on the costs, terms and conditions of ADLER's financing in general.

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

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

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

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

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

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

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

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

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

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

The Notes may be subject to early redemption.

In the event that the Company would be obliged to increase the amounts payable in respect of the Notes due to the occurrence of certain events constituting a defined change in tax law, the Company may redeem the Notes in accordance with the Terms and Conditions.

Also, the Company may, at its option, redeem the Notes by paying a "make-whole" premium in accordance with the Terms and Conditions. In addition, at any time during the one-month period preceding the respective Maturity Date, the Company may, at its option, redeem the Notes.

Moreover, if 80% or more of the aggregate principal amount of the Notes have been redeemed or purchased by the Company or any direct or indirect subsidiary of the Company, the Company may at any time, redeem, at its option, the remaining Notes in whole.

Noteholders may therefore be exposed to risks connected to the reinvestment of cash proceeds from the sale or early redemption of the Notes.

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

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

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

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

Adverse change of law may affect the Notes.

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

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

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

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

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

Under the Terms and Conditions of the Notes certain Events of Default require a quorum of at least 15% of the aggregate principal amount of the Notes then outstanding.

If an event of default (as specified in the Terms and Conditions) occurs and is continuing each Noteholder is entitled to declare due and payable by submitting a termination notice to the Paying Agent its entire claims arising from the Notes and demand immediate redemption at the principal amount thereof together with unpaid interest accrued to (but excluding) the date of actual redemption. However, with regard to certain events of default, namely (i) failure by the Issuer to duly perform any other material obligation (other than the payment of

principal or premium or interest on the notes and the covenants) arising from the Notes; (ii) cross default of Issuer or any subsidiary; (iii) the Issuer or any Material Subsidiary announces its inability to meet its financial obligations or ceases its payments generally; (iv) insolvency proceedings are initiated against the Issuer or a Material Subsidiary; (v) the Issuer enters into liquidation, any notice by a Noteholder declaring Notes due will only become effective if the Paying Agent has received default notices from the Noteholders representing at least 15% of the aggregate principal amount of the Notes then outstanding (Quorum). Accordingly, if such quorum is not met, the termination notice by a noteholder will not lead to the Issuer being required to redeem the Notes at their principal amount plus unpaid interest accrued.

A Noteholder is exposed to the risk of being overruled and losing rights vis-a-vis the Issuer in a Noteholders' meeting against his will, if the majority of the Noteholders, in accordance with the Terms and Conditions of the Notes by means of a majority decision pursuant to the German Act on Bonds of 2009 (Schuldverschreibungsgesetz, SchVG), agree upon the amendment of the Terms and Conditions of the Notes.

Pursuant to the German Act on Bonds of 2009 (*Schuldverschreibungsgesetz*, “**SchVG**”), holders of notes may agree, with the consent of the Issuer, upon the amendment of the terms and conditions of their notes in a noteholders' meeting. Depending on the subject of the amendment certain majority requirements and a quorum apply. Furthermore, the SchVG provides for the possibility of the noteholders to appoint a common representative who can assert rights of the noteholders vis-à-vis the issuer. As a consequence, a Noteholder is exposed to the risk of being overruled and lose its rights vis-à-vis the Issuer in a Noteholders' meeting against his will, if the majority of the Noteholders passes a majority resolution in accordance with the SchVG and in accordance with the Terms and Conditions to amend the Terms and Conditions. In addition, if and to the extent a joint representative of all Noteholders is appointed, an individual Noteholder could lose all or some of its rights to assert or enforce its rights against the Issuer.

Payments on the Notes may be subject to U.S. withholding tax under the Foreign Account Tax Compliance Act.

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986 and the U.S. Foreign Account Tax Compliance Act, commonly known as “FATCA”, a “foreign financial institution” may be required to withhold a 30% withholding tax on certain payments it makes (“**foreign passthru payments**”) to persons that fail to meet certain certification, reporting, or related requirements. A number of jurisdictions (including the Republic of Germany) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA (“**IGAs**”), which modify the way in which FATCA applies in their jurisdictions. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, such withholding would not apply before the date that is two years after the date of publication of final regulations with the U.S. Federal Register defining the term “foreign passthru payments”. To date such final regulations have not yet been published. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, Noteholders will not receive any Additional Amounts (as defined in the Terms and Conditions) in respect of such withholding, and Noteholders will therefore receive less than the amount that they would otherwise have received on such Notes. Noteholders should consult their own tax advisors regarding how these rules may apply to their investment in the Notes.

2 GENERAL INFORMATION

2.1 Note on industry, market and customer data

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

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

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

- CBRE GmbH – Germany Real Estate Market Outlook 2019
- Eurostat, *las updated on February 02, 2019, retrieved on March 15, 2019*
- Eurostat, Distribution of population by tenure status, type of household and income group - EU-SILC survey as of 2017,*Switzerland as of 2016
- Federal Association of German Housing and Real Estate companies, chart “*Anbieterstruktur auf dem deutschen Wohnungsmarkt nach Zusatzerhebung Mikrozensus 2014*”, July 2018
- 2009 - 2018 Federal Statistical Office, Wiesbaden 2019
- Federal Statistical Office, *Migration between Germany and foreign countries 1991 to 2017*
- Federal Statistical Office, statistics on “*Bevölkerungsstand*”, retrieved March 14, 2017
- Federal Statistical Office, report “*Statistisches Bundesamt, VGR - Private Konsumausgaben, 3. Vj. 2018*”, published on December 7, 2018
- Federal Statistical Office, press release no. 075 “*44.7 million persons in employment in January 2019*”, published on March 01, 2019
- Federal Statistical Office, press release no. 029 “*Estimate for 2018: population increased to 83.0 million*” published on January 25, 2019
- Federal Statistical Office, press release no. 073 “*Consumer prices in February 2019: 1.6% rise on February 2018 expected*” published on February 28, 2019
- Federal Statistical Office, press release no. 095 “*Consumer prices in February 2019: +1.5% on February 2018*” published on March 14, 2019
- Federal Statistical Office, press release no. 097 “*Genehmigte Wohnungen im Jahr 2018: -0,2 % gegenüber Vorjahr*”, published on March 14, 2019), database: “*Bautätigkeit, Baugenehmigungen im Hochbau Deutschland*”
- Federal Statistical Office, database, topic: “*Wohnungsbestand in Deutschland*”, press release 275 published in July 26, 2018 retrieved March 15, 2019
- Federal Statistical Office, statistics on “*Bevölkerung, Haushalte nach Haushaltsgrößen*”, rolling updates, available via:

www.destatis.de/DE/ZahlenFakten/Indikatoren/LangeReihen/Bevoelkerung/lrbev05.html, retrieved March 15, 2019

- ifs Institut für Städtebau, Wohnungswirtschaft und Bausparwesen e.V., “*Selbstgenutztes Wohneigentum/Eigentumsquote*”, retrieved on March 15, 2019
- IMX – The residential property price index of Immobilienscout24, differentiated between new apartments (completion within one year before indexing), existing apartments and rented apartments for the period September 2018, www.immobilienscout24.de, retrieved March 03, 2018
- World Bank, statistic data, available via: data.worldbank.org/indicator/NY.GDP.MKTP.CD

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

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

Any information taken from third parties has been accurately reproduced in this Prospectus. As far as the Company is aware and able to ascertain from the information published by such third parties, no facts have been omitted which would render the reproduced information incorrect or misleading. The Company has also cited the sources of this information. A glossary containing the technical terminology used in this Prospectus is provided in the section 16 “*GLOSSARY*” of this Prospectus.

2.2 Documents available for inspection

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

- the audited consolidated financial statements of the Company (IFRS) as of and for the fiscal years ended December 31, 2018 and December 31, 2017 prepared in accordance with International Financial Reporting Standards as adopted by the European Union (“**IFRS**”) and the additional disclosure requirements of German commercial law pursuant to Section 315e (1) German Commercial Code (*Handelsgesetzbuch*) (together, the “**Audited Consolidated Financial Statements**”);
- the forecast of the Funds from Operations I (FFO I) for the fiscal year 2019 for ADLER;
- this Prospectus;
- the Terms and Conditions; and
- the Company's articles of association

may be inspected in physical format during regular business hours at the Company's offices at Joachimsthaler Straße 34, 10719 Berlin, Germany. The Company's future annual and interim financial reports will be available in physical format at the offices of the Company, the Luxembourg Stock Exchange, the Paying Agent nominated in this Prospectus and in the electronic companies register (*Unternehmensregister*) via www.unternehmensregister.de.

2.3 Interested parties

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

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

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

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

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

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

3 INDUSTRY AND MARKET

3.1 The market

As of December 31, 2018, ADLER held 60,854 residential and 1,156 commercial units with a rental space of approximately 3.8 million sqm and a fair value of EUR 4,989.1 million and an annualized actual rent (including parking spaces and other areas) of approximately EUR 231.5 million. These are located exclusively in Germany, in most cases in the vicinity of larger conurbations and offer affordable homes to tenants with medium to low incomes, with a regional focus on Lower Saxony (18,767 units), North Rhine-Westphalia (15,325 units) and Saxony (10,609 units). Since 2013, ADLER's total portfolio has grown from 211 units as at year-end 2012 to approximately 62,000 units as at December 31, 2018 through various acquisitions.

Factors influencing the market

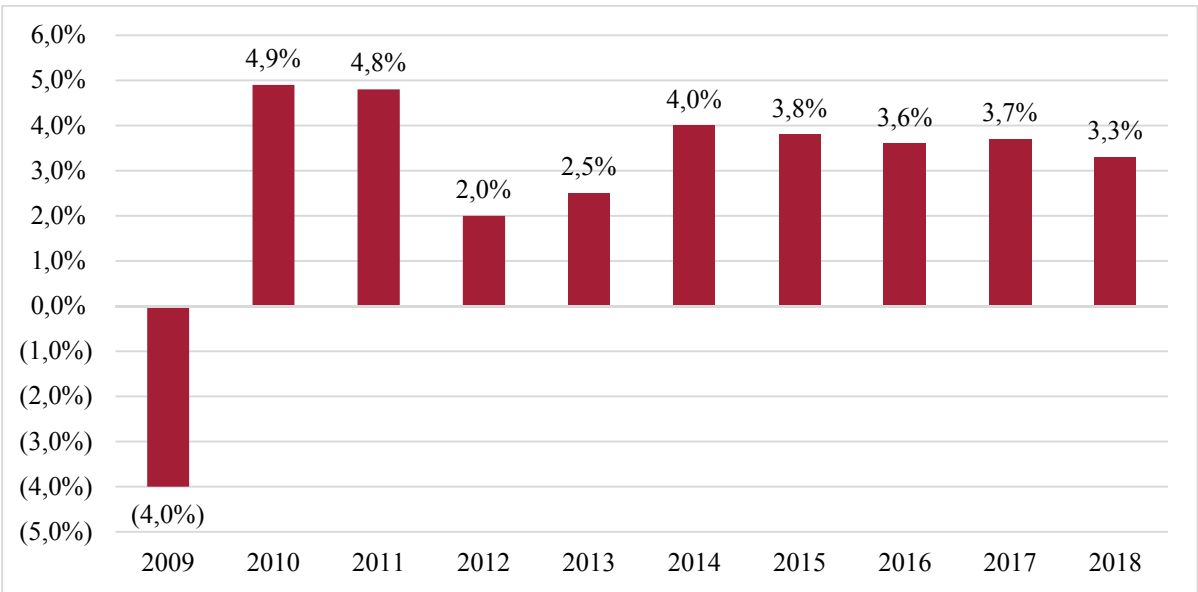
The key factors influencing the German residential real estate market comprise the gross domestic product, the disposable income per capita or the German population as well as the number of households. Additionally, demand and supply on the real estate market are also influenced by socio-demographic factors, the overall demographic development, changes in consumer behaviour and ways of life or preferred forms of living. This may have repercussions on the average living space per capita, the average number of people living in household, preferred forms of living such as apartments or single family-houses or the preferred locations like cities, conurbations or rural areas. Furthermore, the Company believes that a decisive factor regarding the attractiveness of a property is the physical condition of the building and, in case of condominiums, the tenant structure.

Overview of the German economy

The German economy is the largest in Europe and one of the largest in the world (source: World Bank, statistic data, data.worldbank.org/indicator/NY.GDP.MKTP.CD). After the downturn following the 2008/2009 financial crisis and a drop in the gross domestic product (“GDP”) of 4.0% in 2009, the German economy has grown steadily. In 2010, GDP rose by 4.9%, in 2011 by 4.8%, in 2012 by 2.0%, in 2013 by 2.5%, in 2014 by 4.0%, in 2015 by 3.8%, in 2016 by 3.6%, in 2017 by 3.7% and in 2018 by 3.3% (source: 2009 - 2018 Federal Statistical Office, Wiesbaden 2019).

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

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

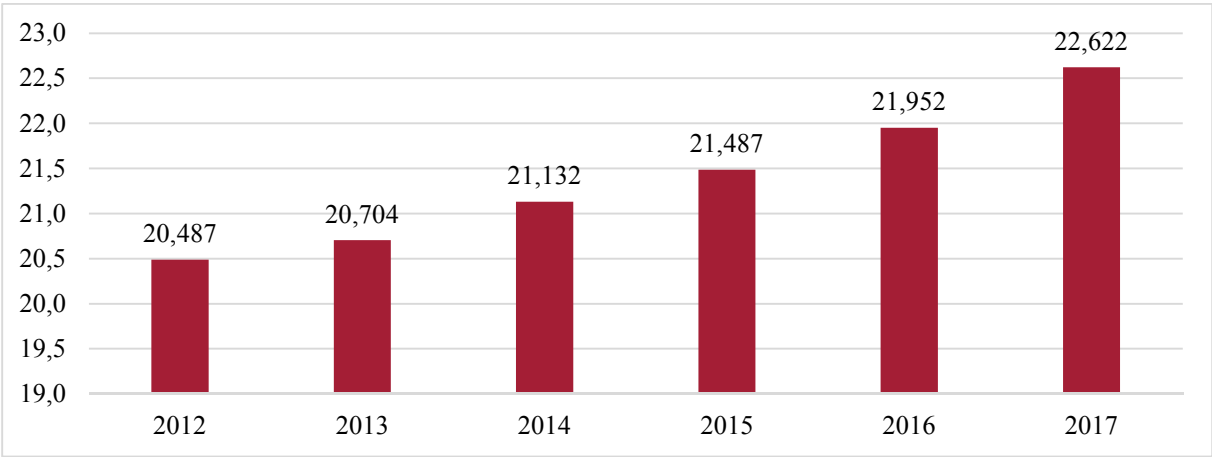


(source: 2009 - 2018 Federal Statistical Office, Wiesbaden 2019)

While countries in Europe exhibited stronger growth in 2017 than Germany, in particular smaller countries or countries with a comparably low level of income, Germany experienced stronger growth than the major developed countries including United Kingdom, France and Italy.

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

Disposable income per capita in Germany (in EUR thousand)

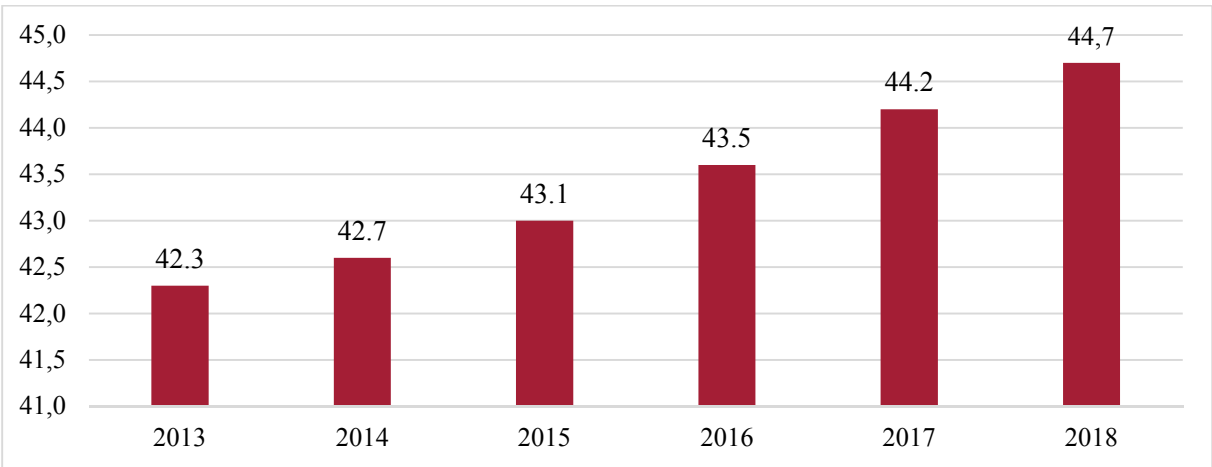


(source: Federal Statistical Office, report “ Statistisches Bundesamt, VGR - Private Konsumausgaben, 3. Vj. 2018”, published on December 7, 2018)

Employment

In January 2019, roughly 44.7 million persons resident in Germany were in insurable employment. The number of persons in insurable employment in 2018 was 1.1% (483,000 persons) higher than in the previous year (source: Federal Statistical Office, press release no. 075 “44.7 million persons in employment in January 2019”, published on March 01, 2019 and retrieved on March 15, 2019). In the second quarter of 2018, the total number of people at work has reached 44.7 million and thus the highest level in the post-war German history (source: Federal Statistical Office, press release no. 075 “44.7 million persons in employment in January 2019”, published on March 01, 2019 and retrieved on March 15, 2019).

Employment (in million people)

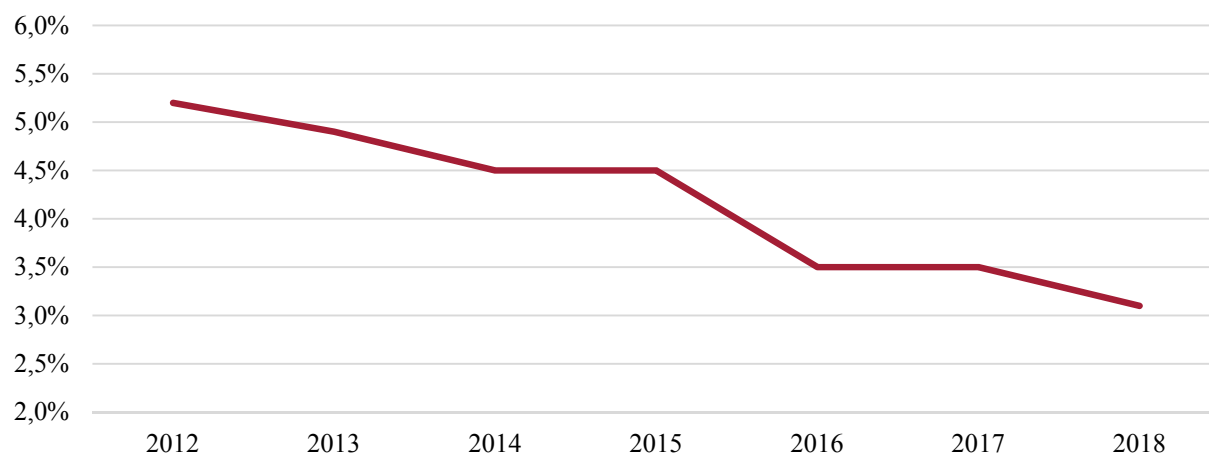


(source: Federal Statistical Office, press release no. 075 “44.7 million persons in employment in January 2019”, published on March 01, 2019 and retrieved on March 15, 2019)

The unemployment rate in Germany continuously declined in the last five years, reaching 3.1% at the end of December 2018 after 3.5% at the end of 2017 and 3.5% in December 2016.

Unemployment rate (in %)

Unemployed in % of total civil working population as at December 31 of the respective year-end and December 31, 2018:



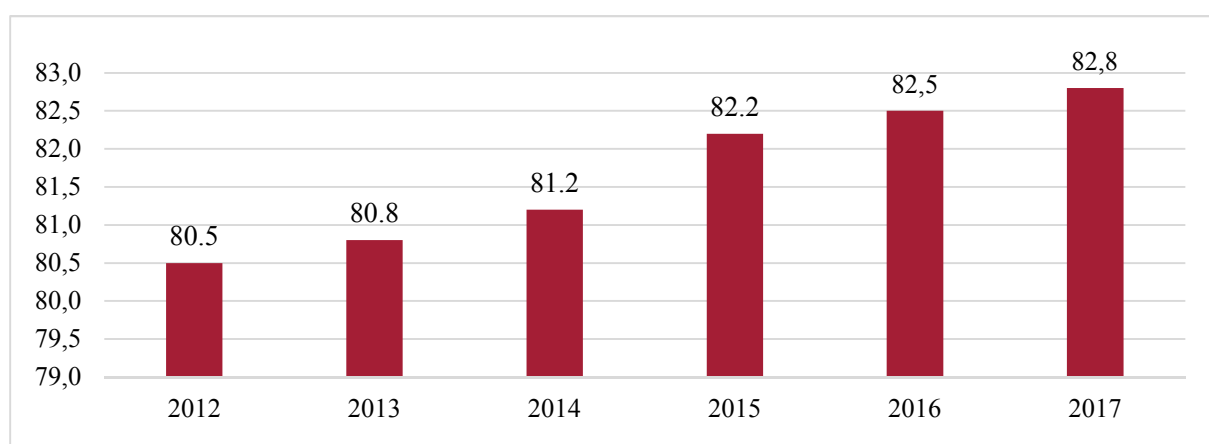
(source: Statistisches Bundesamt)

Demographic developments in Germany

Short-term population growth to continue if immigration continues

According to the Federal Statistical Office, approximately 83.0 million people were living in Germany at the end of 2018. At the end of 2017, the figure was 82.8 million. Despite the birth deficit, the number of inhabitants in Germany is estimated to have increased again due to the migration surplus and, at the end of 2018, to have reached a new record high since German reunification (source: Federal Statistical Office, press release no. 029 “*Estimate for 2018: population increased to 83.0 million*” published on January 25, 2019).

German population (in million)



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

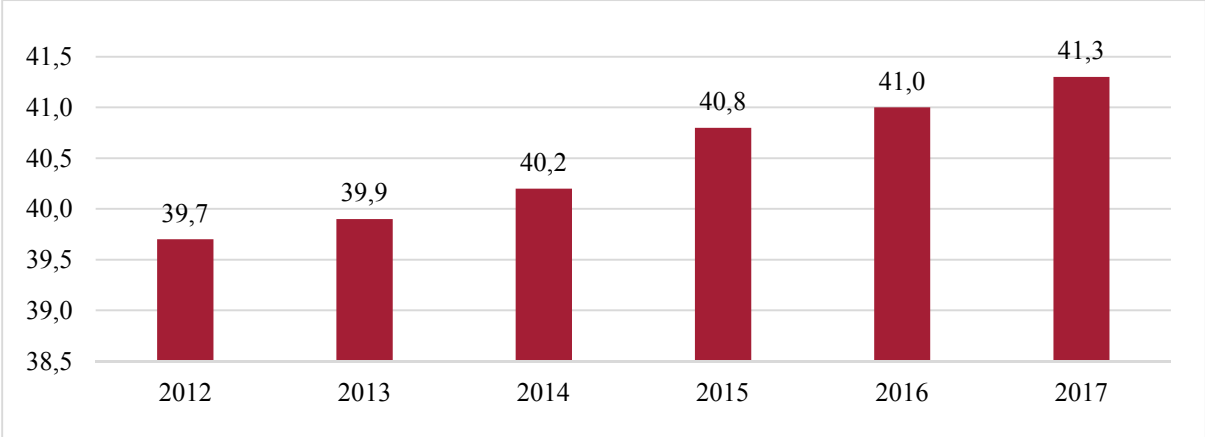
According to the latest forecast of Eurostat, the population in Germany will increase over the next five years due to immigration, then more or less stagnate on the current level of 82.8 million people until 2035 and then steadily decline to 77.8 million until the year 2080 (source: Eurostat, *last updated on February 02, 2019, retrieved on March 15, 2019*).

In recent years, Germany has seen positive and ever-increasing balances levels of immigration, from around 127,700 people in 2010 to around 416,000 people in 2017 (source: Federal Statistical Office, *Migration between Germany and foreign countries 1991 to 2017*).

Number of households to increase further with ageing of population

The number of households in Germany reached 41.3 million in 2017, increasing from 41.0 million in the previous year. This, too, is the highest number recorded in Germany over the last 20 years, rising from 37.3 million in 1996 (source: Federal Statistical Office, statistics on “*Bevölkerungsstand*”, retrieved on March 14, 2019).

Number of households (in million)



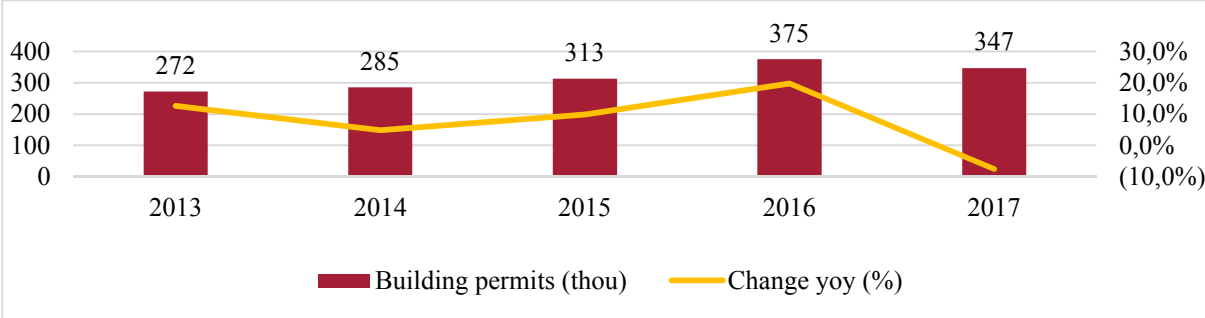
(source: Federal Statistical Office, statistics on “*Bevölkerungsstand*”)

As the increase in the number of household was much stronger than the increase in the overall population, it follows that the average household size has declined over time. In particular, the number of single person households has increased significantly from 35.4% in 1996 to 41.8% in 2017, while the number of households with four or more persons has declined from 16.8% in 1996 to 12.7% in 2017 (source: Federal Statistical Office, statistics on “*Bevölkerung, Haushalte nach Haushaltsgrößen*”, rolling updates, available via: www.destatis.de/DE/ZahlenFakten/Indikatoren/LangeReihen/Bevoelkerung/lrbev05.html, retrieved on March 15, 2019).

The German real estate market

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

Building permits (in thousand)

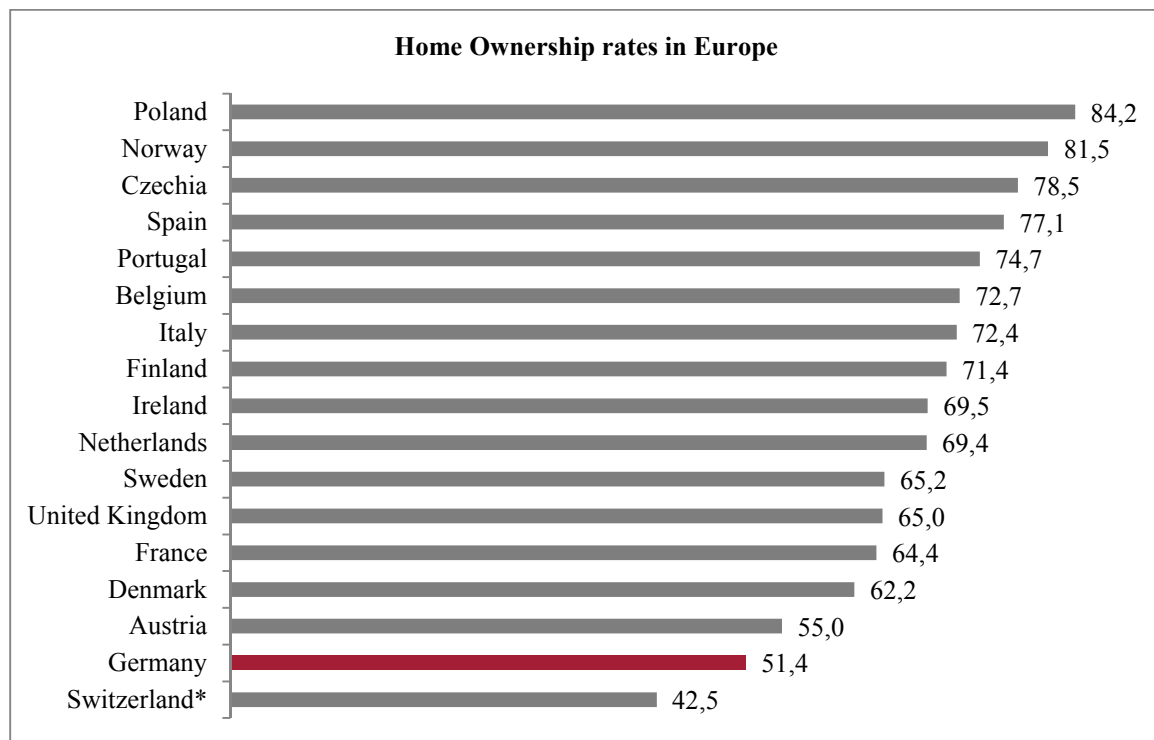


(source: Federal Statistical Office, press release no. 097 “*Genehmigte Wohnungen im Jahr 2018: -0,2 % gegenüber Vorjahr*”, published on March 14, 2019), database: “*Bautätigkeit, Baugenehmigungen im Hochbau Deutschland*”)

There were approximately 347,000 building permits awarded (residential and non-residential buildings) in Germany during 2017 (source: Federal Statistical Office, press release no. 097 “Genehmigte Wohnungen im Jahr 2018: -0,2 % gegenüber Vorjahr”, published on March 14, 2019), database: “Bautätigkeit, Baugenehmigungen im Hochbau Deutschland”) which represents a 7.5% decrease when compared to 2016 but a higher value than the ones awarded in 2013, 2014 and 2015.

Residential real estate stock

There were roughly 42.0 million residential units (residential and non-residential buildings) in Germany at the end of 2017 (source: Federal Statistical Office, database, topic: “Wohnungsbestand in Deutschland”, press release 275 published in July 26, 2018 retrieved March 15, 2019) of which 51.4% were owned by the people living in them.



(source: Eurostat, Distribution of population by tenure status, type of household and income group - EU-SILC survey as of 2017,*Switzerland as of 2016)

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

While about 44% of residential units are inhabited by their owners, about 56% of German residential units are owned by private and institutional investors with the purpose of letting (source: ifs Institut für Städtebau, Wohnungswirtschaft und Bausparwesen e.V., “Selbstgenutztes Wohneigentum/Eigentumsquote”, retrieved on March 15, 2019).

Transaction volumes on the real estate market in Germany increased from 2012 until 2018

The German residential sector was amongst the most popular investment sectors in Germany in 2018. During 2018, significantly higher transaction volumes of EUR 15.1bn (modest decrease of 3% in investment volume compared with the previous year) were recorded. A positive outlook on the sector for 2019 is also expected in line with inflows of capital from foreign investors in search of steady cash flows (source: CBRE GmbH – Germany Real Estate Market Outlook 2019).

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

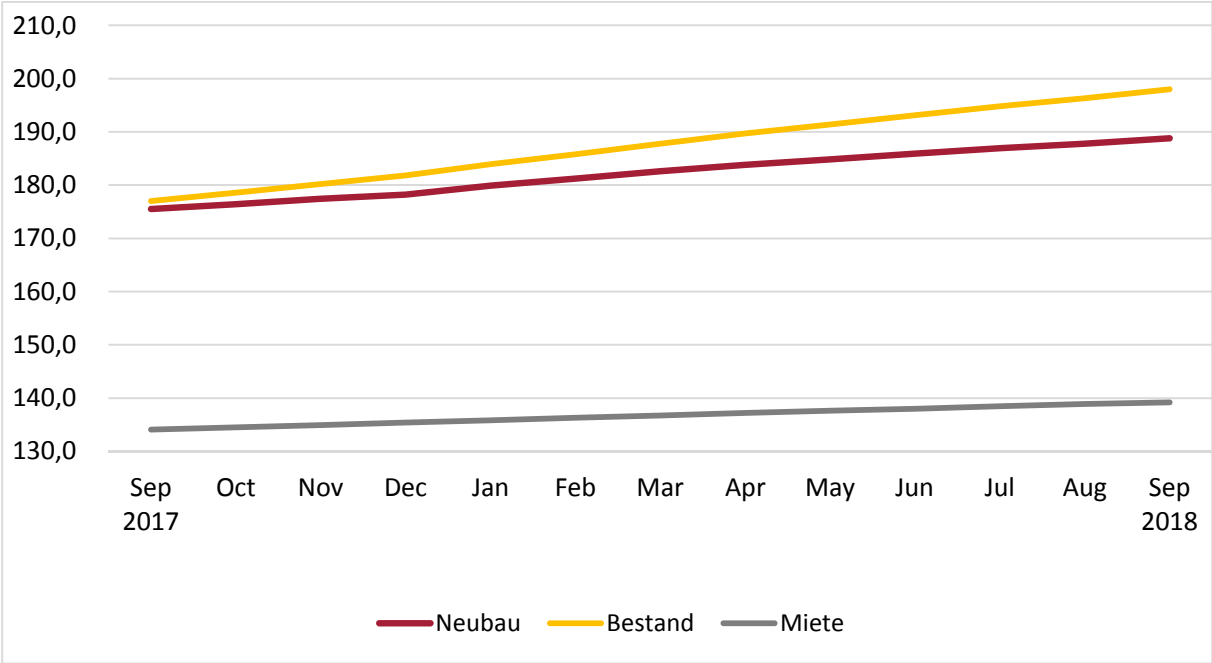
In the Company's estimation, larger portfolios of housing complexes in medium sized towns in Germany in line with the Company's business model are sold at prices between EUR 700 and EUR 900 per sqm of residential space, depending on the level of required capital expenditures. Nevertheless, the Company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

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

Development of rental expenses

Rental expenses have increased continuously, but modestly for many years now. In its publications of the consumer price index developments, the Federal Statistical Office recorded an overall increase in the average net rental expense of 1.3% in 2013, 1.5% in 2014, 1.2% in 2015, 1.2% in 2016 and 1.5% in 2018 (source: Federal Statistical Office, press release no. 073 “Consumer prices in February 2019: 1.6% rise on February 2018 expected” published on February 28, 2019). In February 2019, the increase of net rental expenses was slightly lower at 1.4% (source: Federal Statistical Office, press release no. 095 “Consumer prices in February 2019: +1.5% on February 2018” published on March 14, 2019). However, this average is dominated by existing rental contracts and does not indicate the differential between existing and new rental contracts. It also does not reflect the highly varied developments in conurbations and in rural or economically weaker regions in Germany.

Development of residential property price index (Entwicklungen IMX Wohnungen Deutschland September 2017 - September 2018) (whereas March 2007 equals 100)



(source: IMX – The residential property price index of Immobilienscout24, differentiated between new apartments (completion within one year before indexing), existing apartments and rented apartments for the period September 2018, www.immobilienscout24.de, retrieved March 03, 2019)

3.2 Competition

Based on the size and diversity of the German housing market, the Company competes with numerous competitors. Only 4.2 million units, equalling approximately 10% of the total housing stock units, are owned by private companies. The rest is owned by private landlords, cooperatives, municipalities or other public real estate companies. Out of the 4.2 million units owned by private companies, approximately one quarter is owned by listed companies including ADLER Real Estate AG. As such, competition is highly fragmented and varies from location to location (source: Federal Association of German Housing and Real Estate companies, chart “Anbieterstruktur auf dem deutschen Wohnungsmarkt nach Zusatzerhebung Mikrozensus 2014”, July 2018). The largest holder of residential units in Germany, Vonovia SE, which, according to its financial report for the fiscal year 2018, has a portfolio of nearly 395,000 own units, only holds a market share of less than 1% in the German residential market.

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

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

The Company believes that in respect of potential portfolio acquisitions its competitors are primarily other medium and large real estate companies and institutional investors, such as insurance companies as well as investment funds investing in real estate. Other important competitors in the residential property portfolios market are local authorities selling or buying back housing stock, as well as so-called “property splitters” who buy residential housing stock for the purpose of its development, segmentation and sale or privatization. The Company believes it has a particular competitive advantage when portfolios are on the market that fit well into its business model as there are not many large companies with a similar focus on affordable housing in the outskirts of larger conurbations.

4 BUSINESS

4.1 Overview

ADLER is a leading German integrated residential property company with core strategic focus on affordable housing. Its portfolio is primarily located in - or on the outskirts of - large and growing conurbations in Northern, Eastern and Western Germany.

The Company's history relates back to Frankfurter Adlerwerke, a manufacturing company founded in 1880. Originally, the Company had industrial manufacturing operations for penny-farthings, bicycles, automobiles and office machines, and eventually evolved into a real estate company, primarily developing plots in the 1990s. Frankfurter Adlerwerke was renamed ADLER Real Estate Aktiengesellschaft in 2000.

Over the past years, ADLER has executed a strategy of opportunistic acquisition-led growth aimed to maintain growth in geographies with demonstrated development potential. Key milestones in the development of ADLER include the acquisition of the residential construction business of Münchener Baugesellschaft mbH in 2007, and the optimization of ADLER's real estate portfolio in 2008 through 2011. In May 2012, the Company reorganized its business model from the development of plots to an integrated real estate company focusing on the establishment of a residential real estate portfolio. Following its strategic realignment in 2012, ADLER took over or secured majority interests in portfolios comprising approximately 62,000 rental units through the acquisition and takeover of several real estate portfolios and real estate holding companies. The latest acquisition occurred in April 2018 when ADLER acquired a stake of approximately 70% in Brack Capital Properties N.V. ("BCP"), a public limited company incorporated under the laws of the Netherlands, the shares of which are admitted to trading on the Tel Aviv Stock Exchange, which owns a substantial real estate portfolio in Germany two thirds of which are high quality residential assets in 'A' locations. As a result of these acquisitions, ADLER's total portfolio has grown from 211 units as at year-end 2012 to approximately 62,000 units as at December 31, 2018.

ADLER's core business model is the long term letting of flats and generation of sustainable cashflows from its residential real estate portfolio. As of December 31, 2018, ADLER held 60,854 residential and 1,156 commercial units with a rental space of approximately 3.8 million sqm and a fair value of EUR 4,989.1 million and an annualized actual rent (including parking spaces and other areas) of approximately EUR 231.5 million, with a regional focus on Lower Saxony (18,767 units), North Rhine-Westphalia (15,325 units), Saxony (10,609 units) as well as Saxony-Anhalt (4,053 units) and Brandenburg (3,625 units).

In the fiscal year ended December 31, 2018, ADLER generated earnings from property lettings and the sale of properties EUR 211.8 million (2017: EUR 126.6 million) and consolidated net profit of EUR 332.4 million (2017: EUR 142.6 million).

As at December 31, 2018, ADLER's total headcount amounted to 828 and the total number of FTEs was 752.

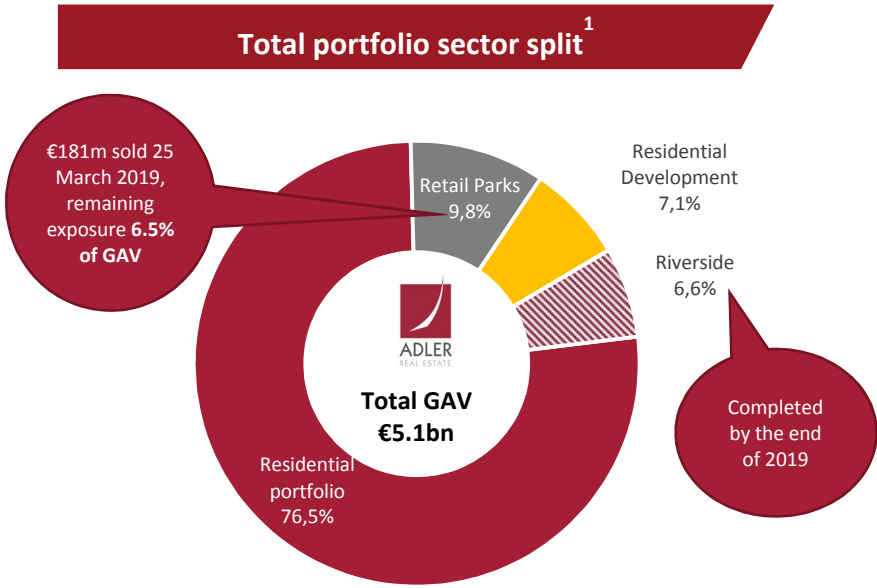
4.2 Business segments

Overview

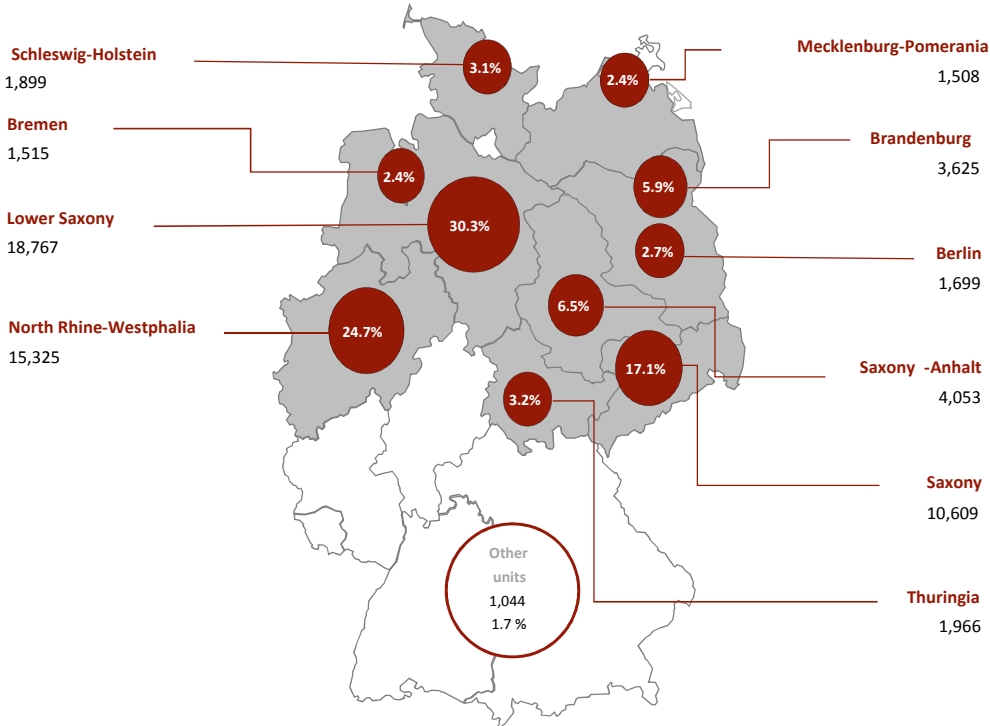
Until year-end 2017, ADLER operated in two business segments. Since the beginning of reorganizing its business operations in May 2012, the Company has been concentrating on the ownership and management of residential properties represented by the Rental segment. In addition, with the acquisition of ACCENTRO Real Estate AG ("ACCENTRO") in June 2014, ADLER expanded its business model to include privatization of own and third party residential real estate and trading of real estate which is concentrated in its trading segment. However, on October 20, 2017, following a strategic review and with a view to focusing on its core residential rental business and increasing its level of unencumbered assets, the Company entered into a share purchase agreement regarding approximately 80% out of its then 86% stake in ACCENTRO and convertible notes issued by ACCENTRO. The closing of the transaction occurred in the fourth quarter of 2017 and the Company has discontinued its trading segment at year-end 2017.

ADLER also has certain limited operations in residential real estate development business. As there are currently very few larger scale portfolios in the market and prices for real estate portfolios are often unattractive from a buyer's perspective, ADLER is reviewing whether measures to increase the density of use of existing residential estates and closer cooperation with project developers could harbor opportunities as the price differential between existing and new properties has notably reduced in some regions.

ADLER's total and its core portfolio can be split as follows:



Total residential core portfolio geographical split ²



Note: ¹ In percentage of gross asset value ("GAV"; investment properties and inventories), includes retail and residential developments
² In percentage of total number of units of residential portfolio

Rental segment

ADLER's core business model is the long term letting of flats and generation of sustainable cashflows. The business activities in the residential real estate management business comprise the assessment, acquisition, management, and continuous optimization of a profitable residential real estate portfolio. To maximise long term

profitability, ADLER's residential real estate management business is complemented with opportunistic acquisitions of single residential properties, residential complexes, or entire residential real estate portfolios, especially through its network of contacts with potential sellers and sales organizations.

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

All main functions relating to property management are carried out internally, with ADLER's own staff. This includes activities of property and facility management which ADLER maintains through its subsidiaries ADLER Wohnen Service GmbH and ADLER Gebäude Service GmbH. The internal property management includes leasing apartments as they are vacated as well as reducing existing vacancies by entering into new leases. In addition, the potential for rent increases in the portfolio is assessed on an ongoing basis and implemented where appropriate. Leasing and management comprises active rental and receivable management as well as collecting outstanding receivables. Moreover, the termination of lease agreements is enforced, if this serves to enhance the profitability of managing the portfolio. To this end, ADLER Wohnen Service GmbH has developed a regional structure which allows for the management of all group properties.

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

ADLER is taking a similar approach in its facility management, *i.e.* for tradesman and caretaker services. Majority of these activities have also been internalised. To this end, ADLER Gebäude Service GmbH has also developed a regional structure very similar to its property management counterpart. At the beginning of 2018, ADLER Energie Service GmbH has been set up to manage all energy related activities in the ADLER Group. This includes distribution of heat and energy as well as responsibility for all heating systems within the Group. The BCP structure is in the process to be integrated into the existing facility and energy management structure within ADLER Group.

Real estate portfolio

As of December 31, 2018, ADLER held 60,854 residential and 1,156 commercial units with a rental space of approximately 3.8 million sqm and a fair value of EUR 4,989.1 million and an annualized actual rent (including parking spaces and other areas) of approximately EUR 231.5 million, with a regional focus on Lower Saxony (18,767 units), North Rhine-Westphalia (15,325 units) and Saxony (10,609 units).

Overall residential real estate portfolio

The below overview shows the residential portfolio of ADLER and BCP, including non-core residential properties but excluding commercial properties and residential developments:

Federal State	Units	Lettable Area sqm	NRI EURm /year	NRI EUR/sqm /month	Vacancy rate	Fair Value EURm	Fair Value EUR/sqm	Rental Yield (in-place rent)
Lower Saxony	18,767	1,150.257	69.5	5.41	6.9%	1,190.0	1,035	5.8%
North Rhine Westphalia	15,325	1,018.559	62.8	5.45	5.5%	1,032.9	1,014	6.1%
Saxony	10,609	621,135	34.9	5.29	10.2%	656.6	1,057	5.3%
Saxony-Anhalt	4,053	233,821	12.0	4.98	13.0%	195.4	836	6.1%
Brandenburg	3,625	215,565	11.9	4.97	7.1%	182.4	846	6.5%
Thuringia	1,966	109,486	6.9	5.77	8.0%	126.4	1,154	5.5%
Schleswig-Holstein	1,899	119,349	9.2	6.59	2.7%	162.9	1,365	5.6%
Berlin	1,699	111,736	7.6	5.86	3.1%	229.8	2,057	3.3%
Bremen	1,515	93,080	6.1	5.70	3.7%	104.3	1,121	5.9%
Mecklenburg-Western-Pomerania	1,508	83,464	5.0	5.39	8.2%	80.8	968	6.1%
Rhineland-Palatinate	597	39,254	3.1	7.03	6.5%	59.8	1,523	5.2%
Hesse	272	21,698	1.7	7.45	9.8%	30.6	1,412	5.7%
Bavaria	164	14,171	0.7	5.84	30.5%	13.2	934	5.2%
Baden-Württemberg	11	929	0.1	8.68	29.8%	2.2	2,359	3.1%
Total	62,010	3,832.503	231.5	5.45	7.3%	4,067.4	1,061	5.7%

ADLER actively manages its portfolio and classifies its properties as “core” and “non-core”, which classifications are regularly updated. As part of continuous portfolio optimisation, the underlying features of assets and also market data are assessed to determine the amount of capital distributed in terms of capital expenditure, maintenance and renovation expenses. This is to ensure quality of the flats is consistent with market standards and also to optimise the level of occupancy and rental growth.

The following table presents a comparison between the key performance indicators of the core and non-core portfolios.

31 December 2018	Total	Core	Non-core
Rental units	62,010	58,113	3,897
NRI in EUR/sqm/month	5.45	5.49	4.89
Vacancy rate in %	7.3	6.0	23.3
Market value in EUR/sqm	1,061	1,095	642
Rental Yield (in-place rent)	5.7%	5.6%	6.9%

On average, the units held for sale in the non-core portfolio have significantly higher vacancy rates, generate lower rental income and, accordingly, have lower market values per square metre. Receipts from the sale of non-core properties are primarily used for debt repayment with remaining kept available for general business purposes. ADLER aims to sell its non-core assets at or above their book value to maximise its returns. In case of the sale of approximately 2,300 units to the joint venture with Benson Elliot, a premium of nearly 5% to book value had been achieved.

Top 20 locations (core portfolio)

ADLER focusses its business activities and assets in Germany and holds most of its properties in the Northern, Eastern and Western parts of the country. This remained essentially unchanged after the acquisition of BCP. However, there has been some shift in the state-specific focus areas. Following the consolidation of BCP, 30.3% of ADLER's core properties are now located in Lower Saxony and 24.7% in North Rhine-Westphalia. Around 40% of ADLER's portfolio is located in the eastern part of the country, with focus in the areas of Saxony (17.1%), Saxony-Anhalt (6.5%) and Brandenburg (5.8%).

With the acquisition of BCP, ADLER has acquired, according to its own assessment, assets in attractive locations, partly in inner cities. Nevertheless, its portfolio still predominantly consists of properties located on the outskirts of larger conurbations. This is particularly apparent in North Rhine-Westphalia, where virtually all of ADLER's properties are located in the Ruhr area, which remains Germany's largest industrial region. In Lower Saxony, the property holdings are mainly located in Hanover, the Wolfsburg/Braunschweig/Helmstedt region, a traditionally strong region in economic terms, the Bremen catchment area and in Wilhelmshaven, a city which is benefiting from the deep-water port and the location of the German Navy's largest base on the North Sea. In Saxony and Saxony-Anhalt, the properties are predominantly located in the catchment areas of Halle, Leipzig, Chemnitz and Dresden – regions that after the German reunification initially lost their industry and part of their population however are now benefiting from growth in population once again as a consequence of the significant infrastructure investments carried out in these areas over the last 20 years.

In the view of ADLER, property holdings on the edges of conurbations are typically characterised by higher vacancy rates, but also generate higher rental yields than properties in central or "A" locations. Peripheral locations benefit to a great extent from counter-urbanization. As rent increases in the tight rental markets in the city centres translate into a lower availability of affordable apartments. Due to price sensitive demand this leads to households moving out of the "A" locations into surrounding areas.

