

DIC

ANNUAL REPORT

2019

dynamic performance



DIG ASSET AG AT A GLANCE

Key financial figures in EUR million	2019	2018	Δ
Gross rental income	101.9	100.2	2%
Net rental income	87.9	84.7	4%
Real estate management fees	62.9	33.6	87%
Proceeds from sales of property	176.0	86.8	>100%
Total income	364.3	241.6	51%
Profits on property disposals	40.5	18.6	>100%
Share of the profit or loss of associates	18.3	15.8	16%
Funds from Operations (FFO)	95.0	68.0	40%
EBITDA	164.5	122.3	35%
EBIT	130.2	92.8	40%
Profit for the period	80.7	47.6	70%
Cash flow from operating activities	64.8	61.9	5%
Key financial figures per share in EUR *			
FFO per share	1.32	0.97	36%
Earnings per share	1.13	0.68	66%

* all per share figures adjusted in accordance with IFRSs (number of shares 2019: 71,713 thsd.; 2018: 69,958 thsd.)

Balance sheet figures in EUR million	31.12.2019	31.12.2018
Investment property	1,623.0	1,459.0
Equity	968.8	895.9
Financial liabilities	1,547.2	1,481.1
Total assets	2,657.4	2,490.1
Loan-to-value ratio (LTV) in % *	47.8	53.1

EPRA key figures in EUR million	2019	2018	Δ
EPRA earnings	83.7	62.3	34%
EPRA-NAV	1,244.2	1,085.8	15%
EPRA-NNNAV	1,206.3	1,096.4	10%
EPRA key figures per share in EUR **			
EPRA earnings per share	1.17	0.89	31%
EPRA-NAV per share	17.23	15.40	12%
EPRA-NNNAV per share	16.70	15.55	7%

Key operating figures	2019	2018
Letting result in EUR million	32.7	35.7
WALT in years***	6.2	5.5
EPRA vacancy rate in % ****	6.5	7.2

* adjusted for warehousing

** all per share figures adjusted in accordance with IFRSs (number of shares 2019: 71,713 thsd.; 2018: 69,958 thsd.)

*** without third-party business and repositioning properties

**** Commercial Portfolio, without repositioning properties

TO OUR SHAREHOLDERS	2	CONSOLIDATED FINANCIAL STATEMENTS	117
REPORT OF THE SUPERVISORY BOARD	6	Consolidated Income Statement	118
// dynamic performance	14	Consolidated Statement of Comprehensive Income	119
INVESTOR RELATIONS AND CAPITAL MARKET	26	Consolidated Balance Sheet	120
		Consolidated Statement of Cash Flows	122
COMBINED MANAGEMENT REPORT	37	Consolidated Statement of Changes in Equity	123
Fundamental Information about the Group	37	Notes	124
Report on Economic Position	46	Auditor's Report	180
– Macroeconomic Environment	48		
– Course of Business	54	CORPORATE GOVERNANCE	186
– Financial Information	72	Corporate Governance Report	187
Report on Post-Balance Sheet Date Events	92	Working Practices and Composition of the Management Board and Supervisory Board	190
Report on Expected Developments, Risks and Opportunities	93	Remuneration Report	193
Other Disclosures	110		
		OVERVIEW	199
		Overview of Holdings	199
		Announcements on Voting Rights	203
		Glossary	206
		Quarterly Overview	209
		5-Years Overview	210
		Portfolio	211
		EPRA key figures	213
		Management Board	219



DEAR SHAREHOLDERS AND BUSINESS PARTNERS, DEAR COLLEAGUES AND FRIENDS OF THE COMPANY,

Anyone who works with us has come to know us as quick, reliable and creative – and always at least one step ahead of the game. So, it will come as no surprise to you that our Annual Report is once again among the first to be published.

As you will see: The 2019 financial year proved decidedly successful. A look at the company stock alone suggests as much: It outperformed all relevant indices. In fact, it achieved a share price performance of 75% year over year. It also pushed the market capitalisation well beyond the mark of EUR 1 billion for the first time in the company's history.

But 2019 is not all about figures. Even if they are more than impressive. Behind the figures are important strategic decisions, entrepreneurial success – and an outstanding team above all. It was this team that made it possible to achieve so much in 2019. And that motivates us to aim high in 2020. All of these details you will find in our latest annual report.



As you know, our success is based on two pillars. On the one hand, there is our “Institutional Business.” And on the other hand, there is the “Commercial Portfolio.” In the financial year now concluded, we made serious progress taking both of them a step further.

Decisive for the growth in third-party business was the acquisition of GEG German Estate Group (GEG) in June 2019. It helped us expand to include fascinating new projects and, above all, key competences along with serious potential. The acquisition certainly was a milestone in our corporate development. We hold our colleagues at GEG and their know-how in the highest esteem. And we are convinced that we will get so much more done together on behalf of our clients – and in the best interest of our shareholders.

To sum 2019 up: As far as operating activities go, our company now rests on two earnings pillars of equal standing, one being our proprietary portfolio (the “Com-

mercial Portfolio”), the other being our third-party asset management and property management (the “Institutional Business”).

More than anything else, our success reaffirms one thing: The team is what makes all the difference! It’s the people who commit their experience to get projects moving, and who pursue success with passion. We sat down together to jointly develop a new vision for the financial year ahead of us. It is captured in the claim: dynamic performance!

We feel this is precisely what makes us stand out. And the way our clients experience us. We are swift, reliable and creative. Key ingredients to generate a powerful dynamic. And a compelling performance.

This will ensure we always stay one step ahead of the game in the financial year now underway. But at this time, let us take a look at the figures and developments of the 2019 financial year.

■■■ 2019, a Top-Earning Financial Year

■■■ We have achieved a new transaction record and net growth in both business divisions. With a total volume of c. EUR 2.2 billion – one billion more than the previous year – we clearly raised the stakes. Acquisitions accounted for c. EUR 1.9 billion thereof. Investments focused on assets whose function within the local infrastructure is – given our management expertise and presence on the ground – easy for us to assess. ■■■ We are clearly on a growth trajectory, in both of our segments.

■■■ Over the period of a single year, our real estate platform thus increased by EUR 2 billion to c. EUR 7.6 billion in assets under management (AuM). This puts our short- to medium-term goal of EUR 10 billion well within reach. ■■■ It will be based on the management structures whose organisational development continued during the financial year, including its digital platform for the asset and portfolio management.

■■■ The EPRA vacancy rate in the Commercial Portfolio was reduced by another 70 basis points in the course of the year, down to 6.5%. The WALT rose from 5.8 years to 6.0 years. Independent surveyors identified a valuation effect equal to about 7% or EUR 124.2 million in absolute figures for the Commercial Portfolio as of year-end. ■■■ This demonstrates: Just like our central transaction team, our regionally well-positioned property management team is doing an excellent job, too.

■■■ In the Institutional Business, we have c. EUR 63 million in income from management fees to report, an increase by 87% as a direct consequence of the platform expansion and the robust transaction business. Our stated goal had been to set up this business unit, which we formed in time for the semi-annual report by merging the former segments

“Funds” and “Other Investments,” for rapid growth by committing our reliability, creativity and swiftness as an active asset manager. The approach caused this business line to gather such momentum during the 2019 financial year that our management services now qualify as an earnings pillar very much on a level with the management of our proprietary portfolio.

■■■ As a result of the dynamic development, our funds from operations (FFO) rose by 40% to c. EUR 95 million.

■■■ More Transparency, Greater Flexibility, Faster Dynamic

Starting with the Q3 2019 quarterly report, we posted the net asset value adjusted to include the value of the Institutional Business (adjusted NAV) for the first time. It recognises income from services, which would not be reflected in the EPRA-NAV. ■■■ This additional ratio permits us to provide an overall picture of the net asset and earnings value of our business model on a regular basis.

Our day-to-day business includes financing activities marked by forward-looking structures. Aside from the bond market which we have been using for years (with our 14/19 bond repaid on schedule, for instance), we added promissory notes for long-term financing and commercial papers as short-term opportunities to our funding strategy. ■■■ The promissory note loan, which we placed in several tranches with a combined volume of EUR 180 million, is subject to maturity bands of three to eleven years and an average interest rate of 1.55%. Within the framework of the commercial paper program, we were able to draw down EUR 40 million at an interest rate of 0.1% on short notice.

■■■ Given their favourable conditions, these two instruments give us the flexibility that our business model calls for, being set up for swift action.

As a result of the optimised funding structure and due to the increased market value of our portfolio, our loan-to-value ratio (LTV) equalled 47.8% as of the balance sheet date, a drop by 530 basis points year on year. The cash capital increase from authorised capital that we successfully placed via an accelerated bookbuilding process represents yet another component of a growth strategy that is tailored to a highly dynamic business and focused on delivering reliable action.

■■■ Dividend Increase to 66 Cent per Share

As it were, the projects we planned for the ongoing financial year are already well under way. For the 2019 financial year, we will propose a dividend of EUR 0.66 per share at the annual general meeting on 17 March 2020, with shareholders having the choice, like last year, to opt for a scrip dividend. The dividend yield relative to the year-end 2019 share price therefore approximates 4.2%. Let us invite you to consider a scrip dividend as a unique opportunity to participate in our dynamic corporate development going forward.

■■■ Dynamic Performance

You can tell by these figures: Dynamic performance is more for us than just a vision. It has already become reality. And is more of a promise. After all, we expect to see a dynamic performance as early as the 2020 financial year.

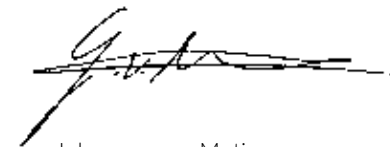
We intend to keep strengthening both operating segments and to keep stepping up the pace of our company's growth. The main driver in our plans for 2020 is the contemplated acquisition volume of c. EUR 1.6 billion to EUR 1.9 billion, of which c. EUR 500 million to EUR 600 million are earmarked for the Commercial Portfolio, and c. EUR 1.1 billion to EUR 1.3 billion for the Institutional Business. The idea is both to increase our gross rental income and to keep building up our income from real estate management. In addition, we are planning pinpoint sales across segments in a volume of c. EUR 400 million. Out of this total, the Commercial Portfolio accounts for c. EUR 100 million and the Institutional Business for c. EUR 300 million. For the first time, we will also consolidate GEG German Estate Group AG, a company acquired in June 2019, for a full year in the financial statements of DIC Asset.

■■■ We therefore anticipate another sizeable FFO increase to somewhere between EUR 104 million and EUR 106 million in the 2020 financial year.

At this time, we should like to thank you on behalf of the entire team for your confidence in our dynamic development and our performance. We very much look forward to working with you to make 2020 another prosperous financial year!



Sonja Wärtges
Chief Executive Officer



Johannes von Mutius
Chief Investment Officer

REPORT OF THE SUPERVISORY BOARD

DEAR READERS,

in financial year 2019, the Supervisory Board of DIC Asset AG once again regularly monitored the management by the Management Board and provided advice both on strategic corporate development and significant individual actions.

The Management Board informed the Supervisory Board during the financial year promptly and fully through written and oral reports. The reports set out all relevant information on significant issues regarding strategy and corporate planning, the situation and development of the Company and the Group, the risk position, the internal control system, risk management as well as material transactions. Deviations from planned business development were explained in detail by the Management Board and discussed by the Supervisory Board. The Supervisory Board was involved in all material decisions at an early stage and – to the extent necessary – gave its approval after examining and discussing them in depth.

The Supervisory Board met for four ordinary meetings and held seven extraordinary meetings in 2019. The extraordinary meetings were held as conference calls. No member of the Supervisory Board attended only half or fewer than half of the meetings of the Supervisory Board during their term of office. The average attendance rate at the Supervisory Board meetings in the reporting year was 97 percent.

The Chairman of the Supervisory Board was notified of material developments and decisions by the Management Board also between meetings, and discussed the Company's prospects and future orientation with the Management Board in separate strategy talks.

At the meetings, the Management Board explained the Company's operational performance – specifically lettings, acquisitions and sales – the trend in revenue and earnings as well as the financial position, with each issue discussed jointly. The written reports by the Management Board and, where applicable, the written proposals for resolutions, were made available to the Supervisory Board well ahead of time to allow its member to prepare for the consultations and the decisions to be made. The Management Board informed the Supervisory Board in detail and without delay of any particularly important transactions. Where justified, decisions were also made by written vote.

KEY POINTS OF DELIBERATION AT THE SUPERVISORY BOARD MEETINGS

02 | 2019

The ordinary meeting centred on the outcome of the Audit Committee meeting, which was explained and discussed in detail. The annual financial statements for financial year 2018 were adopted and the consolidated financial statements were approved. The Supervisory Board examined the proposal on the appropriation of profit by the Management Board and endorsed the proposal. The dependent company report for financial year 2018 was also reviewed and approved. The Supervisory Board then discussed and approved the agenda and adopted the proposed resolutions for the 2019 General Shareholders' Meeting. The Supervisory Board approved the proposal presented by the Management Board to enable shareholders to choose whether they wish to receive their dividend payment in cash or in the form of new shares (scrip dividend). The written report of the Supervisory Board to the General Shareholders' Meeting was also adopted.

The Management Board presented the results of the due diligence of potential acquisition properties for the company's own portfolio and the fund business. The Supervisory Board approved the acquisitions after detailed discussions.

Among the other topics raised at this meeting was the diversification of the financing structure. The Management Board presented plans for a borrower's note loan as a new form of financing in addition to bank loans and corporate bonds and discussed its schedule, key data and term sheet. Following extensive consultation, the Supervisory Board authorised the Management Board to pursue this financing option further.

03 | 2019

In an extraordinary meeting, the Management Board reported on the results of the first quarter of 2019 and discussed the key performance indicators and transaction activities with the Supervisory Board. The Supervisory Board also dealt with the completion of the

sale of the two TLG share packages agreed at the end of 2018 and the performance of the fund business.

The Supervisory Board also reviewed the remuneration system for the Management Board and defined the variable remuneration amount for the Management Board for the 2018 financial year.

06 | 2019

The subject that dominated an extraordinary strategy meeting was the planned acquisition of the GEG Group presented by the Management Board. The Supervisory Board approved the plans following in-depth deliberation.

At an ordinary meeting, the Supervisory Board addressed the earnings forecast for the first half of 2019. In particular, the acquired GEG business activities were included in an extensive examination of the course of business and the outlook for the fund business. The Management Board explained the status of the issuance of new fund products and the equity fundraising. The Supervisory Board approved the issuance of a new fund in the DIC Office Balance series.

The Management Board presented the environment for and effects of the sale of non-strategic properties from the Commercial Portfolio and explained the results of the due diligence of acquisition properties for both the Commercial Portfolio and the fund business. The Supervisory Board approved the acquisitions and sales.

In a review of the completed GEG transaction, the Supervisory Board addressed investor feedback and focused on implementing the integration of GEG and the future team and leadership structure within the DIC Group as part of a strategic discussion.

The Management Board also informed the Supervisory Board about the advanced status of the issuance of a borrower's note loan.

07 | 2019

At the extraordinary meeting of the Supervisory Board, the Management Board reported on the earnings forecast for the first half of 2019. The Management Board also presented the restructuring of the business segments, which will come into effect for the first time with the half-yearly reporting and will focus on two pillars: the Commercial Portfolio segment, which includes the own property portfolio as before, and the Institutional Business segment, which combines the former Funds and Other Investments segment with the GEG business. The Supervisory Board then approved by written circular the publication of the half-yearly financial report, which was reviewed and received an unqualified review report, with the restructured segment reporting.

The Management Board presented the status of the sale of two properties from the Commercial Portfolio and informed the Supervisory Board about the macroeconomic environment and target structures of a club deal in the Institutional Business.

The meeting also focused on the integration of GEG. The Supervisory Board also discussed and decided upon the integration of the DIC Asset AG and GEG fund businesses and changes to the Management Boards with Dirk Hasselbring's move from the Management Board of DIC Asset AG to the Management Board of GEG with effect from 1 September 2019.

08 | 2019

At an extraordinary meeting, the Management Board explained the result of the due diligence of two acquisition properties for the Institutional Business segment, one for the newly issued DIC Office Balance VI fund and one as part of a club deal. The Supervisory Board approved the acquisitions. The Supervisory Board also addressed the planned refurbishment of a property in the Commercial Portfolio.

09 | 2019

At an ordinary meeting of the Supervisory Board, the Management Board presented a preview of the results for the first nine months of the year as well as planned lettings and transaction activities for the fourth quarter of 2019. The Management Board also presented a preview of the results for the full year, taking into account the influences of the GEG integration, and discussed its potential effects on the full-year forecast with the Supervisory Board.

A significant part of the meeting was devoted to ongoing property development activities in the Commercial Portfolio and Institutional Business, and the progress and planning status of these activities was reported upon and discussed at length.

The Supervisory Board also addressed strategic issues, DIC Asset AG's positioning after the integration of GEG, and future growth targets. The Management Board explained priorities set for 2020 and budget issues, and discussed growth opportunities in the Commercial Portfolio and Institutional Business with the Supervisory Board. It also presented the planning status of new investment products in the Institutional Business. The Supervisory Board tasked the Management Board with refining and verifying these strategic plans.

10 | 2019

At two extraordinary meetings in October, the Supervisory Board addressed the repositioning of a property from the Commercial Portfolio and the acquisition of the landmark "Stadthaus Köln" property for the Institutional Business for a volume of around half a billion euros. The Management Board presented the result of the due diligence and the financing conditions, shareholding structures and fees for the planned club deal. After extensive discussions, the Supervisory Board approved the implementation of the acquisition and tasked the Management Board with planning the repositioning project.

The Management and Supervisory Board also debated various longer-term financing options at length, including the topping up of the promissory note and the initiation of a commercial paper programme; the Supervisory Board approved the favoured options and tasked the Management Board with pursuing them further.

11 | 2019

At an extraordinary meeting, the Management Board explained the planning status and situation of the financing options being pursued, reported on the completed topping up of the promissory note by a further EUR 30 million, and presented the conditions of the commercial paper programme. The Supervisory Board approved the establishment of the commercial paper programme following in-depth deliberation.

12 | 2019

At an ordinary meeting, the Management Board presented the earnings forecast for the full 2019 financial year, focusing in particular on the effect of the GEG integration and the segment reporting restructured during the financial year. Matters of operational planning, earnings and balance sheet planning as well as potential transaction activities for both the Commercial Portfolio and the Institutional Business for the 2020 financial year were also discussed with the Supervisory Board.

The meeting also focused on refurbishment and property development activities. The developments completed during the financial year were analysed and assessed in a review, and the status of ongoing developments was presented and discussed in detail.

AUDIT COMMITTEE REPORT

The Supervisory Board established an Audit Committee to ensure that work is allocated and performed efficiently. This committee met twice in 2019. Both meetings were attended by all members of the Audit Committee.

The meeting held in February 2019 focused on the areas of emphasis of the audit and on financial reporting documents for financial year 2018. With representatives of the auditor in attendance, the meeting was devoted to a detailed analysis and discussion of the annual and consolidated financial statements for financial year 2018 along with the combined management and group management report as well as the associated audit reports, taking into account in particular the areas of emphasis previously defined by the Audit Committee in coordination with the auditor (especially the completeness of the notes to the financial statements, related parties, acquisitions and disposals in 2018, fund transactions and the measurement of deferred tax assets) and the key audit matters of the audit of the consolidated and single-entity financial statements (recoverability of the carrying amounts of properties and investments).

The Audit Committee also addressed the internal control system of DIC Asset AG, the conclusion of the audit of the 2017 consolidated and annual financial statements of DIC Asset AG by the German Financial Reporting Enforcement Panel (DPR) and the status of the tax audits for the years 2010 to 2012.

Recommendations were approved for the Supervisory Board's resolutions concerning the financial reporting documents for the 2018 financial year. The Audit Committee recommended to the Supervisory Board to once again propose to the General Shareholders' Meeting the appointment of Rödl & Partner GmbH Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Nuremberg, as auditor of the annual and consolidated financial statements for the 2019 financial year and as auditor for reviewing the 2019 half-yearly report. The Audit Committee had previously satisfied itself of the independence and auditing quality of Rödl & Partner GmbH Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft. Based on this recommendation, the Supervisory Board adopted a corresponding nomination proposal at the General Shareholders' Meeting.

At the meeting in December 2019, the Audit Committee analysed the earnings forecast for 2019 and together with the representatives of the auditor specified the areas of emphasis and key audit matters for the 2019 financial year.

The Audit Committee also addressed the audit areas of emphasis for 2020 determined by the DPR and their relevance for DIC Asset AG, and the EU regulations and framework for reporting, including the electronic ESEF format, which will be mandatory from the 2020 financial year onwards.

CORPORATE GOVERNANCE REVIEWED, DECLARATION UPDATED

The Supervisory Board again dealt with the Company's corporate governance during the reporting period. The Supervisory Board also reviewed the efficiency of the Company's activities; no specific need for action was identified.

The Supervisory Board, in conjunction with the Management Board, in December 2019 issued the current Declaration of Conformity in accordance with section 161 of the AktG on the recommendations of the German Corporate Governance Code as amended on 7 February 2017. It was published on the Company's website in the Corporate Governance section. In the section entitled "Corporate governance report and corporate governance declaration" of this Annual Report, the Management Board reports in detail on corporate governance for the Company and the Group, also on behalf of the Supervisory Board.

CONFLICTS OF INTEREST

In compliance with the German Corporate Governance Code, each member of the Supervisory Board will disclose any conflict of interest that might arise. In the 2019 financial year, the Supervisory Board members Prof. Dr Gerhard Schmidt, Klaus-Jürgen Sontowski and Eberhard Vetter disclosed to the Supervisory Board in connection with the planned acquisition of the GEG Group by DIC Asset AG that they also held positions on the Superviso-

ry Board of the GEG Group and, in the case of Prof. Schmidt, that he held an indirect majority interest in the GEG Group. To avoid conflicts of interest, none of the three Supervisory Board members mentioned above took part in the resolution adopted by the Supervisory Board of DIC Asset AG in June 2019 regarding the approval of the acquisition of the GEG Group.

Between the Company and law firm of Weil, Gotshal & Manges LLP, of which Supervisory Board Chairman Prof. Dr. Gerhard Schmidt is a partner, advisory mandates existed during the 2019 financial year with the approval of the Supervisory Board. Prof. Schmidt did not take part in the corresponding discussion and resolution of the Supervisory Board.

No further conflicts of interest arose in financial year 2019.

ANNUAL AND CONSOLIDATED FINANCIAL STATEMENTS FOR 2019 AUDITED AND APPROVED

The Management Board prepared the annual financial statements for financial year 2019 in accordance with the German Commercial Code, the consolidated financial statements in accordance with IFRSs, as adopted by the EU, and with the commercial law regulations to be applied in addition pursuant to section 315e of the HGB, as well as the management report combined with the group management report. These items were audited by Rödl & Partner GmbH Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Nuremberg, appointed as auditors at the General Shareholders' Meeting on 22 March 2019, and an unqualified auditor's report was issued for each of them.

All of these documents including the Management Board's proposal on the appropriation of profit were discussed at the meetings of the Audit Committee and the Supervisory Board on 4 February 2020 attended by representatives of the auditor. The auditor of the annual financial statements reported on the areas of emphasis and material findings of their audit and focused in particular on key audit matters and audit activities carried out. Key audit matters for auditing the consolidated financial statements were the recoverability of the carrying amount of the properties, the acquisition of GEG and the impairment test of

the goodwill arising from this acquisition. The recoverability of the carrying amount of the investments including investment income was defined as a key audit matter for auditing the annual financial statements of DIC Asset AG. No significant weaknesses in the internal control and risk management system relevant for the financial reporting process were reported. The auditors were available to the members of the Committee and the Supervisory Board for comprehensive discussion. There were no circumstances that could suggest any bias on the part of the auditor.

The Audit Committee, to which the Management Board's documents and the auditor's audit reports were submitted in good time for a preliminary audit, reported to the Supervisory Board on the essential content and findings of its preliminary audit, and issued recommendations for the Supervisory Board's resolutions.

The Supervisory Board, which was also provided with the documents and audit reports in good time, examined the annual and consolidated financial statements for financial year 2019, the management report combined with the group management report and the Management Board's proposal on the appropriation of profit, taking into account the Audit Committee's report. The Supervisory Board concurred with the findings of the auditor's audit. On the basis of its own review, the Supervisory Board established that it had no cause for objections against the annual financial statements and consolidated financial statements or against the combined management report and group management report.

The Supervisory Board approved the annual and consolidated financial statements prepared by the Management Board in line with the recommendation of the Audit Committee. The annual financial statements of DIC Asset AG were thereby adopted.

PROPOSAL ON THE APPROPRIATION OF RETAINED EARNINGS

In connection with the proposal on the appropriation of retained earnings by the Management Board, the Audit Committee and the Supervisory Board also discussed in detail accounting policies and financial planning. On the basis of its own review, the Supervisory Board concurred with the Management Board's recommendation to propose to the General Shareholders' Meeting that a regular dividend of EUR 0.66 per share carrying dividend rights be distributed to the shareholders from the retained earnings of financial year 2019 and that the remaining amount be carried forward to new account. The Supervisory Board also concurred with the recommendation of the Management Board to propose to the General Shareholders' Meeting to once again give the shareholders the option of receiving the dividend either in cash or in shares of DIC Asset AG ("scrip dividend").

RELATIONS WITH AFFILIATES REVIEWED

The Management Board prepared a report on relations with affiliates for financial year 2019. The auditor has audited this report, reported on the findings in writing and issued the following unqualified auditor's report:

"In accordance with our dutifully performed audit and assessment, we confirm that

1. the factual statements in the report are correct,
2. the payments made by the Company in connection with the legal transactions referred to in the report were not unduly high under the circumstances known at the time they were carried out."

The Management Board's report and the auditor's report were also made available to the individual members of the Supervisory Board in good time. These reports were discussed in depth in the meetings of the Audit Committee and the Supervisory Board. The representatives of the auditor who participated in the meetings reported on the material findings of their audit. The Supervisory Board approved the Management Board's report on the relations with affiliates following its own review and also concurred with the findings of the audit of the report by the auditor. As a result of its own review, the Supervisory Board established that it had no reason to object to the statement made by the Management Board on relations with affiliates at the end of the report.

APPOINTMENTS TO THE MANAGEMENT BOARD AND SUPERVISORY BOARD

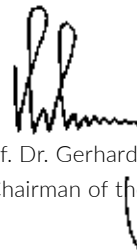
The following change took place on the Management Board during the reporting period: Dirk Hasselbring left the Management Board of DIC Asset effective 31 August 2019 and moved to the Management Board of DIC Asset AG's new subsidiary, GEG German Estate Group AG, effective 1 September 2019, where he will jointly manage GEG's institutional business with Christian Bock.

The following changes took place on the Supervisory Board during the reporting period: By resolution of the Frankfurt am Main Local Court on 21 May 2019, René Zahnd was appointed as a member of the Supervisory Board of DIC Asset AG effective until the end of the next General Shareholders' Meeting. Mr Zahnd succeeded Ulrich Höller, who had resigned from the Supervisory Board with effect from the end of 15 May 2019. The Supervisory Board thanks Ulrich Höller for his valuable and trust-based collaboration, first on the Company's Management Board and later on its Supervisory Board.

The Supervisory Board would like to thank the Management Board as well as the staff for their work and dedication during the past financial year.

Frankfurt am Main, 4 February 2020

The Supervisory Board



Prof. Dr. Gerhard Schmidt

- Chairman of the Supervisory Board -

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RELIABLE
CREATIVE
FAST

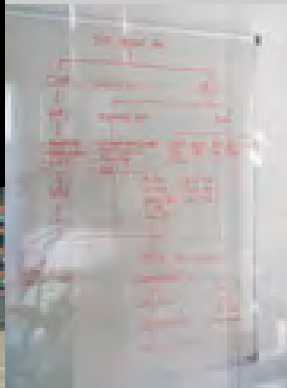
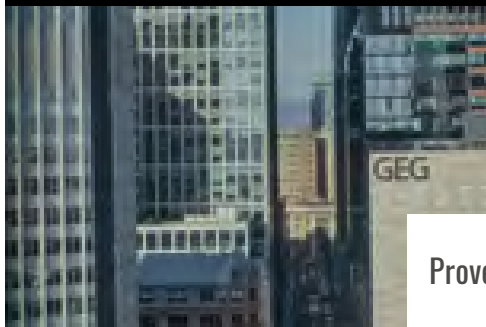
Born of conviction, experience and the knowledge that our work reflects on us, DIC's success is a special team effort that combines our individual strengths: Reliability, creativity and speed.

In 2019 we harnessed these qualities to enhance and refine our profile as specialists in active real estate management.

// dynamic performance

1 :: MANAGEMENT

“GEG complements our business model perfectly and significantly accelerates our planned growth in the institutional business. We are strengthening our investor base and broadening the spectrum of investment products available to our clients.”



Proven expertise

In 2019 DIC consistently expanded every area of its business and took the company to a new level by integrating GEG.

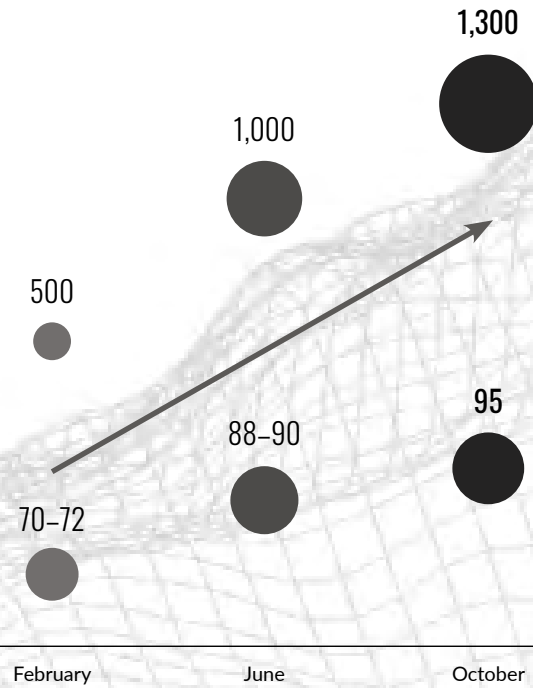


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We completed the acquisition of GEG in June 2019, presented our future corporate structure in mid-August, and by the end of the third quarter it was evident that successfully combining our strengths was paying off and promising to make a **growing contribution to earnings**.

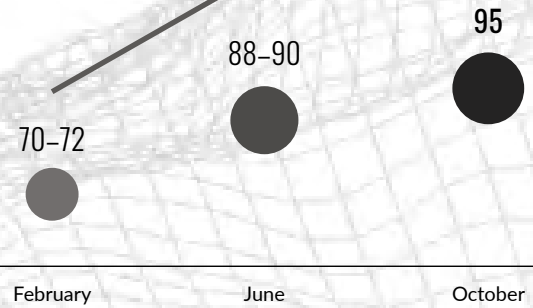
ACQUISITION FORECAST

in EUR million



FFO FORECAST

in EUR million



Thanks to GEG's complementary resources and expertise, our earnings growth significantly exceeded the rise in operating expenses associated with the acquisition.

Rapid integration



Close proximity: DIC and GEG institutional teams rapidly integrated at a central location in the MainTor district



// dynamic performance

Our transaction record exceeded expectations in 2019. Our complementary management teams act as reliable and dynamic transaction partners.

Effective teamwork



EUR 2.2 billion TURNOVER

We generated a record transaction volume of EUR 2.2 billion



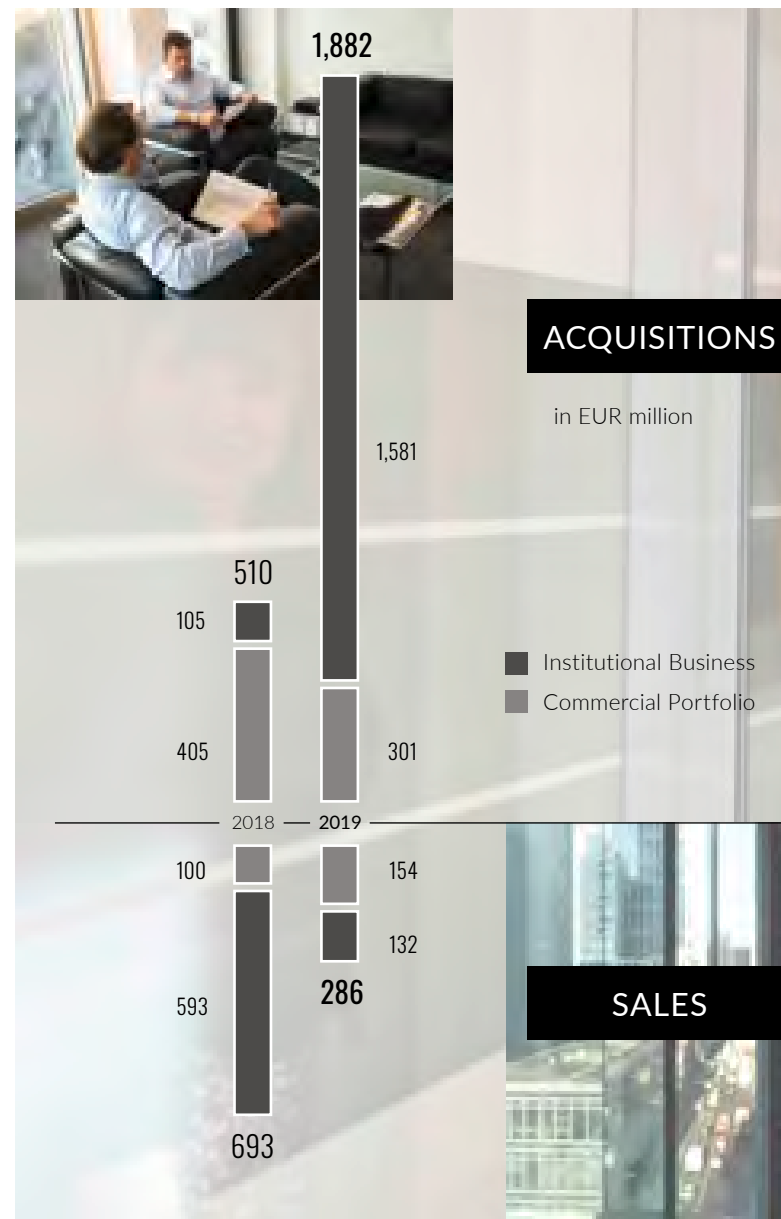
2,000 OFFERS

DIC reviews more than 2,000 acquisition opportunities each year – our Acquisitions team purchased properties for almost EUR 1.9 billion



32 % ADDED VALUE

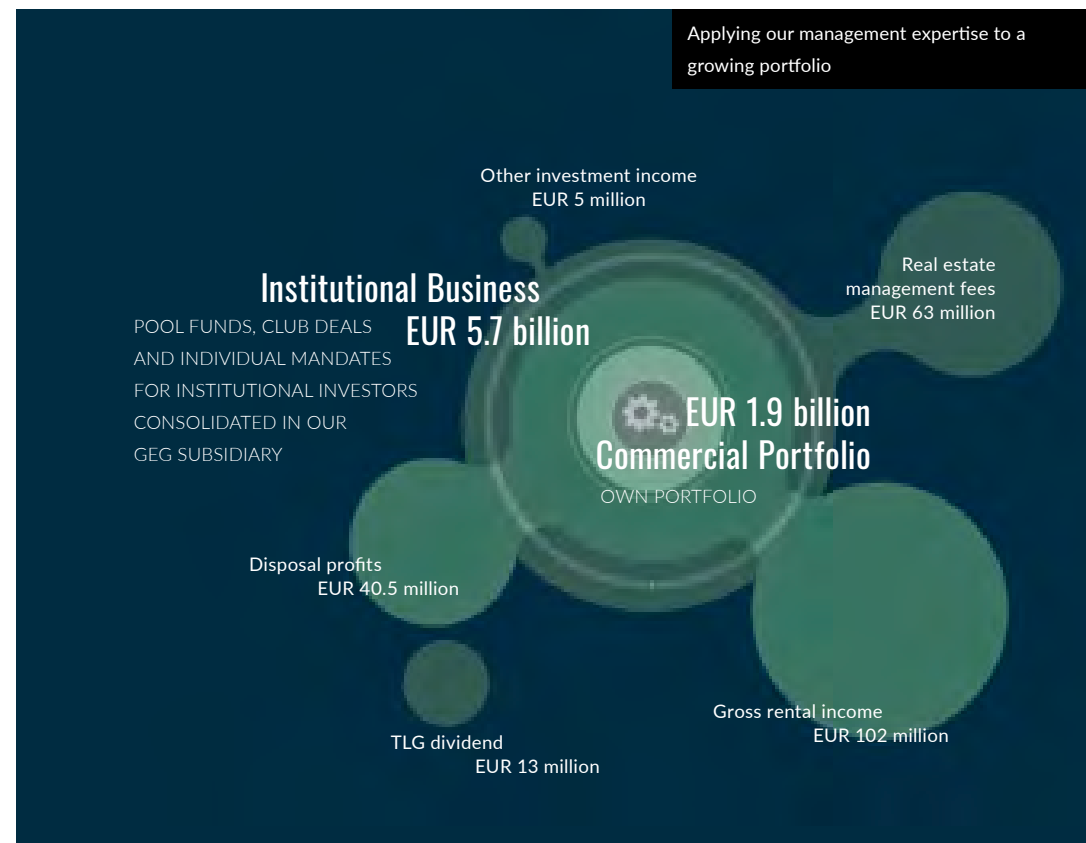
We generated a margin of around 32% on our sales across all segments



// dynamic performance

2 :: RESOURCES

For us, investment culture means considering the bigger picture in terms of everything from acquisitions to target returns. The resources we invest include not only capital but also our management capabilities along the entire value chain.

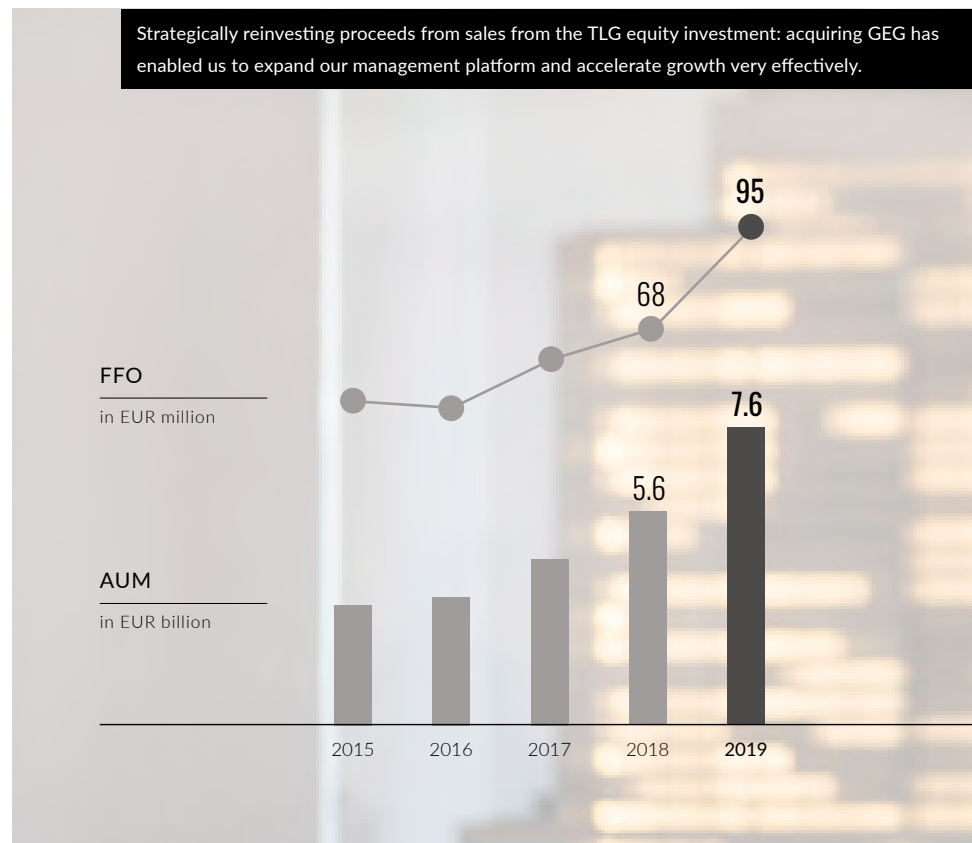


We have divided our operating business into two segments of equal importance – **Commercial Portfolio and Institutional Business** – to ensure that we invest our capital and management resources profitably every time within the context of the market.

// dynamic performance

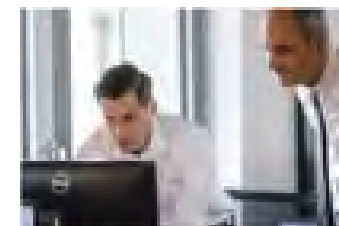
We have liquidated equity investments in which we did not take an active management approach. As a result, our investment strategy is clearly and unambiguously focused on DIC's core strength: active asset management that uses our own resources to leverage appreciation potential and increase income.

**Putting things
into context**



With assets under management now totalling EUR 7.6 billion, we have created a much larger foundation for stable and sustainable cash flows.

**Achieving
ambitious goals**



In 2019 our Institutional Business increased its FFO contribution by 66% to EUR 37.6 million.

// dynamic performance

NAV RECONCILIATION (INCLUDING VALUE OF INSTITUTIONAL BUSINESS)

in EUR/share

17.23

7.71

-2.68

22.26

EPRA NAV
(reported)Fair value of
Institutional Businessless
GEG goodwill
and other
intangible assetsAdjusted
NAV

At the end of September 2019 we recorded the Institutional Business segment's full contribution to the net asset value (NAV) of our company for the first time in order to account for the increasing importance of this cash-generative segment.

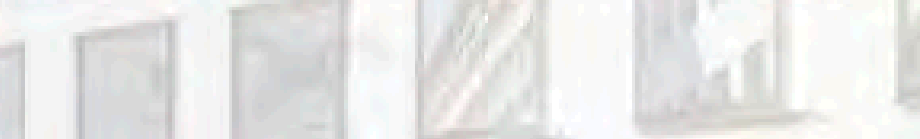
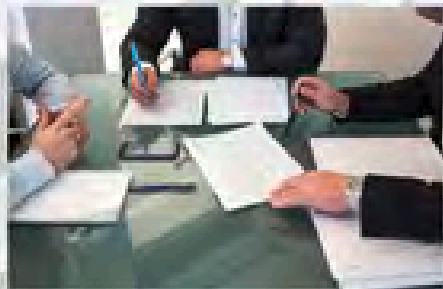
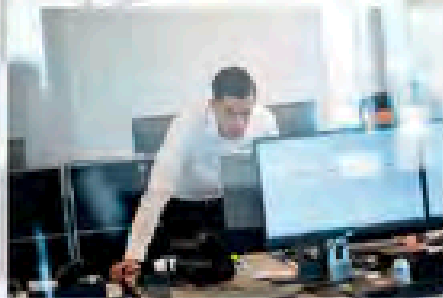
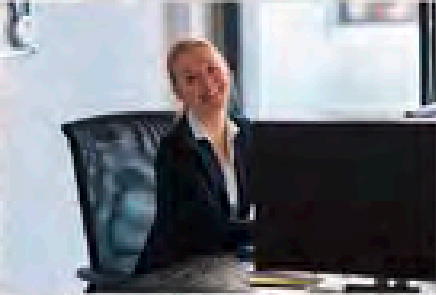
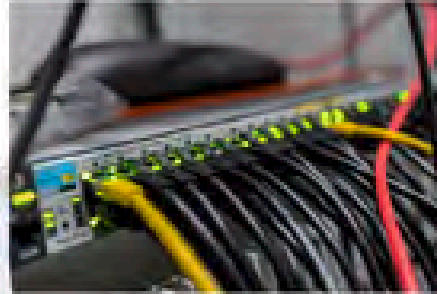
The adjusted NAV reflects the full value of the management services

Integration of
Added Value

Our real estate management team combines and coordinates all duties and challenges along the real estate value chain. Around 250 employees provide the driving force behind our project development, lettings and marketing activities.