Below is an overview of the TOP 20 locations (by number of units) of ADLER's core portfolio:

Location	Units	Lettable area sqm	NRI €m	NRI €/sqm/month 2018	NRI €/sqm/month 2017	YoY NRI Δ €/sqm/month	Vacancy rate 2018	Vacancy rate 2017	YoY vacancy Δ	Fair Value €m	Fair Value €/sqm	Rental yield (in-place rent)
Wilhelmshaven	6,897	406,835	22.8	5.05	4.98	1.5%	7.4%	7.7%	-0.3%	368.5	906	6.2%
Duisburg*	4,925	305,003	19.6	5.50	5.32	3.4%	2.8%	2.7%	0.1%	324.0	1,062	6.0%
Leipzig*	4,742	254,174	16.4	5.71	4.55	25.6%	5.2%	4.6%	0.6%	362.1	1,425	4.5%
Cottbus	1,868	110,045	5.7	4.72	4.62	2.3%	8.9%	14.4%	-5.5%	81.1	737	7.0%
Halle (Saale)*	1,858	105,895	5.4	4.81	4.59	4.8%	10.9%	13.6%	-2.7%	85.0	802	6.4%
Dortmund*	1,770	102,251	6.8	5.71	4.89	17.0%	2.0%	2.6%	-0.6%	110.3	1,078	6.2%
Berlin	1,699	111,736	7.6	5.86	5.77	1.4%	3.1%	2.1%	1.1%	229.8	2,057	3.3%
Göttingen*	1,377	85,238	5.8	5.94	5.46	8.7%	4.3%	3.2%	1.2%	120.2	1,410	4.8%
Wolfsburg	1,301	87,614	6.1	6.13	5.99	2.4%	6.0%	5.0%	1.1%	127.8	1,458	4.7%
Helmstedt	1,219	70,703	4.3	5.20	5.12	1.5%	2.9%	4.3%	-1.5%	61.0	863	7.0%
Hannover*	1,120	63,454	5.1	6.99	5.81	20.2%	3.4%	5.8%	-2.4%	113.1	1,782	4.5%
Essen*	1,040	66,033	4.4	5.70	4.88	16.8%	2.5%	4.6%	-2.0%	83.5	1,265	5.2%
Kiel*	967	66,588	5.2	6.58	6.30	4.5%	0.5%	4.7%	-4.2%	94.6	1,421	5.5%
Borna	900	50,189	2.4	4.64	4.59	1.1%	13.7%	14.6%	-0.9%	36.6	730	6.6%
Bremen*	873	53,645	3.9	6.20	4.85	27.7%	2.4%	2.9%	-0.5%	68.5	1,277	5.7%
Chemnitz	851	53,080	2.4	4.79	4.71	1.7%	14.2%	22.5%	-8.3%	42.3	797	5.8%
Schöningen	846	50,192	2.5	5.08	5.06	0.4%	16.6%	19.5%	-2.9%	38.0	757	6.7%
Oberhausen	819	62,642	3.6	5.04	5.19	-2.9%	3.8%	1.2%	2.6%	51.9	828	7.0%
Schwerin*	816	48,021	2.7	4.81	4.68	2.7%	4.0%	9.3%	-5.3%	42.2	879	6.3%
Norden*	795	50,217	3.1	5.31	5.06	4.9%	1.9%	4.7%	-2.8%	50.5	1,006	6.2%
Top 20 total	36,683	2,203,555	136.0	5.46	5.10	7.1%	5.6%	7.3%	-1.7%	2,490.9	1,130	5.5%

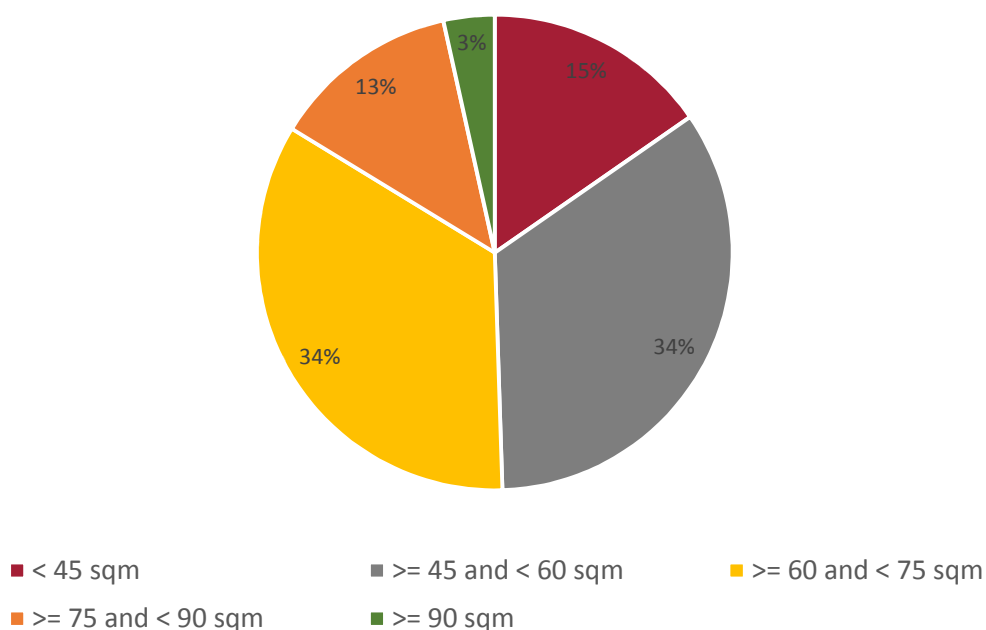
Other locations	21,430	1,343,721	82.9	5.53	5.36	3.2%	7.0%	8.9%	-1.9%	1,393.5	1,037	6.0%
Total	58,113	3,547,275	218.9	5.49	5.21	5.4%	6.0%	7.9%	-1.9%	3,884.4	1,095	5.6%

The focus on metropolitan regions outlined above also infers that the properties in ADLER's 20 most important towns and cities account for more than 60% of ADLER's total rental income. Following the acquisition of BCP, there has been a shift in the list of the most important locations, as BCP contributed relatively large property holdings in cities such as Leipzig, Dortmund and Hanover. Nevertheless, Wilhelmshaven remains the most important location for ADLER, with 6,897 rental units and a net rental income of EUR 22.8 million per annum. Measured in terms of rental units, it is followed by Duisburg, with 4,925 units and a net rental income of EUR 19.6 million per annum, and Leipzig, with 4,742 units and a net rental income of EUR 16.4 million per annum. According to own estimates, almost one-fifth of local housing in Wilhelmshaven belongs to ADLER.

Average size of apartments

ADLER's portfolio is largely exposed to small to medium-sized residential units. The apartments have an average size of slightly more than 60 square metres and are thus well aligned, according to its own assessment, to address the needs of ADLER's target group, namely tenants with low to medium incomes. For ADLER, this alignment makes economic sense. This did not change following the acquisition of BCP either, as BCP's portfolio also comprises apartments of a similar size. Its properties satisfy the trend, observed for some time now, towards an ongoing increase in the number of single-person households in Germany. Moreover, the risk of tenants with low incomes defaulting on their rent payments is in the view of ADLER reduced as they can obtain support from social security providers if they are unable to settle their obligations from their own income. Furthermore, this category of affordable living space is also in the sights of municipal and local councils on the lookout for permanent homes for refugees or attractive locations for students.

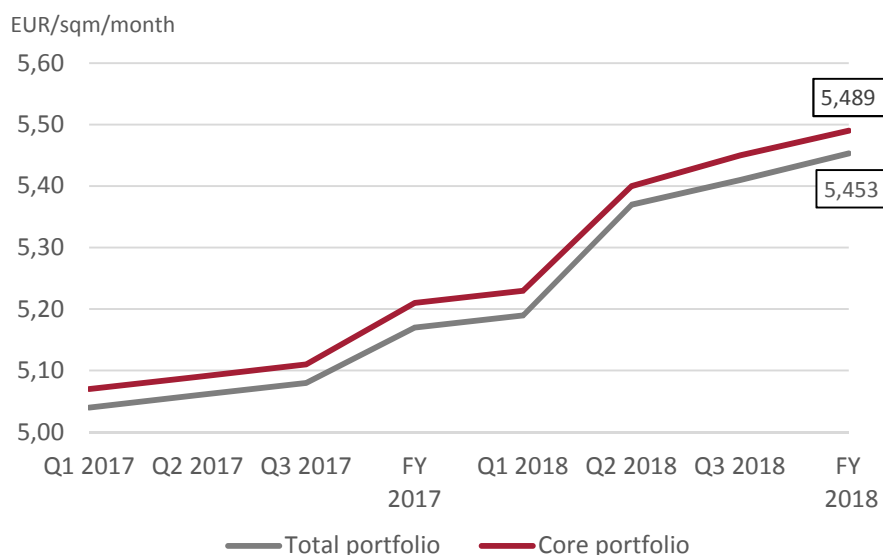
Apartments by size in sqm:



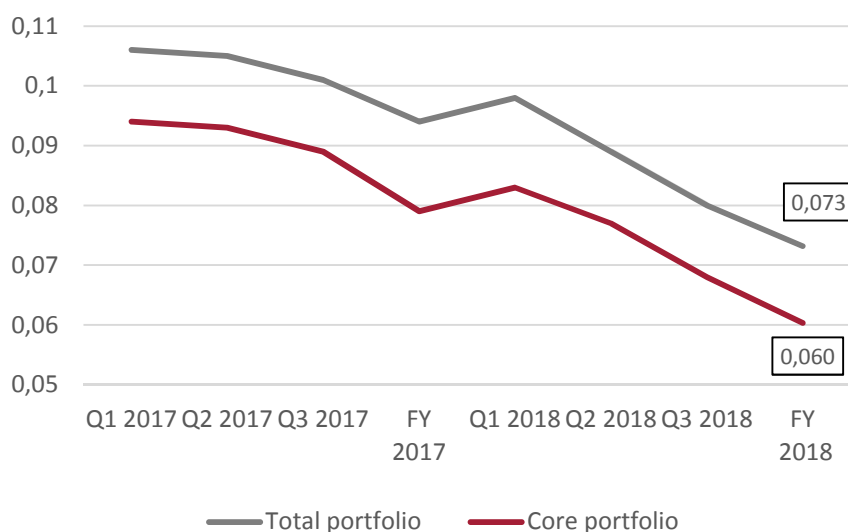
Average rent and vacancy rate

At the end of 2018, the average rent per square metre per month for the overall portfolio of ADLER amounted to EUR 5.45 (2017: EUR 5.17; excluding BCP). With BCP included, ADLER would have reported an average rent of EUR 5.30 at the end of 2018. BCP alone achieved an average rent of EUR 6.12 at the end of 2018.

In the core portfolio, the average rent per square metre per month amounted to EUR 5.49 at the end of 2018, (2017: EUR 5.21 without BCP).

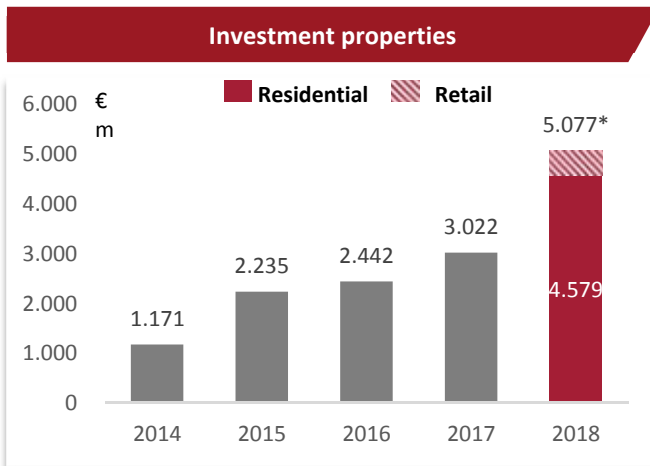


The vacancy rate for the overall portfolio (incl. “non-core”) reached 7.3% at the end of 2018 (2017: 9.4%). In the core portfolio, the vacancy rate reached 6.0% as of December 31, 2018 (2017: 7.9%). Part of this increase is also due to the acquisition of BCP. ADLER as a standalone (excluding BCP) had a vacancy rate of 6.3% at the end of 2018, BCP of 5.1%.

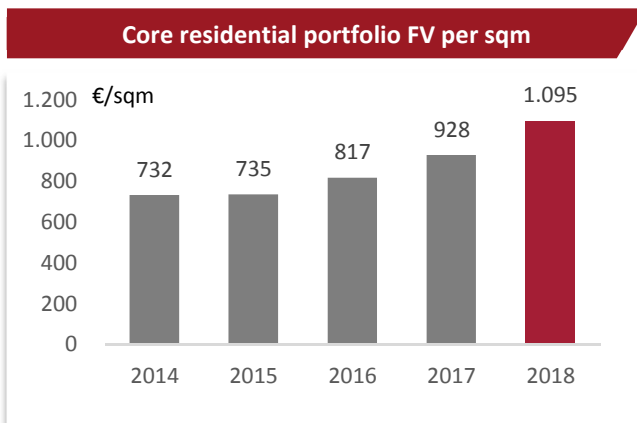


Fair value of residential portfolio

The fair value (FV) of the investment residential portfolio calculated in accordance with IFRS amounted to EUR 4,578.6 million (excluding commercial properties) as of December 31, 2018, as compared to EUR 3,021.5 million as of December 31, 2017. The increase is mainly due to the acquisition of BCP and to the fair value adjustments of ADLER’s existing real estate portfolio.



* Includes both investment properties and inventories



Commercial portfolio

ADLER does not pursue a strategy of holding commercial properties. However, to a minor degree, properties held for residential purposes also include commercial units which consist entirely of shops and offices of the kind that can often be found in city-centre residential properties. As of December 31, 2018, these units amounted to 1,156 and accounted for 1.9% of the properties held for permanent letting.

BCP, in which ADLER acquired a shareholding of approximately 70% in April 2018, currently has a commercial portfolio consisting of approximately 330,000 sqm of commercial real estate aside from its residential portfolio. However, ADLER does not intend to pursue a strategy of holding commercial or retail properties but will continue to focus its business focus on German residential properties only. In 2018 the board of directors of BCP determined that a sale of the retail park business is in the best interest of the company. On March 25, 2019, Brack Capital Properties N.V. (“BCP”), a subsidiary of ADLER, has entered into a binding sale and purchase agreement with an established London-based real estate private equity firm to dispose of three retail assets located in Rostock, Celle and Castrop-Rauxel. This part of BCP’s retail portfolio was sold with EUR 181 million of gross asset value were disposed of representing approximately 37% of its total retail portfolio. Investors should note, however, that ADLER does not hold all the shares in BCP and can therefore only make suggestions to the board of directors of BCP and use its general shareholders' rights.

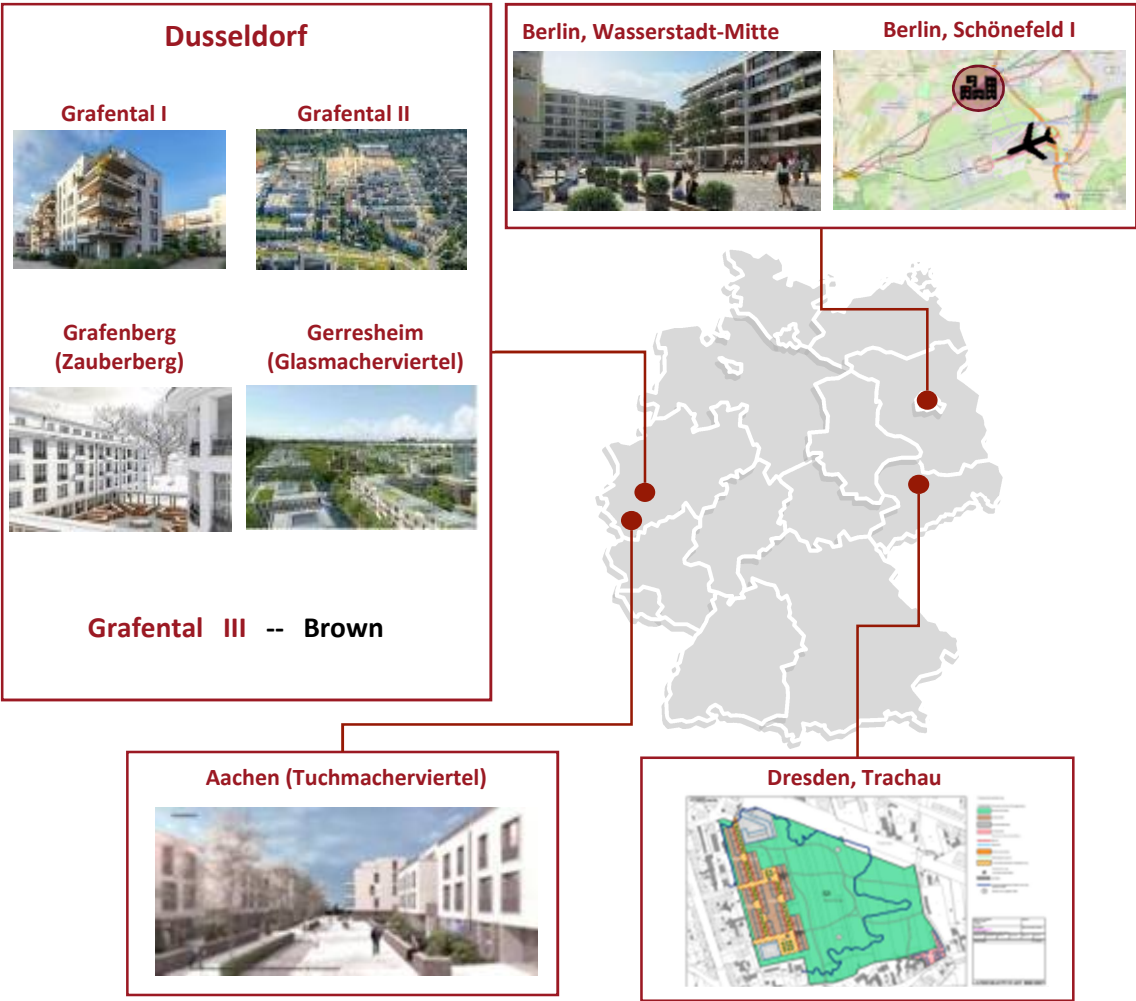
Property development

ADLER holds a number of land plots and properties under current assets which are at different stages of completion. These properties essentially stem from the time prior to the Company's reorganization as a residential real estate company in 2012. Those activities are aimed at development of new multi-family houses, developing plots of land until a building permit is granted, and developing existing projects to such an extent that

they can be disposed of profitably or transferred into own portfolio. With the acquisition of BCP this segment was enlarged regarding the Company has an own development department that actually works on six property developments in Düsseldorf and Aachen.

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

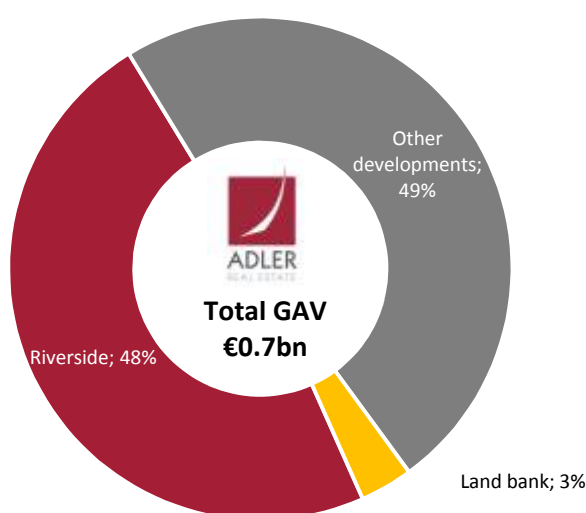
The portfolio of undeveloped land for sale or development comprises the following properties as of December 31, 2018:



Development pipeline

- ADLER will complement future growth through acquisitions with selective developments in A locations at attractive yields
- Development pipeline of €1.7bn to be completed over the next 6-7 years
- For developments built to keep ADLER targets 4-5.5% net initial yield

Developments split by GAV



4.3 Competitive strengths

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

Consistent track record of value creating acquisitions and ability to successfully integrate large real estate portfolios

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

In addition, through its network of contacts, ADLER and its management team have a strong track record of identifying opportunities to acquire real estate portfolios on favorable terms and has successfully integrated these acquisitions in a short period of time or, in some cases, resold them. In 2015, two portfolios with, in total, approximately 22,800 rental units were acquired, whereas in 2014 ADLER acquired approximately 23,000 residential units through five portfolio acquisitions and, in 2013, with a significantly smaller team, approximately 10,000 units in five portfolio transactions. The two largest portfolios acquired comprised 7,700 and 6,750 units in various holding companies. The most recent acquisition of a share of approximately 70% in BCP added approximately 11,000 additional units to the property portfolio.

Considerable and diversified residential real estate portfolio

Over the last years, ADLER acquired and developed a considerable and well-diversified real estate portfolio, largely situated in attractive B-locations in major German urban areas. As of December 31, 2018, ADLER held 60,854 residential and 1,156 commercial units with a rental space of approx. 3.8 million sqm and a fair value of EUR 4,989.1 million and an annualized actual rent (including parking spaces and other areas) of approximately EUR 231.5 million, with a regional focus on Lower Saxony (18,767 units), North Rhine-Westphalia (15,325 units) and Saxony (10,609 units). As a result, and according to own estimates, ADLER is one of Germany's top-five listed residential property companies by number of units.

ADLER believes that it is well positioned to benefit from future demographic developments with its real estate portfolio offering significant growth potential in terms of actual and target rent. Economic studies (source: Federal Institute for Research on Building, Urban Affairs and Spatial Development at the Federal Office for Building and Regional Planning (*Bundesinstitut für Bau-, Stadt- und Raumforschung im Bundesamt für Bauwesen und Raumordnung*), BBSR Reports KOMPAKT, Housing markets in transition, main results of housing market forecast (source: *BBSR-Berichte KOMPAKT, Wohnungsmärkte im Wandel, Zentrale Ergebnisse der Wohnungsmarktprognose*)) forecast that demographic changes including a trend towards smaller household sizes will cause the total number of households to grow. Consequently, demand for residential real estate is expected to increase, especially in Germany's major metropolitan areas, with a migration trend towards cheaper housing in the peripheries of German metropolitan areas being expected. Based on ADLER's geographical footprint, its focus on B-locations in major German urban areas and its average residential unit size of approximately 60 sqm (as at December 31, 2018), the Company believes that ADLER can meet demand requirements, benefit from the opportunity to generate economies of scale in its focus regions and that it can realize additional potential for appreciation in value and higher rents due to favorable acquisition prices.

4.4 Corporate strategy

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

Increase in enterprise value by acquiring real estate with development potential

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

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

New target regions are regions with strong macroeconomic data and "B-locations" in medium-sized and major regional centers or peripheral locations in Germany where rental yields (in comparison to the purchase price) are in the assessment of ADLER typically higher than in inner-city "A-locations". The Company expects these metropolitan areas to have steady population growth and expanding economies. When suitable market opportunities arise, ADLER also supplements its portfolio by investing in so-called "A" locations in mid-sized

cities or cities such as Berlin or Leipzig, in order to benefit from value growth in these markets. The acquisition of BCP was a step in this direction.

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

As it has become increasingly challenging to acquire portfolios on the market at attractive yields and purchasing prices have come closer to construction costs, ADLER decided to explore the possibility of expanding its portfolio by way of investing in project developments, portfolio densification or loft conversions of existing portfolios as a complement to its existing approach. The acquisition of Wasserstadt Mitte in Berlin is one example of this additional edge to its acquisition strategy, while the acquisition of BCP is another given that BCP is also active in project development. Inevitably, this kind of investment does not immediately contribute to cash flow, and instead requires advance financing. As a consequence, ADLER believes that the exposure to such value-added activities will remain at such a percentage of ADLER's balance sheet that it will not hinder any projection towards rating improvements going forward or obtaining an investment grade rating as early as possible. However, over the long term – an appropriate perspective for property holding companies – investments of this sort can contribute significantly to increases in enterprise value.

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

Further increase of income

ADLER intends to take advantage of the potential to increase the income from its residential portfolio predominantly by reducing vacancy rates and adjusting rents. A further potential for reducing vacancies is offered particularly with respect to newly acquired portfolios which have not been managed well.

Through its active property management, ADLER managed to reduce the vacancy rate in its overall portfolio (incl. "non-core") from 11.2% in the fiscal year 2015, to 10.0% in the fiscal year 2016, to 9.4% in the fiscal year 2017 and to 7.3% at the end of 2018.

Looking at the core portfolio, vacancy rate reached 6% as of December 31, 2018. This equates to an improvement of 1.9 percentage points compared to 7.9% a year before. Here again, part of the increase is due to the acquisition of BCP. ADLER as a standalone (excluding BCP) had a vacancy rate of 6.3% at the end of 2018, BCP of 5.1%. In ADLER's view, the improvement in the operating performance indicators also reflects the fact that ADLER has meanwhile incorporated all its property holdings in its former structure under ADLER's own management. Further positive effects are expected to come from the creation of a separate letting division in September 2018.

At the end of 2018, the average rent per square metre per month for the overall portfolio of ADLER amounted to EUR 5.45, EUR 0.28 higher than the year before (2017: EUR 5.17; excluding BCP). With BCP included, ADLER would have reported an average rent of EUR 5.30 at the end of 2018. BCP alone achieved an average rent of EUR 6.12 at the end of 2018.

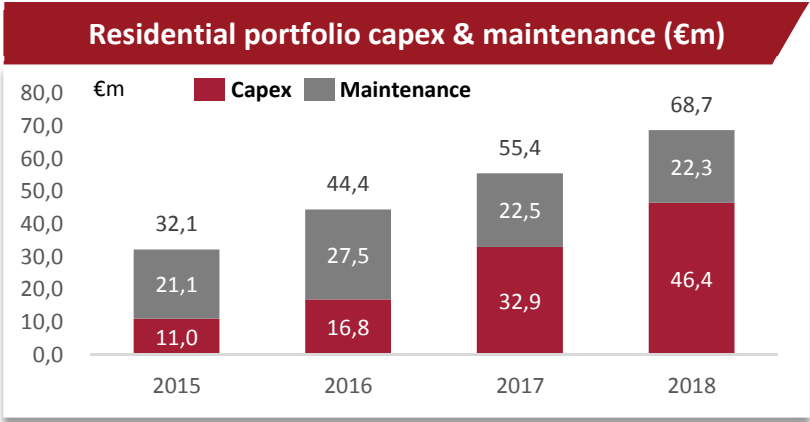
In the core portfolio, the average rent per square metre per month amounted to EUR 5.49 at the end of 2018, which was EUR 0.28 higher than one year before (2017: EUR 5.21 without BCP). In its core portfolio the Like-for like (Lfl) rental growth rate was 3.4% in 2018 (2017: 3.8%).

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

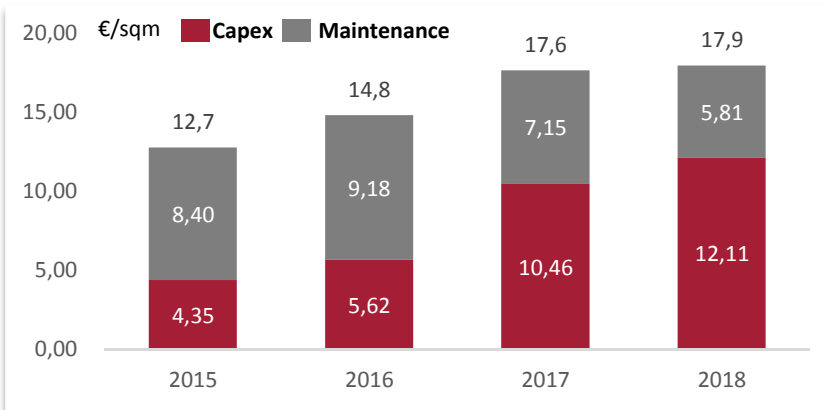
In mid-2016 ADLER initiated a program to renovate 1,500 vacant residential units, most of which have long been vacant, in order to bring them back in line with market standards and thus reduce the vacancy rate. At the end of 2017, renovation work had been completed on a total of 1,300 apartments. Originally, ADLER had expected to renovate 1,500 apartments until the end of the 2017 business year. However, since the cost of renovation were higher than originally expected, the investment budget was exhausted before the target figure was reached and the remaining 200 apartments will be renovated at a later stage. Since the renovated apartments are easily let and the rental income generated from letting the apartments anew is – with an average rent of EUR 5.59/sqm/month – significantly higher than the group average and also ahead of ADLER's expectations.

In 2018 these measures have been carried on through a second tranche with an investment volume of EUR 12 million for the renovation of approx. 1,000 apartments. The programmes were focussed on reducing the existing vacancy rate and the associated vacancy costs. In 2018, investment funds, further EUR 12 million have been made available in order to renovate around 1,000 further apartments. As a result, the occupancy rate for the overall portfolio came to 92.7% as of December 31, 2018 against 90.6% as of December 31, 2017. The occupancy rate in the core portfolio reached 94.0% as at December 31, 2018. This equates to an improvement of 1.9 percentage points compared with one year ago when it amounted as of December 31, 2017 to 92.1%. Part of this increase is due to the acquisition of BCP. In its former structure, ADLER had an occupancy rate of 93.7% as of December 31, 2018, BCP of 94.9%. The improvement in the operating performance indicators also reflects the fact that ADLER has meanwhile incorporated all its property holdings in its former structure under ADLER's own management.

The below chart illustrates the capital expenditures made *e.g.* in relation to the Company's vacancy reduction program since 2016.



Residential portfolio capex & maintenance (€/sqm)



An increase in actual rents is to be realized by maintenance and further improvement of the tenant structure, and a targeted increase in actual rents in the course of tenant turnover or as part of an adjustment to the current market level. In 2019, ADLER plans to spend approximately EUR 40 million to 50 million for tenant improvement and vacancy reductions. Over the next three years, ADLER plans to invest up to EUR 280 million in two modernization projects in Goettingen and Wolfsburg (both Lower Saxony)

On the cost side, ADLER plans to increase profitability through greater efficiency in managing residential properties. This involves the internalization of property and facility management which has been completed (with few exceptions) in early 2018. All main functions relating to property management and facility management are now carried out internally, with ADLER's own staff. This includes activities of property and facility management which ADLER maintains through its subsidiaries ADLER Wohnen Service GmbH and ADLER Gebäude Service GmbH, respectively. In addition, in 2018 a letting division has been set up within ADLER Wohnen Service GmbH with the sole purpose of re-letting apartments which are or have become vacant. Following the acquisition of BCP, ADLER is in the process of integrating the existing structures in the two independent companies – BCP and ADLER Group. The BCP portfolio is currently still managed by RT Facility Management GmbH.

ADLER expects the development into an integrated real estate group to further boost tenant satisfaction leading into reduced turnover rates. This will be further strengthened by an improved communication with tenants through instruments such as the ADLER tenant app, recently implemented central phone number, the opening of additional tenants' regional offices and the introduction of a neighbourhood concierge (as recently introduced in Wilhelmshaven).

Optimization of the portfolio through active asset management

Another key strategic objective of ADLER is to optimize the real estate portfolio through profitable disposals, in particular, of assets classified as “non-core”.

ADLER intends to dispose of assets which are economically weak or no longer fit ADLER's business model. To identify these “non-core” assets to be sold, ADLER regularly reviews its holdings within its portfolio management activities. This initially involves evaluating individual properties in terms of their inherent qualities, *i.e.* to determine the volume of maintenance and renovation expenses required to ensure a quality consistent with market standards. The second assessment criterion adopted involves external market and location factors. The most significant external factors determining the positioning of the assets and capital allocation are: socio-demographic trends, expected changes in demand, infrastructure measures of all kinds. It also includes political decisions, such as restrictions on contractual rental prices, the tax treatment of property or measures to promote new construction. Depending on the outcome of the portfolio analysis, regular discussions are held with regional managers to ensure operational strategy is implemented - *e.g.* increasing marketing activities for properties which are of good quality but are located in less favourable area; or vice versa.

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

department deals with all other properties in ways appropriate to each case, such as increased marketing activities when the property is of good quality but its location factors are less favorable, or by investing in the property when the location factors are good, but the property itself is not.

On average, assets held for sale in the “non-core” portfolio have significantly lower occupancy rates, generate lower rental income and, accordingly, have lower market values per square meter. The sale of “non-core” assets decreases administrative costs, in particular if the properties concerned are outside ADLER's core regions, and allows ADLER to achieve profits and generate cash that can be used for additional development and modernization projects and to acquire new properties with greater income or development opportunities. The current market environment, with strong demand for real estate of all sizes, is very favorable for ADLER in pursuing this ongoing selective capital recycling in this respect.

In the course of 2018, ADLER disposed of 566 rental units which were sold as part of the portfolio optimisation measures. Further, approximately 3,700 rental units - representing virtually the entire “non-core” portfolio - were sold at the end of 2018, of which a tranche of around 2,300 units was transferred at EUR 117.7 million (representing a premium to book value) into a joint venture in which ADLER retained a 25% interest rate and retained, in exchange for market standard fee, the asset, property and facility management contracts. A further tranche of around 1,400 units was sold to an investor for EUR 61.5 million. The combined EUR 179.2 million represent a premium of c. 3% to the book equity value. However rights and obligations of the larger part of the 3,700 units portfolio have only been transferred in February and March 2019, respectively, and the properties are therefore still included in the reported numbers for the 2018 year end.

In 2018, ADLER generated earnings from the sale of properties in its Rental segment of EUR 8.1 million (2017: EUR 0.8 million). This figure does not include the sale of the 3,700 rental units from the non-core portfolio which was only closed in March 2019. As of December 31, 2018, ADLER's non-core assets comprised of 3,897 units.

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

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

In addition, the current favorable financing environment allows ADLER to continuously optimize its financing structure through deleveraging and refinancing of existing higher yield debt at more favorable terms in order to reduce interest expense and to optimize the debt service and financing structure. The issuance of two EUR 800 million Dual Tranche Notes in December 2017 (where from the proceeds of the 2017 issue approximately EUR 604 million were used for the repayment of debt (secured Schuldschein loans) at a make whole price of approximately EUR 89 million and EUR 75 million were used for the replacement of a bridge financing for project Riverside) and April 2018, respectively, are elements of this refinancing and deleveraging strategy.

With respect to its deleveraging strategy, ADLER aims at a debt capital ratio of approximately 55% in the medium term with a special focus on increasing its level of unencumbered assets; both will further improve the Company's available financing conditions. As at December 31, 2018, ADLER had an LTV (defined as net debt over gross asset value) of 61.4% (excluding convertible notes and not taking into account the recent sale of non-core activities by BCP on March 25, 2019) against 59.4% (excluding convertible notes) as at December 31, 2017. In the previous years, ADLER had computed LTV as net debt over total assets. As at December 31, 2018, ADLER's weighted average cost of debt (“WACD”) amounted to 2.23% (2017: 2.72%) with a level of secured debt over its total assets of 27.7%.

A positive effect resulted from the extensive repayment of promissory note loans with higher interest rates, the repayment of the 2013/2018 corporate bond and the early repayment of EUR 200 million of the 2015/2020 corporate bond while the remaining EUR 300 million of the EUR 500 2015/2020 tranche are planned to be repaid with a significant portion of the use of proceeds of the Notes. An additional positive impact came from the fact that BCP's liabilities have, on average, a slightly lower interest rate than ADLER's liabilities in its earlier structure.

4.5 Customers and sales

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

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

4.6 Intellectual property rights and dependence on intellectual property

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

4.7 Insurance coverage

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

ADLER itself or through its group companies entered into three contracts with several insurance companies involved for its management and supervisory board members as well as directors' and officers' liability insurances ("**D&O Insurances**") for the corresponding bodies and managerial employees of its material subsidiaries with coverage of EUR 50 million (ADLER Real Estate Aktiengesellschaft) and EUR 10 million (WESTGRUND AG) per year and insured event. The D&O Insurances cover financial losses incurred due to a breach of duty on the part of the persons insured within the scope of their responsibilities. The D&O insurance contracts provide for a deductible for all members of the management board in accordance with the relevant provisions of the German Stock Corporation Act (*Aktiengesetz, AktG*).

4.8 Tangible fixed assets

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

4.9 Employees

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

As of December 31,						
2018		2017		2016		
Head-count	FTEs	Head-count	FTEs	Head-count	FTEs	
Total	828 ⁽¹⁾	752 ⁽²⁾	555 ⁽¹⁾	507 ⁽²⁾	354 ⁽¹⁾	319 ⁽²⁾

⁽¹⁾ audited, including management board members

⁽²⁾ taken or derived from the Company's accounting records or internal management reporting systems, respectively.

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

As at December 31, 2018, ADLER had a total number of 752 employees on (FTE basis). The significant increase in headcount in 2018 was due to the acquisition of BCP in April 2018.

4.10 Incentive Program (“Stock Appreciation Rights Program”)

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

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

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

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

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

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

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

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

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

By resolution of the Company's extraordinary general meeting as of October 15, 2015, the management board has been entitled to acquire own shares of the Company (see section 10.5 *“Authorization to acquire own shares”*). The so acquired own shares may, *inter alia*, be offered to the Company's employees and the members of the management board, who may acquire them under stock options.

4.11 Investments

The table below shows ADLER's investments in the fiscal years ended December 31, 2018, December 31, 2017, and December 31, 2016.

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

“Other investments/divestments” in the fiscal years ended December 31, 2016 and December 31, 2017 almost exclusively relate to negative cash flows from the indirect acquisition of shares in convert.

	Fiscal year ended December 31,		
	2018	2017	2016
	IFRS		
	(EUR thousand)		
	(audited)		
Investments/divestments in investment properties and companies holding investment properties.....	561,844	193,391	7,544
Investments/divestments in intangible assets and property, plant, and equipment	4,468	2,771	139
Short-term investments/divestments.....	7,779	7,422	-7,163
Other investments/divestments	34,986	-416,269	78,979
Total investments/divestments.....	609,077	-212,676	79,499

Major investments comprised the following:

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

In July 2017, the Company has decided to launch a second vacancy reduction program and to invest a further EUR 12 million in renovating vacant apartments, starting in the last quarter of 2017.

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

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

In March 2018, the Company’s management board resolved to acquire a small portfolio comprising 121 units in Northern Germany by way of a share deal. Of the purchase price of approximately EUR 8.1 million, up to EUR 7 million shall be financed through a bank loan, whereas the remaining amount shall be financed from own funds.

In April 2018, the Company acquired a stake of approximately 70% in Brack Capital Properties N.V. (“**BCP**”), a public limited liability company incorporated under the laws of the Netherlands, the shares of which are admitted to trading on the Tel Aviv Stock Exchange (“**TASE**”). The acquisition was completed through a share purchase agreement entered into on February 16, 2018 (as amended on March 26, 2018) in combination with a special tender offer (“**STO**”) and the acquisition of further shares in BCP from members of BCP's senior management team.

The total consideration for the acquisition of this approximately 70% stake in BCP amounted to approximately ILS 2.4 billion (approximately EUR 555 million), see “4.12 *Material Agreements – SHARE PURCHASE AGREEMENTS* – Acquisition of majority stake in Brack Capital Properties N.V.”

The acquisition of the shares in BCP was financed by way of a bridge term loan facility, entered into on February 17, 2018 and amended on March 7, 2018 and March 21, 2018, with J.P. Morgan Securities plc as mandated lead arranger, J.P. Morgan Chase Bank, N.A., London Branch as original lender and issuing bank and J.P. Morgan Europe Limited as agent for a euro term loan facility in an aggregate amount of up to EUR 585 million (the “Bridge Facility”) (see section 7 “*DESCRIPTION OF OTHER INDEBTEDNESS – Up to EUR 585 million Bridge Term Loan Facility with JP Morgan*” for details on the Bridge Facility). The Bridge Facility was repaid in April 2018 by partly using the issue proceeds of the EUR 800 million Dual Tranche Notes 2018/2023 and 2018/2026 (see section 7 “*DESCRIPTION OF OTHER INDEBTEDNESS – EUR 800 million Dual Tranche Notes 2018/2023 and 2018/2026*”).

On May 18, 2018, Reiß Hausbau GmbH, an affiliate of EURO Real Estate GmbH as seller and Magnus Dreizehnte Immobilienbesitz und Verwaltungs GmbH, a fully consolidated affiliate of the Company, as purchaser, entered into a notarized purchase agreement on land plots (*Grundstückskaufvertrag*) regarding land plots in Schönefeld. The purchase price amounts to EUR 14 million and was paid in September 2018.

For the current fiscal year 2019 the management board of the Company plans total investments of approximately EUR 172 million. Thereof an amount of approximately EUR 28.5 million was spent by the end of March 2019. The largest investments in 2019 were attributable to project developments of Magnus Zehnte and maintenance.

As at the date of the Prospectus, no other investments other than the aforementioned investments have been agreed with binding effect for the fiscal year 2019.

4.12 Material Agreements

During the last three fiscal years ADLER has entered into the following material agreements outside the normal course of business: A description of material financing agreements can be found in section 7 “*DESCRIPTION OF OTHER INDEBTEDNESS*”.

Share purchase agreements

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

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

On October 20, 2017, as agreed under the ACCENTRO SPA, Brookline made an initial down payment on the purchase price in an amount of EUR 2,000,000 and paid an installment of the purchase price of EUR 18,000,000 on closing. The remaining portion of the purchase price (including interest thereon and minus certain accelerated payments made by Brookline as well as dividend distributions to ADLER), currently amounting to approximately EUR 151.2 million has been deferred two times, currently until 30 June 2019.

At closing, the Company transferred title in the sold shares and ownership in the convertible notes to Brookline, subject to (*aufschiebende Bedingung*) the full payment of the purchase price. While legal title in the sold shares and, respectively, ownership in the convertible notes therefore still remains with ADLER to secure the purchase price claim, Brookline has acquired full beneficial ownership in the shares at closing, which includes, in particular, the right to dividends. The Company has therefore de-consolidated ACCENTRO upon closing of the transaction. The beneficial ownership of Brookline is subject to certain protective rights of the Company, which are intended to provide comfort to the Company that, as long as the purchase price is not fully paid, ACCENTRO will essentially continue to carry out its business operations in accordance with past practice, and in that respect not to the disadvantage of the Company.

In case Brookline does not pay the remaining purchase price as and when due, the Company is entitled to withdraw from the ACCENTRO SPA and to fully re-appropriate the shares and convertible notes; furthermore, Brookline would be obligated to pay approximately EUR 34.6 million in case of a default in connection with the payment of the deferred portion of the purchase price.

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

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

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

Riverside Targets and 100% of the receivables under the shareholder loans. Taurecon Invest IV GmbH will hold the remaining shares in each of the Riverside Targets.

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

The preliminary purchase price to be paid by Magnus Zehnte for the 94.9% shares in each of the Riverside Targets amounts to EUR 85.4 million. The purchase price for the shareholder loans amounts to EUR 32.2 million (the “**Shareholder Loans Price**”) and will be fully borne by Magnus Zehnte. The total purchase price for the shares and the shareholder loans is payable in three installments, whereas the first installment of Magnus Zehnte (with respect to an amount of EUR 95.2 million) will be due on closing, less a premium in the amount of EUR 1 million previously paid which is to be deducted from the purchase price. Upon payment of the first installment, the purchasers will acquire full title to their respective shares in the Riverside Targets. The second installment by Magnus Zehnte of approximately EUR 5.0 million will become due on completion of the shell structure. The third installment by Magnus Zehnte of approximately EUR 17.4 million will become due after completion of the first six buildings. The third and the second installments may be reduced in case of cost overruns *via-à-vis* the agreed construction cost plan.

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

Project Riverside has an expected overall investment volume of approximately EUR 300 million. The annual total net rental income of the first seven buildings (*i.e.*, including the Kornversuchsspeicher but without the gas station) is estimated to amount to EUR 10.7 million (*i.e.* net, without ancillary costs). The existing loan facility plus the granted shareholder loans respectively capital contributions are altogether capable to fully cover the estimated costs for Project Riverside plus unexpected cost increases of up to approximately EUR 15.2 million.

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

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

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

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

holders, as the case may be, of hereditary building rights (*Allein- oder Miteigentümer oder (Gesamt-)Erbbauberechtigter*) of properties located primarily in Bremen, Lower Saxony and North Rhine-Westphalia. The transfer of the shares and shareholder loan receivables was implemented with effect as of August 31, 2017.

Acquisition of majority stake in Brack Capital Properties N.V.

On April 2, 2018, ADLER acquired 5,167,188 ordinary shares with a nominal value of EUR 0.01 each for a consideration of ILS 440 per share in Brack Capital Properties N.V. (“**BCP**”) (approximately 66.84% of all issued and outstanding shares and voting rights, *i.e.* excluding treasury shares), a public limited liability company incorporated under the laws of the Netherlands, the shares of which are admitted to trading on the Tel Aviv Stock Exchange (“**TASE**”) under a share purchase agreement entered into on February 16, 2018 (and amended on March 26, 2018) with Redzone Empire Holding Limited, a private company organized and existing under the laws of Cyprus for 3,172,910 shares and following a special tender offer in Israel for up to 1,994,278 (approximately 25.8%) BCP shares (“**STO**”).

The closing of the BCP SPA was subject to certain conditions precedent (*aufschiebende Bedingungen*), *inter alia*, receipt of merger clearance from the German Federal Cartel Office and the successful approval of the STO by a necessary majority of BCP shareholders and acceptance by the holders of BCP shares representing at least 5% of the voting rights in BCP. On February 23, 2018, ADLER received merger clearance from the German Federal Cartel Office. On March 22, 2018, ADLER was notified of the success of the STO which was consummated on April 2, 2018. The closing of the SPA and transfer of the shares occurred on April 2, 2018 with ADLER acquiring 3,172,910 shares in BCP from Redzone Empire Holding Limited.

The STO in Israel (amended on March 23, 2018), pursuant to the laws of Israel to the shareholders of BCP was launched on February 19, 2018. In this offer, ADLER offered to purchase a minimum of 5% of the shares in BCP and a maximum of 1,994,278 (approximately 25.8%) of the shares in BCP for a consideration of ILS 440 per tendered share. By law, success of the STO was subject to ADLER acquiring shares that confer at least 5% of the voting rights in BCP and to the approval of the STO by a majority of the responding BCP shareholders. The initial acceptance period of the STO ended on March 22, 2018, at which date 3,983,325.50 BCP shares had been tendered into the STO and the majority of responding BCP shareholders had approved of the STO. Upon the expiration of the additional acceptance period under the STO on March 26, 2018, a total of 4,238,284 shares had been tendered into the STO, which exceeded the maximum amount of shares ADLER had offered to purchase. Pursuant to the terms of the STO, ADLER acquired the maximum amount of 1,994,278 shares in BCP that ADLER had offered to purchase on a pro-rata basis from each accepting shareholder.

Following the STO and based on tender commitment agreements entered into on February 16, 2018 in connection with the STO, members of BCP's senior management team sold their respective shareholdings of a combined 2.98% (230,082 shares) in BCP to ADLER for a total consideration of approximately ILS 0.1 billion (approximately EUR 24 million)

As a result, ADLER successfully closed the acquisition of a total of approximately 70% of the shares in BCP in April 2018.

The total consideration for the acquisition of this approximately 70% stake amounts to approximately ILS 2.4 billion (approximately EUR 555 million, using an average exchange rate of 4.28 ILS/EUR).

The acquisition of the shares in BCP was financed by way of a bridge term loan facility, agreed on February 17, 2018 and amended on March 7, 2018 and March 21, 2018, with J.P. Morgan Securities plc as mandated lead arranger, JPMorgan Chase Bank, N.A., London Branch as original lender and issuing bank and J.P. Morgan Europe Limited as agent for a euro term loan facility in an aggregate amount of up to EUR 585 million (the “*Bridge Facility*”) (see section 7 “*DESCRIPTION OF OTHER INDEBTEDNESS – Up to EUR 585 million Bridge Term Loan Facility with JP Morgan*” for details on the Bridge Facility). The Bridge Facility was repaid in April 2018 by partly using the issue proceeds of the EUR 800 million Dual Tranche Notes 2018/2023 and 2018/2026 (see section 7 “*DESCRIPTION OF OTHER INDEBTEDNESS – EUR 800 million Dual Tranche Notes 2018/2023 and 2018/2026*”).

BCP owns a substantial real estate portfolio in Germany of which two thirds are high quality residential assets in 'A' locations, including attractive residential development projects in the city centres of Dusseldorf and Aachen, with the remainder consisting of approximately 300,000 sqm of commercial real estate. The residential portfolio

consists of more than 11,000 units in high growth markets anchored by Leipzig (30%), Bremen (10%), Hannover, Kiel and Dortmund (each 9%) and generates annual rental income of approximately EUR 45 million.

Joint Venture Agreement (Project Apollo)

On December 21 and December 22, 2018, BE AB Holding B.V., an affiliate company of Benson Elliot Capital Management LLP and MÜNCHENER BAUGESELLSCHAFT MBH, a fully consolidated affiliate of the Company entered into a joint venture agreement (“**Joint Venture Agreement**”) to facilitate joint ownership of AB IMMOBILIEN B.V. (JV Co) following the acquisition of several real estate properties by way of a property sale and purchase agreement entered into between several Group companies (e.g. ADLER Real Estate Properties GmbH & Co. KG and WESTGRUND Aktiengesellschaft (as Sellers)) and the JV Co (as Purchaser) on December 21, and December 22, 2018 (see: *Real property purchase agreements – Property Sale and Purchase Agreement (Project Apollo)*).

The JV Co shall not acquire or hold any other material assets other than the acquired real estate properties. Following share sale and transfer agreements dated December 20, 2018 and February 19, 2019, between BE AB Holding B.V. and MÜNCHENER BAUGESELLSCHAFT MBH pursuant to which BE AB Holding B.V. has sold and transferred 7,500 shares (corresponding to 25% of the JV Co shares) to MÜNCHENER BAUGESELLSCHAFT MBH the remaining 75% of the JV Co shares are held by BE AB Holding B.V. The Joint Venture Agreement is subject to merger clearance which has not been obtained as of the date of this Prospectus.

The Joint Venture Agreement is governed by German law and runs for an indefinite term unless terminated by each party with a notice period of three months but for the first time with effect as of ten years after the signing date. The Joint Venture Agreement was amended by notarial deeds on February 4, 2019 and on March 13, 2019.

Sale of parts of BCP’s retail portfolio

On March 25, 2019, BCP has entered into a binding sale and purchase agreement with an established London-based real estate private equity firm to dispose of three retail assets located in Rostock, Celle and Castrop-Rauxel. This part of BCP’s retail portfolio was sold at a purchase price of EUR 181 million of gross asset value were disposed of representing approximately 37 percent of its total retail portfolio. The portfolio is being sold in a share deal reflecting a 7.6% premium to the book equity value. BCP will retain a minority stake of 10.1% as part of the share deal. ADLER will remain responsible for asset, property and facility management until the properties are eventually sold. The closing of the transaction remains subject to customary closing conditions.

Real property purchase agreements

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

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

Between the parties, a purchase price of EUR 28,500,000.00 and payment of the purchase price in up to two tranches was agreed upon. The purchase price shall become due at the end of the quarter in which a corresponding notice of maturity is received by the Purchaser. The notices of maturity will be issued after

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

Property Sale and Transfer Agreement (Project Apollo)

On December 21, and December 22, 2018 and in the context with the Joint Venture Agreement for Project Apollo, several Group companies (e.g. ADLER Real Estate Properties GmbH & Co. KG and WESTGRUND Aktiengesellschaft (as Sellers)) and the JV Co (as Purchaser) entered into a property sale and transfer agreement regarding real estate properties consisting of 2,912 units (2,318 residential and retail units, 535 parking slots and 59 other units) located across Germany. The purchase price, which is subject to an adjustment mechanism, amounts to EUR 117,700,000 including an upfront partial purchase price of EUR 71,700,000 which becomes due and payable on the last business day of the month in which certain conditions are fulfilled or evidenced vis-à-vis the notary, e.g., registration of priority notice for conveyance (*Auflassungsvormerkung*), declarations of assignment of release declarations (*Löschungsbewilligungen*), conclusion of a loan agreement of at least EUR 55 million between the Purchaser and a financing bank and merger control clearance. The adjustment mechanism of the purchase price is based in particular on the proceeds from the on-sale of the properties. The agreement was amended by notarial deeds on February 4, 2019 and on March 13, 2019.

4.13 Litigation

Austrian Takeover Commission

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

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

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

Currently two damage claims of former Conwert-shareholders are pending at Vienna Commercial court. The total amount in dispute is EUR 1.136m. The outcome of the proceedings is hard to foresee because there is no case law on the relevant legal question. In one case the first instance decision is to be expected this spring with a favourable outcome but claimant may appeal.

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

In addition, the Commission initiated administrative penal proceedings against directors of ADLER and WESTGRUND who were in office at the time at which control was gained due to the failure to submit a mandatory offer. The potential penalties range from EUR 5,000 to EUR 50,000 per defendant. ADLER and WESTGRUND are liable for the collection of any potential penalty. Whereas the proceeding against the director of WESTGRUND was suspended without a penalty, the Commission fined the director of ADLER with EUR 20,000. The director of ADLER and ADLER appealed to the Austrian Federal Administrative Court. The administrative penal proceeding is still ongoing.

Finally, the Austrian Financial Market Authority (*Finanzmarktaufsicht* “**FMA**”) initiated administrative penal proceedings against ADLER, WESTGRUND and MountainPeak with respect to the failure to make voting right notifications. Austrian law provides that parties (including parties acting in concert) who reach a certain voting rights threshold are required to notify the applicable company, the Vienna Stock Exchange and the Austrian Financial Markets Authority thereof. The relevant voting right thresholds are *inter alia* 25% and 30%. The fines for such misconduct were recently increased in Austria and could amount to up to EUR 10 million or 5% of the Company's annual net sales (on a consolidated basis) or twice the amount of the benefit which resulted from the breach of notification duties. The FMA fined ADLER with EUR 38,500 whereas the proceedings against WESTGRUND and MountainPeak were suspended without a penalty. ADLER appealed to the Austrian Federal Administrative Court. The proceeding is still ongoing and its outcome will depend on the findings in the Commission's administrative penal proceedings. Overall, at this stage, an outflow of financial resources is not regarded as probable by ADLER. Therefore, the Company has not made any provisions in its financial statements.

Petition in respect of the purchase of the BCP shares

On April 8, 2018, a petition to certify a lawsuit as a class action was filed in the Tel Aviv District Court by a minority shareholder of Brack Capital Properties NV (the “**BCP**”) against the Company, Redzone Empire Holding Limited (“**Redzone**”) and members of the senior management of BCP (the “**BCP Executives**”).

In the petition, the petitioner raises claims in respect of the purchase of BCP shares by the Company (i) from Redzone under the share purchase agreement dated February 16, 2018 (“**SPA**”), (ii) the special tender offer launched by the Company in respect of BCP's shares on February 19, 2018 (“**STO**”) in Israel, and (iii) the put option agreements entered into by the Company and the BCP Executives. In essence, the petitioner claims that the purchase of BCP shares under the SPA and the put option agreements should have been made as part of the STO, and that the purchase violated the principle of equality under applicable tender offer rules, given that in effect, it enabled Redzone and the BCP Executives to sell to the Company 100% of their shares in BCP, while all

other public shareholders participating in the STO were able to tender only approximately 47% of their shares in the BCP.

The petitioner requests that the court declares that the BCP shares purchased by the Company are dormant shares, *i.e.*, they do not carry any rights (voting or other), and requests monetary compensation for the shareholders other than Redzone and the BCP Executives representing the equivalent value of the put options under the put option agreements and the value of the rights of Redzone to sell its entire block under the SPA. In addition, the petitioner requests legal fees for the representing attorney on a *quota litis* basis of whatever amount that will be awarded to the shareholder group participating in the class action and compensation for the petitioner on the same basis.

The Company and its legal advisors are in the process of analyzing the petition, which was filed by only one shareholder holding one share. No further shareholders of BCP have raised similar actions. At this preliminary stage of the petition and on the face of things, the Company and its legal advisors are of the view that the Company has good arguments to support the dismissal of the certification of the petition as a class action. The Company will therefore fight the petition vigorously and does not intend to make provisions to this end.

4.14 Regulatory environment

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

German Tenancy Law

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

Protection against the termination of residential leases and eviction

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

When real estate is converted in connection with a conversion into condominiums, personal use and reasonable economic use are not deemed legitimate interests for terminating a lease agreement under the German Civil Code (*Bürgerliches Gesetzbuch*) for a period of three years following the transfer of title/the hand-over of the leased real estate to the tenant and the subsequent sale of the condominium. The aforementioned restrictions on terminating lease agreements also apply in the event that during the course of a continuing lease, the leased premises are sold to a partnership or to several purchasers who then proceed to transform the building into

condominiums. In regions where the supply of housing at reasonable conditions is particularly scarce, the German respective federal state governments are authorized to specify territories in which they may legally extend this termination prohibition for a period of up to ten years following the purchase of the property. Some states, like North Rhine-Westphalia, Hesse, Bavaria and Berlin have made use of this option, so that the regulations may vary from one federal state to another.

The following overview provides information on extension of termination prohibition for federal states:

Federal state	Duration of validity	Termination prohibition
Baden-Wuerttemberg	Until June 30, 2020	5 years
Bavaria	Until July 31, 2020	10 years
Berlin	Until September 30, 2023	10 years
Hamburg	Until January 1, 2024	10 years
Hesse	Until December 31, 2019	5 years
North Rhine-Westphalia	Until December 31, 2021	5 years

Limits on rent increases

The ability of landlords to increase rent unilaterally under existing tenancy agreements is limited by German law; however, the amount of rent agreed upon between existing or new tenants and the landlord is in general currently not subject to restrictions. According to Section 5 of the German Economic Offenses Act (*Wirtschaftsstrafgesetz*) the willful or reckless (*leichtfertig*) letting of rooms for living at unreasonably high rents however constitutes an administrative offense (*Ordnungswidrigkeit*). A rent is unreasonably high in case it exceeds the locally prevailing comparative rent level (*ortsübliche Vergleichsmiete*) in a municipality during the last four years by more than 20% due to an abuse of the limited availability of comparable rooms. In the prior legislative period, a draft bill was introduced into the German parliament that rents exceeding 20% of the prevailing comparative rent level in a municipality or a district of a municipality shall constitute an administrative offense (*Ordnungswidrigkeit*) without it being required that this is “due to an abuse of the limited availability of comparable room”. The draft bill period has elapsed but it is not excluded that a new draft bill will be presented. In addition, according to German Supreme Court (*Bundesgerichtshof*) case-law, rent levels exceeding the locally prevailing comparative rent level (*ortsübliche Vergleichsmiete*) by approximately 50% may constitute a usury crime pursuant to Section 291 of the German Criminal Code (*Strafgesetzbuch*). If the parties to the existing tenancy agreements have not agreed on a staggered rent (*Staffelmiete*) or an indexation of rents (*Indexmiete*) – which is unusual in the German residential market – and the tenant refuses to amend the tenancy agreement, a rent increase may also be made unilaterally under certain circumstances. Increase of rent that is agreed in a residential lease agreement (staggered rent oder indexation of rent) is subject to statutory law provisions. In case of an indexation of rent, it is *inter alia* required that the rent must remain unchanged for at least one year. In addition, provisions of the German Price Clause Act (*Preisklauselgesetz*) must be observed (please see further details below). With respect to lease agreements that are not subject to rent controls, the landlord is – subject to contractual restrictions – entitled to demand the adjustment of the contractual rent up to locally prevailing comparative rent levels if the rent was constant for the preceding 15 months. As a general matter, the rent must not be increased by more than 20% in a three-year period (capping limit). Pursuant to the Tenancy Law Amendment Act (*Mietrechtsänderungsgesetz*) which entered into force on May 1, 2013, the capping limit may be reduced to 15% by the German state governments for certain municipalities if the supply of affordable housing is deemed insufficient or scarce. Certain federal states already introduced such regulations on capping limits. So far, 13 state governments (Baden-Wuerttemberg, Bavaria, Berlin, Brandenburg, Bremen, Hamburg, Hesse, Lower Saxony, Mecklenburg-Western Pomerania, North Rhine-Westphalia, Rhineland-Palatinate, Saxony and Schleswig-Holstein) have introduced such provisions for capping limits (so-called rent control (*Mietpreisbremse*)).

On June 1, 2015, the Act on Curbing Rent Increases in Tight Housing Markets and the Strengthening of the Orderer Principle with Respect to the Business of Rental Agents – tenancy law amendment act (*Gesetze zur*

Dämpfung des Mietanstiegs auf angespannten Wohnungsmärkten und zur Stärkung des Bestellerprinzips bei der Wohnungsvermittlung – Mietrechtsnovellierungsgesetz) entered into force. The Act restricts rent increases for new leases to a maximum of 10% above the locally prevailing comparative rent levels in municipalities or parts of municipalities in which the supply of affordable housing is determined to be threatened (rent control).

The prevailing comparative rent levels are determined on the basis of contractual rents that were agreed upon for comparable residential space in the relevant municipality during the preceding four years. However rent increases due to modernization measures (see “—*Landlord's Modernization and Maintenance Measures*”) are not taken into account for determining the prevailing comparative rent levels. Whether residential space is comparable is determined by taking into account its type, size, furnishings, quality, location, including the energy systems and characteristics. For this purpose, the landlord may, in particular, refer to the following: (i) an official rent index (*Mietspiegel*), (ii) a rent database, (iii) a report from an officially appointed and sworn expert or (iv) the rent payable for at least three comparable residential units. A rent index is a table that shows the prevailing reference rent in a relevant municipality. The table must be jointly produced or accepted by the municipality or by the landlord and tenant representatives. If the rent index is produced in accordance with recognized scientific principles, it is recognized as a so-called qualified rent index (*Qualifizierter Mietspiegel*). Qualified rent indices, as opposed to simple rent indices, create the (rebuttable) assumption that the listed rent levels reflect the reference rent customary in the relevant municipality. A rent index shall be adjusted to market trends in two-year intervals. A qualified rent index must be adjusted every two years; when this is done, a spot check or the trend of the price index for living standards of all private households in Germany, as computed by the Federal Statistical Office (*Statistisches Bundesamt*), may be used as a basis. A new list reflecting the qualified rent index must be generated every four years. A rent database is a collection of rents maintained on an ongoing basis that is used to determine the reference rent prevailing in a municipality. This option is only suitable for use if the collection of rents among other things (i) draws upon an adequate amount of rent data of existing and new lease agreements which are continuously updated, and which are representative for determining the prevailing rent level for individual properties in the respective locality, and (ii) is recognized by the municipality or by the landlord and tenant representatives. As a result, rent databases are hardly used in practice. At the end of the year 2018, the German Federal Ministry of Justice announced that it is intended to continue to reform the law on rent control: It is planned to adjust the calculation of rent index. So far, the rent index is calculated as the average of all rents that have changed or been added in the last four years. It is now intended to extend the observation period by six years. This shall prevent an excessive increase in the local comparative rents.

For certain modernization measures, the landlord may, subject to statutory or contractual requirements, increase the annual rent by, currently, up to 8% of the total cost of the modernization measures according to the Act to Amend the Regulations on the Permissible Rent Amount at the Lease Start and Adapting the Regulations on the Modernization of the Leased Property – Tenancy Law Amendment Act which entered into force on January 1, 2019 (*Gesetz zur Ergänzung der Regelungen über die zulässig Miethöhe bei Mietbeginn und zur Anpassung der Regelungen über die Modernisierung der Mietsache – Mietrechtsanpassungsgesetz*). Increase of rent is, however, restricted according to statutory law (*inter alia* is an annual increase of rent within six years limited to EUR 3.00/sqm or EUR 2.00/sqm if the actual rent amounts under EUR 7.00/sqm (cap)); in addition the Federal States are entitled to stipulate a period of five years from the modernization measurements in which the landlord is not allowed to increase rent). The Tenancy Law Amendment Act stipulates that a rent increase according to the previous stipulations (threshold 11% and without cap) applies to lease agreements concluded before December 31, 2018, if the tenant has received notification of the modernization measures and the expected amount of the rent increase before December 31, 2018.

The first letting of new or thoroughly modernized buildings may be excluded from the rent limitation. Until December 31, 2020, the German federal governments are authorized by the tenancy law amendment act (*Mietrechtsnovellierungsgesetz*) to identify areas where there is pressure on the housing market and impose the rent limitation accordingly for a maximum period of five years. Thus, rent control (*Mietpreisbremse*) only applies in the respective designated areas.

Federal state	Introduction of rent control (<i>Mietpreisbremse</i>)
Baden-Wuerttemberg	November 1, 2015
Bavaria	August 1, 2015

Berlin	June 1, 2015
Brandenburg	January 1, 2016
Bremen	December 1, 2015
Hamburg	July 1, 2015
Hesse	November 27, 2015
Lower Saxony	December 1, 2016
Mecklenburg-Western Pomerania	October 1, 2018
North Rhine-Westphalia	July 1, 2015
Rhineland-Palatinate	October 8, 2015
Schleswig-Holstein	December 1, 2015
Thuringia	March 31, 2016

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

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

Restrictions on selling residential real estate

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

In Berlin, there is currently a political debate whether to expropriate (*enteignen*) large housing companies (explicitly those with more than 3,000 apartments) and to turn the apartments into units owned by the City of Berlin. The initiative "Deutsche Wohnen und Co." (named after a company operating under the corporate name "Deutsche Wohnen" and others) wants to establish apartments owned by (*inter alia* publicly listed) companies as common property. Whether such a plan is in compliance with German Constitutional Law is currently being discussed. Moreover, such expropriations can only take place with appropriate compensation payments to the expropriated companies. The success of this initiative is, however, not foreseeable given to the expected level of compensation payments and the increasing indebtedness of the City of Berlin.

Restrictions on usage of housing space

Certain federal states (*Bundesländer*) passed laws in 2013 with regard to the restriction on usage of housing space. These laws differ with regard to the concrete regulations but, *inter alia*, prohibit or allow municipalities to prohibit the vacancy of housing space for a varying period of months or they restrict repeated renting as a vacation home. In Berlin, the Prohibiting Misappropriation Law (*Zweckentfremdungsverbotsgesetz*) entered into force. In particular, the law is intended to avoid a lack in free apartments due to the use of housing space through short-term rentals (such as "Airbnb" rentals). Therefore, permission of the competent authority is

required in case of letting more than 50% of an apartment in Berlin for a limited period of time. Obtaining approval will incur costs in the amount of EUR 100,00 to 150,00. Non-compliance may constitute an administrative offence and result in payment of a fine of up to EUR 500,000.00. Other federal states have equivalent legislation in place such as Bavaria, Baden-Wuerttemberg, North Rhine-Westphalia and Hamburg.

Landlord's modernization and maintenance measures

The Tenancy Law Amendment Act (*Mietrechtsänderungsgesetz*) that entered into force on May 1, 2013 aims to reduce Germany's primary energy demand (*Primärenergiebedarf*) by 80% (from 1990 levels) by 2050, in accordance with the so called "Energy Concept 2050" (*Energiekonzept 2050*). In order to achieve this goal, the Tenancy Law Amendment Act (*Mietrechtsänderungsgesetz*) requires that tenants tolerate maintenance measures (*Erhaltungsmaßnahmen*) and modernization measures (*Modernisierungsmaßnahmen*). In the latter case, the tenant must receive a written notification from the landlord, which includes information regarding the nature, extent, length and rent increase resulting from the modernization measure, three months prior to the commencement of the modernization measure. If the tenant can, however, prove that the modernization measure constitutes undue hardship for himself, a family member or a member of his household, he does not have to tolerate the modernization measure. Following the announcement of modernization measures, tenants will be entitled to a special termination right (*Sonderkündigungsrecht*) for a period of two months after the month in which the tenant received written notification. For modernization measures which sustainably reduce the final energy consumption (energy-related modernization measures) (*energetische Modernisierung*) tenants will not be entitled to rent reductions for a period of up to three months. For such energy-related modernization measures, and for those modernization measures through which water consumption is sustainably reduced, the utility value (*Gebrauchswert*) of the rented property is sustainably increased or the housing conditions are enhanced permanently, as well as for those measures that are the result of circumstances that the landlord is not responsible for, and which are not maintenance measures, the landlord is entitled to transfer costs to tenants by way of an annual rent increase of, currently, up to 8% of the cost incurred (less the costs that would have been incurred for ordinary maintenance measures), unless the tenant can prove that the rent increase constitutes an undue burden/hardship. However, according to The Tenancy Law Amendment Act (*Mietrechtsänderungsgesetz*) that entered into force on January 1, 2019 the landlord has to fulfil certain obligations with regard to an intended modernization. Current stipulations include *inter alia* (i) the landlord's obligation to proactively disclose certain information to the tenant about the intended modernization measures (type and scope of measures, start date, and the expected amount of the rent increase etc.) at least three months before implementation; otherwise a declaration of increase of rent is invalid and (ii) the obligation to commence construction work within 12 months of the announcement; otherwise, it is presumed that the landlord has violated his contractual obligations. Following a rent increase/non-compliance with contractual obligations, tenants may have a right to reduce rent and/or a special termination right. The landlord acts improperly if he misuses the implementation of modernization measures for the purpose of termination of the lease by the tenant. Such action can lead to administrative offences up to EUR 100,000.00.

Landlord's modernization and maintenance obligations

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

Transferring utility costs to the tenant

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

outsourcing procedure provides for an increase in heating supply efficiency and does not result in increased utility costs for tenants.

Obligations under federal law

Subject to compliance with certain statutory limitations, landlords may also assign decorative repairs and certain maintenance obligations for a residential unit's interior to a tenant. If the landlord assigns such obligations pursuant to a standard form contract, the terms of the contract governing the transfer of costs to the tenant must comply with the strict requirements applicable to standard business terms (*Allgemeine Geschäftsbedingungen*). If these requirements are not met, the assignment of any obligation to the tenant is void. For example, in a number of decisions, the German Federal Supreme Court (*Bundesgerichtshof*) ruled that standard clauses in lease agreements are void if they require the tenant to make decorative repairs (*Schönheitsreparaturen*) on a fixed schedule, if the flat had not been renovated at the beginning of the lease, or require the tenant to fully renovate the flat at the end of the lease (*Endrenovierung*). Recently, the German Federal Supreme Court (*Bundesgerichtshof*) even ruled that the obligation to make decorative repairs which is set out in a standard form contract (*formularmäßige Verpflichtung*) is void, if the apartment was handed over in an unrenovated condition and this condition has not been economically reflected in the respective contract (for example, by agreeing on an adequate rent-free period). If the tenant carries out these repairs and renovation work without actually being required to do so, the landlord may be required to reimburse the tenant for the corresponding costs.

In addition, lease agreements usually provide for an allocation of costs for maintenance and repair of common areas and facilities (*Gemeinschaftsflächen und –einrichtungen*) to the tenant through utility costs. According to a decision of the German Federal Supreme Court, in standard form lease agreements such costs can only be allocated to tenants if the allocation is reasonable (*zumutbar*) and defined, for instance by a fixed percentage of annual rent or fixed annual amount. Thus, a clause without such a cap may be held invalid. Any costs that cannot be properly allocated to the tenants have to be borne by the landlord.

Requirements of written form under federal law

Commercial lease agreements which run for a term of more than one year are subject to the requirements of written form under sec. 550 BGB. German statutory law and relevant case law provide for strict requirements of written form for such lease agreements. All agreements including subsidiary agreements and appendices, such as any building descriptions, lists of ancillary costs etc, must be attached to each other in a way evidencing the parties' intent that they should be permanently connected (such as by sealing or stapling). Any objective reader, especially a purchaser as future landlord, must be able to determine with certainty if one of the elements of the contract is missing or has been removed. Alternatively, it may be sufficient if the completeness and unity of the agreements can be deduced from serial numbering pages, pagination and the continuous content of the text.

The requirement of written form also applies to amendments to the original lease agreements. All pages of the amendment as such have to be connected according to the abovementioned criteria. In addition, the amendment must clearly relate to the original lease agreement and all prior amendments and must determine that any previous provisions not changed by amendment remain valid.

Non-compliance with the written form requirement does not lead to invalidity of the lease but it is deemed to be entered into for an undefined period of time (instead of the term agreed by the parties). As a consequence, the lease can be terminated with relatively short notice pursuant to statutory provisions, usually within a period of six months' notice to the end of a calendar quarter.

These criteria and impact apply to the entire lease agreement as such: If only one of those agreements (original agreement and/or amendments) do/does not fulfil the requirements of written form, the whole lease is considered to be defective with the consequences as mentioned below.

Most lease agreements contain a so-called "written form curing clause" (*Schriftformheilungsklausel*) stating that the parties shall not be entitled to terminate the lease for reasons of violation of written form requirements. However, the German Federal Court determined such clauses to be invalid.

Rent-indexation clause

An agreed rent indexation is subject to the requirements of the "Act on the Prohibition of the Use of Price Clauses in the Determination of Monetary Debts" - Price Clause Act (*Gesetzes über das Verbot der Verwendung*

von Preisklauseln bei der Bestimmung von Geldschulden" - Preisklauselgesetz). These clauses can only be effectively agreed if the requirements of the Price Clause Act are met: *inter alia*, a term of at least 10 years must be agreed. In the event that the lease agreement does not meet the written form requirement and can therefore be terminated at any time, there is a risk that the indexation clause will become invalid. However, the Price Clause Act stipulates that a clause is only ineffective once this has been determined by a court. Until then, it is deemed to be valid.

Obligations under state laws

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

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

Requirement of energy certificates

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

Public subsidy restrictions

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

Restrictions imposed on federal level

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

principle, respectively, continue to apply. In some cases, sales of publicly subsidized housing require the approval of the authority that provided the subsidies. Moreover, if a property is converted into a condominium that is subsequently sold to the tenant for continued use by him or to a third party, the subsidies can be transferred.

Restrictions imposed on the state level

In the wake of a constitutional reform in Germany in 2006, the German federal states were given the legislative power to subsidize social housing. Accordingly, each federal state may enact its own subsidized social housing act. However, in federal states that have not enacted their own subsidized social housing act, the German Housing Development Act (*Wohnraumförderungsgesetz*) still applies. Various federal states enacted own subsidized housing acts. Those federal state laws essentially provide for the same restrictions and obligations regarding public subsidized housing as the preceding (*Wohnraumförderungsgesetz*) described above.

Building law (*Bauordnungsrecht*)

The building law regulations of the German federal states are very comprehensive and comprise numerous provisions, e.g., with respect to permitted building products, proper execution of construction work, stability, parking spaces, heating and ventilation, fire prevention, escape and emergency routes, noise protection and handicapped-suitable construction.

Planning law / Zoning plan /public building permit

Under German planning law (*Bauplanungsrecht*), formal urban planning is conducted by the competent municipalities in accordance with the provisions of the German Building Code (*Baugesetzbuch*). Municipalities prepare urban development plans (*Bauleitpläne*) in their own responsibility by means of a two-tiered approach consisting of zoning plans (*Flächennutzungsplan*) and land-use plans (*Bebauungsplan*). Municipal planning authorities have a considerable amount of discretion (*Planungsermessen*) in exercising their planning competence (*planerische Gestaltungsfreiheit*), but are required by law to take into account private and public interests and balancing them against and among each other (*Abwägung*).

In order to ensure compliance with their development plans, municipalities are granted a pre-emptive right to acquire real estate under certain conditions pursuant to the German Building Code. In 2017, amendments to the German Building Code and the Building Usage Ordinance came into force to give municipalities more freedom in urban planning for the purpose of counteracting the current housing shortage in urban areas.

In the absence of a land-use plan, the question whether a construction project (including the modifications to existing buildings) is permitted depends on whether the construction project can be realized in unplanned indoor areas (*unbeplante Innenbereiche*) or in outdoor areas (*Außenbereiche*).

In general, public building law requires building owners to obtain a building permit for the construction, conversion, demolition or alteration of the use of a building (or parts thereof). A building permit is granted by the competent authority if the construction project complies with the provisions of the construction planning law, in particular with the stipulations of a land-use plan, as well as with the respective state building regulations.

Protection of existing buildings (*Bestandsschutz*)

Owners of buildings constructed and used in compliance with a final building permit generally benefit from the constitutionally guaranteed protection of property. According thereto, the building supervisory authority, as a matter of principle, must tolerate the respective building and use thereof even if the building permit is unlawful or the situation under planning law or the general legal situation has changed since the granting of the permit.

If, in exceptional cases, a property constitutes a risk to health and safety, the competent authority may request that changes be effected on protected buildings. The mere fact that a building does not comply with the then applicable requirements is not considered sufficient reason for imposing such measures; if, however, concrete risks to the health and safety of the users of the building or general public exist, the competent authority has the right to order that action be taken by the owner immediately. Such risks include, amongst other things, fire hazard, danger of collapse and health risks due to hazardous construction materials such as asbestos. According to the knowledge of the management of the Company, there are currently no official orders requiring a reconstruction of existing buildings owned by the Company. Nonetheless, some of the materials used in the

construction of certain buildings of ADLER contain substances such as asbestos, which require special treatment in case of a refurbishment.

Building reconstructions or changes of use are not subject to the protection of existing buildings. In such cases, a new building permit in accordance with the then prevailing planning law requirements and building regulations is, in general, required. A conversion of office or retail spaces into residential spaces or *vice versa* usually requires a building permit.

Restrictions on properties governed by historic preservation and/or special urban planning laws; Restrictions due to copyrights on architectural services

Some of ADLER's properties are located in urban renewal and urban preservation areas. Additionally, some buildings are registered as historic sites. The statutory rules of the German Zoning Act (*Baugesetzbuch*) and German federal states legislation for the preservation of monuments (*Landesdenkmalschutzgesetze*) apply to these properties. These laws generally place restrictions on structural changes and the use of property, and require the landlord to maintain the protected structure and its surroundings. Landlords of properties located within an urban renewal area must obtain specific governmental approval for demolishing or structurally altering a building, entering into lease agreements running for more than one year, selling the properties, and granting liens and mortgages. Landlords of properties located in an officially defined urban renewal area must also contribute financially to the funding of the redevelopment in an amount equal to the increase of the land value resulting from the redevelopment. Landlords of properties located in an urban renewal area must obtain specific government approval for demolishing, structurally altering, or changing the use of a building, and must comply with ordinances that may require approval for converting residential units into condominiums. Landlords of buildings listed as historic sites are required to preserve and maintain the buildings in a predominantly unchanged state. Compliance with these requirements is monitored and enforced by the competent authority. Any change to the structure or use of such building requires specific administrative approval. The landlords of structures governed by historic preservation laws must also notify the competent authority of any intended sale of such structure. Noncompliance with any of the aforementioned requirements may result in administrative fines of up to EUR 0.5 million for each violation.

As of December 31, 2018, only a very low percentage of ADLER's buildings was listed as historic sites and, as a result, must be maintained in an unchanged state due to historic, artistic, scientific, or urban renewal concerns.

Provisions of the German Condominium Act

Under the provisions of the German Condominium Act (*Wohnungseigentumsgesetz*), every owner of a condominium within a particular building (*Hausgrundstück*) is a member of the respective homeowners association (*Wohnungseigentümergeinschaft*). The association does not deal with any tenancy matters, but is responsible for the general administration of the building, including the introduction of house rules (*Hausordnung*), the execution of maintenance measures for commonly used parts of the building as well as the preparation of a budget (*Wirtschaftsplan*). In many cases, the administration is, due to its complexity, transferred to a third-party service provider by way of contract. The maximum duration of such agreement is limited by law to three years for the first appointment of the administrator (*Verwalter*), and five years for re-appointments. Certain indispensable rights and duties of an appointed administrator, such as the execution of the owners' resolutions as well as maintenance measures, are set forth in the Condominium Act. For homeowners associations, there are two possible ways of decision-making: first, the owners may agree unanimously upon standing rules (*Gemeinschaftsordnung*), which may include, *inter alia*, regulations on the owners' internal affairs, the house rules, the administration of the building and restrictions for the use of the apartments. The standing rules also apply to the owners' legal successors and can be amended, except for certain cases of undue hardship, only upon unanimous consent of all owners. Second, the association's assembly (*Wohnungseigentümersammlung*) may pass resolutions with a simple majority. An assembly must be convened by the administrator at least once a year. The owners may resolve on any matter delegated to them by statute or the association's standing rules. The number of votes that every owner may cast is thereby subject to the applicable standing rules. The standing rules may, *e.g.* tie the voting power to the value of the condominium owned. Resolutions of the association can be contested by any member at a civil court within one month.

Superstructure (Überbau)

As regards the legal consequences of a superstructure under German civil law, it is decisive whether a superstructure was erected intentionally, by gross negligence, or neither intentionally nor by gross negligence. If

a superstructure was erected intentionally or by gross negligence, the affected neighbour is generally not obliged to tolerate it. In such cases, the neighbour may demand that the part of the building which extends beyond his property line be taken down and is entitled to compensation for any losses incurred by him due to the superstructure. Apart from that, the neighbour becomes the legal owner of the building part which extends beyond his property line; thus, he has the right to claim a proportionate share in the profits generated by the use or letting of the building from the superstructure's owner. If the superstructure was erected neither intentionally nor by gross negligence, the owner of the adjacent property is obliged to tolerate the superstructure, unless he objected to it without delay.

Building restrictions (*Baulasten*)

Under the building regulations of the German federal states, except for Bavaria, property owners may be obliged by way of building restrictions (*Baulasten*) to do, tolerate or refrain from doing certain things that relate to their property. Building restrictions serve to ensure compliance with provisions of public law. Thus, for example, compliance with setbacks (*Abstandsflächen*) prescribed by law may be ensured by building restrictions. They are entered into the register of building restrictions (*Baulastenverzeichnis*) with binding effect also upon any legal successor. Building restrictions may limit the use of a property, especially future modifications, and therefore affect its commercial value. They only expire if they are waived in writing by the building supervisory authority; the corresponding waiver is to be entered in the register of building restrictions. Building restrictions may, in particular, impose limitations on future changes to the use of a property and may thus affect a property's value.

Regulation relating to environmental damage, contamination and property maintenance

In addition to German tenancy law, ADLER's residential real estate portfolio is subject to various rules and regulations relating to the remediation of environmental damage and Contamination (as defined below).

Soil Contamination

Pursuant to the German Federal Soil Protection Act (*Bundesbodenschutzgesetz*), the responsibility for residual pollution and harmful changes to soil (“**Contamination**”) lies with, among others, the perpetrator of the Contamination, such perpetrator's universal successor, the current owner of the property, the party in actual control of the property and, if the title was transferred after March 1, 1999, the previous owner of the property, if he knew or must have known about the Contamination. There is no general statutory ranking as to which of the aforementioned parties is primarily liable. Rather, this decision is made at the discretion of the competent local authority who will take into account the effectiveness of remediation as a prevailing factor. Thus, the current owner of the contaminated property is usually the first party to be held responsible because the owner is generally in the best position to undertake the necessary remediation work. However, the other responsible parties are required to indemnify the party that carried out the remediation work on a pro rata basis, regardless of which party is held liable by the competent local authority. The indemnity obligation can be waived or transferred by way of an express contractual agreement. Furthermore, liability is not based on fault; thus the German Federal Soil Protection Act (*Bundesbodenschutzgesetz*) does not require the competent local authority to prove negligence or intent on the part of the liable parties. Administrative powers arising from the German Federal Soil Protection Act (*Bundesbodenschutzgesetz*) authorize the competent local authority to require risk inspections, investigations, remedial measures and other measures necessary for the prevention of residual pollution or harmful changes in the soil.

Asbestos regulation

German law imposes obligations to remediate asbestos contamination under certain circumstances. Under the asbestos guidelines (*Asbest-Richtlinien*) of the German federal states, the standard for determining a remediation obligation is the presence of any health threat. The law distinguishes between friable asbestos, which is capable of releasing asbestos fibers into the air as it ages or is broken, and non-friable asbestos, from which asbestos fibers are not usually released and which therefore poses a limited risk to human health. Except in the event of structural alterations, there is generally no obligation to remove non-friable asbestos under the asbestos guidelines. Friable asbestos is generally found in construction materials that provide fire safety, noise abatement, moisture protection, heat insulation and thermal protection. The asbestos guidelines set out the criteria to be used in assessing the urgency of remedying contamination, ranging from immediate action (including demolition, removal or coating of the asbestos) to risk assessments at intervals of no more than five years. In the case of asbestos contamination, a tenant may also have a right to claim rent reduction. German courts have held that a landlord may be presumed to be in breach of its statutory obligations if the existence of a health threat cannot be

excluded. Accordingly, the courts have granted the right to rent reduction even in cases where the asbestos guidelines do not require immediate remediation. Tenants may also have the right to claim compensatory damages and, under certain circumstances, also damages for pain and suffering (*Schmerzensgeld*), if the defect was present at the time the contract was concluded. Finally, tenants also have the right, subject to certain conditions, to remedy the defect on their own and require that their reasonable expenses be reimbursed.

Regulation relating to PCB, DDT, PCP and Lindane

Since PCB may cause fetal damage in pregnant women and is suspected to have carcinogenic effects, its production was prohibited in Germany in 1983. However, PCB may still exist in buildings, such as in wood preservatives, synthetic materials, insulations or joints. DDT and Lindane are synthetic pesticides, which were also used in wood preservatives. DDT is suspected to cause cancer and be genotoxic, while Lindane is suspected to harm the nervous system and may cause cancer. PCP was used as a fungicide against mold and is also suspected to negatively affect human health. Under various legal provisions, the owner of a building may be required to remedy PCB sources through the elimination or sealing of construction elements that contain PCB. In particular, remediation measures may become necessary if the PCB concentration in rooms which are designed for human use exceeds 300 nanogram per 1 cubic meter of air. The existence of DDT, PCP and Lindane in buildings may, under certain circumstances, entitle the tenant to reduce the rent or to claim damages. Moreover, the remediation of rooms or buildings may be required where DDT, PCP or Lindane concentrations exceed certain thresholds.

Civil law liability

Civil law liability for residual pollution can arise from contractual warranty provisions or statutory law. Warranty obligations can generally be waived or can be limited by contract. According to statutory provisions, the perpetrator of the Contamination can be held liable for damages or for the remediation of the Contamination and its consequences. ADLER could be subject to such liability if a property that ADLER currently owns/possesses or formerly owned/possessed is detrimentally affecting the property of one or more third parties. This civil liability exists independently from official action taken under the German Federal Soil Protection Act (*Bundesbodenschutzgesetz*).

Protection of groundwater and maintenance of sewage systems

Pursuant to the German Federal Water Management Act (*Wasserhaushaltsgesetz*), all sewage systems must be constructed, operated and maintained according to the generally accepted Rules of Technology (*anerkannte Regeln der Technik*). Property owners are required to check, among other things, for the sewage system's condition, operability, maintenance and the amount and quality of wastewater and the substances contained therein. Private sewage systems must be checked once every 20 years. The first check of a new sewage system may also take place after 30 years if it has already been checked during its installation. In the case of deficiencies, property owners must repair the sewage system. The German Federal Water Management Act (*Wasserhaushaltsgesetz*) authorizes the German Federal Government, with approval of the Second Chamber of the German Parliament (*Bundesrat*), to enact an Ordinance specifying the above-mentioned obligations concerning sewage systems. On January 3, 2013, the German Federal Government (*Bundesregierung*) announced that no set date can currently be foreseen for the enactment of such an Ordinance. Until the German Federal Government Ordinance is enacted, the federal state governments may enact their own ordinances regarding the aforementioned obligations.

Various federal state governments enacted own ordinances or water acts which concretize the federal regulations of the German Federal Water Management Act.

Legionella Testing

Pursuant to the Federal Drinking Water Ordinance (*Trinkwasserverordnung*) as last amended on January 1, 2018, the owners of specified centralized heated water supply facilities for use in commercially used multi-family buildings are required to analyze stored heated water for the concentration of legionella (a pathogenic bacterium) at least once every three years or once every year (depending on the size of the used facilities). The first analysis had to be completed by December 31, 2013. The competent authorities may order additional testing. The analysis must be carried out by laboratories specified by the respective federal state. The existence of appropriate sample extraction points (*Probeentnahmestellen*) must be ensured by the owner of the building. If specific limits are exceeded, the competent authority will normally adopt measures to improve the water quality.

German law on property purchases

Purchasers of real estate located in Germany are required to bear certain costs. It is market practice that the purchaser of real estate is required to pay RETT. The amount of RETT varies from federal state to federal state and varies between 3.5% and 6.5%. Additional costs, amounting to approximately 1.5% of the purchase value, are incurred for notary fees and land registry office (*Grundbuchamt*) fees (depending on the value of the transaction). These additional costs are usually also paid by the purchaser. While the RETT tax rate is determined by the federal states, the statutory RETT framework falls within the competency of the Federal lawmakers.

Under the current tax laws, the acquisition of a participation in an entity that owns German real estate exceeding 95% is subject to RETT. Before June 6, 2013, it was possible to avoid the tax by way of a share deal in which up to 94.9% of shares in a property-owning entity and up to 94.9% of shares in an interim vehicle owning the remaining 5.1% in the property-owning entity are acquired. An acquirer was thus able to hold almost all of the shares in a property-owning entity without being subject to RETT. On June 6, 2013, the First Chamber of the German Federal Parliament (*Bundestag*) adopted the Act for the Implementation of the EU-Directive on Mutual Assistance (*Amtshilferichtlinie - Umsetzungsgesetz*) which became effective at the same date. The Act was approved by the Second Chamber of the German Federal Parliament (*Bundesrat*) on the following day. Pursuant to this new Act, RETT is also triggered if an acquisition or transaction results in an entity holding an economic participation of at least 95% of an entity that owns a piece of German real property, regardless of whether this is held (partly) directly or (partly) indirectly. The economic participation results from the sum of direct or indirect participations in the respective entity's capital or assets. To determine participations, the percentages of participations in the capital or assets of the entities have to be multiplied. Thus, pursuant to the new act, RETT is triggered if the overall actual ownership, taking into account direct and indirect participation (economic ownership), is or exceeds 95%, whereas the sum is based on economic interest calculated on a look-through basis.

A reform of the German Real Estate Transfer Tax Act with regard to so called "Share Deals" is expected. According to public statements, the ministers of finance of the German states have decided to reform the German Real Estate Transfer Tax Act according to which the (i) decisive aggregate share amount acquired will be lowered from 95% to 90%, (ii) the holding period will be extended from five to ten years and (iii) the rules for partnerships will be extended to corporations, *i.e.* if 90% of shares of a corporation owning property are transferred to new shareholders within ten years, Real Estate Transfer Tax is triggered. However, it is currently unclear whether, when and with which regulations a reform of the German Real Estate Transfer Tax Act will be implemented.

5 SELECTED FINANCIAL INFORMATION

5.1 Note on the presentation of selected financial information

The following selected financial information of the Company has been taken or derived from the audited consolidated financial statements of the Company for the fiscal years ended December 31, 2018 and December 31, 2017 (together, the “**Audited Consolidated Financial Statements**”). The Audited Consolidated Financial Statements were each prepared in accordance with International Financial Reporting Standards as adopted by the European Union (“**IFRS**”). Investors should read the following selected financial information together with the other financial information contained in this Prospectus, in particular, in section 1 “**RISK FACTORS**” and section 4 “**BUSINESS**” and the Consolidated Financial Statements of the Company.

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

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

To the extent figures for the fiscal year 2017 are shown in conjunction with figures for the fiscal year 2018, they were taken from the consolidated financial statements for the fiscal year ended December 31, 2018 and represent the prior-year comparative figures. To the extent figures for the fiscal year 2016 are shown in conjunction with figures for the fiscal year 2017, they were taken from the consolidated financial statements for the fiscal year ended December 31, 2017 and represent the prior-year comparative figures.

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

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

This Prospectus contains certain alternative performance measures (as defined by the European Securities and Markets Authority (“**ESMA**”)) which are not prepared and used in accordance with IFRS or HGB (“**Non-GAAP Financial Measures**” or “**Alternative Performance Measures**”), such as EPRA NAV, EBITDA, adjusted EBITDA, LTV, FFO I and FFO II. Each such measure is defined and reconciled specifically in the tables below the first time it is mentioned. These Non-GAAP Financial Measures and certain other financial measures contained herein must not be considered as an alternative to the financial measures defined in the accounting standards (“**GAAP Financial Measures**”). These alternative performance measures are presented as supplemental information for the specific reasons outlined below with respect to certain measures, and generally because they may contribute to a fuller understanding of ADLER's business. ADLER uses Non-GAAP Financial Measures and other information in this Prospectus as an indicator of the Company's performance or because, in the opinion of the Company's management board, they are useful to investors because they may contribute to a fuller understanding of ADLER's business. The Company believes that the presentation of the alternative performance measures included in this Prospectus complies with the ESMA Guidelines. Non-GAAP Financial Measures are possibly used differently from identical Non-GAAP Financial Measures used at other companies in the real estate sector. The financial measures used by the Company should not be regarded as an alternative to earnings after tax, sales or other financial measures defined under IFRS or HGB as an indicator to the Company's performance. Non-GAAP Financial Measures have important limitations as analytical tools and should not be considered in isolation or as substitutes for an analysis of the earnings reported under IFRS or HGB. They may contain or exclude items or amounts which are not included or included in the calculation of the most directly comparable GAAP financial measures in accordance with IFRS or HGB. Thus, their informative value is subject to the limitations set out below. Non-GAAP Financial Measures should be regarded in

connection with the Audited Consolidated Financial Statements of the Company prepared in accordance with IFRS and the respective notes.

5.2 Selected consolidated balance sheet information

	As of December 31,		
	2018	2017	2016
	IFRS		
	(EUR thousand, unless specified otherwise)		
	(audited, unless stated otherwise)		
Assets	5,856,631	3,778,967	3,430,477
Non-current assets	5,220,772	3,125,490	2,577,578
of which investment properties	4,989,054	3,018,518	2,441,988
Current assets	437,677	629,895	418,211
of which inventories	88,096	2,978	227,057
of which trade receivables	25,898	10,717	11,749
Equity and liabilities	5,856,631	3,778,967	3,430,477
Shareholders' equity	1,579,631	1,037,500	914,222
Non-current liabilities	3,971,980	2,363,126	2,111,222
of which financial liabilities from bonds and convertible bonds	2,078,628	1,397,371	653,324
of which financial liabilities to banks	1,476,187	749,188	1,312,502
Current liabilities	304,526	377,512	397,482
of which financial liabilities from bonds and convertible bonds	42,015	49,184	9,835
of which financial liabilities to banks	142,408	278,676	320,328

5.3 Selected consolidated profit and loss information

	Fiscal year ended		
	December 31,		
	2018	2017	2016
	(adjusted) ⁽¹⁾		
	IFRS		
	(EUR thousand, unless specified otherwise)		
	(audited, unless specified otherwise)		
Gross rental income	349,595	264,388	245,802
Expenses from property lettings	-145,908	-138,589	-136,771
Earnings from property lettings	203,687	125,799	109,031
Income from the sale of properties	75,068	34,854	41,905
Expenses from the sale of properties	-66,963	-34,065	-42,408
Earnings from the sale of properties	8,105	789	-503
Personnel expenses	-35,138	-20,302	-16,694
Other operating income	8,914	9,508	7,927
Other operating expenses	-66,268	-38,535	-30,390
Income from fair value adjustments of investment properties	465,129	235,386	199,677
EBIT	582,828	311,820	268,487
Financial result	-131,228	-153,383	-120,367
EBT	454,762	158,437	158,772
Consolidated net profit	332,449	142,631	133,776
Total comprehensive income	331,578	143,827	131,352
Earnings per share, undiluted in EUR (consolidated net profit)	3.96	1.91	1.92
Earnings per share, diluted in EUR (consolidated net profit)	3.50	1.78	1.76

⁽¹⁾ Adjusted statement due to the sale of the Trading business.

5.4 Selected consolidated cash flow information

	Fiscal year ended December 31,		
	2018	2017	2016 ⁽¹⁾
	IFRS (EUR thousand) (audited)		
Non-cash change in cash and cash equivalents according to IFRS 9	-325	-	-
Net cash flows from operating activities	130,999	36,348	100,550
Net cash flows from investing activities	-609,077	212,676	-79,499
Net cash flows from financing activities	187,825	-4,702	53,358
Cash and cash equivalents at the beginning of period	368,233	123,911	49,502
Cash and cash equivalents at the end of period	77,655	368,233	123,911

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

5.5 Other selected key figures (*inter alia* Alternative Performance Measures)

	Fiscal year ended December 31,		
	2018	2017	2016
	(unaudited, unless indicated otherwise)		
Other key financials			
EBITDA ⁽¹⁾	584,692	360,259	303,009
of which from continuing operations	584,430	312,646	269,047 ^(**)
Adjusted EBITDA ⁽²⁾	165,432	128,420 ^(*)	124,316 ^(*)
FFO I ⁽³⁾	74,190	40,490 ^(*)	27,367 ^(*)
FFO II ⁽⁴⁾	n/a	53,080 ^(*)	55,344 ^(*)
EPRA NAV (net asset value) ⁽⁵⁾	1,632,723	1,207,192 ^(*)	1,058,419 ^(*) , ^(**)
EPRA NAV (net asset value; excluding goodwill as far as resulting from synergies)	1,521,524	1,105,995 ^(*)	968,742 ^(**)
EPRA NAV per share (fully diluted basis) in EUR ⁽⁶⁾	22.18	16.64 ^(*)	15.23 ^(*) , ^(**)
EPRA NAV per share (fully diluted basis; excluding goodwill as far as resulting from synergies)	20.77	15.37 ^(*)	13.79 ^(**)
Fair Value Investment Properties ⁽⁷⁾	4,989,054	3,018,518 ^(*)	2,441,988 ^(*)
Gross asset value (GAV) ⁽⁸⁾	5,265,764	3,032,439	2,687,021
LTV (excluding convertible bonds) ⁽¹⁰⁾	61.4% ^(*)	59.4% ^(*)	55.3% ^(**)
Ratio of Indebtedness to Consolidated Total Assets ⁽¹¹⁾	55.3%	50.9%	45.1% ^(**)
Ratio of Secured Indebtedness to Consolidated Total Assets ⁽¹¹⁾	26.3%	17.5%	43.9% ^(**)
Ratio of Consolidated Adjusted EBITDA to Net Cash Interest (Consolidated Coverage Ratio) ^{(11), (15)}	2,33x	1.71x	1.59x ^(**)
Portfolio			
Rental portfolio	62,010	50,305	47,640
of which residential units	60,854	49,256	46,527
of which commercial units	1,156	1,049	1,113
Occupancy rate in % ⁽¹²⁾	92.7	90.6	90.0
Monthly in-place rent ⁽¹³⁾ in EUR/m ²	5.45	5.17	5.00

Employees

Number of employees ⁽¹⁴⁾	828	555 ^(*)	354 ^(*)
FTE's (Full-time-equivalents) ⁽¹⁴⁾	752	507	321

(*) Audited

(**) Figure was adjusted to reflect sale of ACCENTRO as if sale had occurred on January 1, 2016.

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

	Fiscal year ended December 31,		
	2018	2017	2016
	(EUR thousand)		
	(audited, unless stated otherwise)		
Consolidated net profit	332,449	142,631	133,776
of which from continuing operations	332,186	106,371	112,736 ^(**)
Financial result	131,228	159,416	125,576
of which from continuing operations	131,228	153,383	120,367 ^(**)
Income taxes	122,576	57,264	53,668
of which from continuing operations	122,576	52,066	46,036 ^(**)
Depreciation and amortization	1,601	1,173	1,174
of which from continuing operations	1,601	826	560 ^(**)
Income from investments accounted for using the at-equity method	3,162	-225	-11,185
of which from continuing operations	3,162	0	-10,653 ^(**)
EBITDA	584,692	360,259	303,009
of which from continuing operations	584,430	312,646	269,047 ^(**)

(**) disclosure adjusted to reflect sale of ACCENTRO

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

	Fiscal year ended December 31,		
	2018	2017	2016
	(EUR thousand)		
	(audited, unless stated otherwise)		
EBITDA	584,692	360,259	303,009
Income from fair value adjustments to investment properties	-465,129	-235,386	-199,677
Non-recurring and extraordinary items	46,131	3,547	20,984
Adjusted EBITDA	165,432	128,420	124,316

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

FFO I were calculated as follows: The interest expense FFO and the current income taxes (excluding deferred taxes) are deducted from the adjusted EBITDA. The interest expense FFO is the interest expense adjusted for non-recurring items. Under this FFO method, value-

increasing and value-preserving expenditures respectively are taken into account as they are to be considered separately from the current operational earnings capacity. The FFO I then result from the further elimination of the income before taxes and interest of the trading segment and the remaining income which is not attributed to a segment.

	Fiscal year ended December 31,		
	2018	2017	2016
	(EUR thousand)		
	(audited, unless stated otherwise)		
Adjusted EBITDA	165,432	128,420	124,316
Interest expense FFO	71,079	-70,961	-73,967
Current income taxes	2,209	-962	-826
Capitalizable maintenance measures	0,0	7,238	10,107
Earnings before interest and taxes from sale of properties, discontinued operations and minority interests	17,954	-23,245	-32,263
FFO I	74,190	40,490	27,367

⁽⁴⁾ This is an alternative performance measure. FFO II refers to funds from operations (including from the sale of real estate held as investment properties). The income from real estate sold, the income from companies accounted for at equity, the income before tax of the trading segment and the remaining income before tax which is not attributed to a segment are added in the respective periods. The Company decided not to report FFO II figures in 2018 in the financial year 2018 and going forward.

	Fiscal year ended December 31,		
	2018	2017	2016
	(EUR thousand)		
	(audited, unless stated otherwise)		
FFO I	74,190	40,490	27,367
Earnings after interest and taxes from the sale of properties	n/a	12,976	18,957
Interest from investments accounted for using the at-equity method	n/a	-205	-4,549
Value changed realized upon sale	n/a	-404	4,850
Liquidity-related income from investments accounted for using at equity method	n/a	223	8,720
FFO II	n/a	53,080	55,345

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

	Fiscal year ended December 31,		
	2018	2017	2016
	(EUR thousand)		
	(audited, unless stated otherwise)		
Equity	1,579,631	1,037,500	944,043^(**)
Non-controlling interests	-362,205	-76,924	-63,289 ^(**)
Equity attributable to ADLER shareholders	1,217,426	960,576	880,754^(**)
Deferred tax liabilities	465,101	235,525	169,515
Goodwill from deferred taxes on Intellectual Property	-59,558	0.0	0.0
Difference between fair values and carrying amounts of inventory properties	5,334	7,000	3,000 ^(**)
Fair value of derivative financial instruments	6,331	5,859	7,376

Deferred taxes of derivative financial instruments	-1,911	-1,768	-2,226
EPRA NAV	1,632,723	1,207,192	1,058,419^(**)

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

^(**) Figure was adjusted to reflect sale of ACCENTRO as if sale had occurred on January 1, 2016.

	Fiscal year ended December 31,		
	2018	2017	2016
	(audited, unless stated otherwise)		
Number of shares, diluted	78,899,195	80,035,551	70,456,346 ^(**)
EPRA NAV per share (diluted) in EUR (excluding goodwill as far as resulting from synergies)	20.77	15.37	13.79^(**)

^(**) Figure was adjusted to reflect sale of ACCENTRO as if sale had occurred on January 1, 2016.

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

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

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

	Fiscal year ended December 31,		
	2018	2017	2016 (adjusted) ^(**)
	(EUR thousand)		
	(audited, unless stated otherwise)		
Convertible Bonds	119,272	126,236	131,536
Bonds	2,001,371	1,320,319	507,292
Financial liabilities to banks	1,618,595	1,027,864	1,525,317
Cash and cash equivalents	-77,655	-368,233	-81,364
Net financial liabilities	3,661,583	2,106,186	2,082,781
Sales receivables/ marketable securities	-424,052	-184,482	-599,382
Adjusted net financial liabilities	3,237,531	1,921,704	1,483,399
Investment Properties	4,989,054	3,018,518	2,441,988
Inventories	88,096	2,978	3,464
Property, plant and equipment for property management	2,513	n/a	n/a
Shares in other real estate companies	3,071	n/a	n/a
Adjusted fair value of real estate portfolio	5,082,734	3,021,496	2,445,452
LTV including convertible bonds (in %)	63.7	63.6	60.7
LTV excluding convertible bonds (in %)	61.4	59.4	55.3

^(**) Adjusted due to the sale of ACCENTRO

⁽¹¹⁾ These terms have the meanings ascribed thereto in, and the relevant ratios are calculated in accordance with, the Terms and Conditions, the material terms of which are reproduced in section 12 "TERMS AND CONDITIONS OF THE NOTES".

⁽¹²⁾ proprietary rental units

- ⁽¹³⁾ average rental income (per square meter and month) for the overall portfolio
- ⁽¹⁴⁾ As at the balance sheet date of the respective period, including management board members.
- ⁽¹⁵⁾ This is an alternative performance measure. Ratio of Consolidated Adjusted EBITDA to Net Cash Interest. Net Cash Interest means all interest and other financing charges accrued to persons who are not members of the Group less the amount of any interest and other financing charges accrued to be received from persons who are not members of the Group, in each case, excluding any one-off financing charges (including without limitation, any one-off fees and/or break costs).

6 PROFIT FORECAST

6.1 Forecast of Funds from Operations (FFO I) for the fiscal year 2019 for ADLER

The forecast of funds from operations for the fiscal year 2019 (the “FFO I Forecast”) refers to FFO I (“FFO I”), i.e., the FFO without income from the sale of properties. The FFO I presents the performance capacity of the property letting business.

The FFO I Forecast is not a statement of facts and should therefore not be interpreted as such by potential investors. It rather reflects the forward-looking expectations of the Company’s management board with respect to the development of the FFO I of ADLER. Potential investors should not place unreasonable reliance on this FFO I Forecast.

For the purposes of this FFO I Forecast, the Company has defined the FFO I as follows:

FFO I is determined by first calculating earnings before interest, taxes, depreciation and amortization, impairment losses, the income from fair value adjustments of investment properties and the net income from at-equity valued investment associates (EBITDA, derived from the IFRS result) and then adjusting this figure to exclude non-recurring and extraordinary items. The adjustments made involve items that are of non-periodical nature, recur irregularly, are untypical to operations or not cash-effective. These relate in particular to the optimization and development of existing and new business fields and business processes, acquisition and integration expenses arising in the context of acquisitions, refinancing expenses and capital-related measures and further one-off items such as settlements and impairments of receivables. Interest expenses directly incurred in connection with the operating business (Interest expense FFO) as well as current income tax expenses are then deducted from this adjusted EBITDA figure. Any investments made to maintain the substance of the properties but which have not been capitalized are then added. The FFO I then result from the further elimination of the earnings before interest and taxes of the sale of properties.

The FFO I Forecast is based on the following assumptions made by the Company’s management board. These assumptions relate to factors outside the Company’s influence and factors that can be influenced by the Company only to a limited extent. Although the Company believes that these assumptions are reasonable on the date on which the FFO I Forecast is published by the Company’s management board, they may subsequently prove to be incorrect or unfounded. If one or more of these assumptions prove to be incorrect or unfounded, ADLER’s actual FFO I may differ materially from the forecast FFO I.