// dynamic performance

3 :: FULL SERVICE



// dynamic performance

Present on-site
and efficient
with our own teams



211,000 sqm

At around **211,000 sqm**, we once again achieved a high rental volume



-70 bp

The EPRA vacancy rate in the Commercial Portfolio was **reduced from 7.2% to 6.5%**.



14%

The average rent per sqm of contracts signed **rose by 14% in 2019**.



25 EUR million

Ongoing portfolio maintenance: Our property managers completed around **EUR 25 million** (Capex/TI) of renovations and expansions in consultation with tenants over the past year.



33 EUR million

Our lettings teams secured new agreements with annual rental income of **EUR 32.7 million**. The Commercial Portfolio contributed 44%, the Institutional Business 56%.



7

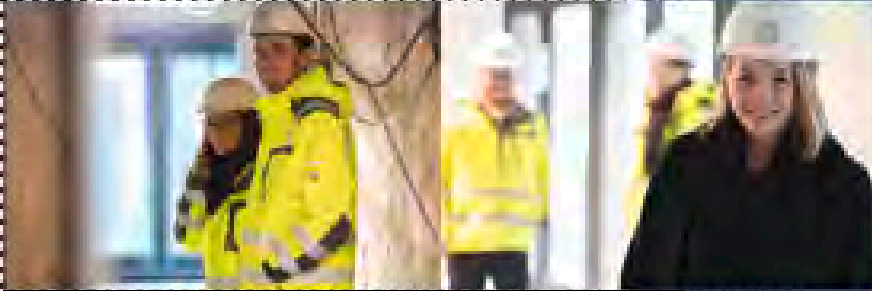
In 2019, our development teams managed **seven** portfolio and project developments across all segments on schedule, within budget and on time.

// dynamic performance

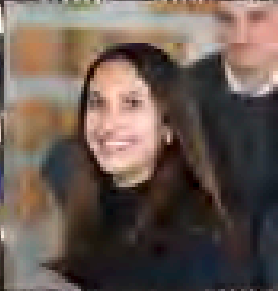
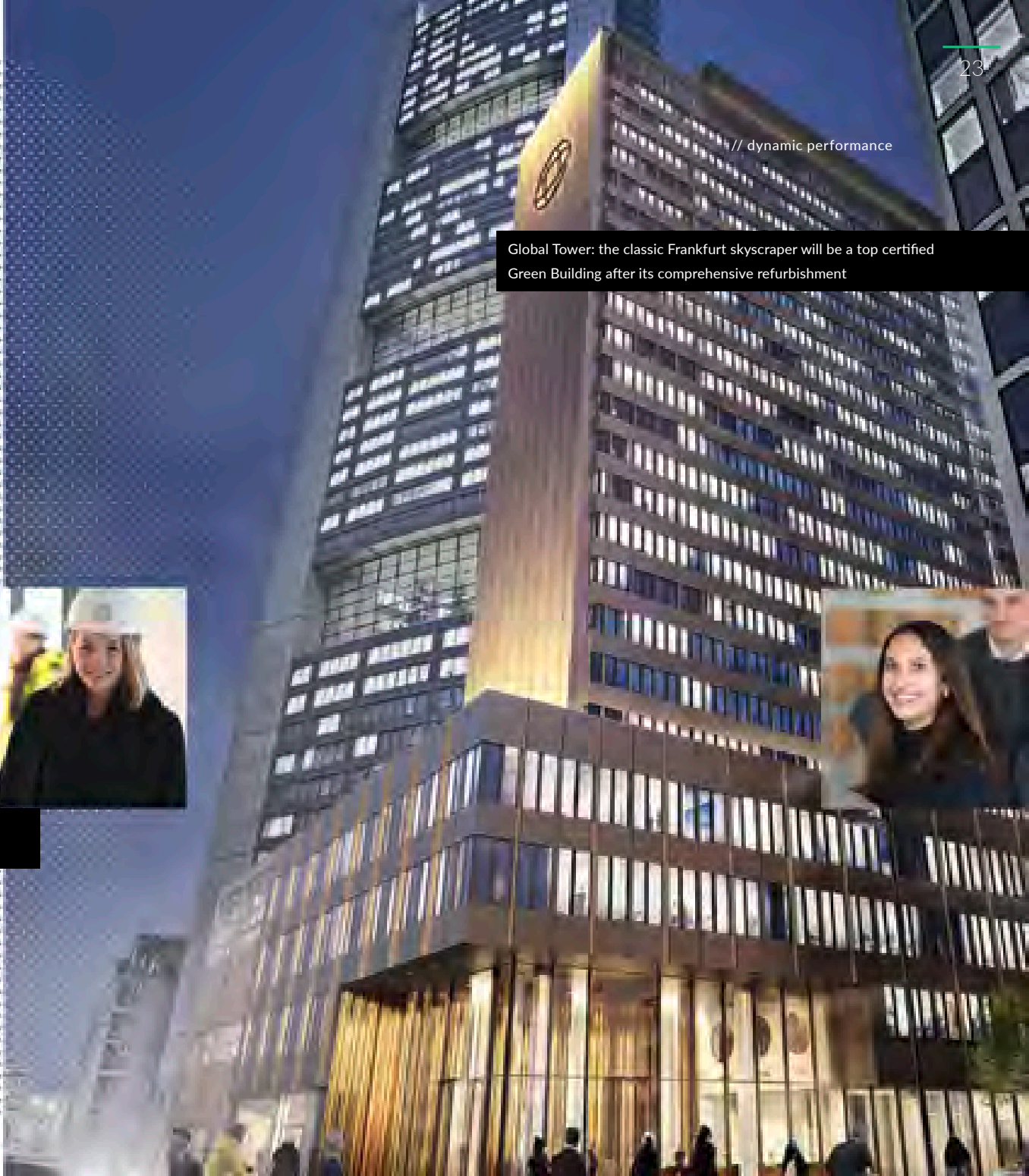
We manage portfolio development activities with our own team of architects and engineers.

As the key to dynamic value appreciation, revitalising and repositioning portfolio properties is an area in which DIC has impressively enhanced its capabilities by integrating GEG.

Global Tower: the classic Frankfurt skyscraper will be a top certified Green Building after its comprehensive refurbishment



Full range of in-house services for the planning and implementation phases



4 :: DYNAMIC PERFORMANCE

We increased every one of our business's income sources in 2019.

- :: Rental income up, above forecast
- :: Profits on sales more than doubled
- :: Management fees up 90%
- :: Investment income up 15%

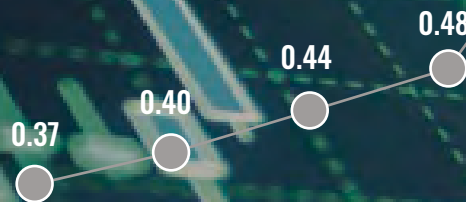
FFO PER SHARE

in EUR million



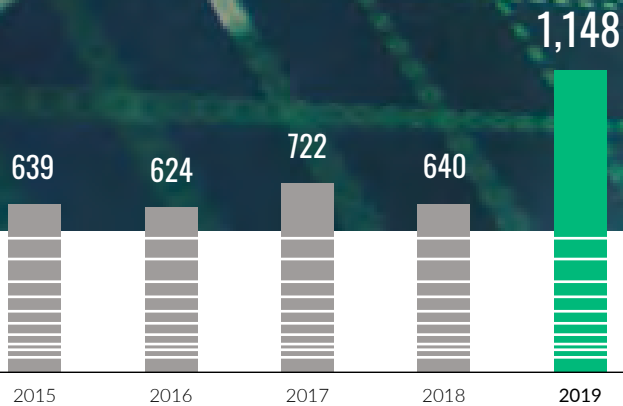
DIVIDEND

in EUR

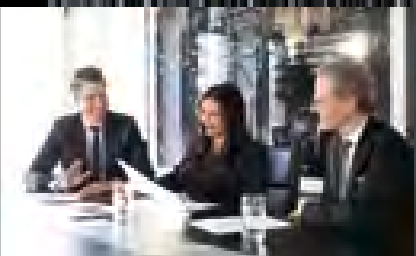


MARKET CAPITALISATION

in EUR million



A strong result for our shareholders:
Proposed dividend increases 38% to 66 cent per share

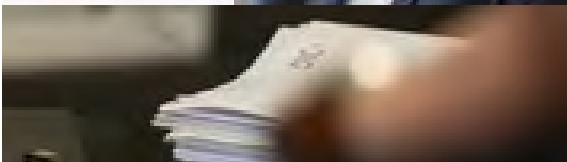


dynamic performance

- RELIABLE
- CREATIVE
- FAST



INVESTOR RELATIONS AND CAPITAL MARKETS



German equity market benefiting from continuing expansive monetary policy

The trading year was highly successful for German blue chips. The significant drop in prices in 2018 prompted many market players to reassess the opportunity-risk profile and step up their investments in German equities once again at the start of the year. Although hopes of a quick solution to the trade dispute between the USA and China were dashed, no clear resolution regarding Brexit emerged and the outlook for the global economy – and with it Germany's export-oriented industrial sector – became increasingly gloomy in 2019, the equity markets defied this slowdown in economic momentum. The markets were driven by a lack of investment alternatives and continuing expansive monetary policy in North America and Europe. Weaker global growth led the US Federal Reserve to make three successive interest rate cuts from July to October. The ECB gave the equity markets a further boost by resuming its billion-euro bond purchase programme and lowering the deposit rate for the first time in three years. Further price gains resulted when hopes of a rapprochement in the US-China trade dispute were raised further at the end of the year following the announcement that a partial agreement had been reached. Boris Johnson's clear election victory also had a positive effect, with many market players believing that it will enable the United Kingdom to complete an orderly withdrawal from the EU and thus signals the end of uncertainty. Germany's leading indices closed the year significantly higher as a result of these positive influences.

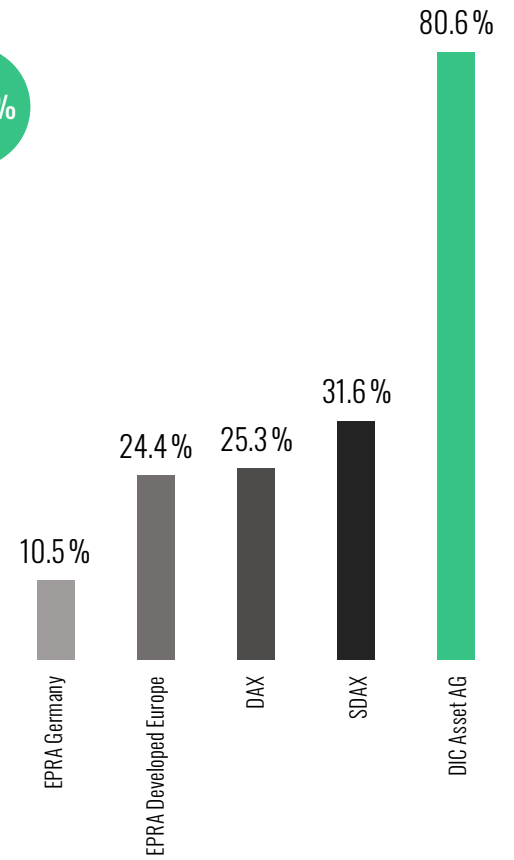
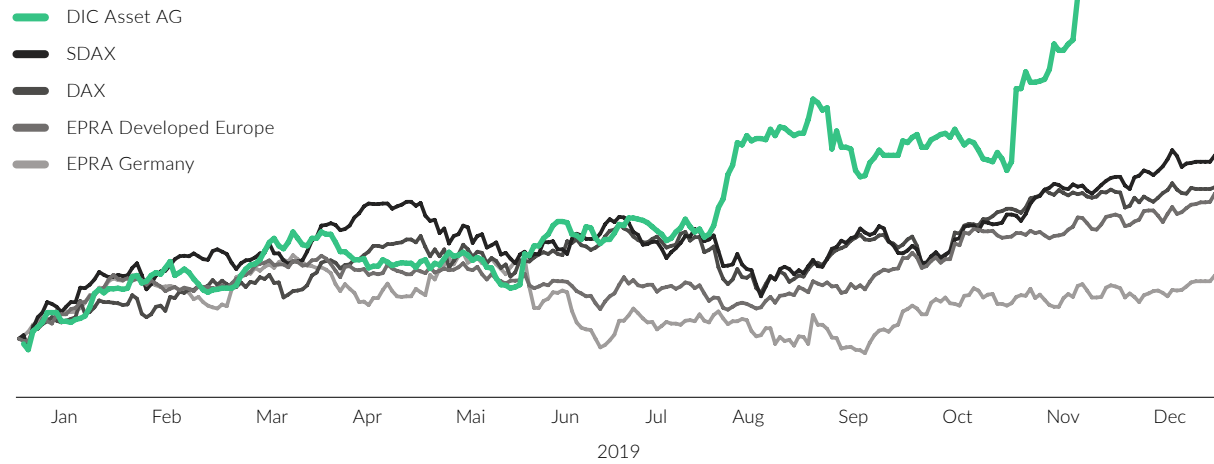
DIC share significantly outperforms all indices

DIC Asset AG's share price moved in line with the German DAX and SDAX benchmarks in the first half of the year, starting from the 2018 closing price of EUR 9.07. At the end of April, the dividend of EUR 0.48 per share adopted by the General Shareholders' Meeting was distributed and the new shares created as part of the scrip dividend were introduced to the market. Including reinvestment of the dividend, the DIC share ended the first half of the year up 17.1% (DAX: +17.6%, SDAX: +19.7%).

In June 2019, DIC Asset AG announced the acquisition of the GEG German Estate Group (GEG). As part of the expansion of the third-party asset management business with the acquisition of GEG and the increased contributions to earnings from the real estate services business associated with this development, DIC Asset dropped out of the EPRA index in accordance with index regulations with effect from 23 September 2019. However, in the wake of the Company's expansion of its business model to two highly profitable pillars and the improved visibility on the capital markets of the increasing value contribution made by the growing third-party asset management business, the share broke away clearly and expansively from the sector average and indices over the course of the year. In the second half of the year in particular, DIC Asset's shares made above-average gains to reach a ten-year high of EUR 15.90 on the last trading day of 2019.

SHARE PERFORMANCE

(assuming instant reinvestment of the dividend, indexed)

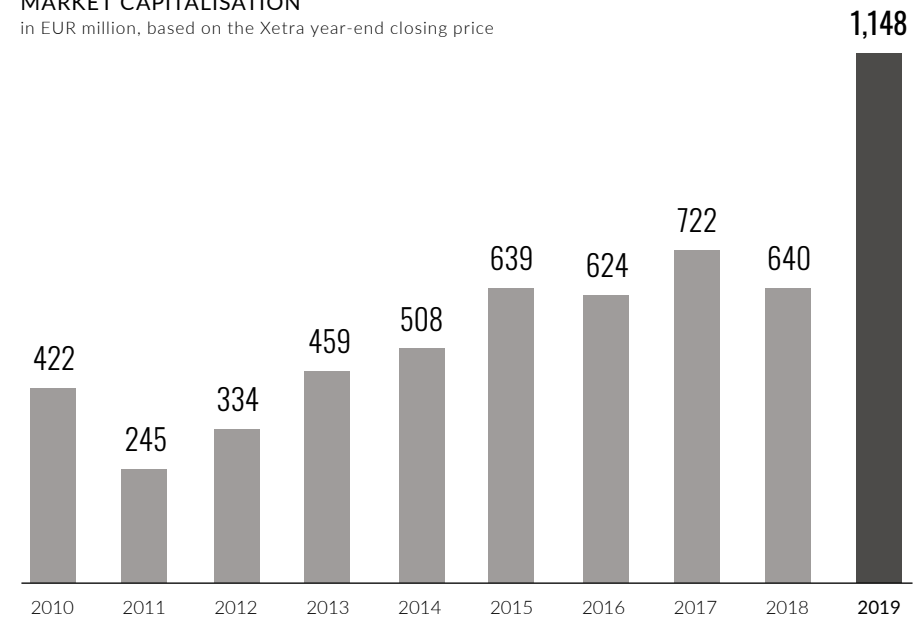


As a result, the DIC Asset share rose by 75.3% for the full-year 2019, and by as much as 80.6% including the reinvestment of the dividend. This meant that the DIC Asset share outperformed all relevant indices. The SDAX, where DIC Asset's shares are listed, increased by 31.6% in 2019, slightly outperforming the 25.3% rise recorded by the DAX leading index. While the EPRA real estate index was up 24.4%, the EPRA Germany real estate index suffered as a result of discussions about regulatory intervention into residential rent in Germany and rose by just 10.5% over the same period.

As a result of the growing interest in the DIC Asset share shown by the capital markets, the market capitalisation of our company has almost doubled. DIC Asset AG's market capitalisation rose from EUR 640 million to a new high of EUR 1,148 million as at 31 December 2019, having passed the EUR 1 billion threshold for the first time in the Company's history in November 2019.

MARKET CAPITALISATION

in EUR million, based on the Xetra year-end closing price



BASIC DATA ON THE DIC ASSET AG SHARE (AS AT 4 FEBRUARY 2020)

Number of shares	79,071,549 (registered shares)
Share capital in EUR	79,071,549
WKN / ISIN	A1X3XX / DE000A1X3XX4
Symbol	DIC
Free float	55.9%
Key indices	SDAX, DIMAX
Exchanges	Xetra, all exchanges in Germany
Deutsche Börse segment	Prime Standard
Designated Sponsors	ODDO Seydler, Baader Bank

KEY FIGURES ON THE DIC ASSET AG SHARE ⁽¹⁾

		2019	2018
FFO per share	EUR	1.32	0.97
FFO yield ⁽²⁾	%	8.4	10.7
Dividend per share	EUR	0.66 ⁽³⁾	0.48
Year-end closing price	EUR	15.90	9.07
52-week high	EUR	15.90	10.92
52-week low	EUR	8.90	8.76
Market capitalisation ⁽²⁾	EUR million	1,148	640

(1) Xetra closing prices in each case

(2) based on the Xetra year-end closing price

(3) proposed

14/19 bond fully repaid

Corporate bonds have proven to be a flexible, cost-efficient form of financing at DIC Asset AG. The 14/19 corporate bond with a volume of EUR 175 million and an interest coupon of 4.625 percent was fully repaid in September 2019. The two 17/22 and 18/23 bonds listed on the "Bourse de Luxembourg" regulated market demonstrated good trading liquidity in 2019 and were consistently quoted at or above the issue price. The 17/22 and 18/23 bonds closed the year at 103.8% and 104.0%, respectively, on 30 December 2019.

First promissory note of EUR 180 million after top-up placed, commercial paper programme launched

In July 2019, DIC Asset AG placed the first promissory note in the Company's history with around 40 German and international institutional investors. The transaction met with strong demand and was significantly oversubscribed with a total volume of EUR 150 million. The promissory note was topped up by a further EUR 30 million in November 2019. The maturities of the issued tranches fall within a range of 3 to 11 years.

At the time of the placement in July, the weighted annual average interest rate of the promissory note was 1.58% with an average maturity of 5.4 years. After the top-up, the average interest rate was 1.55% and the average maturity was 4.8 years at the end of 2019.

At the start of December 2019, an additional EUR 40 million was issued as part of a commercial paper programme for the first time, with a maturity of 3 months and an interest rate of 0.1% p.a.

"The promissory note with its varying maturities and interest rates constitutes another building block in the effort to diversify our financing structure."

Sonja Wärntges, CEO of DIC Asset AG

BASIC DATA ON THE DIC ASSET AG BONDS

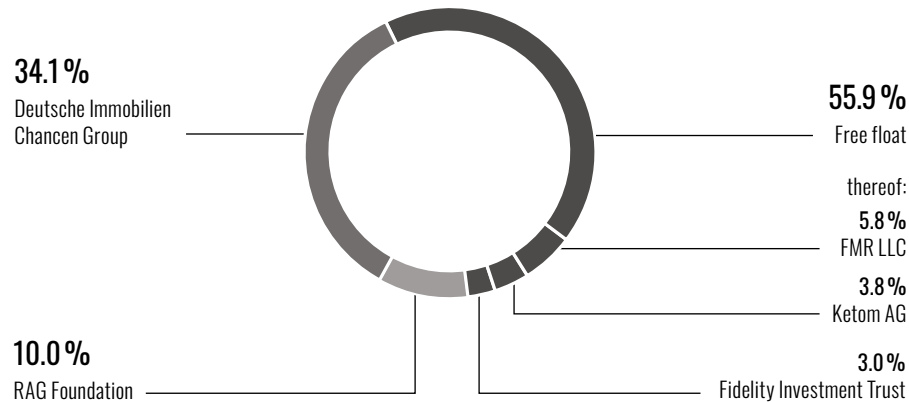
	DIC Asset AG 17/22 bond	DIC Asset AG 18/23 bond
Name	DIC Asset AG 17/22 bond	DIC Asset AG 18/23 bond
ISIN	DE000A2GSCV5	DE000A2NBZG9
WKN	A2GSCV	A2NBZG
Segment	Official List of the Luxembourg Stock Exchange, Luxembourg	Official List of the Luxembourg Stock Exchange, Luxembourg
Minimum investment amount	EUR 1,000	EUR 1,000
Coupon	3.250%	3.500%
Issuance volume	EUR 180 million	EUR 150 million
Maturity	11.07.2022	02.10.2023

KEY FIGURES ON THE DIC ASSET AG BONDS

	2019	2018
DIC Asset AG bond 17/22		
Year-end closing price	103.8%	100.4%
Yield to maturity at year-end closing price	1.97%	3.13%
DIC Asset AG bond 18/23		
Year-end closing price	104.0%	100.0%
Yield to maturity at year-end closing price	2.50%	3.50%

Source: vwd group / EQS Group AG

SHAREHOLDER STRUCTURE



Stable shareholder structure with growing interest from institutional investors

DIC Asset AG's shareholder group has a fundamentally stable structure with national and international institutional investors. The RAG Foundation has been a major shareholder in DIC Asset AG since 2014 and holds around 10.0% of the Company's shares. Anchor shareholder Deutsche Immobilien Chancen Group increased its stake in November 2019 and in connection with the capital increase in January 2020 and currently holds 34.07% of the shares, of which 7.11% are attributed via TTL Real Estate GmbH. Ketom AG, which holds a 3.79% interest after the placement of the capital increase in January 2020, joined the group of shareholders after the balance sheet date. A total of around 55.9% of shares are currently in free float.

Several reportable changes were made to the shareholder group in 2019. In terms of new shareholders, we gained FMR LLC, which reported that it had exceeded the 3% threshold in August and the 5% threshold in September and currently holds a 5.76% stake in DIC Asset AG. Fidelity Investment Trust also informed us that it had exceeded the 3% threshold in October 2019 with a stake of 3.01%.

In January 2019 the Makuria Fund Ltd. dropped below the lowest statutory reporting threshold of 3% and most recently reported a stake of 2.96%.

As a result of a capital increase from authorised capital, the total number of voting rights increased to 79,071,549 after the balance sheet date on 22 January 2020.

All voting rights announcements available to us are published on our website and in the notes starting on page 203.

Analysts raise price targets, in some cases significantly

During the year, five analysts increased their price targets, in some cases significantly, with two of these analysts upgrading their recommendations from Hold to Buy. Research firms Kepler Cheuvreux and Metzler initiated coverage in 2019. Warburg Research also initiated coverage after the reporting date in January 2020. The median price target of the nine analysts that regularly report on our stock as of the reporting date was EUR 18.00 as of 4 February 2020, which is approx. 13% above the 2019 closing price. Valuations fluctuated within a range of EUR 16.00 to EUR 20.00.

Overall, five analysts currently give a “buy” recommendation while four analysts advise holding the stock. No institutions are currently issuing a “sell” recommendation. We attribute this to, among other things, our ongoing dialogue and collaboration with analysts and investors, based on our regular presence at roadshows and conferences. In the course of 2019, 111 talks were held with investors in five countries.

Analyst
recommendations

5 x Buy

4 x Hold



Bank/financial institute	Analyst	Rating February 2019	Current rating February 2020	Price target February 2019 in EUR		Current price target February 2020 in EUR
Baader Bank	Andre Remke	Hold	Buy	10.20	⬆️	18.00
Bankhaus Lampe	Dr. Georg Kanders	Buy	Buy	12.50	⬆️	19.00
Berenberg Bank	Kai Klose	Hold	Hold	10.75	⬆️	17.50
DZ Bank	Karsten Oblinger	Buy	Hold	10.80	⬆️	16.10
HSBC	Thomas Martin	Hold	Buy	10.50	⬆️	20.00
ODDO BHF	Manuel Martin	Hold	Hold	10.40	⬆️	16.00
Kepler Cheuvreux	Edouard Enault	-	Buy	-		18.00
Metzler	Jochen Schmitt	-	Hold	-		17.00
Warburg Research	Philipp Kaiser	-	Buy	-		19.60
Median price target				10.63		18.00

as at February 2020

Continuously high payout ratio – dividend proposal increased by around 38% despite higher number of shares

We pursue a reliable, growth-oriented dividend policy, based primarily on the operating profit achieved with our business model and largely derived from the FFO (funds from operations) key performance indicator, as a key instrument of our financial strategy. The Company's current financial shape plus the forecast for future market development and the need for financing are additional factors. The success of our business model is based on a reliable and steady flow of income from the management of our highly diversified portfolio and the growth in existing and additional income from our management services provided in the Institutional Business.

By acquiring GEG and making high-yield purchases for our Commercial Portfolio, we have made considerable progress in further enhancing the profitability and cash flows of DIC Asset AG in the long term. Real estate management fees rose by 87% to EUR 62.9 million. Overall, we were able to increase our key operating performance indicator FFO by 40% in 2019. Once again, we want our shareholders to participate appropriately and at a high level in this strong operating result.

For financial year 2019, the Management Board is proposing to the General Shareholders' Meeting to distribute a dividend of EUR 0.66 per share, a year-on-year increase of around 38%. This represents a payout ratio of around 50% of FFO per share. As in the previous year, shareholders will have an option to receive the dividend in cash or in the form of additional shares of the Company ("scrip dividend").

As well as participating in sharp rise in the value of our stock during the 2019 financial year, our shareholders also enjoyed a dividend yield of around 4.2% based on the closing price for 2019. DIC Asset AG has a track record as one of the most profitable companies in the SDAX and the German real estate sector.

General Shareholders' Meeting, changes on the Supervisory Board

At the Annual General Shareholders' Meeting for financial year 2018 held in Frankfurt am Main on 22 March 2019, shareholders agreed to the Management Board's proposals by a large majority in the case of all agenda items. The General Shareholders' Meeting formally approved the actions of the members of the Management Board and the Supervisory

Board. For the 2018 financial year, the General Shareholders' Meeting approved the distribution of a dividend of EUR 0.48 per share, up almost 10% on the previous year. The dividend yield based on the year-end closing price for 2018 was over 5%.

Effective 21 May 2019, René Zahnd was court-appointed as a new member of the Supervisory Board of DIC Asset AG to serve until the end of the next General Shareholders' Meeting. He succeeds Mr Ulrich Höller, who had resigned from the Supervisory Board of DIC Asset AG.

Statement of confidence in the shares as many shareholders again opt for scrip dividend

As part of the dividend distribution for the 2018 financial year, we offered our shareholders the option of receiving their dividend in the form of shares in 2019. With a subscription price of EUR 9.57 per new share and a subscription ratio of 20.8:1, the acceptance rate was lifted from 44% of shares carrying dividend rights in the previous year to approximately 50%. A total of 1,687,527 new shares were issued and transferred to the shareholders' securities accounts in April 2019. The high acceptance rate for the scrip dividend meant that liquidity of EUR 16.1 million remained within the Company to finance investments in further growth. After issuing the new shares, DIC Asset AG's subscribed capital increased to EUR 72,213,775, up 2.4%.

Capital increase to finance growth successfully placed in January 2020

After the balance sheet date, DIC Asset successfully placed a cash capital increase from authorised capital, disapplying pre-emptive rights, by means of an accelerated bookbuilding ("ABB"). TTL Real Estate GmbH, which belongs to the Deutsche Immobilien Chancen Group, and the RAG Foundation acquired 2,336,248 and 685,777 new shares respectively in the placement process. A total of 6,857,774 new shares were issued at a price of EUR 16.00 per share. The new shares carry the same rights as the existing shares. The first trading day of the new shares was 24 January 2020. The gross issue proceeds of approximately EUR 110 million will be used to finance the Company's further growth strategy, in particular to finance the acquisitions to be made in the Commercial Portfolio, and for general corporate purposes.

2019 IR ACTIVITIES

FIRST QUARTER

08.02.	Publication of the 2018 Annual Report*	
19.02.	13th ODDO BHF German Conference	Frankfurt
22.03.	General Shareholders' Meeting	Frankfurt
28.03.	Commerzbank German Real Estate Forum	London

SECOND QUARTER

02.04.	Property Tour	Düsseldorf/Cologne
03.04.	BHL German Conference 2019	Baden-Baden
03.05.	Publication of the Q1 2019 Quarterly Statement*	
05.06.	Announcement of GEG acquisition*	
24.06.	Roadshow	London
27.06.	Roadshow	Brussels

THIRD QUARTER

11.07.	Roadshow	Copenhagen
16.07.-19.07.	Roadshow (Philadelphia, Boston, Minneapolis, Toronto)	North America
24.07.	Roadshow	Munich
29.07.	Roadshow	Düsseldorf
01.08.	Publication of the 2019 Half-year Report*	
24.09.	Berenberg/Goldman Sachs German Corporate Conference	Munich
25.09.	Baader Investment Conference	Munich

FOURTH QUARTER

30.10.	Publication of the Q3 2019 Quarterly Statement*	
20.11.	DZ Bank Equity Conference 2019	Frankfurt
27.11.	"Deutsches Eigenkapitalforum"	Frankfurt
12.12.	EPRA Corporate Access Day	London

*with conference call

2020 IR CALENDAR

as at February 2020

FIRST QUARTER

05.02.	Publication of the 2019 Annual Report*	
17.03.	General Shareholders' Meeting	Frankfurt
25.03.	BHL German Conference 2020	Baden-Baden

SECOND QUARTER

02.04.	Commerzbank German Real Estate Forum	London
04.05.	Publication of the Q1 2020 Quarterly Statement*	

THIRD QUARTER

29.07.	Publication of the 2020 Half-year Report*	
10.09.	SRC Forum Financials & Real Estate 2020	Frankfurt
09/20	Berenberg/Goldman Sachs German Corporate Conference	Munich
09/20	Baader Investment Conference	Munich

FOURTH QUARTER

28.10.	Publication of the Q3 2020 Quarterly Statement*	
11/20	"Deutsches Eigenkapitalforum"	Frankfurt
11/20	DZ Bank Equity Conference 2020	Frankfurt

Consistent capital markets communication

Our investor relations work is based on the principles of openness, transparency and fairness to all financial market participants. We make meaningful information on our company's performance and our strategy available on an ongoing basis. To reflect the importance we attach to furnishing this information, the Investor Relations and Corporate Communications department reports directly to the CEO.

In addition to issuing detailed written reports, we maintain direct contact with our private and institutional shareholders and with analysts, regularly providing information on all important events at DIC Asset AG. In telephone conferences we consistently explain our results and answer questions immediately after releasing our annual and quarterly figures. We use social media channels to network with capital market investors, intermediaries and market partners, especially in the context of IR events, trade fairs and other current events.

Follow us on

LinkedIn



Xing



During the year under review, we presented the Company at a total of nine roadshow days, seven investor conferences and the Deutsches Eigenkapitalforum analyst conference in Frankfurt.

We promptly publish all information about DIC Asset AG that is relevant for the capital markets on our website and keep this information up to date continually. Besides financial reports, company presentations and notifications, recordings of the teleconferences on the annual and quarterly reporting and the announcement of the GEG acquisition, and a detailed consensus overview of analysts' current opinions can be found there.

Involvement in associations

We are involved in particular in the most influential and largest associations, ZIA (Zentraler Immobilien Ausschuss) and EPRA (European Public Real Estate Association), in order to represent the common interests of the real estate sector and offer information services. Our CEO Sonja Wärtges contributes her expertise as a member of ZIA board of directors. We have also been a member of the European Association for Investors in Non-Listed Real Estate Vehicles (INREV) since January 2015.

Our CEO Sonja Wärtges was ranked first in the list of outstanding "Female Managers – Executives with Vision and Leadership" of 2019 by industry magazine immobilienmanager

Sustainability as a guiding principle

For us, responsible use of resources and responsibility towards the environment means fully incorporating sustainability into our business processes. In doing so, we follow internationally established sustainability guidelines. We take environmental and social requirements into account in our business decisions and processes, favouring scope for optimisation over opportunities for short-term gains wherever possible. As a major player in the property sector, we communicate the importance, focus and advances in detail in our separate Sustainability Report. The Sustainability Report for financial year 2019 was published in June 2019 and is available for download from the Company's website.

Annual Report wins yet another global gold award

For the twelfth year in a row, we received major awards for our financial reporting. The international jury at the LACP Vision Awards – one of the world's largest financial reporting competitions – presented DIC Asset AG's 2018 Annual Report with another global gold award. The jury also named the report among the top 20 German annual reports across all sectors and the top 100 reports worldwide. DIC Asset AG's report was also selected as one of the "Most Engaging Reports" in the international competition.





COMBINED MANAGEMENT REPORT



FUNDAMENTAL INFORMATION ABOUT THE GROUP

BRIEF PROFILE

MARKET LANDSCAPE

ASSET MANAGEMENT PLATFORM

REGIONAL STRUCTURE & LOCATIONS

DIVERSIFIED INCOME AND INVESTMENT STRUCTURE

CORPORATE MANAGEMENT

OBJECTIVES AND STRATEGIES



BRIEF PROFILE

DIC Asset AG is one of Germany's leading listed property companies, specialising in the investment in and management of commercial real estate in Germany.

We manage real estate assets with a market value of around EUR 7.6 billion. Represented by management teams in seven regional offices, we maintain a presence in all key German markets.

We divide our business into two profitable segments, from which we generate diversified income based on our integrated real estate management platform and an active approach to asset management:


■■■ The **Commercial Portfolio** segment (EUR 1.9 billion in assets under management) includes portfolio properties owned by DIC Asset AG. We generate continuous cash flows from stable rental income in this segment, use active management to increase our properties' value and realise profits by selling them.

■■■ In the **Institutional Business** segment (EUR 5.7 billion in assets under management), we generate income from structuring and managing investment vehicles – pool funds, club deals and individual mandates – for national and international institutional investors.

DIC Asset AG has been included in the SDAX segment of the Frankfurt Stock Exchange since June 2006.

THE MARKET LANDSCAPE IN GERMANY: DECENTRALISED AND MULTI-FACETED

Compared to other European countries, the German commercial property market is less centralised. It is characterised by strong regional diversification and comprises many different-sized players. This is due to the federal economic structure in Germany, which benefits from a large number of strong economic centres in the regions. The so-called top seven cities (Frankfurt am Main, Hamburg, Berlin, Düsseldorf, Cologne, Stuttgart and Munich) are characterised by high volumes of office space, a very active level of transactions and liquid trading, strong competition and therefore a higher volatility of prices and rents. At the same time, there is a multitude of medium-sized cities, which form the centre of economically strong regions. Competition is less fierce and transaction activity is less pronounced in these regional centres. Prices and rents, however, are relatively stable. The transaction market for German commercial properties is diversified, liquid in the long run and therefore has a strong appeal to international investors as well.

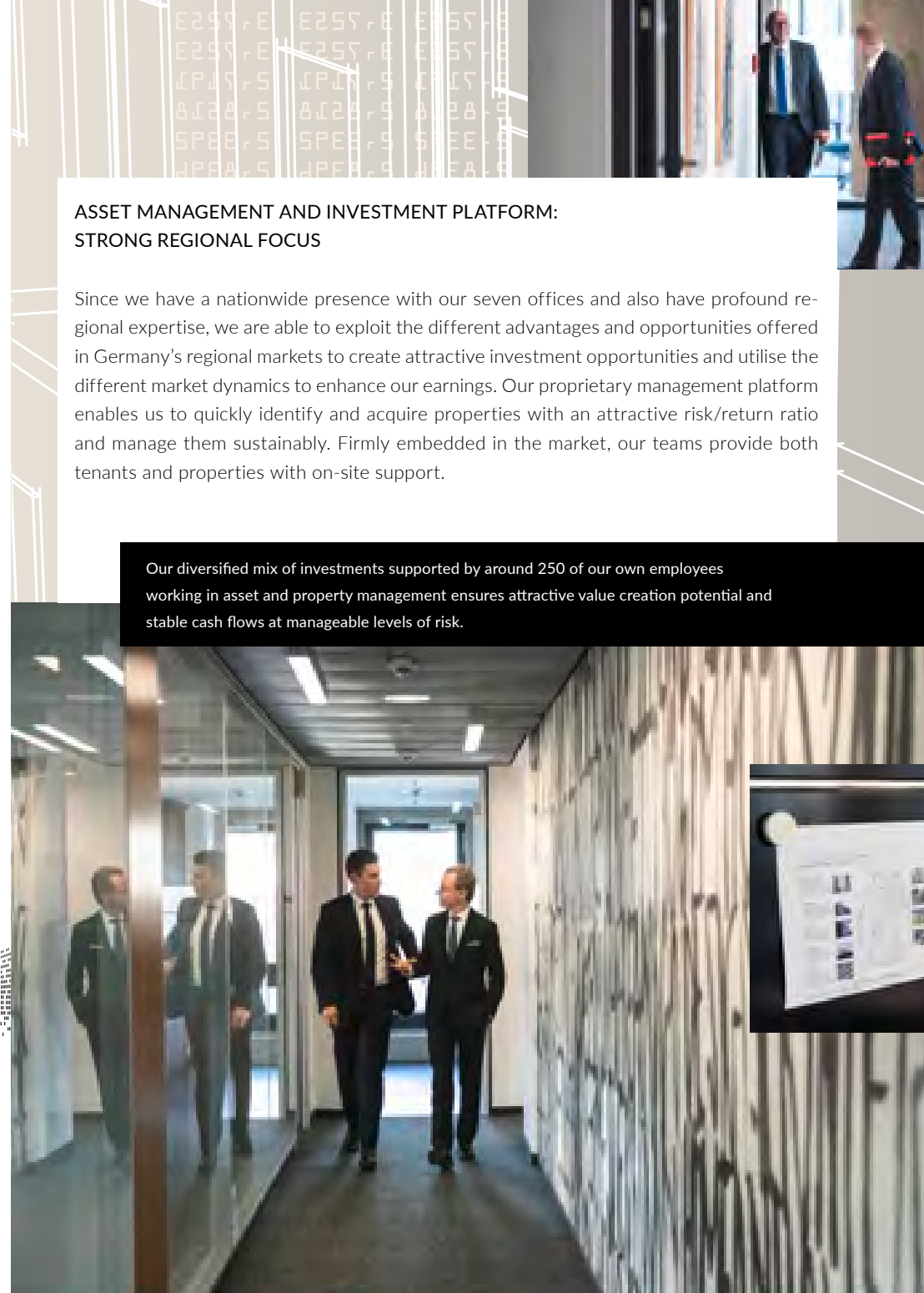


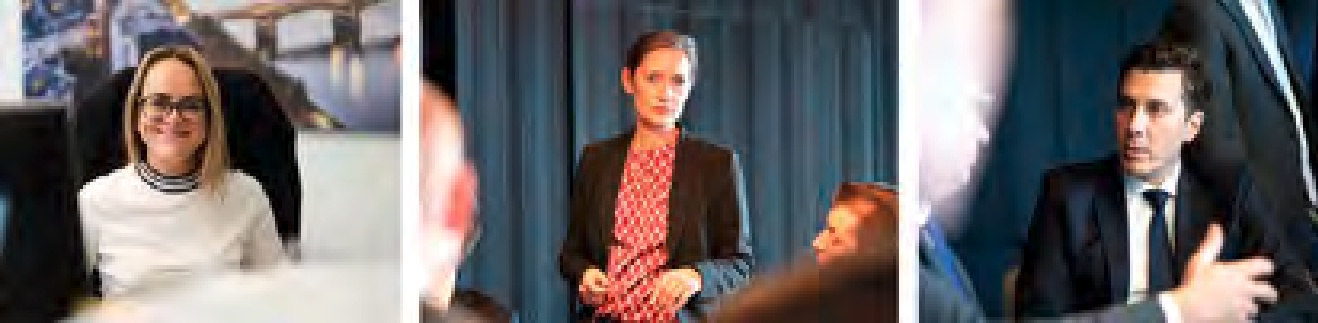
We invest in properties in Germany's top seven real estate strongholds and in regional economic centres with a risk-adjusted investment and management approach that takes into account the full potential of properties and locations.

ASSET MANAGEMENT AND INVESTMENT PLATFORM: STRONG REGIONAL FOCUS

Since we have a nationwide presence with our seven offices and also have profound regional expertise, we are able to exploit the different advantages and opportunities offered in Germany's regional markets to create attractive investment opportunities and utilise the different market dynamics to enhance our earnings. Our proprietary management platform enables us to quickly identify and acquire properties with an attractive risk/return ratio and manage them sustainably. Firmly embedded in the market, our teams provide both tenants and properties with on-site support.

Our diversified mix of investments supported by around 250 of our own employees working in asset and property management ensures attractive value creation potential and stable cash flows at manageable levels of risk.





REGIONAL FOCUS
Around 250 employees at 7 locations

REGIONAL STRUCTURE AND COMPANY LOCATIONS

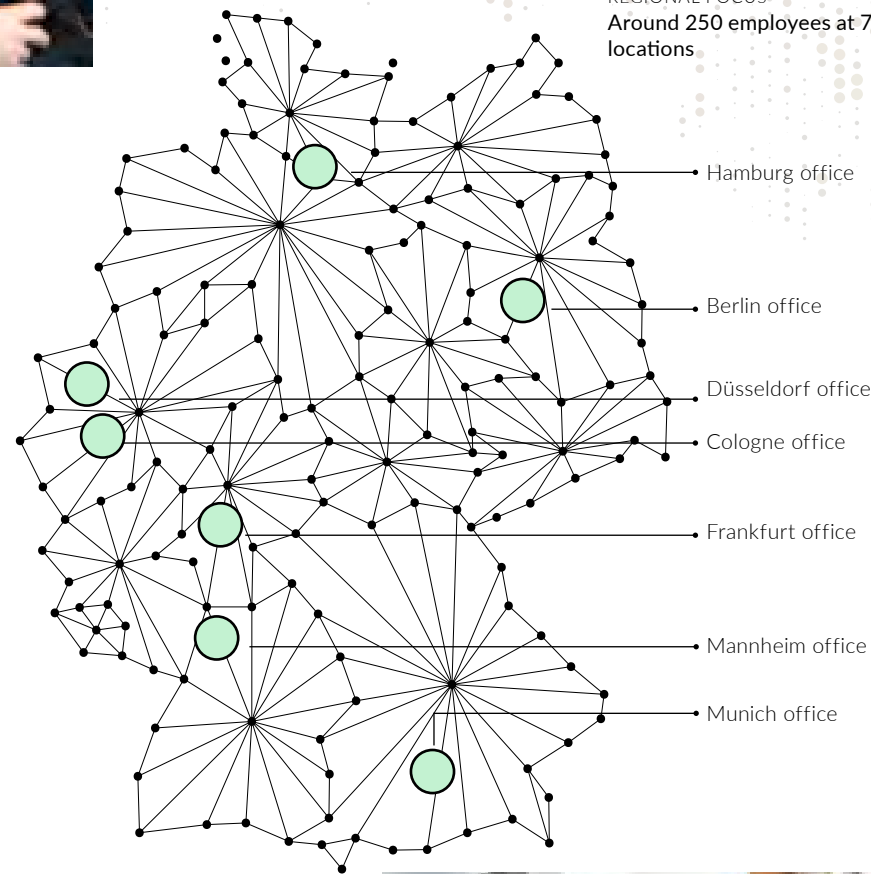
We manage the properties locally. The majority of our employees involved in property management work in regional management teams with offices in Hamburg, Berlin, Düsseldorf and Cologne, Mannheim and Munich and Frankfurt am Main.

The Management Board and company head office is also located in Frankfurt am Main. Central strategic, management and administrative functions are performed here.



With our on-site teams at seven locations, we maintain a regional and local presence in all key German markets.