6.2 FFO I Forecast for the current fiscal year 2019 for ADLER

For the fiscal year 2019 the Company’s management board expects to achieve an estimated FFO I of EUR 83 to EUR 86 million (after updating the original FFO I forecast on April 4, 2019, with EUR80 to EUR 85 million).

6.3 Explanatory notes to the FFO I Forecast

Basis of presentation

The FFO I Forecast for the fiscal year 2019 was prepared in accordance with the IDW Accounting Practice Statement: Preparation of Profit Forecasts and Estimates in Accordance with the Specific Requirements of the Regulation on Prospectuses (*IDW Rechnungslegungshinweis: Erstellung von Gewinnprognosen und – schätzungen nach den besonderen Anforderungen der Prospektverordnung*) (IDW RH HFA 2.003) of the Institute of Public Auditors in Germany (*Institut der Wirtschaftsprüfer in Deutschland e.V.*, “IDW”).

For this purpose, the FFO I Forecast has been prepared on the basis of the accounting principles of the International Financial Reporting Standards as applicable in the European Union (“IFRS”). The disclosure, accounting and valuation methods applied are described in the respective notes to the Company’s consolidated financial statements for the fiscal year ending December 31, 2018.

The FFO I Forecast for the current fiscal year 2019 is influenced by a number of factors and is based on certain assumptions made by the Company’s management board, which are described in the following.

Factors and assumptions

Factors outside the Company's influence

The Group's forecast FFO I for the current fiscal year 2019 is subject to factors outside the influence of the companies of ADLER group. These factors and the Company's related assumptions are outlined below:

Factor: Unforeseen events such as force majeure

For purposes of the FFO I Forecast, the Company assumes that no material unforeseen events will occur that could result in material or lasting constraints on the ongoing operations of the group companies such as force majeure (e.g., fires, floods, hurricanes, storms, earthquakes or terrorist attacks), strikes, extraordinary macroeconomic events or war.

Factor: Legislative and other regulatory measures

When preparing the FFO I Forecast, the Company assumes that the current legal and regulatory framework and environment will be subject to no or only insignificant changes and that there will be no material legal and regulatory changes, e.g., to tenancy or tax law.

Factor: Economic development in the real estate industry

For the purpose of the FFO I Forecast, the Company assumes that:

- there will be no negative economic development in Germany;
- there will be no negative development in the real estate industry, particularly in Germany; and
- the Company can maintain its current competitive position.

Factor: Interest rate development

When preparing the FFO I Forecast, the Company assumes that current interest rate levels will remain stable. As the Company entered into a substantial part of its financial liabilities with fixed interest rates, however, it anticipates no significant deterioration in financing conditions in current fiscal year 2019.

Factors that can be influenced by the Company to a limited extent

Further factors that can be influenced by the Company to a limited extent only may also affect the estimated FFO I of ADLER for the fiscal year 2019. The relevant assumptions are listed below:

Factor: Net rental income from real estate management

For the purpose of the FFO I Forecast, the Company on the basis of current contractual rents and a moderate rent increase assumes that the net rental income from real estate management will amount to approximately EUR 235 – 240 million in the fiscal year 2019. The Company believes it can forecast the net rental income from real estate management with reasonable certainty for the purposes of the FFO I Forecast. For planning purposes, the Company assumes that most of the units for which the lease contracts will expire or be terminated in the 2019 planning period can be re-let in this planning period. When preparing the FFO I Forecast the Company also assumes that the occupancy rate will be slightly increased.

Factor: Expenses from real estate management

Expenses from real estate management include all costs arising in connection with rental activities such as recoverable and non-recoverable operating expenses, maintenance costs and other expenses from real estate management. For the purpose of the FFO I Forecast the Company assumes that the expenses from real estate management in the fiscal year 2019 by percentage relative to the income from real estate management in the fiscal year 2019 will slightly improve as compared to the fiscal year 2018.

Factor: Corporate expenses

Corporate expenses are divided into staff expenses and general and administrative expenses. For the purpose of the FFO I Forecast, the Company assumes that, following the ongoing internalization of Facility and Property Management, the staff expenses and general and administrative expenses relative to income from real property management will further increase compared to the fiscal year 2018.

Factor: Other expenses/income

For the purpose of the FFO I Forecast, the Company assumes with respect to other expenses/income that other expenses/income in the current fiscal year 2019 will be lower relative to income from real estate management and compared to the fiscal year 2018.

Factor: Financial expenses

For the purpose of the FFO I Forecast, the Company assumes that:

- the debt ratio for the entire real estate portfolio will decrease in the current fiscal year 2019 due to the sale of “non-core” properties, commercial properties and the redemption of debts resulting therefrom;
- redemption of relatively higher yielding debt instruments using available cash resources will decrease the weighted average cost of debt;
- all provisions of loan agreements will be complied with;
- the interest rate risk will remain low;
- the liquidity risk will remain low as the Company assumes that sufficient liquidity will be available; and
- the financing conditions for existing loan agreements can be retained in the event of any loan extension with the banks.

Factor: Current income tax expenses

The Company assumes there will be no changes in the corporation tax and trade tax rates, and that there will be no further changes in the tax environment or in tax legislation in the fiscal year 2019.

Factor: Non-recurring or exceptional items

Non-recurring or exceptional items have been eliminated from the factors influencing the FFO I Forecast.

Factors that can be influenced by the Company

The following factor that can be influenced by the Company may also affect the FFO I for the fiscal year 2019: In the event of tenant fluctuations, the Company can determine the amount that is to be invested to enhance rent potential prior to new lettings. The amount of these expenses affects the rents of new lettings. The Company assumes a fluctuation rate of approximately 12% and expenses per residential unit comparable with the corresponding expenses incurred in the fiscal year 2018.

Other explanatory notes

The FFO I Forecast does not include any extraordinary items or results from non-recurring activities within the meaning of the IDW Accounting Practice Statement (IDW RH HFA 2.003). As the FFO I Forecast relates to a period not yet completed and has been prepared on the basis of assumptions about future uncertain events and actions, it naturally entails substantial uncertainties. Because of these uncertainties, it is possible that ADLER’s actual FFO I for the fiscal year 2019 may differ materially from the forecast FFO I.

6.4 Auditor's Report on the Funds from Operations (FFO I) Forecast of ADLER for the fiscal year 2019

To ADLER Real Estate Aktiengesellschaft, Berlin

We have audited whether the forecast of the Funds from Operations (FFO I) of ADLER Real Estate Aktiengesellschaft Group, as prepared by ADLER Real Estate Aktiengesellschaft, Berlin, for the period from January 1, 2019 to December 31, 2019 has been properly compiled on the basis stated in the explanatory notes to the FFO I forecast and whether this basis is consistent with the accounting policies and the disclosure, accounting and valuation methods used by the Company.

The FFO I is defined as follows:

FFO I is determined by first calculating earnings before interest, taxes, depreciation and amortization, impairment losses, the income from fair value adjustments of investment properties and the net income from at-equity valued investment associates (EBITDA, derived from the IFRS result) and then adjusting this figure to exclude non-recurring and extraordinary items. The adjustments made involve items that are of non-periodical nature, recur irregularly, are untypical to operations or not cash-effective. These relate in particular to the optimization and development of existing and new business fields and business processes, acquisition and integration expenses arising in the context of acquisitions, refinancing expenses and capital-related measures and further one-off items such as settlements and impairments of receivables. Interest expenses directly incurred in connection with the operating business (Interest expense FFO) as well as current income tax expenses are then deducted from this adjusted EBITDA figure. Any investments made to maintain the substance of the properties but which have not been capitalized are then added. The FFO I then result from the further elimination of the earnings before interest and taxes of the sale of properties.

The FFO I forecast comprises the forecast FFO I for the period from January 1, 2019 until December 31, 2019 and explanatory notes on the FFO I forecast.

The preparation of the forecast of the FFO I including the factors and assumptions presented in the explanatory notes is the responsibility of the Company's legal representatives.

Our responsibility is to express an opinion based on our audit on whether the forecast of the FFO I has been properly compiled on the basis stated in the explanatory notes to the FFO I forecast and whether this basis is consistent with the accounting policies and the disclosure, accounting and valuation methods of the Company. Our engagement does not include an audit of the factors and assumptions identified by the Company underlying the forecast of the FFO I.

We conducted our audit in accordance with the IDW Auditing Practice Statement: The Audit of Profit Forecasts and Estimates (*IDW Prüfungshinweis: Prüfung von Gewinnprognosen und -schätzungen*) (*IDW PH 9.960.3*) issued by the Institute of Public Auditors in Germany (*Institut der Wirtschaftsprüfer in Deutschland e.V.*, IDW). Those standards require that we plan and perform the audit in such manner that material errors in the compilation of the FFO I forecast on the basis stated in the explanatory notes to the FFO I forecast and in the compilation of this basis in accordance with the accounting policies and the disclosure, accounting and valuation methods of the Company are detected with reasonable assurance.

As the forecast of the FFO I relates to a period not yet completed and has been prepared on the basis of assumptions about future uncertain events and actions, it naturally entails substantial uncertainties. Because of these uncertainties, it is possible that ADLER Real Estate Group's actual FFO I for the fiscal year from January 1, 2019 to December 31, 2019 may differ materially from the forecast FFO I.

We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based on the findings of our audit, the forecast of the FFO I has been properly compiled on the basis stated in the explanatory notes to the FFO I forecast. This basis is consistent with the accounting principles and disclosure, accounting and valuation methods of the Company.

Hamburg, April 15, 2019

Original German Version signed by

Ebner Stolz GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft

Thomas Götze
Wirtschaftsprüfer
(German public auditor)

Julian Breidhardt
Wirtschaftsprüfer
(German public auditor)

7 DESCRIPTION OF OTHER INDEBTEDNESS

The following financing agreements are of major importance for ADLER's business so that ADLER depends on, respectively, depended on the existence of these agreements.

Overview of ADLER's entire indebtedness can be found in its Audited Consolidated Financial Statements 2018 on page 79.

Up to EUR 585 million Bridge Term Loan Facility with JP Morgan

For the purpose of the acquisition of the shares in Brack Capital Properties N.V, the Company as borrower entered into a bridge term loan facility, dated February 17, 2018, (amended on March 7, 2018 and on March 21, 2018), with J.P. Morgan Securities plc as mandated lead arranger, JPMorgan Chase Bank, N.A., London Branch as original lender and issuing bank and J.P. Morgan Europe Limited as agent for a euro term loan facility in an aggregate amount of up to EUR 585 million (the "**Bridge Facility**"). The Bridge Facility provides for an initial term of twelve months as well as two extension options for an additional six months each. The Bridge Facility has a variable interest rate of EURIBOR plus a margin which is dependent on the period which it relates to and the rating of its long-term unsecured and non-credit enhanced debt obligations ranging from 0.60% to 3.15% per annum, provided that if EURIBOR is negative, it is set to zero for calculation of the interest rate. Under the Bridge Facility, the Company undertook to maintain its ratio of consolidated indebtedness to total assets to not exceed 65% until December 31, 2018 and 60% thereafter. The Company further undertook to comply with a so-called interest cover ratio ("**ICR**"). ICR means the ratio of the aggregate amount of consolidated adjusted EBITDA and the aggregate amount of net cash interest during a calculation period. The Company has to comply with an ICR of at least 1.50 to 1.00 until December 31, 2018 and an ICR of at least 1.60 to 1.00 thereafter. The Bridge Facility also provides for various rights of termination in favour of the lender, in particular in the event of (i) non-payment, (ii) non-compliance with the financial undertakings, (iii) a change of control of the Company, (iv) a conversion, merger, demerger or change of business of the Company, (v) a default in payment of at least EUR 15 million vis-à-vis third parties (cross default), and (vii) a material deterioration in the financial position of the Company. In addition, the Bridge Facility provides for a mandatory prepayment obligation upon the issuance or incurrence of certain take out instruments (debt or equity) by the Company. The Bridge Facility was fully repaid in April 2018 from the proceeds of the issuance of the EUR 800 million Dual Tranche Notes 2023 and 2026 and is therefore no longer in place.

EUR 137.9 Million 2.5% Convertible Note 2016/2021

In July 2016, the Company offered to its shareholders, the holders of the Convertible Note 2013/2017, the holders of the Convertible Note 2013/2018 (as defined below) as well as the holders of the EUR 175 Million Mandatory Convertible Notes another convertible note of EUR 137.9 million for subscription. The note has a coupon of 2.5% p.a. and matures on July 19, 2021 (the "**Convertible Notes 2016/2021**"). The corresponding rights offering was published in the Federal Gazette (*Bundesanzeiger*) on June 13, 2016, as supplemented on June 20, 2016, July 7, 2016 and July 12, 2016.

Unsubscribed Convertible Notes 2016/2021 were placed with qualified investors by way of a private placement. In total, 10 million Convertible Notes 2016/2021 were issued at a nominal amount of EUR 13.79 and at a placement price of 95% of the nominal amount per Convertible Note 2016/2021.

The Convertible Notes 2016/2021 are included in trading on the Open Market (*Freiverkehr*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*).

The Company, as issuer, grants each holder (the "**Noteholder WSV 2016/2021**") of the Convertible Notes 2016/2021 the right, during the exercise period defined below, to convert each Convertible Note 2016/2021, in whole but not in part, into ordinary bearer shares (no par value shares) in the Company (the "**Conversion Right WSV 2016/2021**"), each such share representing a notional interest in the Company's share capital of EUR 1.00 as of the issue date. Due to the resolution of the general shareholders' meeting held on June 7, 2017 to increase the Company's share capital from own funds by issuing 4,773,135 bonus shares, which was implemented on June 12, 2017, the initial conversion price was adjusted from EUR 13.79 to EUR 12.54 (the "**Conversion Price WSV 2016/2021**"). The conversion ratio is determined by dividing the nominal amount of a Convertible Note 2016/2021 by the Conversion Price WSV 2016/2021 applicable on the exercise date. The Conversion Right WSV 2016/2021 can be exercised by a Noteholder WSV 2016/2021 at any time from July 19, 2017 until the third business day before the redemption date (both dates inclusive) (the "**Exercise Period WSV 2016/2021**"). If

the last day of the Exercise Period WSV 2016/2021 is not a business day, the Exercise Period WSV 2016/2021 ends on the business day immediately preceding that day. If the last day of the Exercise Period WSV 2016/2021 falls into a non-exercise period, the Exercise Period WSV 2016/2021 ends on the last business day prior to the commencement of such non-exercise period. If Convertible Notes 2016/2021 are terminated by Noteholders WSV 2016/2021, those Noteholders WSV 2016/2021 may no longer exercise the Conversion Right WSV 2016/2021 relating to such terminated Convertible Notes 2016/2021. To exercise the Conversion Right WSV 2016/2021, the Noteholder WSV 2016/2021 must submit to the conversion agent, at its own expense, during normal business hours on a business day during the exercise period, a duly completed and signed notice using the applicable form, which is obtainable from the conversion agent. Such exercise notice is irrevocable.

The obligations of the Company under the Convertible Notes 2016/2021 rank *pari passu* among themselves and at least *pari passu* with all other unsubordinated and unsecured obligations of the Company.

Under the terms and conditions, the Company undertook as long as any of the Convertible Notes 2016/2021 are outstanding, but only up to the time all amounts of principal and interest have been placed at the disposal of the Principal Paying Agent (as defined in the terms and conditions of the Convertible Notes 2016/2021), not to create or permit to subsist, and to procure that none of its subsidiaries will create or permit to subsist, any mortgage, lien, pledge, charge or other security interest (each such right a “**Security**”) over the whole or any part of its undertakings, assets or revenues, present or future, to secure any Capital Market Indebtedness (as defined in the terms and conditions of the Convertible Notes 2016/2021) or to secure any guarantee or indemnity given by the Company or any of its subsidiaries in respect of any Capital Market Indebtedness of any other person, without, at the same time or prior thereto, securing all amounts payable under the Convertible Notes 2016/2021 either with equal and rateable Security or providing all amounts payable under the Convertible Notes 2016/2021 such other Security as shall be approved by an independent accounting firm of internationally recognized standing as being equivalent security, provided, however, that this undertaking shall not apply with respect to: (i) any Security which is provided for by law or which has been required as a condition precedent for public permissions or (ii) any Security existing on assets at the time of the acquisition thereof by the Company or any subsidiary or Security that was created in connection with or in contemplation of such acquisition provided that the amount secured by such Security does not exceed 75% of the value of the assets acquired.

Pursuant to the terms and conditions of the Convertible Notes 2016/2021, every Noteholder WSV 2016/2021 has the right to terminate and claim payment of all claims under the Convertible Notes 2016/2021 by giving notice of termination to the Company and claiming repayment of the principal amount plus interest accrued on the principal amount until (but excluding) the day of actual redemption, *inter alia*, if (i) the Company, for any reason whatsoever, fails within 10 calendar days after the relevant due date to deliver shares or to pay any amounts due and payable on the Convertible Notes 2016/2021, (ii) the Company, for any reason whatsoever, fails to duly perform any other material obligation under the Convertible Notes 2016/2021, (iii) the Company or any of its subsidiaries fails to fulfil any payment obligation in excess of a total amount of EUR 15 million under any Financial Indebtedness (as defined in the terms and conditions of the Convertible Notes 2016/2021), or under any guaranty or suretyship for any such indebtedness of a third party, when due (including in case of any acceleration) or after expiry of any grace period or, in the case of such guarantee or surety ship, within 30 days of such guarantee or suretyship being invoked (cross default).

EUR 132 million senior promissory note loan agreement

On June 6, 2013, WBR Wohnungsbau Rheinhausen GmbH, as borrower, entered into a fixed interest rate senior loan agreement (senior promissory note (*Schuldschein*) loan agreement) for EUR 132.0 million with Deutsche Bank AG as lender. The loan matures on June 6, 2023, and the principal is repayable by that date. Interest is payable on the loan at 4% p.a. from the disbursement date (inclusive) until the maturity date (exclusive). The loan has been secured by providing first liens on the properties of a real estate portfolio in Duisburg and Düsseldorf. On the disbursement date of the senior loan, the real estate portfolio comprised a total of 4,291 residential units, as well as 548 car parking spaces and 6 commercial units. In total, the portfolio had rentable space of approximately 268,826 sqm as of the disbursement date of the senior loan. Further security consists, in essence, of an assignment as collateral to a trustee of the receivables and rights arising from or in connection with (i) the leasing of the collateral assets; (ii) existing and future purchase agreements relating to the collateral assets; (iii) the facility management agreements relating to the collateral assets and any relevant duty of care agreements; (iv) the share purchase agreement for the shares in the borrower; (v) the company loan (*Gesellschaftsdarlehen*) (specifically the repayment claim of approximately up to EUR 31.8 million against the shareholders of the borrower provided to the shareholders to acquire the shares in the borrower); and (vi) certain other claims in favor of the creditors of the senior loan (and, in accordance with the creditor agreement, in favor

of the creditors of the junior loan). In addition, the borrower has assigned its claims under the insurance policies as security to the trustee in favor of the creditors of the senior loan (and, in accordance with the creditor agreement, in favor of the creditors of the junior loan) and pledged all accounts set up for managing the collateral assets and all shares in the borrower. In addition to certain obligations including, for example, the prohibition to create security in favor of third parties with respect to the assets of the Borrower ('negative pledge'), the loan agreement stipulates, among other things, compliance with various financial covenants in relation to the cover ratio, the amount of minimum total rental income (net), the total debt ratio, the debt service coverage ratio, and the ratio of total debt outstanding under the loan on a certain calculation date to the latest collateralization value for all relevant properties that fall under a certain definition. In addition to other termination rights, there are in some cases termination rights in case these financial covenants are not met (especially loan-to-value ratio not higher than 60% and interest cover ratio of at least 1.72), and in case the borrower defaults on a payment obligation arising from another loan and the default lasts longer than 15 days after the borrower has received written notification thereof from the creditor, or such payment obligation is accelerated because of any default on obligations of the borrower, if the total payment obligations exceed EUR 500,000 (or the equivalent in other currencies) (so-called cross-default arrangement). As of the date of this Prospectus, ADLER has repurchased senior promissory notes (*Schuldscheine*) amounting to EUR 100.5 million, making use of a part of the proceeds from the issuance of the EUR 800 million Dual Tranche Notes

EUR 212 million senior promissory note loan agreement

On June 25, 2014, Magnus Dritte Immobilienbesitz und Verwaltungs GmbH, as borrower, entered into a fixed-rate senior loan agreement (senior promissory note (*Schuldschein*) loan agreement) for EUR 212.0 million with Deutsche Bank AG as lender. The loan matures on July 1, 2024, and the principal is repayable by that date. Interest will be payable on the loan at 4.0% p.a. from the disbursement date (inclusive) until the maturity date (exclusive), starting on January 1, 2015. The loan is secured firstly by providing first liens on the properties held by seven real estate holding companies and another smaller portfolio in Thuringia, which together form the Magnus III portfolio. At the time of the agreement, the portfolios comprised approximately 8,350 residential and commercial units in total, which are located across nearly the whole of Germany. Further security consists of an assignment as collateral to a trustee of the receivables and rights arising from or in connection with (i) the leasing of the collateral assets; (ii) existing and future purchase agreements relating to the collateral assets; (iii) the facility management agreements relating to the collateral assets and any relevant duty of care agreements; (iv) the share purchase agreement for the shares in the Magnus III portfolio companies; (v) intercompany or shareholder loans between the borrower and/or one or more group companies; (vi) existing and future profit and loss transfer agreements between the borrower and/or one or more group companies; and (vii) certain other claims in favor of the creditors of the senior loan (and, in accordance with the creditor agreement, in favor of the creditors of the Junior Notes 2014/2024 (as defined below)). In addition, the borrower has assigned its claims under the insurance policies as security to a trustee in favor of the creditors of the senior loan (and in accordance with the agreement with the creditors of the junior notes 2014/2024) and pledged all accounts set up for managing the collateral assets and all shares in the borrower as well as in all German group companies that currently are or will in the future be organized and operating as a limited liability company (*Gesellschaft mit beschränkter Haftung, GmbH*) under German law. The loan agreement stipulates, among other things, compliance with various financial covenants in relation to the cover ratio (interest cover ratio of at least 1.86) and the total debt ratio (loan-to-value ratio of not more than 60%) as well as a negative pledge. In addition to other termination rights, the loan creditors have termination rights, in particular in case interest is not paid or capital is not repaid within 10 business days of the respective interest payment date or maturity date, the financial covenants are not met or the negative pledge is breached, and in case the borrower defaults on a payment obligation arising from another loan and the default persists longer than 10 days after the borrower has received written notification thereof from one of the creditors, or such payment obligation is accelerated because of any default on obligations of the borrower, if the total payment obligations exceed EUR 1 million (or the equivalent in other currencies). In addition, the creditors have termination rights besides those provided for by law, in particular, in case an event of default is triggered under the Junior Notes 2014/2024 (as defined below) or in case there is a change of control over the borrower.

As of the date of this Prospectus, ADLER has repurchased senior promissory notes (*Schuldscheine*) in the full amount of EUR 212 million, making use of a part of the proceeds from the issuance of the EUR 800 million Dual Tranche Notes 2021 and 2024.

EUR 123 million senior promissory note loan agreement

On January 27, 2015, Wohnungsbaugesellschaft JADE mbH, as borrower, entered into a fixed interest rate senior loan agreement (senior promissory note (*Schuldschein*) loan agreement) for EUR 123.0 million with Deutsche Bank AG as lender (the “**EUR 123 Million Note Loan**”). The loan matures on January 30, 2025, and the principal is repayable by that date. Interest is payable on the loan at 3.50% p.a. in arrear on January 30 and July 30 each year, from the disbursement date (inclusive) until the maturity date (exclusive). Priority over the EUR 41 Million Junior Notes is agreed in an intercreditor agreement. The loan has been secured by providing first liens on the properties of the Magnus V portfolio (as set out under share purchase agreements above). Further security consists in favor of the lender of the EUR 123 Million Note Loan (and, in accordance with the intercreditor agreement, also in favor of the lender of the EUR 41 Million Junior Note, in essence, of an assignment as collateral to a trustee of the receivables and rights arising from or in connection with (i) the leasing of the collateral assets; (ii) future sale agreements relating to the collateral assets; (iii) the asset and property management agreements relating to the collateral assets; (iv) intercompany loans and (v) certain other claims. In addition, the borrower has assigned its claims under the insurance policies as security to the trustee and pledged all accounts set up for managing the collateral assets. In addition, Magnus Fünfte Immobilienbesitz und Verwaltungs GmbH pledged all its shares held in the borrower to the lender (and to the lender of the EUR 41 Million Junior Note subject to the intercreditor agreement). Apart from other obligations (such as a negative pledge clause regarding the provision of security or collateral to other creditors and the prohibition to take on further debt), the borrower has undertaken to comply with certain financial covenants (especially a loan-to-value ratio not higher than 60% and an interest cover ratio of at least 10). In addition to other termination rights, the lender has a termination right in case the aforementioned financial covenants are not met or if the borrower defaults on a payment obligation arising from any other financial indebtedness and such failure continues for a period longer than 10 business days after the borrower has received written notification thereof from the creditor or a loan is called in for repayment by third parties because of any default on obligations of the borrower, if the total payment obligations exceed EUR 1 million (or the equivalent in other currencies). Moreover, all reasons for termination under the EUR 41 Million Junior Note Loan also result in a reason for termination with respect to the EUR 123 Million Note Loan. As of the date of this Prospectus, ADLER has repurchased senior promissory notes (*Schuldscheine*) in the amount of EUR 88 million, making use of a part of the proceeds from the issuance of the EUR 800 million Dual Tranche Notes 2021 and 2024.

Up to EUR 297 million loan agreement

On December 19, 2014, the companies Westgrund Wolfsburg GmbH, Westgrund Niedersachsen Nord GmbH, Westgrund Niedersachsen Süd GmbH, Westgrund Brandenburg GmbH Westgrund VII. GmbH, WAG Görlitz GmbH, WAG Neubrandenburg GmbH (together referred to as the “**Borrowers**”) entered into a loan agreement with Landesbank Baden-Württemberg (the “**Lender**”), which was amended by an amendment agreement dated February 26, 2015, with respect to an amount of up to EUR 297 million in connection with the acquisition of Berlinovo portfolio. The non-revolving loan amount is divided into a fixed-interest tranche (“**Tranche A**”) in an aggregate principal amount of EUR 272.8 million and a tranche with a variable interest (“**Tranche B**”) in an aggregate principal amount of up to EUR 24.2 million. As regards Tranche A, an interest rate of 2.14% p.a. was agreed upon.

In order to secure the claims of the Lender, land charges were created for the benefit of the Lender with respect to the financed properties (the “**Collateral Assets**”) and further collateral was provided, in particular, by assignment of claims arising under sale and purchase agreements with respect to the Collateral Assets, assignment of claims under all lease agreements for the Collateral Assets and pledging of accounts, in particular, rent collection accounts.

The Borrowers are jointly and severally liable for all obligations arising under or in connection with the loan agreement. On the basis of a collateral release agreement between WAG Görlitz GmbH, the other Borrowers, WESTGRUND and the Lender, WAG Görlitz GmbH was released from all obligations under the loan agreement and relating agreements at the end of 2014.

Tranche A is due for repayment on December 31, 2021 in the amount then outstanding. Tranche B was originally due for repayment on December 31, 2015, but had already been repaid at the end of January 2015 and at mid-June 2015 in full.

Under the agreement, the Borrowers undertook to comply with a so-called debt service cover ratio (“**DSCR**”), meaning the ratio between the expected net rental income during a fixed calculation period and the expected debt

service during the respective calculation period. The DSCR shall not be less than 115%. Moreover, the Borrowers have to comply with an LTV at certain points in time between an initial maximum of 75.00% and a maximum of 65.00% as of January 2, 2021. In case of non-compliance with one or more of the financial ratios, the Lender has the right to revoke the power of disposition regarding the rental accounts that was granted to the Borrowers. At the same time, however, the agreement provides for mechanisms (e.g. up to four reserve payments during the term of the agreement) to remedy any non-compliance with the agreed financial ratios.

The agreement also provides for various rights of termination in favor of the Lender, in particular, in case of (i) default in payment, (ii) non-compliance with a financial ratio which is not remedied, (iii) a change of controlling interests in the Borrowers, (iv) a conversion, merger, demerger or change of legal form of one of the Borrowers, (v) a default in payment of at least EUR 100,000 vis-à-vis third parties (so-called 'cross default') and (vi) a sale of one or more Collateral Assets contrary to the provisions of the loan agreement. Moreover, a material deterioration of the financial situation of the Borrowers or the value of the collateral constitutes a reason for termination under the agreement.

EUR 800 million Dual Tranche Notes 2017/2021 and 2017/2024

On December 6, 2017, the Company issued EUR 800,000,000 dual tranche senior unsecured notes in two tranches. The first tranche with a coupon of 1.500% per annum and an aggregate principal amount of EUR 500,000,000 matures on December 6, 2021 and was issued at 99.520% (the “**2021 Notes**”). The second tranche with an aggregate principal amount of EUR 300,000,000 and a coupon of 2.125% per annum matures in February 2024 and was issued at 99.283% (the “**2024 Notes**” and, together with the 2021 Notes, the “**Dual Tranche Notes 2021 and 2024**”, and each of the 2021 Notes and the 2024 Notes also referred to as a “**Tranche of Notes**”). The average coupon for the total issue amounts to 1.734%.

In the terms and conditions of the Dual Tranche Notes 2021 and 2024 the Company has undertaken not to incur any indebtedness if, immediately after giving effect to the incurrence of such additional Indebtedness and the application of the net proceeds of such incurrence, (a) the sum of (i) the consolidated indebtedness of the ADLER group as of the last reporting date for which the most recent consolidated financial statements of the Company have been published (each a “**Reporting Date**”) and (ii) the net nominal indebtedness incurred since the Reporting Date would exceed 60% of the sum of (without duplication) (x) total assets as of the Reporting Date, (y) the purchase price of any real estate property acquired or contracted for acquisition since the Reporting Date and (z) the proceeds of any indebtedness incurred since the Reporting Date (but only to the extent such proceeds were not used to acquire real estate property or to reduce indebtedness); or (b) the sum of (i) the consolidated secured indebtedness of ADLER group as of the Reporting Date and (ii) the net nominal secured indebtedness incurred since the Reporting Date would exceed 40% of the sum of (without duplication) (x) total assets as of the Reporting Date, (y) the purchase price of any real estate property acquired or contracted for acquisition since the Reporting Date and (z) the proceeds of any indebtedness incurred since the Reporting Date (but only to the extent such proceeds were not used to acquire Real Estate Property or to reduce Indebtedness).

In the terms and conditions, the Company has further undertaken to comply with a so-called consolidated coverage ratio (ratio of the Company's adjusted consolidated EBITDA to the Company's net cash interest in the relevant period) at certain dates. In accordance therewith, the interest cover ratio must be at least (a) 1.50 to 1.00, with respect to any Reporting Date falling on or after the Issue Date and on or before December 31, 2018; (b) 1.60 to 1.00, with respect to any Reporting Date falling on or after January 1, 2019 and on or before December 31, 2019; (c) 1.70 to 1.00, with respect to any Reporting Date falling on or after January 1, 2020 and on or before December 31, 2020; and (d) 1.80 to 1.00, with respect to any Reporting Date falling on or after January 1, 2021 and as long as any Note is outstanding. In case of a breach of the aforementioned covenants, the noteholders have the right to extraordinary termination and the right to call the notes due immediately.

The Dual Tranche Notes 2021 and 2024 also contain a cross-default clause which gives noteholders (which hold at least 25% of the nominal amount of the notes outstanding) the right to extraordinary termination and the right to call the notes due immediately, if the Company or a significant subsidiary fails to meet payment obligations resulting from financial liabilities whose total exceeds EUR 15 million when due. In case of a change of control, the noteholders also have the right to extraordinary termination and the right to call the notes due immediately at 101% of the nominal amount of the Dual Tranche Notes 2021 and 2024 plus any accrued interest.

Most of the net proceeds from the issuance of the Dual Tranche Notes 2021 and 2024 were used to finance the repurchase of existing secured promissory noted loans (*Schuldscheindarlehen*).

The Dual Tranche Notes 2021 and 2024 are admitted to trading on the Main Market of the Euronext Dublin. On September 20, 2018, S&P Global Ratings affirmed its “BB” long-term corporate credit rating to the Company. The outlook was revised from positive to stable. S&P Global Ratings believe that the Company’s actions to reduce debt, including through asset disposals, and execute on its refinancing plans will take longer than previously forecasted. S&P Global Ratings also affirmed their 'BB+' long-term issue rating on the Company's senior unsecured debt, including the Dual Tranche Notes 2021 and 2024.

EUR 500 Million 4.75% Notes 2015/2020

Between April and October 2015, the Company issued bonds in an aggregate principal amount of EUR 500 million which mature in April 2020 (the “**Notes 2015/2020**”). The terms of the Notes 2015/2020 are set forth in an indenture (as supplemented) governed by New York law and are divided into 500,000 partial bearer notes ranking *pari passu* among themselves with a nominal value of EUR 1,000.00 each. As from April 8, 2015, the Notes 2015/2020 bear interest at 4.75% p.a., payable in arrear on October 8 and April 8 of each year.

In November 2017, one of the definitions used in relation to the unencumbered assets covenant of the Notes 2015/2020 was amended following a consent solicitation process with the holders of the Notes 2015/2020 in order to provide clarification regarding the methodology used in determining compliance with such covenant.

In the terms and conditions of the Notes 2015/2020 the Company has undertaken, as of certain reference dates, not to raise any debt on a consolidated basis that exceeds 75% of consolidated total assets up to and including December 31, 2015, 72.5% from January 1, 2016 up to and including December 31, 2016, 70.0% from January 1, 2017 up to and including December 31, 2017 and 67.5% from January 1, 2018 until maturity. In the terms and conditions, the Company has further undertaken, as of certain reference dates, not to raise any secured debt on a consolidated basis that exceeds 60% of consolidated total assets up to and including December 31, 2015, 57.5% from January 1, 2016 up to and including December 31, 2016, 55% from January 1, 2017 up to and including December 31, 2017 and 52.5% from January 1, 2018 until maturity. In the terms and conditions, the Company has further undertaken to comply with a so-called interest cover ratio (ratio of the Company's adjusted consolidated EBITDA to the Company's net cash interest) at certain dates. In accordance therewith, the interest cover ratio must be at least 1.10 up to and including December 31, 2015, at least 1.20 from January 1, 2016 up to and including December 31, 2016, at least 1.25 from January 1, 2017 up to and including December 31, 2017 and at least 1.35 from January 1, 2018 until maturity. In case of a breach of the aforementioned covenants, the noteholders have the right to extraordinary termination and the right to call the notes due immediately.

The cross-default clause contained in the terms and conditions of the Notes 2015/2020 gives noteholders (which hold at least 25% of the nominal amount of the notes outstanding) also the right to extraordinary termination and the right to call the notes due immediately, if the Company or a significant subsidiary fails to meet payment obligations resulting from financial liabilities whose total exceeds EUR 15 million when due. In case of a change of control, the noteholders also have the right to extraordinary termination and the right to call the notes due immediately at 101% of the nominal amount of the Notes 2015/2020 plus any accrued interest.

As a follow-up obligation of the issue of the Notes 2015/2020 to obtain a rating by the rating agency Standard & Poor's Ratings Services (“**S&P**”) and/or Moody's Investors Service, Inc. (“**Moody's**”) and/or Fitch Ratings, Inc. (“**Fitch**”) for the term of the Notes 2015/2020. On September 20, 2018, S&P Global Ratings affirmed its “BB” long-term corporate credit rating to the Company. The outlook remains stable. S&P Global Ratings also affirmed their 'BB+' long-term issue rating on the Company's senior unsecured debt. Unless the Company maintains a rating of S&P and/or Fitch and/or Moody's for the term of the Notes 2015/2020, the interest rate on the Notes 2015/2020 will be increased from 4.75% to 5.25% p. a.

The Notes 2015/2020 are included for trading in the Open Market (*Freiverkehr*) of the Frankfurt Stock Exchange and are included in the prime standard for notes.

On April 19, 2018, the Company’s management board decided to launch a cash tender offer (the “**Tender Offer**”) to purchase up to EUR 200,000,000 aggregate principal amount (the “**Maximum Acceptance Amount**”) of Notes 2015/2020. The Tender Offer was successful and expired on April 27, 2018.

The remaining EUR 300 million principle amount of the Notes 2015/2020 shall be repaid by the use of proceeds of the Notes.

EUR 800 million Dual Tranche Notes 2018/2023 and 2018/2026

On April 27, 2018, the Company issued a further EUR 800,000,000 dual tranche senior unsecured notes in two tranches. The first tranche with a coupon of 1.875% per annum and an aggregate principal amount of EUR 500,000,000 matures on April 27, 2023 and was issued at 98.896% (the “**2023 Notes**”). The second tranche with an aggregate principal amount of EUR 300,000,000 and a coupon of 3.00% per annum matures in April 27, 2026 and was issued at 98.491% (the “**2026 Notes**” and, together with the 2023 Notes, the “**Dual Tranche Notes 2023 and 2026**”, and each of the 2023 Notes and the 2026 Notes also referred to as a “**Tranche of Notes**”). The average coupon for the total issue amounts to 2,30%.

In the terms and conditions of the Dual Tranche Notes 2023 and 2026 the Company has undertaken not to incur any indebtedness if, immediately after giving effect to the incurrence of such additional Indebtedness and the application of the net proceeds of such incurrence, (a) the sum of (i) the consolidated indebtedness of the ADLER group as of the last reporting date for which the most recent consolidated financial statements of the Company have been published (each a “**Reporting Date**”) and (ii) the net nominal indebtedness incurred since the Reporting Date would exceed 60% of the sum of (without duplication) (x) total assets as of the Reporting Date, (y) the purchase price of any real estate property acquired or contracted for acquisition since the Reporting Date and (z) the proceeds of any indebtedness incurred since the Reporting Date (but only to the extent such proceeds were not used to acquire real estate property or to reduce indebtedness); or (b) the sum of (i) the consolidated secured indebtedness of ADLER group as of the Reporting Date and (ii) the net nominal secured indebtedness incurred since the Reporting Date would exceed 40% of the sum of (without duplication) (x) total assets as of the Reporting Date, (y) the purchase price of any real estate property acquired or contracted for acquisition since the Reporting Date and (z) the proceeds of any indebtedness incurred since the Reporting Date (but only to the extent such proceeds were not used to acquire Real Estate Property or to reduce Indebtedness).

In the terms and conditions, the Company has further undertaken to comply with a so-called consolidated coverage ratio (ratio of the Company's adjusted consolidated EBITDA to the Company's net cash interest in the relevant period) at certain dates. In accordance therewith, the interest cover ratio must be at least (a) 1.50 to 1.00, with respect to any Reporting Date falling on or after the Issue Date and on or before December 31, 2018; (b) 1.60 to 1.00, with respect to any Reporting Date falling on or after January 1, 2019 and on or before December 31, 2019; (c) 1.70 to 1.00, with respect to any Reporting Date falling on or after January 1, 2020 and on or before December 31, 2020; and (d) 1.80 to 1.00, with respect to any Reporting Date falling on or after January 1, 2021 and as long as any Note is outstanding. In case of a breach of the aforementioned covenants, the noteholders have the right to extraordinary termination and the right to call the notes due immediately.

The Dual Tranche Notes 2023 and 2026 also contain a cross-default clause which gives noteholders (which hold at least 25% of the nominal amount of the notes outstanding) the right to extraordinary termination and the right to call the notes due immediately, if the Company or a significant subsidiary fails to meet payment obligations resulting from financial liabilities whose total exceeds EUR 15 million when due. In case of a change of control, the noteholders also have the right to extraordinary termination and the right to call the notes due immediately at 101% of the nominal amount of the Dual Tranche Notes 2023 and 2026 plus any accrued interest.

Most of the net proceeds from the issuance of the Dual Tranche Notes 2023 and 2026 were used to finance the acquisition of a share of approximately 70% in BCP.

The Dual Tranche Notes 2023 and 2026 are admitted to trading on the Main Market of the Euronext Dublin. On September 20, 2018, S&P Global Ratings affirmed its “BB” long-term corporate credit rating to the Company. The outlook was revised from positive to stable. According to S&P Global ratings the stable outlook reflects its expectation of continued favorable demand for residential real estate in Germany translating into stable cash flow generation and positive revaluation for the Company's portfolio of residential properties. S&P Global Ratings also affirmed their 'BB+' long-term issue rating on the Company's senior unsecured debt, including the Dual Tranche Notes 2023 and 2026.

8 GENERAL INFORMATION ABOUT THE COMPANY

8.1 Formation, name, registered office, year and duration of the Company

The Company is a stock corporation (*Aktiengesellschaft*) incorporated under the Stock Corporation Act (*Aktiengesetz*) of the Federal Republic of Germany. The Company has been registered with the commercial register (*Handelsregister*) at the Local Court (*Amtsgericht*) of Berlin-Charlottenburg under number HRB 180360 B on September 28, 2016 and is subject to the laws of the Federal Republic of Germany, in particular the German Stock Corporation Act (*Aktiengesetz*). The business address of the Company is Joachimsthaler Straße 34, 10719 Berlin, Germany.

The Company can be reached at the telephone number +49-30-398-018-10.

The trade name of the Company is “ADLER”.

The fiscal year of the Company runs from January 1 to December 31 of each year. The duration of the Company is unlimited.

The Company’s legal entity identifier (LEI) is 529900Y6QFNN3D363B76.

8.2 Business purpose of the Company

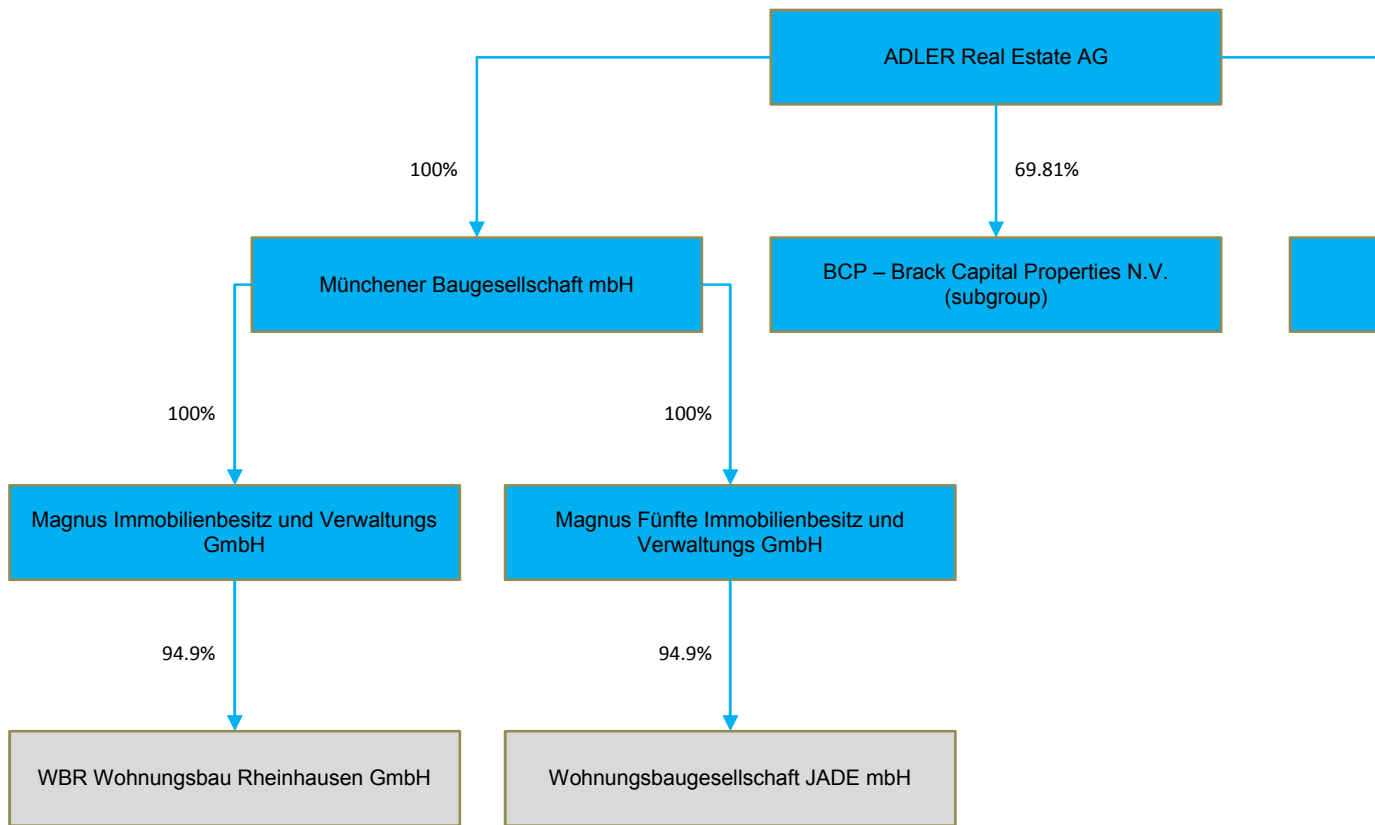
Pursuant to § 2 paragraph 1 of the articles of association of the Company, its corporate purpose is purchasing and selling as well as holding, managing and realizing properties, real estate and rights equivalent to real estate and developing, planning and building them; furthermore, the purpose of the business is assuming services related to real estate, for example, managing construction and real properties.

Pursuant to § 2 paragraph 2 of the articles of association of the Company, the Company is authorized to establish enterprises, enter into participations, conclude corporate group agreements, establish communities of interests, establish branches in Germany and abroad and conduct all relevant transactions which are appropriate to promote the business.

8.3 Information about the Company's corporate group structure

The Company is the holding company of ADLER group and is responsible for central management functions. The Company holds participations through its subsidiaries in various real estate portfolios.

The simplified structure of ADLER group as of the date of this Prospectus is as follows:



Holding

Real Estate Holdings

8.4 Major Subsidiaries of the Company

The major subsidiaries of the Company are (on the basis of the financial statements of the Company as of December 31, 2018):

Name and registered office of company	Main activity	Held proportion of the voting rights
Brack Capital Properties N.V.	Listed real estate company, owning and developing residential and commercial properties in Germany since 2004.	approximately 70% (direct)
WBR Wohnungsbau Rheinhausen GmbH, Hamburg	Building, acquiring and maintaining apartments and other structures in all legal forms and forms of use, including carrying out and servicing measures for the renovation, renewal and development of residential areas and their infrastructure with focus on Duisburg-Rheinhausen.	94.90% (indirect)
Wohnungsbaugesellschaft JADE mbH, Wilhelmshaven	Building, servicing, maintaining and managing structures and buildings in all legal forms and forms of use.	94.90% (indirect)

8.5 Important events in the development of the Company's business

The Company had its origins in the Frankfurter Adlerwerke whose history extends back to the late 19th century. The purpose of the business at that time was initially the industrial manufacturing of bicycles and motor vehicles.

2000	Change of the company name to ADLER Real Estate Aktiengesellschaft and beginning of the business in real estate development projects;
2000-2005	Project development of commercial properties (including the Technology Park Heidelberg, the Frankfurt Stock Exchange and the Airrail Center Frankfurt am Main);
2005	Entry by a U.S. American major shareholder;
2006	Consolidation and capital increase; asset management for AIG Global Real Estate;
2007	Acquisition of the operative residential property business of Münchener Baugesellschaft mbH;
2008-2011	Reorganization of the inventory held in the real estate portfolio;
2012	Changes in the shareholder structure and realization of the new corporate strategy with ADLER focusing on the holding of residential real estate in Germany;
2013	Acquisition of majority participations in large real estate portfolios (Magnus, Cato, Schwelm, and S.I.G. RE);
2014	Acquisition of a further portfolio (Zoe) in Lower Saxony with approximately 2,400 units and increasing the already existing participation in real estate portfolios with approximately 1,900 units in six German states (S.I.G. RE); Acquisition of a majority share in ACCENTRO Real Estate AG; Acquisition of majority participations in seven real estate holding companies (portfolio "Spartacus") as well as a further acquisition of a smaller portfolio in Thuringia (combined in the "Magnus III Portfolio") with a total of approximately 8,000 residential and 500

- commercial units with lettable total space of approximately 560,000 sqm;
- 2015 Acquisition of the portfolio Magnus V with about 6,750 units in Wilhelmshaven/Lower Saxony;
- Acquisition of a majority share in WESTGRUND AG;
- Acquisition of an indirect interest in conwert Immobilien Invest SE.
- 2016 Legal domicile relocated to Berlin, Germany;
- ADLER Real Estate AG established among the leading listed residential real estate companies in Germany.
- Process of internalization of all property management and facility management activities started
- 2017 ADLER Real Estate AG has received EUR 422 million in connection with the successful tender of its 26% share in conwert Immobilien Invest SE to Vonovia SE. The transaction took place in the context of the voluntary takeover offer of Vonovia to the shareholders of conwert.
- Entering into a share purchase agreement regarding approximately 80% out of its then 86% stake in ACCENTRO and 4,743,359 convertible notes issued by ACCENTRO with respect to a further 4,809,292 underlying shares which were not yet issued at the time. Upon closing of this transaction in the fourth quarter of 2017, ACCENTRO has been deconsolidated and the Company has discontinued its trading segment at year-end 2017.
- 2018 Acquisition of an approximately 70% stake in Brack Capital Properties N.V.

8.6 Announcements

The Company publishes its announcements in the Federal Gazette (*Bundesanzeiger*).

8.7 Auditor

Ebner Stolz GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Ludwig-Erhard-Straße 1, 20459 Hamburg, Germany, has audited the consolidated financial statements of the Company prepared according to the International Financial Reporting Standards as applied in the EU (“**IFRS**”) for the fiscal years ended December 31, 2018 and December 31, 2017 pursuant to Section 317 German Commercial Code (Handelsgesetzbuch, “**HGB**”) in accordance with the generally accepted accounting principles in Germany as determined by the Institute of Accountants (*Institut der Wirtschaftsprüfer*, “**IDW**”) and has issued unqualified certifications thereon.

Ebner Stolz GmbH & Co. KG Wirtschaftsprüfungsgesellschaft, Hamburg, Germany, is a member of the Chamber of Accountants in Berlin, Germany.

9 SHAREHOLDER STRUCTURE

As of the date of this Prospectus, the registered share capital of the Company amounts to EUR 71,063,622.00.

On the basis of the notifications received by the Company as of the date of this Prospectus in accordance with the German Securities Trading Act (*Wertpapierhandelsgesetz*, “**WpHG**”), the following shareholders directly or indirectly hold more than 3% of the Company's shares. The percentage values shown in the table below are based on the amount of voting rights last notified to the Company with regard to the stated reference date by the respective shareholder pursuant to Sections 33 et seqq. WpHG in relation to the Company's share capital as of the date of this Prospectus. It should be noted that the number of voting rights last notified could have changed since such notifications were submitted to the Company because the relevant shareholders are not required to submit a corresponding updated voting rights notification if no notifiable thresholds have been reached or crossed.

As of the date of this Prospectus, the Company holds 2,583,232 own shares (*i.e.* 3.64% of the share capital). The related 2,583,232 voting rights are suspended.

Shareholders	% of share capital / voting rights⁽¹⁾
Mezzanine IX Investors S.A. ^{(2), (3)}	14.44%
Klaus Wecken ⁽⁴⁾	14.66%
Mirabella Malta Limited ⁽⁵⁾	14.16%
Thomas Bergander ⁽⁶⁾	6.66%
Total	49.92%

⁽¹⁾ Based on the voting rights reported to the Company according to Section 33 WpHG, calculated on the basis of the current registered share capital.

⁽²⁾ Including attributed voting rights in accordance with Section 34 WpHG, which are directly held by Fortitudo Capital SPC (reference date: December 31, 2018).

⁽³⁾ Including attributed voting rights in accordance with Section 34 WpHG, which are directly held by Pruß GmbH (reference date: December 31, 2018).

⁽⁴⁾ Including attributed voting rights in accordance with Section 34 WpHG, which are directly held by Wecken & Cie (reference date: December 31, 2018).

⁽⁵⁾ Including attributed voting rights in accordance with Section 34 WpHG held by Fairwater Multi-Strategy Investment ICAV (reference date: December 14, 2018).

⁽⁶⁾ Including attributed voting rights in accordance with Section 34 WpHG, which are directly held by Uhlandstraße Investments GmbH (reference date: December 31, 2018).

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

There are no different classes of voting rights for certain shareholders.

10 GENERAL INFORMATION ABOUT THE SHARE CAPITAL OF THE COMPANY

10.1 Share capital and shares

As of the date of this Prospectus, the share capital of the Company as shown in the commercial register amounts to EUR 71,063,622. It is divided into 71,063,622 no-par value bearer shares (*Stückaktien*). It is divided into 71,063,622 no-par value bearer shares (*Stückaktien*). Each no-par value bearer share (*Stückaktie*) represents a proportionate value of EUR 1.00 in the share capital. The issued shares have been paid in full.

The claim of the shareholders for certification of their shares is excluded.

New shares under a future capital increase can be given preferred rights for the use of profits in deviation from Section 60 German Stock Corporation Act (*Aktiengesetz*). The shares of the Company are certificated in several global notes which have been deposited with Clearstream Banking AG, Mergenthalerallee 61, 65760 Eschborn, Germany (“**Clearstream Banking AG**”). The Company's shareholders have co-ownership shares in the respective global notes.

10.2 Authorized capital

Authorized capital 2015/I

On May 22, 2015, the general shareholders' meeting of the Company resolved to create a further authorized capital. Upon registration of the authorized capital 2015/I with the commercial register on June 26, 2015, the management board is authorized to increase the share capital of the Company by May 21, 2020 with the consent of the supervisory board by issuing new bearer shares in exchange for cash contribution and/or contributions in kind once or multiple times by up to a total amount EUR 13,300,000.00.

The management board is authorized, with the consent of the supervisory board, to exclude the subscription right of the shareholders once or multiple times

- (i) for remainder amounts;
- (ii) if the capital increase is made against contributions in cash or the total notional amount of the share capital attributable to the new shares for which the subscription right is excluded does not exceed 10% of the share capital either at the point in time when the capital increase takes effect or at the point in time when this authorization is exercised and if the issue price for the new shares does not materially fall below the stock exchange price for already listed shares in the same class and with the same rights at the time of the final determination of the issue price within the meaning of Sections 203 paragraphs 1 and 2, 186 paragraph 3 sentence 4 German Stock Corporation Act (*Aktiengesetz* - “*AktG*”); shares which were issued or must be issued to service auction notes or convertible notes must be credited against the maximum amount of 10% of the share capital if these notes were issued subject to exclusion of the subscription right in corresponding application of Section 186 paragraph 3 sentence 4 AktG; furthermore, those treasury shares of the company which were sold during the term of the authorized capital subject to exclusion of the subscription right of the shareholders pursuant to Sections 71 paragraph 1 no. 8 sentence 5, 186 paragraph 3 sentence 4 AktG must be credited against the maximum limit of 10% of the share capital;
- (iii) in the case of capital increases against contributions in kind in order to grant shares for the purpose of acquiring enterprises, parts of enterprises or participations in enterprises as well as other assets, especially real estate portfolios;
- (iv) to the extent necessary in order to grant a subscription right for new shares to holders of option rights or conversion rights or duties to exercise options or to convert in the volume to which they would have as shareholders after exercising the option or conversion right or after fulfilling the duty to convert.

The management board is authorized with the consent of the supervisory board to determine the further details for implementing the capital increase. The supervisory board is authorized to amend the articles of association in accordance with the respective use of authorized capital.

Authorized capital 2017/I

On June 7, 2017, the general shareholders' meeting of the Company resolved to create a further authorized capital. Upon registration of the authorized capital 2017/I with the commercial register on June 27, 2017, the management board is authorized to increase the share capital of the Company by May 9, 2022 with the consent of the supervisory board by issuing new bearer shares in exchange for cash contribution and/or contributions in kind once or multiple times by up to a total amount of EUR 12,500,000.00.

The management board is authorized, with the consent of the supervisory board, to exclude the subscription right of the shareholders as follows:

- (i) for remainder amounts;
- (ii) if the capital increase is made against contributions in cash and the total notional amount of the share capital attributable to the new shares for which the subscription right is excluded does not exceed 10% of the share capital neither at the point in time when the capital increase takes effect nor at the point in time when this authorization is exercised and if the issue price for the new shares does not materially fall below the stock exchange price for already listed shares in the same class and with the same rights at the time of the final determination of the issue price within the meaning of Sections 203 paragraphs 1 and 2, 186 paragraph 3 sentence 4 AktG. Shares which were issued or must be issued to service warrant notes or convertible notes must be credited against the maximum amount of 10% of the share capital if these notes were issued subject to exclusion of the subscription right in corresponding application of Section 186 paragraph 3 sentence 4 AktG. Furthermore, those treasury shares of the Company which were sold during the term of the authorized capital subject to exclusion of the subscription right of the shareholders pursuant to Sections 71 paragraph 1 no. 8 sentence 5, 186 paragraph 3 sentence 4 AktG must be credited against the maximum limit of 10% of the share capital;
- (iii) in the case of capital increases against contributions in kind in order to grant shares for the purpose of acquiring enterprises, parts of enterprises or participations in enterprises as well as other assets;
- (iv) to the extent necessary in order to grant a subscription right for new shares to holders of option rights or conversion rights or duties to exercise options or to convert in the volume to which they would have as shareholders after exercising the option or conversion right or after fulfilling the duty to convert.

The management board is authorized with the consent of the supervisory board to determine the further details for implementing the capital increase. The supervisory board is authorized to amend the articles of association in accordance with the respective use of authorized capital.

10.3 Contingent capital

Contingent capital 2012/I

A contingent capital 2012/I in the amount of EUR 8,250,000.00 has been created based on the resolution of the general shareholders' meeting of June 28, 2012, as supplemented by resolution of the extraordinary general shareholders' meeting on October 15, 2013. The supplement to the original resolution was registered with the commercial register on October 22, 2013.

The contingent capital 2012/I was adjusted to EUR 1,500,000.00 by resolution of the Company's ordinary shareholder's meeting on May 30, 2018 and has been registered in the commercial register of the Company on June 18, 2018. Due to the exercise of conversion rights from the convertible Note 2013/2018 issued on December 17, 2013 (ISIN DE000A1YCMH2), the contingent capital 2012/I still exists in the amount of EUR 292,888 as of the balance sheet date December 31, 2018.

The contingent capital increase serves the purpose of issuing shares to holders of option notes and convertible notes having duties to exercise an option and duties to convert in accordance with the respective terms and conditions of the option notes and convertible notes. The contingent capital increase will only be implemented to the extent that the owners of the option notes and/or convertible notes exercise their option rights or conversion rights or to the extent that the holders of option notes and convertible notes who have obligations to exercise an option or convert fulfill their duty to exercise the option or convert, to the extent that the option or conversion rights are not serviced by granting treasury shares or to the extent that other forms of performance are not used to

service them. The new shares are entitled to participate in dividends starting at the beginning of the fiscal year in which they are issued for all fiscal years for which the general shareholders' meeting has not yet adopted a resolution about the use of profits.

Contingent capital 2015/I

Based on the resolution of the general shareholders' meeting of May 22, 2015, as amended by resolution of the extraordinary shareholders' meeting of October 15, 2015, and resolution of the general shareholders' meeting of June 9, 2016, and resolution of the ordinary shareholder's meeting of May 30, 2018 the Company has a contingent capital 2015/I in the amount of EUR 12,000,000.00. The last supplement to the original resolutions was registered with the commercial register of the Company on June 18, 2018.

The contingent capital increase exclusively serves the purpose of issuing shares to holders of option notes and convertible notes which are issued in the period between May 22, 2015 and May 21, 2020 in accordance with the authorization of the general shareholders' meeting. The contingent capital increase serves the purpose of issuing shares to holders of option notes and convertible notes having duties to exercise an option and duties to convert in accordance with the respective terms and conditions of the option notes and convertible notes. The contingent capital increase will only be implemented to the extent that the owners of the option notes and/or convertible notes exercise their option rights or conversion rights or to the extent that the holders of option notes and convertible notes who have obligations to exercise an option or convert fulfill their duty to exercise the option or convert, to the extent that the option or conversion rights are not serviced by granting treasury shares or to the extent that other forms of performance are not used to service them. The new shares are entitled to participate in dividends starting at the beginning of the fiscal year in which they are issued for all fiscal years for which the general shareholders' meeting has not yet adopted a resolution about the use of profits. Due to the exercise of conversion rights from the convertible bond 2016/2021 issued on July 19, 2016 (ISIN DE000A161XW6), the contingent capital 2015/I still exists in the amount of EUR 11,388,295 as of the balance sheet date December 31, 2018.

Contingent Capital 2015/II

Based on the resolution of the extraordinary shareholders' meeting of October 15, 2015, the Company has a contingent capital 2015/II in the amount of EUR 10,606,060.00. The resolution of the extraordinary shareholders' meeting of October 15, 2015, regarding the creation of contingent capital 2015/II was registered with the commercial register on November 25, 2015.

By resolution of the shareholders' meeting of May 30, 2018 the contingent capital 2015/II was adjusted to an amount of EUR 13,000,000.00 and registered with the commercial register on June 18, 2018.

The contingent capital increase exclusively serves the purpose of issuing shares to noteholders of the EUR 175 Million Mandatory Convertible Notes, which have been issued on December 28, 2015, to partially finance the acquisition of MountainPeak (see section "*Share purchase agreements – Share purchase agreement for acquisition of all shares in MountainPeak Trading Limited, Nicosia (Cyprus) dated August 17, 2015*").

The contingent capital increase will only be implemented to the extent that the holders of the EUR 175 Million Mandatory Convertible Notes exercise their conversion rights or fulfill their duty to convert. The new shares are entitled to participate in dividends starting at the beginning of the fiscal year in which they are issued. Due to the exercise of conversion rights from the 2015/2018 convertible bond issued on 15 October 2015 (ISIN DE000A161ZA7), the contingent capital 2015/2 still amounts to EUR 1,302,935 at the balance sheet date December 31, 2018.

10.4 Authorization to issue option notes and/or convertible notes

Authorization 2015

In a resolution dated May 22, 2015, as amended by resolution of the general shareholders' meeting of June 9, 2016, the general shareholders' meeting of the Company authorized the management board with the consent of the supervisory board to issue option notes and/or convertible notes as bearer notes or registered notes once or multiple times up to an amount of EUR 250,000,000.00 which have a term of up to ten years by May 21, 2020 and to grant to the holders of option notes or convertible notes option rights or conversion rights

for new bearer shares of the Company in accordance with the terms and conditions of the option notes or convertible notes.

The shareholders generally have a subscription right to the option notes or the convertible notes. The option notes or convertible notes can also be taken over by one or more credit institutions or enterprises which are equivalent to them pursuant to Section 186 paragraph 5 AktG which then offer the notes to the shareholders for subscription. However, the management board is authorized with the consent of the supervisory board to exclude the subscription right of the shareholders for the option notes or convertible notes

- (i) for remainder amounts resulting on the basis of the subscription ratio;
- (ii) to the extent that the issuing price of the option notes or convertible notes does not materially fall below the theoretical market value of the option notes or convertible notes using recognized financial mathematical methodology. This authorization to exclude the subscription right, however, applies only for option notes or convertible notes with option rights and conversion rights and/or obligations to exercise options or to convert convertible notes issued in exchange for payment of cash for shares representing a notional amount in the share capital which in total do not exceed 10% of the share capital either on the date when this authorization takes effect or on the date when the option or convertible notes are issued, whereby the exclusion of the subscription right on the basis of other authorizations pursuant to Section 186 paragraph 3 sentence 4 AktG must be included when calculating the 10% threshold,
- (iii) to the extent necessary to grant to holders of option or conversion rights or obligations a Subscription Right to New Shares to the extent they would be entitled to it after exercising the option or conversion right or complying with the conversion obligation as shareholders.

The holders of option notes and convertible notes shall have the right or, to the extent the terms and conditions of the option notes or convertible notes so provide, are required to exchange their individual notes for shares in the company in accordance with the terms and conditions of the option notes or convertible notes. The exchange ratio for convertible notes results from dividing the nominal amount of an individual note or the issuing price for an individual note that is lower than the nominal amount by the fixed conversion price for a share in the Company. An additional payment to be rendered in cash can be fixed where appropriate by rounding up or rounding down to a full number on the basis of the exchange ratio. Furthermore, the remainder amounts can be aggregated and/or settled in money. The terms and conditions of the option notes or conversion notes can provide that the exchange ratio or the option price or conversion price is fixed within a range to be determined depending on the development of the stock price during the term. The terms and conditions of the option notes or convertible notes can also establish a duty to exercise the option for duty to convert at the end of the term or another point in time.

The notional amount in the share capital of the shares to be issued upon exercise of the option or conversion must not exceed the nominal amount of the option note or the convertible note. The shares to be issued must include an authorization to participate in dividends for all fiscal years for which the general shareholders' meeting has not yet adopted a resolution on the use of profits.

The option price or conversion price for a share of the Company will be fixed in Euro. In the case of a variable exchange ratio or option price or conversion price, the price must be at least 80% of the average stock exchange price weighted according to turnover for the shares of the Company in XETRA trading (or a comparable successor system) on the Frankfurt Stock Exchange on the five trading days prior to the date when the management board adopts the resolution about the issuance of option notes or convertible notes. This does not affect Section 9 paragraph 1 AktG.

Notwithstanding Section 9 paragraph 1 AktG, the option price or conversion price can be adjusted on the basis of a clause protecting against dilution according to the more detailed provisions in the terms and conditions of the option notes or conversion notes if the Company increases the share capital or grants additional option notes or convertible notes during the option or conversion period while granting a subscription right to the Company's shareholders and the holders of option notes or convertible notes are not granted a subscription right in the extent which they would have upon exercise of the conversion right. The terms and conditions can also provide for an adjustment of option rights or conversion rights in the event of other capital measures or other comparable measures which can lead to a dilution of the value of the issued shares in the Company. A reduction of the option price or conversion price can also be effected by a cash payment upon exercise of the option right or conversion right.

The management board is authorized to determine all further details about the issuance and the structuring of the option notes and the convertible notes and their terms and conditions.

The supervisory board is authorized to amend Section 4 paragraph 1 of the articles of association in accordance with the respective issuance of subscription shares and make all other amendments to the articles of association connected therewith which only relate to the aforementioned version. The same applies in case of the non-exercise of the aforementioned authorization to issue option and/or convertible notes after the expiry of the authorization period and in case of the non-exercise of the right to issue contingent capital after the expiry of the periods for exercising option and conversion rights, respectively.

10.5 Authorization to acquire own shares

The Company's extraordinary shareholders' meeting held on October 15, 2015 authorized the management board to acquire the Company's own shares in an aggregate amount of up to 10% of the Company's existing share capital until October 14, 2020, in compliance with the principle of equal treatment (Section 53a AktG). The shares acquired due to this authorization, together with all other shares in the Company, which were acquired by the Company before or are still held by the Company or are allocable to the Company pursuant to Sections 71d, 71e AktG, shall at no point in time amount to more than 10% of the respective share capital of the Company.

The authorization may be exercised in full or in partial amounts, once or several times. The acquisition may also be made by group companies, which are dependent upon the Company, or for its or their account by third parties. An acquisition of own shares is only permitted if the Company could set up reserves in the amount of the expenses for the acquisition without reducing the share capital or any other reserve required by law or the articles of association that cannot be used for payments to shareholders.

The acquisition may, at the discretion of the management board, be carried out (i) via the stock exchange or (ii) via a public offer for purchase addressed to all shareholders of the Company or via a public solicitation for offers for sale by the shareholders.

- (i) If the Company's own shares are purchased via the stock exchange, the purchase price per share (not including the ancillary costs of purchase) paid by the Company must not exceed the stock exchange price for the share determined on the trading day by the opening auction in the XETRA system (or any comparable successor system) at the Frankfurt Stock Exchange by more than 10% and or be lower by more than 10%;
- (ii) If the Company's own shares are purchased via a public offer for purchase addressed to all shareholders or via a public solicitation for offers, the Company shall determine the purchase price or a purchase price range per share. If a purchase price range is determined, the final purchase price shall be calculated on the basis of the statements of acceptance or submissions of offers received. The offer may state a period for acceptance or for submission of offers, conditions and the possibility to adjust the purchase price or the purchase price range during the period for acceptance or for submission of offers, if, following the announcement of the offer for purchase or the public solicitation for offers, the prices are very volatile. The purchase price or the purchase price range per share offered by the Company or by the shareholders (not including the ancillary costs for purchase) must not exceed the relevant stock exchange price per share of the Frankfurt Stock Exchange by more than 20% or be lower by more than 20%. In connection to this, the relevant stock exchange price is deemed to be the calculated average of the stock exchange price for the shares of the Company in the closing auction of the XETRA system at the Frankfurt Stock Exchange (or any comparable successor system) during the last 5 trading days before the day on which the decision of the management board to make an offer for purchase or a solicitation for offers is announced. If the purchase price or the purchase price range is adjusted, the stock exchange price during the last 5 trading days before the day of announcement of the decision to adjust the offer for purchase or the offer for sale shall be taken as a basis.

If the number of shares offered for sale or offered for purchase exceeds the total number of shares planned to be acquired by the Company, offers shall be accepted on a pro rata basis between the shares offered for sale and the shares offered for purchase. A preferential acceptance of small numbers of up to 100 shares which have been offered for purchase or offered for sale per shareholder may be provided for, however.

The management board is authorized to resell own shares acquired on the basis of the above authorization via the stock exchange in compliance with the principle of equal treatment (Section 53a AktG) or offer them to the shareholders via an offer addressed to all shareholders in compliance with their subscription rights. The trading of own shares shall be excluded.

The management board is also authorized to use the own shares acquired on the basis of the above authorization in other ways:

- (i) to offer or transfer them to third parties, with the consent of the supervisory board, as consideration within the framework of mergers with other companies or within the framework of the acquisition of companies, businesses or participations in companies or other assets (such as real estate portfolios),
- (ii) to sell them, with the consent of the supervisory board, in a way other than via the stock exchange or via an offer addressed to all shareholders, provided that these shares are sold against payment in cash at a price which on the respective trading day is not substantially lower at the time of sale than the stock exchange price for the shares of the Company of the same class and rights that has been determined by the opening auction; in this case the number of shares to be sold must not exceed a total of 10% of the Company's share capital registered at the time of sale of the shares; this maximum amount of 10% of the share capital must be offset against the pro rata amount of the share capital attributable to those shares of the Company which have been issued during the term of this authorization in the context of a capital increase, under exclusion of the subscription rights of the shareholders pursuant to Section 186 paragraph 3 sentence 4 AktG, or for the purpose of serving option notes or convertible notes, or participation rights with conversion or option rights, to the extent that such notes have been issued during the term of this authorization under exclusion of the subscription rights of the shareholders in application mutatis mutandis of Section 186 paragraph 3 sentence 4 AktG,
- (iii) to use them for granting shares to employees of the Company and to members of the management and other employees of companies associated with the Company within the meaning of Section 15 AktG, which may be subscribed by the aforementioned persons due to share options which are granted to them under future stock option programs, if any,
- (iv) to use them for granting employee shares to persons linked to the Company and companies associated with the Company within the meaning of Section 15 AktG by an employment contract,
- (v) to redeem them and decrease the share capital at the same time, with the consent of the supervisory board, without another resolution of the general meeting being required for such redemption or decrease. In deviation from this, the management board may also determine, with the consent of the supervisory board, that the share capital not be decreased, but the participation of the remaining shares in the share capital be increased according to Section 8 paragraph 3 AktG. In this case, the supervisory board shall be authorized to adjust the number of shares mentioned in the articles of association accordingly.

The supervisory board is authorized to use the own shares acquired on the basis of the above authorization as follows:

- (i) to grant them to members of the Company's management board which are entitled to subscribe them due to share options which are granted to them under future stock option programs, if any,
- (ii) to grant them to the members of the Company's management board as stock-based compensation under the same conditions as those granted to the employees as employee shares (cf. clause (iv) above). The details of the stock-based compensation granted to the management board shall be determined by the supervisory board.

11 GOVERNING BODIES OF THE COMPANY

11.1 Overview - Administration, management and supervisory bodies

The governing bodies of the Company are the management board, the supervisory board and the general shareholders' meeting (Section 6 of Company's articles of association). The Company has a two-tier management and control system, consisting of the management board and the supervisory board. The powers of these governing bodies are determined by the German Stock Corporation Act (*Aktiengesetz*), the articles of association and the internal rules of procedure of both the management board and the supervisory board. Moreover, in order to advise and support the management board in its management board work, the Company has an executive committee.

11.2 Management board

Pursuant to Section 7 sentence 1 of the Company's articles of association, the management board of the Company consists of one or more persons. Pursuant to Section 7 sentence 2 of the Company's articles of association, the supervisory board determines the exact number of the members of the management board to be appointed by the supervisory board. The internal rules of procedure for the management board were issued by the supervisory board on June 10, 2015.

As the governing body, the management board of the Company conducts the business, determines the strategic direction of the Company and implements this strategy in consultation with the supervisory board. The management board is bound to the interests and the business policy principles of the Company. The management board reports to the supervisory board on a regular basis and comprehensively about the course of business, strategy and risks. Pursuant to Section 9 of the Company's articles of association, the applicable internal rules of procedure provide that there are certain matters for the management board which are subject to a reservation for approval by the supervisory board or which must be notified to the supervisory board, the modalities for meetings and adopting resolutions within the management board as well as further aspects of the work of the management board.

Pursuant to Section 8 of the Company's articles of association, the Company is legally represented by two members of the management board or by one member of the management board acting jointly with a holder of statutory power of attorney (*Prokurist*). If the management board consists of one person only, that person has sole power of representation. The supervisory board may grant an individual member, several members or all members of the management board sole representative authority and/or release them from the restrictions of Section 181 2nd alternative German Civil Code (*Bürgerliches Gesetzbuch* - “**BGB**”).

As of the date of this prospectus, the Company's management board consists of the following members:

Tomas de Vargas Machuca (Co-Chief Executive Officer)

Mr. Tomas de Vargas Machuca was appointed as Chairman of the Management Board of ADLER (as Co-CEO, assuming executive functions together with Mr. Rienecker) as of December 22, 2017 with immediate effect. Prior to his appointment, Mr. de Vargas Machuca has been the Company's Chairman of the Executive Committee and acting as the Company's CFO since 2013.

Mr. Tomas de Vargas Machuca holds a Bachelor of Arts degree (B.A.) in economics as well as a Master of Arts (M.A.) in Management of International Firms from Bocconi University in Milan, Italy. He has more than 14 years' professional experience in banking, of which more than ten years are in the areas of private equity as well as financing and investments in the real estate sector. Prior to working for ADLER, Mr. de Vargas Machuca worked as executive director in the real estate financing division of the investment bank UBS. At UBS, he was responsible for co-investment, development, structuring and implementation of important mezzanine and equity positions secured by real property in Central and Eastern Europe. Previously, Mr. de Vargas Machuca worked as vice-president for the European real estate finance team of Credit Suisse and was responsible for the entire European market.

In addition to his work at the Company, Mr. de Vargas Machuca is managing director and shareholder in Consortium Finance Limited, London (United Kingdom) as well as managing director and shareholder in Consortium Shipping Partners GmbH, Zug (Switzerland). Moreover, Mr. de Vargas Machuca is chairman and

shareholder in HERO Events Ltd., London (United Kingdom), a classic car events and services platform, and HERO Club Ltd., London (United Kingdom).

Mr. de Vargas Machuca has been a holder of statutory power of attorney (*Prokurist*) of the Company since July 2014 and also holds general power of attorney (*Generalbevollmächtigung*) since that time relating to the comprehensive handling of all business matters in the area of financing.

Maximilian Rienecker (Co-Chief Executive Officer)

Maximilian Rienecker has assumed the role as the Company's Co-CEO as at December 22, 2017 with immediate effect together with Mr. de Vargas Machuca.

Mr. Rienecker was born in 1985 in Hamburg and holds a Master of Science in Management (with distinction) from the University of Nottingham. Mr. Rienecker has been with ADLER since February 2017, when he was appointed as Head of Corporate Finance and Strategy. He calls on more than 4 years of experience in the real estate industry after roles in Sales & Marketing at ING Investment Management in Hong Kong and in Corporate Strategy and M&A at SBM Offshore in Monaco.

Mr. Rienecker has been a holder of statutory power of attorney (*Prokurist*) of the Company since May 2017.

Sven-Christian Frank, Chief Operating Officer (COO)

With effect as of June 9, 2016, Sven-Christian Frank became member of the Company's management board as Chief Operating Officer (COO). Mr. Frank is responsible for the operational management, including property and facility management, asset management as well as project development. The term of office of Mr. Frank as management board member of the Company ends upon expiry of June 30, 2019. Prior thereto, he had been Head of Asset Management since September 1, 2015. Besides that, he holds numerous management positions with group companies of ADLER.

Mr. Frank is a fully qualified lawyer (*Volljurist*), qualified banking clerk and real estate asset manager (IREBS) with some 25 years of professional experience. Before joining ADLER, Mr. Frank held executive or management positions in various companies in the real estate sector over many years. Before becoming managing partner of Lighthouse Asset Management GmbH, he last held a position in the management board of Gestrim Deutschland AG and was director of Gestrim Deutsche Fonds Management GmbH. Besides being member of the management board of Gestrim Deutschland AG, Mr. Frank was also a member of the management board of Wohnbauten-Aktiengesellschaft Buckow.

The management board may be reached at the Company's office at Joachimsthaler Straße 34, 10719 Berlin, Germany.

11.3 Supervisory board

Pursuant to Section 10 paragraph 1 of the articles of association, the supervisory board of the Company consists of three members. There are internal rules of procedure dated February 1, 2016 for the supervisory board. The supervisory board advises and supervises the management board.

Details about the work of the supervisory board and its committees, for example, composition and responsibilities, are regulated in the internal rules of procedure for the supervisory board of the Company. The provisions about preparation of articles of association and adopting resolutions in the supervisory board apply accordingly to the work in any committees (which, at present, do not exist).

The supervisory board consists of the following members which, during the last five years, have also been members of the management, managing or supervisory boards of the following other German and foreign enterprises and companies:

Dr. Dirk Hoffmann (lawyer, Berlin)

- WESTGRUND AG, Berlin, chairman of the supervisory board

- ACCENTRO Real Estate AG, Berlin, vice-chairman of the supervisory board
- Squadra Immobilien GmbH & Co. KGaA, Frankfurt am Main, chairman of the supervisory board
- conwert Immobilien Invest SE, Vienna/Austria, member of the management board (term of office ended)
- Aggregate Holdings SA, Luxembourg/Luxembourg, chairman of the management board (term of office ended)
- Dexia Kommunalbank Deutschland AG, Berlin, member of the supervisory board (term of office ended)
- Bremer Kreditbank AG, Bremen, vice-chairman of the supervisory board (term of office ended)
- DEMIRE AG, Frankfurt am Main, vice-chairman of the supervisory board (term of office ended)
- C & A BANK GmbH, Düsseldorf, chairman of the supervisory board (term of office ended)
- Banque Bauer (Suisse) S.A., Geneva/Switzerland, president of the management board (term of office ended)
- Bauer Glarus Holding AG, Glarus/Switzerland, president of the management board (term of office ended)
- CATELLA Property GmbH, Berlin, member of the supervisory board (term of office ended)

Thilo Schmid (project controller, Blotzheim/France)

- Jedox AG, Freiburg, member of the supervisory board
- DTH Luxembourg, member of the board
- Mindlab Solutions GmbH, Stuttgart, member of the supervisory board
- Yeditepe Marina Yatırım Turizm İnşaat A.Ş., Istanbul, member of the board
- Cynora GmbH, member of the supervisory board
- Talentory AG, Zurich/Switzerland, member of the management board (term of office ended)

Claus Jørgensen

- Non-executive director within the Board of Directors at Brack Capital Properties N.V.

Dr. Dirk Hoffmann is a lawyer holding a doctorate degree in law. As a result of his activity in management bodies of various banks for more than 20 years, he has experience in the management of companies. Dr. Hoffmann is admitted as a lawyer in Berlin and has been chairman of the Company's supervisory board since June 2012. The term of office of Dr. Hoffmann as a member of the supervisory board ends at the end of the general shareholders' meeting which resolves about ratification of actions for the fiscal year ending December 31, 2019.

Thilo Schmid works as a project controller at care4 Ltd., a wholly owned subsidiary of Wecken & Cie., where he is responsible for venture capital and real estate investments. The term of office of Mr. Schmid as a member of the supervisory board ends at the end of the general shareholders' meeting which resolves about the ratification of actions for the fiscal year ending December 31, 2017.

Claus Jørgensen: Born 1965, danish, MBA in finance & marketing, gained extensive capital markets experience through his many years of employment with major international banks in the areas of credit trading as well as capital market transactions and acquisitions. As the Head of High Yield and Strategy, Mr Jørgensen currently

develops real estate investment strategies for Fairwater Capital LLP, London. Mr. Jørgensen has been elected member of the supervisory board as of May 30, 2018.

Other than listed above, the members of the supervisory board have not been a member of any administrative, management or supervisory body or partner or member in any comparable domestic or foreign control bodies outside ADLER group within the last five years.

The members of the supervisory board may be reached at the Company's office at Joachimsthaler Straße 34, 10719 Berlin, Germany.

11.4 Executive Committee

In order to advise and support the management board of the Company in its management board work, the management board has created an executive committee (“**Executive Committee**”). There are internal rules of procedure dated March 21, 2017 for the Executive Committee.

The Executive Committee consists of the members of the management board, the head(s) of important core business departments (Business Heads) (as determined by the management board) and any other employee and/or individual the management board considers appropriate due to its specific skills and expertise.

The role of the Executive Committee is to advise the management board on and to support the management board in its day-to-day work, to coordinate the Company's business departments and the Company's regional business activities and to coordinate the Company's capital market activities.

The Executive Committee is tasked with and responsible for (i) the regular review of the Company's business developments and specific transactions, in particular capital market transactions, (ii) the regular review of the Companies' business segments, business departments and regional business activities, (iii) the discussion of strategic issues and providing the management board with advice and (iv) further tasks and responsibilities determined by the management board.

The Executive Committee has no power to take decisions or to pass resolutions in place of or on behalf of the management board and the management board is not bound by the Executive Committee's decisions or resolutions.

The Executive Committee currently consists of the members of the Company's management board, Mr. de Vargas Machuca (who also assumes the function as Chairman of the Executive Committee), Mr. Rienecker and Mr. Frank and is complemented by Mr. Carsten Wolff (Head of Accounting and Finance), Mr. Peer Hoffmann (Head of Financing), Mrs. Tina Kladnik (Head of Investor Relations), Mrs. Anja Gotthardt (Head of Portfolio Management) and Mr. Florian Sitta (Head of Legal).

11.5 Relationships between board members

Peer Hoffmann, member of the Executive Committee, is the son of the Dr. Dirk Hoffmann, chairman of the supervisory board of the Company.

Apart from this, there are no family relationships between the members of the management board, the supervisory board and the Executive Committee.

11.6 Potential conflict of interest

There are no potential conflicts of interest between the obligation towards the Company of the members of the management board, the supervisory board and the Executive Committee and their private interests.

11.7 General shareholders' meeting

Introduction

The general shareholders' meeting is the corporate body in which the shareholders can exercise their rights within the Company. The general shareholders' meeting of the Company takes place at a location to be

determined by the management board or the supervisory board pursuant to Section 18 of the articles of association of the Company. It is supposed to take place at the location of German group companies, the registered office of the Company or at a location where there is a German stock exchange. The regular general shareholders' meeting is held within the first eight months of each fiscal year and is convened by the management board, the supervisory board or other persons in those instances contemplated in the law. Extraordinary general shareholders' meetings can be convened as often as it appears to be necessary in the interests of the Company.

Adopting resolutions

Resolutions of the general shareholders' meeting are generally adopted with a simple majority of the votes cast unless the articles of association or provisions stipulated by law provide otherwise. If the German Stock Corporation Act (*Aktiengesetz*) also requires a majority of the share capital represented in order to adopt a resolution, the simple majority of the share capital represented when adopting the resolution is sufficient to the extent permitted by law. According to mandatory provisions stipulated by law, especially capital increases excluding the subscription right, reductions of capital, dissolution, conversion of corporate form or a merger of the Company, the transfer of the Company's assets and the approval of corporate group agreements within the meaning of Sections 291 et seq. AktG require a majority of at least three quarters of the share capital represented when adopting the resolution. In case of a tie vote, except in case of elections to office, a proposal is deemed to have been rejected. If the simple majority is not reached in the first round of voting in an election, there is a run-off vote between the two persons receiving the most votes. In case of a tie vote in the second round of voting, lots drawn by the chairman of the general shareholders' meeting shall decide.

Each share entitles its holder to one vote at the general shareholders' meeting. The voting right begins upon complete contribution. The voting right may also be exercised by proxy. If neither a credit institution nor a shareholders' association has been granted proxy, the proxy as well as the proof of grant of proxy must be issued and revoked with regard to the Company in text form (Section 126b German Civil Code (*BGB*)). The details about issuing this proxy will be announced together with the invitation to the general shareholders' meeting in the corporate publications. The exercise of the power of attorney by one of the voting rights representatives designated by the Company is excluded if the power of attorney is not based on an individual instruction.

Each shareholder has a personal right to speak and pose questions at the general shareholders' meeting which is subject to various limitations, especially in the interests of confidentiality for the Company and the proper and efficient conduct of the general shareholders' meeting. Under certain prerequisites, as set forth in the German Stock Corporation Act (*Aktiengesetz*), shareholders and members of the management board and the supervisory board are entitled to challenge resolutions of the general shareholders' meeting in a complaint to the District Court (*Landgericht*) having jurisdiction based on various legal aspects or to have the nullity of the resolution declared by the court.

11.8 Areas of responsibility

The general shareholders' meeting adopts resolutions in those situations expressly determined in the law and the articles of association and accordingly decides, among other issues, about the appointment of the members of the supervisory board to the extent they are not required to be otherwise appointed to the supervisory board, about the use of the balance sheet profit, the ratification of actions by the members of the management board and the supervisory board, the appointment of the auditor, any amendments to the articles of association, measures to procure capital and reduce capital, the appointment of auditors to examine matters involving management or the dissolution of the Company.

11.9 Corporate governance

The German Corporate Governance Code which was adopted in February 2002 and last amended on February 2, 2017 (the “Code”) makes proposals concerning the management and supervision of German listed companies.

It is based on internationally and nationally recognized standards of good, responsible governance.

The Code contains recommendations (“**shall provisions**”) and suggestions (“**should provisions**”) for corporate governance in relation to shareholders and the general shareholders' meeting, the management board and the supervisory board, transparency and accounting and auditing of financial statements. The Code's recommendations or suggestions are not obligatory, although deviations from the recommendations (but not

from the suggestions) are required to be published by the management board and the supervisory board of listed companies in an annual announcement pursuant to Section 161 AktG. This announcement regarding whether or not the recommendations in the Code were complied with and are complied with, or explains which recommendations have not been complied with and are not being applied and the reasons underlying this non-compliance (*Entsprechenserklärung*). The declaration of compliance regarding the Code must be publicly available on the Company's website at all times.

The current version of the Code was adopted on February 7, 2017 and was published in the German Federal Gazette (*Bundesanzeiger*) on April 24, 2017 (publication revised on May 19, 2017).

Due to the listing of the shares of the Company on the regulated market segment (*regulierter Markt*) of the Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*) with simultaneous admission to the sub-segment of the regulated market with additional post-admission obligations (Prime Standard) of the Frankfurt Stock Exchange, the Company is obligated to issue a declaration relating to the Code. The management board and the supervisory board of the Company agree with the goals of the Code in promoting responsible and transparent management and control of the Company directed towards a sustained increase in the enterprise value.

According to its declaration of compliance published in March 2019, the Company complies with and intends to further comply with all recommendations in the Code with the following deviations:

- As a deviation from Section 3.8 (3) of the Code, no deductible has been stipulated with respect to the D&O insurance agreement concluded for the supervisory board. The supervisory and management boards are of the opinion that concluding a deductible agreement would not improve incentive and performance at ADLER Real Estate AG.
- In deviation from Section 4.2.1 of the Code, the Issuer has appointed neither a chairman nor a speaker of the management board. This is due to the fact that management board members Tomas de Vargas Machuca and Maximilian Rienecker have acted in a dual leadership function (co-CEOs) since their appointment as members of the Company's management board. The supervisory board believes that the function of neither a chairman nor a speaker of the management board is compatible with the idea of dual leadership (co-CEOs) because a function of this nature would put focus on one of the members.
- As a deviation from Section 5.3 of the Code, the supervisory board has currently not formed any committees (Section 5.3.1). No audit committee has been set up (Section 5.3.2). The duties of the audit committee are carried out jointly by all members of the supervisory board (Section 5.3.2). The supervisory board currently consists of the minimum number of three members prescribed by the German Stock Corporation Act (*Aktiengesetz*). The number of supervisory board members is not suited to form an audit or other committees.
- As a deviation from Section 5.3.3 of the Code, the supervisory board has not formed a nomination committee. The entire supervisory board nominates suitable candidates for the consideration of the shareholders at the general shareholders' meeting. The number of members of the supervisory board is not suited to establish a nomination committee.
- As a deviation from Section 5.4.2 of the Code, supervisory board members may also carry out board functions or advisory duties for other major competitors of the Company. The management and supervisory Boards are of the opinion that the experience gained from such activities can be used profitably for ADLER Real Estate AG.
- In deviation from Section 7.1.2 of the Code, the interim reports dated 30 June 2018 (semi-annual report) and 30 September 2018 (Q3 report) were not published within the period recommended by the Code, but were within the statutory period. The reason in each case was the initial consolidation of Brack Capital Properties N.V., in which a majority interest was acquired in April 2018. For subsequent years, the company shall again comply with the recommendation under Section 7.1.2 of the Code.

12 TERMS AND CONDITIONS OF THE NOTES

ANLEIHEBEDINGUNGEN

(die „Anleihebedingungen“)

§ 1

Währung, Stückelung, Form, Bestimmte Definitionen

- (1) *Währung; Stückelung.* Diese Emission von Schuldverschreibungen (die „**Schuldverschreibungen**“) der ADLER Real Estate AG (die „**Emittentin**“) wird am 17. April 2019 (der „**Begebungstag**“) im Gesamtnennbetrag von EUR 400.000.000 (in Worten: vierhundert Millionen Euro) (der „**Nennbetrag**“) in einer Stückelung von EUR 100.000 (die „**Festgelegte Stückelung**“) begeben.
- (2) *Form.* Die Schuldverschreibungen lauten auf den Inhaber.
- (3) *Vorläufige Globalurkunde – Austausch gegen Dauerglobalurkunde.*
 - (a) Die Schuldverschreibungen werden anfänglich durch eine vorläufige Globalurkunde (die „**Vorläufige Globalurkunde**“) ohne Zinsscheine verbrieft. Die Vorläufige Globalurkunde wird gegen Schuldverschreibungen in der Festgelegten Stückelung, die durch eine Dauerglobalurkunde (die „**Dauerglobalurkunde**“) und, zusammen mit der Vorläufigen Globalurkunde, die „**Globalurkunden**“) ohne Zinsscheine verbrieft sind, ausgetauscht. Jegliche Zinszahlungsansprüche aus den Schuldverschreibungen sind durch die jeweilige Globalurkunde verbrieft. Die Vorläufige Globalurkunde und die Dauerglobalurkunde werden jeweils von oder im Namen der Emittentin unterschrieben und sind jeweils von der Zahlstelle oder in deren Namen mit einer Kontrollunterschrift versehen. Einzelurkunden für die Schuldverschreibungen und Zinsscheine werden nicht ausgegeben.

Die Schuldverschreibungen werden in Form einer New Global Note (NGN) ausgegeben und von einem von den ICSDs bestellten *common safekeeper* (der

TERMS AND CONDITIONS

(the “Terms and Conditions”)

§ 1

Currency, Denomination, Form, Certain Definitions

- (1) *Currency; Denomination.* This issue of notes (the “**Notes**”) of ADLER Real Estate AG (the “**Issuer**”), is being issued in the aggregate principal amount of EUR 400,000,000 (in words: four hundred million Euro) (the “**Principle Amount**”) in a denomination of EUR 100,000 each (the “**Specified Denomination**”) on April 17, 2019 (the “**Issue Date**”).
- (2) *Form.* The Notes are being issued in bearer form.
- (3) *Temporary Global Note – Exchange for Permanent Global Note.*
 - (a) The Notes are initially represented by a temporary global note (the “**Temporary Global Note**”) without coupons. The Temporary Global Note will be exchangeable for Notes in the Specified Denomination represented by a permanent global note (the “**Permanent Global Note**”) and, together with the Temporary Global Note, the “**Global Notes**”) without coupons. Any claim for interest payments under the Notes shall be represented by the relevant Global Note. The Temporary Global Note and the Permanent Global Note shall each be signed by or on behalf of the Issuer and shall each be authenticated by or on behalf of the Paying Agent. Definitive certificates representing individual Notes and coupons will not be issued.

The Notes are issued in new global note (NGN) form and are kept in custody on behalf of the ICSDs by a common safekeeper (the “**Common Safekeeper**”) appointed by

„**Common Safekeeper**“) im Namen der ICSDs verwahrt.

- (b) Die Vorläufige Globalurkunde wird gegen die Dauerglobalurkunde nach Ablauf von mindestens 40 Tagen nach dem Begebungstag ausgetauscht. Ein solcher Austausch darf nur nach Vorlage von Bescheinigungen erfolgen, wonach der oder die wirtschaftlichen Eigentümer der Schuldverschreibungen keine U.S.-Person(en) ist bzw. sind (ausgenommen bestimmte Finanzinstitute oder bestimmte Personen, die Schuldverschreibungen über solche Finanzinstitute halten). Solange die Schuldverschreibungen durch eine Vorläufige Globalurkunde verbrieft sind, werden Zinszahlungen erst nach Vorlage solcher Bescheinigungen vorgenommen. Eine gesonderte Bescheinigung ist für jede solche Zinszahlung erforderlich. Jede Bescheinigung, die am oder nach dem 40. Tag nach dem Begebungstag eingeht, wird als ein Ersuchen behandelt werden, die Vorläufige Globalurkunde gemäß diesem Absatz (b) auszutauschen. Schuldverschreibungen, die im Austausch für die Vorläufige Globalurkunde geliefert werden, dürfen nur außerhalb der Vereinigten Staaten (wie in Absatz (7) definiert) geliefert werden.

- (4) *Register der ICSDs.* Der Gesamtnennbetrag der durch die Globalurkunde verbrieften Schuldverschreibungen entspricht dem jeweils in den Registern beider ICSDs eingetragenen Gesamtbetrag. Die Register der ICSDs (unter denen die Register zu verstehen sind, die jeder ICSD für seine Kunden über den Betrag ihres Anteils an den Schuldverschreibungen führt) sind maßgeblicher Nachweis des Gesamtnennbetrags der durch die Globalurkunde verbrieften Schuldverschreibungen, und eine zu diesem Zweck von einem ICSD jeweils ausgestellte Bescheinigung mit dem Gesamtnennbetrag der so verbrieften Schuldverschreibungen ist maßgeblicher Nachweis des Inhalts des Registers des betreffenden ICSD zu dem fraglichen Zeitpunkt.

Bei jeder Rück- oder Zinszahlung auf die durch die Globalurkunde verbrieften Schuld-

the ICSDs.

- (b) The Temporary Global Note shall be exchanged for the Permanent Global Note not earlier than 40 days after the Issue Date. Such exchange shall only be made upon delivery of certifications to the effect that the beneficial owner or owners of the Notes is or are, as applicable, not (a) U.S. person(s) (other than certain financial institutions or certain persons holding Notes through such financial institutions). Payment of interest on Notes represented by a Temporary Global Note will be made only after delivery of such certifications. A separate certification shall be required in respect of each such payment of interest. Any such certification received on or after the 40th day after the Issue Date will be treated as a request to exchange the Temporary Global Note pursuant to this paragraph (b). Any Notes delivered in exchange for the Temporary Global Note shall be delivered only outside of the United States (as defined in paragraph (7)).

- (4) *Records of the ICSDs.* The aggregate principal amount of Notes represented by the Global Note shall be the aggregate amount from time to time entered in the records of both ICSDs. The records of the ICSDs (which expression means the records that each ICSD holds for its customers which reflect the amount of such customer's interest in the Notes) shall be conclusive evidence of the aggregate principal amount of Notes represented by the Global Note and, for these purposes, a statement issued by an ICSD stating the aggregate principal amount of Notes so represented at any time shall be conclusive evidence of the records of the relevant ICSD at that time.

On any redemption or payment of interest being made in respect of, or purchase and cancellation

verschreibungen bzw. beim Ankauf und der Entwertung der durch die Globalurkunde verbrieften Schuldverschreibungen stellt die Emittentin sicher, dass die Einzelheiten der Rückzahlung, der Zinszahlung oder des Ankaufs und der Entwertung bezüglich der Globalurkunde entsprechend in die Unterlagen der ICSDs eingetragen werden, und dass nach dieser Eintragung vom Gesamtnennbetrag der in die Register der ICSDs aufgenommenen und durch die Globalurkunde verbrieften Schuldverschreibungen der Gesamtnennbetrag der zurückgezahlten bzw. angekauften und entwerteten Schuldverschreibungen abgezogen wird.

Sofern nur ein Teil der Schuldverschreibungen, die durch eine vorläufige Globalurkunde verbrieft sind, ausgetauscht wird, wird die Emittentin sicherstellen, dass die Einzelheiten dieses Austauschs entsprechend in die Register der ICSDs aufgenommen werden.

- (5) *Clearingsystem.* Jede Globalurkunde wird solange von einem oder im Namen eines Clearingsystems verwahrt, bis sämtliche Verbindlichkeiten der Emittentin aus den Schuldverschreibungen erfüllt sind. „**Clearingsystem**“ bezeichnet Clearstream Banking, S.A., Luxemburg („**CBL**“) und Euroclear Bank SA/NV, Brüssel („**Euroclear**“) sowie jeder Funktionsnachfolger.
- (6) *Gläubiger von Schuldverschreibungen.* „**Gläubiger**“ bezeichnet jeden Inhaber eines Miteigentumsanteils oder anderen vergleichbaren Anteils oder Rechts an den Schuldverschreibungen.
- (7) *Vereinigte Staaten.* Für die Zwecke dieser Anleihebedingungen bezeichnet „**Vereinigte Staaten**“ die Vereinigten Staaten von Amerika (einschließlich deren Bundesstaaten und des District of Columbia) sowie deren Territorien (einschließlich Puerto Rico, der U.S. Virgin Islands, Guam, American Samoa, Wake Island und den Northern Mariana Islands).

(8) *Definitionen.*

„**Abgezinsten Marktwert**“ hat die diesem Begriff in § 6 (5) zugewiesene Bedeutung.

of, any of the Notes represented by the Global Note the Issuer shall procure that details of any redemption, payment of interest or purchase and cancellation (as the case may be) in respect of the Global Note shall be entered accordingly in the records of the ICSDs and, upon any such entry being made, the aggregate principal amount of the Notes recorded in the records of the ICSDs and represented by the Global Note shall be reduced by the aggregate principal amount of the Notes so redeemed or purchased and cancelled.

On an exchange of a portion only of the Notes represented by a Temporary Global Note, the Issuer shall procure that details of such exchange shall be entered accordingly in the records of the ICSDs.

- (5) *Clearing System.* Each Global Note will be kept in custody by or on behalf of the Clearing System until all obligations of the Issuer under the Notes have been satisfied. „**Clearing System**“ means the following: Clearstream Banking, S.A., Luxembourg („**CBL**“) and Euroclear Bank SA/NV, Brussels („**Euroclear**“) and any successor in such capacity.
- (6) *Noteholder.* „**Noteholder**“ means any holder of a proportionate co-ownership or other beneficial interest or right in the Notes.
- (7) *United States.* For the purposes of these Terms and Conditions, „**United States**“ means the United States of America (including the States thereof and the District of Columbia) and its possessions (including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and Northern Mariana Islands).

(8) *Definitions.*

„**Present Value**“ has the meaning as defined in § 6 (5).

„**Anleihebedingungen**“ hat die diesem Begriff in der Überschrift zugewiesene Bedeutung.

„**Ausübungszeitraum**“ hat die diesem Begriff in § 6 (3) (a) zugewiesene Bedeutung.

„**Barmittelwirksamer Nettozinsaufwand**“ bezeichnet alle Zins- und sonstigen Finanzaufwendungen, die bei Personen auflaufen, bei denen es sich nicht um Konzerngesellschaften handelt, abzüglich des Betrags von Zins- und sonstigen Finanzerträgen, die bei Personen auflaufen, bei denen es sich nicht um Konzerngesellschaften handelt, jeweils ohne einmalige Finanzvergütungen (u.a. einschließlich einmaliger Gebühren und/oder Rücktrittskosten).

„**Begebungstag**“ hat die diesem Begriff in § 1 (1) zugewiesene Bedeutung.

„**Benchmark-Rendite**“ hat die diesem Begriff in § 6 (5) zugewiesene Bedeutung.

„**Berechnungsstelle**“ hat die diesem Begriff in § 7 (1) zugewiesene Bedeutung.

„**Bereinigtes EBITDA**“ bezeichnet den konsolidierten Gewinn/(Verlust) der Emittentin und ihrer Tochtergesellschaften vor Zinsen, Steuern, Abschreibungen, Ertrag aus Zeitwertanpassungen bei Anlageimmobilien, nicht-zahlungswirksamen Aufwendungen und außerordentlichen oder einmaligen Posten, jeweils ermittelt unter Bezugnahme auf den Jüngsten Veröffentlichten Abschluss.

„**Berichtsstichtag**“ ist der 31. März, 30. Juni, 30. September und 31. Dezember eines jeden Jahres sowie gegebenenfalls jeder andere Tag, an dem ein Zeitraum endet, für den die Emittentin einen Konzernabschluss veröffentlicht.

„**Besicherte Finanzverbindlichkeiten**“ bezeichnet den Teil des Gesamtnennbetrags aller ausstehenden Finanzverbindlichkeiten des Konzerns, der durch Sicherheiten an Vermögenswerten oder anderen Aktiva des Konzerns besichert ist.

„**Besicherte Nett nominalfinanzverbindlichkeiten**“ bezeichnet den Nominalbetrag der eingegangenen Besicherten Finanzverbindlichkeiten, abzüglich des Nominalbetrags der zurückgezahlten Besicherten

„**Terms and Conditions**“ has the meaning as defined in the headline.

„**Put Period**“ has the meaning as defined in § 6 (3) (a).

„**Net Cash Interest**“ means all interest and other financing charges accrued to persons who are not members of the Group, less the amount of any interest and other financing charges accrued to be received from persons who are not members of the Group, in each case, excluding any one-off financing charges (including without limitation, any one-off fees and/or break costs).

„**Issue Date**“ has the meaning as defined in § 1 (1).

„**Benchmark Yield**“ has the meaning as defined in § 6 (5).

„**Calculation Agent**“ has the meaning as defined in § 7 (1).

„**Adjusted EBITDA**“ means the consolidated profit/(loss) of the Issuer and its Subsidiaries before interest, taxes, depreciation, amortization, income from fair value adjustments to investment properties, non-cash expenses, and extraordinary or non-recurring items, as determined by reference to the Most Recent Published Financial Statements.

„**Reporting Date**“ means March 31, June 30, September 30 and December 31 of each year and such other dates, if any, on which a period for which the Issuer publishes Consolidated Financial Statements ends.

„**Secured Indebtedness**“ means that portion of the aggregate principal amount of all outstanding Indebtedness of the Group that is secured by a Lien on properties or other assets of the Group.

„**Net Nominal Secured Indebtedness**“ means the nominal amount of Secured Indebtedness incurred minus the nominal amount of Secured Indebtedness repaid.

Finanzverbindlichkeiten.

„**CBL**“ hat die diesem Begriff in § 1 (5) zugewiesene Bedeutung.

„**Clearingsystem**“ hat die diesem Begriff in § 1 (5) zugewiesene Bedeutung.

„**Code**“ hat die diesem Begriff in § 8 (3) zugewiesene Bedeutung.

„**Common Safekeeper**“ hat die diesem Begriff in § 1 (3) (a) zugewiesene Bedeutung.

„**Dauerglobalurkunde**“ hat die diesem Begriff in § 1 (3) (a) zugewiesene Bedeutung.

„**Depotbank**“ hat die diesem Begriff in § 16 (4) zugewiesene Bedeutung.

„**Eingehen**“ bezeichnet in Bezug auf eine Finanzverbindlichkeit oder eine sonstige Verbindlichkeit einer Person die Begründung, die Emission, das Eingehen (u.a. im Wege einer Umwandlung, einer Verschmelzung, eines Umtauschs oder in anderer Weise), die Übernahme, die Abgabe einer Garantie dafür oder eine anderweitige Übernahme der Haftung für diese Finanzverbindlichkeit oder sonstige Verbindlichkeit oder den Ausweis dieser Finanzverbindlichkeit oder sonstigen Verbindlichkeit gemäß IFRS oder in anderer Weise in der Bilanz dieser Person (das „**Eingehen**“ bzw. „**eingegangen**“ sind entsprechend auszulegen), wobei jedoch (a) jede Finanzverbindlichkeit einer Person, die bereits besteht, wenn diese Person eine Tochtergesellschaft wird oder mit der Emittentin oder einer Tochtergesellschaft verschmolzen oder sich mit ihr zusammenschließt, als zu dem Zeitpunkt eingegangen anzusehen ist, zu dem sie eine Tochtergesellschaft wird oder die Verschmelzung oder der Zusammenschluss erfolgt, (b) weder aufgelaufene Zinsen noch ein ursprünglich anfallender Ausgabeabschlag als das Eingehen einer Finanzverbindlichkeit anzusehen sind, (c) die bloße Verlängerung der Laufzeit von Zusagen von Darlehensgebern für die Gewährung von Darlehen oder Kreditmitteln an die Emittentin oder eine ihrer Tochtergesellschaften im Rahmen einer revolvingen Darlehens- oder vergleichbaren Vereinbarung nicht als das Eingehen einer Finanzverbindlichkeit anzusehen ist und (d) die Verlängerung der ursprünglichen oder Vereinbarten

“**CBL**” has the meaning as defined in § 1 (5).