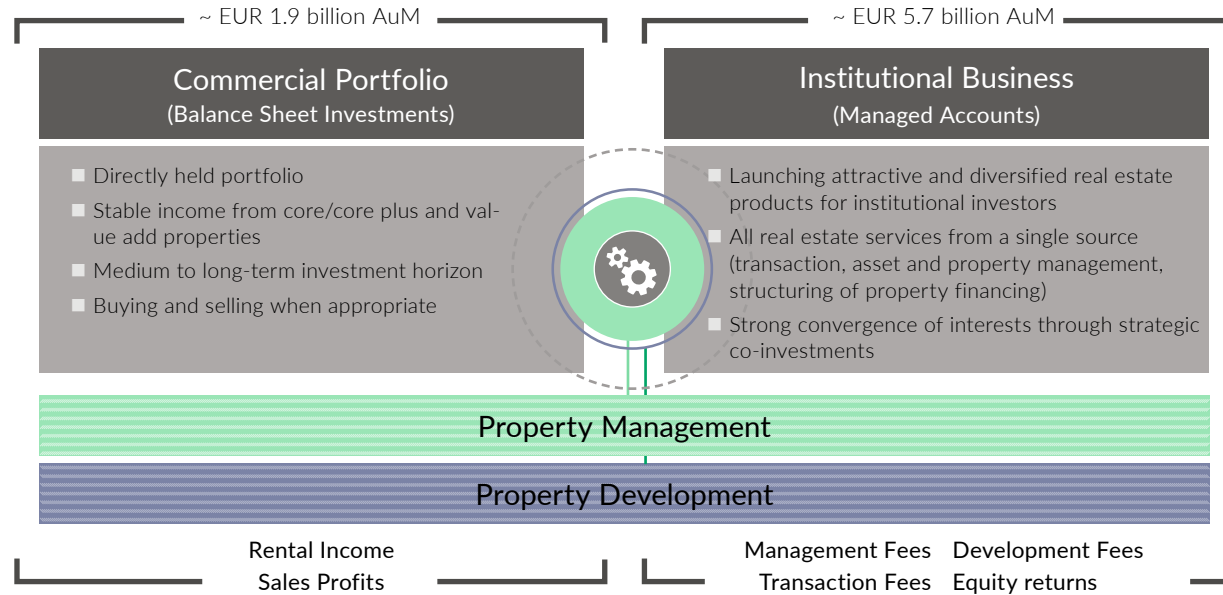
At the turn of 2019/2020, we expanded our branch network and regional presence by adding Cologne as a new location to accommodate our growing portfolio.



COMPLEMENTARY INCOME AND INVESTMENT STRUCTURE: FULLY PROFITABLE BUSINESS MODEL

Our business model combines several sources of income. It is based on sustainable income from the management of our Commercial Portfolio and recurring management income from a broad range of services for third parties (Institutional Business), supplemented by equity returns from our structured investments.

Generating income streams from two complementary segments ensures continuous profitability and enables us to exploit opportunities with maximum independence from market cycles.



Commercial Portfolio In the Commercial Portfolio segment (EUR 1.9 billion) we act as a property owner and holder. We generate steady cash flows from stable long-term rental income and unlock appreciation potential using active lettings management as well as by developing and repositioning portfolio properties.

Our active asset management activities include selling properties at the right time to optimise our portfolio and generate profits.

Institutional Business In the Institutional Business segment (EUR 5.7 billion), which we have bundled into our subsidiary GEG, we generate income from structuring and managing investment products with attractive dividend yields for national and international institutional investors, both with and without DIC's own capital investment. We provide transaction, asset and property management services as well as development services for the pool funds, club deals and individual mandates that we structure.

This allows us to generate steady and continuous management income as well as transaction and performance-related income across the entire real estate life cycle.



STREAMS OF INCOME

in EUR million

- **102**
Gross rental income
from our Commercial Portfolio
- **41**
Profits from disposal of investment property
in the context of portfolio optimisation
- **63**
Management income
from transaction, asset and property management as well as property development for institutional clients
- **18**
Equity returns
from funds and project developments, and from equity interests in companies (discontinued in 2019)

- In our Commercial Portfolio we generate rental income based on long-term leases. The rental income is broadly diversified in terms of regions, sectors and tenants.
- Sales which we use to optimise our portfolio structure and generate profits – for example after developing and repositioning properties – round off our income from the Commercial Portfolio.
- We differentiate management income from the Institutional Business as follows:
 - » Fees for asset and property management as well as development: This income correlates strongly with the volume of assets under management.

- » Transaction and performance fees: This portion of management fees is generated additionally and is based on certain activities and events; it includes fees associated with the structuring of investment products, with acquisitions and sales, and those generated when predefined key performance indicators are exceeded.
- Added to this is equity returns generated from minority interests in investment products and projects in the Institutional Business segment.

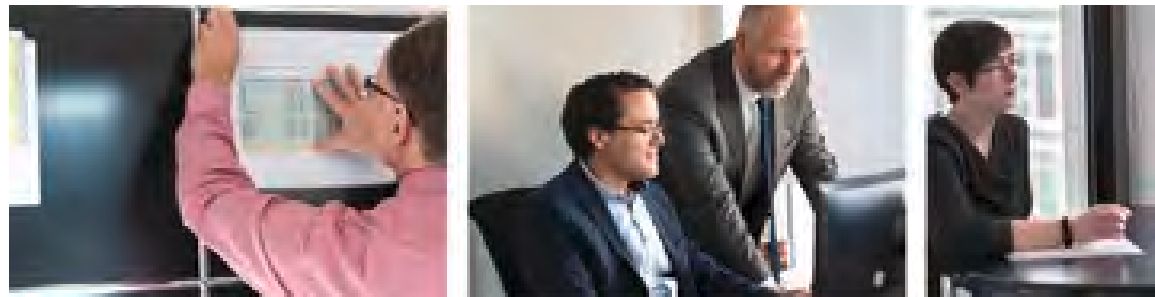
CORPORATE MANAGEMENT

Corporate structure

As a central management holding company, DIC Asset AG brings together the functions of corporate governance: directing Group strategy (in particular investment management, portfolio management and sales strategy), corporate and real estate financing, risk management, compliance management as well as the control of property management. The management holding company is also responsible for capital market and corporate communications. Two subsidiaries carry out important core operating tasks: GEG German Estate Group AG is responsible for the Institutional Business segment, including fund and asset management of investment products structured for third parties, refining investment strategies and supporting institutional investors. The Group's own real estate management company DIC Onsite GmbH provides on-site support for the entire property portfolio, including DIC Asset AG's directly-held Commercial Portfolio as well as real estate in the Institutional Business throughout Germany. In total, the Group comprises DIC Asset AG and 172 subsidiaries. The majority of these are property holding companies reflecting the Group's operating activities. All equity investments are listed in appendices 1 and 2 to the notes to the consolidated financial statements.

Corporate governance declaration and additional disclosures

The corporate governance declaration has been published on the Internet at > www.dic-asset.de/engl/investor-relations/CG. It is also included in the section on corporate governance. Further disclosures on corporate governance, such as the composition and working practices of the Management Board and the Supervisory Board, can also be found there, as can be the report on the remuneration of the Management Board and the Supervisory Board. We explain our control system in detail in the disclosures on the internal control system in the section entitled "Report on expected developments, risks and opportunities".



Planning and control system

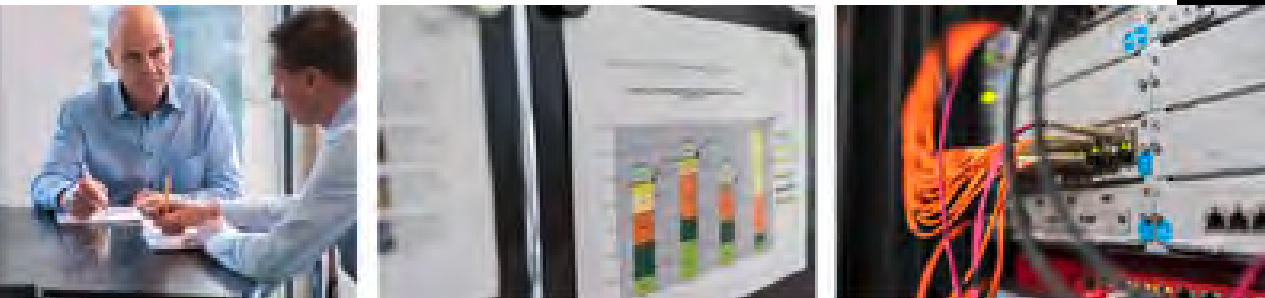
Our management system aims to increase enterprise value for shareholders, employees and business partners and to achieve long-term profitable growth without incurring disproportionate entrepreneurial risk.

Planning process

Our planning process combines reference values from the past and present with specific targets and objectives for the future. The process is based on detailed planning in the Commercial Portfolio at individual property and portfolio level (bottom-up planning). This also applies to planning in the Institutional Business, which is aligned with the respective investment strategy and target return of the individual investment vehicles. Planning also concerns revenue and overhead costs as well as depreciation/amortisation and financing. Corporate planning is finalised through targets and strategic elements (by way of top-down planning) before the individual sub-plans are finally consolidated at Group level.

Planning consists of:

- Detailed business plans for properties, portfolios and investment vehicles comprising, among other things, estimated rental income, costs and capital expenditure as well as gross profit including management and investment income.
- Targets for operational real estate management including action planning, among others with regard to letting, sales, capital expenditure and project developments.
- detailed planning of real estate management fees (recurring fees and one-off fees from planned transactions) and income from existing equity investments



Improving speed and transparency with digitalisation

Progressively digitalising our processes and expertise with developments such as dynamic data rooms containing relevant documents for our asset, property and transaction management, and carrying out cross-functional integration of interfaces in portfolio management means that the relevant information in the planning and control system is available to us sooner and in a more structured way.

This enables us to present our results faster – such as being the first German real estate company in the Prime Standard segment to present its annual report – and create faster, more comprehensive decision-making scenarios for our agile day-to-day business when conducting acquisition and sale transactions, for example.

- Consideration of the necessary manpower and examination of financial and liquidity issues.
- Risks and specific opportunities are identified by way of risk management – first at property and portfolio level and then aggregated to Group level. Consolidated Group planning is supplemented by strategic Group measures and the assessment of the general environment by the Management Board. It is carried out once a year and is amended during the year by subsequent forecasts in line with the expected market situation and any changes that arise in the meantime.

Company-specific leading indicators

To seize opportunities rapidly and avoid possible undesirable developments, we use leading economic and operating indicators for our business policy decisions.

The principal macroeconomic leading indicators include the development of gross domestic product (GDP) and the Ifo index, unemployment trends and employment levels as well as forecasts of interest rate trends and lending. These lead to conclusions about the development of our regional markets and the real estate sector, which normally responds to macroeconomic changes with a certain time lag, and about the future general environment and costs of our financing arrangements.

Significant operational leading indicators include lease signings as well as lease expiries and terminations. These are incorporated, among other things, into the monthly reporting on our letting activities. Our tenant-focused property management and the long-term nature of leases enable us to calculate the income base very precisely per month, initiate any necessary counter-measures and draw conclusions about our short- to medium-term in-

come development. We supplement these revenue-based indicators with regional information and company data from our offices. This information allows us to fine-tune our letting activities in particular.

Management based on key figures

The internal control system, which forms part of the risk management process and is explained in detail in the section entitled "Report on expected developments, risks and opportunities" starting on page 95, serves as the main instrument for monitoring and managing achievement of the Company's targets.

Key control variables and targets

In order to monitor the agreed targets, we use key operating figures, which are part of regular reporting. The operating profit from real estate management (funds from operations, FFO) is the most significant figure from a Group perspective. Key figures to be taken into account in calculating FFO are net rental income, personnel and administrative expenses, real estate management fees, the share of the profit or loss of associates excluding project developments and sales, and net interest result.

In mid 2019, we reorganised our segment reporting into two segments to acknowledge the much higher significance of our Institutional Business after combining it with the third-party business into one business unit and provide transparent information on how the two pillars of our business model contribute to profit. We report FFO separately for the Commercial Portfolio and Institutional Business segments. We manage our segments' operations on a uniform basis, particularly with regard to preserving value and increasing income from property management.

OBJECTIVES AND STRATEGIES

We are one of the largest commercial real estate investors and asset managers with a focus on office and retail properties and operate exclusively in the German real estate market.

Our corporate strategy focuses on generating a sustainable, steady stream of income via our powerful in-house real estate management platform. We strive to increase rental income and the market value of property in our directly held Commercial Portfolio and to earn growing, recurring income from management services, which we generate in our high-transaction business with institutional investors.

In order to meet our growth targets, we focus on capital and financing structures that enable us to act swiftly and reliably.

GROWING THE INVESTMENT PLATFORM

► Increase in assets under management

Across all segments, one of the key success factors for our business model is applying our management expertise to a growing portfolio. We pursue a balanced growth strategy that involves building up our earnings in both segments through acquisitions.

► Diversified acquisition strategy

Our investment mix covers the whole of Germany with a focus on the regions and locations near our offices. These include the top 7 cities as well as attractive cities in economically strong centres and their peripheries. We seek to achieve diversification on a regional, sectoral and tenant-related basis that avoids cluster risks over the long-term, ensures an attractive yield profile and offers the potential to create added value both for us and for our investors by pursuing an efficient asset management approach. This strategy is rooted in our regional expertise and our excellent access to markets. This allows us to identify and successfully develop properties with an adequate risk/return ratio in Germany's key and regional real estate markets.

PROVIDING DYNAMIC WITH AGILE MANAGEMENT

► Continuous sales aimed at optimisation

Sales are an integral component of our activities. We use them to optimise our portfolio, realise profits at the right time and release funds that improve our financial structure and capital efficiency. In our Institutional Business we generate attractive transaction and performance fees by selling property at a profit.

► Excellent letting expertise

By entering into new leases, achieving higher rents for new leases and reducing vacant space, our rental management staff makes an important contribution to increasing the value of our portfolio on a daily basis.



► **Expertise and capacity for portfolio development across all segments**

Thanks to our expertise, we are able to leverage properties' appreciation potential, especially through refurbishment work. We employ our own highly efficient teams for developing properties both in our own portfolio and in third-party portfolios. These teams take care of measures aimed at repositioning properties to create value.

MULTIPLY BEST PRACTICES IN THIRD-PARTY BUSINESS

► **Defined investment products aimed at institutional investors**

We offer national and international institutional investors our many years of investment expertise, transaction management skills and a broad range of real estate services in Germany's key and regional real estate markets. We design customised investment structures with attractive dividend yields by way of pool funds, club deals and individual mandates.

► **Use our real estate expertise effectively**

We leverage our in-depth real estate knowledge to drive a growing third-party business and achieve recurring and increasing management income by taking on asset and property management mandates. We are using specialist skills, expertise and low capital expenditure to steadily diversify our sources of income and stabilise our business's revenue streams.

STRONG ORGANISATIONAL AND FINANCIAL FOUNDATION

► **Optimising the financial and capital structure**

Our stable financial structure, based on predictable long-term cash flows and proactive planning, safeguards our strong standing in the market. We aim to further optimise our financial foundation through our business activities and steady cash flow from rental income as well as by growing our management income. We have a good reputation with our banking and financial partners, as well as on the capital markets, which secures us access to various sources of finance.

► **Smart organisation**

As an agile company with an active management approach, having an efficient and innovative organisation is very important to us. We are pushing ahead with digitalisation in order to mobilise our knowledge, create additional capabilities and further enhance the performance of our integrated management platform. Across every segment of our company, we are constantly reviewing and constructively developing new solutions in order to improve the speed, flexibility and transparency of our business.

Degree of target achievement

■ ■ ■ **Considerable growth in assets under management**

by expanding our platform with the acquisition of GEG in June 2019 and a notarised acquisition volume of around EUR 1.9 billion

■ ■ ■ **Improving the quality of our Commercial Portfolio**

by further reducing the EPRA vacancy rate to 6.5% and extending the weighted average remaining lease term (WALT) to 6.0 years

■ ■ ■ **Multiplying management performance in the Institutional Business**

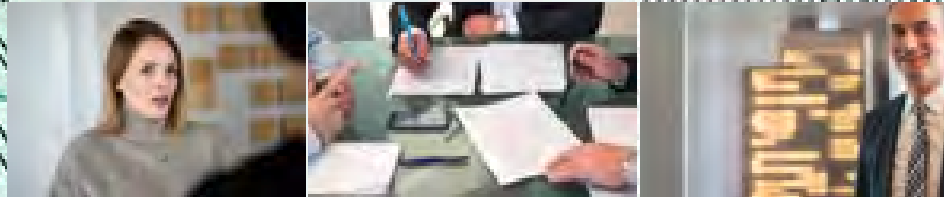
by significantly increasing management income by 87% to EUR 62.9 million

■ ■ ■ **Demonstrating the full value contribution of our business model**

Adjusted net asset value per share at EUR 22.26 (31.12.2019)

■ ■ ■ **Steadily optimising our financial and capital structure**

by issuing promissory notes as a new source of financing, reducing the average interest rate to 2.0% and lowering our loan-to-value ratio (LtV) further to 47.8%



REPORT ON ECONOMIC POSITION

OVERALL ASSESSMENT

MACROECONOMIC ENVIRONMENT

COURSE OF BUSINESS

- REAL ESTATE MANAGEMENT
- PORTFOLIO DEVELOPMENT
- COMMERCIAL PORTFOLIO
- INSTITUTIONAL BUSINESS

FINANCIAL INFORMATION

- REVENUE AND RESULTS OF OPERATIONS
- FINANCIAL POSITION
- NON-FINANCIAL KEY PERFORMANCE INDICATORS

OVERALL ASSESSMENT OF THE COURSE OF BUSINESS AND THE POSITION OF THE COMPANY

In financial year 2019, DIC Asset AG once again impressively demonstrated the profitability and dynamic nature of its business model and laid crucial foundations for the future. The financial year was dominated by the strategic acquisition and integration of GEG German Estate Group (GEG) and the related strong growth in the Institutional Business segment.

We successfully completed the strategic reorganisation of our operating segments. By transferring the last property from a joint venture equity investment, we continued to simplify our corporate structure as planned. The sale of our equity stake in TLG Immobilien AG agreed in December 2018 was carried out in the first half of the year and the resulting proceeds were reinvested extremely successfully in the acquisition of GEG.

This created two operating segments on an equal footing: the Commercial Portfolio, which includes our own property holdings and generates reliably stable cash flows in the form of rental income, and the Institutional Business, where we offer tailored real estate investment products for institutional investors and generate income from real estate management.

The acquisition of GEG accelerated our growth in the Institutional Business significantly: assets under management, and thus real estate management fees, rose sharply as a direct consequence of the acquisition and so, in June, we raised our forecast for our acquisition volume and FFO. By swiftly integrating GEG, we greatly expanded the capacity of our investment platform, strengthened our market position and once again increased the pace of activity. The increased momentum in the transaction business, the considerable

enthusiasm for work shown by our transaction teams operating across Germany and the strong demand for our investment products in the Institutional Business enabled us to close the financial year on a record acquisition volume of around EUR 1.9 billion, by far exceeding our acquisition guidance, even after we had raised it again in October to EUR 1.3 billion.

We also continued to optimise our Commercial Portfolio: on the selling side, we used the strong momentum in the commercial real estate market in Germany as an opportunity to sell EUR 154 million of non-strategic properties and generate some attractive income. Across all segments, we sold EUR 286 million of real estate at a sales margin of 32% and exceeded our forecast of between EUR 200 and 230 million. We also increased the profitability of the Commercial Portfolio through higher-than-planned acquisitions of properties with substantial rental cash flows. At EUR 101.9 million, gross rental income exceeded both the prior-year figure and the forecast of between EUR 98 and 100 million due to the rental inflows from the acquisitions in combination with the successful work of our internal real estate management team, which increased rental income by 2% on a like-for-like basis.

In October, the smooth integration of GEG, the strong momentum in the Institutional Business, the rising quality of the Commercial Portfolio and the further optimisation of the financial structure prompted us to once again raise the forecast for the Group's key performance indicator, operating profit from real estate management (funds from operations, FFO). Having achieved record FFO of EUR 95 million, we were able to confirm this estimate and outperform the prior-year figure by 40% as at 31 December 2019.

By increasing assets under management across all operating segments from EUR 5.6 billion to EUR 7.6 billion, we have once again created a much larger foundation for stable and sustained cash flows. With its diversified income structure, our business model is proving to be robust, scalable and flexible. Profit for the period rose by 70% to EUR 81 million. In view of the targets achieved and the Company's long-term business prospects, we want our shareholders to participate in this strong result and distribute a dividend of EUR 0.66 per share, an increase compared with the previous year.

MACROECONOMIC ENVIRONMENT

MACROECONOMIC TRENDS

The German economy grew for the tenth successive year in 2019. However, economic growth weakened considerably, with price-adjusted gross domestic product (GDP) rising by 0.6% in 2019 after recording growth of 2.5% (2017) and 1.5% (2018) in the two previous years. The global slowdown in industrial activity was a crucial factor in this subdued growth.

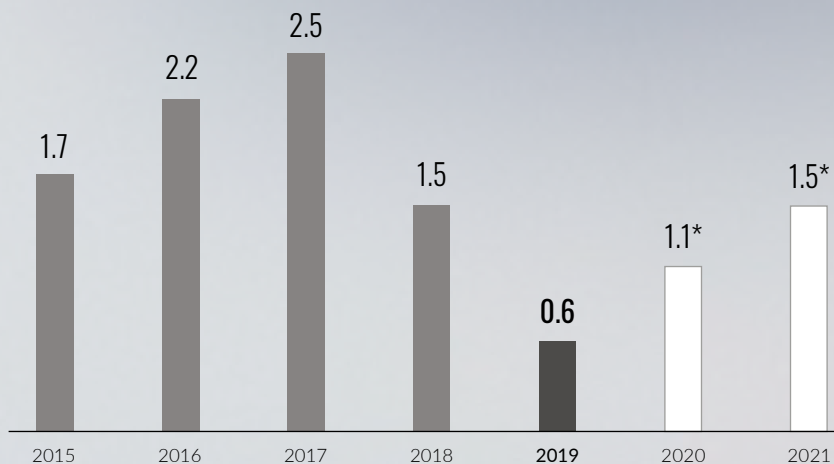
Consumption and construction supporting the German economy

The picture across various sectors is mixed. International trade disputes and wrangling over Brexit weighed on Germany's export-driven industry. This uncertainty curbed investments and led to a deterioration in sentiment, particularly in traditional key sectors such as car manufacturing and mechanical engineering as well as the electrical and chemical industries. Economic output in the manufacturing industry excluding construction, which makes up more than a quarter of the economy as a whole, fell by 3.6%.

By contrast, the primarily domestically-focused services and construction sectors have been experiencing a strong upturn in Germany. The construction industry recorded the sharpest increase, rising by 4.0%. Consumption also remains a stable pillar of the economy. Consumer spending increased by 1.6%, while government spending was up 2.5%.

GDP GROWTH IN GERMANY

price-adjusted, year-on-year change in %

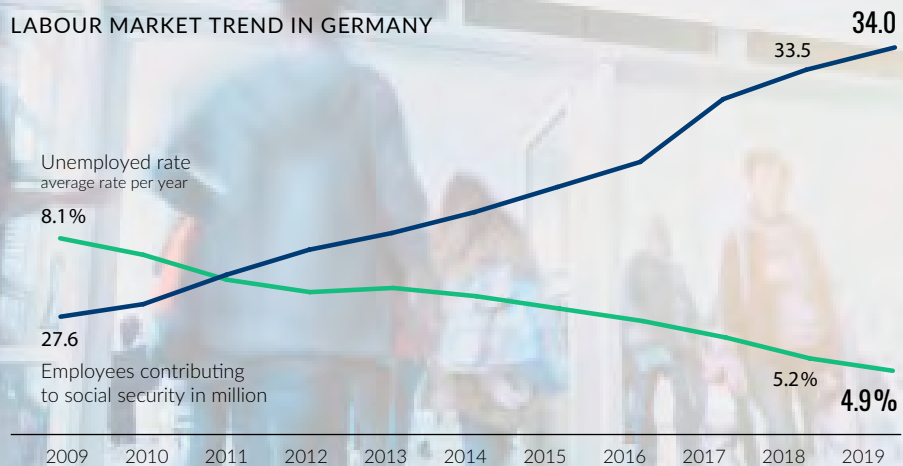


Sources: Federal Statistical Office, *forecast ifo institute

The positive stimulus from the German domestic economy – driven by a rise in employment, strong wage and salary increases, tax cuts and low interest rates – is defying the weakness in industrial activity and external pressures and is currently carrying the German economy through this global slowdown.

In the coming year, the ifo Institute expects another slightly more powerful increase in economic growth of 1.1% followed by a rise of 1.5% in 2021 – even though there is still uncertainty about global economic development as a result of the trade conflicts, Brexit needs to be tackled and the German automotive industry is facing major challenges associated with further technological development.

LABOUR MARKET TREND IN GERMANY



Sources: Federal Employment Agency, Federal Statistical Office

ifo BUSINESS CLIMATE GERMANY*

Seasonally adjusted



Source: ifo business surveys, December 2019

* Manufacturing industry, service sector, trade and construction industry

Slow down becoming apparent

Despite the economic weakness, the labour market in Germany remained robust, although employment rose more slowly than in previous years. The annual average number of people in gainful employment registered in Germany exceeded 45 million for the first time. This 0.9% increase to 45.3 million was primarily attributable to a rise in employees subject to social security contributions. While statistics show that most of these new jobs were created in the qualified services, healthcare and information and communication sectors, traces of the economic slowdown became apparent in the manufacturing industry, resulting in only small increases or initial declines. In December 2019, unemployment rose year-on-year for the first time in six years to reach 4.9%. Demand for workers, which is reflected by the job index of the Federal Labour Office and has been steadily falling since March 2018, declined once again in December.

When assessing further developments, there are still major uncertainties with respect to largely incalculable external factors. However, the potential deterioration in economic prospects caused by continuing trade disputes contrasts with a glaring shortage of labour, which means that no serious consequences for unemployment are expected.

According to the German government's autumn forecast presented in mid-October, the number of people in gainful employment is set to rise to 45.4 million by the end of 2020.

German economy heading into the new year with confidence

After sentiment indicators continually reached new lows during the year until August as a result of sluggish performance in Germany's key industries, escalating trade disputes and the accompanying slowdown in the global economy, the mood in German boardrooms brightened again at the end of the year. In particular, the prospect of an easing of tensions

in the US-China trade dispute following the announcement that a partial agreement had been reached contributed to this marked improvement. The ifo Business Climate Index rose for the third time in four months in December to 96.3, raising both its assessment of the current situation and its expectations. However, the picture across all sectors was mixed once again. Companies in the service sector rated their current situation considerably better and were optimistic about the future, whereas manufacturers considered their current situation to be worse yet were less pessimistic about the future. While expectations were lower in the construction industry, the assessment of the current situation remains at a high level.

Monetary policy reacts to growing economic risks

To counteract a deterioration in economic prospects, the US Federal Reserve ended its restrictive monetary policy in March after raising interest rates nine times in three years, and announced that it would leave the key rate within a range of 2.25 to 2.5 percent in 2019. The increasingly apparent slowdown in global growth over the course of the year, combined with lower inflationary pressure, prompted the Fed to cut interest rates three times in quick succession to a range of 1.5 to 1.75 percent between July and October to prevent a downturn in the US economy.

In light of growing economic risks and low inflation rates, the ECB repeatedly postponed the date for potentially abandoning its zero interest rate policy over the course of the year. Although an interest rate hike no earlier than mid-2019 was still on the cards at the start of the year, the ECB pushed this date back to no sooner than the end of 2019 in March and then delayed it until mid-2020 at the earliest at its meeting in June. In September the ECB lowered the deposit rate – the “penalty rate” for banks that park their money with the ECB – even deeper into negative territory to -0.50%. Bond purchases resumed in November after the programme was only terminated at the start of the year. The main refinancing rate in the eurozone is expected to remain at zero until the inflation outlook in the region shows sustained improvement.

As the inflation rate and economic forecasts have moved further away from the ECB's target figures, namely downwards, interest rate increases appear unlikely before 2021.

The uncertainty caused by the trade dispute and associated fears of a recession drove increasing numbers of investors towards what are perceived as safe German government bonds. Yields on ten-year Bunds fell to a record low of -0.63% on average in August. Although they recovered slightly due to an easing in tensions by the end of the year, they did not leave negative territory.

SECTOR TRENDS

Office rental market dominated by supply shortage

The office rental market remained exceptionally robust despite the economy's faltering momentum. Take-up of just over 4 million sqm exceeded the previous year's figure by 1.6%, generating the second-highest revenues after 2017. However, there are substantial differences when looking at individual markets. While year-on-year revenues rose by almost 50% in Stuttgart, 33% in Düsseldorf and 19% in Berlin, Munich recorded the worst performance this year with a 22% slump. Hamburg (-9%), Frankfurt (-8%) and Cologne (-5%) also reported declining revenues. Berlin was the undisputed leader for 2019 with take-up of around 1 million sqm, followed by Munich with revenue of around 0.8 million sqm.

The situation on the rental market continues to be strongly impacted by the shortage of supply. Although both the volume of space under construction and completion volumes have now risen significantly – an increase of 21% year-on-year and an aggregate of around 1.1 million sqm resulted in the highest completion volumes since 2010 – this is still not enough to clear the backlog in demand, particularly for newly constructed space. Overall, only 2.85 million sqm was available in the top 7 cities for companies looking for space at the end of 2019, a decline of almost 550,000 sqm within a year (end of 2018: 3.4 million sqm).

The aggregated vacancy rate fell by another 0.6 percentage points year-on-year to just 3.0%; again, Berlin takes top spot with the lowest vacancy rate in the country of 1.8%. Estate agents observed a slight easing in the office rental market at the end of the year and are speculating about a potential trend reversal. In 2019 the fourth quarter, which is traditionally the strongest quarter on the rental market, contributed less than a quarter of total revenue, while the decline in available space also slowed during the year.

As a result of continued high demand for space coupled with a lack of attractive space, prime rents rose in all of the Big 7 locations on a year-on-year basis. Prime rents increased by an average of 5.4% within a year to reach their highest level since 1992.

Another sales record in the real estate investment market

Neither global risk factors nor weaker economic momentum have represented a turning point in the real estate investment market. The commercial investment market ended a highly positive decade for real estate investors with another revenue record. The significant uptick in transactions at the end of the year and the strongest quarter ever recorded meant that the market exceeded estate agents' annual forecasts considerably in some cases. CBRE predicted a transaction volume of around EUR 68 billion excluding equity interests in companies, while Colliers calculated a commercial transaction volume of EUR 71.6 billion including investments in real estate property holders and their portfolios while JLL reported a total commercial transaction volume of around EUR 69.5 billion.

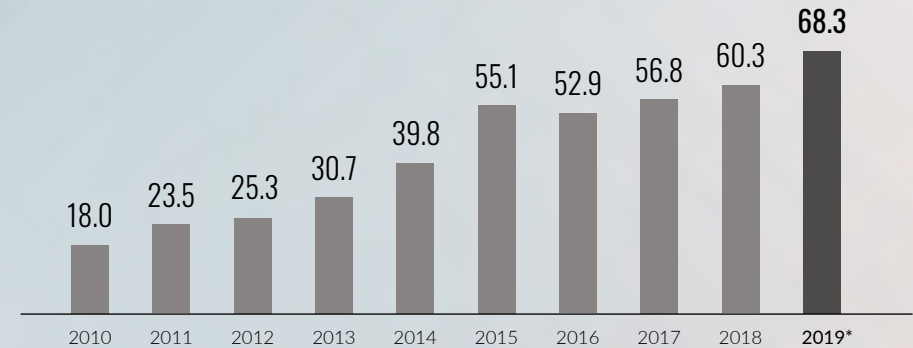
At the end of the year, a significant increase of well over 10% was recorded, compared to the already exceptionally high transaction turnover of the previous year.

“This phase of the market is favourable for investments in German commercial real estate. Although prices have risen considerably in recent years, by global comparison they remain attractive from the point of view of foreign investors.”

Sonja Wärntges

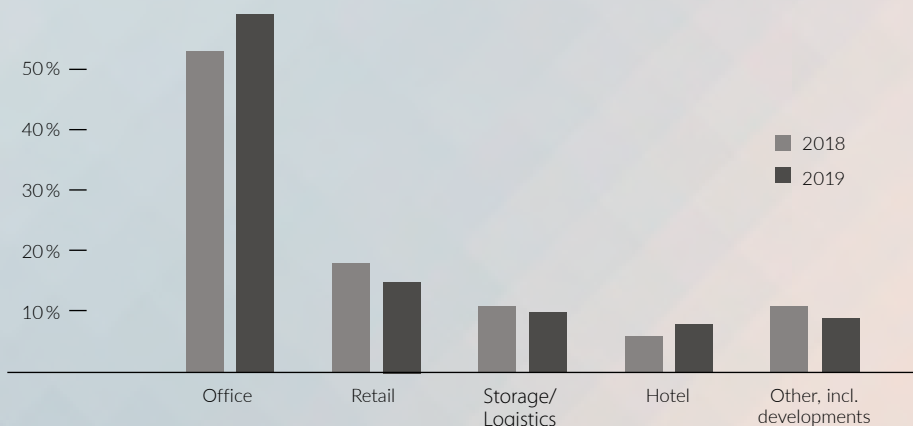
The most popular asset class is office properties by a significant and increasing distance. These properties represented 59% of investment turnover compared to 53% in the previous year, resulting in a 25% year-on-year rise to more than EUR 40 billion taken up. Retail properties, which occupy

GERMAN COMMERCIAL REAL ESTATE TRANSACTION VOLUME
in EUR billion



Sources: JLL, *CBRE Research

PERCENTAGE OF TRANSACTION VOLUME



Source: CBRE Research

second place, contributed around EUR 16 billion (24%) of total revenues, which corresponds to a 6% decline in revenue. The proportion of logistics properties declined to 10% (EUR 6.9 billion) amid a slight rise in transaction volume, while hotel properties recorded a sharp 43% increase in transaction volume to EUR 5.6 billion, causing their share of investment turnover to climb to 8%.

As in the previous year, investors focused on single transactions, which made up 71% of commercial real estate investments, suggesting that investors are having to work hard to generate profit at the individual property level. Colliers and JLL attribute the increase in the volume of portfolio transactions to increased interest in equity interests in companies. These equity investments, which should also be classified as real estate investments, proved to be a real alternative for investors in light of the persistent product shortage and the corresponding interest rates.

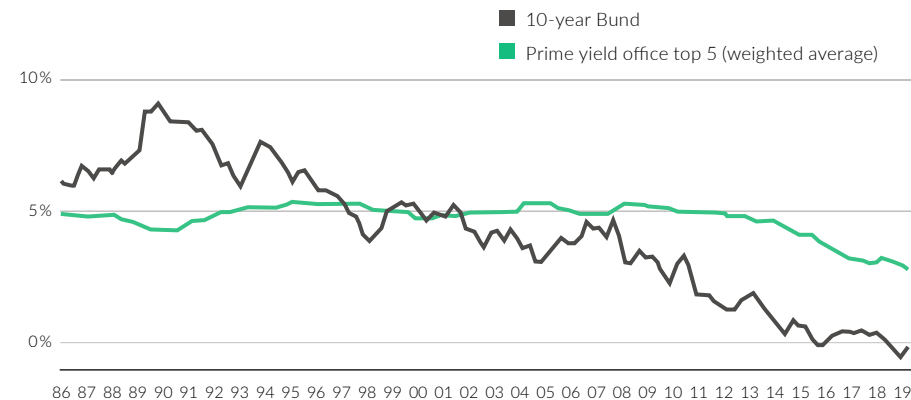
Transaction activity on the commercial real estate market is still concentrated on the Big 7 locations, which increased their share to around 60% after recording a 21% rise in transactions to EUR 44 billion. However, there are big regional differences here.

Revenue in the German capital Berlin experienced exceptional growth, breaking through the EUR 10 billion mark for the first time and exceeding the previous year's figure by 75% with transactions totalling EUR 12.2 billion. Munich also broke the EUR 10 billion barrier and made a 67% year-on-year gain with a strong final quarter in which the city realised around half of its annual volume of EUR 10.9 billion. Cologne (EUR 3.2 billion, +74%) and Düsseldorf (EUR 3.8 billion, +12%) also reached new record highs. By contrast, Frankfurt fell significantly short of its previous year's record turnover, which was just below the EUR 10 billion mark, with a 19% drop to EUR 7.8 billion. Hamburg (EUR 4.3 billion, -24%) and Stuttgart (EUR 1.8 billion, -20%) also failed to match their previous year's results.

Estate agents have taken different starting positions when it comes to reporting the proportion of foreign market players. While JLL includes residential real estate when looking at investment activity on the real estate market and sees the share of foreign sources of capital at its lowest level since 2013 at just under a third overall, Colliers calculates that foreign investors on the commercial real estate market excluding housing are making a high yet stable 42% contribution to transaction revenue.

YIELD SPREAD FOR OFFICE PROPERTY VS. 10-YEAR BUNDS

Figures for December




Source: CBRE Research

Yields fell further amid persistently strong market momentum. According to JLL, average office prime yields reached 2.93% in the top 7 cities at the end of 2019, once again remaining 18 basis points below the previous year. Berlin remained the most expensive location in 2019, having previously broken the 3% barrier in 2018 before declining by a further 25bp to 2.65%, followed by Stuttgart (2.95%, -10bp), Hamburg (2.95%, -10bp), Frankfurt (2.85%, -30bp) and Munich (2.80%, -40bp). Prime yields only remained above 3% in Düsseldorf (3.10%, -10bp) and Cologne (3.20%, +/-0bp).

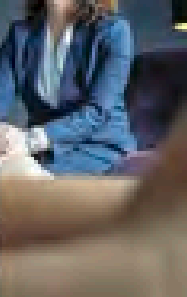
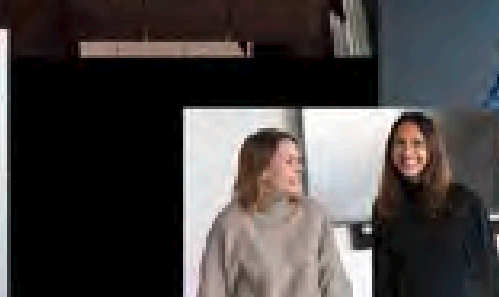
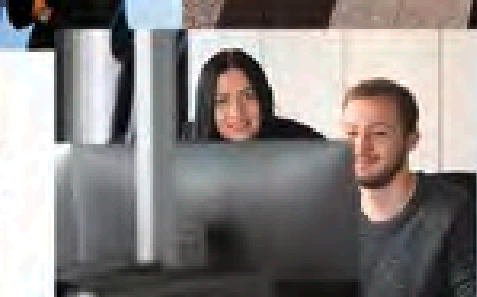
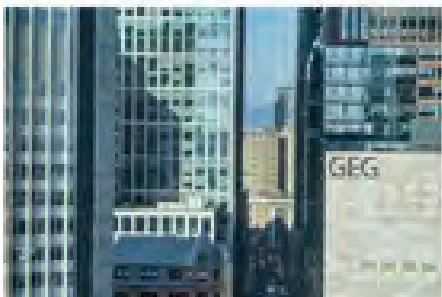


COURSE OF BUSINESS

- Acquisition of GEG and efficient integration into the combined Institutional Business segment
- Assets under management show a strong increase of EUR 2 billion to EUR 7.6 billion
- Transaction volume reaches a new record of around EUR 2.2 billion – of which EUR 1.9 billion are acquisitions
- Market value of the overall portfolio under management up by approximately 35 %
- High-yield new acquisitions for the Commercial Portfolio to enhance future rental income
- High letting performance of 211,300 sqm with annual rental income of EUR 32.7 million



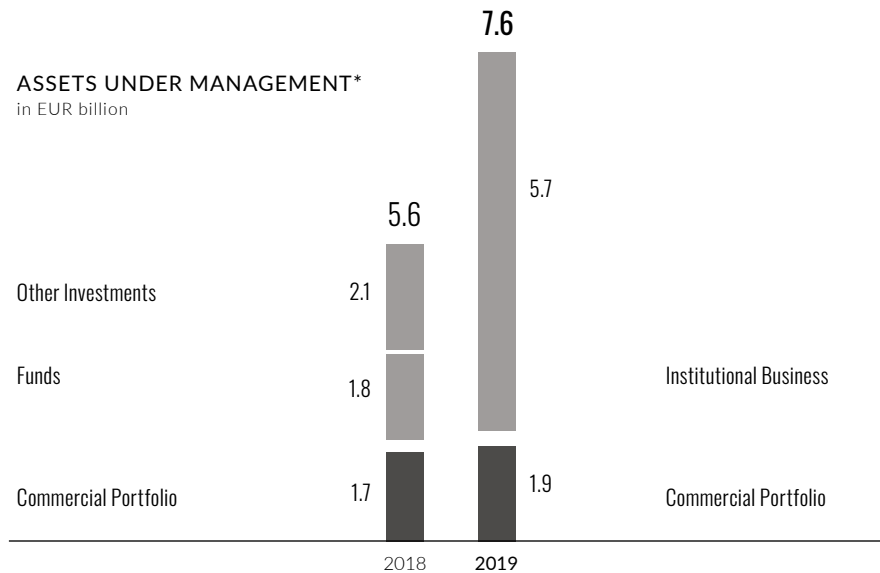
In 2019, we increased our actively managed real estate assets by EUR 2 billion to a new high of EUR 7.6 billion.



DEVELOPMENT OF ASSETS UNDER MANAGEMENT

As at the reporting date of 31 December 2019, our real estate assets under management comprised 180 properties with total space of around 2.0 million sqm. By acquiring GEG in June of the year under review and through further acquisitions in the Commercial Portfolio and Institutional Business, we increased the value by EUR 2 billion to EUR 7.6 billion within a year.

Of this figure, around EUR 1.9 billion was attributable to the Commercial Portfolio and EUR 5.7 billion to the Institutional Business, which comprises fund properties and individual mandates of institutional investors.

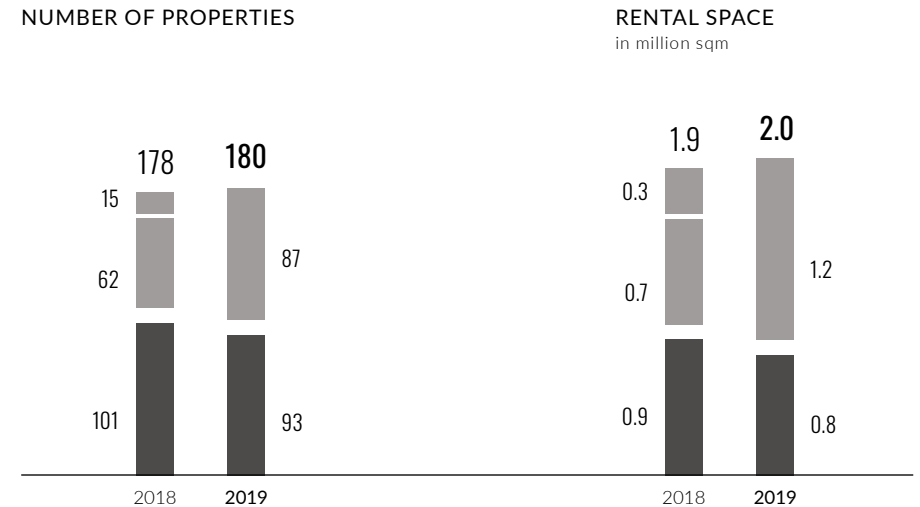


* Other Investments and Funds segments merged into Institutional Business as of H1 2019

ACQUISITION OF THE GEG GERMAN ESTATE GROUP

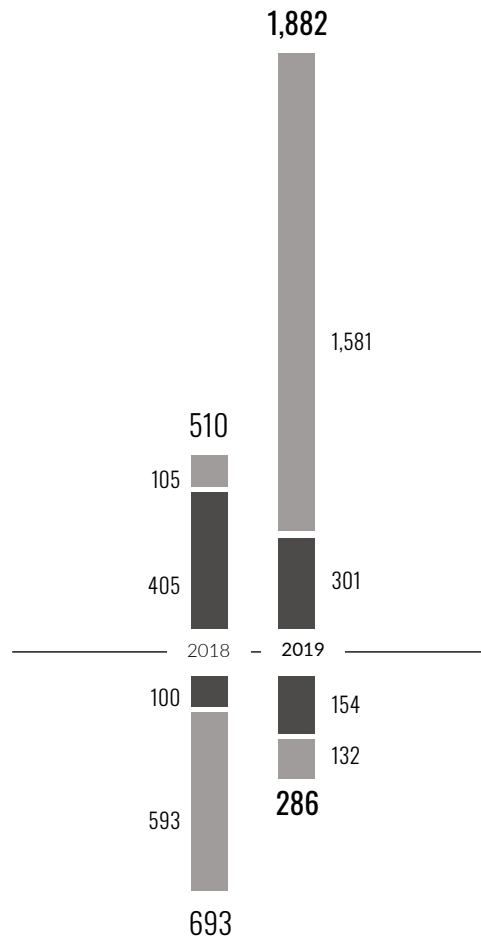
We pushed ahead with expanding our business and market position in 2019 by carrying out two strategic transactions: In the first half of 2019, we completed the sale of our equity investment in TLG agreed in December 2018 as planned. We immediately reinvested around EUR 376 million of funds released by both partial sales for our own growth: In an agreement dated 5 June 2019, DIC Asset AG acquired real estate investment and asset manager GEG German Estate Group (GEG) for a purchase price of EUR 225 million paid completely from cash.

As at 30 June 2019, GEG had EUR 3.6 billion in assets under management, of which properties worth around EUR 2.2 billion were already managed by our property management team under previous mandates in the third-party business. We continue to manage these properties after the transaction. By completing this acquisition, we have expanded our institutional investor base to include financiers who at that time had invested in 23 properties in funds, club deals and individual mandates via GEG.



ACQUISITION VOLUME in EUR million

- Institutional Business
- Commercial Portfolio



SALES VOLUME in EUR million

ACQUISITIONS

in EUR million (number of properties)	Notarisations in 2019	Notarisations in 2019 Transfer of possession, benefits and asso- ciated risks in 2019	Notarisations in 2018 Transfer of possession, benefits and asso- ciated risks in 2019
Commercial Portfolio	301 (5)	216 (4)	45 (1)
Institutional Business	1,581 (16)	973 (12)	51 (2)
Total	1,882 (21)	1,189 (16)	96 (3)

➔ Transaction volume surpasses the two billion euro mark

Following the high of EUR 1.2 billion reached in the previous year, our transaction teams managed to almost double revenue and conduct a record volume in excess of EUR two billion in 2019: we carried out both our planned acquisitions and our planned sales in full, raised our transaction targets during the year upon the acquisition and integration of GEG and handled a record total of around EUR 2.2 billion in acquisitions and sales.



SALES

in EUR million (number of properties)	Notarisations in 2019	Notarisations in 2019 Transfer of possession, benefits and asso- ciated risks in 2019	Notarisations in 2018 Transfer of possession, benefits and asso- ciated risks in 2019
Commercial Portfolio	154 (11)	154 (11)	27 (2)
Institutional Business	132 (4)	132 (4)	115 (2)
Total	286 (15)	286 (15)	142 (4)

➔ **Combined acquisition volume of EUR 1.9 billion achieved**

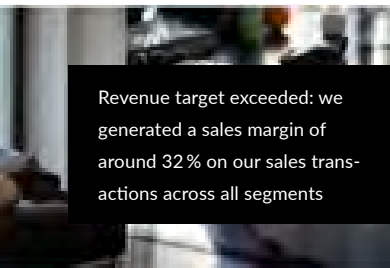
With acquisitions totalling around EUR 1.9 billion across the two segments, we by far exceeded the EUR 1.3 billion forecast at the beginning of the year. This was due mainly to the dynamic expansion of our Institutional Business upon the integration of the complementary GEG business. In total, 21 properties were acquired:

We purchased five of these properties, representing a total investment volume of around EUR 301 million, for the Commercial Portfolio, thereby effectively continuing our strategy of bolstering long-term recurring cash flows with reliable rental income from our own portfolio. Four of the new acquisitions were transferred to our portfolio in 2019; we contractually secured the fifth property, representing a volume of around EUR 85 million, in a forward deal and expect the transfer to take place following completion in early 2021.

16 properties representing a volume of around EUR 1.6 billion were acquired for the Institutional Business. The transfer of twelve of them took effect in the past financial year. We expect to transfer four of the new acquisitions with a volume of approximately EUR 610 million into the managed property vehicles in the first quarter of 2020.

➔ **Sales transactions of EUR 286 million with high value gain structured**

Sales were notarised for 15 properties totalling EUR 286 million: eleven of them representing a volume of around EUR 154 million for portfolio optimisation from the Commercial Portfolio and four properties representing a combined volume of around EUR 132 million as part of our active fund management mandates. We therefore exceeded our annual target, which envisaged sale proceeds of between EUR 200 and 230 million. With the transaction prices obtained, we generated a sales margin of around 32% across all segments in financial year 2019.



Revenue target exceeded: we generated a sales margin of around 32% on our sales transactions across all segments

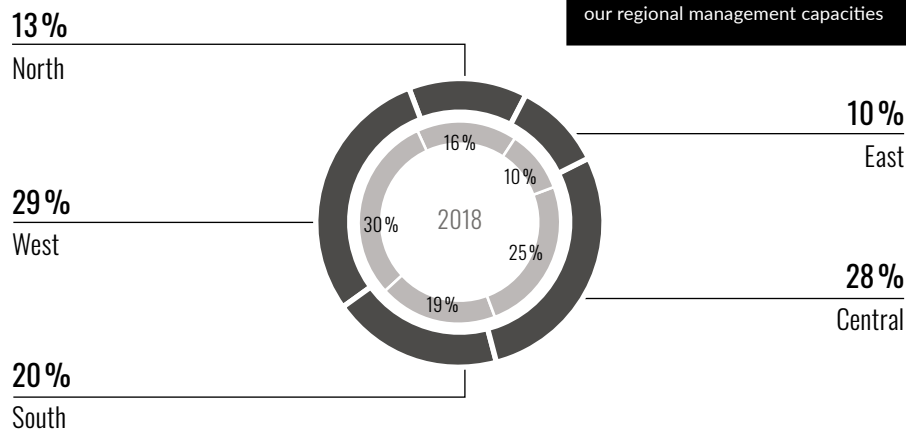
➔ **Regional development: stabilising allocation, yields above the market average**

The regional diversification of the rental space shifted only slightly compared to the previous year as a result of the new mandates assumed and the acquisitions and sales that took effect during the financial year. Following the recent growth in rental space in the West region, an important investment focal point with around 580,000 sqm and a 29% share of the portfolio, we expanded our capacity to provide support in this economic region and opened an office in Cologne at the turn of the year 2019/2020.

While gross rental yields fell in all regions in line with the general market trend, they once again remained at a much higher level than the overall market observed by real estate research analysts at JLL: due to the greater emphasis on regions and submarkets with higher yields, our regional allocation resulted in an average gross rental yield of 4.5% (previous year: 5.4%). JLL reported an average office prime yield of 2.93% in 2019. The stabilising effect of regional allocation across Germany of our investment strategy for the overall portfolio is once again reflected in the comparatively attractive yield of our overall portfolio. A detailed overview of key portfolio figures by region can be found in the Overview section on page 211.

REGIONAL STRUCTURE OF OVERALL PORTFOLIO 2019

by rental space, excluding project developments and warehousing

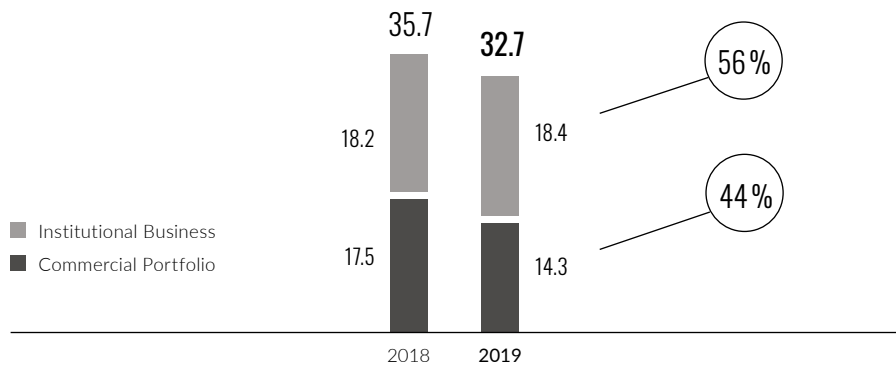


Complementary portfolio growth:
The increase of around 147,000 sqm in rental space is evenly distributed across our regional management capacities



LETTING VOLUME BY SEGMENT

annualised in EUR million



REAL ESTATE MANAGEMENT

➤ **Optimising income from rental space**

In the past year, our real estate management teams were successful in acquiring tenants at prevailing rents, retaining tenants and increasing portfolio quality through an optimised mix of tenants.

With a total rental volume of 211,300 sqm (previous year: 264,400 sqm), leases were signed representing annual rental income of EUR 32.7 million (previous year: EUR 35.7 million). Measured by annualised rental income, 56% (EUR 18.4 million) of letting performance was attributable to the Institutional Business and 44% (EUR 14.3 million) to the Commercial Portfolio.



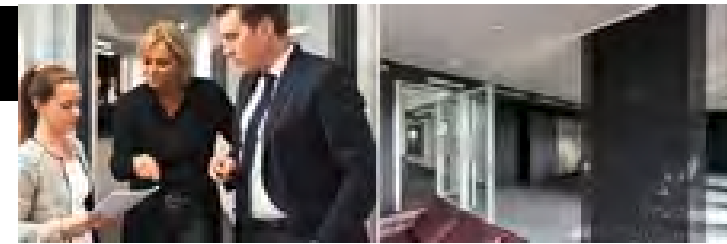
Based on square metres, 58% (122,000 sqm) was attributable to new leases and 42% (89,300 sqm) to lease renewals.

➤ **Higher rents, more long-term leases**

The average rent in the leases concluded rose by 14% to EUR 12.88 per sqm. In terms of the overall portfolio, our property management thus increased rental income by 2.0% to EUR 242.1 million on a like-for-like basis. Our letting teams once again achieved significant success with leases running for longer terms. New leases and lease renewals increased the average lease term in the overall portfolio from 5.5 years to 6.2 years.

The effective letting activities played a major role in reinforcing the long-term profitability of our portfolio. The long end of the remaining term yield curve once again steepened considerably, with just under two-thirds (64%) of our leases running for more than four years (previous year: 52%).

Higher average rents and the stability of our tenant base have triggered a significant appreciation of our entire portfolio under management; for more information, see "Market valuation" section on page 66.

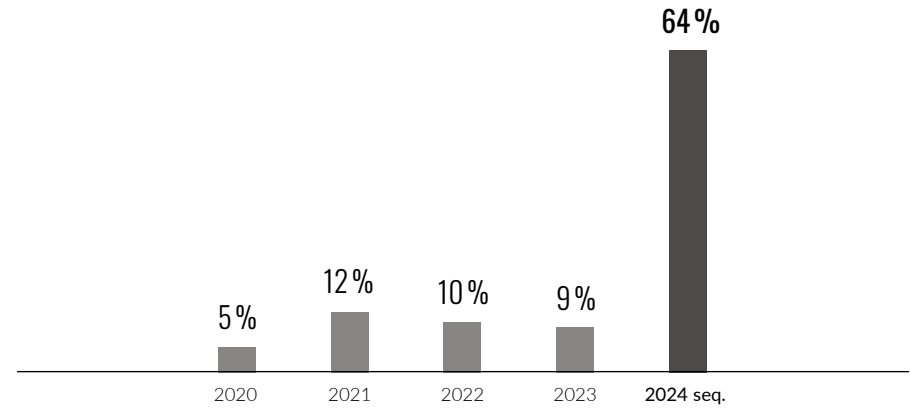


LETTING PERFORMANCE BY TYPE OF USE

	in sqm		annualised in EUR million	
	2019	2018	2019	2018
Office	131,000	218,700	22.0	31.3
Retail	30,800	13,700	3.7	2.4
Warehouse/logistics	26,300	23,800	1.6	1.5
Further commercial	20,800	7,000	5.1	0.4
Residential	2,400	1,200	0.3	0.1
Total	211,300	264,400	32.7	35.7
Parking	2,468 units	2,190 units	1.7	1.2

LEASE MATURITIES

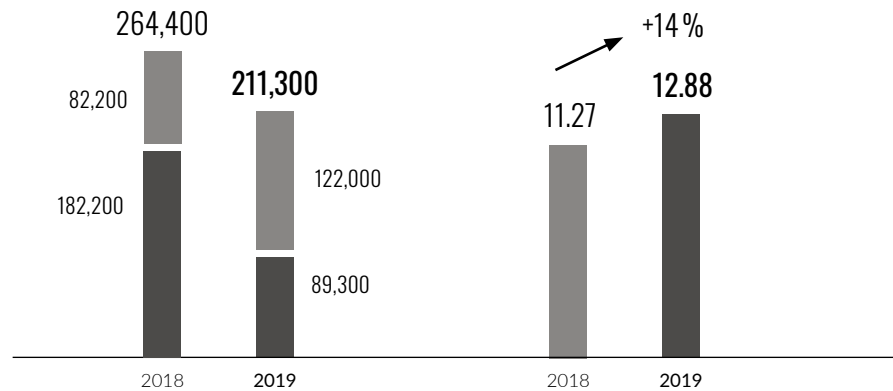
based on annualised rental income



LETTING STRUCTURE

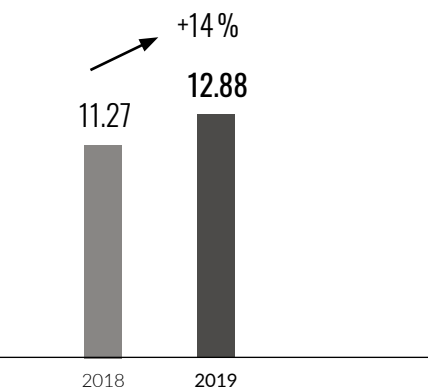
in sqm

- New Lettings
- Renewals



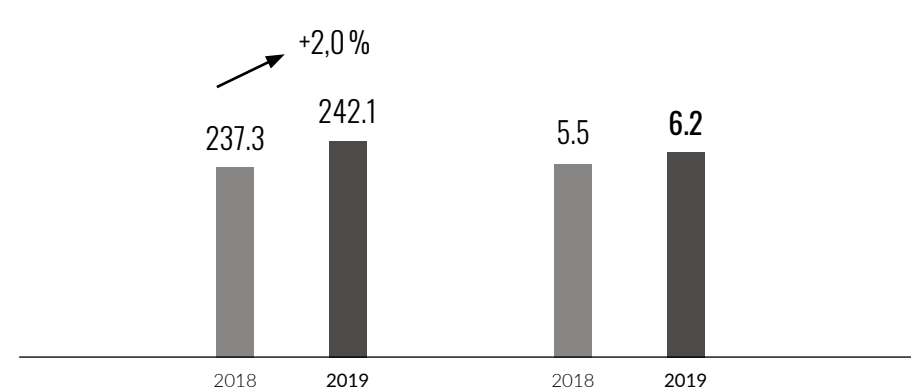
AVERAGE RENT OF NEW LEASES

in EUR/sqm



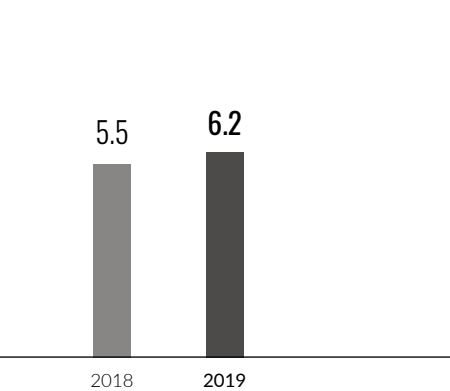
LIKE-FOR-LIKE RENTAL INCOME

annualised rental income in EUR million*



WEIGHTED AVERAGE LEASE TERM

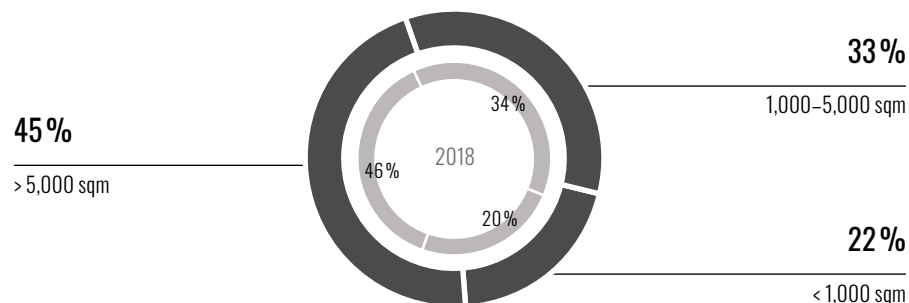
in years*



* without repositioning properties

LETTING VOLUME STRUCTURE 2019

based on leased space in sqm



In 2019, leases were not only signed over longer average terms but also with a focus on larger spaces. As in the previous year, almost half of the rental volume in square metres comprised rental spaces measuring more than 5,000 sqm.

➔ Creating value through refurbishments in the portfolio

One unique feature of our business model is that we have the skills and capacity to refurbish each property individually that it delivers maximum benefits to current or future tenants, resulting in sustainable, long-term leases.

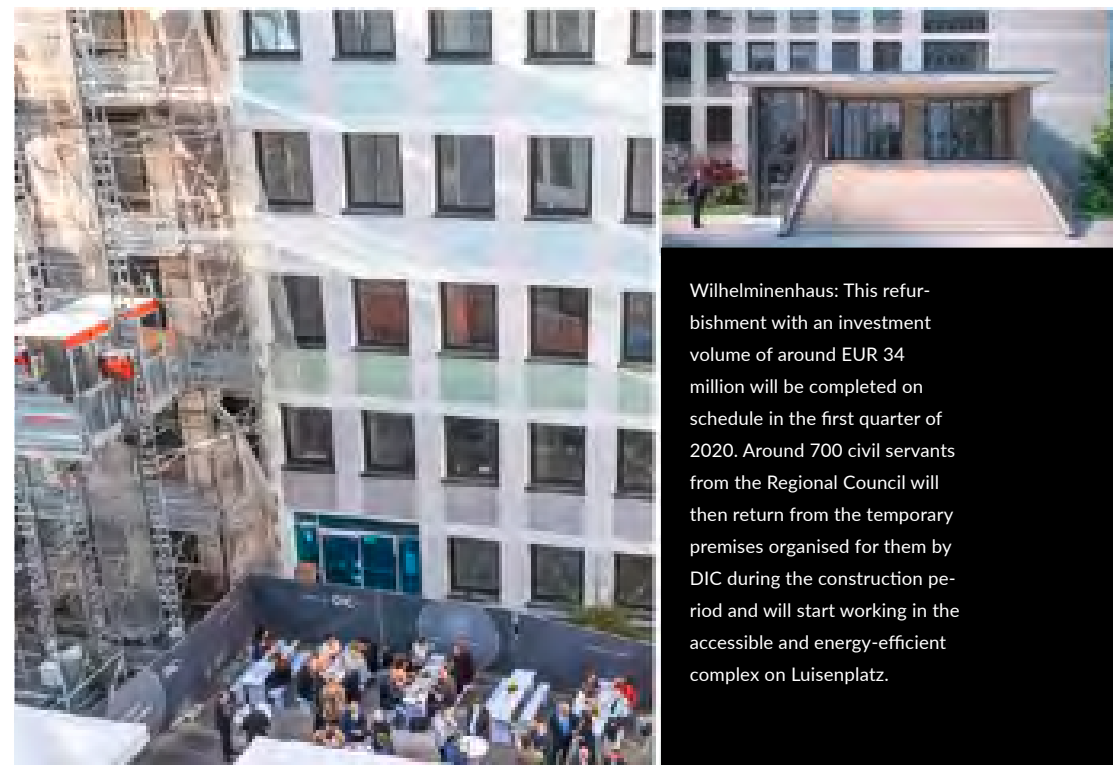
Our expertise for this is combined in an interdisciplinary in-house property development team comprising architects, engineers, economists and other specialists in project management from planning through operation. In the past financial year, the integration of GEG and its property development team enabled us to expand this team significantly.

TOP 5 NEW LETTINGS

			sqm	years
GALERIA Kaufhof	Commercial Portfolio	Chemnitz	26,900	10.0
Landeshauptstadt Düsseldorf	Institutional Business	Düsseldorf	13,000	10.0
1 & 1 Mail & Media Applications	Institutional Business	Munich	9,000	3.8
Google Germany	Institutional Business	Frankfurt	4,800	10.0
WeWork	Institutional Business	Frankfurt	4,600	15.3

TOP 5 RENEWALS

			sqm	years
NH Hoteles Deutschland GmbH	Commercial Portfolio	Düsseldorf	15,000	12.6
Vermögen und Bau Baden-Württemberg	Commercial Portfolio	Mannheim	9,700	5.1
ver.di	Commercial Portfolio	Saalfeld	6,900	4.0
Eurest Deutschland GmbH	Institutional Business	Frankfurt	4,600	5.0
University of Cologne	Institutional Business	Cologne	3,500	4.5



Wilhelminenhaus: This refurbishment with an investment volume of around EUR 34 million will be completed on schedule in the first quarter of 2020. Around 700 civil servants from the Regional Council will then return from the temporary premises organised for them by DIC during the construction period and will start working in the accessible and energy-efficient complex on Luisenplatz.



Our interdisciplinary development team is responsible for revitalising and repositioning properties in close cooperation with the lettings teams to meet the tenants' and market's exact requirements.



Key refurbishment activities in 2019 included the extensive modernisation of the **Wilhelminenhaus** in Darmstadt, the headquarters of the Hesse Regional Council (Commercial Portfolio), and the refurbishment of an office property as a **Federal Criminal Police Office (Bundeskriminalamt, BKA) site** in Wiesbaden (Institutional Business). Each property comprises 25,000 sqm of rental space refurbished by us in close coordination with the future users. The contractually agreed services were performed on time and within budget. Through a combination of development activities and long-term lease signings, we achieved significant increases in market value within the portfolio.

Other portfolio development activities, for which we took over management and implementation on behalf of institutional investors upon the acquisition of GEG, include two high-rise buildings in a prominent location in Frankfurt am Main:

The **Global Tower**, formerly the headquarters of Commerzbank in the heart of the banking district and featuring around 33,000 sqm of rental space over 30 floors, is being refurbished into a first-class office tower in accordance with the highest green building standards. It is scheduled to be completed at the end of 2020. The shell was more or less finished at the end of 2019; our team is currently managing the basic fit-out and the letting of the high-quality office space.

Riverpark Tower is a landmark project right on the bank of the River Main. In use for decades as a commercial property, the tower is now being redesigned and completely renovated as a residential tower. The project is being designed by internationally renowned architect Ole Scheeren and combines innovative building qualities with international architecture in an outstanding location. The tender process for the construction work started in Q4 2019; construction is expected to begin in early summer 2020 once all permits are in place.

COMMERCIAL PORTFOLIO

Our Commercial Portfolio segment comprises our direct real estate investments with which we generate stable long-term rental income. We also use active lettings management to optimise and increase the value of our properties, and undertake refurbishments to leverage their potential. We take advantage of attractive acquisition opportunities in the market to diversify our portfolio and stabilise and enhance its profitability, and we generate profits by selling properties at the right time. At the end of the financial year, our Commercial Portfolio comprised 93 properties (previous year: 101) and rental space of 842,400 sqm (previous year: 893,500 sqm) with a market value of around EUR 1.9 billion (previous year: EUR 1.7 billion).

➔ Portfolio structure reinforced and optimised

During the 2019 financial year, we made high-yield acquisitions with a total volume of approximately EUR 301 million for our Commercial Portfolio by acquiring five properties. These purchases – four of the five new acquisitions and another property in Karlsruhe acquired in December 2018 were effectively transferred during the year under review – offset the effect of sales on our rental income and enhanced the quality of our portfolio. In contrast to the decline in rental space, annualised rental income in the Commercial Portfolio rose from EUR 97.6 million to EUR 101.8 million.

➔ High-yield new additions to the Company's own portfolio

In January 2019, we acquired a fully-let multi-tenant office complex consisting of five buildings at the **Bremen technology park**. The property has around 9,400 sqm of rental space, most of which is used by the University of Bremen. The weighted average lease term (WALT) is 4.5 years. The total investment cost was EUR 14.7 million.

The **"Stadtfenster in Duisburg"**, which we acquired for total investment costs of EUR 58.1 million at the start of May, is a modern office building in a central location and was completed in 2014. It offers more than 12,600 sqm of rental space over five floors, much of which is used by the City Library and Adult Education Centre. The fully-let property has a weighted average remaining lease term (WALT) of around 18 years. The annualised rental income is approximately EUR 2.2 million.

In the second quarter, we also completed the transfer of possession, benefits and associated risks for an office building in **Karlsruhe at the station square** for around EUR 45 million. A purchase agreement for this state-of-the-art, fully-let property in an excellent location was signed in December 2018.

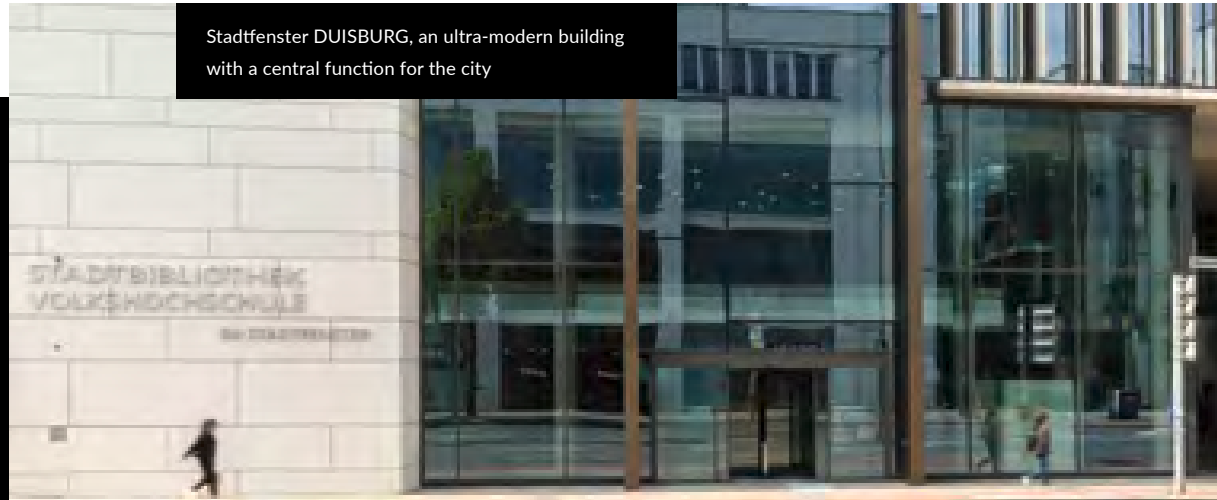
In August, the acquisition of the **"SAFE" office building in Berlin-Mitte** with total rental space of around 10,100 sqm was notarised. The purchase price was approximately EUR 111 million. This property in a premium location in the government district near Friedrichstraße, Gendarmenmarkt and Unter den Linden boulevard is kept in an excellent condition and is fully let to Deutsche Kreditbank Aktiengesellschaft (DKB) for a weighted average lease term (WALT) of 5.1 years. With large-scale, well-connected, high-quality office space in a prime location, this property has significant potential for the future in a dynamic Berlin market.

In October we acquired a **local supply centre in Stockstadt am Main** with excellent fundamentals for around EUR 25 million (TIC). With more than 9,000 sqm of space, the property is let to strong anchor tenants and generates highly attractive and stable rental cash flow. Ninety percent of the space is being used by Rewe and Drogerie Müller; the weighted average remaining lease term was 11.1 years at the time of the acquisition.

In November, we entered into a forward deal to secure a **new-build property** in the dynamic Kaiserlei office submarket where Frankfurt am Main meets **Offenbach**. The purchase price including incidental acquisition costs was around EUR 85 million. This new-build project on Berliner Straße is fully pre-let. Once the property is complete it will have a total lettable area of around 13,300 sqm and will be used entirely by the AXA insurance group and flexible office provider Regus. The average lease term concluded was around 12.4 years. The transfer of possession, benefits and associated risks is scheduled to take place in early 2021.

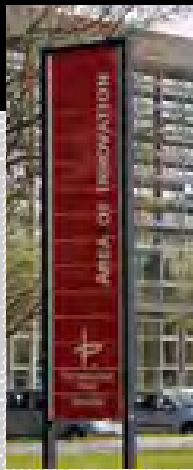
COMMERCIAL PORTFOLIO

New acquisitions: When making acquisition decisions, we focus on the potential of the tenant structure, development opportunities and, above all, the location.



Stadtfenster DUISBURG, an ultra-modern building with a central function for the city

Communal use: The City of Duisburg is the long-term main tenant and has established the City Library and Adult Education Centre at the Stadtfenster in Duisburg.



Shopping centre in STOCKSTADT am Main, leased to Rewe and Drogerie Müller on a long-term basis



WALT > 11 years: With its high and stable rental cash flow, this retail park boasts excellent fundamentals.

Location dynamics: Frankfurt am Main and Offenbach are merging at the Kaiserlei intersection. The new build we secured by means of a forward deal is ideally situated in a booming micro market, with main tenant AXA Group set to move in after completion in 2021.

Connected on the campus of the future: More than 550 companies, academic institutions and research institutes are based at Bremen technology park.



Office building with University of Bremen as main tenant



SAFE in BERLIN: 10,100 sqm of office space near Friedrichstraße and Gendarmenmarkt



Construction of an administration building in OFFENBACH for 570 employees of AXA Konzern AG

1A Berlin Mitte: SAFE is a large-scale office property in a central location. There is strong demand for large, well-connected spaces in the dynamic Berlin market.

⇒ Strong profits from planned sales

During the 2019 financial year, we successfully sold 11 non-strategic properties and thus further optimised the Commercial Portfolio using the excellent profits that resulted from EUR 154 million in notarised sales.

On average, the income generated from these sales was 18% higher than the most recently determined market values.

The sale of two office buildings in Duisburg that have been in our portfolio since 2007 made a significant contribution. We achieved a sales price of around EUR 95 million for buildings with around 28,700 sqm of total space, resulting in sales profits of around EUR 28 million above their carrying amount.

⇒ Portfolio quality further enhanced by in-house real estate management

With a 2.0% increase in like-for-like rental income from EUR 87.1 million to EUR 88.9 million, our focused letting activities joined our transaction activities in making a significant contribution to optimising our portfolio and increasing annualised rental income from EUR 97.6 million to EUR 101.8 million. The weighted average lease term improved from 5.8 years to 6.0 years, while the EPRA vacancy rate dropped by 70 basis points from 7.2% to 6.5% by the end of 2019.

⇒ Repositioning in the portfolio: providing a foundation for substantial growth in value

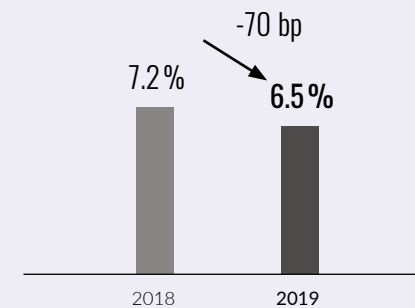
Scheduled to last 18 months, the redevelopment of Darmstadt Regional Council was completed on schedule and on budget during the financial year. Around 700 civil servants will move back from the temporary premises we organised for them for the duration of the building work in the first quarter of 2020. Comprising 25,000 sqm of rental space in a prominent position on Luisenplatz, this administration building now forms a striking part of the Hesse Regional Council after its complete renovation. The building has been significantly upgraded, with a lease agreement running until 2040.

Having reopened at the start of 2019, the Kaiserpassage in Frankfurt is almost fully let after its revitalisation and now has lasting appeal. We have more than quadrupled its market value to EUR 56.5 million compared to its state before the conversion at the end of 2016.



EPRA VACANCY RATE

as at 31 December *



*without repositioning properties and warehousing

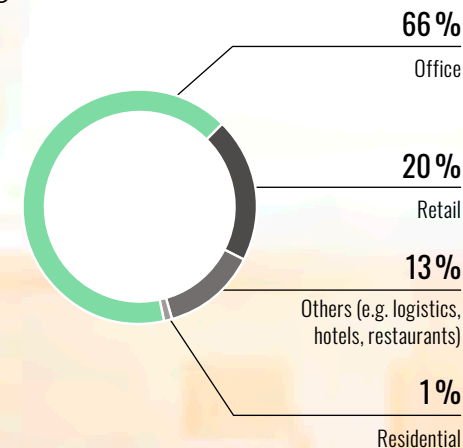
COMMERCIAL PORTFOLIO DEVELOPMENT*

	2019	2018
Number of properties	93	101
Market value in EUR million	1,900.0	1,696.8
Rental space in sqm	842,400	893,500
Annualised rental income in EUR million	101.8	97.6
Average rent in EUR per sqm	10.41	9.64
WALT in years	6.0	5.8
EPRA vacancy rate in %	6.5	7.2
Gross rental yield in %	5.4	5.9

* all figures without project developments and repositioning properties, except for number of properties, market value and rental space

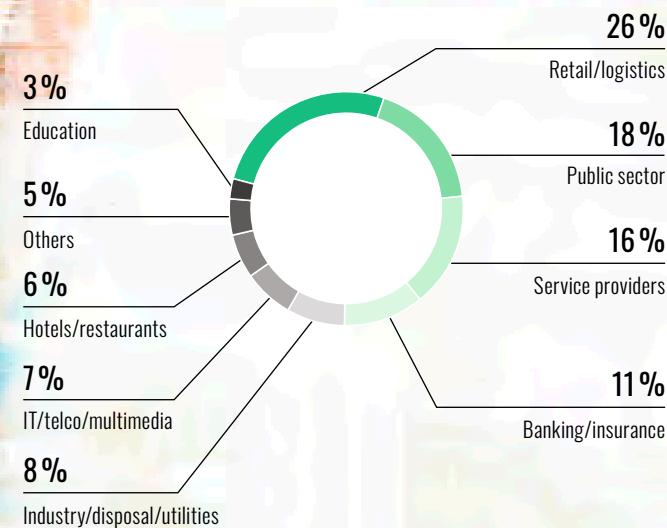
TYPE OF USE
COMMERCIAL PORTFOLIO

Basis: annualised rental income



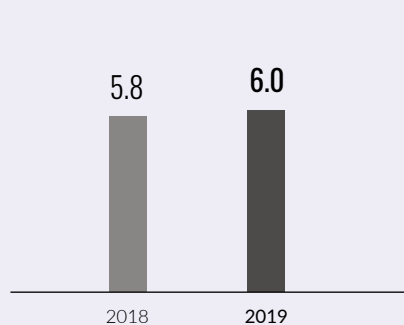
SECTORS
COMMERCIAL PORTFOLIO

Basis: annualised rental income



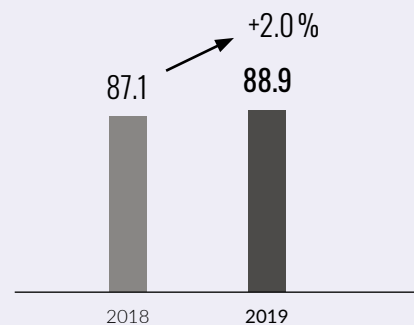
WEIGHTED AVERAGE LEASE TERM

in years



LIKE-FOR-LIKE RENTAL INCOME

based on annualised rental income
in EUR million



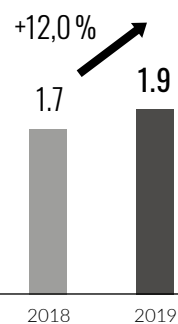
⇒ **Value of portfolio properties increases by around EUR 124 million excluding transactions**

The market valuation carried out by external experts as at 31 December 2019 revealed a significant rise in the value of the properties in our Commercial Portfolio.

Making allowance for acquisition, sales, investments and measurement gains, the market value of the Commercial Portfolio amounted to EUR 1,900.0 million, an increase of 12.0% compared with the previous year (EUR 1,696.8 million). The measurement gain for the portfolio as at 31 December 2019 was EUR 124.2 million or 7.0%.

MARKET VALUE INCREASE, COMMERCIAL PORTFOLIO

in EUR billion



External experts regularly determine the market value of our own properties and the properties managed by us. This value includes property-related factors such as the occupancy rate, the amount of rental income, the terms of the leases, and the age and quality of the property. Added to this are external factors such as the development of the local environment, the market in general and the financial climate.

The change in value therefore also reflects the performance of asset and property management, and development management.

The measurement gain for the overall portfolio managed by us was 11.1% at the end of 2019.

MEASUREMENT RECONCILIATION in EUR million

	Commercial Portfolio	Total Portfolio
Market value as at 31 December 2018	1,696.8	5,645.7
Acquisitions	260.6	1,645.7
Sales	-181.6	-426.6
Measurement gains (7.0%/11.1%)	124.2	764.6
Market value as at 31 December 2019	1,900.0	7,629.4

The calculated market value is the estimated transaction price between the buyer and the seller under normal conditions on the date of the property's valuation. We carry our assets at amortised cost, which is why a change in their market value does not have a direct impact on the accounting. Further information on accounting for properties is provided in the section entitled "Net assets". Information on how the market value is determined is presented in the notes starting on p. 146.

INSTITUTIONAL BUSINESS

The Institutional Business segment combines the previous Funds and Other Investments segments with the institutional investment business of GEG. The division generates income by acting as issuer and manager of special real estate funds, individual mandates and club deals for institutional investors. We also act to a lesser extent as a co-investor and generate investment income from minority interests.

As at 31 December 2019, the segment comprised assets under management amounting to EUR 5.7 billion (combined figure for the previous segments as of 31 December 2018: EUR 3.9 billion).

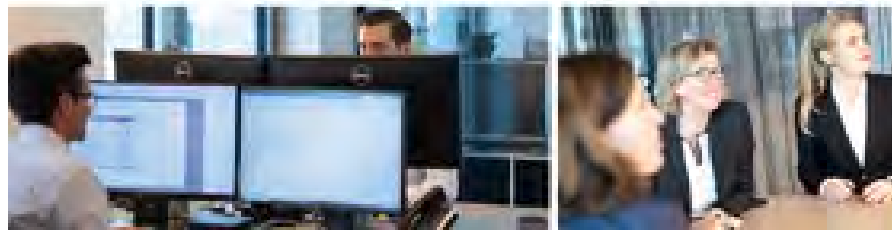
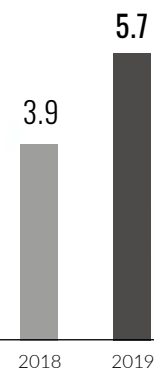
➔ Considerable growth surge in Institutional Business

In 2019 we pushed ahead very effectively with our growth strategy for the Institutional Business segment. The integration of GEG and a strong transaction business caused assets under management to rise by 46% to EUR 5.7 billion. Our series of special office funds was expanded to include DIC Office Balance VI (being marketed in 2020), while a new special fund focusing on infrastructure properties was also launched. Overall, 16 properties with a total investment volume of EUR 1,581 million were acquired to expand the Institutional Business during the year under review, of which around EUR 761 million came from the merger with GEG at the end of June. Of the 16 newly acquired properties, 12 with a volume of EUR 973 million were transferred into our managed assets by the end of the financial year.



For our institutional investors, we structure and manage investment products with attractive distribution yields in the German commercial real estate market.

ASSETS UNDER MANAGEMENT in EUR billion



INSTITUTIONAL BUSINESS PLATFORM EXPANDED

We expanded our Institutional Business further in 2019 by acquiring properties with a total volume of around EUR 1.6 billion.

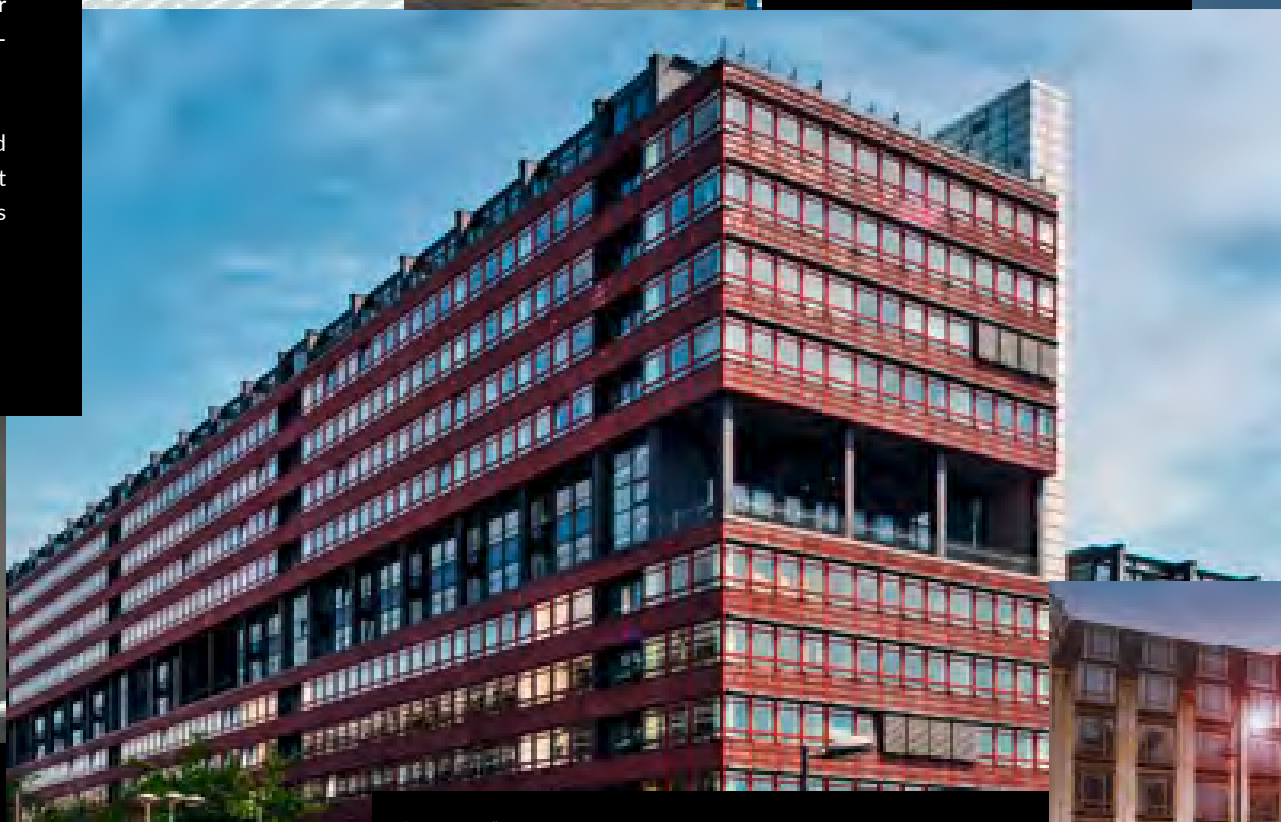
As of the reporting date, this segment comprised 87 properties (previous year: 77) with a market value of approximately EUR 5.7 billion (previous year: EUR 3.9 billion).