“**Clearing System**” has the meaning as defined in § 1 (5).

“**Code**” has the meaning as defined in § 8 (3).

“**Common Safekeeper**” has the meaning as defined in § 1 (3) (a).

“**Permanent Global Note**” has the meaning as defined in § 1 (3) (a).

“**Custodian**” has the meaning as defined in § 16 (4).

“**Incur**” means, with respect to any Indebtedness or other obligation of any Person, to create, issue, incur (including by conversion, merger, exchange or otherwise), assume, guarantee or otherwise become liable in respect of such Indebtedness or other obligation or the recording, as required pursuant to IFRS otherwise, of any such Indebtedness or other obligation on the balance sheet of such Person (and “incurance”, “incurred” and “incurring” shall have meanings correlative to the foregoing), provided that (a) Indebtedness of a Person existing at the time such Person becomes a Subsidiary or is merged or consolidated with or into the Issuer or any Subsidiary shall be deemed to be incurred at the time it becomes a Subsidiary or is so merged or consolidated, (b) neither the accrual of interest, nor the accretion of original issue discount, shall be deemed to be an incurance of Indebtedness, (c) the mere extension of the term of lender commitments to extend credit or funds to the Issuer or any of its Subsidiaries pursuant to a revolving credit agreement or similar arrangement shall not be deemed to be an incurance of Indebtedness and (d) the extension of the original or Stated Maturity of Indebtedness shall not be deemed the incurance of that Indebtedness.

Fälligkeit einer Finanzverbindlichkeit nicht als das Eingehen dieser Finanzverbindlichkeit anzusehen ist.

„**Emittentin**“ hat die diesem Begriff in § 1 (1) zugewiesene Bedeutung.

„**Erlaubte Geschäfte**“ bezeichnet (a) alle Geschäfte, Dienstleistungen oder Aktivitäten, die von der Emittentin oder einer ihrer Tochtergesellschaften am Begebungstag betrieben werden; and (b) alle Geschäfte, Dienstleistungen und Aktivitäten, die mit den Vorgenannten in Verbindung stehen, sie ergänzen, sich aus ihnen ergeben oder sie unterstützen oder mit ihnen vergleichbar sind oder Erweiterungen oder Weiterentwicklungen derselben darstellen.

„**Erlaubte Sicherheit**“ bezeichnet (a) jede Sicherheit eines Unternehmens, die zum Zeitpunkt der Verschmelzung oder des Zusammenschlusses dieses Unternehmens mit der Emittentin bzw. einer anderen Konzerngesellschaft oder seines Erwerbs durch die Emittentin bzw. eine andere Konzerngesellschaft bereits besteht, vorausgesetzt, diese Sicherheit wurde nicht in Anbetracht dieser Verschmelzung oder dieses Zusammenschlusses oder Erwerbs bestellt und der besicherte Nennbetrag wurde nicht in Anbetracht dieser Verschmelzung oder dieses Zusammenschlusses oder Erwerbs oder nach dieser Verschmelzung, diesem Zusammenschluss oder diesem Erwerb erhöht; (b) jede Sicherheit an Vermögenswerten oder Aktiva, die bereits vor dem Erwerb derselben durch die Emittentin bzw. eine andere Konzerngesellschaft besteht, vorausgesetzt, diese Sicherheit wurde nicht in Anbetracht dieses Erwerbs bestellt und der besicherte Nennbetrag wurde nicht in Anbetracht dieses Erwerbs oder nach diesem Erwerb erhöht; (c) jede durch die Emittentin oder eine andere Konzerngesellschaft in Verbindung mit einer Verbriefung oder Projektfinanzierung gewährte Sicherheit; (d) jede am Begebungstag ausstehende Sicherheit; oder (e) jede Verlängerung oder Ersetzung einer Sicherheit, die gemäß Absatz (a) bis (d) (einschließlich) dieser Definition zulässig ist, vorausgesetzt, dass in Bezug auf diese Sicherheit (i) der besicherte Nennbetrag nicht erhöht und (ii) die Sicherheit nicht auf zusätzliche Vermögenswerte erweitert wurde.

„**Euroclear**“ hat die diesem Begriff in § 1 (5)

„**Issuer**“ has the meaning as defined in § 1 (1).

„**Permitted Business**“ means (a) any business, services or activities engaged in by the Issuer or any of its Subsidiaries on the Issue Date; and (b) any businesses, services and activities that are related, complementary, incidental, ancillary or similar to any of the foregoing, or are extensions or developments of any thereof.

„**Permitted Lien**“ means (a) any Lien of a company existing at the time that such company is merged into, or consolidated with or acquired by, the Issuer or any other member of the Group (as the case may be), provided that such Lien was not created in contemplation of, and the principal amount secured has not increased in contemplation of or since, such merger, consolidation or acquisition; (b) any Lien existing on any property or assets prior to the acquisition thereof by the Issuer or any other member of the Group (as the case may be), provided that such Lien was not created in contemplation of, and the principal amount secured has not increased in contemplation of or since, such acquisition; (c) any Lien granted by the Issuer or any other member of the Group in connection with a Securitization or Project Financing; (d) any Lien outstanding on the Issue Date; or (e) any renewal of or substitution for any Lien permitted by any of subparagraphs (a) to (d) (inclusive) of this definition, provided that with respect to any such Lien (i) the principal amount secured has not increased and (ii) the Lien has not been extended to any additional assets.

„**Euroclear**“ has the meaning as defined in § 1 (5).

zugewiesene Bedeutung.

„**Fälligkeitstag**“ hat die diesem Begriff in § 6 (1) zugewiesene Bedeutung.

„**FATCA Quellensteuer**“ hat die diesem Begriff in § 8 (3) zugewiesene Bedeutung.

„**Festgelegte Stückelung**“ hat die diesem Begriff in § 1 (1) zugewiesene Bedeutung.

„**Finanzverbindlichkeit**“ bezeichnet ohne Doppelzählung alle Finanzverbindlichkeiten (ohne Konzerninterne Finanzverbindlichkeiten), nach Abzug von Barmitteln und Barmitteläquivalenten, der Emittentin oder einer Tochtergesellschaft, gemäß Ausweis im Jüngsten Veröffentlichten Abschluss in Bezug auf: (a) geliehene Gelder, auch soweit diese in Form von Schuldverschreibungen, Anleihen, Schuldscheinen, Obligationen oder vergleichbaren Instrumenten verbrieft oder verkörpert sind; (b) alle Rückzahlungsverpflichtungen in Verbindung mit tatsächlich ausgegebenen Akkreditiven oder entsprechenden unverbrieften Instrumenten; (c) alle im Rahmen eines Programms für den Erwerb von Schuldverschreibungen oder die Emission von Schuldverschreibungen, Commercial Papers, Obligationen, Anleihen, Schuldscheinen oder vergleichbaren Instrumenten aufgenommenen Beträge; (d) Beträge, die den gestundeten und ungezahlten Teil des Kaufpreises von Vermögenswerten oder Dienstleistungen darstellen, mit Ausnahme des Teils, der auf Aufwandsabgrenzungen oder Verbindlichkeiten aus Lieferungen und Leistungen entfällt; (e) jede in der konsolidierten Bilanz der Emittentin gemäß (den zum Datum dieser Anleihebedingungen geltenden) IFRS als eine kapitalisierte Leasing-Vereinbarung ausgewiesene Anmietung von Vermögenswerten durch die Emittentin oder eine Tochtergesellschaft; (f) veräußerte oder abgezinste Forderungen (außer Forderungen, die ohne Rückgriffsmöglichkeit veräußert werden); (g) Beträge, die im Rahmen anderer Transaktionen (einschließlich Terminverkaufs- oder -kaufverträgen) mit dem wirtschaftlichen Effekt einer Mittelaufnahme aufgenommen werden, jedoch ohne Bankgarantiefazilitäten (in ihrer jeweils aktuellen Fassung), die der Emittentin oder einer Tochtergesellschaft von Finanzinstituten eingeräumt werden oder eingeräumt werden sollen und in deren Rahmen, die Emittentin oder die jeweilige Tochtergesellschaft die

„**Maturity Date**“ has the meaning as defined in § 6 (1).

„**FATCA Withholding**“ has the meaning as defined in § 8 (3).

„**Specified Denomination**“ has the meaning as defined in § 1 (1).

„**Indebtedness**“ means, without duplication, any indebtedness (excluding Intercompany Indebtedness), net of cash and cash equivalents, of the Issuer or any Subsidiary as shown in the Most Recent Published Financial Statements for or in respect of: (a) borrowed money or evidenced by bonds, notes, debentures or similar instruments; (b) any reimbursement obligations, in connection with any letters of credit actually issued or any dematerialized equivalent instrument; (c) any amount raised pursuant to any note purchase facility or the issue of bonds, notes, commercial paper, debentures, loan stock or any similar instrument; (d) amounts representing the balance deferred and unpaid of the purchase price of any Property or services, except any such balance that constitutes an accrued expense or trade payable; (e) any lease of Property by the Issuer or any Subsidiary as lessee that is reflected on the Issuer's consolidated balance sheet as a capitalized lease in accordance with IFRS (as in effect on the date hereof); (f) receivables sold or discounted (other than any receivables to the extent they are sold on a non-recourse basis); (g) any amount raised under any other transaction (including any forward sale or purchase agreement) having the commercial effect of a borrowing, but excluding bank guarantee facilities (as amended from time to time) made or to be made available by financial institutions to the Issuer or a Subsidiary under which the Issuer or the respective Subsidiary may request the issue of a bank guarantee or bank guarantees in favor of a person who agrees to purchase a Real Estate Property owned by the Issuer or a Subsidiary; (h) any counter-indemnity obligation in respect of a guarantee, indemnity, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution; and (i) the amount of any liability in respect of any guarantee or indemnity for any of the items referred to in paragraphs (a) to (h) above, in each case whether or not secured by any Lien, to the extent that any such items (other than letters of credit) would appear as a liability on the Issuer's consolidated balance sheet in accordance with IFRS. Indebtedness

Ausstellung einer oder mehrerer Bankgarantie(n) zugunsten einer Person anfordern kann, die sich zum Kauf einer Immobilie verpflichtet, die im Eigentum der Emittentin oder einer Tochtergesellschaft steht; (h) Rückverpflichtungen in Verbindung mit Garantien, Freistellungserklärungen, Bürgschaften, Standby- oder Dokumentenakkreditiven oder anderen von einer Bank oder einem Finanzinstitut ausgegebenen Instrumenten; und (i) Haftungsbeträge aus einer Garantie oder Freistellungserklärung für einen der vorstehend unter (a) bis (h) genannten Posten, und zwar jeweils unabhängig davon, ob eine Sicherheit hierfür bestellt wurde oder nicht, soweit diese Posten (mit Ausnahme von Akkreditiven) in der Konzernbilanz der Emittentin nach IFRS als Verbindlichkeiten ausgewiesen würden. Die Finanzverbindlichkeiten umfassen auch, soweit sie nicht bereits anderweitig enthalten sind, die Verpflichtungen der Emittentin oder einer Tochtergesellschaft zur Haftungsübernahme oder zur Leistung von Zahlungen als Schuldner, Garant oder in anderer Weise (außer für Zwecke des Zahlungseinzugs im gewöhnlichen Geschäftsverlauf) für Verbindlichkeiten der vorstehend genannten Art anderer Personen (außer der Emittentin oder einer Tochtergesellschaft). Finanzverbindlichkeiten umfassen außerdem Finanzverbindlichkeiten aus Mittelaufnahmen anderer Personen als der Emittentin oder einer Tochtergesellschaft, die durch eine Sicherheit an Vermögenswerten besichert sind, bis zur Höhe des jeweils niedrigeren der nachstehenden Beträge: (i) des Betrags der in dieser Weise besicherten Finanzverbindlichkeit oder (ii) des Verkehrswerts des Vermögenswertes, an dem diese Sicherheit bestellt wurde. Finanzverbindlichkeiten umfassen keine derivativen Instrumente oder latenten Steuerverbindlichkeiten, die im jüngsten Veröffentlichten Abschluss ausgewiesen sind.

Solange der ACCENTRO Käufer seine Zahlungsverpflichtungen gegenüber der Emittentin aus dem ACCENTRO SPA nicht vollständig erfüllt hat, ist der gegenüber der Emittentin oder ihren Tochtergesellschaften im Rahmen des ACCENTRO SPA jeweils noch ausstehende Teil des Gesamtkaufpreises (einschließlich darauf aufgelaufener Zinsen) bei der Berechnung der Finanzverbindlichkeiten als Barmitteläquivalent zu berücksichtigen.

„**Gemeinsamer Vertreter**“ hat die diesem Begriff in § 14 (5) zugewiesene Bedeutung.

also includes, to the extent not otherwise included, any obligation by the Issuer or any Subsidiary to be liable for, or to pay, as obligor, guarantor or otherwise (other than for purposes of collection in the ordinary course of business), indebtedness of another Person (other than the Issuer or any Subsidiary) of the type described above. Indebtedness shall also include Indebtedness for borrowed money of a Person other than the Issuer or a Subsidiary that is secured by any Lien on Property, to the extent of the lesser of (i) the amount of indebtedness so secured and (ii) the fair market value of the Property subject to such Lien. Indebtedness shall not include any derivative instruments or any deferred tax liabilities shown in the Most Recent Published Financial Statements.

For so long as the ACCENTRO Purchaser has not fully discharged its payment obligations to the Issuer under the ACCENTRO SPA, such portion of the total purchase price under the ACCENTRO SPA that remains outstanding to the Issuer or its Subsidiaries from time to time (including accrued interest thereon) shall be counted as a cash equivalent for purposes of calculating Indebtedness.

“**Noteholders' Representative**” has the meaning as defined in § 14 (5).

„**Geschäftsleitung**“ bezeichnet (a) in Bezug auf die Emittentin oder eine andere Körperschaft den Vorstand (oder ein entsprechendes Führungsorgan wie z.B. die Geschäftsführung einer Gesellschaft mit beschränkter Haftung) dieser Körperschaft oder einen ihrer ordnungsgemäß mit einer Handlungsvollmacht für dieses Organ ausgestatteten Ausschüsse; (b) in Bezug auf eine Personengesellschaft die Geschäftsführung des unbeschränkt haftbaren Gesellschafters dieser Personengesellschaft; und (c) in Bezug auf eine andere Person, das Organ oder den Ausschuss dieser Person mit vergleichbarer Funktion.

„**Geschäftstag**“ hat die diesem Begriff in § 5 (4) zugewiesene Bedeutung.

„**Gläubiger**“ hat die diesem Begriff in § 1 (6) zugewiesene Bedeutung.

„**Gläubiger-Ausübungserklärung**“ hat die diesem Begriff in § 6 (3) (c) zugewiesene Bedeutung.

„**Gläubiger-Rückzahlungswahlrecht**“ hat die diesem Begriff in § 6 (3) (a) zugewiesene Bedeutung.

„**Globalurkunde**“ hat die diesem Begriff in § 1 (3) (a) zugewiesene Bedeutung.

„**ICSD**“ hat die diesem Begriff in § 1 (5) zugewiesene Bedeutung.

„**IFRS**“ bezeichnet die International Financial Reporting Standards des International Accounting Standard Board in jeweils geltender Fassung.

„**Immobilienbesitz**“ einer Person bezeichnet den Immobilienbesitz dieser Person und ihrer Tochtergesellschaften.

„**Jüngster Veröffentlichter Abschluss**“ bezeichnet zum jeweiligen Termin den letzten vor diesem Termin veröffentlichten jährlichen oder vierteljährlichen Konzernabschluss.

„**Konsolidierte Besicherte Finanzverbindlichkeiten**“ bezeichnet den Teil der Konsolidierten Finanzverbindlichkeiten, der durch Sicherheiten an Vermögenswerten oder anderen Aktiva der Emittentin oder ihrer Tochtergesellschaften besichert ist, ohne

„**Board of Directors**“ means (a) with respect to the Issuer or any other corporation, the management board (*Vorstand*) (or analogous governing body such as the board of managing directors (*Geschäftsführung*) of a limited liability company (*Gesellschaft mit beschränkter Haftung*)) of the corporation or any committee thereof duly authorized to act on behalf of such board; (b) with respect to a partnership, the board of managing directors of the general partner of the partnership; and (c) with respect to any other Person, the board or committee of such Person serving a similar function.

„**Business Day**“ has the meaning as defined in § 5 (4).

„**Noteholder**“ has the meaning as defined in § 1 (6).

„**Put Notice**“ has the meaning as defined in § 6 (3) (c).

„**Put Option**“ has the meaning as defined in § 6 (3) (a).

„**Global Note**“ has the meaning as defined in § 1 (3) (a).

„**ICSD**“ has the meaning as defined in § 1 (5).

„**IFRS**“ means the International Financial Reporting Standards as published by the International Accounting Standards Board, as in effect from time to time.

„**Real Estate Property**“ of any Person means the real estate property of such Person and its subsidiaries.

„**Most Recent Published Financial Statements**“ as of any date means the most recent published annual or quarterly Consolidated Financial Statements prior to such date.

„**Consolidated Secured Indebtedness**“ means that portion of Consolidated Indebtedness that is secured by a Lien on properties or other assets of the Issuer or any of its Subsidiaries, excluding any such indebtedness for which the release or waiver of the relevant security has been agreed and the effectiveness

Finanzverbindlichkeiten, für die eine Freigabe der betreffenden Sicherheit oder ein Verzicht darauf vereinbart wurde und bei der für die Wirksamkeit dieser Freigabe oder dieses Verzichts nur ein technisches oder administratives Verfahren erforderlich ist, wie z. B. die Eintragung in öffentlichen Registern oder eine notarielle Durchführung.

„**Konsolidierte Finanzverbindlichkeiten**“ bezeichnet die Finanzverbindlichkeiten der Emittentin und ihrer Tochtergesellschaften auf konsolidierter Basis, ermittelt gemäß IFRS.

„**Konsolidierter Zinsdeckungsgrad**“ bezeichnet das Verhältnis des (A) Gesamtrags des Bereinigten EBITDA im Relevanten Zeitraum zum (B) Gesamtrags des Zahlungswirksamen Nettozinsaufwands im Relevanten Zeitraum.

„**Kontrollwechsel**“ hat die diesem Begriff in § 6 (3) (a) zugewiesene Bedeutung.

„**Konzern**“ bezeichnet die Emittentin und ihre Tochtergesellschaften.

„**Konzernabschluss**“ bezeichnet den nach IFRS erstellten Konzernabschluss der Emittentin und ihrer Tochtergesellschaften mit Anhang.

„**Konzerninterne Finanzverbindlichkeiten**“ bezeichnet Finanzverbindlichkeiten, die ausschließlich zwischen der Emittentin und einer oder mehreren ihrer Tochtergesellschaften oder ausschließlich zwischen Tochtergesellschaften bestehen.

„**Kündigungserklärung**“ hat die diesem Begriff in § 10 (2) zugewiesene Bedeutung.

„**Kündigungsgrund**“ hat die diesem Begriff in § 10 (1) zugewiesene Bedeutung.

„**Maßgebliche Steuerjurisdiktion**“ hat die diesem Begriff in § 8 (1) zugewiesene Bedeutung.

„**Nachfolgeschuldnerin**“ hat die diesem Begriff in § 12 (1) zugewiesene Bedeutung.

„**Netto-Nominalfinanzverbindlichkeiten**“ bezeichnet den Nominalbetrag der eingegangenen Finanzverbindlichkeiten, abzüglich des

of which release or waiver is subject only to technical or clerical process, such as entries in public registries or implementation by notaries.

“**Consolidated Indebtedness**” means Indebtedness of the Issuer and its Subsidiaries, on a consolidated basis, determined in accordance with IFRS.

“**Consolidated Coverage Ratio**” means the ratio of (A) the aggregate amount of Adjusted EBITDA in the Relevant Period to (B) the aggregate amount of Net Cash Interest in the Relevant Period.

“**Change of Control**” has the meaning as defined in § 6 (3) (a).

“**Group**” means the Issuer together with its Subsidiaries.

“**Consolidated Financial Statements**” means the consolidated financial statements of the Issuer and its Subsidiaries prepared in accordance with IFRS, including the notes to such financial statements.

“**Intercompany Indebtedness**” means Indebtedness to which the only parties are the Issuer and any Subsidiary or Subsidiaries, or only Subsidiaries.

“**Termination Notice**” has the meaning as defined in § 10 (2).

“**Event of Default**” has the meaning as defined in § 10 (1).

“**Relevant Taxing Jurisdiction**” has the meaning as defined in § 8 (1).

“**Substitute Debtor**” has the meaning as defined in § 12 (1).

“**Net Nominal Indebtedness**” means the nominal amount of Indebtedness incurred minus the nominal amount of Indebtedness repaid.

Nominalbetrags der zurückgezahlten Finanzverbindlichkeiten.

„**Person**“ bezeichnet natürliche Personen, Körperschaften, Personengesellschaften, Joint Ventures, Vereinigungen, Aktiengesellschaften, Trusts, nicht rechtsfähige Vereinigungen, Regierungen oder Regierungsbehörden oder Gebietskörperschaften.

„**Projektfinanzierung**“ bezeichnet jede Finanzierung aller oder eines Teils der Kosten eines Projekts, vorausgesetzt, dass (i) jede von der Emittentin oder einer anderen Konzerngesellschaft in Verbindung damit bestellte Sicherheit ausschließlich auf diese Aktiva oder das Kapital einer Projektfinanzierungsgesellschaft für dieses Projekt beschränkt ist, und (ii) die Dokumentation für diese Finanzierung eine Rückgriffsbeschränkung auf die finanzierten Aktiva und die sich aus ihnen ergebenden Einkünfte (einschließlich Versicherungsleistungen) als Hauptquelle für die Rückzahlung der aufgenommenen Gelder vorsieht.

„**Qualifizierte Mehrheit**“ hat die diesem Begriff in § 14 (2) zugewiesene Bedeutung.

„**Relevante Finanzverbindlichkeit**“ bezeichnet jede Finanzverbindlichkeit in Form von oder verbrieft in Schuldverschreibungen oder vergleichbaren Wertpapieren, die jeweils an einer Wertpapierbörse oder in einem Wertpapiermarkt (u.a. einschließlich einem over-the-counter Markt) zugelassen sind oder notiert oder gehandelt werden oder üblicherweise dort zugelassen, notiert oder gehandelt werden können, mit Ausnahme von Finanzverbindlichkeiten aus Schuldscheindarlehen.

„**Relevante Person(en)**“ hat die diesem Begriff in § 6 (3) (a) zugewiesene Bedeutung.

„**Relevanter Zeitraum**“ bezeichnet die jeweils letzten vier aufeinander folgenden Quartale, die vor dem jeweiligen Datum der Feststellung des Konsolidierten Zinsdeckungsgrads enden.

„**Rückzahlungs-Berechnungstag**“ hat die diesem Begriff in § 6 (5) zugewiesene Bedeutung.

„**Rückzahlungsbetrag**“ hat die diesem Begriff in § 6 (1) zugewiesene Bedeutung.

„**Rückzahlungsereignis-Mitteilung**“ hat die diesem Begriff in § 6 (3) (b) zugewiesene Bedeutung.

“**Person**” means any individual, corporation, partnership, joint venture, association, joint stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

“**Project Financing**” means any financing of all or part of the costs of a Project, provided that (i) any Lien created by the Issuer or any other member of the Group in connection therewith is limited solely to such assets or the share capital of a Project Finance Company relating to that Project, and (ii) the documentation in respect of such financing provides for recourse to be limited to the assets financed and the revenues (including insurance proceeds) derived from such assets as the principal source of repayment for the money borrowed.

“**Qualified Majority**” has the meaning as defined in § 14 (2).

“**Relevant Indebtedness**” means any Indebtedness which is in the form of, or represented by, notes or any similar securities which are, for the time being, or are ordinarily capable of being, listed, quoted or traded on any stock exchange or in any securities market (including, without limitation, any over-the-counter market), but shall not include any Indebtedness under Schuldscheindarlehen.

“**Relevant Person(s)**” has the meaning as defined in § 6 (3) (a).

“**Relevant Period**” means the respective most recent four consecutive quarters ending prior to the respective date of determination of the Consolidated Coverage Ratio.

“**Redemption Calculation Date**” has the meaning as defined in § 6 (5).

“**Final Redemption Amount**” has the meaning as defined in § 6 (1).

“**Put Event Notice**” has the meaning as defined in § 6 (3) (b).

„**Schuldscheindarlehen**“ bezeichnet Schuldscheindarlehen nach deutschem Recht.

“**Schuldscheindarlehen**” means certificates of indebtedness (*Schuldscheindarlehen*) governed by German law.

„**Schuldverschreibungen**“ hat die diesem Begriff in § 1 (1) zugewiesene Bedeutung.

“**Notes**” has the meaning as defined in § 1 (1).

„**SchVG**“ hat die diesem Begriff in § 14 (1) zugewiesene Bedeutung.

“**SchVG**” has the meaning as defined in § 14 (1).

„**Sicherheit**“ bezeichnet in Bezug auf einen Vermögenswert jede Hypothek, jedes Pfandrecht, jede Verpfändung, jede Grundschild, jedes Sicherungsrecht oder jedwede Belastung. Für Zwecke dieser Definition ist eine Person als Eigentümer eines Vermögenswertes anzusehen, den sie nach Maßgabe eines Kaufvertrags mit Eigentumsvorbehalt, einer Kapitalleasing- oder sonstigen Vereinbarung erworben hat oder hält, gemäß der das Eigentum des Vermögenswertes für Sicherungszwecke einer anderen Person vorbehalten ist oder übertragen wird, und ein solcher Eigentumsvorbehalt eine „**Sicherheit**“ darstellt.

“**Lien**” means, with respect to any Property, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind. For the purposes of this definition, a Person shall be deemed to be the owner of any Property which it has acquired or holds subject to a conditional sale agreement, capital lease or other arrangement pursuant to which title to the Property has been retained by or vested in some other Person for security purposes, and such retention of title shall constitute a “Lien”.

„**Stimmberechtigte Anteile**“ bezeichnet die Aktien (oder entsprechende Kapitalanteile) einer Person der Klasse oder Klassen, die unter normalen Umständen mit dem allgemeinen Recht ausgestattet sind, mindestens eine Mehrheit der Mitglieder der Geschäftsleitung, Manager oder Treuhänder dieser Person zu wählen (unabhängig davon, ob bei Eintritt eines Sonderfalls eine oder mehrere andere Klasse(n) mit Stimmrechten ausgestattet sind oder sein können).

“**Voting Stock**” means capital stock (or equivalent equity interest) of a Person of the class or classes having general voting power under ordinary circumstances to elect at least a majority of the Board of Directors, managers or trustees of such Person (irrespective of whether or not at the time capital stock (or equivalent equity interests) of any other class or classes has or might have voting power upon the occurrence of any contingency).

„**Summe Aktiva**“ bezeichnet den Wert der konsolidierten Bilanzsumme der Emittentin und ihrer Tochtergesellschaften, der in einer nach IFRS erstellten konsolidierten Bilanz der Emittentin erscheint oder erschienen würde.

“**Total Assets**” means the value of the consolidated total assets of the Issuer and its Subsidiaries, as such amount appears, or would appear, on a consolidated balance sheet of the Issuer prepared in accordance with IFRS.

„**Tochtergesellschaft**“ bezeichnet in Bezug auf eine Person (für Zwecke dieser Definition wird diese Person als eine „**bestimmte Person**“ bezeichnet) eine Körperschaft oder eine andere Person, deren ausstehende Stimmberechtigte Anteile zu mehr als 50 % (gemessen an Stimmrechten und nicht an der Anzahl der Anteile) zum Datum der Feststellung direkt oder indirekt im Eigentum dieser bestimmten Person und/oder einer oder mehrerer der anderen Tochtergesellschaften dieser bestimmten Person stehen.

“**Subsidiary**” means, with respect to any Person (such Person, for purposes of this definition, the “**specified person**”), any corporation or other Person more than 50% of the outstanding Voting Stock (measured by voting power rather than number of shares) of which at the date of determination is owned, directly or indirectly, by the specified person and/or by one or more other Subsidiaries of the specified person.

„**Verbriefung**“ bezeichnet jede Verbriefung bestehender oder künftiger Aktiva und/oder Einnahmen, vorausgesetzt, dass (i) jede damit verbundene Sicherheit ausschließlich auf die Aktiva und/oder Einnahmen beschränkt ist, die Gegenstand der Verbriefung sind; und (ii) sich der Rückgriff in Verbindung mit dieser Verbriefung auf die verbrieften (als Sicherheiten gestellten) Aktiva und/oder Einnahmen als Hauptquelle für die Rückzahlung der ausgereichten Gelder beschränkt.

„**Vereinbarte Fälligkeit**“ bezeichnet in Bezug auf eine Teilzahlung von Zinsen oder Kapital auf eine Serie von Finanzverbindlichkeiten das Datum, zu dem die Zahlung von Zinsen oder Kapital gemäß der Dokumentation, in der diese Finanzverbindlichkeiten geregelt sind, am Ausgabetag planmäßig vorgesehen ist, und beinhaltet keine ungewissen Verpflichtungen zur Rückzahlung, zur Tilgung oder zum Rückkauf solcher Zins- oder Kapitalbeträge vor dem ursprünglich für deren Zahlung vorgesehenen Termin.

„**Vereinigte Staaten**“ hat die diesem Begriff in § 1 (7) zugewiesene Bedeutung.

„**Vermögenswert**“ bezeichnet alle Sachanlagen oder Vermögenswerte, ob in Form von unbeweglichen oder beweglichen Vermögenswerten oder einer Mischung von beiden, u.a. einschließlich Immobilienbesitz, sonstiger Werte des Umlaufvermögens und Aktien, jedoch ohne Einlagenkonten, die am Begebungstag im Eigentum der Emittentin oder einer ihrer Tochtergesellschaften stehen oder danach von der Emittentin oder einer ihrer Tochtergesellschaften erworben werden.

„**Verzinsungsbeginn**“ hat die diesem Begriff in § 4 (1) zugewiesene Bedeutung.

„**Vorläufige Globalurkunde**“ hat die diesem Begriff in § 1 (3) (a) zugewiesene Bedeutung.

„**Wahl-Rückzahlungsbetrag (Call)**“ hat die diesem Begriff in § 6 (5) zugewiesene Bedeutung.

„**Wahl-Rückzahlungsbetrag (Put)**“ hat die diesem Begriff in § 6 (3) (a) zugewiesene Bedeutung.

„**Wahl-Rückzahlungstag (Call)**“ hat die diesem Begriff in § 6 (5) zugewiesene Bedeutung.

„**Securitization**“ means any securitization of existing or future assets and/or revenues, provided that (i) any Lien in connection therewith is limited solely to the assets and/or revenues which are the subject of the securitization; and (ii) recourse in respect of such securitization is limited to the assets and/or revenues so securitized as the principal source of repayment for the money advanced.

„**Stated Maturity**“ means, with respect to any installment of interest or principal on any series of Indebtedness, the date on which the payment of interest or principal was scheduled to be paid in the documentation governing such Indebtedness as of the Issue Date, and will not include any contingent obligations to repay, redeem or repurchase any such interest or principal prior to the date originally scheduled for the payment thereof.

„**United States**“ has the meaning as defined in § 1 (7).

„**Property**“ means any property or asset, whether real, personal or mixed, including, without limitation, Real Estate Property, other current assets and shares of capital stock, but excluding deposit accounts, owned at the Issue Date or thereafter acquired by the Issuer or any of its Subsidiaries.

„**Interest Commencement Date**“ has the meaning as defined in § 4 (1).

„**Temporary Global Note**“ has the meaning as defined in § 1 (3) (a).

„**Call Redemption Amount**“ has the meaning as defined in § 6 (5).

„**Put Redemption Amount**“ has the meaning as defined in § 6 (3) (a).

„**Call Redemption Date**“ has the meaning as defined in § 6 (5).

„**Wahl-Rückzahlungstag (Put)**“ hat die diesem Begriff in § 6 (3) (c) zugewiesene Bedeutung.

„**Wesentliche Tochtergesellschaft**“ hat die diesem Begriff in § 10 (5) zugewiesene Bedeutung.

„**Zahlstelle**“ hat die diesem Begriff in § 7 (1) zugewiesene Bedeutung.

„**Zinsperiode**“ hat die diesem Begriff in § 4 (3) zugewiesene Bedeutung.

„**Zinszahlungstag**“ hat die diesem Begriff in § 4 (1) zugewiesene Bedeutung.

„**Zusätzliche Beträge**“ hat die diesem Begriff in § 8 (2) zugewiesene Bedeutung.

„**100%ige Tochtergesellschaften**“ bezeichnet die Tochtergesellschaften der Emittentin, bei denen alle ausstehenden stimmberechtigten Anteile (außer den Pflichtanteilen der Mitglieder der Geschäftsleitung oder Anteilen in unwesentlicher Höhe, die nach anwendbarem Recht von anderen Personen gehalten werden müssen) im Eigentum der Emittentin oder einer oder mehrerer ihrer 100%igen Tochtergesellschaften stehen.

§ 2 Status

Die Schuldverschreibungen begründen unmittelbare, unbedingte, nicht besicherte und nicht nachrangige Verbindlichkeiten der Emittentin, die untereinander und mit allen anderen nicht besicherten und nicht nachrangigen Verbindlichkeiten der Emittentin gleichrangig sind, soweit solchen Verbindlichkeiten nicht durch zwingende gesetzliche Bestimmungen ein Vorrang eingeräumt wird.

§ 3 Negativverpflichtung

(1) *Negativverpflichtung.* Die Emittentin verpflichtet sich, solange Schuldverschreibungen ausstehen, keine Sicherheiten (mit Ausnahme der Erlaubten Sicherheiten) an ihrem gegenwärtigen oder künftigen Geschäft, Unternehmen oder Vermögen oder an ihren gegenwärtigen oder künftigen Einnahmen zur Besicherung Relevanter Finanzverbindlichkeiten zu bestellen oder bestehen zu lassen, ohne gleichzeitig oder zuvor

„**Put Date**“ has the meaning as defined in § 6 (3) (c).

„**Material Subsidiary**“ has the meaning as defined in § 10 (5).

„**Paying Agent**“ has the meaning as defined in § 7 (1).

„**Interest Period**“ has the meaning as defined in § 4 (3).

„**Interest Payment Date**“ has the meaning as defined in § 4 (1).

„**Additional Amounts**“ has the meaning as defined in § 8 (2).

„**Wholly Owned Subsidiaries**“ means any Subsidiary of the Issuer of which all the outstanding voting securities (other than directors' qualifying shares or an immaterial amount of shares required to be owned by other Persons pursuant to applicable law) are owned by the Issuer or one or more Wholly Owned Subsidiaries.

§ 2 Status

The obligations under the Notes constitute direct, unconditional, unsecured and unsubordinated obligations of the Issuer ranking pari passu among themselves and pari passu with all other unsecured and unsubordinated obligations of the Issuer, unless such obligations are accorded priority under mandatory provisions of statutory law.

§ 3 Negative Pledge

(1) *Negative Pledge.* The Issuer shall not, and shall not permit any of its Subsidiaries to create or permit to subsist any Lien (other than Permitted Liens) upon, or with respect to, any of its present or future business, undertaking, assets or revenues to secure any Relevant Indebtedness, without at the same time or prior thereto securing the Notes equally and rateably therewith, so long as any Notes are outstanding.

die Schuldverschreibungen im gleichen Rang und anteilig zu besichern, und dies auch ihren Tochtergesellschaften nicht zu gestatten.

Eine nach diesem Absatz (2) zu bestellende Sicherheit kann auch zugunsten einer Person, die als Treuhänder der Gläubiger tätig ist, bestellt werden.

- (2) *Bestellung Zusätzlicher Sicherheiten.* Entsteht für die Emittentin eine Verpflichtung zur Besicherung der Schuldverschreibungen gemäß diesem § 3, so ist die Emittentin berechtigt, diese Verpflichtung dadurch zu erfüllen, dass sie ein Sicherungsrecht an dem jeweiligen Sicherungsgegenstand zugunsten eines Sicherheitentreuhänders bestellt, und zwar in einer Weise, dass der Sicherheitentreuhänder diesen Sicherungsgegenstand dinglich oder, falls rechtlich nicht möglich, aufgrund schuldrechtlicher Vereinbarung gleichrangig zugunsten der Gläubiger der Schuldverschreibungen und der Gläubiger der Relevanten Finanzverbindlichkeit hält, die aufgrund der Besicherung zur Bestellung dieses Sicherungsrechts an dem betreffenden Sicherungsgegenstand führte.

§ 4 Verzinsung

- (1) *Zinssatz und Zinszahlungstage.* Die Schuldverschreibungen werden bezogen auf ihren Nennbetrag verzinst, und zwar vom 17. April 2019 (der „**Verzinsungsbeginn**“) (einschließlich) mit 1,500% p.a. bis zum Fälligkeitstag (ausschließlich). Die Zinsen sind jährlich nachträglich am 17. April zahlbar (jeweils ein „**Zinszahlungstag**“). Die erste Zinszahlung erfolgt am 17. April 2020.
- (2) *Zahlungsverzug.* Wenn die Emittentin aus irgendeinem Grund die Schuldverschreibungen bei Fälligkeit nicht zurückzahlt, wird der ausstehende Betrag vom Tag der Fälligkeit (einschließlich) bis zum Tag der tatsächlichen Rückzahlung der Schuldverschreibungen (ausschließlich) mit dem gesetzlichen Verzugszins¹ verzinst. Die Geltendmachung

Any security which is to be provided pursuant to this paragraph (1) may also be provided to a person acting as trustee for the Noteholders.

- (2) *Provision of Additional Security.* Whenever the Issuer becomes obligated to secure the Notes pursuant to this § 3, the Issuer shall be entitled to discharge such obligation by providing a security interest in the relevant collateral to a security trustee, such security trustee to hold such collateral and the security interest that gave rise to the creation of such collateral, equally, for the benefit of the Noteholders and the holders of the Relevant Indebtedness secured by the security interest that gave rise to the creation of such security interest in such collateral, such equal rank to be created *in rem* or, if impossible to create *in rem*, contractually.

§ 4 Interest

- (1) *Rate of Interest and Interest Payment Dates.* The Notes shall bear interest on their principal amount at the rate of 1.500% per annum from (and including) April 17, 2019 (the “**Interest Commencement Date**”) to (but excluding) the Maturity Date. Interest shall be payable annually in arrear on April 17 (each such date, an “**Interest Payment Date**”). The first payment of interest shall be made on April 17, 2020.
- (2) *Late Payment.* If the Issuer for any reason fails to redeem the Notes when due, interest shall continue to accrue on the outstanding amount from (and including) the due date to (but excluding) the date of actual redemption of the Notes at the default rate of interest established by law². Claims for further damages in case of late

¹ Der gesetzliche Verzugszinssatz beträgt fünf Prozentpunkte über dem von der Deutschen Bundesbank jeweils veröffentlichten Basiszinssatz, §§ 288 Abs. 1, 247 Abs. 1 BGB.

eines weitergehenden Schadens im Falle eines Zahlungsverzugs ist nicht ausgeschlossen.

- (3) *Berechnung der Zinsen.* Sind Zinsen für einen Zeitraum zu berechnen, der kürzer ist als die Zinsperiode (wie in diesem Absatz (3) definiert), wird der Zins auf Grundlage der tatsächlichen Anzahl der in dem betreffenden Zeitraum abgelaufenen Kalendertage (einschließlich des ersten, aber ausschließlich des letzten Tages dieses Zeitraums) geteilt durch die tatsächliche Anzahl der Kalendertage der Zinsperiode (einschließlich des ersten, aber ausschließlich des letzten Tages dieses Zeitraums), in den der maßgebliche Zeitraum fällt, ermittelt.

„**Zinsperiode**“ bezeichnet den Zeitraum ab dem Verzinsungsbeginn (einschließlich) bis zum ersten Zinszahlungstag (ausschließlich) und anschließend den Zeitraum vom jeweiligen Zinszahlungstag (einschließlich) bis zum darauffolgenden Zinszahlungstag (ausschließlich).

§ 5 Zahlungen

- (1) *Zahlung von Kapital und Zinsen.* Die Zahlung von Kapital und Zinsen auf die Schuldverschreibungen erfolgt, vorbehaltlich Absatz (2), an die Zahlstelle zur Weiterleitung an das Clearingsystem oder dessen Order zur Gutschrift auf den Konten der jeweiligen Kontoinhaber des Clearingsystems.
- (2) *Zahlungsweise.* Vorbehaltlich geltender steuerlicher und sonstiger gesetzlicher Regelungen und Vorschriften werden auf die Schuldverschreibungen fällige Zahlungen in Euro geleistet.
- (3) *Erfüllung.* Die Emittentin wird durch Zahlung an das Clearingsystem oder dessen Order von ihrer Zahlungspflicht befreit.
- (4) *Geschäftstag.* Ist der Tag für eine Zahlung in Bezug auf eine Schuldverschreibung ein Tag, der kein Geschäftstag ist, so hat der Gläubiger

payment are not excluded.

- (3) *Calculation of Interest.* Where interest is to be calculated in respect of a period which is shorter than an Interest Period (as defined in this paragraph (3)), the interest will be calculated on the basis of the actual number of calendar days elapsed in the relevant period, from (and including) the first date in the relevant period to (but excluding) the last date of the relevant period, divided by the actual number of calendar days in the Interest Period in which the relevant period falls (including the first such day of the relevant Interest Period, but excluding the last day of the relevant Interest Period).

“**Interest Period**” means the period from (and including) the Interest Commencement Date to (but excluding) the first Interest Payment Date and thereafter from (and including) each relevant Interest Payment Date to (but excluding) the next following Interest Payment Date.

§ 5 Payments

- (1) *Payment of Principal and Interest.* Payment of principal and interest in respect of the Notes shall be made, subject to paragraph (2) below, to the Paying Agent for forwarding to the Clearing System or to its order for credit to the accounts of the relevant accountholders of the Clearing System.
- (2) *Manner of Payment.* Subject to applicable fiscal and other laws and regulations, payments of amounts due in respect of the Notes shall be made in Euro.
- (3) *Discharge.* The Issuer shall be discharged by payment to, or to the order of, the Clearing System.
- (4) *Business Day.* If the date for payment of any amount in respect of any Note is not a Business Day then the Noteholder shall not be entitled to

² The default rate of interest established by statutory law is five percentage points above the base rate of interest published by *Deutsche Bundesbank* from time to time, sections 288 paragraph 1, 247 paragraph 1 of the German Civil Code (*Bürgerliches Gesetzbuch*).

keinen Anspruch auf Zahlung vor dem nächsten Geschäftstag am jeweiligen Ort und ist nicht berechtigt, weitere Zinsen oder sonstige Zahlungen aufgrund dieser Verspätung zu verlangen. Für diese Zwecke bezeichnet „**Geschäftstag**“ einen Tag (außer einem Samstag oder Sonntag), an dem Banken in London und Frankfurt am Main für den allgemeinen Geschäftsverkehr geöffnet sind und an dem das Clearingsystem sowie alle maßgeblichen Bereiche des Trans-European Automated Real-time Gross Settlement Express Transfer System 2 (TARGET2) betriebsbereit sind, um Zahlungen vorzunehmen.

payment until the next such day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, “**Business Day**” means a day (other than a Saturday or a Sunday) on which banks are open for general business in London and Frankfurt am Main and on which the Clearing System as well as all relevant parts of the Trans-European Automated Real-time Gross Settlement Express Transfer System 2 (TARGET2) are operational to effect payments.

(5) *Bezugnahmen auf Kapital und Zinsen.* Bezugnahmen in diesen Anleihebedingungen auf Kapital der Schuldverschreibungen schließen, soweit anwendbar, die folgenden Beträge ein: Rückzahlungsbetrag, Wahl-Rückzahlungsbetrag (Put), Wahl-Rückzahlungsbetrag (Call), gegebenenfalls gemäß § 8 zahlbare Zusätzliche Beträge und alle Aufschläge oder sonstigen auf die Schuldverschreibungen oder im Zusammenhang damit gegebenenfalls zahlbaren Beträge. Bezugnahmen in diesen Anleihebedingungen auf Zinsen auf die Schuldverschreibungen schließen, soweit anwendbar, sämtliche gegebenenfalls gemäß § 8 zahlbaren Zusätzlichen Beträge ein.

(5) *References to Principal and Interest.* References in these Terms and Conditions to principal in respect of the Notes shall be deemed to include, as applicable: the Final Redemption Amount, the Put Redemption Amount, Call Redemption Amount, Additional Amounts which may be payable under § 8 and any other premium and any other amounts which may be payable under or in respect of the Notes. References in these Terms and Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any Additional Amounts which may be payable under § 8.

(6) *Hinterlegung von Kapital und Zinsen.* Die Emittentin ist berechtigt, beim Amtsgericht Berlin-Charlottenburg Kapital- oder Zinsbeträge zu hinterlegen, die von den Gläubigern nicht innerhalb von zwölf Monaten nach dem Fälligkeitstag beansprucht worden sind, auch wenn die Gläubiger sich nicht in Annahmeverzug befinden. Wenn und soweit eine solche Hinterlegung erfolgt und auf das Recht der Rücknahme verzichtet wird, erlöschen die diesbezüglichen Ansprüche der Gläubiger gegen die Emittentin.

(6) *Deposit of Principal and Interest.* The Issuer may deposit with the local court in Berlin-Charlottenburg principal or interest not claimed by Noteholders within twelve months after the Maturity Date, even though such Noteholders may not be in default of acceptance of payment. If and to the extent that the deposit is effected and the right of withdrawal is waived, the respective claims of such Noteholders against the Issuer shall cease.

§ 6 Rückzahlung

(1) *Rückzahlung bei Endfälligkeit.* Soweit nicht zuvor bereits ganz oder teilweise zurückgezahlt oder angekauft und entwertet, werden die Schuldverschreibungen zu ihrem Rückzahlungsbetrag am 17. April 2022 (der

§ 6 Redemption

(1) *Redemption at Maturity.* Unless previously redeemed in whole or in part or purchased and cancelled, the Notes shall be redeemed at their Final Redemption Amount on April 17, 2022 (the “**Maturity Date**”). The “**Final Redemption**

„**Fälligkeitstag**“) zurückgezahlt. Der „**Rückzahlungsbetrag**“ einer jeden Schuldverschreibung entspricht dabei ihrem Nennbetrag.

- (2) *Vorzeitige Rückzahlung aus steuerlichen Gründen.* Die Schuldverschreibungen können jederzeit insgesamt, jedoch nicht teilweise, nach Wahl der Emittentin mit einer Kündigungsfrist von mindestens 45 und höchstens 60 Tagen durch Erklärung gegenüber der Zahlstelle und gemäß § 15 gegenüber den Gläubigern gekündigt und zu ihrem Nennbetrag zuzüglich bis zum für die Rückzahlung festgesetzten Tag (ausschließlich) aufgelaufener Zinsen vorzeitig zurückgezahlt werden, falls die Emittentin als Folge einer Änderung oder Ergänzung der Gesetze oder Vorschriften der Bundesrepublik Deutschland (oder für den Fall, dass die Emittentin gemäß § 8(4) einer anderen Steuerrechtsordnung unterworfen wird, der Gesetze oder Vorschriften dieser anderen Steuerrechtsordnung), die Steuern oder die Verpflichtung zur Zahlung von Abgaben jeglicher Art betreffen, oder als Folge einer Änderung oder Ergänzung der offiziellen Auslegung oder Anwendung dieser Gesetze und Vorschriften (vorausgesetzt, diese Änderung oder Ergänzung wird am oder nach dem Tag der Begebung der Schuldverschreibungen wirksam) am nächstfolgenden Zinszahlungstag zur Zahlung von Zusätzlichen Beträgen verpflichtet sein wird und diese Verpflichtung nicht durch das Ergreifen der Emittentin zur Verfügung stehender Maßnahmen vermieden werden kann, die nach Auffassung der Emittentin zumutbar sind (wobei jeweils die Interessen der Gläubiger zu berücksichtigen sind).

Eine solche Kündigung darf allerdings nicht (i) früher als 90 Tage vor dem frühestmöglichen Termin erfolgen, an dem die verpflichtet wäre, solche Zusätzlichen Beträge zu zahlen, falls eine Zahlung auf die Schuldverschreibungen dann fällig wäre, oder (ii) erfolgen, wenn zu dem Zeitpunkt, zu dem die Kündigung erklärt wird, die Verpflichtung zur Zahlung von Zusätzlichen Beträgen nicht mehr wirksam ist.

Eine solche Kündigung hat gemäß § 15 zu erfolgen. Sie ist unwiderruflich, muss den für die Rückzahlung festgelegten Termin nennen und eine zusammenfassende Erklärung

Amount“ in respect of each Note shall be its principal amount.

- (2) *Early Redemption for Reasons of Taxation.* If as a result of any change in, or amendment to, the laws or regulations of the Federal Republic of Germany (or in the event the Issuer becoming subject to another tax jurisdiction pursuant to § 8(4), the laws or regulations of such other tax jurisdiction) affecting taxation or the obligation to pay duties of any kind, or any change in, or amendment to, an official interpretation or application of such laws or regulations, which amendment or change becomes effective on or after the date on which the Notes were issued, the Issuer is required to pay Additional Amounts on the next succeeding Interest Payment Date, and this obligation cannot be avoided by the use of measures available to the Issuer which are, in the judgement of the Issuer in each case taking into account the interests of Noteholders, reasonable, the Notes may be redeemed, in whole but not in part, at the option of the Issuer, at any time upon not less than 45 days' nor more than 60 days' prior notice of redemption given to the Paying Agent and, in accordance with § 15, to the Noteholders, at the principal amount together with interest accrued to (but excluding) the date fixed for redemption.

However, no such notice of redemption may be given (i) earlier than 90 days prior to the earliest date on which the Issuer would be obligated to pay such Additional Amounts if a payment in respect of the Notes was then due, or (ii) if at the time such notice is given, such obligation to pay such Additional Amounts does not remain in effect.

Any such notice shall be given in accordance with § 15. It shall be irrevocable, must specify the date fixed for redemption and must set forth a statement summarizing the facts constituting the

enthalten, welche die das Rückzahlungsrecht der Emittentin begründenden Umstände darlegt.

(3) *Vorzeitige Rückzahlung nach Wahl der Gläubiger bei Vorliegen eines Kontrollwechsels.*

(a) Tritt nach dem Begebungstag ein Kontrollwechsel ein, so ist jeder Gläubiger berechtigt, aber nicht verpflichtet, von der Emittentin die vollständige oder teilweise Rückzahlung oder, nach Wahl der Emittentin, den Ankauf (oder die Veranlassung eines Ankaufs) seiner Schuldverschreibungen innerhalb von 60 Tagen, nachdem die Rückzahlungsereignis-Mitteilung gemäß Unterabsatz (b) bekannt gegeben wurde (der „**Ausübungszeitraum**“), zum Wahl-Rückzahlungsbetrag (Put) (das „**Gläubiger-Rückzahlungswahlrecht**“) zu verlangen. Dieses Gläubiger-Rückzahlungswahlrecht ist wie nachstehend unter den Unterabsätzen (b) bis (c) beschrieben auszuüben.

Ein „**Kontrollwechsel**“ gilt jedes Mal als eingetreten (unabhängig davon, ob der Vorstand oder der Aufsichtsrat der Emittentin zugestimmt haben), wenn eine oder mehrere Personen, die Sinne von § 2 Abs. 5 Wertpapiererwerbs- und Übernahmegesetz (WpÜG) gemeinsam handeln, (die „**relevante(n) Person(en)**“) oder ein oder mehrere Dritte, die im Auftrag der relevanten Person(en) handeln, zu irgendeiner Zeit unmittelbar oder mittelbar (i) mehr als 50 % des Grundkapitals der Emittentin, oder (ii) eine solche Anzahl von Anteilen der Emittentin, auf die mehr als 50 % der Stimmrechte entfallen, erwirbt bzw. erwerben oder hält bzw. halten.