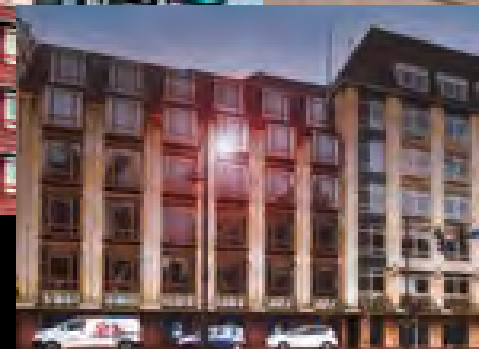
FRANKFURT, Palazzo Fiorentino: a premium property that is fully let to Bankhaus Metzler. The property was acquired for the GEG Germany Value I manage-to-core fund



HAMBURG, headquarters of the ILS (Institute for Learning Systems); property for the GEG Public Infrastructure I fund



"Stadthaus" COLOGNE: Club deal of over EUR 500 million for five institutional investors. The property is let on a long-term basis to the City of Cologne, which has accommodated part of its city administration here



Landmark property in BOCHUM:
core office property for the GEG Public
Infrastructure I special fund



MUNICH, fashion order centre:
an exclusive property for show-
rooms of popular fashion brands
with perfect infrastructure
connections at the economically
strong location of Munich

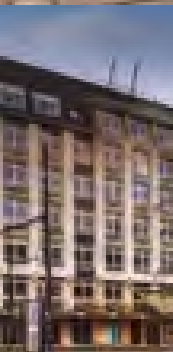


CABO in DÜSSELDORF, for the GEG Deutschland
Value I manage-to-core fund



DÜSSELDORF, LaVie: 5 minutes from the international airport, 8 minutes from
the main railway station, office property with an advantage in terms of efficiency

BREMEN,
Multi-tenant office
ensemble: repositioning
with high value-added
potential



BAD HOMBURG, office building for the
DIC Office Balance V fund. Attractive
location for the pharmaceutical industry

➔ **Acquisitions underpin growth strategy**

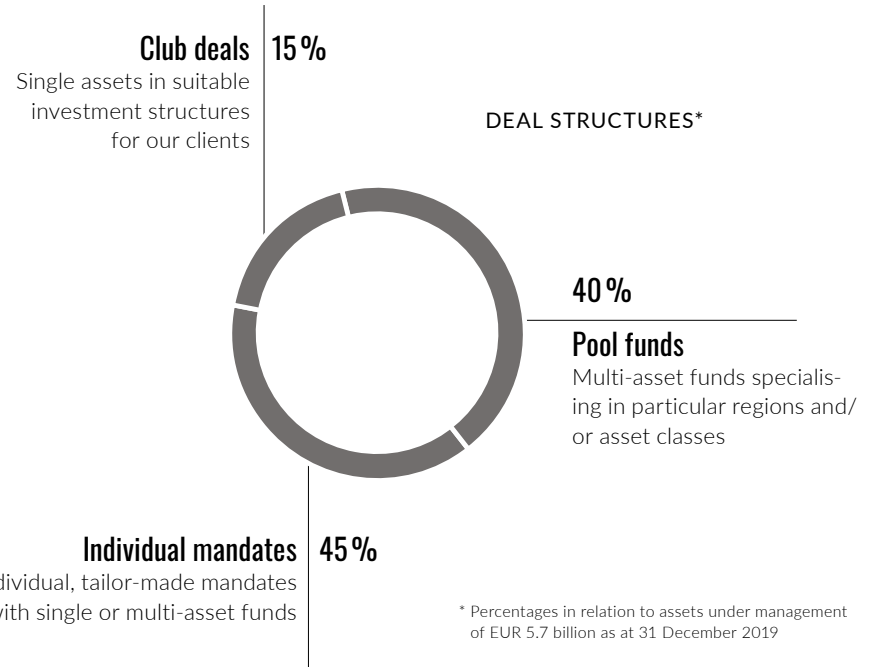
In February, we acquired the **Falkenbrunnen** office building for the DIC Office Balance V fund for total investment costs of around EUR 19.5 million. The building is located in **Dresden**, the capital of Saxony, and is primarily let to Dresden University. Several larger properties in prime locations were also purchased via GEG. **CABO in Düsseldorf** was added in February for EUR 56.6 million, as was a property used entirely by Deutsche Bahn on the banks of the Rhine in **Mainz** for EUR 85.6 million; in April, GEG acquired the **Pressehaus** on Berlin's Alexanderplatz – consisting of a revitalised high-rise building and a planned extension – for a total investment volume of EUR 367.1 million; and in June, the Company acquired the **HELIO**, a fully-let property in an outstanding location in the centre of **Augsburg**, for EUR 111.6 million. Also in June, GEG purchased the **Palazzo Fiorentino** office building in **Frankfurt-Sachsenhausen**, which is fully let to Metzler Bank, for EUR 50.9 million. At the same time, the Company completed its acquisition of the fully-let **Fashion Mall Munich** in the city's Parkstadt Schwabing district for a total investment volume of EUR 88.7 million.

In the second half of the year, the combined DIC and GEG transaction team built on its acquisitions success with increased momentum. An **office ensemble in Bremen** with two multi-tenant office buildings was acquired for the DIC Office Balance V special fund in August; the purchase price totalled around EUR 31 million. The "Am Brill" property offers stable cash flow and additional potential in the medium term. We are modernising the "Am Wall" office complex and repositioning it in the Bremen office market. In October, the

INVESTMENT PARTNERS*



* Percentages in relation to assets under management of EUR 5.7 billion as at 31 December 2019



newly acquired **LaVie in Düsseldorf** marked the starting point for the launch of a new office fund, DIC Office Balance VI. At the same time, a fully-let **office property in Hamburg** that is being used as the headquarters of the renowned ILS (Institute for Learning Systems) distance learning institution was acquired for the GEG Public Infrastructure I fund. The two acquisitions totalled EUR 81 million. At the start of November, a **multi-tenant property in Bad Homburg** was acquired for the DIC Office Balance V fund at a price of around EUR 59 million. A core **office property in Bochum** was also acquired for around EUR 27 million for the open GEG Public Infrastructure I special fund. At the start of December, a purchase agreement for the **Stadthaus Köln** immediately adjacent to the Lanxess Arena and the Köln-Deutz ICE railway station was notarised as part of a club deal for five institutional investors; the total investment cost amounted to over EUR 500 million. The Stadthaus is fully let on a long-term basis to the City of Cologne, which uses its more than 100,000 sqm of space to house five departments of the city government.

➤ **Sales after successful active management**

In accordance with the investment strategy, three properties from the portfolios of Office Balance Funds I and II were sold after a significant increase in value generated by active asset management. The overall sales volume was around EUR 132 million.

➤ **Management fees increase by 87%**

The platform expansion and strong transaction business were very effective in driving forward DIC Asset AG's strategy of dynamically expanding the Institutional Business during the current year. Management fees totalling EUR 62.9 million were generated during the year under review, an 87% increase compared to the previous year.

For more details on the structure of management income, see page 76 of the section "Revenue and results of operations".

➤ **MainTor project development: Completion of the WINX high-rise building**

The sixth and final WINX sub-project with around 42,000 sqm on the MainTor site is currently being completed. Lease agreements were signed for almost all of the available office and commercial space. The completion and handover to the end investor in the course of the year will mark the conclusion of our involvement in the development of large-scale projects. Going forward, our focus will be on refurbishment projects in the Commercial Portfolio and on the repositioning of landmark properties for third parties in the Institutional Business.

➤ **Sale of TLG equity investment**

The sale of the equity investment in TLG was completed on schedule in the first half of 2019, ending our involvement with the company. Proceeds from this totalled EUR 376 million and were effectively used to finance the expansion of our proprietary management platform. At EUR 12.9 million, the dividend received contributed to the investment income and FFO for the year under review for the last time.



FINANCIAL INFORMATION

REVENUE AND RESULTS OF OPERATIONS

- FFO increases by 40% to a record EUR 95.0 million
- Growth causes gross rental income to rise to EUR 101.9 million, up 2% on the previous year
- At EUR 62.9 million, real estate management fees almost double (+87%), driven by GEG acquisition, among others
- Profits on property disposals up 117% to EUR 40.5 million
- Profit for the period increases by 70% to EUR 80.7 million

DIC Asset AG accelerated its growth trajectory considerably during the 2019 financial year. The revenue and results of operations for the financial year were impacted by the recognition of income and expenses of the GEG Group acquired in June. This has impacted real estate management fees and operating expenses in particular. As a result, comparability with the expenses and income reported in the prior-year period is limited.

➔ OVERVIEW OF INCOME

Total income rose by 50% or EUR 122.7 million to EUR 364.3 million during the 2019 financial year (2018: EUR 241.6 million). Both of our earnings pillars – the Commercial Portfolio and the Institutional Business – contributed to this sharp rise in revenue.

➔ FFO up sharply by 40% to EUR 95.0 million

FFO increased by 40% to EUR 95.0 million (previous year: EUR 68.0 million), with the acquisition of the GEG Group in June of the financial year being one of the reasons for this growth. In addition to the sharp increase in real estate management fees and higher gross and net rental income, optimising the financing structure also contributed to this 40% rise. The net interest result improved by EUR 4.4 million to EUR -32.4 million compared to the previous year (2018: EUR -36.8 million). This is primarily due to the more



advantageous financing conditions for new real estate loans taken out as well as the promissory note. While the 14/19 bond with a volume of EUR 175 million and a coupon of 4.625% was repaid in September 2019, we also succeeded in placing promissory notes with a total volume of EUR 180 million and an average interest rate of 1.55% in the second half of the year. Overall, we lowered the average interest rate on loans and borrowings by 50 basis points from 2.5% to 2.0%, thus reducing our interest expenses.

In 2019, FFO per share rose by 36% to EUR 1.32 after EUR 0.97 in the previous year, with an increased average number of 1,755,408 shares.

➤ **Profit for the period up 70% on previous year**

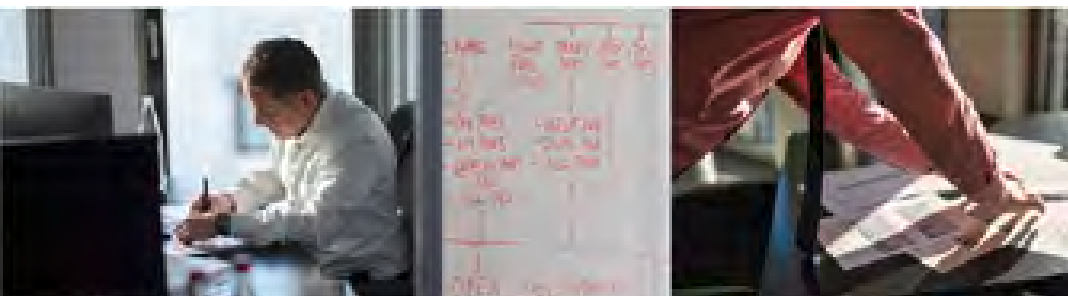
Profit for the period rose significantly by 70% to EUR 80.7 million (2018: EUR 47.6 million). In addition to the overall increase in operating profit, higher profits on sales were the main contributor to this increase. In 2019, earnings per share rose by 66% to EUR 1.13 (2018: EUR 0.68) with an increase of 1,755,408 in the average number shares.

OVERVIEW OF INCOME

in EUR million	2019	2018	
Gross rental income	101.9	100.2	+2%
Proceeds from sales of property	176.0	86.8	>100%
Real estate management fees	62.9	33.6	+87%
Other income	23.5	21.0	+12%
Total income	364.3	241.6	+51%

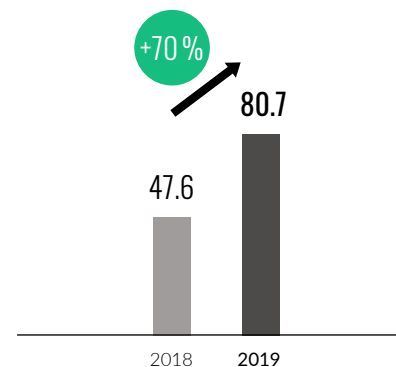
NET INTEREST RESULT

in EUR million	2019	2018	Δ
Interest income	10.3	9.3	11%
Interest expenses	-42.7	-46.1	-9%
Net interest result	-32.4	-36.8	12%



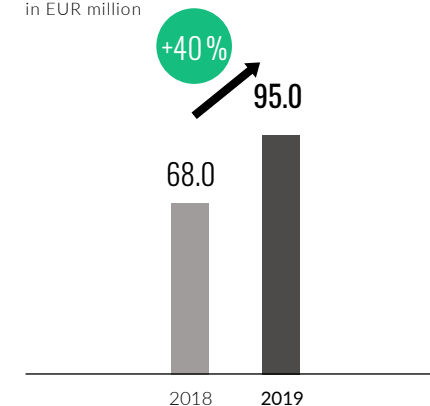
PROFIT FOR THE PERIOD

in EUR million



FFO

in EUR million



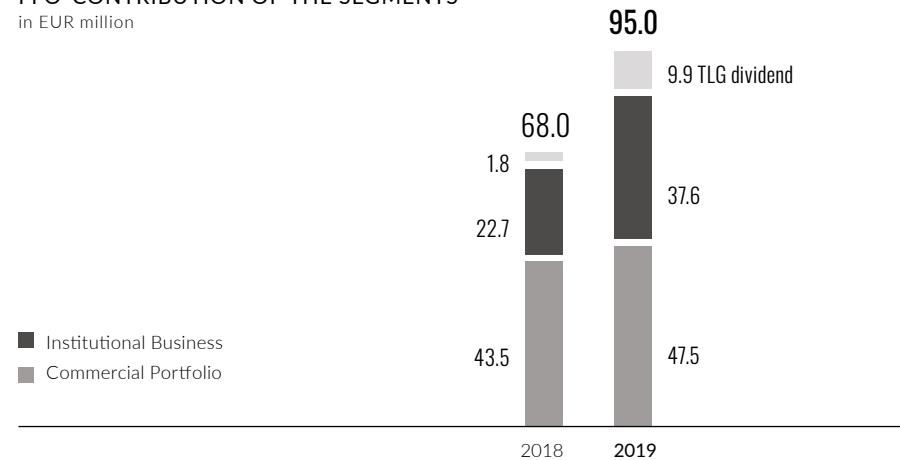
SEGMENT RESTRUCTURING

As part of the GEG transaction, we have restructured and simplified our business segments to focus our reporting on two pillars. Firstly, there is the Commercial Portfolio segment, which includes our own property portfolio as before. Secondly, we are combining our previous Funds segment with the GEG business to form the Institutional Business segment. The TLG dividend column shows the effect of our former equity investment in TLG, which we have not allocated to any segment. By completing the sale of the shares in TLG Immobilien AG in the first half of 2019, we ended our involvement in TLG Immobilien AG and included all effects in the second quarter of 2019. The prior-year figures were restated accordingly.

In the following sections, we present the revenue and results of operations of each individual segment for the financial year.

FFO-CONTRIBUTION OF THE SEGMENTS

in EUR million



RECONCILIATION TO FFO

in EUR million	Total			Commercial Portfolio			Institutional Business			[TLG dividend]		
	2019	2018	Δ	2019	2018	Δ	2019	2018	Δ	2019	2018	Δ
Net rental income	87.9	84.7	4%	87.9	84.7	4%						
Administrative expenses	-17.9	-12.1	48%	-4.9	-5.1	-4%	-12.5	-6.4	95%	-0.5	-0.6	-17%
Personnel expenses	-27.9	-18.2	53%	-7.9	-7.6	4%	-19.0	-9.7	96%	-1.0	-0.9	11%
Other operating income/expenses	0.6	-0.1	>100%	1.0	-0.1	>100%	-0.4	0.0	>100%	0.0	0.0	0%
Real estate management fees	62.9	33.6	87%				62.9	33.6	87%			
Share of the profit or loss of associates without project developments and sales	18.3	15.8	16%				5.4	5.6	-4%	12.9	10.2	26%
Net interest income	-32.4	-36.8	12%	-28.6	-28.5	0%	-2.2	-1.4	-57%	-1.6	-6.9	77%
Other adjustments*	3.5	1.1	>100%	0.0	0.3	>100%	3.4	0.8	>100%	0.1	0.0	0%
Funds from operations	95.0	68.0	40%	47.5	43.5	9%	37.6	22.7	66%	9.9	1.8	>100%

* The other adjustments include:

- Transaction, legal and consulting costs of EUR 2,090 thousand (previous year: EUR 1,152 thousand)
- Administrative expenses and personnel costs of EUR 1,325 thousand (previous year: EUR 0 thousand)

COMMERCIAL PORTFOLIO

➤ Rental income increases and once again exceeds expectations

Gross rental income rose by 2% year-on-year to EUR 101.9 million (2018: EUR 100.2 million), thus exceeding the guidance of EUR 98–100 million we issued at the start of the year. This positive result is primarily due to successful asset management activities that enabled us to increase our annualised rental income from the Company's own portfolio by 2.0% on a like-for-like basis as of the reporting date. Higher gross rental income than forecast due to later disposals of sales and earlier additions of acquisitions, also contributed to the higher than expected result. Net rental income increased more strongly than gross rental income, rising by 4% to EUR 87.9 million (2018: EUR 84.7 million) due to lower property-related costs, particularly vacancy costs.

➤ Significant rise in proceeds and profits from sales

In 2019 we considerably intensified our sales activities from the Commercial Portfolio as part of the further strategic optimisation of the portfolio and to exploit attractive market opportunities, particularly in the second half of the year. Net proceeds from sales doubled to EUR 176.0 million (2018: EUR 86.8 million).

FFO CONTRIBUTION OF THE COMMERCIAL PORTFOLIOS

in EUR million	Total			Commercial Portfolio		
	2019	2018	Δ	2019	2018	Δ
Net rental income	87.9	84.7	4%	87.9	84.7	4%
Administrative expenses	-17.9	-12.1	48%	-4.9	-5.1	-4%
Personnel expenses	-27.9	-18.2	53%	-7.9	-7.6	4%
Other operating income/expenses	0.6	-0.1	>100%	1.0	-0.1	>100%
Real estate management fees	62.9	33.6	87%			
Share of the profit or loss of associates without project developments and sales	18.3	15.8	16%			
Net interest income	-32.4	-36.8	12%	-28.6	-28.5	0%
Other adjustments	3.5	1.1	>100%	0.0	0.3	>100%
Funds from operations	95.0	68.0	40%	47.5	43.5	9%

Profits on sales rose even more sharply by 117% to EUR 40.5 million (2018: EUR 18.6 million). As a result, we were able to increase our return on sales (sales profits in relation to net sales proceeds) once again from around 21% in 2018 to approximately 23% in 2019.

➤ Operating cost ratio at 12.6%

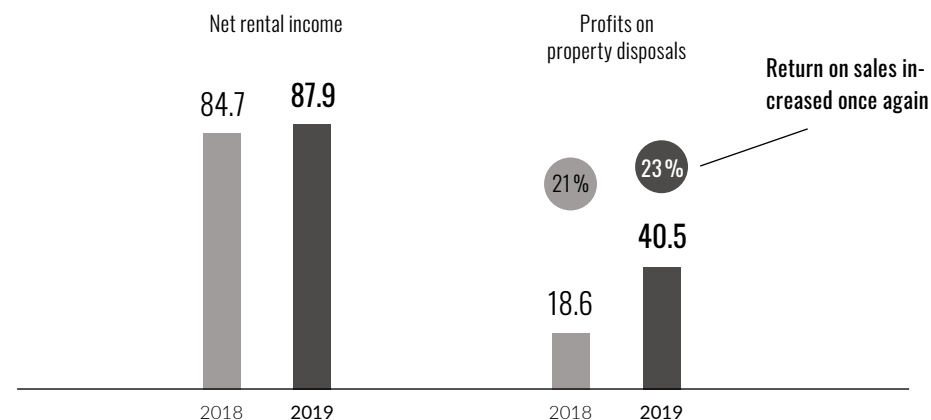
At EUR 4.9 million, administrative expenses in the Commercial Portfolio were EUR 0.2 million lower compared to the previous year (2018: EUR 5.1 million). By contrast, personnel costs in the Commercial Portfolio increased slightly compared to the previous year, rising by EUR 0.3 million to EUR 7.9 million (2018: EUR 7.6 million). As a result, the operating cost ratio in the Commercial Portfolio (ratio of operating expenses to gross rental income) remained stable at 12.6%.

➤ Net interest result stable

Despite the 12% growth in assets under management, the net interest result for the segment remained virtually unchanged at EUR -28.6 million (2018: EUR -28.5 million). We improved our financing terms mainly as a result of repaying the 14/19 bond with a coupon of 4.625% in September of this year and paying off loans by selling properties. We also

INCOME FROM THE COMMERCIAL PORTFOLIO

in EUR million



issued promissory notes with a total volume of EUR 180.0 million for the first time in 2019, with an average interest rate of 1.55% and an average maturity of 4.8 years as of the end of the year. And finally, we were able to take advantage of favourable financing for acquisitions.

➔ FFO contribution up 10% through due to growth

The FFO contribution of the segment rose by EUR 4.0 million or 9% to EUR 47.5 million overall (2018: EUR 43.5 million). This was primarily due to the EUR 1.7 million increase in gross rental income or EUR 3.2 million increase in net rental income and thus confirmed the growth trend in the Commercial Portfolio. The segment's FFO margin (FFO in relation to gross rental income) was approximately 47%.

FFO CONTRIBUTION OF THE INSTITUTIONAL BUSINESS

in EUR million	Total			Institutional Business		
	2019	2018	Δ	2019	2018	Δ
Net rental income	87.9	84.7	4%			
Administrative expenses	-17.9	-12.1	48%	-12.5	-6.4	95%
Personnel expenses	-27.9	-18.2	53%	-19.0	-9.7	96%
Other operating income/expenses	0.6	-0.1	>100%	-0.4	0.0	>100%
Real estate management fees	62.9	33.6	87%	62.9	33.6	87%
Share of the profit or loss of associates without project developments and sales	18.3	15.8	16%	5.4	5.6	-4%
Net interest income	-32.4	-36.8	12%	-2.2	-1.4	-57%
Other adjustments	3.5	1.1	>100%	3.4	0.8	>100%
Funds from operations	95.0	68.0	40%	37.6	22.7	66%

INSTITUTIONAL BUSINESS

As a result of the GEG acquisition and the associated integration of our former Funds and Other Investments segment with GEG's asset and investment management business, the figures in this segment are only comparable with the prior-year period to a limited extent.

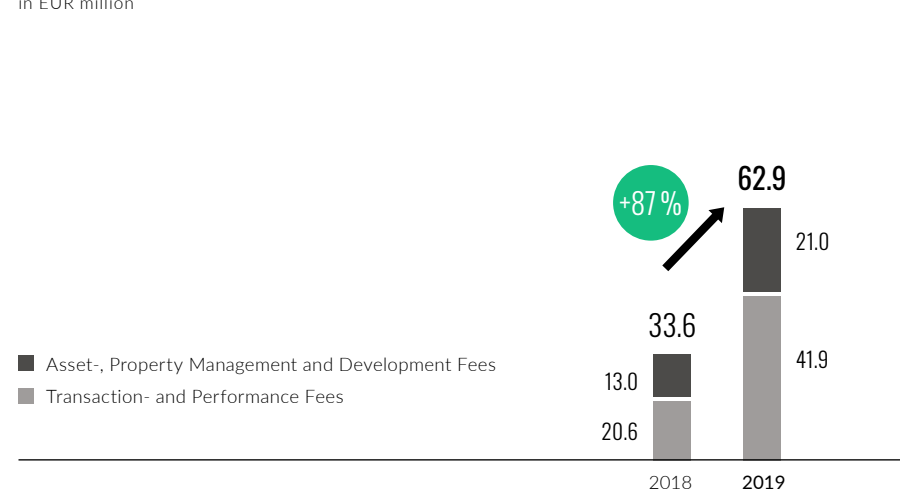
➔ Significant increase in real estate management fees

The GEG acquisition and the rise in assets under management in the Institutional Business from EUR 3.9 billion to EUR 5.7 billion caused real estate management fees to grow significantly by 87% to EUR 62.9 million (2018: EUR 33.6 million).

Income from asset and property management and development increased in line with the growth in assets under management, up 62% to EUR 21.0 million (2018: EUR 13.0 million). Furthermore, we completed the sale of two properties from the DIC Office Balance I special fund at the end of the year, resulting in high transaction-related fees. We also generated considerable performance-based revenue as part of our portfolio development activities as well as structuring fees for newly launched investment vehicles. Overall, trans-

REAL ESTATE MANAGEMENT FEES

in EUR million



action and performance fees (fees for acquisitions and sales, setup and the structuring of investment products as well as for exceeding defined target returns with successful real estate management) more than doubled to EUR 41.9 million (2018: EUR 20.6 million), particularly as a result of the exceptional work carried out by our development teams, who secured agreements for a transaction volume of around EUR 1.7 billion in the Institutional Business.

➔ **Additional investment income in the Institutional Business**

In addition to real estate management fees, the Institutional Business also generates income from equity investments in issued investment products, especially from the funds in the Office Balance series. At EUR 5.4 million in 2019, this income was at a similar level to the previous year (2018: EUR 5.6 million).

➔ **Operating expenses impacted by growth trajectory**

Operating expenses in the fast-growing Institutional Business segment rose to EUR 31.5 million (2018: EUR 16.1 million) as a result of the GEG acquisition. Personnel costs increased to EUR 19.0 million (2018: EUR 9.7 million) due to the integration of the GEG team. Administrative costs rose to EUR 12.5 million (2018: EUR 6.4 million) in the wake of significant growth in assets under management as well as transaction-related costs.

➔ **Net interest result reflects segment growth**

The net interest result amounted to EUR -2.2 million, increasing year-on-year due to newly added equity interests in investment vehicles resulting from the GEG acquisition (2018: EUR -1.3 million).

➔ **FFO contribution up 66%**

Real estate management fees, which rose as a result of the GEG acquisition, among others, are predominantly responsible for the sharp increase in the FFO contribution of the segment and also overcompensated for the significant growth in operating expenses. The segment's FFO margin (FFO in relation to real estate management fees and the share of the profit or loss of associates) was approximately 55%.

TLG DIVIDEND

We generated investment income of EUR 12.9 million from the equity investment in TLG Immobilien AG, which we sold in the first half of the financial year. The FFO contribution after the deduction of operating and financing expenses was EUR 9.9 million. We immediately reinvested the funds of around EUR 376 million released by the sale into our own growth and acquired property investment and asset management company GEG, which accelerates our planned growth in the Institutional Business segment.

FFO-CONTRIBUTION OF THE TLG DIVIDEND

in EUR million	Total			[TLG dividend]		
	2019	2018	Δ	2019	2018	Δ
Net rental income	87.9	84.7	4%			
Administrative expenses	-17.9	-12.1	48%	-0.5	-0.6	-17%
Personnel expenses	-27.9	-18.2	53%	-1.0	-0.9	11%
Other operating income/expenses	0.6	-0.1	>100%	0.0	0.0	0%
Real estate management fees	62.9	33.6	87%			
Share of the profit or loss of associates without project developments and sales	18.3	15.8	16%	12.9	10.2	26%
Net interest income	-32.4	-36.8	12%	-1.6	-6.9	77%
Other adjustments	3.5	1.1	>100%	0.1	0.0	0%
Funds from operations	95.0	68.0	40%	9.9	1.8	>100%

FINANCIAL POSITION

- Financing structure broadened
- Promissory note worth EUR 180 million with average coupon of 1.55% successfully placed
- First ever commercial paper programme with a maximum volume of 300 million launched
- LtV reduced by 530 basis points to 47.8%
- Average interest rate across all financial liabilities lowered by 50 bp to 2.0%
- 91% of financing at fixed interest rates
- 14/19 bond in the amount of EUR 175 million with a coupon of 4.625% repaid as planned in September

➤ Broader financing spectrum

Continuing financial management ensures that we are able to guarantee the liquidity of DIC Asset AG and its equity investments at all times. We also strive to achieve the greatest possible stability vis-à-vis external influences and, at the same time, to maintain the degree of flexibility that guarantees our company's development.

We meet our financing requirements both through traditional bank financing and the capital markets. For the first time, we have also included the promissory note market and a commercial paper programme in our financing strategy. We have a large number of business relationships with various partner banks and insurance companies. We arrange loans at customary market conditions and review them continuously to see whether there is scope for optimisation.

➤ Long-term focus and security in our planning

To make our financing structure as stable as possible, we generally conclude our financing on a long-term basis, mainly over 5 to 8 years. Our current financing was carried out on a non-recourse basis, which prevents unlimited enforcement against the Group. We achieve more stability and security in our planning by hedging the vast majority of our financing against fluctuations in interest rates.

Including the financing activities for our Institutional Business segment, we realised a financing volume (new borrowings and repayments) of approximately EUR 1,705 million in 2019, after arranging a financing volume of around EUR 1,099 million in the previous year.

FINANCING ACTIVITIES IN THE COMMERCIAL PORTFOLIO IN 2019

in EUR million	
New loans	184
Repayment of loans	207
Issuance of promissory notes	180
Launch of the commercial paper programme	40
Repayment of the bond	175

At EUR 1,547.2 million, the financial debt shown on the balance sheet as at 31 December 2019 was up EUR 66.1 million year-on-year following refinancing and repayments. The large majority (64%) of our financial debt consists of bank loans, whereas the remaining portion is attributable to funds from our bonds (21%), the promissory notes issued for the first time in 2019 (12%) and the commercial paper programme (3%). Across all segments, loan repayments made in 2019 totalled EUR 500.3 million, of which around EUR 190.9 million were unscheduled repayments following sales.

DEBT MATURITIES

as at 31.12.2019



➤ **Remaining maturities kept at comfortable level by issuing and repaying bonds**

In July 2019, we took advantage of the German promissory note market for the first time by placing promissory notes worth EUR 150.0 million with maturities of 3 to 11 years. In the second half of the year, we increased the total volume to EUR 180.0 million by adding two further tranches.

In September we repayed the 14/19 bond launched in 2014 with a volume that we had subsequently topped up to EUR 175.0 million and a coupon of 4.625% on schedule.

This measure kept the average term of our financial debt stable. The average remaining maturity of our liabilities – including the bonds – was 3.9 years at the end of December 2019, the same as in the previous year. About 84% of all financing has a maturity of more than one year.

To reflect our dynamic and agile business model, we set up a commercial paper programme under which we can call up to EUR 300 million for up to three months with interest of 0.1% p.a. at short notice. At the end of the year, we had drawn EUR 40 million of this amount. We were also engaged in negotiations with a major German bank regarding a working capital facility of EUR 25 million at corporate level. This facility has currently not been utilised and is available without payout requirements.

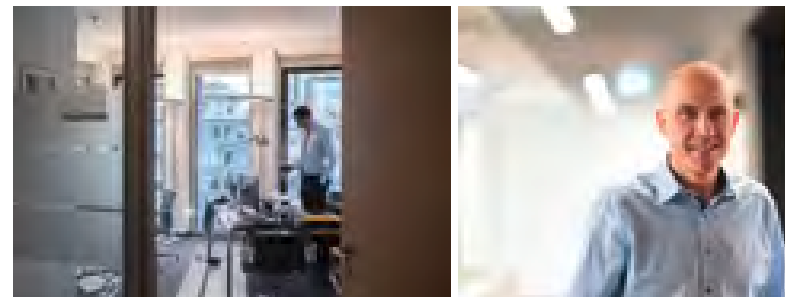
➤ **Hedging against interest rate fluctuations**

At around 91%, the vast majority of financial debt is hedged against fluctuations in interest rates – as a rule by means of fixed-rate loans. This gives us long-term certainty in our planning and keeps interest rate risks low. Around 9% of our financial liabilities – primarily short-term in nature – are agreed at variable rates and are not hedged against interest rate risks

➤ **Average interest rate across all financial liabilities reduced by 50bp**

The average interest rate across all financial liabilities was 2.0% as at 31 December 2019 and thus was 50 basis points lower than in the previous year (previous year: 2.5%).

The interest cover ratio (ICR; i.e. the ratio of EBITDA to net interest result) rose by 176 basis points year-on-year to 509% (2018: 333%) due to the significant increase in EBITDA and the improved net interest result.



LOAN TO VALUE (LTV)

in EUR thousand	31.12.2019	31.12.2018
Assets		
Fair value of investment properties, total	1,900,017	1,696,772
Fair value of equity investments (indirect property)*	130,710	512,154
Goodwill	177,892	0
Service agreements	40,795	0
Carrying amount of loans / receivables, related parties	130,529	139,588
Fair value of assets (value)	2,379,943	2,348,514
Liabilities		
Non-current liabilities to banks	967,374	857,601
Current liabilities to banks	178,856	125,681
Related party liabilities	16,582	16,104
Corporate bond	324,896	497,823
Other liabilities	0	37,591
less cash and cash equivalents	-351,236	-286,903
Net liabilities (loan)	1,136,472	1,247,897
LTV**	47.8%	53.1%

* includes equity interests in associates and other investments

** adjusted for warehousing

➔ LTV reduced by 530 basis points to 47.8%

Due to the increased market values of our properties in the Commercial Portfolio (up 7% adjusted for acquisitions and disposals) and our optimised financing structure, we reduced LTV adjusted for warehousing by 530 basis points to 47.8% (2018: 53.1%).

➔ Financing obligations met in full

We complied with all financing obligations, including financial covenants stipulated in loan agreements, throughout the year and as at the reporting date. DIC Asset AG has agreed a customary level of credit with financial covenants. If the Company fails to comply with these clauses, banks could modify their credit terms or demand the repayment of some loans at short notice.

Essentially, the following covenants apply:

- DSCR (debt service coverage ratio): specifies the percentage of expected interest plus repayment (principal repayment) covered by rental income.
- LTV (loan-to-value): is a ratio expressing the loan amount as a percentage of a property's market value.

➔ No off-balance sheet financing

There are no significant off-balance sheet forms of financing. The consolidated financial statements report all forms of financing used by the Company. Additional details such as terms, the fair value of loans or information on derivative financial instruments is provided in the notes from page 155.

➔ Comfortable liquidity situation

Liquidity forecast has the utmost priority for us as part of financial management, not least against the backdrop of conditions for the granting of loans which remain stringent. We therefore endeavour to be independent of additional financing for ongoing operations. For this purpose, we carry out annual liquidity planning as part of our budgeting process, which is then continuously updated through daily liquidity status reports. The consistency of our cash flow enables us to make a detailed liquidity forecast against which we can align our cash deployment and requirements with great precision.

During 2019, DIC Asset AG was at all times able to meet its payment obligations. As at 31 December 2019, available liquidity amounted to around EUR 306.9 million. The Company also has unused bank credit lines and guarantee facilities in the amount of EUR 77.3 million at its disposal.

➔ **Cash flow driven by operating activities, transactions and financing arrangements**

The cash inflow for the financial year is primarily driven by strong cash flow from operating activities, proceeds from sales, acquisitions, loan repayments and borrowings as part of acquisitions and sales, the first-time issue of promissory notes and the repayment of a corporate bond. The positive cash flow from operating and financing activities more than offset the cash outflow from investing activities, leading to an overall cash inflow of EUR 50.4 million (previous year: EUR 84.5 million).

Cash generated from operations rose particularly due to the highly positive revenue trend in the Institutional Business, reflecting the Company's strong operational profitability. This is offset by increased tax payments triggered by the Company's successful performance in recent years. Overall, cash flow from operating activities rose EUR 2.9 million year-on-year to EUR 64.8 million (previous year: EUR 61.9 million).

Cash flow from investing activities is dominated by our property investments in 2019 and the acquisition of GEG – transactions which show that we are on course for growth in both segments. The outflow of funds for acquired properties amounted to EUR -254.7 million, further investments in our portfolio properties amounted to EUR -49.0 million, and for the acquisition of GEG we spent EUR -222.2 million. We generated cash inflows of EUR 326.7 million in the financial year from the disposal of our shares in TLG Immobilien AG and from dividend payments received. Successful sales led to an cash inflow of additional EUR 176.0 million. Overall, the cash flow from investing activities ends up at EUR -15.2 million (2018: EUR +24.5 million).

Cash flow from financing activities in 2019 was marked by effects that almost fully offset each other and showed a cash inflow of EUR 0.8 million at year-end (previous year: cash outflow of EUR -1.8 million). The issuance of DIC Asset's first promissory note led to total cash inflow of EUR 180.0 million. For short-term financing we set up a commercial paper

programme which generated cash of EUR 40.0 million in 2019. Borrowings for properties acquired came to EUR 184.1 million. Repayments regarding property disposals led to cash outflows of EUR -206.9 million in the financial year. The redemption of the bond issued in 2014 and subsequently topped up to EUR 175.0 million also led to a cash outflow. A total of EUR 17.7 million in dividend payments was distributed to the shareholders in the financial year (previous year: EUR 24.6 million).

Due in particular to the acquisition of GEG, EUR 13.9 million was added to cash and cash equivalents as a result of acquisitions. Cash and cash equivalents increased year-on-year by EUR 64.3 million to EUR 351.2 million.

CASH FLOW

in EUR million	2019	2018
Profit for the year	80.7	47.6
Cash flow from operating activities	64.8	61.9
Cash flow from investing activities	-15.2	24.5
Cash flow from financing activities	0.8	-1.8
Net changes in cash and cash equivalents	50.4	84.5
Acquisition-related addition	13.9	0.4
Cash and cash equivalents as at 31 December	351.2	286.9

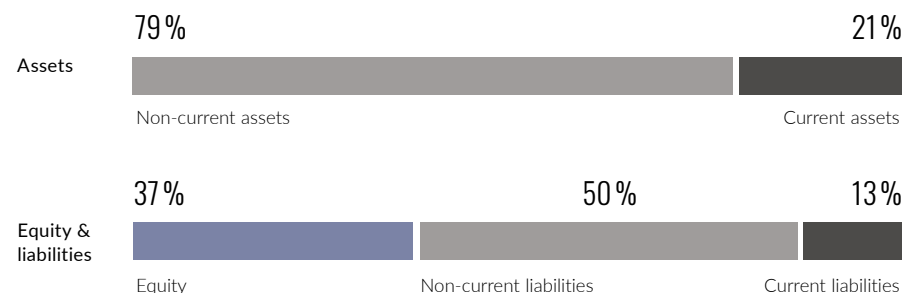
NET ASSETS

- Investment Properties increases by 11% to EUR 1,623.0 million
- EPRA-Net Asset Value up 15% to EUR 1,244.2 million
- Adjusted NAV reaches 22.26 Euro per share
- High acceptance of the scrip dividend strengthens equity
- Reported equity increases by EUR 72.9 million (+8%)
- Equity ratio up from 36.0% to 36.5%

During the financial year, net assets were primarily impacted by the business combination with the GEG Group, the acquisition of additional properties for the Commercial Portfolio, the disposal of the shares in TLG Immobilien AG and the proceeds from the issue of our promissory note. Investment properties increased by 11% overall as a result of the positive balance of acquisitions and disposals and reflect the growth strategy being pursued in the Commercial Portfolio. In addition, the increase in equity generated by the scrip dividend had a positive effect on net assets. EPRA-Net Asset Value rose by 15% year-on-year to EUR 1,244.2 million (previous year: EUR 1,085.8 million). The Net Asset Value adjusted for the value of the Institutional Business segment (Adjusted NAV) was EUR 22.26 per share at the end of 2019 (previous year: EUR 18.76 per share).

The items Goodwill, Intangible assets, Other investments, Other receivables and Cash and cash equivalents were particularly impacted by the acquisition of the GEG Group. As a result, comparability with the prior period is only possible to a limited extent.

BALANCE SHEET STRUCTURE



➔ Measurement at cost

Our investment properties are carried at amortised cost. The carrying amounts are reviewed annually in the course of IFRS impairment testing to establish whether impairment losses must be recognised. These are compared against the higher of fair value and value in use, which reflects the value of a property under its intended use. In 2019, impairment testing did not result in any impairment charge to investment properties.

➔ Increase in total assets due to growth

As at 31 December 2019, total assets were EUR 2,657.4 million, EUR 167.4 million (7%) above the previous year-end figure. Investment property (our existing properties in the Commercial Portfolio segment) was carried at EUR 1,623.0 million at the end of 2019 compared with EUR 1,459.0 million in the previous year. The EUR 164.0 million (+11%) change is primarily driven by additions resulting from acquisitions, which more than offset sales aimed at portfolio optimisation.

Due to the business combination with the GEG Group, the Company is reporting goodwill of EUR 177.9 million as at 31 December 2019.

Investments in associates declined due to transaction-related dividend payments and capital repayments, particularly in DIC Office Balance I and our MSREF joint ventures, from

EUR 87.0 million to EUR 71.2 million. Positive earning contributions from our funds, and additional investments in our Institutional Business had an offsetting effect. In the financial year, we made total acquisitions of around EUR 1,581.3 million for the Institutional Business segment, including the acquired GEG Group. As a result of partial repayments in the financial year, loans to related parties in non-current assets decreased by EUR 10.7 million to EUR 119.5 million. By contrast, the corresponding receivables in current assets rose by EUR 1.6 million to EUR 11.0 million, due in particular to the acquisition of the GEG Group. Other investments declined by EUR 329.0 million from EUR 382.6 million to EUR 53.6 million due to the disposal of the shares in TLG Immobilien AG in the first half of the financial year. The acquisition of the GEG Group had an offsetting effect. Overall, non-current assets rose by 1% or EUR 19.1 million to EUR 2,105.6 million year-on-year (31 December 2018: EUR 2,086.5 million).

Current assets also increased by EUR 148.2 million or 37% to EUR 551.8 million. This is partly due to the additions associated with the acquisition of the GEG Group and also to the EUR 64.3 million rise in cash and cash equivalents to EUR 351.2 million. The increase in cash and cash equivalents is largely attributable to the sale of the TLG Immobilien AG shares and the issuance of the promissory note as well as the proceeds from the commercial paper programme. The purchase of the equity interests in GEG for a price of approximately EUR 225.0 million, the scheduled repayment of the EUR 175.0 million bond issued in 2014 and the payment of the cash dividend of EUR 17.7 million had an offsetting effect. Under non-current assets held for sale we show the investment products in the Institutional Business segment; these products will see their operational launch in 2020.

➔ **Very strong profit for the period boosts equity**

Equity rose by EUR 72.9 million from EUR 895.9 million to EUR 968.8 million (+8%), particularly as a result of the very strong profit for the year of EUR 80.7 million. The dividend distributed in 2019 amounted to EUR 33.9 million. A total of EUR 17.7 million was actually distributed in cash to shareholders. The voluntary non-cash dividend led to a EUR 1.7 million increase in issued capital and raised capital reserves by EUR 14.1 million after deducting the transaction costs incurred.

The reported equity ratio increased again by 0.5 percentage points to 36.5% compared with the previous year's figure of 36.0%. We reduced the loan-to-value (LTV) ratio by 5.3 percentage points from 53.1% to 47.8% (adjusted for warehousing), particularly as a result of the increase in property values.

BALANCE SHEET OVERVIEW

in EUR million	31.12.2019	31.12.2018
Total assets	2,657.4	2,490.1
Total non-current assets	2,105.6	2,086.5
Total current assets	551.8	403.6
Equity	968.8	895.9
Non-current loans and borrowings	1,292.3	1,181.0
Current loans and borrowings	219.9	300.1
Other liabilities	176.4	113.1
Total liabilities	1,688.6	1,594.2
Reported equity ratio	36.5%	36.0%
Loan to value*	47.8%	53.1%
EPRA NAV	1,244.2	1,085.8
Adjusted NAV	1,607.2	1,322.8

* The ratio of total net financial debt (including liabilities to related parties) to the sum of the market value of the Commercial Portfolio, the market value of other investments, GEG goodwill and other intangible assets in connection with the acquisition of GEG, loans to associates and receivables from related parties.

➔ Adjusted Net Asset Value reflects full value of Institutional Business

The EPRA-Net Asset Value (EPRA-NAV) is equal to the value of all tangible and intangible assets less liabilities. This NAV was EUR 1,244.2 million at the end of 2019. Only a portion of the value of real estate management services provided by the Institutional Business is reflected in EPRA-NAV via the goodwill recognised in the balance sheet. We therefore added this value contribution to EPRA-NAV for the first time in the 2019 financial year. As at the reporting date, the total Adjusted NAV was EUR 1,607.2 million (2018: EUR 1,322.8 million).

The EPRA-Net Asset Value per share amounted to EUR 17.23 compared with EUR 15.40 in the previous year. The EPRA-Triple Net Asset Value (NNNAV) (see notes p. 145) per share totalled EUR 16.70 (2018: EUR 15.55). The Adjusted NAV per share was EUR 22.26 (2018: EUR 18.76).

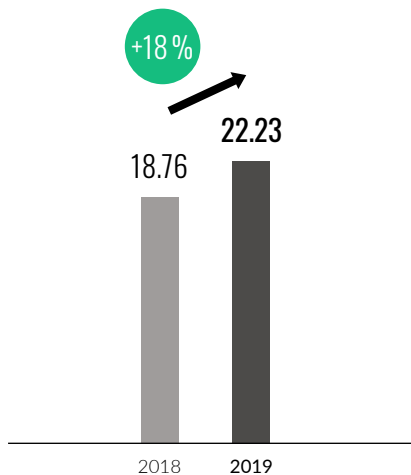
EPRA-NET ASSET VALUE

in EUR million	31.12.2019	31.12.2018
Carrying amount of properties	1,623.0	1,459.0
Fair value adjustment	277.0	212.6
Fair value of the Commercial Portfolio	1,900.0	1,671.6
Real estate assets acc. to IFRS 5	100.2	25.2
Fair value of properties	2,000.2	1,696.8
Carrying amount of equity investments	71.2	87.0
Fair value adjustment	5.9	34.9
Fair value of equity investments	77.1	121.9
+/- Other assets/liabilities (excluding goodwill)	592.6	830.9
Restatement of Other assets/liabilities*	-60.3	-73.8
Net loan liabilities at carrying amount	-1,512.1	-1,481.1
Net loan liabilities in accordance with IFRS 5	-35.0	0.0
Non-controlling interests	-12.2	-8.9
Goodwill incl. other assets / liabilities	193.9	0.0
EPRA-Net Asset Value (EPRA-NAV)	1,244.2	1,085.8
Number of shares (thousand)	72,214	70,526
EPRA-NAV per share in EUR**	17.23	15.40
EPRA-NNNAV per share in EUR**	16.70	15.55

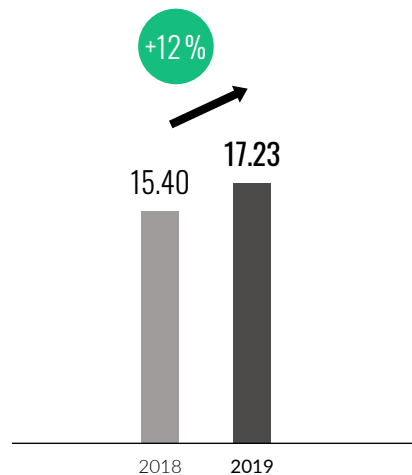
* Restated for deferred taxes (EUR +7,880 thousand; previous year: EUR +6,058 thousand), financial instruments (EUR -3,045 thousand; previous year: EUR -54,667 thousand) and IFRS 5 assets and liabilities (EUR -65,123 thousand; previous year: EUR -25,194 thousand)

** Based on 72,213,775 shares (previous year: 70,526,248 shares)

ADJUSTED NET ASSET VALUE
in EUR million



EPRA-NET ASSET VALUE PER SHARE
in EUR

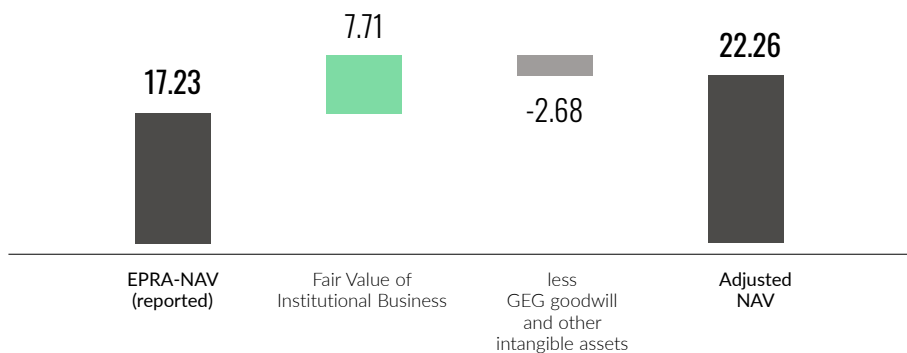


OTHER DISCLOSURES

Impact of accounting policies and accounting changes on the presentation of the economic position

In 2019, no options were newly exercised, no grooming transactions were carried out and no changes were made to discretionary decisions which – if treated differently – would have had a material impact on the presentation of the net assets, financial position and results of operations in the financial year.

ADJUSTED NAV RECONCILIATION
(INCLUDING VALUE OF INSTITUTIONAL BUSINESS)
in EUR/share





NON-FINANCIAL KEY PERFORMANCE INDICATORS

Non-financial key performance indicators play a major role in the long-term success of DIC Asset AG. These assets are not quantifiable and therefore cannot be reported in the balance sheet. These are assets which constitute clear competitive advantages and are due to the long-standing nature of the Company's operations, the expertise developed as well as an extensive network within the market. These include amongst other things:

- Motivated and dedicated employees and managers
- Sustainability-related financial and non-financial key performance indicators
- Competitive and organisational advantages from our real estate management platform throughout Germany
- Long-term relationships with highly satisfied tenants and investors
- Established, trusting cooperation with service providers and business partners
- Trust-based partnerships with strategic financial and capital partners
- Cooperation and continual exchange with all relevant stakeholders

The DIC brand is one of the intangible assets not recognised in the balance sheet. During the reporting year, we used the brand consistently in our corporate image, enhancing it further and prominently showcasing it to the markets through a variety of public relations activities.

EMPLOYEES

Our success as a company is based on the knowledge, skills and dedication of our employees. We can only achieve our ambitious goals if we have qualified and motivated employees who represent our company externally with success and conviction. We therefore value and promote entrepreneurial thinking and action, the ability to act on one's own initiative, flexibility and specialist knowledge.

Workforce changes

Focused personnel development is crucial to our long-term corporate development strategy. The aim of personal development is to support and promote our employees and improve their skills, and to secure their long-term loyalty. We ensure that talents are discovered, nurtured and challenged. We therefore support our employees in achieving their personal goals in terms of their professional development and advancement, and we invest in the development of professional expertise and skills. For instance, we offer general training and CPD training on specific topics, availing ourselves both of internal and external teachers and of CPD providers.

Personnel development and advancement is an essential part of the role of our managers. We support our managers in this regard and provide them with tools, for example through training sessions and/or one-on-one coaching.

Employer brand

Attracting new staff to our company is also one of the most important tasks of Human Resources. In order to appeal to talented and highly qualified candidates, we work to position the Company as an excellent employer. We offer flat hierarchies, the opportunity to assume responsibility at an early stage and extensive powers to take decisions independently.

On 25 May 2019, our Company took place with its own stand for the ninth time in the IZ-Karriereforum job fair organised by Immobilien Zeitung. In the canteen building located on the Westend Campus at Goethe University Frankfurt, our colleagues gave interested students an insight into the various business areas of our group of companies. With around 300 visitors, the job fair was once again very well attended this year. This annual event

also provides us with the ideal platform to make interesting new contacts in the property sector and inspire potential candidates to pursue a role within the DIC Asset Group. The next IZ-Karriereforum takes place on 20 June 2020.

Training of junior employees, nurturing students and young talent

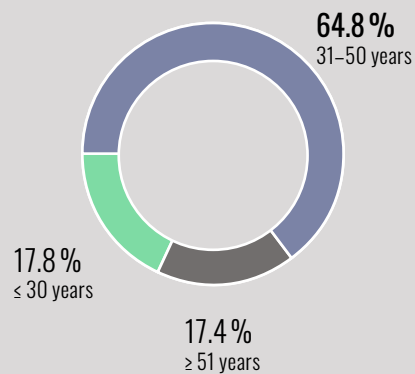
School children and students are given an insight into various areas of our company through school internships (lasting up to 14 days) and student internships (lasting two to six months). We offer university graduates the opportunity to embark upon a 12- or 18-month training programme following their studies, during which career starters are trained for positions of responsibility. Since 2015, we have also been certified for training real estate professionals. We also provide students with support for their Bachelor's or Master's theses. We view all these programmes as important ways of acquiring new and well-qualified junior employees for our company and for meeting our social responsibility.

On 28 March 2019, we took part in Girls' Day, the largest career guidance project for schoolgirls, for the third time. As part of the event, pupils learned more about apprenticeships and study programmes in the property sector and had the opportunity to meet women in leadership roles. The Girls' Day is part of a federal initiative entitled "Klischeefrei – Nationale Kooperationen zur Berufs- und Studienwahl" ("Free from Stereotypes – National Collaborations for Career and Study Choices"). The aim of the initiative is to encourage young people across Germany to choose careers and studies that fit with their own interests regardless of gender stereotypes.

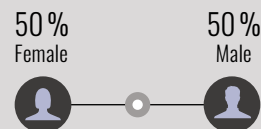
Remuneration system

Our salaries consist of a basic income, supplementary benefits and performance-related components. We base our salaries on industry standards and those of our competitors. The performance-related component is based on achieving individual goals as well as strategic and operating targets, which are set annually together with supervisors. In 2019, a total of EUR 24.9 million was spent on employees. This figure includes performance-related remuneration of EUR 3.7 million, corresponding to a share of approximately 15%. Social security taxes, pension contributions and other additional benefits amounted to a total of EUR 3.7 million.

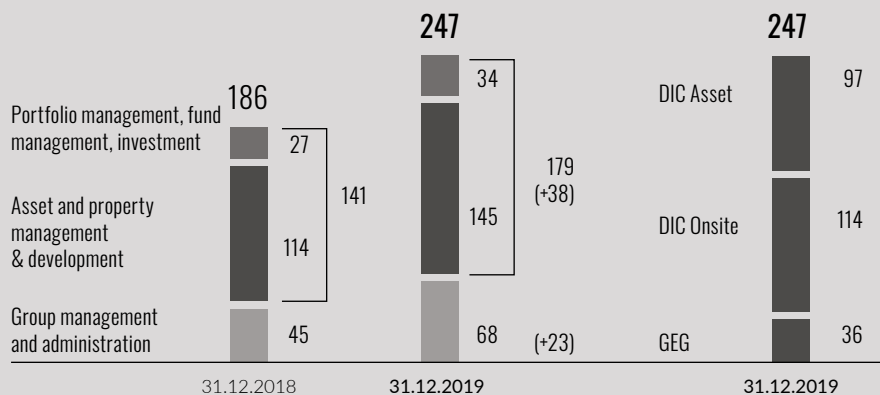
AGE STRUCTURE



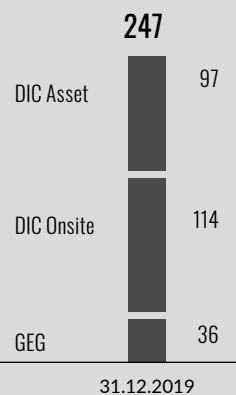
PROPORTION MALE/FEMALE EMPLOYEES



NUMBER OF EMPLOYEES BY UNIT



NUMBER OF EMPLOYEES BY ENTITY



As in previous years, the Company expanded its capacity to support the dynamic growth of its real estate assets under management and its Institutional Business, enhance its property expertise and accelerate the implementation of strategies and plans.

The number of employees rose to 247 (31 December 2018: 186) as a result of organic growth in asset and property management and in particular due to the acquisition of GEG. A total of 67 employees were integrated into the Group after the acquisition of GEG, of which 11 work in portfolio management, investment and funds, 29 in asset and property management, and 27 in Group management and administration. As at year-end, the number of employees in portfolio management rose to 34, in asset and property management to 145 and in administration to 68.

Diversity

DIC Asset and its subsidiaries promote diversity within the Group. As at 31 December 2019, 50% of all positions were staffed by women. We offer our employees part-time models to enable flexible working hours. As at the end of 2019, the Group had employees from nine countries. We are convinced that heterogeneous teams that differ in terms of their individual skills, expertise and approaches are better equipped to solve complex matters than homogeneous teams and have a higher potential for innovation as a result. With this in mind, we maintain a corporate culture that is committed to the principles of ethics and integrity and promotes mutual appreciation, responsibility and respect within the workforce. Our Compliance Guidelines outline our comprehensive approach to protection against discrimination, particularly with regard to ethnic identity, gender, religion or belief, disability, age and sexual orientation. As a result, our aim is to actively counteract discrimination, disadvantage or undesirable behaviour.

SUSTAINABILITY

As one of Germany's largest real estate investment and asset management companies, our operating activities have an ecological, social and economic impact. Our sustainability strategy focuses on recording, monitoring and, where possible, containing this impact.

Our sustainability approach involves

- strictly observing environmental, safety and social requirements,
- integrating sustainability issues into our business processes,
- communicating openly and transparently with stakeholders, and
- applying the precautionary principle when managing our sustainability projects.

With our long-term investment horizon, we focus on using resources and protecting the environment in a manner that is sustainable in the long run. This minimises risks, promotes existing business and opens up new business opportunities for us. We take environmental and social requirements into account in our business decisions and processes, favouring scope for optimising our business practices over opportunities for short-term gains wherever possible.

Seventh Sustainability Report published

DIC Asset AG has been continuously reporting on its sustainability activities since 2009. Since March 2011 this has taken the form of a stand-alone Sustainability Report, to give adequate scope to the increased importance of sustainability within our company. In accordance with the three-pillar model of sustainability, the sustainability reporting of DIC Asset AG covers the economic, environmental and social aspects of its business activities. DIC Asset AG's seventh Sustainability Report was published on the Company's website at the end of June 2019. The report was drafted in line with the highest international reporting standards issued by the Global Reporting Initiative (GRI Standards) and the ESG (Environmental, Social and Governance) reporting standards for real estate companies issued by the European Public Real Estate Association (EPRA). In the most recent report, EPRA reporting was expanded to include social and governance information in addition to environmental information for the first time.

Highlights from the Sustainability Report:

- Energy consumption data fully analysed for the 2018 financial year due to accelerated reporting processes
- Power consumption in the analysed portfolio for 2018 fell by 14.8% on a like-for-like basis to 44.4 kWh compared to the 2016 reference year
- Like-for-like decline of 12.6% in portfolio CO₂ emissions caused by power and heating energy consumption to 32,615 tonnes of CO₂ equivalent (tCO₂e) during the analysis period from 2016 to 2018
- Energy supply contracts re-tendered as part of the gradual conversion of our portfolio to 100% green electricity; consumption data standardised further
- Report expanded to include a value added statement for the 2018 financial year in accordance with GRI standards (stakeholder approach)



Our latest report is always available to download from our company's website at www.dic-asset.de/engl/company/sustainability

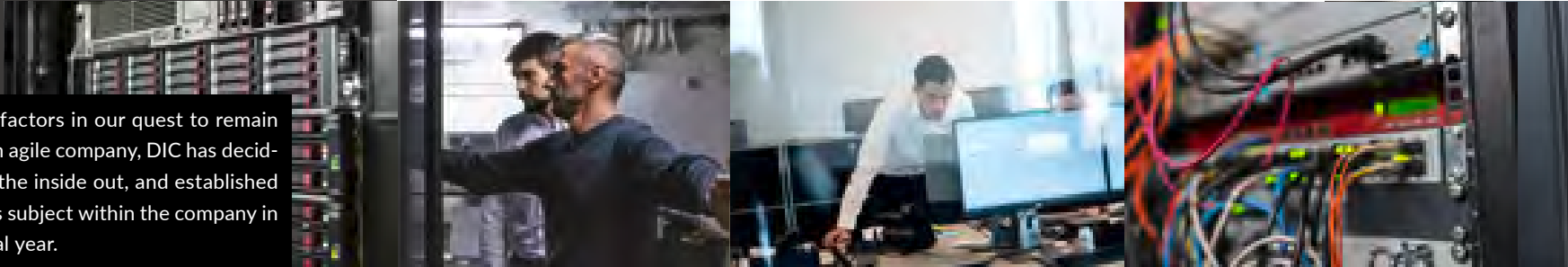
DIGITISATION

Digitisation is one of the key factors in our quest to remain competitive in future. Being an agile company, DIC has decided to boost its dynamic from the inside out, and established digitisation as a strategic focus subject within the company in the course of the past financial year.

Two key measures in the organisational context last year were the Digital Days conference in Berlin that our executives attended in collaboration with XU Group, on the one hand, and the set-up of the **Corporate & Digital Development unit** which specialises in company-wide digitisation issues, on the other hand.

As part of the digitisation strategy of recent years, the standardisation and automation of processes within the company have already counted among the constant tasks of the organisation. We consistently carried on with this practice. Today, a significant percentage of the company's support functions—such as human resources or payables accounting—use almost exclusively digital workflows.

Our service profile and our decision to proactively engage challenges in order to generate value-added in our own right are reflected in digitisation solutions that we established in our business lines through direct collaboration with our core value-creation in real estate economics terms.



REAL-LIFE EXAMPLES OF OUR VALUE-ADD SERVICES

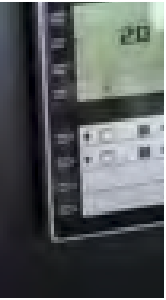
Digital Platform for Asset Management and Portfolio Management

Key functions:

- harmonised end-to-end data integration
- planning/budgeting on the asset/fund/portfolio level
- performance tracking (e.g. controlling, target/actual comparisons) virtually in real time, and integrated risk management
- automated custom-reporting and direct interfaces with the AIF management companies

The solution that we established in our Institutional Business is continuously adapted to the dynamic requirements of our growth strategy with a view to bespoke value-added for us and our clients.

Practice on the ground demonstrates the obvious efficiency and transparency benefits of the system and its compelling potential to integrate the many facets of our service activities across segment boundaries, and this has encouraged us to expand it to the management of our Commercial Portfolio and to group controlling.



Service Platform in Our Property Management with “Onsite” Access for Tenants via App

We are developing and piloting a service platform that provides the data volumes required in operational real estate management plus value-added services beyond pure digital management.

Our short- to medium term agenda includes the introduction of app-based data services in tenant management, and the system-based implementation of more efficient workflows in operational property management. At the moment, we are testing the new solutions in pilot projects in selected locations and clusters. Functions integrated on the digital service platform include, without being limited to:

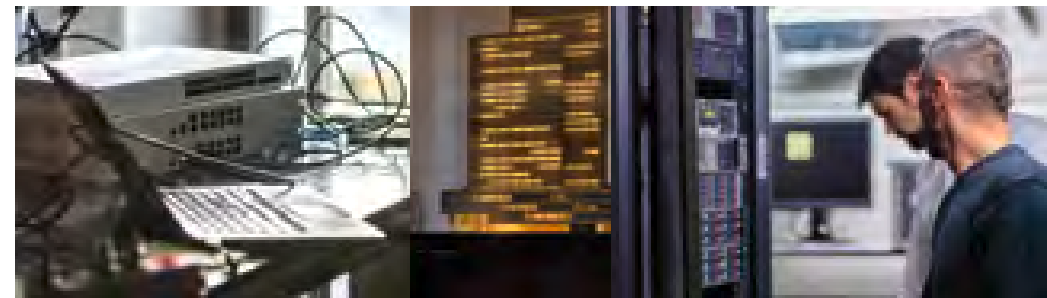
- communication (1-on-1 between tenant and landlord or as community dashboard – formerly the “bulletin board”)
- service charge statements
- access to energy consumption data
- ticket portal for disturbances and defects
- booking and paying for rooms as well as other services, such as white-glove amenities

We are thereby generating value-added for the tenants and—by making buildings more attractive—value-added within the portfolio, too.

We consider the networking and availability of data and usage routines on an integrated platform an important foundation for further internal and external developments in future. In this context, data security is a criterion as important as the actual use of the data.



- To ensure early awareness of technological advances, we maintain a high-level exchange with established technology firms and with players in the innovative PropTech scene.
- Other subjects we will spend more time conceptualising in 2020 and 2021 include the deployment of building sensor technology (IoT technologies, “internet of things”) and the collection of building data, specifically with a view to continuous improvement in the area of sustainability and to the growing climate protection requirements in the real estate sector.



REPORT ON POST-BALANCE SHEET DATE EVENTS

In January 2020, the transfer of possession, benefits and associated risks for two properties acquired in 2019 for the Institutional Business segment with a volume of around EUR 554 million took place.

End of January 2020, we notarised a sale of a commercial portfolio property. The transfer of possession, benefits and associated risks is expected to take place in the first quarter 2020.

After the balance sheet date, DIC Asset successfully placed a cash capital increase from authorised capital, disapplying pre-emptive rights, by means of an accelerated bookbuilding ("ABB"). TTL Real Estate GmbH, which belongs to the Deutsche Immobilien Chancen Group, and the RAG Foundation acquired 2,336,248 and 685,777 new shares, respectively, in the placement process. A total of 6,857,774 new shares were placed at a price of EUR 16.00 per share. The new shares carry the same rights as the existing shares. The first trading day of the new shares was 24 January 2020. The gross issue proceeds of approximately EUR 110 million will be used to finance the Company's further growth strategy, in particular to finance the acquisitions to be made in the Commercial Portfolio, and for general corporate purposes.



REPORT ON EXPECTED DEVELOPMENTS, RISKS AND OPPORTUNITIES

REPORT ON RISKS AND OPPORTUNITIES

- RISK MANAGEMENT SYSTEM
- INTERNAL CONTROL SYSTEM
- INDIVIDUAL RISKS AND OPPORTUNITIES
- OVERALL ASSESSMENT OF THE RISK AND OPPORTUNITY POSITION

REPORT ON EXPECTED DEVELOPMENTS

REPORT ON RISKS AND OPPORTUNITIES

THE RISK MANAGEMENT SYSTEM OF DIC ASSET AG

In a dynamic environment, it is a fundamental entrepreneurial duty to recognise and exploit opportunities early on. DIC Asset AG's risk management system (RMS) enables the Company to identify developments that could endanger its continued existence early on so that it may take effective countermeasures. It also allows the Company to leverage existing opportunities, unlock new profit potential and manage risks in a controlled manner to grow the Company's value. Balancing the ratio of opportunities to risks keeps the potential adverse effects on the Company's business success to a minimum.

The governing bodies of the Group have stipulated basic rules for risk exposure, including allowing specific business risks to be taken as long as the associated opportunities are expected to increase the Company's value. This reflects our efforts to grow on a sustainable basis, to increase enterprise value and accordingly control, spread and reduce any risks which may arise. The management of risks and opportunities is therefore a fundamental component of corporate governance.

In the interests of its tenants, employees and investors, the risk management system protects the Company from critical situations and secures its continued existence in the long term.

The risk management system extends throughout all areas of the Company and its subsidiaries, and is binding on all employees. Risks are defined as strategic and operational factors, events and actions that materially affect the Company's existence and business situation. External factors also analysed include the competitive environment, demographic developments and other factors that could prevent the Company from attaining its goals. The RMS covers strategic decisions by the Management Board as well as day-to-day business. The internal control and monitoring system is an integral component of the risk management system. It minimises operational and financial risks and monitors processes, and it ensures compliance with laws and regulations including the appropriateness of financial reporting.

We acquired the GEG Group in June of this financial year and successfully integrated it into our risk management system during the second half of the year. The GEG Group expands and complements the product range that we offer our institutional investors. We merged the three segments of the GEG Group that existed prior to the acquisition – Institutional Business, Developments and Opportunistic Investments – with our two segments, Funds and Other Investments, and since the 2019 half-year financial report we have only reported two segments – Commercial Portfolio and Institutional Business. We have integrated this into our risk management system accordingly.

Structure of the risk management system

> Risk early warning system

DIC Asset AG's early warning system aims to record, quantify and communicate all relevant risks and their causes. This ensures that necessary countermeasures can be initiated early on. The respective specialist departments are responsible for identifying, reporting, assessing and controlling risks. For example, real estate data are recorded and aggregated at property level by the asset and property management teams. These data are checked, supplemented and summarised by the central Controlling function and then reported to management. In accordance with section 317 (4) HGB, the risk early warning system is reviewed and assessed annually by the auditor as part of the audit of the financial statements in terms of its compliance with the requirements of German stock corporation law.

> Risk identification

As part of risk controlling, the identification of risk is the first step in the risk management process and forms the basis for managing risks in an adequate and effective manner. Risks are identified and systematised in accordance with the integration concept as part of general business processes. To do so, we use instruments such as corporate and scenario analyses among others to analyse strategic risks and detailed check lists for routine reviews.

> Risk analysis and communication

Our employees are required to manage risks and opportunities conscientiously and responsibly and in line with their competencies. Responsibilities are defined for all relevant risks in accordance with the hierarchy. An identified risk is assessed as to its probability of occurrence and the extent of potential financial loss is calculated. The next step involves a decision by the responsible divisional managers, if necessary together with the Management Board, regarding appropriate risk management. Appropriate response measures are devised on the basis of this, and their success is monitored regularly. Longer-term risks are integrated in the strategic planning process.

Risks are analysed and then aggregated according to their potential cumulative effects. This allows us to determine the overall exposure for the DIC Asset Group. In order to provide information regarding identified risks and key events within the market environment, risk management is incorporated as an integral part into our regular planning, reporting and management routines. The Management Board, the Supervisory Board and any other decision-making bodies are regularly informed at quarterly intervals, or on an ad hoc basis for serious issues that arise suddenly. This ensures that the Management Board and the Supervisory Board are promptly and comprehensively informed of material risks.

> Opportunity management

The systematic identification and communication of opportunities is also an integral component of the risk management system. Opportunities are events or developments which may have a positive effect on the course of business. In principle, we strive to achieve a balance between opportunities and risks.

> Risk management and control

The process of analysis and forecasting allows us to initiate appropriate measures for coping with risk and also for exploiting in a targeted manner any opportunities that arise. For example, we reduce the risk from interest rate fluctuations through matching hedging transactions. In connection with long-term project developments and portfolio developments, a systematic and comprehensive project management with standardised project milestones, preliminary acceptances, the awarding of contracts for individual trades and general contractors and clearly determined approval processes help us minimise project risks.

> Risk management documentation

The existing guidelines, procedures, instruments, risk areas and responsibilities are documented in writing and are expanded continually. Documentation summarises the key elements of the control cycle introduced as part of the risk management system.

> Compliance Management System

DIC Asset AG requires all Group employees to act responsibly and lawfully. Since 2013, a compliance guideline for the DIC Asset Group has been in place. A Compliance Officer was appointed and the whistleblower system for reporting misconduct and violations was set up. The Compliance Guidelines include the following items:

- Protection against discrimination: Employees prevent any form of discrimination, disadvantage or undesirable behaviour, particularly on grounds of ethnic origin, gender, religion or belief, disability, age or sexual orientation.

- Avoidance of conflicts of interest and corruption risks: DIC Asset Group companies reject any kind of corruptive behaviour and the misuse of decision-making powers. The giving and accepting of gifts is regulated by binding provisions in the Compliance Guidelines and subject to the principle of maintaining transparent business activities. Employees must avoid giving the appearance of granting an advantage when dealing with government officials. Under no circumstances must benefits be granted to government officials in order to persuade them to act in contradiction to their duties. Private secondary employment and company investments must not influence the employee's actions as stipulated in their employment contract.
- Data protection: Employees undertake to safeguard trade and company secrets and to comply with applicable data protection laws. DIC Asset AG provides information on its website on the handling of personal data in accordance with the European General Data Protection Regulation.
- Capital market requirements/insider trading bans: Conducting insider trading, advising or inducing third parties to conduct insider trading and the unauthorised disclosure of insider information are prohibited.
- Money laundering: DIC Asset AG does not tolerate money laundering and obliges its employees to report suspicious behaviour by business partners and advisers and observes all relevant provisions and instructions in this regard.
- Prohibited agreements: Any distortion of competition or corrupt practices in contravention of competition law are strictly rejected. In situations where employees see a violation of competition rules, they are encouraged to voice their concerns clearly, expressly distance themselves from the content and inform the Compliance Officer immediately.

- Reports of misconduct and violations: Employees are encouraged to report misconduct and violations of statutory provisions or regulations and internal company guidelines. They can report such incidents to the Compliance Officer, relevant supervisor, Management Board, personnel department or via a whistleblower system that also enables employees to submit reports anonymously.
- Consequences: Employees can expect sanctions under employment law for violating statutory provisions and internal company guidelines. The companies also reserve the right to report a crime or file a criminal complaint in the event of a criminal offence.

INTERNAL CONTROL SYSTEM

General

The internal control system (ICS) and the risk management system relevant for DIC Asset AG's financial reporting process comprise guidelines, procedures and measures. Their key aims are to ensure that business is handled securely and efficiently, financial reporting is reliable and appropriate, and laws, directives and the relevant legal provisions are complied with. The internal control system consists of two areas: control and monitoring. In organisational terms, Corporate Finance, Controlling and Accounting are responsible for control.

The monitoring measures consist of elements incorporated into the process and external independent elements. The integrated measures include manual controls such as the "dual control principle", which is applied universally, and technical controls, essentially by software-based checking mechanisms. In addition, qualified employees with the appropriate powers (managing directors of portfolio companies or first-

and second-tier management, for instance) as well as specialised Group departments such as Controlling perform monitoring and control functions as part of the various processes.

External, cross-process checks of the internal monitoring system are carried out primarily by the Management Board and the Supervisory Board (by the Audit Committee in particular here) as well as by the auditors as part of the audit of the annual financial statements.

Use of IT

We manage and monitor our relevant IT systems centrally. In addition to the physical infrastructure, the system environment is of particular importance. Both are protected against failure through suitable mechanisms to always guarantee a high degree of availability of all mission-critical systems and components.

IT disaster recovery planning also takes into account external service providers and their contingency plans. In this regard service level agreements (SLAs) are formulated and coordinated with the most important IT service providers. This also includes coordinating DIC Asset AG's requirements for IT contingency plans with the services offered by external service providers.

We regularly check that the programmes and interfaces we use are running properly and utilise the results of this monitoring for continuous improvement of our processes.

Our entire IT system has a multi-level concept to protect against unauthorised access and malware such as viruses and trojans. The Group's internal network is secured against external access through firewalls. Access to the Company's internal systems is actively monitored using an intrusion detection system (IDS).

Ensuring that the financial reporting is appropriate and reliable

The checks to ensure that financial reporting is appropriate and reliable include analysing the issues and changes using specific key data, and using check lists to ensure that the information is complete and that the procedures are uniform. Accounting transactions in the single-entity financial statements of DIC Asset AG and its subsidiaries are recorded in our enterprise resource planning (ERP) system, which is tailored specially to the requirements of real estate companies. This is supplemented by a payment software package closely tied in with the ERP system that ensures that payment transactions are correct and are duly entered. The consolidated financial statements are prepared by creating standardised reporting packages comprising the respective single-entity financial statements and additional information and processing them with consolidation software.

The regulations, control activities and measures prescribed by the internal control system ensure that transactions are recorded promptly and completely in compliance with statutory and internal provisions, and that assets and liabilities as well as expenses and income are recognised, measured and reported accurately in the consolidated financial statements. The accounting documents provide a reliable and comprehensible basis of information.

The International Financial Reporting Standards (IFRSs) are supplemented by sector standards such as the EPRA recommendations and applied by DIC Asset AG as uniform accounting policies throughout the Group. The financial reporting provisions regulate in detail the formal requirements for the consolidated financial statements, such as determining the basis of consolidation and the content of the reports to be prepared by the individual entities. Internal regulations governing intra-Group settlement practice, for instance, have also been defined.

At Group level, control primarily comprises the analysis and, if necessary, adjustment of the single-entity financial statements included, taking into account the findings and recommendations of the auditors. The consolidation of all financial statements is conducted at the headquarters in Frankfurt am Main. Impairment tests carried out centrally, particularly the annual review of the market value of all properties carried out externally by independent surveyors, ensure that the measurement criteria are applied uniformly and on a standardised basis. The data required for disclosures in the management report and the notes are also aggregated and adapted at Group level.

Caveats

Even tried-and-tested, established systems such as DIC Asset AG's internal control and risk management systems cannot exclude errors and violations entirely, meaning that absolute security with regard to the accurate, complete and prompt recording of data in the Group's financial reporting cannot always be fully guaranteed. Non-recurring, non-routine transactions or those which are urgent may entail a certain potential for risk. Risks may also arise from the scope for discretion that employees have in recognising and measuring assets and liabilities. A certain control risk also arises from the use of service providers to process data. Financial reporting-related risks arising from financial instruments are explained in the notes.

INDIVIDUAL RISKS AND OPPORTUNITIES

External environment

- Economy as a whole
- Real estate sector
- Regulatory and political changes
- Legal

Finances

- Interest rates
- Financing and liquidity
- Valuation

Strategy

- Portfolio management
- Institutional Business
- Project developments / repositioning in the
- Commercial Portfolio and Institutional Business

Operations

- Acquisition and sales planning
- Letting
- Property and location
- Personnel
- IT

External environment

> Economy as a whole

Economic changes may have a positive or a negative effect on our business and on the financial position and results of operations of the Company. Short-term opportunities and risks relate primarily to the share of rental income generated from new rental agreements and from lease renewals. Risks are also posed by the loss of rental income resulting from tenants becoming insolvent.

With the expansion of trade disputes and heightened geopolitical tensions the global economy has continued to slow, dragging Germany's export-driven economy down with it. GDP growth in 2019 weakened to 0.6% (2018: 1.5%).

The outlook for the global economy and thus for the German economy for the 2020 financial year remains cautious. In 2020 we expect Germany to experience slightly higher growth than in 2019 that could reach 1.1% according to ifo Institute forecasts. Calendar effects accentuate the underlying economic momentum; the ifo Institute forecasts GDP growth of 0.7% after adjusting for calendar effects. The industry's continued weak performance will be compensated by domestic demand – particularly consumer spending and construction expenditure – driven by rising income levels, fiscal stimulus measures, low inflation and favourable lending conditions. The expanding service sector and labour market momentum are also contributing to the growth. Employment growth is expected to continue in 2020, albeit with reduced momentum, which means there is currently no threat of an economic recession.

Nevertheless, this positive domestic environment faces a number of uncertainties. In particular, a renewed intensification of the US-China trade dispute, an escalation of the trade dispute between the United States and the EU, lack of clarity about the form Brexit will take and, in the medium to long term, about the effects of technological changes in the automotive industry all pose economic risks.

To minimise risks, we focus on long-term leases to top-quality tenants, on spreading rental income across a large number of different tenants and on investing in economically strong regions.

We consider it unlikely that the economy will suffer a marked deterioration in the next twelve months. The negative financial impact on our business of such a deterioration would be minor to moderately serious. Overall, the risk/opportunities profile resulting from factors in the economic environment has deteriorated only insignificantly for us compared with the previous year. Our portfolio is highly diversified and includes a high proportion of agreements with public sector tenants and a large number of tenancy agreements with SMEs. By acquiring GEG we expanded our investor base in and outside Germany in 2019.

> Real estate sector

The real estate sector is among the most diverse industries in a modern economy. In addition to property management, the sector includes construction and the activities associated with real estate assets and their financing. Each phase of the "planning, construction, financing, operation, management" life cycle and buying and selling real estate all involve both risks and opportunities.

In the rental market, surplus supply or fixtures and fittings that no longer meet current standards can lead to price pressures, a loss of margin and vacancies. A shortage of suitable space, by contrast, can lead to high demand from users and rising prices for the quality sought.

By subjecting properties to intensive examination before we buy, we endeavour to reduce the risks resulting from difficulties in letting properties subsequently and a lack of flexibility in their use. At the same time, we are interested in identifying opportunities that we can exploit through our efficient asset and property management organisation, which can handle even challenging real estate management tasks.

Due to a stable general environment and stable underlying economic data, the German commercial real estate market has become an attractive investment market, even among foreign investors. Combined with favourable financing conditions and unattractive investment alternatives, this has led to an increasing shortage of property with attractive returns, particularly in A-locations. Prime yields for office properties continued to decline to an average of 2.93% across all top seven locations in 2019.

Although falling yields could impact our transaction planning in the long term, the risk would not result in any material financial damage, at least in the medium term, as our business plans are long-term and flexible. On the selling side, it also results in attractive exit options for us.

Our company is widely networked to minimise risks. As an active investor and asset manager with a local presence, we are well placed to become aware of possible sales in our relevant markets at an early stage. Furthermore, our market penetration throughout Germany and our in-depth knowl-

edge also of B-locations enables us to seize opportunities in the regions, thereby compensating for a potential lack of supply at A-locations. While rental yields from A-locations within B-cities continued to decline, they are still significantly higher than rental yields from A-locations in A-cities. This means we can continue to find attractive investment opportunities here via our broad regional network.

We believe that the changes in Europe resulting from Brexit present more opportunities than risks for our business in the short and medium term. International companies considering relocating their operations to continental Europe or the consolidation of their existing locations could create positive momentum in the German real estate market.

We continue to expect the rental market to remain stable in 2020. Completions are coming to market with high pre-letting rates and, given the persistently strong demand amid declining supply, this is not expected to lead to an oversupply of attractive space and a corresponding drop in prices. In the transaction market, we see opportunities rather than risks on the selling side in 2020 due to continuing strong momentum and demand, and adequate opportunities on the buying side due to our broad local network.

With regard to the risks resulting from a downward trend in the sector, we currently assume a low probability of occurrence. This would have a slightly to moderately serious financial impact.

> Regulatory and political changes

Risks as well as opportunities may arise from changes to general conditions or regulations. While such changes usually require a certain amount of lead time to allow sufficient scope to adjust, they can sometimes be made rapidly in exceptional situations such as the financial crisis, thus complicating the adjustment process.

Compared to other countries in Europe, Germany has previously proven itself to be an economy with a strong degree of regulatory, social and political stability and thus offers less potential for sudden, unmoderated measures and regulatory interventions without a broad social and economic consensus. In our opinion, this is unlikely to change in 2020.

A possible shift in the balance of political power combined with further increasing social polarisation and a potential trend towards greater protectionism could have a negative effect on the German economy.

For financial year 2020, we consider risks or opportunities arising from sudden changes unlikely. We also believe that the possible financial repercussions are minor.

> Legal

DIC Asset AG is exposed to the risk that third parties will assert claims or file actions for a possible breach of their rights within the framework of normal business operations. We therefore carefully check all material acts carried out by the Company in order to identify and avoid potential conflicts. Risks may also arise from non-compliance with contractual obligations.

At present, ongoing litigation relate almost exclusively to legal proceedings initiated by the Company to collect outstanding rent. We recognised provisions for these legal costs and recognised bad-debt allowances as required.

There are currently no material pending or foreseeable legal disputes which could constitute a considerable risk. In our view, current litigation will result in more opportunities than risks. Sufficient provisions have been recognised for any risks. Overall, we consider the legal risk and its financial implications to be low. Further information about legal risks can be found in the notes.

Finances

> Interest rates

Interest rate risk arises from fluctuations in interest rates caused by market developments (market interest rate volatility) and from the Company's own exposure to interest rates (open fixed rate positions, maturities expiring etc.). They may impair DIC Asset AG's profitability, liquidity and financial position as well as its opportunities for expansion.

At present, our financing is primarily based on fixed-interest loans, although derivative financial instruments can also be used selectively for interest rate hedging. As at 31 December 2019, 91% (previous year: 88%) of our financing volume was hedged against interest rate changes. Due to the hedging, an increase in interest rates of 100 basis points would only reduce our cash flow by an additional EUR 1.5 million. As at 31 December 2019, the average interest rate across all liabilities to banks amounted to 1.7% (previous year: 1.8%). Further information about interest rate risks can be found in the notes.

The current, historically low level of interest rates continues to entail opportunities for obtaining financing on favourable terms and for long-term improvements in our financing structure. We are therefore involved in regular negotiations with financing institutions. If we succeed in renewing financing earlier than scheduled or in agreeing attractive terms, we benefit primarily from lower costs and a reduction in our financing risks.

In 2019, DIC Asset AG made use of the promissory note market for placing unsecured promissory note loans for the first time in addition to the bond market. The placement was facilitated by two German Landesbanken and was placed with a volume of EUR 150 million over maturity bands ranging from 3 to 11 years in July 2019. In the second half of the year, DIC Asset AG increased the total volume of the promissory note to EUR 180 million at year-end by adding two further tranches. In doing so, DIC Asset AG once again demonstrated different opportunistic sources of financing for optimising its financing structure. The promissory note loan has an average interest rate of 1.55% and is thus reducing average financing costs overall.

The repayment of the 2014/2019 bond according to schedule helped to reduce average financing costs further. Originally launched with a volume of EUR 125 million and topped up by EUR 50 million, it had a high interest rate of 4.625% p.a. relative to current circumstances. As a result, repayment of this bond helped to significantly reduce average borrowing costs, which were still 2.5% p.a. on average at the end of 2018. By the end of 2019, we were able to lower average borrowing costs including bonds and promissory note loans by 50 bp to 2.0% p.a. as a result of the aforementioned transactions and the continued attractive interest rate environment.

We further optimised borrowing costs by locking in attractive financing conditions associated with the acquisition of new properties in the Commercial Portfolio of DIC Asset AG. These were all financed on a non-recourse basis and mainly

with domestic credit institutions. The Company selected its banking partners in competitive processes that weighed up conditions, structure, transaction security and timing. The overall new financing volume for loans secured by real estate for DIC Asset AG in 2019 totalled around EUR 184 million with an average interest rate of 1.31% p.a.

We expect interest rates to remain low in 2020, which will continue to benefit real estate investment markets. Thanks to the substantial level of hedging, a stronger increase in interest rates would have a slightly to moderately negative impact on our finances. DIC Asset AG will once again make use of available sources of financing in 2020 to continue opportunistically optimising the liability side of the balance sheet.

> Financing and liquidity

The close relationship between the financial sector and the real economy is particularly evident in the property industry. Among other things, this is attributable to the fact that construction projects, repairs, modernisation and purchasing properties are usually very capital-intensive activities requiring borrowings to finance.

The aftermath of the last financial crisis resulted in some real estate financiers discontinuing new business or basing their credit requirements on more restrictive risk parameters. However, due to the ongoing expansive monetary policy pursued by the ECB, the liquidity associated with this and the favourable refinancing conditions, funds in the real estate markets are currently at a high level and the willingness of banks and other financing partners to provide financing remains high. New, alternative lenders have entered the market, subjecting the traditional financing providers to greater margin competition. To ensure a viable and sustainably stable financing structure, we therefore only agree loans and derivative financial instruments with banks with which we can build on a reliable and long-term partnership and which have excellent credit ratings or are members of a guarantee fund.

The real estate portfolio of DIC Asset AG is financed on a property or portfolio basis. Financial risks do not therefore have a direct or unlimited impact on the Group as a whole (non-recourse financing).

DIC Asset AG has agreed a customary level of credit with financial covenants (loan agreement clauses imposing financial ratios). If the Company fails to comply with these clauses, capital providers could modify their credit terms or demand the repayment of some loans at short notice, which would have negative financial implications. Essentially, the following covenants apply:

- DSCR (debt service coverage ratio): specifies the percentage of expected interest plus any repayment (principal payment) covered by rental income.
- LTV (loan-to-value): is a ratio expressing the loan amount as a percentage of a property's market value.

No shares in DIC Asset AG serve as collateral or parameters for any of our loan agreements. Compliance with credit clauses is monitored continuously and proactively through risk management in the Corporate Finance division; all covenants were complied with throughout 2019. Deviations from defined threshold values are identified through ongoing sensitivity analyses and presented to the Management Board without delay, and the type and scope of the countermeasures to be taken are determined. The conclusion of affordable long-term financing has been a material condition for the investment decision for all new acquisitions.

The liquidity risk consists of the risk that, due to insufficient availability of funds, the Company is unable to meet existing or future payment obligations or has to accept unfavourable

financing terms in order to meet cash shortfalls. In the Group, this risk is managed centrally on the basis of multi-year financial plans and monthly rolling liquidity planning of long-term credit lines and liquid funds to ensure the solvency and financial flexibility of the Group at all times. Cash is passed on to Group companies as required under cash pooling arrangements. DIC Asset AG's financing and liquidity requirements for its operations are secured for the long term and are based on the cash flow from our properties and investments, which can be planned long-term. Liquidity is mainly held in the form of call and term deposits. The Company also has bank credit lines and guarantee facilities in the amount of approx. EUR 77.3 million at its disposal.

In addition to existing bank credit lines and guarantee facilities, we negotiated a working capital facility of EUR 25 million with a major German bank. This financing is unsecured and enhances our financial flexibility at a corporate level.

The DIC Asset AG commercial paper programme was also launched at the end of 2019. The commercial paper market has changed a great deal in recent years and perfectly complements DIC's mostly long-term financing structure. The programme's volume is limited to a maximum of EUR 300 million. It was utilised for the first time in Q4 in an amount of EUR 40 million. The DIC will use the commercial paper product selectively and only as long as repayment is guaranteed.