Der „**Wahl-Rückzahlungsbetrag (Put)**“ bezeichnet für jede Schuldverschreibung 101 % des Nennbetrags einer solchen Schuldverschreibung zuzüglich nicht gezahlter bis zum Wahl-Rückzahlungstag (Put) (ausschließlich) aufgelaufener Zinsen.

(b) Tritt nach dem Begebungstag ein Kontrollwechsel ein, so teilt die Emittentin

basis for the right of the Issuer so to redeem.

(3) *Early Redemption at the Option of the Noteholders upon a Change of Control.*

(a) If a Change of Control occurs after the Issue Date, each Noteholder shall have the right, but not the obligation, to require the Issuer to redeem or, at the Issuer's option, purchase (or procure the purchase of) in whole or in part his Notes, within 60 days after a Put Event Notice under subparagraph (b) has been published (the „**Put Period**“), at the Put Redemption Amount (the „**Put Option**“). Such Put Option shall operate as set out below under subparagraphs (b) to (c).

A „**Change of Control**“ shall be deemed to have occurred at each time (whether or not approved by the management board or supervisory board of the Issuer) that any person or persons acting in concert within the meaning of § 2 (5) of the German Securities Acquisition and Takeover Act (*Wertpapiererwerbs- und Übernahmegesetz, WpÜG*) („**Relevant Person(s)**“) or any person or persons acting on behalf of any such Relevant Person(s), at any time directly or indirectly acquire(s) or come(s) to own (i) more than 50% of the share capital of the Issuer, or (ii) such number of the shares in the capital of the Issuer carrying more than 50% of the voting rights.

„**Put Redemption Amount**“ means for each Note 101% of the principal amount of such Note, plus unpaid interest accrued to (but excluding) the Put Date.

(b) If a Change of Control occurs after the Issue Date, then the Issuer shall, without undue

dies unverzüglich, nachdem die Emittentin davon Kenntnis erlangt hat, den Gläubigern gemäß § 15 mit (eine „**Rückzahlungsereignis-Mitteilung**“) und gibt dabei die Art des Kontrollwechsels und das in diesem Absatz (5)(3) vorgesehene Verfahren zur Ausübung des Gläubiger-Rückzahlungswahlrechts an (mit Angaben zum Clearingsystem-Konto der Zahlstelle für die Zwecke von Unterabsatz (c)(ii)(x) dieses Absatzes (3)).

- (c) Zur Ausübung des Gläubiger-Rückzahlungswahlrechts muss der Gläubiger an einem Geschäftstag innerhalb des Ausübungszeitraums, (i) bei der bezeichneten Geschäftsstelle der Zahlstelle eine ordnungsgemäß ausgefüllte und unterzeichnete Ausübungserklärung in der jeweils bei der Zahlstelle erhältlichen maßgeblichen Form einreichen (die „**Gläubiger-Ausübungserklärung**“) und (ii) Schuldverschreibungen in Höhe des Gesamtbetrags der Festgelegten Stückelung einreichen, für die der Gläubiger sein Gläubiger-Rückzahlungswahlrecht ausüben möchte, und zwar entweder durch (x) Übertragung dieser Schuldverschreibungen auf das Clearingsystem-Konto der Zahlstelle oder (y) Abgabe einer unwiderruflichen Anweisung an die Zahlstelle, die Schuldverschreibungen aus einem Wertpapierdepot des Gläubigers bei der Zahlstelle auszubuchen. Die Emittentin wird die betreffende(n) Schuldverschreibung(en) sieben Tage nach Ablauf des Ausübungszeitraums (der „**Wahl-Rückzahlungstag (Put)**“) zurückzahlen oder nach ihrer Wahl ankaufen (oder ankaufen lassen), soweit sie nicht bereits vorher zurückgezahlt oder angekauft und entwertet wurde(n). Die Zahlung in Bezug auf solchermaßen eingereichte Schuldverschreibungen erfolgt gemäß den üblichen Verfahren über das Clearingsystem. Eine einmal abgegebene Gläubiger-Ausübungserklärung ist unwiderruflich.

- (4) *Vorzeitige Rückzahlung bei Geringem Ausstehenden Gesamtnennbetrag der Schuldverschreibungen.* Wenn 80 % oder mehr des Gesamtnennbetrags der Schuldverschreibungen

delay, after the Issuer becoming aware thereof, give notice of the Change of Control (a “**Put Event Notice**”) to the Noteholders in accordance with § 15 specifying the nature of the Change of Control and the procedure for exercising the Put Option contained in this paragraph (5) (including the information on the Clearing System account of the Paying Agent for purposes of subparagraph (c)(ii)(x) of this paragraph (3)).

- (c) To exercise the Put Option, the Noteholder must deliver on any Business Day within the Put Period (i) to the Paying Agent at its specified office a duly signed and completed notice of exercise in the then current form obtainable from the Paying Agent (a “**Put Notice**”) and (ii) the aggregate Specified Denomination of Notes for which the Noteholder wishes to exercise its Put Option by either (x) transferring such Notes to the Clearing System account of the Paying Agent or (y) giving an irrevocable instruction to the Paying Agent to withdraw such Notes from a securities account of the Noteholder with the Paying Agent. The Issuer shall redeem or, at its option, purchase (or procure the purchase of) the relevant Note(s) on the date seven days after the expiration of the Put Period (the “**Put Date**”) unless previously redeemed or purchased and cancelled. Payment in respect of any Note so delivered will be made in accordance with the customary procedures through the Clearing System. A Put Notice, once given, shall be irrevocable.

- (4) *Early Redemption in case of Minimal Outstanding Aggregate Principal Amount of the Notes.* If 80% or more of the aggregate principal amount of the Notes have been redeemed or purchased by the

nach diesem § 6 von der Emittentin oder einer direkten oder indirekten Tochtergesellschaft der Emittentin zurückgezahlt oder angekauft wurden, ist die Emittentin jederzeit berechtigt, nach vorheriger Bekanntmachung gegenüber den Gläubigern gemäß § 15 mit einer Frist von mindestens 45 und höchstens 60 Tagen nach ihrer Wahl die ausstehenden Schuldverschreibungen insgesamt, aber nicht teilweise, zum Nennbetrag zuzüglich bis zum tatsächlichen Rückzahlungstag (ausschließlich) nicht gezahlter, aufgelaufener Zinsen zurückzuzahlen.

- (5) *Vorzeitige Rückzahlung nach Wahl der Emittentin zum Wahl-Rückzahlungsbetrag (Call).* Die Emittentin kann die Schuldverschreibungen (ausgenommen Schuldverschreibungen, deren Rückzahlung der Gläubiger bereits in Ausübung seines Wahlrechts nach § 6 (3) verlangt hat) insgesamt, jedoch nicht teilweise, nach ihrer Wahl mit einer Kündigungsfrist von nicht weniger als 45 und nicht mehr als 60 Tagen durch Erklärung gegenüber der Zahlstelle und gemäß § 15 gegenüber den Gläubigern kündigen und an einem von ihr anzugebenden Tag (der „**Wahl-Rückzahlungstag (Call)**“) zu ihrem Wahl-Rückzahlungsbetrag (Call) (zuzüglich etwaigen bis zum betreffenden Wahl-Rückzahlungstag (Call) (ausschließlich) aufgelaufenen aber noch nicht gezahlten Zinsen) zurückzahlen.

Der „**Wahl-Rückzahlungsbetrag (Call)**“ je Schuldverschreibung entspricht dem höheren von: (i) dem Nennbetrag der zurückzuzahlenden Schuldverschreibung; oder (ii) dem Abgezinsten Marktwert. Der Wahl-Rückzahlungsbetrag (Call) wird von der Berechnungsstelle berechnet.

Der „**Abgezinsten Marktwert**“ ist die Summe aus (a) dem Nennbetrag, der ansonsten am Fälligkeitstag fällig würde, abgezinst auf den Wahl-Rückzahlungstag (Call) der zurückzuzahlenden Schuldverschreibung und (b) den jeweils auf den Wahl-Rückzahlungstag (Call) abgezinsten Werten der verbleibenden Zinszahlungen, die ansonsten an jedem Zinszahlungstag nach dem Wahl-Rückzahlungstag (Call) bis zum Fälligkeitstag (einschließlich) fällig werden würden (ausschließlich etwaiger, bis zum Wahl-

Issuer or any direct or indirect Subsidiary of the Issuer pursuant to the provisions of this § 6, the Issuer may at any time, on not less than 45 or more than 60 days' notice to the Noteholders given in accordance with § 15, redeem, at its option, the remaining Notes in whole but not in part at the principal amount thereof plus unpaid interest accrued to (but excluding) the date of actual redemption.

- (5) *Early Redemption at the Option of the Issuer at the Call Redemption Amount.* The Issuer may upon not less than 45 days' nor more than 60 days' prior notice of redemption given to the Paying Agent and, in accordance with § 15, to the Noteholders redeem on any date specified by it (the “**Call Redemption Date**”), at its option, the Notes (except for any Note which is the subject of the prior exercise by the Noteholder thereof of its option to require the redemption of such Note under § 6 (3)) in whole but not in part, at their Call Redemption Amount together with accrued but unpaid interest, if any, to (but excluding) the relevant Call Redemption Date.

The “**Call Redemption Amount**” per Note shall be the higher of: (i) the principal amount of the relevant Note to be redeemed; or (ii) the Present Value. The Call Redemption Amount shall be calculated by the Calculation Agent.

The “**Present Value**” will be the sum of (a) the Principal Amount of the Note which would otherwise become due on the Maturity Date discounted to the Call Redemption Date; and (b) the remaining interest payments which would otherwise become due on each Interest Payment Date falling after the Call Redemption Date to and including the Maturity Date (excluding any interest accrued to but excluding the Call Redemption Date), each discounted to the Call Redemption Date.

Rückzahlungstag (Call) (ausschließlich)
aufgelaufener Zinsen).

Die Berechnungsstelle errechnet den Abgezinsten Marktwert gemäß der Marktkonvention auf einer Grundlage, die der Berechnung von Zinsen gemäß § 4 entspricht, wobei sie die Benchmark-Rendite zuzüglich 35 Basispunkten zugrunde legt.

Die „**Benchmark-Rendite**“ bezeichnet die am Rückzahlungs-Berechnungstag bestehende Rendite der entsprechenden Bundesanleihe der Bundesrepublik Deutschland, wie um oder gegen 12:00 Uhr mittags (Frankfurter Zeit) an diesem Tag auf der Bildschirmseite für die Referenzanleihe, oder, sollte zu diesem Zeitpunkt keine Rendite festgestellt werden können, die vorstehend bestimmte Rendite, so wie sie zu einem anderen Zeitpunkt, der von der Berechnungsstelle für angemessen erachtet wird, am Rückzahlungs-Berechnungstag auf der Bildschirmseite angezeigt wird.

„**Bildschirmseite**“ ist Bloomberg-Seite ISIN DE0001141752 Govt HP (unter Nutzung der Einstellung „Last Yield to Convention“ und der Preisquelle „FRNK“) (oder einer Nachfolgeseite oder –Nachfolgepreisquelle) für die Referenzanleihe, oder, falls diese Bloomberg-Seite oder Preisquelle nicht verfügbar ist, eine andere Seite (falls vorhanden) eines Informationsanbieters, die weitgehend ähnliche Daten anzeigt, wie von der Berechnungsstelle für angemessen erachtet.

„**Referenzanleihe**“ ist die Euro denominated Benchmark-Anleihe der Bundesrepublik Deutschland fällig 8. April 2022, mit der ISIN DE0001141752, oder, falls diese Anleihe am Rückzahlungs-Berechnungstag nicht mehr aussteht, eine ersetzende Referenzanleihe (welche die Berechnungsstelle auswählt), jeweils mit einer Laufzeit, die mit der verbleibenden Restlaufzeit der Schuldverschreibung bis zu deren Fälligkeitstag vergleichbar ist, und die im Zeitpunkt der Auswahlentscheidung und in Übereinstimmung mit der üblichen Finanzmarktpraxis zur Preisbestimmung bei Neuemissionen von Unternehmensanleihen mit einer bis zum Fälligkeitstag der Schuldverschreibung

The Calculation Agent will calculate the Present Value in accordance with market convention on a basis which is consistent with the calculation of interest as set out in § 4, using the Benchmark Yield plus 35 bps.

The “**Benchmark Yield**” means the yield at the Redemption Calculation Date of the corresponding Bundesanleihe of the Federal Republic of Germany as observed at or about noon (Frankfurt time) on such date on the Screen Page in respect of the Benchmark Security, or if such yield cannot be so determined at such time, the yield determined as aforesaid as appearing on the Screen Page at such other time on the Redemption Calculation Date as may be considered to be appropriate by the Calculation Agent.

“**Screen Page**” means Bloomberg page ISIN DE0001141752 Govt HP (using the setting “Last Yield To Convention” and using the pricing source “FRNK”) (or any successor page or successor pricing source) for the Benchmark Security, or, if such Bloomberg page or pricing source is not available, such other page (if any) from such other information provider displaying substantially similar data as may be considered to be appropriate by the Calculation Agent.

“**Benchmark Security**” means the euro denominated benchmark debt security of the Federal Republic of Germany due April 8, 2022 carrying ISIN DE0001141752, or if such security is no longer outstanding on the Redemption Calculation Date, such substitute benchmark security (chosen by the Calculation Agent) of comparable maturity to the Maturity Date, and (to the extent there is any relevant market for new issues of corporate debt securities of comparable maturity to the Maturity Date) that would be used at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the Maturity Date.

vergleichbaren Laufzeit verwendet würde.

„**Rückzahlungs-Berechnungstag**“ ist der sechste Geschäftstag vor dem Wahl-Rückzahlungstag.

Die Kündigung ist den Gläubigern der Schuldverschreibungen durch die Emittentin gemäß § 15 bekanntzugeben. Sie muss die folgenden Angaben enthalten

- (i) die zurückzuzahlende Serie von Schuldverschreibungen; und
- (ii) den Wahl-Rückzahlungstag (Call).

(6) *Vorzeitige Rückzahlung nach Wahl der Emittentin.*

Die Emittentin kann die Schuldverschreibungen (ausgenommen Schuldverschreibungen, deren Rückzahlung der Gläubiger bereits in Ausübung seines Wahlrechts nach § 6 (3) verlangt hat) insgesamt oder teilweise, nach ihrer Wahl durch Erklärung gegenüber der Zahlstelle und gemäß § 15 gegenüber den Gläubigern kündigen und innerhalb des Zeitraums von einem Monat vor Fälligkeit bis zum Fälligkeitstag zu ihrem Rückzahlungsbetrag zusammen mit allen nicht gezahlten Zinsen, die bis zum für die Rückzahlung festgesetzten Tag (ausschließlich) aufgelaufen sind, zurückzahlen.

Eine solche Kündigungserklärung ist unwiderruflich und muss die folgenden Angaben beinhalten: (i) die Erklärung, ob die Schuldverschreibungen ganz oder teilweise zurückgezahlt werden und im letzteren Fall den Gesamtnennbetrag der zurückzuzahlenden Schuldverschreibungen, und (ii) den für die Rückzahlung festgesetzten Tag, der nicht weniger als 45 und nicht mehr als 60 Tage nach dem Tag der Kündigung durch die Emittentin gegenüber den Gläubigern liegen darf.

Werden die Schuldverschreibungen nur teilweise zurückgezahlt, werden die zurückzuzahlenden Schuldverschreibungen in Übereinstimmung mit den üblichen Verfahren des betreffenden Clearingsystems ausgewählt. Die teilweise Rückzahlung wird in den Registern von CBL und Euroclear nach deren Ermessen entweder als Pool-Faktor oder als

“**Redemption Calculation Date**” means the sixth Business Day prior to the Call Redemption Date .

Notice of redemption shall be given by the Issuer to the Noteholders of the Notes in accordance with § 15. Such notice shall specify

- (i) the series of Notes subject to redemption; and
- (ii) the Call Redemption Date.

(6) *Early Redemption at the Option of the Issuer.*

The Issuer may, upon prior notice of redemption given to the Paying Agent and, in accordance with § 15, to the Noteholders, redeem, at its option, the Notes (except for any Note which is the subject of the prior exercise by the Noteholder thereof of the option to require the redemption of such Note under § 6 (3)) in whole or in part within the period from one month prior to maturity to the Maturity Date at their Final Redemption Amount together with any unpaid interest to (but excluding) the date fixed for redemption.

Such notice shall be irrevocable and must specify (i) whether the Notes are to be redeemed in whole or in part and, if in part, the aggregate principal amount of the Notes which are to be redeemed, and (ii) the date fixed for redemption, which shall be not less than 45 nor more than 60 days after the date on which notice is given by the Issuer to the Noteholders.

In the case of a partial redemption of Notes, Notes to be redeemed shall be selected in accordance with the customary proceedings of the relevant Clearing System. Such partial redemption shall be reflected in the records of CBL and Euroclear as either a pool factor or a reduction in principal amount, at the discretion of CBL and Euroclear.

Reduzierung des Nennbetrags wiedergegeben.

§ 7

Zahlstelle und Berechnungsstelle

- (1) *Bestellung; bezeichnete Geschäftsstelle.* Die anfänglich bestellte Zahlstelle und die anfänglich bestellte Berechnungsstelle und deren anfänglich bezeichnete Geschäftsstellen sind:

Zahlstelle:

Deutsche Bank Aktiengesellschaft
Taunusanlage 12
60325 Frankfurt am Main
Deutschland

Berechnungsstelle:

Conv-Ex Advisors Limited
30 Crown Place
London EC2A 4EB
Vereinigtes Königreich

Die Zahlstelle und die Berechnungsstelle behalten sich das Recht vor, jederzeit ihre bezeichneten Geschäftsstellen durch eine andere Geschäftsstelle in demselben Land zu ersetzen.

- (2) *Änderung oder Beendigung der Bestellung.* Die Emittentin behält sich das Recht vor, jederzeit die Bestellung der Zahlstelle oder der Berechnungsstelle zu ändern oder zu beenden und zusätzliche oder eine oder mehrere andere Zahlstellen oder eine andere Berechnungsstelle zu bestellen. Die Emittentin wird zu jedem Zeitpunkt eine Zahlstelle und eine Berechnungsstelle unterhalten. Eine Änderung, Beendigung, Bestellung oder ein Wechsel wird nur wirksam (außer im Insolvenzfall, in dem eine solche Änderung sofort wirksam wird), sofern die Gläubiger hierüber gemäß § 15 vorab unter Einhaltung einer Frist von mindestens 30 und höchstens 45 Tagen informiert wurden.
- (3) *Erfüllungsgehilfen der Emittentin.* Die Zahlstelle und die Berechnungsstelle und jede andere nach Absatz (2) bestellte Zahlstelle handeln ausschließlich als Erfüllungsgehilfen der Emittentin und übernehmen keinerlei

§ 7

Paying Agent and Calculation Agent

- (1) *Appointment; Specified Office.* The initial Paying Agent and the initial Calculation Agent and their initial specified offices shall be:

Paying Agent:

Deutsche Bank Aktiengesellschaft
Taunusanlage 12
60325 Frankfurt am Main
Germany

Calculation Agent:

Conv-Ex Advisors Limited
30 Crown Place
London EC2A 4EB
United Kingdom

The Paying Agent and the Calculation Agent reserve the right at any time to change their specified offices to some other office in the same country.

- (2) *Variation or Termination of Appointment.* The Issuer reserves the right at any time to vary or terminate the appointment of the Paying Agent or the Calculation Agent and to appoint another Paying Agent or another Calculation Agent, additional or other paying agents. The Issuer shall at all times maintain a Paying Agent and a Calculation Agent. Any variation, termination, appointment or change shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice thereof shall have been given to the Noteholders in accordance with § 15.
- (3) *Agents of the Issuer.* The Paying Agent and the Calculation Agent and any other paying agent appointed pursuant to paragraph (2) act solely as the agents of the Issuer and do not assume any obligations towards or relationship of agency or

Verpflichtungen gegenüber den Gläubigern, und es wird kein Auftrags- oder Treuhandverhältnis zwischen ihnen und den Gläubigern begründet.

§ 8 Steuern

- (1) *Zahlungen ohne Einbehalt oder Abzug von Steuern.* Alle in Bezug auf die Schuldverschreibungen zu zahlenden Beträge werden ohne Einbehalt oder Abzug von oder aufgrund von gegenwärtigen oder zukünftigen Steuern oder Abgaben gleich welcher Art gezahlt, die von oder im Namen von der Bundesrepublik Deutschland (die „**maßgebliche Steuerjurisdiktion**“) oder einer jeweiligen steuererhebungsberechtigten Gebietskörperschaft oder Steuerbehörde eines dieser Länder im Wege des Einhalts oder Abzugs an der Quelle auferlegt oder erhoben werden, es sei denn, ein solcher Einbehalt oder Abzug ist gesetzlich vorgeschrieben.
- (2) *Zahlung Zusätzlicher Beträge.* Ist ein Einbehalt oder Abzug in Bezug auf zu zahlende Beträge auf die Schuldverschreibungen gesetzlich vorgeschrieben, so wird die Emittentin diejenigen zusätzlichen Beträge (die „**Zusätzlichen Beträge**“) zahlen, die erforderlich sind, damit die den Gläubigern zufließenden Nettobeträge nach einem solchen Einbehalt oder Abzug jeweils den Beträgen entsprechen, die ohne einen solchen Einbehalt oder Abzug erhalten worden wären; eine Verpflichtung zur Zahlung solcher Zusätzlichen Beträge besteht jedoch nicht für Zahlungen auf eine Schuldverschreibung, wenn:
 - (a) die Zahlungen an einen Gläubiger oder in dessen Namen an einen Dritten geleistet werden, der solchen Steuern, Abgaben, Steuerveranlagungen oder behördlichen Gebühren in Bezug auf diese Schuldverschreibung deshalb unterliegt, weil er gegenwärtig oder in der Vergangenheit eine andere Beziehung zur Rechtsordnung der Emittentin hat bzw. hatte als den bloßen Umstand, dass er (i) Inhaber einer solchen Schuldverschreibung ist oder (ii) Kapital, Zinsen oder einen anderen Betrag in Bezug auf eine solche Schuldverschreibung erhält; oder

trust with any Noteholder.

§ 8 Taxation

- (1) *Payments Free of Taxes.* All amounts payable in respect of the Notes shall be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied at source by way of withholding or deduction by or on behalf of the Federal Republic of Germany (the “**Relevant Taxing Jurisdiction**”) or any respective political subdivision or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law.
- (2) *Payments of Additional Amounts.* If such withholding or deduction with respect to amounts payable in respect of the Notes is required by law, the Issuer will pay such additional amounts (the “**Additional Amounts**”) as shall be necessary in order that the net amounts received by the Noteholders, after such withholding or deduction shall equal the respective amounts which would otherwise have been receivable in the absence of such withholding or deduction; except that no such Additional Amounts shall be payable in relation to any payment in respect of any Note:
 - (a) to, or to a third party on behalf of, a Noteholder who is liable to such taxes, duties, assessments or governmental charges in respect of such Note by reason of his having or having had a connection with the jurisdiction of incorporation of the Issuer other than (i) the mere holding of such Note or (ii) the receipt of principal, interest or other amounts in respect of such Note, or

(b) die Schuldverschreibung von einem Anleihegläubiger oder im Namen eines Anleihegläubigers zur Auszahlung vorgelegt wird, welcher einen solchen Einbehalt oder Abzug nach rechtzeitiger Aufforderung durch die Emittentin durch Vorlage eines Formulars oder einer Urkunde und/oder durch Abgabe einer Nichtansässigkeits-Erklärung oder Inanspruchnahme einer vergleichbaren Ausnahme oder Geltendmachung eines Erstattungsanspruches hätte vermeiden können; oder

(c) die aufgrund (i) einer Richtlinie oder Verordnung der Europäischen Union betreffend die Besteuerung von Zinserträgen oder (ii) einer zwischenstaatlichen Vereinbarung, eines zwischenstaatlichen Abkommens oder einer zwischenstaatlichen Verständigung über deren Besteuerung, an der der Staat, in dem die Emittentin steuerlich ansässig ist oder die Europäische Union beteiligt ist, oder (iii) einer gesetzlichen Vorschrift, die diese Richtlinie, Verordnung, Vereinbarung, Abkommen oder Verständigung umsetzt oder befolgt, abzuziehen oder einzubehalten sind; oder

(d) die aufgrund jeglicher Kombination der Absätze (a) bis (c) zu entrichten sind.

Zur Klarstellung wird festgehalten, dass die in der Bundesrepublik Deutschland gemäß dem zum Begebungstag geltenden Steuerrecht auf der Ebene der Depotbank erhobene Kapitalertragsteuer zuzüglich des darauf anfallenden Solidaritätszuschlags sowie Kirchensteuer, soweit eine solche im Wege des Steuerabzugs erhoben wird, keine Steuern oder Abgaben der vorstehend beschriebenen Art darstellen, für die von der Emittentin Zusätzliche Beträge zu zahlen wären.

(3) *FATCA*. Ungeachtet sonstiger hierin enthaltener Bestimmungen, darf die Emittentin Beträge, die gemäß einer beschriebenen Vereinbarung in Section 1471(b) des U.S. Internal Revenue Code von 1986 (der „**Code**“) erforderlich sind oder die anderweitig aufgrund der Sections 1471 bis 1474 des Codes (oder jeder

(b) presented for payment by or on behalf of a Noteholder who would have been able to avoid such withholding or deduction by presenting any form or certificate and/or making a declaration of non-residence or similar claim for exemption or refund upon timely request by the Issuer, or

(c) which are to be withheld or deducted pursuant to (i) any European Union Directive or Regulation concerning the taxation of interest income, or (ii) any international treaty, agreement or understanding relating to such taxation and to which Issuer's country of domicile for tax purposes or the European Union is a party, or (iii) any provision of law implementing, or complying with, or introduced to conform with, such Directive, Regulation, treaty, agreement or understanding, or

(d) are payable due to any combination of items (a) to (c).

For the avoidance of doubt, the withholding tax levied in the Federal Republic of Germany at the level of the custodian bank plus the solidarity surcharge imposed thereon as well as church tax, where such tax is levied by way of withholding, pursuant to tax law as in effect as of the Issue Date do not constitute a tax or duty as described above in respect of which Additional Amounts would be payable by the Issuer.

(3) *FATCA*. Notwithstanding any other provisions contained herein, the Issuer shall be permitted to withhold or deduct any amounts required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the “**Code**”) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code (or any

Änderung oder Nachfolgeregelung), der Regelungen oder Verträge darunter, der offiziellen Auslegungen davon oder jeglicher rechtsausführender und zwischenstaatlicher Zusammenarbeit dazu beruhen, einbehalten oder abziehen („**FATCA Quellensteuer**“). Die Emittentin ist aufgrund einer durch die Emittentin, eine Zahlstelle oder eine andere Partei abgezogenen oder einbehaltenen FATCA Quellensteuer nicht zur Zahlung zusätzlicher Beträge oder anderweitig zur Entschädigung eines Investors verpflichtet.

- (4) *Andere Steuerjurisdiktion.* Falls die Emittentin zu irgendeinem Zeitpunkt einer anderen Steuerrechtsordnung als der gegenwärtig maßgeblichen Steuerrechtsordnung der Emittentin oder einer zusätzlichen Steuerrechtsordnung unterworfen wird, sollen die Bezugnahmen in diesem § 8 auf die Rechtsordnung der Emittentin als Bezugnahmen auf die Rechtsordnung der Emittentin und/oder diese anderen Rechtsordnungen gelesen und ausgelegt werden.

§ 9 Vorlegungsfrist, Verjährung

Die Vorlegungsfrist gemäß § 801 Absatz 1 Satz 1 BGB für die Schuldverschreibungen wird auf zehn Jahre verkürzt. Die Verjährungsfrist für Ansprüche aus den Schuldverschreibungen, die innerhalb der Vorlegungsfrist zur Zahlung vorgelegt wurden, beträgt zwei Jahre vom Ende der betreffenden Vorlegungsfrist an.

§ 10 Kündigungsgründe

- (1) *Kündigungsgründe.* Tritt ein Kündigungsgrund ein und dauert dieser an, so ist jeder Gläubiger berechtigt, seine sämtlichen Forderungen aus den Schuldverschreibungen durch Abgabe einer Kündigungserklärung gemäß Absatz (2) gegenüber der Zahlstelle fällig zu stellen und (vorbehaltlich von Absatz (4)) deren unverzügliche Rückzahlung zu ihrem Nennbetrag zuzüglich bis zum Tag der tatsächlichen Rückzahlung (ausschließlich) nicht gezahlter, aufgelaufener Zinsen zu verlangen. Jedes der folgenden Ereignisse stellt einen „**Kündigungsgrund**“ dar:

- (a) die Emittentin versäumt die Zahlung von

amended or successor provisions), any regulations or agreements thereunder, official interpretations thereof, or any law implementing any intergovernmental approach thereto (“**FATCA Withholding**”). The Issuer will have no obligation to pay additional amounts or otherwise indemnify an investor for any such FATCA Withholding deducted or withheld by the Issuer, any paying agent or any other party.

- (4) *Other Tax Jurisdiction.* If at any time the Issuer becomes subject to any taxing jurisdiction other than, or in addition to, the currently relevant taxing jurisdiction of the Issuer references in this § 8 to the jurisdiction of the Issuer shall be read and construed as references to the jurisdiction of the Issuer, and/or to such other jurisdiction(s).

§ 9 Presentation Period, Prescription

The presentation period provided for in section 801 paragraph 1, sentence 1 German Civil Code is reduced to ten years for the Notes. The period of limitation for claims under the Notes presented during the period for presentation will be two years calculated from the expiration of the relevant presentation period.

§ 10 Events of Default

- (1) *Events of Default.* If an Event of Default occurs and is continuing, each Noteholder shall be entitled to declare due and payable by submitting a Termination Notice pursuant to paragraph (2) to the Paying Agent its entire claims arising from the Notes and demand (subject to paragraph (4)) immediate redemption at the principal amount thereof together with unpaid interest accrued to (but excluding) the date of actual redemption. Each of the following is an “**Event of Default**”:

- (a) the Issuer fails to pay principal, or premium,

- auf die Schuldverschreibungen fälligem Kapital oder etwaigen Aufgeld am maßgeblichen Fälligkeitstermin; oder
- (b) die Emittentin zahlt auf die Schuldverschreibungen fällige Zinsbeträge oder sonstige Beträge (einschließlich Zusätzlicher Beträge) (mit Ausnahme von Kapital oder Aufgeld) nicht innerhalb von 30 Tagen nach Fälligkeit; oder
- (c) die Emittentin versäumt die ordnungsgemäße Erfüllung einer anderen wesentlichen Verpflichtung aus den Schuldverschreibungen (außer den Verpflichtungen gemäß § 11), und dieses Versäumnis wird, soweit es behoben werden kann, über einen Zeitraum von mehr als 60 Tagen, nachdem bei der Zahlstelle eine schriftliche Aufforderung von einem Gläubiger gemäß Absatz (2) zur Erfüllung dieser Verpflichtung eingegangen ist, nicht behoben; oder
- (d) die Emittentin erfüllt eine der in § 11 enthaltenen Verpflichtungserklärungen nicht; oder
- (e) eine Finanzverbindlichkeit der Emittentin oder einer Tochtergesellschaft (außer denen aus den Schuldverschreibungen) wird infolge eines Kündigungsgrunds (gleich welcher Bezeichnung) vor ihrer festgelegten Fälligkeit fällig und zahlbar (durch entsprechende Erklärung, durch automatische Fälligkeitstellung oder in anderer Weise) oder ein Gläubiger der Emittentin oder einer Tochtergesellschaft ist berechtigt, Finanzverbindlichkeiten der Emittentin oder einer Tochtergesellschaft vor ihrer festgelegten Fälligkeit aufgrund des Eintritts eines Kündigungsgrunds (gleich welcher Definition) für fällig und zahlbar zu erklären, es sei denn, der Gesamtbetrag aller dieser Finanzverbindlichkeiten beträgt in jedem Fall weniger als EUR 15.000.000; oder
- (f) die Emittentin oder eine Tochtergesellschaft gibt bekannt, dass sie ihre finanziellen Verpflichtungen nicht erfüllen kann, oder stellt allgemein ihre
- if any, due under the Notes on the relevant due date; or
- (b) the Issuer fails to pay interest or any other amounts (including Additional Amounts) due (except for principal or premium) under the Notes within 30 days from the relevant due date; or
- (c) the Issuer fails to duly perform any other material obligation arising from the Notes (other than any obligation arising from § 11) and such failure, if capable of remedy, continues unremedied for more than 60 days after the Paying Agent has received a written request thereof in the manner set forth in paragraph (2) from a Noteholder to perform such obligation; or
- (d) the Issuer fails to comply with any covenants set out in § 11; or
- (e) any Indebtedness of the Issuer or any Subsidiary (other than under the Notes) becomes due and payable prior to its specified maturity (whether by declaration, automatic acceleration or otherwise) as a result of an event of default (howsoever described), or any creditor of the Issuer or any Subsidiary becomes entitled to declare any Indebtedness of the Issuer or any Subsidiary due and payable prior to its specified maturity for reason of the occurrence of an event of default (howsoever defined), unless in each case the aggregate amount of all such indebtedness is less than EUR 15,000,000; or
- (f) the Issuer or any Subsidiary announces its inability to meet its financial obligations or ceases its payments generally; or

Zahlungen ein; oder

- (g) gegen die Emittentin oder eine Wesentliche Tochtergesellschaft wird ein Insolvenzverfahren eröffnet und nicht innerhalb von 60 Tagen aufgehoben oder eingestellt, oder ein solches Verfahren wird von der Emittentin oder einer Tochtergesellschaft beantragt oder eingeleitet; oder
- (g) insolvency proceedings against the Issuer or a Material Subsidiary are instituted and have not been discharged or stayed within 60 days, or the Issuer or any Subsidiary applies for or institutes such proceedings; or
- (h) die Emittentin tritt in Liquidation, es sei denn, dies erfolgt in Verbindung mit einer Verschmelzung oder einer anderen Form des Zusammenschlusses mit einem anderen Unternehmen und dieses Unternehmen übernimmt alle Verpflichtungen der Emittentin in Verbindung mit den Schuldverschreibungen.
- (h) the Issuer enters into liquidation unless this is done in connection with a merger or other form of combination with another company and such company assumes all obligations of the Issuer in connection with the Notes.
- (2) *Kündigungserklärungen.* Eine Erklärung eines Gläubigers (i) gemäß Absatz (1)(b) oder (ii) zur Kündigung seiner Schuldverschreibungen gemäß diesem § 10 (eine „**Kündigungserklärung**“) hat in der Weise zu erfolgen, dass der Gläubiger der Zahlstelle eine entsprechende schriftliche Erklärung in deutscher oder englischer Sprache per Brief übermittelt und dabei durch eine Bescheinigung seiner Depotbank (wie in § 16(4) definiert) nachweist, dass er die betreffenden Schuldverschreibungen zum Zeitpunkt der Kündigungserklärung hält.
- (2) *Termination Notices.* Any notice by a Noteholder (i) in accordance with paragraph (1)(b) or (ii) to terminate its Notes in accordance with this § 10 (a “**Termination Notice**”) shall be made by means of a written declaration to the Paying Agent in the German or English language delivered by mail together with evidence by means of a certificate of the Noteholder's Custodian (as defined in § 16(4)) that such Noteholder, at the time of such Termination Notice, is a holder of the relevant Notes.
- (3) *Heilung.* Zur Klarstellung wird festgehalten, dass das Recht zur Kündigung der Schuldverschreibungen gemäß diesem § 10 erlischt, falls der Kündigungsgrund vor Ausübung des Rechts geheilt worden ist; es ist zulässig, den Kündigungsgrund gemäß Absatz (1)(e) durch Rückzahlung der maßgeblichen Finanzverbindlichkeiten in voller Höhe zu heilen.
- (3) *Cure.* For the avoidance of doubt, the right to declare Notes due in accordance with this § 10 shall terminate if the situation giving rise to it has been cured before the right is exercised and it shall be permissible to cure the Event of Default pursuant to paragraph (1)(e) by repaying in full the relevant Indebtedness.
- (4) *Quorum.* In den Fällen der Absätze (1)(c) und (1)(e) bis (h) wird jede Kündigungserklärung im Hinblick auf die Schuldverschreibungen nur dann wirksam, wenn die Zahlstelle die entsprechenden Kündigungserklärungen von Gläubigern, die mindestens 15 % des zu diesem Zeitpunkt ausstehenden Gesamtnennbetrags der Schuldverschreibungen halten, erhalten hat.
- (4) *Quorum.* In the events specified in paragraphs (1)(c) and 1(e) to (h), any notice declaring Notes due shall become effective only when the Paying Agent has received such default notices from the Noteholders representing at least 15% of the aggregate principal amount of the Notes then outstanding.

„**Wesentliche Tochtergesellschaft**“ bezeichnet eine Tochtergesellschaft der Emittentin, (i) deren Umsatzerlöse 10 % der konsolidierten Umsatzerlöse der Emittentin übersteigen oder (ii) deren Bilanzsumme 10 % der konsolidierten Bilanzsumme der Emittentin übersteigt, wobei die Schwelle jeweils anhand der Daten in dem jeweils letzten geprüften oder, im Fall von Halbjahreskonzernabschlüssen, ungeprüften Konzernabschluss der Emittentin nach IFRS und in dem jeweils letzten geprüften (soweit verfügbar) oder (soweit nicht verfügbar) ungeprüften nicht konsolidierten Abschluss der betreffenden Tochtergesellschaft zu ermitteln ist.

§ 11

Verpflichtungserklärungen

- (1) *Beschränkung der Aufnahme von Finanzverbindlichkeiten.* Die Emittentin wird nach dem Begebungstag keine Finanzverbindlichkeiten eingehen und dafür Sorge tragen, dass auch ihre Tochtergesellschaften dies nicht tun, wenn unmittelbar nach Wirksamwerden der Aufnahme dieser zusätzlichen Finanzverbindlichkeiten und der Verwendung des Nettoerlöses dieser Mittelaufnahme:
- (a) die Summe (i) der Konsolidierten Finanzverbindlichkeiten des Konzerns zum Berichtsstichtag, zu dem der Jüngste Veröffentlichte Abschluss der Emittentin veröffentlicht wurde, und (ii) der seit dem Berichtsstichtag, zu dem der Jüngste Veröffentlichte Abschluss der Emittentin veröffentlicht wurde, eingegangenen Netto-Nominalfinanzverbindlichkeiten 60 % der Summe aus folgenden Beträgen (ohne Doppelzählung) übersteigen würde: (x) die Summe Aktiva zum Berichtsstichtag, zu dem der Jüngste Veröffentlichte Abschluss der Emittentin veröffentlicht wurde, erworben wurde oder dessen Erwerb vertraglich vereinbart wurde und (z) den Erlös der seit dem Berichtsstichtag, zu dem der Jüngste Veröffentlichte Abschluss der Emittentin veröffentlicht wurde, eingegangenen

“**Material Subsidiary**” means a Subsidiary of the Issuer (i) whose revenues exceed 10% of the consolidated revenues of the Issuer or (ii) whose total assets and liabilities exceed 10% of the consolidated total assets and liabilities of the Issuer, where each threshold shall be calculated on the basis of the last audited or, in case of half yearly accounts, unaudited consolidated financial statements of the Issuer in accordance with IFRS and in the last audited (if available) or (if unavailable) unaudited unconsolidated financial statements of the Subsidiary.

§ 11

Covenants

- (1) *Limitation on Incurrence of Indebtedness.* The Issuer shall not, and will procure that none of its Subsidiaries shall, after the Issue Date, incur any Indebtedness if, immediately after giving effect to the incurrence of such additional Indebtedness and the application of the net proceeds of such incurrence:
- (a) the sum of (i) the Consolidated Indebtedness of the Group as of the Reporting Date for which the Most Recent Published Financial Statements of the Issuer have been published and (ii) the Net Nominal Indebtedness incurred since the Reporting Date for which the Most Recent Published Financial Statements of the Issuer have been published would exceed 60% of the sum of (without duplication) (x) Total Assets as of the Reporting Date for which the Most Recent Published Financial Statements of the Issuer have been published, and (y) the purchase price of any Real Estate Property acquired or contracted for acquisition since the Reporting Date for which the Most Recent Published Financial Statements of the Issuer have been published and (z) the proceeds of any Indebtedness incurred since the Reporting Date for which the Most Recent Published Financial Statements of the Issuer have been published (but only to the extent such proceeds were not used to acquire Real Estate

Finanzverbindlichkeiten (jedoch nur, soweit dieser Erlös nicht zum Erwerb von Immobilienbesitz oder zur Reduzierung der Finanzverbindlichkeiten verwendet wurde); oder

- (b) die Summe (i) der Konsolidierten Besicherten Finanzverbindlichkeiten der Gruppe zum Berichtsstichtag, zu dem der Jüngste Veröffentlichte Abschluss der Emittentin veröffentlicht wurde, und (ii) der seit dem Berichtsstichtag, zu dem der Jüngste Veröffentlichte Abschluss der Emittentin veröffentlicht wurde, eingegangenen Besicherten Netto-Nominalfinanzverbindlichkeiten 40 % der Summe aus folgenden Beträgen (ohne Doppelzählung) übersteigen würde: (x) der Summe Aktiva zum Berichtsstichtag, zu dem der Jüngste Veröffentlichte Abschluss der Emittentin veröffentlicht wurde, (y) den Kaufpreis des Immobilienbesitzes, der seit dem Berichtsstichtag, zu dem der Jüngste Veröffentlichte Abschluss der Emittentin veröffentlicht wurde, erworben wurde oder dessen Erwerb vertraglich vereinbart wurde, und (z) den Erlös der seit dem Berichtsstichtag, zu dem der Jüngste Veröffentlichte Abschluss der Emittentin veröffentlicht wurde, eingegangenen Finanzverbindlichkeiten (jedoch nur, soweit dieser Erlös nicht zum Erwerb von Immobilienbesitz oder zur Reduzierung der Finanzverbindlichkeiten verwendet wurde).

(2) *Aufrechterhaltung des Konsolidierten Zinsdeckungsgrades.* Die Emittentin wird sicherstellen, dass der Konsolidierte Zinsdeckungsgrad zu jedem Berichtsstichtag mindestens:

- (a) bezogen auf jeden Berichtsstichtag, der auf den 1. Januar 2019 oder einen späteren Zeitpunkt bis einschließlich zum 31. Dezember 2019 fällt, 1,60 zu 1,00 beträgt;
- (b) bezogen auf jeden Berichtsstichtag, der auf den 1. Januar 2020 oder einen späteren Zeitpunkt bis einschließlich zum 31. Dezember 2020 fällt, 1,70 zu 1,00 beträgt;

Property or to reduce Indebtedness); or

- (b) the sum of (i) the Consolidated Secured Indebtedness of the Group as of the Reporting Date for which the Most Recent Published Financial Statements of the Issuer have been published and (ii) the Net Nominal Secured Indebtedness incurred since the Reporting Date for which the Most Recent Published Financial Statements of the Issuer have been published would exceed 40% of the sum of (without duplication) (x) Total Assets as of the Reporting Date for which the Most Recent Published Financial Statements of the Issuer have been published, (y) the purchase price of any Real Estate Property acquired or contracted for acquisition since the Reporting Date for which the Most Recent Published Financial Statements of the Issuer have been published and (z) the proceeds of any Indebtedness incurred since the Reporting Date for which the Most Recent Published Financial Statements of the Issuer have been published (but only to the extent such proceeds were not used to acquire Real Estate Property or to reduce Indebtedness).

(2) *Maintenance of Consolidated Coverage Ratio.* The Issuer shall ensure that on each Reporting Date the Consolidated Coverage Ratio will be at least:

- (a) 1.60 to 1.00, with respect to any Reporting Date falling on or after January 1, 2019 until and including December 31, 2019;
- (b) 1.70 to 1.00, with respect to any Reporting Date falling on or after January 1, 2020 until and including December 31, 2020; and

(c) bezogen auf jeden Berichtsstichtag, der auf den 1. Januar 2021 oder einen späteren Zeitpunkt fällt, solange Schuldverschreibungen ausstehen, 1,80 zu 1,00 beträgt.

(3) *Unternehmenszusammenschluss, Verschmelzung und Verkauf von Aktiva.* Die Emittentin wird weder in einer einzelnen Transaktion noch in einer Reihe von Transaktionen (x) mit einer anderen Person fusionieren, auf sie verschmelzen oder sich mit ihr zusammenschließen; oder (y) alle oder im Wesentlichen alle Vermögenswerte und Aktiva der Emittentin an eine andere Person oder mehrere andere Personen verkaufen, übertragen oder vermieten, es sei denn:

(a) bei dem Nachfolger handelt es sich um eine nach dem Recht eines Mitgliedsstaates der Europäischen Union vor ihrer Erweiterung, der Schweiz, der Vereinigten Staaten von Amerika oder eines ihrer Bundesstaaten oder des District of Columbia organisierte Person, die die Verpflichtungen der Emittentin aus den Schuldverschreibungen übernimmt; und

(b) nach dem Wirksamwerden dieser Transaktion ist kein Verzug oder Kündigungsgrund eingetreten oder hält noch an; wobei dieser Absatz (b) nur auf Transaktionen Anwendung findet, die zwischen der Emittentin und 100%igen Tochtergesellschaften und, ausschließlich im Falle einer Fusion, einer Verschmelzung oder eines Zusammenschlusses, zwischen der Emittentin und Tochtergesellschaften, die ausschließlich für Zwecke der Neugründung oder Reorganisation der Emittentin in einer anderen Jurisdiktion gegründet oder organisiert wurden, stattfinden.

§ 12 Ersetzung

(1) *Ersetzung.* Die Emittentin ist berechtigt, wenn kein Zahlungsverzug hinsichtlich Kapital oder Zinsen auf die Schuldverschreibungen vorliegt, jederzeit ohne die Zustimmung der Gläubiger eine Tochtergesellschaft an Stelle der Emittentin als Hauptschuldnerin (die „**Nachfolgeschuldnerin**“)

(c) 1.80 to 1.00, with respect to any Reporting Date falling on or after January 1, 2021 and as long as any Note is outstanding.

(3) *Consolidation, Merger and Sale of Assets.* The Issuer shall not, in a single transaction or through a series of transactions, (x) merge, amalgamate or consolidate with or into any other Person; or (y) sell, convey, transfer or lease all or substantially all of the Issuer's properties and assets to any other Person or Persons unless:

(a) the successor Person is a Person organized under the laws of any member state of the Pre-Expansion European Union, Switzerland, the United States of America, any state thereof or the District of Columbia which assumes its obligations in the Notes; and

(b) after giving effect to such transaction, no default or Event of Default has occurred or is continuing; provided that this clause (b) shall not apply to such transactions between or among the Issuer and any Wholly Owned Subsidiaries and, with respect to merger, amalgamation or consolidation only, between the Issuer and any of its Subsidiaries incorporated or organized solely for the purpose of the Issuer reincorporating or reorganizing in another jurisdiction.

§ 12 Substitution

(1) *Substitution.* The Issuer may, without the consent of the Noteholders, if no payment of principal of or interest on any of the Notes is in default, at any time substitute for the Issuer any Subsidiary of the Issuer as principal debtor in respect of all obligations arising from or in connection with this

für alle Verpflichtungen aus oder im Zusammenhang mit den Schuldverschreibungen einzusetzen, vorausgesetzt, dass:

- (a) die Nachfolgeschuldnerin alle Verpflichtungen der Emittentin im Zusammenhang mit den Schuldverschreibungen rechtswirksam übernimmt;
- (b) die Nachfolgeschuldnerin und die Emittentin alle für die Ersetzung notwendigen Genehmigungen und Zustimmungen von staatlichen Stellen und Aufsichtsbehörden erhalten haben, sämtliche dieser Genehmigungen und Zustimmungen in vollem Umfang gültig und wirksam sind und die Verpflichtungen der Nachfolgeschuldnerin aus den Schuldverschreibungen gemäß ihren Bestimmungen wirksam und rechtsverbindlich und durch jeden Gläubiger durchsetzbar sind;
- (c) die Nachfolgeschuldnerin alle für die Erfüllung der Zahlungsverpflichtungen aus den Schuldverschreibungen erforderlichen Beträge in der erforderlichen Währung an die Zahlstelle überweisen kann, ohne zum Abzug oder Einbehalt von Steuern oder sonstigen Abgaben gleich welcher Art verpflichtet zu sein, die in dem Land erhoben werden, in dem die Nachfolgeschuldnerin oder die Emittentin ihren Sitz hat oder steuerlich ansässig ist;
- (d) die Nachfolgeschuldnerin sich verpflichtet hat, jeden Gläubiger hinsichtlich solcher Steuern, Abgaben, Festsetzungen oder behördlichen Lasten freizustellen, die einem Gläubiger im Zusammenhang mit der Ersetzung auferlegt werden;
- (e) der Zahlstelle jeweils auf Kosten der Emittentin ein oder mehrere Rechtsgutachten bezüglich der betroffenen Rechtsordnungen von anerkannten Rechtsanwälten vorgelegt werden, die bestätigen, dass die Bestimmungen in den vorstehenden Unterabsätzen (a), (b), (c) und (d) erfüllt wurden.

issue (the “**Substitute Debtor**”) provided that:

- (a) the Substitute Debtor, in a manner legally effective, assumes all obligations of the Issuer in respect of the Notes;
- (b) the Substitute Debtor and the Issuer have obtained all necessary governmental and regulatory approvals and consents for such substitution and that all such approvals and consents are in full force and effect and that the obligations assumed by the Substitute Debtor in respect of the Notes are valid and binding in accordance with their respective terms enforceable by each Noteholder;
- (c) the Substitute Debtor can transfer to the Paying Agent in the currency required and without being obligated to deduct or withhold any taxes or other duties of whatever nature levied by the country in which the Substitute Debtor or the Issuer has its domicile or tax residence, all amounts required for the fulfilment of the payment obligations arising under the Notes;
- (d) the Substitute Debtor has agreed to indemnify and hold harmless each Noteholder against any tax, duty, assessment or governmental charge imposed on such Noteholder in respect of such substitution; and
- (e) there shall have been delivered to the Paying Agent at cost of the Issuer an opinion or opinions by lawyers of recognized standing to the effect that subparagraphs (a), (b), (c) and (d) above have been satisfied.

(2) *Bekanntmachung.* Jede Ersetzung der Emittentin (2) *Notice.* Any substitution of the Issuer pursuant to

gemäß diesem Absatz sowie das Datum, an dem die Ersetzung wirksam wird, ist gemäß § 15 bekanntzugeben.

this paragraph and the date of effectiveness of such substitution shall be published in accordance with § 15.

- (3) *Änderung von Bezugnahmen.* Mit Wirksamwerden der Ersetzung gilt jede Bezugnahme in diesen Anleihebedingungen auf die Emittentin ab dem Zeitpunkt der Ersetzung als Bezugnahme auf die Nachfolgeschuldnerin, und jede Bezugnahme maßgebliche Steuerjurisdiktion im Hinblick auf die Emittentin gilt ab diesem Zeitpunkt als Bezugnahme auf die im Hinblick auf die Nachfolgeschuldnerin maßgebliche Steuerjurisdiktion. Zudem soll ihm Falle einer solchen Ersetzung und soweit die maßgebliche Steuerjurisdiktion der Nachfolgeschuldnerin nicht die Bundesrepublik Deutschland umfasst, eine alternative Bezugnahme auf die Bundesrepublik Deutschland als zusätzlich zur Bezugnahme auf die maßgebliche Steuerjurisdiktion der Nachfolgeschuldnerin nach dem vorstehenden Satz einbezogen gelten.
- (3) *Change of References.* Upon effectiveness of the substitution any reference in these Terms and Conditions to the Issuer shall from then on be deemed to refer to the Substitute Debtor and any reference to the Relevant Taxing Jurisdiction with respect to the Issuer shall from then on be deemed to refer to the Relevant Taxing Jurisdiction with respect to the Substitute Debtor. Furthermore, in the event of such substitution and if the Relevant Taxing Jurisdiction of the Substitute Debtor does not include the Federal Republic of Germany, an alternative reference to the Federal Republic of Germany shall be deemed to have been included in addition to the reference according to the preceding sentence to the Relevant Taxing Jurisdiction of the Substitute Debtor.
- (4) *Freistellung von Verbindlichkeiten.* Die Emittentin wird mit der wirksamen Ersetzung der Emittentin wie in diesem Paragraphen dargestellt von jeder Verbindlichkeit die aus oder in Zusammenhang mit den Schuldverschreibungen entsteht befreit.
- (4) *Release from Obligations.* Upon effective substitution of the Issuer as set forth in this paragraph, the Issuer shall be released from any obligation arising from or in connection with the Notes.