In the current interest rate landscape, we examined the issue of deposit charges and bank levies with the aim of minimising costs while at the same time maintaining financial flexibility. With this in mind, the Company relies on standardised investment products, primarily periodically rolling time deposits. Further information about financing and liquidity risks can be found in the notes.

As a result, the acquisition of GEG in 2019 had no material impact on the financing structure of DIC Asset AG. The purchase price was financed using existing cash and GEG had only a few corporate loans with a total volume in the low single-digit million range. One credit line of EUR 4 million was repaid in October and another overdraft facility of EUR 4 million was repaid in November after the Helio Augsburg property was transferred into the fund structure. Corporate financing of around EUR 3.3 million from GEG currently exists at DIC Asset AG. Properties in GEG's structures are financed at fund level or by the individual SPVs and thus do not influence the capital structure of DIC Asset AG. Since the acquisition in 2019, financing is all centrally managed by DIC Asset AG.

We regularly make use of the financing opportunities arising from new means of financing such as our corporate bonds, the promissory note market, or the commercial paper market for raising liquidity short-term. These enable financing sources but also counterparty credit risk to be diversified to the benefit of all those involved.

Overall, we consider the probability and impact of financing and liquidity risks to be low.

> Valuation

The market value of our real estate assets is calculated annually by independent external valuers in accordance with international guidelines. This value is subject to fluctuations, which may be influenced by external factors such as the economic situation, interest rate, rent and property-related factors such as occupancy rate and the state of the property.

Changes in market values can have repercussions on the valuation of fixed assets, the balance sheet structure as a whole and financing conditions. To minimise risk, we pursue a well-balanced diversification of our portfolio, aiming to increase the value of our properties primarily through consistent tenant-focused real estate management and intensive letting activities as well as through selective sales.

Sensitivity calculations were carried out as at the balance sheet date in order to quantify possible valuation risks. The sensitivity analysis shows, by way of example, how market values react to changes in the discount rate and capitalisation rate. If the discount rate increases by 25 basis points, for example, market values will drop by EUR 43.2 million. If the capitalisation rate increases at the same time by 25 basis points, the drop will increase to EUR 104.3 million. Since our financial statements are prepared using the cost model (IAS 40.56), variations in market value do not have a direct effect on the balance sheet or the income statement. Impairments are only recognised if the carrying amounts exceed the fair values and values in use of the properties.

Sensitivity analysis:

Change in the market value of properties in the Commercial Portfolio

		Scenarios for change in capitalisation rate		
		+0.25%	0%	-0.25%
Scenarios for change in discounting rate	+0.25%	-104.3 EUR million	-43.2 EUR million	+26.6 EUR million
	0%	-63.6 EUR million	+/-0.0	+70.3 EUR million
	-0.25%	-23.9 EUR million	+41.9 EUR million	+114.2 EUR million

Given that economic growth is expected to continue and the commercial real estate sector is likely to remain steady – a situation to which we can make an active contribution in relation to our portfolio with our own asset and property management services – we expect the probability of falling market values to be low to moderate in 2020. The impact of this would be moderate.

Opportunities which may arise as a result of a property increasing in value because of measures we have undertaken are exploited and realised selectively through sales.

Strategy

> Portfolio management

Active portfolio management is a key component of our corporate development. We constantly monitor the risks associated with the sale or purchase of real estate and, where required, recognise provisions.

We continuously examine and develop options for expanding our real estate portfolio. If we succeed in leveraging growth opportunities, this could allow us to increase revenues and income. We use real estate sales from the portfolio to lessen the concentration risk in the sectoral and regional portfolio structure, realise profits and reduce debt, thereby lowering the financial risks.

In the case of purchases, opportunities and risks arise mainly from income and costs deviating from budget, a fact which generally only becomes apparent in the medium to long term. In the case of property sales, the seller usually provides certain guarantees, for example with regard to legal and technical issues. As a result, there is a risk that claims may be asserted against the seller after the sale for breach of warranty obligations. There is also the risk in transactions that the planned figures may not be achieved due to sudden changes in the macroeconomic environment or property-specific issues.

We reduce risks prior to sales and purchases by means of extensive due diligence in conjunction with external experts as required. Furthermore, we prepare risk-oriented business plans, which are continually adjusted to cost and income trends. Continuous property management increases the likelihood of positive performance. As part of the acquisition of the GEG Group, we also acquired a portfolio management system which we are now rolling out to the entire Group. This enables us to constantly monitor the risks associated with the sale or purchase of real estate even more efficiently.

On the basis of current and planned transaction activities for the next twelve months, we consider risks from portfolio management to be unlikely and the financial implications to be low for 2020.

> Institutional Business

DIC Asset AG designs funds, club deals and alternative investment structures for institutional investors. It typically invests up to 10% as a co-investor, thereby achieving regular investment income. In addition, the Institutional Business segment generates recurring income from asset and property management and from management fees on transactions.

Opportunities and risks arise in the Institutional Business segment with regard to the expected income, which primarily depends on the volume of assets under management and the transaction activities. The volume of assets under management can be impacted in particular if transaction activities deviate from those forecast. Lower rental income as well as a negative trend in market values can also weigh on income. Successful transactions can have a positive effect on our earnings, as it might be possible to generate performance-based exit fees.

Another risk could be that we lose our reputation as a provider of institutional investment products, which may jeopardise the launch of new investment products. In order to boost investor confidence, we always have a significant equity stake in each investment product to ensure we share a common interest with our investors.

Risks relating to investment income arise especially in connection with rental income from the properties, which may be negatively impacted by bankruptcies and significant rental defaults. We minimise these risks with our own effective property management, which manages the properties in our investment products (see "Operational risks – letting").

After acquiring the GEG Group in the middle of the year and issuing the new DIC Office Balance VI fund, DIC Asset AG now manages 26 investment products. These include nine pool funds, five club deals and 12 individual mandates (separate accounts). This meant that the overall managed volume in the Institutional Business segment rose to EUR 5.7 billion. More investment products are scheduled to become operational in 2020.

Thanks to our expertise, our customer relationships and based on the current and planned fund activities in 2020, we consider the probability of occurrence and the financial scope of the risks from the Institutional Business segment to be low.

> Project developments/repositioning in the Commercial Portfolio and Institutional Business

DIC Asset AG has invested in project developments in the past few years as a co-investor and possesses real estate with potential for development (Commercial Portfolio). We are currently increasing our focus on repositioning efforts within our Commercial Portfolio and, in the Institutional Business segment, on repositioning larger landmark properties in the top 7 locations of Frankfurt and Munich as part of our management services for third parties.

In order to maximise the potential from opportunities and minimise risks, we did not start our existing project developments and repositioning activities until suitable tenants had been found. We entered into long-term financing arrangements at an early stage and implemented a tight system of project and cost controls. By involving partners in the projects and through contractual agreements, we achieved an appropriate sharing of risk in project developments.

Successful project developments and repositioning can unlock extraordinary income potential. Since projects are mostly long-term undertakings, risks arise above all in respect of planning permission issues, an unexpected increase in construction costs, unexpected delays, and in connection with letting and selling property. Delays and an increase in costs would, above all, reduce the planned profit on the project and future operating profits or, in the case of managed project developments in the Institutional Business segment, reduce our management fees. In order to guard against this risk, general contractors are engaged or individual trade contracts are combined into packages, projects are managed with professional and respected engineering firms and attempts are made to spread the risk.

In February 2019, we successfully completed the repositioning of Frankfurt's Kaiserpassage from the Commercial Portfolio. A managed fund property in Wiesbaden from the DIC Office Balance I fund was also successfully repositioned. After the scheduled completion of the renovation work and handover to the new user in early 2020, this centrally-located property in Wiesbaden city centre is now fully let to the Institute for Federal Real Estate (Bundesanstalt für Immobilienaufgaben, BImA) and will be used by the Federal Criminal Police Office (Bundeskriminalamt, BKA) as an additional property. The "Junges Quartier Obersendling" joint venture property, which was sold in 2018 as a forward deal during the project development phase, will see a 40,000-sqm space to be leased on a long-term basis to the City of Munich being transferred for new use as a community centre, children's and youth centre and several training and further education centres. Construction began in late 2016; completion and handover to the buyer took place in the second half of 2019.

The following project developments and repositioning projects are currently in the implementation and planning phase: Modernisation work with a volume of around EUR 34 million is currently being carried out for a property in Darmstadt from the Commercial Portfolio. The work is expected to be completed in the first quarter of 2020. In light of the planned

renovation work, Darmstadt Regional Council and Landesbetrieb Bau und Immobilien Hessen (LBIH) also extended their lease with DIC until 2040.

In the Institutional Business segment, DIC managed the Global Tower project development in Frankfurt. The former Commerzbank high-rise building with 33,000 sqm of space in the heart of Frankfurt's banking district has been comprehensively revitalised since August 2018 and repositioned under the name Global Tower. Its completion is planned for autumn 2020.

The Pasing Central project in Munich's Pasing district has been under construction since mid-2018. An extensive refurbishment and construction project on a site opposite the Pasing Arcaden shopping centre and Pasing's main railway station will create a small, central district with apartments, offices and retail space. It is scheduled to be completed at the end of 2020.

We are also pursuing a project development with our 40% MainTor investment property in Frankfurt – divided into six construction phases with a total volume of around EUR 850 million. All six construction phases of the MainTor project were sold and marketed in advance between June 2011 and November 2014. Five of the six construction phases have now been completed and transferred to their final investors. Long-term lease agreements were signed for all of the avail-

able office and commercial space at the WINX Tower, which is currently in its final phase. The terms of the leases commence upon completion. A total of approximately 42,200 sqm of the final construction phase and thus the entire MainTor site is fully leased with the exception of a smaller restaurant space.

The Riverpark project (Institutional Business segment) is also in the planning phase. This new landmark project situated on the banks of the Main River in Frankfurt was used for commercial purposes for decades. The existing office tower is being redesigned and completely refurbished over the next few years to become a residential tower named Riverpark Tower. It will contain up to 117 residential units on 18 upper floors. The first five floors will house 5-star boarding house operated under the Ascott brand – state-of-the-art apartments that boast a spa and fitness centre in addition to exclusive high-class services. A total of 31 subsidised housing units are also planned immediately adjacent to the Tower. Finally, the building closest to the Main will be the Riverpark Suites, 19 high-quality condominiums over six levels. Construction is scheduled to commence by mid-2020. The project is expected to be completed by 2022.

On the basis of current and planned project development and repositioning work for the next twelve months, we consider these risks and any potential financial implications to be minor to moderate for 2020.

Operations

> Acquisition and sales planning

Our planning for 2020 also contains income and profits resulting from acquisitions and sales. Should we exceed or fail to meet the projected transaction volumes, this could change our earnings forecast positively or negatively. Aside from the risks and opportunities that may arise outside the Company on the transaction market (cf. Risks in the external environment, "Real estate sector") or from the requirements to obtain consent from investors in the Institutional Business segment, we consider it unlikely that we will have to deviate substantially from our planning for 2020. The opportunities for exceeding the minimum targets set predominate here thanks to the Company's flexibility. The possible financial implications would be minor to moderate.

> Letting

Opportunities from letting arise primarily from stabilising and increasing income in our own portfolio and in the Institutional Business segment. We strive to do this by letting to tenants with good credit ratings and through intensive property management. When deciding on acquisitions, we subject properties, the market, locations and tenants to an intensive analysis. As a general principle, we aim to secure long-term tenancies and take measures in good time to extend tenancy agreements and find new tenants. We optimise our opportunities for letting by regularly monitoring and improving the structural quality of our properties.

Letting risks involve the non-payment of rent and profitability risks due to less profitable new leases or lease renewals. Counterparty credit risk resulting from outstanding rental payments is taken into account by way of bad debt allowances. We also try to avoid being dependent on major tenants. In 2019, around 41% of total rental income from the Commercial Portfolio was attributable to the ten largest tenants. These tenants are all renowned tenants with mostly excel-



lent credit standing, primarily from the public sector, the telecommunications industry and the retail sector. No tenant accounts for more than 10% of total letting volume.

In financial year 2020, tenancy agreements in the Commercial Portfolio with a volume of EUR 6.9 million may end, while leases generating income of EUR 6.5 million will be extended periodically without a fixed end date. We assume that, as previously, the overwhelming majority of expiring agreements can be extended, or the space becoming vacant can be let to new tenants. If, for example, 10% of the rental space to become vacant in 2020 is not re-let, this would result in a maximum loss of income of approx. EUR 0.7 million when assuming an annualised rent total of approx. EUR 6.9 million.

Thanks to our effective real estate management platform, we maintain a regional focus on our tenants and seek to achieve long-term tenant loyalty. Overall, we consider the letting risks in our property portfolio to be low and their possible implications to be low to moderate. Opportunities arise from a further reduction in vacancies, particularly if economic and employment growth continue in the course of 2020.

> Property and location

Location opportunities and risks arise from the correct assessment of the property's location and any change to the infrastructure at the micro-location or the regional structures of the macro-location. We therefore examine the position and location intensively before making any investment and acquisition decisions. In operational business, our professional asset management contributes to identifying changes in the environment in good time and reacting appropriately by repositioning or selling the properties, for instance.

Property risks are risks resulting from the possession and operation of a property. In addition to wear and tear, these include all risks resulting from the wearing out or partial destruction of the property. Furthermore, risks may arise from inherited problems, harmful substances or breaches of construction law requirements. As a landlord, we try to reduce the risks of property depreciation by contractually obliging the tenant to use the property within the generally accepted scope and to contribute to its maintenance or repair. Through our professional asset management, we also exclude virtually all risks from inadequate property management, failures in maintenance and inefficient cost management.

We consider the probability of such location- and property-related opportunities and risks to be low overall and view their possible financial impact as low.

> Personnel

Competent, committed and motivated employees are a great opportunity for the successful development of DIC Asset AG. This is why we are endeavouring to be perceived as an attractive employer. We focus above all on systematic human resources marketing, the practical promotion of young talent, targeted professional training to develop skills, the analysis of performance and potential with the aim of opening up attractive prospects for personal development and supporting staff with particular potential. Key positions are regularly analysed with regard to anticipated succession planning and appropriate internal candidates are prepared for these roles. Further elements include target-group oriented support and advice and attractive incentive systems.

Risks arise, most notably, from high-performers leaving the Company and from attracting suitable new employees. Given the measures we have taken, we consider substantial adverse effects and personnel-related risks to be unlikely and their financial implications to be low.

> IT

A loss of the database or an extended failure of the systems used in the regions or at head office could lead to our operations being considerably disrupted. We have protected ourselves against IT risks through our own network, modern hard and software solutions and appropriate measures against attacks. All data are backed up daily in a second data centre. We have developed data recovery and continuity plans to be able to rectify disruptions quickly. Detailed rules on access rights ensure that employees can only access the systems and documents they need for their work. We use a modern IT platform, which has replaced isolated systems with integrated software and has increased efficiency and security in controlling real estate management.

During the 2016 financial year, the internal data centre was relocated to an external provider, further reducing the risk of IT failure. In 2019 we continued the process of moving our physical server and storage infrastructure to a private cloud, which we began in 2018. This step increases fail safety even further.

As a result of the precautions and security measures taken, we consider the probability of IT risks occurring to be low overall, and their potential consequences to be moderate to serious.

OVERALL ASSESSMENT OF THE RISK AND OPPORTUNITY POSITION

As part of our risk management activities, the individual risks and opportunities are summarised in a general risk overview by the Finance and Controlling function.

We do not anticipate that any of the individual risks listed in this report – taking account of the probability of their occurrence and the potential financial impact – or the aggregate overall risk could directly jeopardise the Company's future development.

Overall, we improved the risk situation compared with the previous year in the course of the 2019 financial year. The following factors made a particular contribution here:

- Project development opportunities/risks: DIC Asset AG is now involved to a significant degree in just one project development: "MainTor" (40% equity interest). Five of the six construction phases have now been transferred to their final investors; the final WINX subproject is progressing and is expected to be completed in the first half of 2020. The second project development in Munich (20% equity interest) has been sold and handed over to the buyer. In addition, DIC Asset manages small to mid-sized repositioning activities and refurbishments within the Commercial Portfolio as well as larger repositioning activities and refurbishments of landmark properties for third parties in the Institutional Business segment. DIC Asset AG is only a minor shareholder with an equity interest of up to 10% in the Global Tower, Riverpark, Wiesbaden and Pasing project developments managed for third parties. Managing project developments for third parties provides good earnings opportunities for DIC Asset while minimising its equity interest.
- Strategic opportunities/risks: With completion of the major project developments now in sight and joint ventures in the Institutional Business segment being gradually reduced and sold, the focus of the corporate strategy is

continuing to shift towards lower-risk business segments. Our powerful real estate management platform enables us to focus on active management of the directly held Commercial Portfolio, and on the growing business in the Institutional Business segment, which promises significant growth in the future driven especially by the acquisition of GEG.

- Financing opportunities/risks: We have reduced our financing risks in the medium term as a result of implementing the refinancing of our Commercial Portfolio in January 2017 and the resulting significant reduction in financing costs, the increased maturity of our financial debt and increased future cash flows from lower levels of debt servicing. In the 2019 financial year, the issuance of DIC Asset's first promissory note with a weighted average interest rate of 1.55% also led to further diversification of our sources of outside capital. Among other things, the repayment of the 2014/2019 bond with a 4.625% coupon on maturity reduced the average interest rate across all financial liabilities to 2.0%. We intend to further optimise our financing structure in 2020, develop new sources of finance and keep our loan-to-value (LTV) ratio at a level of 45%.
- Earnings opportunities/risks from:

Rental income: The signing of numerous agreements with new and existing tenants continued to strengthen our tenant base and led to positive like-for-like rental income growth in the Commercial Portfolio in 2019. Sensible additions to the Commercial Portfolio by acquiring property occupied by tenants with good credit ratings also contributed to reducing the risk of rent losses. We are further expanding our earnings base with the growth planned for the 2019 financial year.

Real estate management fees: The significant growth in the base of assets under management in the Institutional Business segment in the 2019 financial year attributable, among other things, to the acquisition of GEG in summer 2019 substantially increased the number of investors and

investment vehicles managed by the DIC Group. In addition, the range of possible investments was expanded in terms of geographical location, volume of investment for each individual property and asset class. This will help to further reduce and avoid cluster risks as well as dependence on income from large individual mandates and investors.

As a result, DIC Asset AG's overall risk profile has improved compared with the previous year.

However, momentum in the global economy slowed further during the year due to the trade dispute between the USA and China in particular. There is a risk that flagging economic growth in the sales markets for Germany's export-oriented industrial sector, particularly China, may also have an adverse impact on the economic outlook for Germany. Further question marks exist in Europe due to the uncertainty surrounding the specifics of Brexit, and in Germany in particular with regard to the consequences of technological change in the automotive industry, which faces enormous challenges and, as a key industry, has a significant impact on other sectors of the German economy.

The resulting developments and their potential repercussions may have significant consequences for the German economy, its businesses and the real estate sector. However, due to their complexity, these effects cannot be predicted or calculated at present.



REPORT ON EXPECTED DEVELOPMENTS

Achievement of objectives for 2019

We exceeded all of the forecasts for our key performance indicators set at the start of the year, in some cases by a considerable margin, prompting us to lift our FFO and acquisition volume forecasts during the year.

Our in-house real estate management team provides strong on-site support for our real estate assets. These efforts paid off again in 2019, as our successful lettings management activities raised annualised rental income by 2% like-for-like as of the reporting date. We also generated additional rental income from a higher-than-forecast acquisition volume, resulting in **gross rental income of EUR 101.9 million**, exceeding both the previous year's figure and the guidance of EUR 98–100 million issued at the beginning of the year.

Our powerful, nationwide real estate management platform in Germany enables us to recognise and seize opportunities on the real estate markets and react to the latest developments at any time. During the past financial year, the chance arose to acquire the GEG German Estate Group – one of Germany's fastest-growing real estate investment and asset management companies with a business that fully complements our own business model – on attractive terms.

With this acquisition, we have significantly accelerated our growth, strengthened our market position, substantially enlarged our real estate management platform and increased the pace of our development. Assets under management and the associated income streams in the Institutional Business segment, where we aggregate the third-party business for institutional investors, rose considerably. As a result of the takeover in June, we adjusted the expected FFO contribution from EUR 70–72 million to EUR 88–90 million to take into account GEG's contribution to earnings and raised the acquisition forecast from around EUR 500 million to approximately EUR 1 billion.

As in previous years, the German real estate investment market proved to be a haven of stability despite global trade conflicts and waning economic momentum, setting another revenue record with a transaction volume of approximately EUR 70 billion. On the sales side, we used this strong momentum to generate income and optimise our portfolio. We **sold property with a volume of EUR 286 million**, achieving a sales margin of 32% and exceeding our forecast of EUR 200–230 million in the process.

The high level of demand we have seen from investors for our investment products in the Institutional Business prompted us to lift our acquisition volume guidance again in August – from EUR 1.0 billion to EUR 1.3 billion. We significantly exceeded this forecast by the end of the year with a club deal with a volume of more than EUR 500 million for Stadthaus Köln structured for insurance companies and pension funds and achieved a **record transaction volume of around EUR 1.9 billion**.

The integration of the acquired GEG business was successfully completed within a very short period of time. In particular, the merged management and investment teams main-

tained their strong momentum and significantly exceeded the transaction target for 2019. Given the strong business performance and the successful integration of GEG and due to lower property-related costs, improved net interest result based on further optimisation of our financing structure, higher earnings from the Institutional Business segment and the eventual transfer of possession, benefits and associated risks for planned property sales in the fourth quarter, we increased our **FFO forecast to around EUR 95.0 million** during the year and were able to confirm this forecast as of 31 December 2019.

Overall assessment for 2020

We expect a stable environment overall for DIC Asset AG in financial year 2020. Our two-pillar business model consisting the Commercial Portfolio and the Institutional Business of enables us to react quickly and flexibly to changing business conditions.

In 2019, strong letting performance and an acquisition volume of more than EUR 300 million meant we once again considerably improved the diversification, stability and profitability of the Commercial Portfolio and are thus generating a stable long-term cash flow. In addition to further growth in assets under management through acquisitions, we continue to focus on development measures in 2020 to leverage additional potential in the Commercial Portfolio and improve its quality.

In the Institutional Business, our reputation in the German commercial real estate market as a provider of investment products with attractive returns has been further enhanced by the GEG acquisition, making us an even more appealing partner for institutional investors. We are experiencing strong demand for our investment products tailored to the needs of investors and are therefore planning to significantly expand our assets under management in 2020 as well as projecting an increase in real estate management fees.

Macroeconomic environment in 2020

Our report on expected developments concerning the macroeconomic environment is based on the analysis of primary data from early indicators. We have also analysed a series of publications by relevant economic research institutes and organisations. The main sources are the Federal Statistical Office, the CESifo Group and the German Institute for Economic Research. The following statements reflect the mid-range of our expectations.

The German economy grew for the tenth successive year in 2019, albeit at a slower pace. Price-adjusted GDP growth slowed to 0.6% (2018: 1.5%), well below the original expectations of economic research institutes. Global trade disputes and Brexit uncertainties cast a shadow over the macroeconomic environment during the year. The German economy's weakness is primarily attributable to the export-driven German manufacturing industry's heavy dependence on international trade. While industrial production declined and the downturn in the manufacturing sector also affected industry-related services, the construction and consumer-related services sectors expanded further, benefiting from the rise in employment, significant income growth, tax cuts and low interest rates.

No noticeable upturn in the German economy is expected as long as the macroeconomic environment does not improve and deglobalisation trends continue. In the future, much will depend on how China-US trade relations develop. The announcement that a partial agreement had been reached marked the first signs of an easing of tension between the USA and China in a trade conflict that has lasted for almost two years. However, economic observers remains sceptical and expect the trade dispute – and uncertainty surrounding the upcoming Brexit process – to continue to put a strain on the German economy and believe that the manufacturing sector will provide little growth stimulus. By contrast, domestic demand is likely to continue expanding robustly, driven by the stable labour market, significant income growth,

low inflation and fiscal stimuli. The construction industry is also flourishing due to favourable credit conditions and strong demand.

As a result, the German economy is set to continue its expansion in 2020 despite another negative contribution from the industrial sector, supported by construction and consumer spending. In 2020, we are expecting slightly higher economic growth of around 1.1% for Germany compared to the previous year based on figures from the ifo Institute. On a calendar-adjusted basis, this will result in marginal GDP growth of just 0.7% compared to the previous year.

Assessment of sector trends

To assess the situation in the sector, we draw on analyses published by highly regarded estate agents, most notably CBRE, Colliers, JLL and Savills, in addition to the indicators from our own business.

The office rental markets appeared to be exceptionally robust in 2019 as they continue to benefit from the strong domestic economy and associated employment growth. With take-up of just over 4 million sqm in the top 7 cities, 2019 slightly exceeded the previous year's figure to achieve the second-best result of all time after the exceptionally strong year of 2017. Aggregated vacancies fell again by 0.6% to 3%, although completion volumes rose sharply in the meantime. As there is still a shortage of adequate office space, average and prime rents also increased further.

Estate agents' analysts expect revenue to decline slightly yet remain high in 2020. Although employment growth has slowed amid weakening economic development, this is particularly true of the manufacturing industry, while consumer-related services sectors continue to expand. The supply bottleneck continues to be viewed as a limiting factor, with a lack of available office space in sought-after central locations. This has led to a backlog in demand that is being met with rising completion volumes and should keep demand for space at a high level.

Meanwhile, the vacancy rate in the top 7 cities has reached such a low level at 3% that it is difficult to imagine this figure falling much further. On the other hand, the completion volume of around 1.9 million sqm forecast for 2020, of which around two-thirds has already been pre-let or taken up by owner-occupiers, is not sufficient to meet this demand, which means that a sharp rise in vacancy rates is also unlikely. As a result, JLL expects this figure to fall marginally by 10 bp to 2.9% in 2020 and bottom out at this level.

Due to the shortage of supply, another increase in prime rents is anticipated in the top 7 cities. In addition, most of the demand can only be met by new build projects that will command higher rents due to the marked rise in land prices and construction costs in recent years.

In 2019, the German real estate investment market defied sceptics who predicted a decline in transaction activity due to the worsening environment caused by numerous economic and political risks. With another record transaction volume and an increase of more than 10% to around EUR 70 billion, the commercial real estate market once again reinforced its appeal as a safe haven for both domestic and foreign investors. Offices even expanded their lead as the most popular

asset class with a share of around 59%, and the top seven locations dominated transaction activity with a share of around 60% of transactions. Amid waning momentum, prime yields for office properties in the top seven cities fell by a further 18 basis points to 2.93%.

The environment will not change significantly in 2020. Despite various risks arising from trade conflicts, Brexit, political tensions and slower global growth, there is simply a lack of alternatives to real estate investments.

The monetary policy environment that has powered the real estate markets for many years remains advantageous. The ECB has postponed the date for potentially abandoning its zero interest rate policy in light of the persistently low inflation rate, while the latest economic projections suggest that interest rate hikes are unlikely before 2021. The revived bond purchase programme has also increased the pressure on bond yields, with returns on fixed-income alternative investments still significantly below real estate yields.

The German commercial real estate market appears to be in good shape – with persistently high demand due to a robust labour market combined with low vacancy rates – and re-

mains attractive and without alternative for financially sound institutional investors such as insurance companies and pension funds despite lower yields, particularly in the core markets.

As a result, estate agents are once again anticipating high transaction volumes for 2020, with the limiting factor likely to be the lack of adequate investment products rather than liquidity, and expect yields to stabilise at their current level. Due to the extremely low returns in the core area, we expect to achieve significant appreciation as a result of the shift in focus from core properties to more management-intensive real estate.

Expected trend in the key performance indicators of DIC Asset AG

➤ Further growth in all segments

We expect further growth on our real estate platform in the German commercial real estate market in 2020. Given the company's strong performance in the 2019 financial year and the Institutional Business segment's significantly higher contribution to earnings, DIC Asset plans to expand its assets under management further in both the Commercial Portfolio and Institutional Business segments. GEG, which was acquired in June 2019, will also be included in DIC Asset AG's consolidated financial statements for the full year for the first time in 2020.

As of 31 December 2019, assets under management totalled around EUR 7.6 billion across all segments. Additional transactions (acquisitions) for a total of around EUR 1.6 to 1.9 billion are planned across all segments, with between EUR 500 to 600 million attributable to the Commercial Portfolio and EUR 1.1 to 1.3 billion to the Institutional Business (third-party business). These acquisitions are planned for both existing mandates and as part of new mandates and investment vehicles.

➤ Realisation of attractive profits on sales and investment income

In a consistently strong investment market and a market climate that is likely to remain positive for 2020 given the low interest rate environment, we believe we have very good opportunities for continuing to leverage the potential of the properties in the Commercial Portfolio as well as for our clients in the Institutional Business. We can do this by investing in selected properties and in some instances redeveloping and repositioning them, reducing vacancy rates in all segments, raising rental income on a like-for-like basis and thus creating additional value that is reflected by the rental income in the Commercial Portfolio as well as in management income from looking after properties in the Institutional Business. We will market selected properties across all segments when a suitable occasion arises in order to realise attractive sales profits and investment income and to further strategically optimise the portfolios managed by DIC Asset.

As a result, we are targeting sales across all segments with a volume of around EUR 400 million for 2020. Of this figure, around EUR 100 million is attributable to the Commercial Portfolio and around EUR 300 million to the Institutional Business.

➤ Commercial Portfolio

We enhanced the quality of our portfolio once again over the past financial year. We also optimised our portfolio further by selling non-strategic properties and realising added value with our active real estate management. For the 2020 financial year, we are planning to increase the size of our Commercial Portfolio from EUR 1.9 billion at present to over EUR 2 billion. Based on the current portfolio, planned letting performance and taking into account additional acquisitions and sales recognised on the balance sheet in the current financial year, we expect gross rental income from the Commercial Portfolio to rise to EUR 102-104 million.

➤ Institutional Business

The acquisition of GEG in the middle of the past financial year significantly diversified and expanded the third-party business. We are planning to intensify these efforts further in 2020. GEG will also be consolidated for the full year for the first time in the 2020 financial year. In light of this, we anticipate a sharp increase in real estate management fees resulting from ongoing management (asset and property management and development), transaction fees for acquisitions and sales and setting up investment products as well as



performance fees for exceeding predefined target returns. We are planning to generate real estate management fees of EUR 85–95 million in the 2020 financial year.

➔ **Expected revenue and results of operations in 2020**

Overall, we are planning funds from operations (FFO) growth of around 10 percent year-on-year from our planned activities in the current financial year, particularly from planned growth in all segments as well as the ongoing active management of our Commercial Portfolio and the managed properties in the Institutional Business. We anticipate FFO of EUR 104–106 million by the end of 2020.

Material assumptions for the business forecast

Our forecast is based on the following material assumptions:

- Global trade conflicts do not expand significantly
- There will be no major escalations of geopolitical tensions
- There will be no material escalation of the sovereign debt crisis in the eurozone
- There will be no resurgence of the banking crisis in the eurozone
- Brexit will have no dramatic effects on the economies in the eurozone
- The German economy will not drift into a recession and employment market will remain robust
- The rental market will remain stable
- Rental defaults caused by bankruptcies will remain low
- Inflation will not see an unexpectedly high increase
- The ECB will not abruptly end its policy of cheap money
- Banks will not tighten the requirements of their lending policies to such an extent that they restrict transaction activity
- No unforeseen regulatory changes will come into effect

OTHER DISCLOSURES

ANNUAL FINANCIAL STATEMENTS OF DIC ASSET AG

Net assets, financial position and results of operations

DIC Asset AG is the holding and management company of the Group. Its operational real estate activities and management of the Institutional Business are essentially organised via subsidiaries (property companies).

DIC Asset AG's net assets and results of operations are therefore influenced primarily by its involvement in its investees. The sustained value of its investments is based on the net assets and financial position of the subsidiaries (property companies) and is secured, in particular, by their real estate assets or service agreements. DIC Asset AG prepares its annual financial statements in accordance with the HGB.

Overall, we view DIC Asset AG's business situation as positive. The net assets, financial position and results of operations of DIC Asset AG in 2019 were mainly determined by the acquisition of GEG and the associated growth in the Institutional Business segment. After the acquisition of GEG, we have combined our previous fund and third-party business with GEG's asset and investment management in this segment. The sale of our shares in TLG Immobilien AG ("TLG") and the dividends received from this entity made a significant contribution to DIC Asset AG's investment income. Commercial Portfolio investees also contributed to investment income at the DIC Asset AG level, whose earnings are mainly derived from high transaction income. Over-

all, our investment income of EUR 62.3 million was up EUR 15.3 million or 33% year-on-year (previous year: EUR 47.0 million).

Revenue and other income were also affected by the GEG transaction. At EUR 11.0 million, revenue and other income was EUR 5.9 million higher than the previous year (previous year: EUR 5.1 million). They mainly relate to revenue from consulting and other services provided to subsidiaries. Legal and consultancy costs passed on in the context of the GEG transactions and higher transaction-related revenue are the main reasons for this increase. Personnel expenses rose by EUR 1.8 million due to the takeover of GEG staff in connection with the GEG transaction. At EUR 14.6 million, other operating expenses at previous year's level. At EUR -13.9 million, earnings before interest, taxes and investment income were up EUR 4.1 million on the previous year, which was mainly due to higher revenue and other income (previous year: EUR -18.0 million). Interest expenses resulting from our bonds and borrower's note loans amounted to EUR 17.6 million (previous year, bonds only: EUR 17.9 million). In the third quarter of 2019, we issued borrower's note loans for the first time for a total of EUR 150.0 million at an average interest rate of 1.58% and with an average maturity of 5.4 years. At the end of the year, we issued further borrower's note loans of EUR 30.0 million. The bond launched in 2014, which had a volume of EUR 175.0 million overall, was repaid on schedule in September 2019.

The positive net interest income from subsidiaries and associated companies as well as the result from long-term loans amounted to EUR 21.6 million in the reporting year and were thus EUR 1.5 million below the previous year's level (previous year: EUR 23.1 million).

Overall, DIC Asset AG again achieved a very good net income for the year of EUR 52.0 million (previous year: EUR 33.5 million). All of this means that we once again concluded a successful financial year.

Investments in affiliated companies, investees and loans totalled EUR 913.6 million as at the reporting date, an increase of EUR 356.3 million (+63.9%). This was primarily due to an increase in investments in affiliated companies resulting from the acquisition of GEG.

Receivables from affiliated companies and investees decreased significantly by EUR 251.9 million (-32.3%) to EUR 528.7 million. The corresponding liabilities increased by EUR 64.9 million to EUR 232.3 million. Overall, our commitment to related entities, consisting of financial assets as well as receivables from and liabilities to affiliated companies and investees as at the reporting date of 31 December 2019, rose by EUR 39.5 million, from EUR 1,170.6 million to EUR 1,210.1 million (+3.4%).

The Company's equity increased to EUR 904.4 million (+3.9%) as a result of the net income for the year of EUR 52.0 million. The cash dividend amounting to EUR 17.7 million paid in April 2019 had an offsetting effect. Borrowed capital rose, driven mainly by the increase in liabilities to affiliated companies totalling EUR 96.3 million. The reported equity ratio fell to 53.2% due to the increase in total equity and liabilities (previous year: 55.5%).

For information on DIC Asset AG's opportunities and risks, see the Group's report on risks and opportunities. These opportunities and risks affect DIC Asset AG indirectly.

Forecast for the single-entity financial statements of DIC Asset AG

For 2019, we had forecast net income for the year on a par with the previous year of EUR 33.5 million. We significantly exceeded this target during the financial year with net income for the year of EUR 52.0 million, primarily as a result of investment income generated from profits from the sale of our TLG shares and investment income derived from exceptionally positive transaction results.

Subject to stable economic development, the Group meeting its acquisition and sales targets and continual growth in the Institutional Business, we are forecasting net income for 2020 at the level of the previous year. We expect to continue our consistent dividend policy in the coming year. For further information, please refer to the Group's report on expected developments.

RELATED PARTY DISCLOSURES

The Management Board has prepared a separate report on relationships to affiliates in accordance with § 312 of the German Stock Corporation Act (AktG). The report ends with the following declaration:

“We hereby declare that according to the facts known to us at the time in which the legal transactions were conducted, our company received or paid a commensurate consideration in each transaction. We took no actions at the behest of or on behalf of the controlling company.”

Information on related parties in accordance with the provisions of IAS 24 can be found in the Notes to the consolidated financial statements. Information on the remuneration of the Supervisory Board and Management Board is provided in the Remuneration Report.

DISCLOSURES AND EXPLANATIONS REQUIRED UNDER TAKEOVER LAW

The following disclosures provided pursuant to sections 289a (1) and 315a (1) HGB reflect the situation existing at the end of the reporting period. The following explanation of these disclosures also meets the requirements for an explanatory report in accordance with section 176 (1) sentence 1 AktG.

Composition of subscribed capital

The subscribed capital in the amount of EUR 72,213,775.00 consists of 72,213,775 registered no-par value ordinary shares. There are no other classes of shares. Pursuant to section 67 (2) AktG (in the version applicable until 3 September 2020), only those shareholders who are registered as such in the share register are deemed to be shareholders. All shares convey the same rights and obligations. Each no-par value share grants the holder one vote at the General Shareholders' Meeting. This excludes any treasury shares held by the Company itself. The Company will have no rights based on these shares. The voting right begins when the statutory minimum deposit has been made on the shares. The individual rights and obligations tied to the shares arise from the provisions of the AktG, in particular sections 12, 53a et seq., 118 et seq. and 186.

Restrictions affecting voting rights and the transfer of shares

An agreement to pool voting rights is in place between the shareholders of DIC Opportunity Fund GmbH, DIC Beteiligungsgesellschaft bürgerlichen Rechts and DIC Opportunistic GmbH.

Direct and indirect shareholdings exceeding 10% of voting rights

Please refer to the notes to the annual and consolidated financial statements with regard to direct and indirect shareholdings in DIC Asset AG which exceed 10% of the voting rights.

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

The appointment and dismissal of members of the Management Board is based on sections 84, 85 AktG and article 7 of the Articles of Association. Pursuant to article 7 (1) of the Articles of Association, the Management Board consists of at least one person. The Articles of Association do not contain any special arrangements for the appointment or dismissal of individual members or all members of the Management Board. The Supervisory Board has the power to appoint and dismiss Management Board members. It appoints members of the Management Board for a maximum term of office of five years. Members may be reappointed or their term may be extended for a maximum of five years in each case subject to section 84 (1) sentence 3 AktG.

Amendments to the Articles of Association are made in accordance with sections 119 (1) no. 5, 179, 133 AktG as well as articles 9 (6) and 14 of the Articles of Association. The Articles of Association does not impose further requirements for amendments to the Articles of Association. Unless required otherwise by law, the resolutions of the General Shareholders' Meeting shall be passed with a simple majority of the votes cast. In the event that the law stipulates a capital majority in addition to the majority vote, resolutions shall be passed with a simple majority of the share capital represented at the time the resolution is passed. The Supervisory Board is authorised to make amendments to the Articles of Association that concern only their wording.

Powers of the Management Board to issue and buy back shares

The powers of the Company's Management Board to issue and buy back shares are all based on resolutions to that effect made by the General Shareholders' Meeting, the essential content of which is shown below. Further details are specified in the respective authorising resolution.

> Authorisation to purchase own shares

By virtue of the resolution adopted by the ordinary General Shareholders' Meeting of 5 July 2016, the Management Board is authorised, with the prior approval of the Supervisory Board, to acquire own shares until 4 July 2021 representing up to 10% of the lower of the Company's share capital at the date of the resolution or at the date the authorisation is exercised. At no time may the acquired shares together with other treasury shares in the possession of the Company or allocated to it under sections 71a et seq. AktG represent more than 10% of the share capital. The authorisation may not be used for the purpose of trading treasury shares. The authorisation may be exercised in whole or in part, once or repeatedly, for one or more than one purpose, by the Company or by companies dependent on it or majority-owned by it, or by third parties acting on their behalf or on behalf of the Company.

At the Management Board's discretion, and with the prior approval of the Supervisory Board, shares may be acquired through the stock exchange or based on a public offering directed to all shareholders or a public invitation to all shareholders to submit offers to sell.

The volume of the public offering directed to all shareholders or the public invitation to all shareholders to submit offers to sell may be restricted. Insofar as the volume of the offered shares exceeds the planned repurchase volume in the case of a public offering or a public invitation to submit offers to sell, the acquisition can take place proportionate to the shares subscribed to or offered in each case; to this extent, the shareholders' right to offer their shares proportionate to the percentage of shares that they hold is disapplied. A preferential acceptance of smaller numbers up to 100 offered shares per shareholder can be stipulated, as can commercial rounding to avoid arithmetic fractions of shares. To this extent, any further right of the shareholders to tender shares is disapplied. The public offering directed to all shareholders or the public invitation to all shareholders to submit offers to sell may stipulate further conditions.

The Management Board is authorised, with the prior approval of the Supervisory Board, to use the treasury shares acquired on the basis of this authorisation for any legal purpose, in particular the following:

- (i) The shares may be redeemed, and such redemption or its execution shall not require another resolution of the General Shareholders' Meeting. They may also be redeemed in a simplified procedure without reducing capital by adjusting the pro-rata share of the remaining no-par value shares in the Company's share capital. If they are redeemed in a simplified procedure, the Management Board is authorised to adjust the number of no-par value shares in the Articles of Association.
- (ii) The shares may also be sold in a way other than through the stock exchange or based on an offering directed to all shareholders if the purchase price payable in cash is not significantly lower than the stock market price of equivalent shares already listed. The number of shares sold in this manner disapplying pre-emptive rights may

not exceed 10% of the share capital, neither at the time this authorisation becomes effective nor at the time it is exercised. Other shares that are issued or sold during the term of this authorisation while disapplying pre-emptive rights in direct or corresponding application of section 186 (3) sentence 4 AktG are to be counted toward this upper limit of 10% of the share capital. Shares that are issued to service option rights and/or conversion rights or conversion obligations from bonds with warrants and/or convertible bonds and/or profit participation rights are also to be counted towards this limit if such bonds or profit participation rights are issued during the term of this authorisation while disapplying pre-emptive rights in corresponding application of section 186 (3) sentence 4 AktG.

- (iii) The shares may be sold in return for contributions in kind, in particular in connection with business combinations, for the purpose of acquiring companies, parts of companies, equity interests in companies or other assets, or claims for acquiring other assets including receivables in respect of the Company.
- (iv) The shares may be used to implement a scrip dividend in which shares of the Company are used (including partially and alternatively) to fulfil shareholder dividend claims.
- (v) The shares may be used to fulfil subscription and exchange rights on the basis of the exercise of conversion and/or option rights or the fulfilment of conversion obligations arising from convertible bonds and/or bonds with warrants issued by the Company or one of its Group companies wholly owned by DIC Asset AG either directly or indirectly.

As at 31 December 2019, the Company held no treasury shares. It has not made use of the authorisation described above.

> Authorised capital

The Management Board was authorised by a resolution adopted at the ordinary General Shareholders' Meeting on 2 July 2015 to increase the Company's share capital with the approval of the Supervisory Board by a total of up to EUR 34,288,873.00 until 1 July 2020 by issuing new no-par value registered shares once or repeatedly in return for cash contributions and/or contributions in kind (authorised capital). After a portion of authorised capital was utilised subject to the granting of pre-emptive rights to the shareholders in April 2018 and April 2019, the remaining authorised capital at the reporting date amounts to EUR 30,652,845.00. As a rule, the shareholders are to be granted a pre-emptive right when authorised capital is utilised. The shares may also be taken over within the meaning of section 186 (5) sentence 1 AktG by one or more credit institutes or companies determined by the Management Board with the obligation of offering them to the shareholders for purchase (indirect pre-emptive right). However, the Management Board is authorised with the approval of the Supervisory Board to disapply the pre-emptive rights of shareholders

- to exclude fractional amounts from shareholders' pre-emptive rights;
- if the new shares are issued in return for a cash contribution and the issue price of the new shares does not fall substantially below the stock market price of essentially equivalent shares already listed. The number of shares issued in this manner disapplying pre-emptive rights may not exceed 10% of the share capital, neither at the time this authorisation becomes effective nor at the time it is exercised. Other shares that are issued or sold during the term of this authorisation while disapplying pre-emptive

rights in direct or corresponding application of section 186 (3) sentence 4 AktG are to be counted toward this upper limit of 10% of the share capital. Shares that are issued to service option rights and/or conversion rights or conversion obligations from bonds with warrants and/or convertible bonds and/or profit participation rights are also to be counted towards this limit if such bonds or profit participation rights are issued during the term of this authorisation while disapplying pre-emptive rights in corresponding application of section 186 (3) sentence 4 AktG.