§ 13

Begebung Weiterer Schuldverschreibungen, Ankauf und Entwertung

- (1) *Begebung weiterer Schuldverschreibungen.* Die Emittentin ist, vorbehaltlich der Bestimmungen des § 11, berechtigt, jederzeit ohne Zustimmung der Gläubiger weitere Schuldverschreibungen mit in jeder Hinsicht gleicher Ausstattung (gegebenenfalls mit Ausnahme des jeweiligen Begebungstags, des Verzinsungsbeginns, der ersten Zinszahlung und/oder des Ausgabepreises) in der Weise zu begeben, dass sie mit diesen Schuldverschreibungen eine einheitliche Serie bilden.
- (2) *Ankauf.* Die Emittentin ist berechtigt, jederzeit Schuldverschreibungen im Markt oder anderweitig zu jedem beliebigen Preis zu kaufen. Die von der Emittentin erworbenen Schuldverschreibungen können nach Wahl der Emittentin von ihr gehalten, weiterverkauft oder bei der Zahlstelle zwecks Entwertung

§ 13

Further Issues, Purchases and Cancellation

- (1) *Further Issues.* Subject to § 11, the Issuer may from time to time, without the consent of the Noteholders, issue further Notes having the same terms and conditions as the Notes in all respects (or in all respects except for the relevant issue date, interest commencement date, first interest payment date and/or issue price) so as to form a single series with the Notes.
- (2) *Purchases.* The Issuer may at any time purchase Notes in the open market or otherwise and at any price. Notes purchased by the Issuer may, at the option of the Issuer, be held, resold or surrendered to the Paying Agent for cancellation.

eingereicht werden.

- (3) *Entwertung.* Sämtliche vollständig zurückgezahlten Schuldverschreibungen sind unverzüglich zu entwerten und können nicht wiederbegeben oder wiederverkauft werden.

§ 14
Änderung der Anleihebedingungen
durch Beschlüsse der Gläubiger,
Gemeinsamer Vertreter

- (1) *Änderung der Anleihebedingungen.* Die Anleihebedingungen können mit Zustimmung der Emittentin durch Mehrheitsbeschluss der Gläubiger nach Maßgabe der §§ 5 ff. des Gesetzes über Schuldverschreibungen aus Gesamtemissionen („SchVG“) in seiner jeweils geltenden Fassung geändert werden. Die Gläubiger können insbesondere einer Änderung wesentlicher Inhalte der Anleihebedingungen, einschließlich der in § 5 Abs. 3 SchVG vorgesehenen Maßnahmen, durch Beschlüsse mit den in dem nachstehenden Absatz (2) genannten Mehrheiten zustimmen. Ein ordnungsgemäß gefasster Mehrheitsbeschluss ist für alle Gläubiger gleichermaßen verbindlich.
- (2) *Mehrheit.* Vorbehaltlich des nachstehenden Satzes und der Erreichung der erforderlichen Beschlussfähigkeit, beschließen die Gläubiger mit der einfachen Mehrheit der an der Abstimmung teilnehmenden Stimmrechte. Beschlüsse, durch welche der wesentliche Inhalt der Anleihebedingungen geändert wird, insbesondere in den Fällen des § 5 Abs. 3 Nr. 1 bis 9 SchVG, bedürfen zu ihrer Wirksamkeit einer Mehrheit von mindestens 75 % der an der Abstimmung teilnehmenden Stimmrechte (eine „**Qualifizierte Mehrheit**“).
- (3) *Abstimmung ohne Versammlung.* Vorbehaltlich Absatz (4) sollen Beschlüsse der Gläubiger ausschließlich durch eine Abstimmung ohne Versammlung nach § 18 SchVG gefasst werden. Die Aufforderung zur Stimmabgabe enthält nähere Angaben zu den Beschlüssen und den Abstimmungsmodalitäten. Die Gegenstände und Vorschläge zur Beschlussfassung werden den Gläubigern mit der Aufforderung zur Stimmabgabe bekannt gemacht. Die Ausübung

- (3) *Cancellation.* All Notes redeemed in full shall be cancelled forthwith and may not be reissued or resold.

§ 14
Amendments of the Terms and Conditions by
Resolutions of Noteholders,
Joint Representative

- (1) *Amendment of the Terms and Conditions.* The Terms and Conditions may be amended with consent of the Issuer by virtue of a majority resolution of the Noteholders pursuant to sections 5 et seqq. of the German Act on Issues of Debt Securities (*Gesetz über Schuldverschreibungen aus Gesamtemissionen – “SchVG”*), as amended from time to time. In particular, the Noteholders may consent to amendments which materially change the substance of the Terms and Conditions, including such measures as provided for under section 5 paragraph 3 of the SchVG by resolutions passed by such majority of the votes of the Noteholders as stated under paragraph (2) below. A duly passed majority resolution shall be binding equally upon all Noteholders.
- (2) *Majority.* Except as provided by the following sentence and *provided that* the quorum requirements are being met, the Noteholders may pass resolutions by simple majority of the voting rights participating in the vote. Resolutions which materially change the substance of the Terms and Conditions, in particular in the cases of section 5 paragraph 3 numbers 1 through 9 of the SchVG, may only be passed by a majority of at least 75% of the voting rights participating in the vote (a “**Qualified Majority**”).
- (3) *Vote without a meeting.* Subject to paragraph (4), resolutions of the Noteholders shall exclusively be made by means of a vote without a meeting in accordance with section 18 of the SchVG. The request for voting will provide for further details relating to the resolutions and the voting procedure. The subject matter of the vote as well as the proposed resolutions shall be notified to the Noteholders together with the request for voting. The exercise of voting rights is subject to the

der Stimmrechte ist von einer Anmeldung der Gläubiger abhängig. Die Anmeldung muss unter der in der Aufforderung zur Stimmabgabe mitgeteilten Adresse spätestens am dritten Tag vor Beginn des Abstimmungszeitraums zugehen. Mit der Anmeldung müssen die Gläubiger ihre Berechtigung zur Teilnahme an der Abstimmung durch einen in Textform erstellten besonderen Nachweis der Depotbank gemäß § 16(4)(i)(a) und (b) und durch Vorlage eines Sperrvermerks der Depotbank, aus dem hervorgeht, dass die betreffenden Schuldverschreibungen ab dem Tag der Absendung der Anmeldung (einschließlich) bis zum Tag, an dem der Abstimmungszeitraum endet (einschließlich), nicht übertragbar sind, nachweisen.

- (4) *Zweite Gläubigerversammlung.* Wird für die Abstimmung ohne Versammlung gemäß Absatz (3) die mangelnde Beschlussfähigkeit festgestellt, kann der Abstimmungsleiter eine Gläubigerversammlung einberufen, die als zweite Versammlung im Sinne des § 15 Abs. 3 Satz 3 SchVG anzusehen ist. Die Teilnahme an der zweiten Gläubigerversammlung und die Ausübung der Stimmrechte sind von einer Anmeldung der Gläubiger abhängig. Die Anmeldung muss unter der in der Bekanntmachung der Einberufung mitgeteilten Adresse spätestens am dritten Tag vor der zweiten Gläubigerversammlung zugehen. Mit der Anmeldung müssen die Gläubiger ihre Berechtigung zur Teilnahme an der Abstimmung durch einen in Textform erstellten besonderen Nachweis der Depotbank gemäß § 16(4)(i)(a) und (b) und durch Vorlage eines Sperrvermerks der Depotbank, aus dem hervorgeht, dass die betreffenden Schuldverschreibungen ab dem Tag der Absendung der Anmeldung (einschließlich) bis zum angegebenen Ende der Gläubigerversammlung (einschließlich) nicht übertragbar sind, nachweisen.
- (5) *Gemeinsamer Vertreter.* Die Gläubiger können durch Mehrheitsbeschluss die Bestellung oder Abberufung eines gemeinsamen Vertreters (der „**Gemeinsame Vertreter**“), die Aufgaben und Befugnisse des Gemeinsamen Vertreters, die Übertragung von Rechten der Gläubiger auf den Gemeinsamen Vertreter und eine Beschränkung der Haftung des Gemeinsamen Vertreters

Noteholders' registration. The registration must be received at the address stated in the request for voting no later than the third day preceding the beginning of the voting period. As part of the registration, Noteholders must demonstrate their eligibility to participate in the vote by means of a special confirmation of the Custodian in accordance with § 16(4)(i)(a) and (b) hereof in text form and by submission of a blocking instruction by the Custodian stating that the relevant Notes are not transferable from (and including) the day such registration has been sent to (and including) the day the voting period ends.

- (4) *Second Noteholders' Meeting.* If it is ascertained that no quorum exists for the vote without meeting pursuant to paragraph (3), the scrutineer may convene a noteholders' meeting, which shall be deemed to be a second noteholders' meeting within the meaning of section 15 paragraph 3 sentence 3 of the SchVG. Attendance at the second noteholders' meeting and exercise of voting rights is subject to the Noteholders' registration. The registration must be received at the address stated in the convening notice no later than the third day preceding the second noteholders' meeting. As part of the registration, Noteholders must demonstrate their eligibility to participate in the vote by means of a special confirmation of the Custodian in accordance with § 16(4)(i)(a) and (b) hereof in text form and by submission of a blocking instruction by the Custodian stating that the relevant Notes are not transferable from (and including) the day such registration has been sent to (and including) the stated end of the noteholders' meeting.
- (5) *Noteholders' Representative.* The Noteholders may by majority resolution provide for the appointment or dismissal of a joint representative (the “**Noteholders' Representative**”), the duties and responsibilities and the powers of such Noteholders' Representative, the transfer of the rights of the Noteholders to the Noteholders' Representative and a limitation of liability of the

bestimmen. Die Bestellung eines Gemeinsamen Vertreters bedarf einer Qualifizierten Mehrheit, wenn er ermächtigt werden soll, Änderungen des wesentlichen Inhalts der Anleihebedingungen gemäß Absatz (2) zuzustimmen.

- (6) *Veröffentlichung.* Bekanntmachungen betreffend diesem § 14 erfolgen ausschließlich gemäß den Bestimmungen des SchVG.

§ 15 Mitteilungen

- (1) *Mitteilungen.*

(a) Alle die Schuldverschreibungen betreffenden Mitteilungen, mit Ausnahme der in § 14(6) geregelten Mitteilungen, die ausschließlich gemäß den Bestimmungen des SchVG erfolgen, werden im Bundesanzeiger sowie auf der Webseite der Börse Luxemburg unter www.bourse.lu veröffentlicht.

(b) Die Emittentin ist berechtigt, alle die Schuldverschreibungen betreffenden Mitteilungen an das Clearingsystem zur Weiterleitung an die Gläubiger zu übermitteln, soweit dies nach den Regeln der Börse, an der die Schuldverschreibungen zugelassen oder in den Handel einbezogen sind, zulässig ist.

- (2) *Wirksamkeit von Mitteilungen.* Jede Mitteilung gilt am Tag der ersten Veröffentlichung (oder, falls sie in einer Zeitung zu veröffentlichen ist, am ersten Tag, an dem die Veröffentlichung in der vorgeschriebenen Zeitung erfolgt) bzw. am vierten Geschäftstag nach dem Datum der Übermittlung an das Clearingsystem als wirksam erfolgt.

§ 16 Anwendbares Recht, Erfüllungsort und Gerichtsstand, Gerichtliche Geltendmachung

- (1) *Anwendbares Recht.* Form und Inhalt der Schuldverschreibungen sowie die Rechte und Pflichten der Gläubiger und der Emittentin bestimmen sich in jeder Hinsicht nach deutschem Recht.

Noteholders' Representative. Appointment of a Noteholders' Representative may only be passed by a Qualified Majority if such Noteholders' Representative is to be authorized to consent, in accordance with paragraph (2) hereof, to a material change in the substance of the Terms and Conditions.

- (6) *Publication.* Any notices concerning this § 14 shall be made exclusively pursuant to the provisions of the SchVG.

§ 15 Notices

- (1) *Notices.*

(a) All notices regarding the Notes, other than any notices stipulated in § 14(6) which shall be made exclusively pursuant to the provisions of the SchVG, will be published in the Federal Gazette (*Bundesanzeiger*) and on the website of the Luxembourg Stock Exchange under www.bourse.lu.

(b) The Issuer will be entitled to deliver all notices concerning the Notes to the Clearing System for communication by the Clearing System to the Noteholders to the extent that the rules of the stock exchange on which the Notes are listed or admitted to trading so permit.

- (2) *Effectiveness of notices.* Any notice will be deemed to have been validly given on the date of the first publication (or, if required to be published in a newspaper, on the first date on which publication shall have been made in the required newspaper) or, as the case may be, on the fourth Business Day after the date of such delivery to the Clearing System.

§ 16 Governing Law, Place of Performance and Place of Jurisdiction, Enforcement

- (1) *Governing Law.* The Notes, as to form and content, and all rights and obligations of the Noteholders and the Issuer, shall be governed by German law.

- (2) *Erfüllungsort.* Erfüllungsort ist Berlin, Bundesrepublik Deutschland.
- (3) *Gerichtsstand.* Gerichtsstand für sämtliche im Zusammenhang mit den Schuldverschreibungen entstehenden Klagen oder sonstigen Verfahren ist, soweit rechtlich zulässig, Frankfurt am Main, Bundesrepublik Deutschland. Für Entscheidungen gemäß § 9 Abs. 2, § 13 Abs. 3 und § 18 Abs. 2 SchVG ist gemäß § 9 Abs. 3 SchVG das Amtsgericht Berlin-Charlottenburg zuständig. Für Entscheidungen über die Anfechtung von Beschlüssen der Anleihegläubiger ist gemäß § 20 Abs. 3 SchVG ausschließlich das Landgericht Berlin zuständig. Sofern die Emittentin ihren Sitz verlegt, gelten die gesetzlichen Gerichtsstände gemäß dem SchVG.
- (4) *Gerichtliche Geltendmachung.* Jeder Gläubiger von Schuldverschreibungen ist berechtigt, in jedem Rechtsstreit gegen die Emittentin oder in jedem Rechtsstreit, in dem der Gläubiger und die Emittentin Partei sind, seine Rechte aus diesen Schuldverschreibungen im eigenen Namen auf der folgenden Grundlage zu sichern und geltend zu machen: (i) einer Bescheinigung der Depotbank, bei der er für die Schuldverschreibungen ein Wertpapierdepot unterhält, welche (a) den vollständigen Namen und die vollständige Adresse des Gläubigers enthält, (b) den Gesamtnennbetrag der Schuldverschreibungen bezeichnet, die unter dem Datum der Bestätigung auf dem Wertpapierdepot verbucht sind und (c) bestätigt, dass die Depotbank gegenüber dem Clearingsystem eine schriftliche Erklärung abgegeben hat, die die vorstehend unter (a) und (b) bezeichneten Informationen enthält, und (ii) einer Kopie der die betreffenden Schuldverschreibungen verbriefenden Globalurkunde, deren Übereinstimmung mit dem Original eine vertretungsberechtigte Person von dem Clearingsystem oder einer Verwahrstelle des Clearingsystems bestätigt hat, ohne dass eine Vorlage der Originalbelege oder der die Schuldverschreibungen verbriefenden Globalurkunde in einem solchen Verfahren erforderlich wäre. Für die Zwecke des
- (2) *Place of Performance.* Place of performance is Berlin, Federal Republic of Germany.
- (3) *Place of Jurisdiction.* To the extent legally permissible, the courts of Frankfurt am Main, Federal Republic of Germany, will have jurisdiction for any actions or other legal proceedings arising out of or in connection with the Notes. The local court (*Amtsgericht*) of Berlin-Charlottenburg will have jurisdiction for all judgments in accordance with section 9 paragraph 2, section 13 paragraph 3 and section 18 paragraph 2 SchVG in accordance with section 9 paragraph 3 SchVG. The regional court (*Landgericht*) in the district of Berlin will have exclusive jurisdiction for all judgments over contested resolutions by Noteholders in accordance with section 20 paragraph 3 SchVG. Should the Issuer change its registered seat, the statutory jurisdiction pursuant to the SchVG shall apply.
- (4) *Enforcement.* Any Noteholder may in any proceedings against the Issuer, or to which such Noteholder and the Issuer are parties, protect and enforce in his own name his rights arising under such Notes on the basis of (i) a statement issued by the Custodian with whom such Noteholder maintains a securities account in respect of the Notes (a) stating the full name and address of the Noteholder, (b) specifying the aggregate principal amount of Notes credited to such securities account on the date of such statement and (c) confirming that the Custodian has given written notice to the Clearing System containing the information pursuant to (a) and (b) and (ii) a copy of the Global Note representing the relevant Notes certified as being a true copy of the original Global Note by a duly authorized officer of the Clearing System or a depository of the Clearing System, without the need for production in such proceedings of the actual records or the Global Note representing the Notes. For purposes of the foregoing, “**Custodian**” means any bank or other financial institution of recognized standing authorized to engage in securities custody business with which the Noteholder maintains a securities account in respect of the Notes, including the Clearing System. Each Noteholder may, without prejudice to the foregoing, protect and enforce his rights under these Notes also in any other way which is admitted in the country of

Vorstehenden bezeichnet „**Depotbank**“ jede Bank oder ein sonstiges anerkanntes Finanzinstitut, das berechtigt ist, das Depotgeschäft zu betreiben und bei der/dem der Gläubiger ein Wertpapierdepot für die Schuldverschreibungen unterhält, einschließlich dem Clearingsystem. Unbeschadet der vorstehenden Bestimmungen ist jeder Gläubiger berechtigt, seine Rechte aus diesen Schuldverschreibungen auch auf jede andere im Land des Verfahrens zulässige Weise geltend zu machen.

**§ 17
Sprache**

Diese Anleihebedingungen sind in deutscher Sprache abgefasst; eine Übersetzung in die englische Sprache ist beigelegt. Nur die deutsche Fassung ist rechtlich bindend. Die englische Übersetzung ist unverbindlich.

the proceedings.

**§ 17
Language**

These Terms and Conditions are written in the German language and provided with an English language translation. The German version shall be the only legally binding version. The English translation is for convenience only.

13 OFFER, SUBSCRIPTION AND SALE, USE OF PROCEEDS

13.1 Subject matter of the offering of the Notes

The offering of the Notes consisted of a “**Private Placement**” to qualified investors within the meaning of Article 2 para. (1)(e) of Directive 2003/71/EC of the European Parliament and the Council dated November 4, 2003 (as amended, *inter alia*, by Directive 2010/73/EU, the “**Prospectus Directive**”) in the European Union and certain other countries, with the exception of the United States of America as well as Japan according to the applicable exemption clauses regarding private placements performed by the Joint Bookrunners on a Best Efforts basis.

13.2 Allotment

The allotment of the Notes to investors (the “**Allotment**”) was made by the Joint Bookrunners in coordination with the Company.

13.3 Delivery and settlement

The Notes will be delivered to the investors following the Allotment by the Joint Bookrunners with value as at the Issue Date, on April 17, 2019.

The Joint Bookrunners are obliged to transfer the issue proceeds received after deduction of costs, fees and commissions in accordance with the terms of the Subscription Agreement (as defined below).

13.4 Subscription Agreement

Subject to the terms and conditions of a subscription agreement (the “**Subscription Agreement**”) between the Company and the Joint Bookrunners to be signed on April 15, 2019, the Company has agreed to sell to the Joint Bookrunners and the Joint Bookrunners have agreed, subject to certain customary closing conditions, to purchase such Notes which have been subscribed by, and allotted to, investors in the course of the offering of the Notes, and to sell and transfer such Notes to the respective investors. Proceeds to the Company will be net of commissions and expenses of the Joint Bookrunners. The Company agreed to reimburse the Joint Bookrunners for certain expenses incurred in connection with the offering of the Notes. In addition, the Company agreed to indemnify the Joint Bookrunners against certain liabilities in connection with the offering of the Notes. The Joint Bookrunners are entitled, under certain circumstances, to terminate the Subscription Agreement with the Company. The circumstances include: any material adverse change in the financial condition, results of operations, business or prospects of the ADLER group and any material adverse change in conditions on the capital markets. If the Subscription Agreement is terminated, the offering of the Notes will not be consummated. Any allotments already made to investors will be invalidated and investors will have no claim for delivery of the Notes. In this case the Joint Bookrunners will not be obliged to deliver Notes to investors.

13.5 Selling Restrictions

General

Under the Subscription Agreement, the Joint Bookrunners have undertaken to comply with all applicable rules and regulations in the countries in which they conduct sales or other activities in connection with the issue of the Notes or in which the Joint Bookrunners possess or intend to distribute this Prospectus or other documents relating to the offering.

Prohibition of sales to EEA retail investors

Each Joint Bookrunner has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any retail investor in the European Economic Area. For the purposes of this provision the expression retail investor means a person who is one (or more) of the following:

- (i) “a retail client as defined in point (11) of Article 4(1) of MiFID II; or

- (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

United States of America

The Notes have not been and will not be registered under the Securities Act, and may not be offered or sold into or within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act ("**Regulation S**").

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations thereunder.

The Joint Bookrunners have agreed that they will not offer, sell or deliver the Notes (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the closing date, within the United States or to, or for the account or benefit of, U.S. persons, and they will send to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Notes from them during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S.

In addition:

- (i) except to the extent permitted under U.S. Treas. Reg. §1.163-5(c)(2)(i)(D) (the "**D Rules**"), the Joint Bookrunners (i) have represented that they have not offered or sold, and agree that during a 40 day restricted period they will not offer or sell, Notes to a person who is within the United States or its possessions or to a United States person, and (ii) represented that they have not delivered and agree that they will not deliver within the United States or its possessions definitive Notes that are sold during the restricted period;
- (ii) the Joint Bookrunners have represented that they have and agreed that throughout the restricted period they will have in effect procedures reasonably designed to ensure that their employees or agents who are directly engaged in selling Notes are aware that such Notes may not be offered or sold during the restricted period to a person who is within the United States or its possessions or to a United States person, except as permitted by the D Rules;
- (iii) if it is a United States person, the Joint Bookrunners represented that it is acquiring the Notes for purposes of resale in connection with their original issue and if it retains Notes for its own account, it will only do so in accordance with the requirements of U.S. Treas. Reg. §1.163-5(c)(2)(i)(D)(6) and;
- (iv) with respect to each affiliate that acquires from them Notes for the purpose of offering or selling such Notes during the restricted period, the Joint Bookrunners either (a) repeated and confirmed the representations and agreements contained in paragraphs (i), (ii) and (iii) on their behalf or (b) agreed that they will obtain from such affiliate for the benefit of the Issuer the representations and agreements contained in paragraphs (i), (ii) and (iii).

Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations thereunder, including the D Rules.

United Kingdom

Under the Subscription Agreement, the Joint Bookrunners have represented and warranted that:

- (a) they have not received, communicated or caused to be communicated, and will not communicate or cause to be communicated, any invitation or inducement to engage in investment activity within the meaning of section 21 of the Financial Services and Markets Act 2000 (as amended) (the "**FSMA**") in connection

with the sale of the Notes except in circumstances in which section 21 of the FSMA does not apply to the Company; and

- (b) they have complied and will comply with all applicable provisions of the FSMA with respect to actions taken by them in relation to the Notes in, from, or otherwise in connection with the United Kingdom.

13.6 Use of proceeds

The gross proceeds accruing to the Company from the issuance of the Notes will amount to approximately EUR 400 million. The Company estimates that the total costs that it will incur in connection with the issuance of the Notes, including underwriting fees and commissions, advisory and other transaction costs and professional fees, will amount to approximately EUR 4.8 million resulting in net proceeds from the issuance of approximately EUR 395.2 million.

The Company intends to use the net proceeds from the issuance for the following purposes:

- (i) approximately EUR 300 million are intended to be used for repayment of existing debt in the form of the repurchase of the EUR 500 million 4.75% Notes due 2020 with an outstanding aggregate amount of EUR 300 million;
- (ii) the remaining proceeds of approximately EUR 95.2 million are intended to be used for other refinancing and/or for financing general corporate purposes.

The actual amounts may be subject to adjustment and may differ at the time of the consummation of the issuance of the Notes depending on several factors, including differences from the Company's estimate of costs, fees and expenses.

14 LISTING AND GENERAL INFORMATION

14.1 Authorization

The creation and issue of the Notes have been authorized by a resolution of the management board of the Company dated April 3, 2019, with the consent of the supervisory board dated April 4, 2019.

14.2 Clearance and settlement

The Notes have been accepted for clearance by Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium, and/or Clearstream Banking, S.A., 42 Avenue J.F. Kennedy, L-1855 Luxembourg.

The Notes are intended to be held in a manner which will allow Eurosystem eligibility. This simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.

The Notes have been assigned the following securities codes: ISIN XS1843441491, Common Code 184344149.

14.3 Admission to trading

Admission of the Notes to trading on the regulated market of the Luxembourg Stock Exchange is expected to occur on April 17, 2019.

14.4 Rating of the Company and the Notes

On September 20, 2019, S&P Global Ratings revised its outlook on the Company to stable from positive, while affirming its “BB” long-term corporate credit rating to the Company and its 'BB+' long-term issue rating on the Company's debt. S&P Global Ratings believe that the Company's actions to reduce debt, including through asset disposals, and execute on its refinancing plans will take longer than previously forecasted. According to S&P Global ratings the stable outlook reflects its expectation of continued favorable demand for residential real estate in Germany translating into stable cash flow generation and positive revaluation for the Company's portfolio of residential properties. S&P Global Ratings' business operations in the European Union are currently conducted through Standard & Poor's Credit Market Services Europe Limited which is established in the EU and is registered under Regulation (EC) No 1060/2009.

14.5 Yield

The yield amounts to 1.500% on the basis of the issue price of 100% of the nominal amount and redemption at the end of the term of the Notes. Such yield is calculated in accordance with the ICMA (International Capital Markets Association) Method. The ICMA method determines the effective interest rate on Notes by taking into account accrued interest on a daily basis.

14.6 Material adverse change statement

There has been no material adverse change in the prospects of the Company since the date of its last published audited financial statements as at December 31, 2018.

14.7 Significant change statement

There has been no significant change in the financial or trading position of the Company since the date of its last published audited financial statements as at December 31, 2018.

14.8 Governmental, legal and arbitration proceedings statement

Other than as described in section 4.13 “*Litigation*”, the Company has not been involved in any governmental, legal or arbitration proceedings (including such proceedings which are pending or threatened of which the

Company is aware, during the last 12 months, which may have, or have had in the recent past, significant effects upon the financial position or profitability of the Company or the Group.

14.9 Costs of Admission to Trading

The estimate of the total expenses related to the admission of the Notes to trading is EUR 7,000.

15 TAXATION

The following information is basic in nature and represents a general description of the main tax consequences in the Federal Republic of Germany as of the date of this Prospectus, which may be relevant for acquiring, holding or selling the Notes (including the Notes) under German law. Also, the following information does not claim to be a complete description of all potential tax considerations which might be important when making an investment decision. Certain tax aspects may not be described because they correspond to general principles in the law or are assumed to be part of the general knowledge of Noteholders. This summary is based on the applicable provisions in the laws in the Federal Republic of Germany on the date of the Prospectus as well as typical provisions of double taxation treaties that Germany has concluded with other countries and is subject to future legislative changes, decisions by the courts, changes in administrative practice and other changes. Tax legislation and the status of the treaties may change, possibly with retroactive or retrospective effect. Moreover, it cannot be ruled out that the German tax authorities or courts may consider an alternative assessment to be correct that differs from the one described in this section. The following information does not constitute legal or tax advice and should not be viewed as such advice. Future Noteholders should obtain advice from their tax advisors and attorneys in order to obtain information about special legal and tax consequences that might arise for the Noteholders in their personal tax situations and under their applicable legal systems.

15.1 Taxation of Noteholders

Tax resident Noteholders of the Notes

The section "Tax resident Noteholders of the Notes" refers to persons who are tax residents of Germany (*i.e.* persons whose residence, habitual abode, statutory seat, or place of effective management is located in Germany).

Withholding tax on interest payments and capital gains

Interest payments received by an individual Noteholder of the Notes will be subject to German withholding tax if the Notes are kept or administrated in a custodial account with a German branch of a German or non-German credit institution or financial services institution, a German securities trading company or a German securities trading bank (each a "**Disbursing Agent**", *auszahlende Stelle*). The flat income tax rate is 25% (plus 5.5% solidarity surcharge thereon, the total withholding being 26.375%). An electronic information system for withholding of church tax will apply to individuals subject to church tax in relation to investment income, with the effect that church tax will be collected by the Disbursing Agent by way of withholding unless the investor has filed a blocking notice (Sperrvermerk) with the German Federal Central Tax Office (*Bundeszentralamt für Steuern*) in which case the investor will be assessed to church tax.

The same treatment applies to capital gains (*i.e.* the difference between the proceeds from the disposal, redemption, repayment or assignment after deduction of expenses directly related to the disposal, redemption, repayment or assignment and the cost of acquisition) derived by an individual Noteholder provided the Notes have been held in a custodial account with a Disbursing Agent since the time of their acquisition. If Notes held or administrated in the same custodial account have been acquired at different points in time, the Notes first acquired will be deemed to have been sold first for the purposes of determining the capital gains. Where Notes are acquired and/or sold or redeemed in a currency other than Euro, the sales/redemption price and the acquisition costs have to be converted into Euro on the basis of the foreign exchange rates prevailing on the sale or redemption date and the acquisition date respectively. If interest coupons or interest claims are disposed of separately (*i.e.* without the Notes), the proceeds from the disposition are subject to withholding tax. The same applies to proceeds from the payment of interest coupons or interest claims if the Notes have been disposed of separately.

To the extent the Notes have not been kept in a custodial account with a Disbursing Agent since the time of their acquisition, upon the disposal, redemption, repayment or assignment withholding tax applies at a rate of 26.375% (including solidarity surcharge, plus church tax, if applicable) on 30% of the disposal proceeds (plus interest accrued on the Notes ("**Accrued Interest**", *Stückzinsen*), if any), unless the investor or the previous depository bank was able and allowed to prove evidence for the investor's actual acquisition costs to the Disbursing Agent.

In computing any German tax to be withheld, the Disbursing Agent may generally deduct from the basis of the withholding tax negative investment income realised by the individual Noteholder of the Notes via the Disbursing Agent (e.g. losses from the sale of other securities with the exception of shares). The Disbursing Agent may also deduct Accrued Interest on the Notes or other securities paid separately upon the acquisition of the respective security via the Disbursing Agent. In addition, subject to certain requirements and restrictions the Disbursing Agent may credit foreign withholding taxes levied on investment income in a given year regarding securities held by the individual Noteholder in the custodial account with the Disbursing Agent.

Individual Noteholders may be entitled to an annual allowance (*Sparer-Pauschbetrag*) of EUR 801 (EUR 1,602 for jointly assessed individual Noteholders) for all investment income received in a given year. Upon the individual Noteholder filing an exemption certificate (*Freistellungsauftrag*) with the Disbursing Agent, the Disbursing Agent will take the allowance into account when computing the amount of tax to be withheld. No withholding tax will be deducted if the Noteholder of the Notes has submitted to the Disbursing Agent a certificate of non-assessment (*Nichtveranlagungsbescheinigung*) issued by the competent local tax office.

German withholding tax will not apply to gains from the disposal, redemption, repayment or assignment of Notes held by a corporation as Noteholder while ongoing payments, such as interest payments, are subject to withholding tax (irrespective of any deductions of foreign tax and capital losses incurred). With regard to gains from the disposal, repayment or assignment of Notes held by an individual Noteholder, a business partnership or through the permanent establishment of a non-resident taxpayer, the same may apply upon application where the Notes form part of a trade or business, subject to further requirements being met.

The Issuer is not obliged under German law to withhold any withholding tax (*Kapitalertragsteuer*) on interest payments and upon the sale or redemption of the Notes.

Taxation of current income and capital gains

The personal income tax liability of an individual Noteholder deriving income from capital investments under the Notes is, in principle, settled by the tax withheld. To the extent withholding tax has not been levied, such as in the case of Notes kept in custody abroad or if no Disbursing Agent is involved in the payment process, the individual Noteholder must report his or her income and capital gains derived from the Notes on his or her tax return and then will also be taxed at a rate of 25% (plus solidarity surcharge and church tax thereon, where applicable). If the withholding tax on a disposal, redemption, repayment or assignment has been calculated from 30% of the disposal proceeds (rather than from the actual gain), an individual Noteholder may and in case the actual gain is higher than 30% of the disposal proceeds must also apply for an assessment on the basis of his or her actual acquisition costs. Further, an individual Noteholder may request that all investment income of a given year is taxed at his or her lower individual tax rate based upon an assessment to tax with any amounts over withheld being refunded. In each case, the deduction of expenses (other than transaction costs) on an itemized basis is not permitted.

Please note that the coalition agreement between the German Christdemocratic Party and the German Socialdemocratic Party for the formation of the current German federal government provides that the flat tax regime shall be partially abolished for certain capital investment income, including interest income. The coalition agreement further provides that the solidarity surcharge shall be abolished in stages provided that the individual income does not exceed certain thresholds. There is however no draft bill available yet and a lot of details are hence still unclear. That means however that income received by Noteholders holding the Notes as private assets may be taxed at individual progressive income tax rates of up to 45 per cent. in the future (plus a 5.5 per cent. solidarity surcharge thereon, unless abolished or reduced in the future, and church tax, if applicable to the individual Noteholder).

Capital losses from the Notes held as private assets are generally tax-recognized irrespective of the holding period of the Notes. The losses may, however, not be used to offset other income like employment or business income but may only be offset against investment income subject to certain limitations. Losses not utilized in one year may be carried forward into subsequent years but may not be carried back into preceding years. Pursuant to a tax decree issued by the German Federal Ministry of Finance dated January 18, 2016 (as last amended on January 17, 2019), losses suffered upon a bad debt loss (*Forderungsausfall*) and a waiver of a receivable (*Forderungsverzicht*) (to the extent the waiver does not qualify as a hidden contribution) shall, in general, not be treated as a sale, so that losses suffered upon such bad debt loss or waiver shall not be deductible for tax purposes. However, the German Federal Fiscal Court decided in 2017 that a final bad debt loss with respect to a capital claim shall be deductible for tax purposes; the question whether this also applies to a waiver

of a receivable has been left open by the court. With respect to a (voluntary) waiver of receivable a lower German fiscal court confirmed the view of the German tax authorities in a final decision and another lower fiscal court rejected the jurisdiction of the Federal Fiscal Court with respect to the tax deductibility of a bad debt loss. Two further decisions in this context are currently still pending with the German Federal Fiscal Court.

Furthermore, capital losses might not be recognised by the German tax authorities if the Notes are sold or redeemed at a market price, which is lower than the transaction costs or if the level of transaction costs is restricted because of a mutual agreement that the transaction costs are calculated by subtracting a certain amount from the sales price or if no (or only de minimis) payments are made to the individual investors on the maturity or redemption date of the Notes. This view has however been rejected by a judgement of the German Federal Tax Court published in September 2018. In addition, in a recently published decision by the German Federal Tax Court with regard to losses incurred in connection with knock-out certificates due to the fact of exceeding the knock-out threshold the German Federal Fiscal Court took the view that such a case (*i.e.* no payments on the day of exceeding the knock-out threshold) shall be treated similar to a bad debt loss as a sale at the value zero, so that losses suffered shall also be deductible for tax purposes. Currently, a draft letter of the German federal ministry of finance (*Bundesministerium für Finanzen*) dated 11 January 2019 indicates that the tax authorities have changed their view that a disposal shall be disregarded if the transaction costs exceed the proceeds from the disposal or if the level of transaction costs is restricted because of a mutual agreement that the transaction costs are calculated by subtracting a certain amount from the sales price.

Where Notes form part of a trade or business the withholding tax, if any, will not settle the personal or corporate income tax liability. Where Notes form part of a trade or business, interest (accrued) must be taken into account as income. The respective Noteholder will have to report income and related (business) expenses on the tax return and the balance will be taxed at the Noteholder's applicable tax rate. Withholding tax levied, if any, will be credited against the personal or corporate income tax of the Noteholder. Where Notes form part of a German trade or business the current income and gains from the disposal, redemption, repayment or assignment of the Notes may also be subject to German trade tax.

Non-resident Noteholders of the Notes

Interest, including Accrued Interest, and capital gains are not subject to German taxation, unless (i) the Notes form part of the business property of a permanent establishment, including a permanent representative, or a fixed base maintained in Germany by the Noteholder or (ii) the income otherwise constitutes German-source income. In cases (i) and (ii) a tax regime similar to that explained above under "*Tax resident Noteholders of the Notes*" applies.

Non-residents of Germany are, in general, exempt from German withholding tax on interest and the solidarity surcharge thereon. However, where the interest is subject to German taxation as set forth in the preceding paragraph and the Notes are held in a custodial account with a Disbursing Agent, withholding tax may be levied under certain circumstances. The withholding tax may be refunded based on an assessment to tax or under an applicable tax treaty.

Substitution of the Issuer

If the Issuer exercises the right to substitute the debtor of the Notes, the substitution might, for German tax purposes, be treated as an exchange of the Notes for new notes issued by the Substitute Debtor and subject to similar taxation rules like the Notes. In particular, such a substitution could result in the recognition of a taxable gain or loss for any Noteholder of a Note.

Inheritance and gift tax

The transfer of the Notes to another person by way of gift or inheritance may be subject to German gift or inheritance tax, respectively, if *inter alia*:

- (i) the testator, the donor, the heir, the donee or any other acquirer had his residence, habitual abode or, in case of a corporation, association (*Personenvereinigung*) or estate (*Vermögensmasse*), has its seat or place of management in Germany at the time of the transfer of property,
- (ii) except as provided under (i), the testator's or donor's Notes belong to business assets attributable to a permanent establishment or a permanent representative in Germany.

Special regulations may apply to certain German expatriates.

Other taxes

No stamp, issue, value added, capital transfer or registration taxes or such duties will be payable in Germany in connection with the issuance, delivery or execution as well as the purchase, sale or other disposal of the Notes. However, under certain circumstances entrepreneurs may choose liability to German value added tax with regard to the sale of the Notes to other entrepreneurs which would otherwise be tax exempt. Currently, net assets tax is not levied in Germany.

15.2 The proposed Financial Transaction Tax

On February 14, 2013, the European Commission published a proposal (the "**Commission's Proposal**") for a Directive for a common financial transactions tax (the "**FTT**"). According to the Commission's Proposal, the FTT shall be implemented in certain EU Member States, including Germany.

Pursuant to the original proposal under the Draft Directive, the FTT shall be payable on financial transactions provided at least one party to the financial transaction is established or deemed established in a Participating Member State and there is a financial institution established or deemed established in a Participating Member State which is a party to the financial transaction, or is acting in the name of a party to the transaction. The FTT shall, however, not apply to (*inter alia*) primary market transactions referred to in Article 5 (c) of Regulation (EC) No 1287/2006, including the activity of underwriting and subsequent allocation of financial instruments in the framework of their issue. Thus, the issuance of the Notes should not be subject to the FTT.

The rates of the FTT shall be fixed by each Participating Member State but for transactions involving financial instruments other than derivatives shall amount to at least 0.1% of the taxable amount. The taxable amount for such transactions shall in general be determined by reference to the consideration paid or owed in return for the transfer. The FTT shall be payable by each financial institution established or deemed established in a Participating Member State which is a party to the financial transaction, acting in the name of a party to the transaction or where the transaction has been carried out on its account. Where the FTT due has not been paid within the applicable time limits, each party to a financial transaction, including persons other than financial institutions, shall become jointly and severally liable for the payment of the FTT due.

According to the coalition agreement between the German Christian democratic Party and the German Social democratic Party, the current German government still has the intention to introduce a FTT. In June 2018, Germany and France agreed to further pursue the implementation of a FTT in the EU for which the current French financial transaction tax (which is mainly focused on transactions regarding shares in listed companies with a market capitalization of more than EUR 1 billion) could serve as a role model.

Nevertheless, the FTT remains subject to negotiation between the (certain) EU Member States and was (and most probably will be) the subject of legal challenge. It may still be adopted and be altered prior to its adoption, the timing of which still remains unclear. Moreover, once any directive has been adopted (the "Directive"), it will need to be implemented into the respective domestic laws of the still participating Member States and the domestic provisions implementing the Directive might deviate from the Directive itself. Finally, additional EU Member States may decide to participate. Prospective holders of the Notes should consult their own tax advisers in relation to the consequences of the FTT associated with subscribing for, purchasing, holding and disposing of the Notes.

16 GLOSSARY

AG	German stock corporation (<i>Aktiengesellschaft</i>)
Asset deal	Acquisition of company by transfer of individual assets.
BaFin	The German Federal Financial Supervisory Authority
Bearer note	A bearer note is a special form of a note where the holder is not named in the note. The person who possesses the note is deemed the noteholder. In contrast thereto, there are registered notes where the holder is named in the note. Bearer notes are subject to the provisions of the German law of obligations in Section 793 et seq. BGB (German Civil Code).
BGB	German Civil Code
Cash flow / Net cash flow	In general, cash flow is a parameter which reflects the net inflow of liquid funds generated from business activities in a certain period.
Company	ADLER Real Estate Aktiengesellschaft, Berlin.
Customers	Customers are the respective purchasers of a product, good or service.
EBIT	EBIT means a company's earnings before interest (interest income less interest expenses) and tax and is a commonly used ratio in a company's profit and loss account.
EBITDA	EBITDA means a company's earnings (earnings before financial result and income tax) plus depreciation or earnings before interest, tax and depreciation or allowances. This ratio is unaudited. Potential investors should consider that EBITDA is neither uniformly applied nor standardized and that its calculation may substantially vary from company to company, and taken by itself, it should not be drawn upon as a basis for comparison to other companies.
EStG	German Income Tax Act
EU	European Union
EURIBOR	The Euro Interbank Offered Rate (EURIBOR) is the interest rate at which European banks offer to lend each other fixed-term deposits within Europe.
Financial covenants	In loan agreements, obligation of borrower to lender to comply with certain financial ratios.
Financial result	The financial result can be defined as interest income, interest expenses, exchange rate gains or losses, valuation differences on derivatives, capital income and financial investments.
Financial indebtedness	Financial indebtedness means (i) obligations from taking out loans; (ii) obligations under notes, promissory notes (<i>Schuldscheinen</i>) or similar debt instruments; (iii) the main obligation under acceptance, discount and similar loans; and (iv) obligations under financial leasing and sale and leaseback agreements and factoring agreements.
Fitch	Fitch Ratings, Inc. Its EU-based entities are established in the EU and are registered under Regulation (EC) No 1060/2009.
FTE	Full time equivalent.

GmbH	Company with limited liability
Global note	In banking, global note refers to a security which uniformly represents the rights of several shareholders of a stock issue or several holders of a note issue.
HGB	German Commercial Code
HRB	Commercial register (<i>Handelsregister</i>), section B
ICR	Interest Coverage Ratio
IFRS	International Financing Reporting Standards as endorsed by the European Union
ISIN	International Securities Identification Number – the purpose of the ISIN is to clearly identify securities on an international level. The ISIN consists of a two-digit country code (for example, DE for Germany) followed by a ten-digit numeric identifier.
Issue/issuance	The issuance and placement of new securities (shares, notes etc.) on a capital market by public sale is referred to as an issue. It may be carried out by a bank acting as agent (issuing bank) or as an own issue without using an intermediary. In most cases, the purpose of an issue of securities is to raise capital for the issuing company.
Issuer	ADLER Real Estate Aktiengesellschaft, Berlin, Germany.
IT	Information technology; comprises information and data processing as well as the required hard and software.
KG	Limited partnership with two or more natural oder legal persons, where one person (general partner) is fully liable for obligations of the company and the other person (limited partner) is only liable for its contribution.
KStG	Corporate Income Tax Act
Leverage	Ratio between the total net debt and the total EBITDA.
Liquidity	Liquidity means the liquid funds which are directly available to a company as well as the capability of a company to meet all obligations when due.
Moody's	Moody's Investors Service, Inc. Its EU-based entities are established in the EU and are registered under Regulation (EC) No 1060/2009.
Net debt	Net debt comprises long-term liabilities (with the exception of reserves for pensions and similar obligations, reserves, liabilities to third parties and deferred tax liabilities) less cash and cash equivalents. For so long as the purchaser has not discharged its obligations to the Company under the ACCENTRO SPA, such portion of the purchase price under the ACCENTRO SPA as remains outstanding from time to time (including accrued interest thereon) shall be counted as a cash equivalent for purposes of calculating net debt.
Note	A note is a debt instrument by which the issuer undertakes to the holder to effect payment of the debt and regular interest payment.
Open Market	Trading in securities which are not officially listed. Trading takes place either on the trading floor at normal stock exchange hours or via electronic trading systems. Trading policies are to ensure a due trading of the securities.

Compared to the regulated market, the qualitative requirements as to securities and the requirements as to disclosure are less strict.

Prime Standard	In addition to the General Standard segment, Prime Standard being a sub-segment of the regulated market with additional post-admission obligations is the segment of the Frankfurt Stock Exchange (<i>Frankfurter Wertpapierbörse</i>) with the highest transparency standards which is established under private law and regulated by law and a prerequisite for inclusion in the indices DAX, MDAX, TecDAX, and SDAX.
S&P	S&P Global Ratings. S&P Global Ratings' business operations in the European Union are currently conducted through Standard & Poor's Credit Market Services Europe Limited which is established in the EU and is registered under Regulation (EC) No 1060/2009.
WKN	WKN (German securities code) is a six-digit combination of figures and letters (national securities identifying number) for the identification of financial instruments.
WpHG	German Securities Trading Act
WpÜG	German Securities Acquisition and Takeover Act
XETRA	the electronic trading system of Deutsche Börse AG

17 INCORPORATION BY REFERENCE

The pages specified below of the following documents which have been published at the Company's website at www.adler-ag.com are incorporated by reference into this Prospectus. The page numbers set out below refer to the page numbers of the respective pdf documents of the financial statements published on the Company's website.

- the German language annual report 2018 containing the audited consolidated financial statements (prepared in accordance with IFRS) of the Company as of and for the fiscal year ended December 31, 2018 (*Konzernabschluss zum 31. Dezember 2018 nach den International Financial Reporting Standards*), available via the following link:

<https://adler-ag.com/new/wp-content/uploads/2019/03/Gescha%CC%88ftsbericht-2018.pdf>

- the German language annual report 2017 containing the audited consolidated financial statements (prepared in accordance with IFRS) of the Company as of and for the fiscal year ended December 31, 2017 (*Konzernabschluss zum 31. Dezember 2017 nach den International Financial Reporting Standards*), available via the following link:

https://adler-ag.com/new/wp-content/uploads/2018/05/adler-gb-2017_dt.pdf

Audited consolidated financial statements (prepared in accordance with IFRS) of the Company as of and for the fiscal year ended December 31, 2018

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Copies of these documents incorporated by reference in this Prospectus may be obtained without charge from the office of the Company and the website at www.adler-ag.com.

The Auditor's Reports have been issued in accordance with Section 322 German Commercial Code (*Handelsgesetzbuch*) and relate to the complete annual reports 2018 and 2017, respectively, of the Company comprising the consolidated balance sheets, the consolidated statements of income and accumulated earnings, consolidated cash flow statements, consolidated statements of changes in equity and notes and the group

management reports (*Konzernlageberichte*) as of and for the fiscal years ended December 31, 2018 and 2017. The group management reports are neither included nor incorporated by reference in this Prospectus.

English language translations of the German language financial statements of the Company which are being incorporated by reference into this Prospectus are available at the Company's website at www.adler-ag.com:

- the English language annual report 2018 containing the audited consolidated financial statements (prepared in accordance with IFRS) of the Company as of and for the fiscal year ended December 31, 2018, available via the following link:

<https://adler-ag.com/new/wp-content/uploads/2019/03/Annual-report-2018.pdf>

- the English language annual report 2017 containing the audited consolidated financial statements (prepared in accordance with IFRS) of the Company as of and for the fiscal year ended December 31, 2017, available via the following link:

https://adler-ag.com/new/wp-content/uploads/2018/03/adler-gb-2017_en.pdf

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Any information not incorporated by reference into this Prospectus but contained in one of the documents mentioned as source documents in the cross reference list above is either not relevant for the investor or covered in another part of this Prospectus.

All documents being incorporated by reference into this Prospectus have been filed with the Luxembourg Stock Exchange.

Any statement contained in this Prospectus or in a document that is incorporated by reference herein will be deemed to be modified or superseded for purposes of this Prospectus to the extent that a statement contained herein or in any other subsequently filed document that is also incorporated by reference herein modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement will not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any such statement so modified or superseded will not be deemed, except as so modified or superseded, to constitute a part of this Prospectus.

18 RECENT DEVELOPMENTS AND OUTLOOK

18.1 Recent developments

At the beginning of 2019 rights and obligations pertaining to around 3,700 non-core properties, which had been sold at the end of 2018, have been transferred to a joint venture company run by affiliated companies of ADLER and Benson Elliot Capital Management LLP by way of a property sale and transfer agreement regarding real estate properties consisting of 2,912 units located across Germany which was recently amended by notarial deeds on February 4, 2019 and on March 13, 2019. The purchase price amounts to EUR 117,700,000 (including an upfront partial purchase price of EUR 71,700,000).

On March 25, 2019, Brack Capital Properties N.V. (“BCP”), a subsidiary of ADLER, has entered into a binding sale and purchase agreement with an established London-based real estate private equity firm to dispose of three retail assets located in Rostock, Celle and Castrop-Rauxel. This part of BCP’s retail portfolio was sold with EUR 181 million of gross asset value were disposed of representing approximately 37% of its total retail portfolio. The portfolio is being sold in a share deal reflecting a 7.6% premium to the book equity value. BCP will retain a minority stake of 10.1% as part of the share deal. The proceeds will be used to repay approximately EUR 107 million of bank debt to further strengthen the balance sheet with ADLER’s LTV being positively impacted. ADLER will remain responsible for asset, property and facility management until the properties are eventually sold. The disposal of these three retail assets is in line with ADLER’s strategy to remain a pure play German residential real estate company.

There has been no material adverse change in the prospects of the Company since the date of its last published audited financial statements as at December 31, 2018.

There has been no significant change in the financial or trading position of the Company since the date of its last published audited financial statements as at December 31, 2018.

18.2 Outlook

ADLER expects the macroeconomic framework for companies in the property sector to remain overall favourable in 2019 as well. Developments in the first months of 2019 have confirmed this expectation.

Although the economic outlook has deteriorated slightly, most economic research institutes are still predicting economic growth of 1.0-1.5% and comparable growth in private consumer spending for 2019. At the same time, the interest rates relevant to Germany are expected to remain at the current low level until at least mid-2019. Should they subsequently rise, the increase can be expected to remain within manageable limits. This gives reason to expect that German real estate will continue to be a valuable investment category for private and professional investors.

Housing is expected to remain in short supply during 2019 as well. Demand will continue to increase due to the well-known socio-demographic changes, such as an increase in single-person households, thus equaling an increase of square metres’ living space per person, and also because of ongoing, albeit diminished, immigration. The housing supply, by contrast, will increase only to the extent of already approved new construction projects. These will hardly suffice to cover all additional requirements. The German government has created incentives for additional new construction, especially in the price-sensitive segment of the market. However, according to the latest available figures, this has not yet led to significant growth in construction permits - probably because relatively long lead times are required for planning. It therefore appears reasonable to expect an increase in the utilisation of existing capacities in the rental accommodation market for 2019, leading to higher occupancy rates.

As in previous years, the Company intends to increase tenant satisfaction, reducing tenant fluctuation rates and making use of any possible potential for rent increases. This purpose is also served by investment in renovation and modernisation in the existing portfolio, as have already been initiated in Göttingen and Wolfsburg, which, to a similar extent as in previous years, will be targeted at improving the quality and attractiveness of apartments in 2019 and thereby making vacant apartments marketable again, reducing vacancy rates and achieving higher rental income.

In order to further exploit the advantages of an integrated real estate group, ADLER intends to bundle all project development activities under BCP in the future, as there is sufficient competence and expertise for this type of assignment there.

Since the sale and transfer of its residential non-core portfolio in December 2018, comprising around 3,700 rental units which represented approximately 6% of the Company's residential portfolio for the financial year 2018, and contributed net rental income of EUR 12.2 million and FFO I of EUR 1.9 million, rental income and contributions to FFO I associated with this portfolio will be excluded from the income statement of 2019.

On the other hand, BCP will contribute to net rental income and FFO I for the full financial year for the first time. Moreover, ADLER expects to be able to further increase average rent as well as its occupancy rate in 2019. It can therefore be expected that net rental income on a like-for-like basis will increase in 2019 and more or less remain the same in absolute terms compared to the previous year.

In 2019, FFO I will again increase as a result of a reduction in vacancy costs, debt reduction connected to the disposals and from planned refinancing activities. ADLER expects to generate FFO I between EUR 80 to 85 million at the end of 2019 which would be equivalent to a year-on-year increase in a range of 8 to 14 percent. For 2019, ADLER expects a further increase in the company value as well as in EPRA NAV per share. Financial indicators such as LTV and WACD are also expected to improve in 2019.

THE COMPANY

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