- if the capital increase is carried out in return for a contribution in kind, in particular for the purpose of acquiring companies, parts of companies, equity interests in companies or other assets associated with an intended acquisition, or in connection with business combinations;
- to the extent it is necessary to grant pre-emptive rights for new shares to the holders or creditors of bonds with warrants and/or convertible bonds with option and/or conversion rights and/or conversion obligations that were or will be issued by the Company or companies in which the Company holds a direct or indirect 100% interest in the volume to which they would be entitled as shareholders after exercising the option rights and/or conversion rights or fulfilling the conversion obligations;

and only to the extent that the shares issued in return for cash contributions or contributions in kind during the term of this authorisation on the basis of either this authorisation or other authorised capital and disapplying shareholders' pre-emptive rights do not exceed 20% of the share capital altogether, neither at the time this authorisation becomes effective nor at the time it is exercised. Own shares that are

sold during the term of this authorisation while disapplying pre-emptive rights and new shares that are to be issued on the basis of bonds with warrants and/or convertible bonds and/or profit participation rights issued during the term of this authorisation while disapplying pre-emptive rights are counted towards the 20% limit mentioned above.

> Contingent capital

By virtue of the resolution adopted at the ordinary General Shareholders' Meeting of 2 July 2015, the Management Board is authorised, with the approval of the Supervisory Board, to issue bearer convertible bonds or bonds with warrants (together, "bonds") with or without limitation of maturities on one or more occasions until 1 July 2020 in a total nominal amount of up to EUR 450,000,000.00, and to grant to holders and/or creditors of bonds conversion or option rights (which may include a conversion obligation) to no-par value registered shares in the Company representing a proportionate amount of the share capital of up to EUR 34,288,873.00 in total, subject to the terms of the convertible bonds and/or bonds with warrants (together also "bond terms"). The bonds may only be issued in return for cash payment. In principle, the shareholders are granted a pre-emptive right. The bonds may also be taken over within the meaning of section 186 (5) sentence 1 AktG by one or more credit institutes or companies determined by the Management Board with the obligation of offering them to the shareholders for purchase (indirect pre-emptive right).

However, the Management Board is authorised with the approval of the Supervisory Board to disapply the shareholders' pre-emptive rights to bonds

- for fractional amounts resulting from the subscription ratio;
- if upon due review the Management Board concludes that the issue price of the bonds is not substantially lower than the theoretical market value of the bonds determined in accordance with generally accepted methods of

financial mathematics. This authorisation to disapply pre-emptive rights does not, however, apply to bonds with a conversion or option right (including those with a conversion obligation) to shares, the total amount of which does not exceed 10% of the lower of the share capital existing at the time this authorisation becomes effective or at the time it is exercised. Shares that were issued or sold during the term of this authorisation while disapplying pre-emptive rights in direct or corresponding application of section 186 (3) sentence 4 AktG are to be counted toward this upper limit of 10% of the share capital. Shares that are issued to service option rights and/or conversion rights or conversion obligations from convertible bonds and/or bonds with warrants are also to be counted towards this limit if such bonds are issued based on a different authorisation during the term of this authorisation while disapplying pre-emptive rights in corresponding application of section 186 (3) sentence 4 AktG;

- to the extent it is necessary to grant pre-emptive rights for bonds to the holders or creditors of bonds with warrants and/or convertible bonds with option and/or conversion rights and/or conversion obligations that were or will be issued by the Company or companies in which the Company holds a direct or indirect 100% interest in the volume to which they would be entitled as shareholders after exercising the option rights and/or conversion rights or fulfilling the conversion obligations;

and only if the sum of the new shares that are to be issued by the Company due to such bonds and due to options with warrants and/or convertible bonds and/or profit participation rights issued based on a different authorisation during the term of this authorisation while disapplying pre-emptive rights, represents an arithmetical share of no more than 20% of the total share capital, neither at the time this authorisation becomes effective nor at the time it is exercised. Own shares that are sold during the term of this authorisation while disapplying pre-emptive rights and shares that are is-

sued from authorised capital during the term of this authorisation while disapplying pre-emptive rights are counted towards the 20% limit mentioned above. The bond issues may be divided into several notes.

If convertible bonds are issued, the holders and/or creditors are granted the right to convert their notes into no-par value registered shares of the Company in accordance with the detailed convertible bond terms to be determined by the Management Board. The conversion ratio is determined by dividing a bond note's nominal amount or price that is below its nominal amount by the conversion price specified for a no-par value registered share of the Company. The terms may provide for a variable conversion ratio. The conversion ratio may be rounded up or down to the nearest whole number; furthermore, an additional payment in cash may be determined. There may also be a provision that fractions can be combined and/or settled in cash.

If bonds with warrants are issued, one or more warrants entitling the holder and/or creditor to purchase no-par value registered shares in the Company in accordance with the option terms to be specified by the Management Board shall be attached to each bond note. The option terms may provide for satisfying the exercise price either in part or as a whole by transferring bond notes and making an additional cash payment if required. There may also be a provision that fractions can be combined and/or settled in cash.

The terms of the convertible bond may also provide for a conversion obligation on maturity (or at an earlier date). The terms of the convertible bonds and/or bonds with warrants may provide for the Company's right and/or that of the Group company issuing the bond to grant new shares or treasury shares of the Company or the shares of another listed company to the holders and/or creditors of the bonds instead of paying all or a portion of the cash amount due. The terms of the convertible bonds and/or bonds with warrants may also stipulate that the Company or the Group

company issuing the bond may choose to grant treasury shares of the Company or shares of another listed company when options are converted or exercised. Furthermore, it may be stipulated that the Company and/or the Group company issuing the bond may settle its obligation by making a cash payment and/or granting shares of the Company.

To service conversion or option rights and/or conversion or option obligations under bonds that will be issued until 1 July 2020 based on an authorisation by the General Shareholders' Meeting on 2 July 2015, the Company's share capital was contingently increased, by virtue of the resolution adopted at the ordinary General Shareholders' Meeting on 2 July 2015, by up to EUR 34,288,873.00 by issuing up to 34,288,873 registered shares (contingent capital 2015).

The Management Board has not made use of the authorisation described above to issue convertible bonds and/or bonds with warrants.

Material agreements subject to a change of control upon a takeover bid

DIC Asset AG has entered into the following material agreements that contain change of control clauses.

DIC Asset AG is a partner to several joint ventures with Morgan Stanley Real Estate Funds (MSREF). The respective joint venture partner is granted the right in the case of a change of control to acquire the interests of DIC Asset AG in the respective real estate investment at the current market value. In particular, there is change of control if Deutsche Immobilien Chancen AG & Co. KGaA no longer directly or indirectly holds at least 30% of the shares and voting rights in DIC Asset AG.

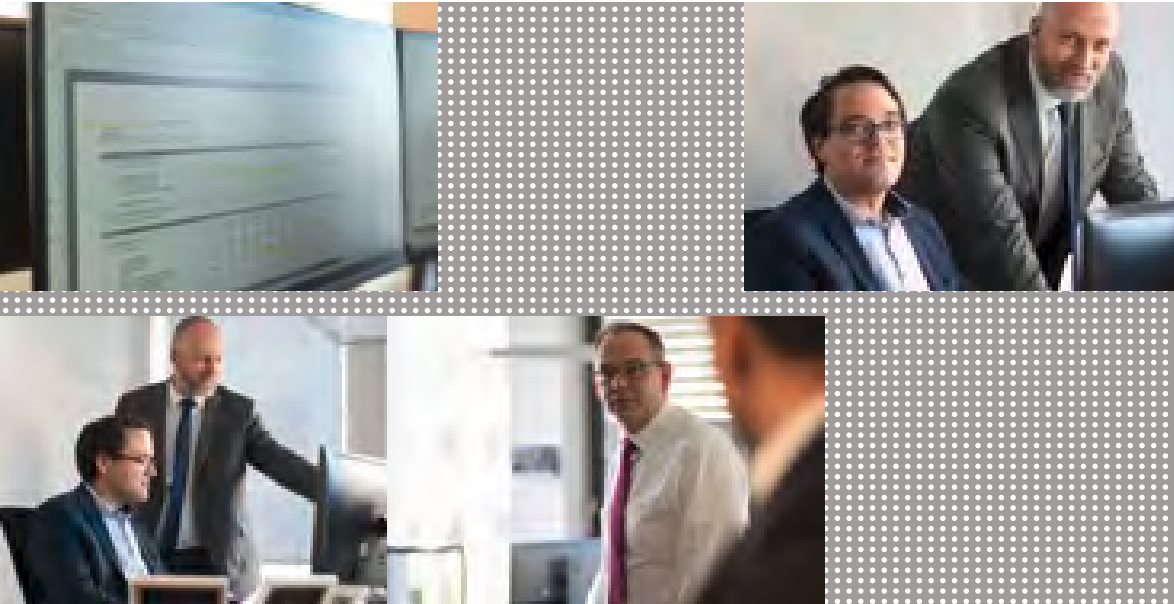
The terms of issue of the 2017 corporate bond (ISIN DE000A2GSCV5) issued by the Company with a volume of

EUR 180 million (matures July 2022) as well as the 2018 corporate bond (ISIN DE000A2NBZG9) issued by the Company with a volume of EUR 150 million (matures October 2023) provide for early redemption at the choice of the creditor in the event of a change of control. According to the terms, every creditor has the right, but not the obligation, to demand full or partial repayment from DIC Asset AG or, at the choice of DIC Asset AG, the purchase of its bonds by DIC Asset AG (or at its request by a third party). However, the exercise of the option by a creditor will only take effect for the respective corporate bond if in each case creditors of at least 20% of the total nominal amount have exercised the option in respect of the bonds still outstanding at this time. A change of control pursuant to the terms of the issue occurs where it becomes known to DIC Asset AG that (i) a person or group of persons acting in concert pursuant to section 2 (5) of the Wertpapiererwerbs- und Übernahmegesetz (WpÜG – German Securities Acquisition and Takeover Act) has become the legal or economic owner of more than 50% of the voting rights in DIC Asset AG; or (ii) a person has achieved actual control over DIC Asset AG under the terms of a control agreement with DIC Asset AG pursuant to section 291 AktG.

Other disclosures

The other disclosures required under sections 289a (1), 315a (1) HGB refer to circumstances that do not apply to DIC Asset AG. There are no shareholders with special rights conferring control rights nor are there any controls of the voting right of employees holding shares in the Company's capital or compensation agreements entered into with Management Board members or employees in case of a takeover offer.





CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

CONSOLIDATED STATEMENT OF
COMPREHENSIVE INCOME

CONSOLIDATED BALANCE SHEET

CONSOLIDATED STATEMENT OF CASH FLOWS

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

CONSOLIDATED INCOME STATEMENT for the period from 1 January to 31 December

in EUR thousand	Note	2019	2018
Total income		364,250	241,603
Total expenses		-252,344	-164,667
Gross rental income	1	101,942	100,189
Ground rents		-676	-810
Service charge income on principal basis	2	20,836	20,438
Service charge expenses on principal basis	2	-23,565	-22,941
Other property-related expenses	3	-10,631	-12,186
Net rental income		87,906	84,690
Administrative expenses	4	-17,876	-12,113
Personnel expenses	5	-27,918	-18,204
Depreciation and amortisation	6	-34,242	-29,577
Real estate management fees	7	62,883	33,639
Other operating income	8	2,616	585
Other operating expenses	8	-1,979	-730
Net other income		637	-145
Net proceeds from disposal of investment property	9	175,973	86,752
Carrying amount of investment property disposed	9	-135,457	-68,106
Profit on disposal of investment property		40,516	18,646
Net operating profit before financing activities		111,906	76,936
Share of the profit or loss of associates	10	18,321	15,829
Interest income	11	10,296	9,266
Interest expense	11	-42,660	-46,098
Profit/loss before tax		97,863	55,933
Current income tax expense	12	-13,803	-6,241
Deferred tax expense	12	-3,371	-2,079
Profit for the period		80,689	47,613
Attributable to equity holders of the parent		80,911	47,691
Attributable to non-controlling interest		-222	-78
Basic (=diluted) earnings per share (EUR) *	13	1.13	0.68

* calculated with the new average number of shares in accordance with IFRS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME for the period from 1 January to 31 December

in EUR thousand	2019	2018
Profit/loss for the period	80,689	47,613
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Fair value measurement of hedging instruments		
Cash flow hedges	-1,406	0
Items that shall not be reclassified subsequently to profit or loss		
Gains/losses on financial instruments classified as measured at fair value through other comprehensive income	12,096	43,124
Fair value measurement of hedging instruments		
Fair value hedges	-1,243	1,243
Other comprehensive income*	9,447	44,367
Comprehensive income	90,136	91,980
Attributable to equity holders of the parent	90,358	92,058
Attributable to non-controlling interest	-222	-78

* after tax

CONSOLIDATED BALANCE SHEET as at 31.12.2019

Assets in EUR thousand	Note	31.12.2019	31.12.2018
Goodwill	14	177,892	0
Investment property	15	1,623,030	1,459,002
Property, plant and equipment*	16	10,285	554
Investments in associates	17	71,212	86,988
Loans to related parties	18	119,527	130,206
Other investments	19	53,611	382,578
Intangible assets	20	21,486	266
Deferred tax assets	12	28,545	26,877
Total non-current assets		2,105,588	2,086,471
Receivables from sale of investment property		488	515
Trade receivables	21	11,634	4,182
Receivables from related parties	22	11,002	9,382
Income tax receivable	23	15,491	11,353
Other receivables	24	41,448	26,406
Other current assets	25	20,402	1,545
Cash and cash equivalents	26	351,236	286,903
		451,701	340,286
Non-current assets held for sale	27	100,154	63,294
Total current assets		551,855	403,580
Total assets		2,657,443	2,490,051

* Previous year: office furniture and equipment; change made due to first-time application of IFRS 16

Equity and liabilities in EUR thousand	Note	31.12.2019	31.12.2018
EQUITY			
Issued capital	28	72,214	70,526
Share premium	28	763,909	749,816
Hedging reserve	28	-1,406	1,243
Reserve for financial instruments classified as at fair value through other comprehensive income	28	4,775	69,515
Retained earnings	28	125,170	1,275
Total shareholders' equity		964,662	892,375
Non-controlling interest		4,116	3,546
Total equity		968,778	895,921
LIABILITIES			
Corporate bonds	29	324,896	323,372
Non-current interest-bearing loans and borrowings	29	967,374	857,601
Deferred tax liabilities	12	30,493	16,674
Derivatives	30	1,729	0
Other non-current liabilities	31	6,709	0
Total non-current liabilities		1,331,201	1,197,647
Corporate bonds	29	0	174,450
Current interest-bearing loans and borrowings	29	219,856	125,681
Trade payables	32	3,443	2,149
Liabilities to related parties	22	16,582	16,104
Derivatives	30	0	14,847
Income tax payable	33	20,689	8,627
Other liabilities	34	61,863	54,625
Total current liabilities		322,433	396,483
Liabilities related to non-current assets held for sale	27	35,031	0
Total current liabilities		357,464	396,483
Total liabilities		1,688,665	1,594,130
Total equity and liabilities		2,657,443	2,490,051

CONSOLIDATED STATEMENT OF CASH FLOW for the period from 1 January to 31 December

in EUR thousand	2019	2018
OPERATING ACTIVITIES		
Net operating profit before interest and taxes paid	112,449	78,399
Realised gains/losses on disposals of investment property	-40,516	-18,646
Depreciation and amortisation	34,242	29,577
Changes in receivables and other assets	7,087	34,420
Other non-cash transactions	-3,618	-20,909
Cash generated from operations	109,644	102,841
Interest paid	-36,926	-41,476
Interest received	19	1,118
Income taxes received/paid	-7,896	-629
Cash flows from operating activities	64,841	61,854
INVESTING ACTIVITIES		
Proceeds from disposal of investment property	175,973	100,053
Dividends received	13,043	10,200
Acquisition of investment property	-254,710	-103,190
Capital expenditure on investment properties	-48,992	-23,398
Acquisition/disposal of other investments	310,256	53,388
Investment in business combination	-222,208	0
Loans to other entities	11,613	-12,420
Acquisition/disposal of office furniture and equipment, software	-139	-151
Cash flows from investing activities	-15,164	24,482
FINANCING ACTIVITIES		
Proceeds from issuing of corporate bond/promissory notes	180,000	201,000
Proceeds from other non-current borrowings	224,105	304,630
Repayment of borrowings	-206,904	-377,340
Repayment of corporate bonds	-175,000	-100,000
Lease payments	-2,268	0
Payment of transaction costs	-1,476	-5,547
Dividends paid	-17,703	-24,561
Cash flows from financing activities	754	-1,818
Acquisition related increase in cash and cash equivalents	13,902	388
Net changes in cash and cash equivalents	50,431	84,518
Cash and cash equivalents as at 1 January	286,903	201,997
Cash and cash equivalents as at 31 December	351,236	286,903

For information on the consolidated statement of cash flows see page 163

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in EUR thousand	Issued capital	Share premium	Hedging reserve	Reserve for financial instruments classified as at fair value through other comprehensive income	Retained earnings	Total shareholders' equity	Non-controlling interest	Total
Balance at 31 December 2017	68,578	732,846	0	38,628	-14,763	825,289	3,624	828,913
Profit/loss for the period					47,691	47,691	-78	47,613
Other comprehensive income*								
Items that shall not be reclassified subsequently to profit or loss								
Gains/losses on financial instruments classified as measured at fair value through other comprehensive income				43,124		43,124		43,124
Gains/losses on the sale of financial instruments classified as measured at fair value through other comprehensive income				-12,237	12,237	0		0
Gains/losses from fair value hedges			1,243			1,243		1,243
Comprehensive income			1,243	30,887	59,928	92,058	-78	91,980
Dividend distribution for 2017					-43,890	-43,890		-43,890
Issuance of shares through capital increase in kind	1,948	17,381				19,329		19,329
Transaction costs of equity transactions		-411				-411		-411
Balance at 31 December 2018	70,526	749,816	1,243	69,515	1,275	892,375	3,546	895,921
Profit/loss for the period					80,911	80,911	-222	80,689
Other comprehensive income*								
Items that may be reclassified subsequently to profit or loss								
Gains/losses on cash flow hedges			-1,406			-1,406		-1,406
Items that shall not be reclassified subsequently to profit or loss								
Gains/losses on financial instruments classified as measured at fair value through other comprehensive income				12,096		12,096		12,096
Gains/losses on the sale of financial instruments classified as measured at fair value through other comprehensive income				-76,836	76,836	0		0
Gains/losses from fair value hedges			-1,243			-1,243		-1,243
Comprehensive income	0	0	-2,649	-64,740	157,747	90,358	-222	90,136
Changes in the basis of consolidation							792	792
Dividend distribution for 2018					-33,852	-33,852		-33,852
Issuance of shares through capital increase in kind	1,688	14,459				16,147		16,147
Transaction costs of equity transactions		-366				-366		-366
Balance at 31 December 2019	72,214	763,909	-1,406	4,775	125,170	964,662	4,116	968,778

* Net of deferred taxes

For information on the consolidated statement of changes in equity see note 28

Notes to the 2019 Consolidated Financial Statements

126 INFORMATION ON THE COMPANY

126 SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation	126
– Structure of the balance sheet and the income statement	127
– New standards and interpretations	127
– Accounting policies	129
 Consolidation	 137
– Subsidiaries	137
– Associates	138
– Other investments	139
 EPRA earnings	 140

141 INCOME STATEMENT DISCLOSURES

1. Gross rental income	141
2. Service charge income and expenses on principal basis	141
3. Other property-related expenses	141
4. Administrative expenses	141
5. Personnel expenses	142
6. Depreciation and amortisation	142
7. Real estate management fees	142
8. Other operating income and expenses	143
9. Profit on disposal of investment property	143
10. Share of the profit or loss of associates	143
11. Interest income and expense	143
12. Income tax	143
13. Earnings per share, EPRA net asset value (EPRA NAV) and EPRA NAV per share	145

146 BALANCE SHEET DISCLOSURES

14. Goodwill	146
15. Investment property	146
16. Property, plant and equipment	148
17. Investments in associates	148
18. Loans to related parties	150
19. Other investments	150
20. Intangible assets	150
21. Trade receivables	150
22. Receivables from and liabilities to related parties	150
23. Income tax receivables	151
24. Other receivables	151
25. Other assets	151
26. Cash and cash equivalents	151
27. Non-current assets held for sale	151
28. Equity	152
29. Interest-bearing loans and borrowings	155
30. Derivatives	156
31. Other non-current financial liabilities	157
32. Trade payables	158
33. Income tax payable	158
34. Other liabilities	158
35. Supplementary disclosures on financial instruments	159

163 STATEMENT OF CASH FLOWS DISCLOSURES

164 SEGMENT REPORTING

165 LEASES

166 REPORTING ON RISK MANAGEMENT

170 CONTINGENT LIABILITIES AND OTHER FINANCIAL OBLIGATIONS

171 CAPITAL MANAGEMENT

172 RELATED PARTY DISCLOSURES

Entities and individuals classified as related parties	172
Legal transactions with related parties	172

176 OTHER DISCLOSURES

199 OVERVIEW

INFORMATION ON THE COMPANY

DIC Asset AG (the "Company") and its subsidiaries ("DIC Asset" or the "Group") invest directly or indirectly in German commercial real estate and operate in the area of portfolio, asset and property management.

The Company's shares are listed in the Prime Standard segment of the Frankfurt Stock Exchange and the stock exchanges in Munich, Düsseldorf, Berlin, Bremen, Hamburg, Stuttgart and Hanover.

DIC Asset AG, which is registered in the commercial register of the Local Court of Frankfurt am Main (HRB 57679), has its registered office in Frankfurt am Main, Neue Mainzer Strasse 20 – MainTor.

These consolidated financial statements were released for publication by the Management Board on 4 February 2020 and approved by the Supervisory Board.

SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The consolidated financial statements for the 2019 financial year were prepared in accordance with the International Financial Reporting Standards applicable as at 31 December 2019 (including the interpretations of the IFRS IC), as adopted by the EU, and in accordance with the regulations to be applied under section 315e (1) HGB.

The consolidated financial statements were prepared on the basis of historical costs. This does not apply to certain items, such as derivative financial instruments, which were recognised at fair value on the balance sheet date.

The accounting policies applied and the disclosures in the notes to the consolidated financial statements for financial year 2019 are based in principle on the same accounting policies applied in the consolidated financial statements in financial year 2018. The effects of any changes made are described in the explanations of the standards to be applied for the first time.

The annual financial statements for the companies included in the consolidated financial statements were prepared using uniform accounting policies. As a rule, the same accounting policies are applied at the level of the associates of DIC Asset AG. The single-entity financial statements of the consolidated companies were prepared as at the reporting date of the consolidated financial statements (31 December 2019).

The consolidated financial statements are prepared in euros, the parent company's functional currency. All amounts are shown in thousands of euros (EUR thousand) unless otherwise stated. For computational reasons, rounding differences from the exact mathematical values calculated (in EUR thousand, %, etc.) may occur in tables and cross-references.

Structure of the balance sheet and the income statement

The consolidated balance sheet is prepared in accordance with IAS 1 (Presentation of Financial Statements) using a current/non-current classification. Under this method, assets to be realised within twelve months of the reporting date and liabilities due within one year of the reporting date are generally reported as current assets/liabilities.

The income statement was prepared following the best practices recommendations of the European Public Real Estate Association (EPRA).

New standards and interpretations

a) New and revised standards and interpretations required to be applied for the first time in the financial year

The Group applied the following new and revised standards and interpretations as at 1 January 2019:

> Amendments to IAS 28 Investments in Associates – Long-term Interests in Associates and Joint Ventures

The amendments provide clarification on the exclusion of associates and joint ventures accounted for pursuant to IAS 28 from the scope of application of IFRS 9. IFRS 9 is not applied to associates and joint ventures accounted for using the equity method. However, IFRS 9 is applied to long-term interests comprising a part of the net investment in an associate or joint venture. The amendments have been applied for the first time since 1 January 2019. This did not result in any changes to the consolidated financial statements.

> IFRS 16 Leases

IFRS 16 replaces the previously applicable standards and interpretations IAS 17, IFRIC 4, SIC-15 and SIC-27. The new rules eliminate the difference between finance and operating leases. Instead, the lessee must account for the economic right to the leased object in the form of a right-of-use asset depreciated over the term of the lease. Correspondingly, a liability in the amount of the present value of future lease payments must be recognised and discounted using the effective interest rate method.

The definition of leases at the lessor essentially corresponds to the provisions of the previously applicable standard IAS 17.

The standard became effective on 1 January 2019. It was endorsed by the EU on 31 October 2017.

As part of a Group-wide contract analysis, DIC Asset reviewed the existing leases in which the Group acts as lessee for possible adjustment effects. Based on this analysis, the first-time application of IFRS 16 affects the consolidated financial statements as described below. First-time application took place using the modified retrospective approach.

in EUR thousand	Present value 31.12.2019	Present value addition of GEG at 01.06.2019	Present value 01.01.2019
ASSETS			
Property, plant and equipment (right-of-use assets)			
Buildings	8,591	3,804	6,519
Vehicles	458	52	619
IT equipment	213	256	296
Total	9,262	4,112	7,434
LIABILITIES			
Lease liability (current)	2,635	977	1,810
Lease liability (non-current)	6,709	3,135	5,624
Total	9,344	4,112	7,434

Additions to the right-of-use assets in 2019 resulted primarily from the acquisition of GEG in the amount of EUR 4,112 thousand and from new vehicle leases in the amount of EUR 224 thousand.

in EUR thousand	31.12.2019
Rental expense	-2,494
Depreciation of property, plant and equipment (right-of-use assets)	2,336
Interest expense	225
Profit or loss for the period	-67

> Amendments to IFRS 9 Financial Instruments – Prepayment Features with Negative Compensation

The amendments relate to the classification of financial instruments with prepayment features with negative compensation. According to the rules in place to date, the cash flow condition is not met if the lender has to make a settlement payment in the event of termination by the borrower. The new guidelines permit measurement at amortised cost (or at fair value through other comprehensive income) even in the case of prepayment features with negative compensation. In addition, the amendments clarify that the carrying amount of a financial liability must be adjusted in profit or loss immediately following a modification. The amendments have been applied retrospectively since 1 January 2019. These amendments do not materially affect the consolidated financial statements.

> Amendments to IAS 19: Plan Amendment, Curtailment or Settlement

The IASB published amendments to IAS 19 on 7 February 2018. The amendments to IAS 19 now specifically stipulate that after a mid-year amendment, curtailment or settlement of a defined benefit pension plan, the current service cost and net interest for the remainder of the reporting period after the change must be remeasured using updated assumptions. In addition, the amendments include clarification of the effects of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling. The amendments have been applied since 1 January 2019. These amendments do not affect the consolidated financial statements.

> Annual Improvements to IFRSs: 2015-2017 Cycle

On 12 December 2017 the IASB issued annual improvements to IFRS Standards 2015–2017 Cycle. The amendments in the 2015–2017 cycle relate to the following three standards:

> IFRS 3 and IFRS 11: Clarification of the accounting treatment of previously held interests in joint operations in the event that joint control is obtained for the first time. If an investor obtains sole control for the first time, the previously held interests must be remeasured. If, on the other hand, only joint control is acquired, there is no need for a remeasurement.

> IAS 12: Clarification on accounting for tax effects of financial instruments classified as equity. This clarified that all income tax consequences of dividends should be reported in operating profit/loss, regardless of how they arise.

> IAS 23: Borrowing Costs on Completed Qualifying Assets The amendments clarify that after a qualified asset is ready for its intended use or sale, outstanding borrowing for this asset is available for financing other assets.

The amendments have been applied since 1 January 2019. This clarification does not materially affect the consolidated financial statements.

> IFRIC 23 Uncertainty over Income Tax Treatments

This new interpretation clarifies uncertainties regarding taxes for the period since acceptance of tax treatments by the authorities will not come until later. If acceptance of the tax treatment is uncertain, but probable, accounting is aligned with the tax filing without consideration of the uncertainty. In contrast, if acceptance is improbable, measurement is either according to the most likely amount or the expected value of the tax treatment. This interpretation has been applied since 1 January 2019. The new interpretation does not materially affect the consolidated financial statements.

b) Standards and interpretations not applied (published, but not yet required to be applied or, in some cases, not yet adopted by the EU)

The International Accounting Standards Board (IASB) and the IFRS Interpretations Committee (IFRS IC) have adopted additional standards and interpretations which are not yet required to be applied in financial year 2018, or which have not yet been adopted by the EU.

> IFRS 17 Insurance Contracts

IFRS 17 Insurance Contracts was issued on 18 May 2017. The new standard pursues the goal of consistent, principle-based accounting for insurance contracts and requires measurement of insurance liabilities at the actual settlement amount. This results in enhanced uniformity in the measurement and presentation of all insurance contracts. The standard is effective for annual periods beginning on or after 1 January 2021. They have not yet been endorsed by the EU.

> Amendments to IAS 39 Financial Instruments: Recognition and Measurement and IFRS 9 Financial Instruments: Interest Rate Benchmark Reform

On 26 September 2019, the IASB published amendments to IAS 39 and IFRS 9. The IASB has thus responded to existing uncertainties in connection with the IBOR reform. These amendments relate to hedge accounting in accordance with the IFRSs. They address the prospective assessment of the effectiveness of hedge accounting, the adjustment of the “highly probable” criterion in relation to cash flow hedges as well as the IBOR risk component. The amendments are effective for annual periods beginning on or after 1 January 2020.

> Revised Conceptual Framework for Financial Reporting

On 29 March 2018 the IASB released a revised version of the Conceptual Framework. The amendment includes revised definitions of assets and liabilities as well as new guidelines on measurement and derecognition, presentation and disclosure. The updated references in the individual standards are applicable from 1 January 2020.

> Amendments to IFRS 3: Definition of a Business

The IASB published amendments to IFRS 3 regarding the definition of a business on 22 October 2018. The aim of the amendments is to more clearly delineate in the future whether an entity has acquired a business or a group of assets. Changes to the appendix, application guidance and illustrative examples clarify the three elements constituting a business. The amendments are effective for annual periods beginning on or after 1 January 2020. They have not yet been endorsed by the EU.

> Amendments to IAS 1 and IAS 8: Definition of Material

On 31 October 2018 the IASB released amendments covering the definition of "material" in financial statements. The amendments relate to IAS 1 and IAS 8. Along with additional application guidance, the amendments make it easier for companies preparing IFRS financial statements to make materiality judgements. In addition, the amendments ensure that the definition of material is consistent across all IFRS Standards. The amendments are effective for annual periods beginning on or after 1 January 2020.

The first-time application of the above-mentioned standards and interpretations is not expected to have material effects on the consolidated financial statements of DIC Asset AG.

Accounting policies

Revenue recognition

The Group generates a significant portion of its revenue from the long-term letting of investment property in the form of gross rental income. This revenue is accounted for in accordance with IFRS 16 Leases and is not subject to the rules in IFRS 15 "Revenue from Contracts with Customers".

The rental income from operating leases for investment property is recognised on a straight-line basis over the lease term in the income statement and reported as revenue on the basis of the Group's business model. This is thus revenue realised over time. The non-leasing components must be separated from the leasing component in the form of the net base rent. In particular, the former comprise the services which are billed as service charges. These services are reported under income from service charges.

The operating expense components are accounted for according to IFRS 15 and on the basis of the 5-step model, according to which revenue is recognised in the amount to which the Group expects to be entitled as control passes from DIC Asset to the customer, either over time or at a point in time, once the performance obligation is satisfied. The revenue from the operating and service charge accounting is reported gross according to IFRS 15, since DIC Asset has primary responsibility for the original performance obligation and thus acts as the principal.

Revenue from the sale of property is recognised as of the date when control transferred to the purchaser. Depending on the respective purchase agreement, revenue is commonly realised at the time of delivery or acceptance, which in turn corresponds to the time that possession, benefits and associated risks are transferred. This normally occurs upon payment of the purchase price. This is revenue which arises at a point in time.

DIC Asset also provides services within the scope of agency agreements which are reported under real estate management fees. These agreements provide the customer with multiple separately identifiable services. Some of the identified performance obligations are fulfilled over time according to IFRS 15.35(a) (e.g. asset management and property management fee), while some are fulfilled at a point in time (e.g. purchase and selling fees, performance-related remuneration as well as structuring fees).

Revenue from project-related services within the scope of refurbishments will be recognised over time in the event that the customer realises the benefit from the service during its provision. The services mainly comprise commercial management and commercial supervision of construction projects, in particular the planning, development and letting of project land. This revenue is likewise reported under real estate management fees.

The Company realises interest income on a time proportion basis, while taking into consideration the residual debt and the effective interest rate for the remaining term. DIC Asset receives dividend income as of the date on which the right to receive the payment arises.

Investment property

Properties which are held or developed to earn rentals and/or for capital appreciation, are classified as investment property. Investment property is measured at cost including service charges upon acquisition. The cost model in accordance with IAS 40.56 is applied for subsequent measurements. Investment property is measured in accordance with IAS 16 rules, i.e. at cost less depreciation and impairment losses as well as reversals of impairment losses.

Where they can be assigned directly to the construction or production of a qualifying asset, borrowing costs are capitalised over the period during which all work is substantially completed in order to prepare the qualifying asset for its intended use or sale. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. Otherwise, borrowing costs are recognised as expenses when incurred.

Land is not depreciated. Buildings are depreciated on a straight-line basis over their economic lives and tested for impairment annually as well as at other times if there is an indication of possible impairment.

The following useful lives are assumed when depreciating buildings:

in years	Useful life
Residential buildings	60
Office and commercial buildings, hotels	50
Department and retail stores, shopping arcades and supermarkets	40
Car parks, underground parking facilities	40

The Company's real property is treated as a financial investment, since property trading itself is not considered to be part of its business activities. Due to the measurement at depreciated cost, the fair value of investment property is to be disclosed in the notes (see note 15). The valuation is carried out by independent experts and in accordance with international valuation standards (IVS). In particular, the fair value is established on the basis of discounted future surpluses in accordance with the discounted cash flow method or, if available, on the basis of proposed sales contracts, comparative or market prices. The fair value is a net value, i.e. transaction costs that could be incurred in an actual acquisition are deducted.

Property, plant and equipment

Unlike in the previous year, this item is now reported as property, plant and equipment instead of office furniture and equipment. Due to the first-time application of IFRS 16, as well as office furniture and equipment the right-of-use assets for our leases, accounted for according to IFRS 16, in which we are the lessee are also recognised under property, plant and equipment. The right-of-use assets are depreciated over the term of the underlying contracts. Please refer to the Leases section on p. 148 and p. 165 for further details. Office furniture and equipment is carried at depreciated cost. Borrowing costs are not recognised as part of costs. Generally, property, plant and equipment is depreciated on a straight-line basis over its economic life. The useful life of office furniture and equipment is normally between 3 and 13 years.

Intangible assets

Intangible assets with a finite useful life are carried at amortised cost and amortised over their economic lives. They are tested for impairment if triggering events indicate that the carrying amount is no longer recoverable.

Business software is amortised over three to five years. The useful life of concessions and other rights is generally ten years. There are no intangible assets with indefinite useful lives other than Goodwill.

Investments in associates

An associate is an entity over which the Group can exercise significant influence, but not control, and in which it usually holds a share of the voting rights between 20% and 50%. Significant influence is the power to participate in the financial and operating policy decisions of the investee. At the same time, neither control nor joint control is exercised over decision-making processes. Investments in associates are accounted for using the equity method. They are initially recognised at cost in the consolidated balance sheet and adjusted in subsequent years to reflect changes in the Group's share of profit or loss of the associate and the associate's other comprehensive income after acquisition. An associate's losses which exceed the Group's share in this associate are not recognised. They are only recognised if the Group has entered into legal or de facto obligations to assume the loss or if the Group makes payments on behalf of the associate.

The profit/loss, assets and liabilities of associates are accounted for in these financial statements using the equity method unless the shares are classified as held for sale. In that case, they are accounted for in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

At each reporting date, the Group reviews whether there are indications that an impairment loss must be recognised for investments in associates. Here the difference between the carrying amount and the recoverable amount must be recognised as an impairment and allocated accordingly to share of the profit or loss of associates.

Receivables and other assets

Receivables and other financial assets are carried at amortised cost if the following two criteria are met:

- The business model for managing these financial instruments involves holding them to collect the underlying contractual cash flows (business model assessment) and
- the contractual cash flows generated consist solely of principal and interest (contractual cash flow test).

These financial assets are subsequently measured using the effective interest method subject to the impairment rules in IFRS 9.5.5 ff.

If the business model and/or contractual cash flow criteria are not fulfilled, measurement is at fair value in accordance with the classification guidelines in IFRS 9.4.1, either through profit or loss, or in other comprehensive income. Debt instruments measured at fair value through other comprehensive income are also subject to the impairment guidelines in IFRS 9.5.5 ff.

Financial assets, except financial assets measured at fair value through profit or loss, contract assets in accordance with IFRS 15, lease receivables, loan commitments and financial guarantees are subject to the impairment model within the meaning of IFRS 9.5.5. According to this approach, the Group must recognise a loss allowance on these assets based on the expected credit loss. The expected credit loss is the difference between the contractually agreed cash flows and the expected cash flows, measured at present value and applying the original effective interest rate. Expected cash flows also include proceeds from short hedges and other loan collateral that is an integral part of the relevant contract.

As a rule, expected credit losses are recognised in three levels. For financial assets which have not experienced a significant increase in credit risk since initial recognition, a loss allowance in the amount of the expected 12-month credit loss is recognised (Level 1). Where a significant increase in credit risk has occurred, the expected credit loss for the remaining lifetime of the asset is determined (Level 2). The Group generally assumes that a significant increase in credit risk has occurred if payments are 30 days in arrears. This principle can be refuted if reliable and justifiable information indicates in individual cases that credit risk has not increased. If there is objective indication of impairment, the underlying assets must be assigned to Level 3.

The Group applies the simplified method in accordance with IFRS 9.5.15 to trade receivables. In this approach, the loss allowance always equals the lifetime expected credit loss for the asset. For further details on calculating loss allowances, see the reporting on risk management.

For other assets subject to the amended impairment model in IFRS 9 and to which the general approach is applied, the expected credit loss is measured by grouping financial assets on the basis of common credit risk characteristics, and considering individual default information and existing collateral.

The Group generally assumes a default has occurred when contractual payments are more than 90 days in arrears. In addition, in individual cases, other internal and external information may be considered that indicates that contractual payments cannot be paid in full. Financial assets are derecognised when there is no reasonable expectation that future payments will be made.

Other assets are carried at amortised cost.

Cash and cash equivalents

The cash and cash equivalents item includes cash, cash in banks and term deposits available within three months.

Non-current assets held for sale

Non-current assets held for sale and the associated liabilities are measured in accordance with IFRS 5 and reported as current. Assets are considered "held for sale" if they are available for immediate sale in their current condition, if it is highly probable that their sale will take place within twelve months of the reporting date and if management has agreed to the sale. This item can comprise individual non-current assets or groups of assets held for sale (disposal groups). Liabilities sold along with the assets in a single transaction are reported as "liabilities associated with assets held for sale" separately from the other liabilities in the balance sheet in accordance with IFRS 5.38.

These are measured at the lower of the carrying amount or fair value less costs to sell. Following classification in this group, non-current assets held for sale are no longer depreciated. The interest and expenses associated with the liabilities of this group continue to be recognised in accordance with IFRS 5.25.

Provisions

Provisions take into account all obligations recognisable at the reporting date that are based on past events and for which the amount or maturity is uncertain. Provisions are recognised only on the basis of a legal or de facto obligation to a third party, the fulfilment of which makes an outflow of funds probable, to the extent that a reliable estimate can be made of the amount of the obligation.

Provisions are recognised at the present value of the expected expense and are not offset against reimbursement rights.

Share-based payment

Share price-related remuneration paid in the Group is accounted for pursuant to IFRS 2 Share-based Payment. The phantom stock options comprise share-based payment transactions to be settled in cash which are measured at fair value at each reporting date. The remuneration expense, including the pro-rata service rendered during the lock-up period, is accrued ratably and recognised in profit or loss until vesting.

Liabilities

Financial liabilities predominantly comprise bonds and liabilities to credit institutions, trade payables and derivative financial instruments with negative fair values.

With the exception of derivative financial instruments, liabilities are recognised at amortised cost, applying the effective interest method. When determining the carrying amount, the Group only takes account of transaction costs directly attributable to the acquisition or issue of financial instruments if the financial instruments are not recognised at fair value through profit or loss.

Liabilities are classified as current if they are due within twelve months of the reporting date.

Deferred tax income/expense

Deferred taxes are recognised on temporary differences between carrying amounts in accordance with IFRSs and their tax base and on tax loss carryforwards. As a rule, the differences established are always recognised if they lead to deferred tax liabilities. Deferred tax assets are taken into account if it is probable that the corresponding tax benefits can also be realised in subsequent years. If, however, as part of a transaction that does not constitute a business combination, temporary differences arise from the initial recognition of an asset or liability that does not affect accounting or taxable profit or loss at the time of the transaction, no deferred tax is recognised either at the time the asset or liability is recognised initially or subsequently.

Deferred tax assets and deferred tax liabilities are offset if the entity has a legally enforceable right to set off current tax assets against current tax liabilities and the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend to settle current tax liabilities and assets on a net basis.

Deferred taxes are calculated on the basis of the tax rates that are enacted or substantially enacted. As a rule, changes to deferred taxes in the balance sheet lead to deferred tax expense or income, unless they relate to items that are recognised directly in equity or in other comprehensive income, in which case the taxes are also recognised in equity or in other comprehensive income.

Current income taxes

Current tax assets and liabilities for the current period are measured in the amount expected to be refunded by the taxation authority or paid to the taxation authority. The tax rates and tax laws applicable on the reporting date are used to calculate the amount.

Insofar as is evident, sufficient tax provisions have been recognised for tax liabilities. This process was based on a number of factors such as interpretations, commentaries and legal precedent relating to the tax legislation in question as well as past experience.

Derivative financial instruments

DIC Asset AG uses derivative financial instruments in the form of interest rate swaps and caps as part of its hedging of interest rate risks.

Derivative financial instruments are shown as a financial asset or financial liability and measured at fair value through profit or loss. This is calculated by discounting expected future cash flows over the remaining term of the contract based on current yield curves. They are initially accounted for on their date of origin.

Provided that the requisite criteria are met, derivatives used for hedging interest rates are recognised as cash flow hedges if this concerns the hedging of cash flows. When the transaction is entered into, the Group documents the hedging relationship between the hedging instrument and the hedged item, the objective of risk management and the underlying strategy. In addition, an assessment of whether the derivatives used as hedges compensate for changes in the cash flows of the hedged items is documented at the beginning of the hedge and continuously thereafter.

The effective portion of changes in the fair value of derivatives designated as cash flow hedges is recognised through other comprehensive income in the reserve for cash flow hedges in equity. Gains or losses from the ineffective changes in value, on the other hand, are recognised directly through profit or loss. Amounts recognised in other comprehensive income are recognised as income or expense in the period in which the hedged item affects profit or loss.

When a hedging instrument expires, is sold or the hedge no longer fulfils the criteria for hedge accounting, the accumulated profit or loss remains in equity and is only reported in profit or loss when the underlying transaction occurs. If the future transaction is no longer expected to occur, the accumulated gains or losses recognised directly in equity are reclassified to profit or loss immediately.

Changes in the reserve for cash flow hedges in equity are presented in the statement of changes in equity and in the statement of comprehensive income.

In individual cases, DIC Asset uses derivatives as fair value hedges. When the transaction is entered into, the Group documents the hedging relationship between the hedging instrument and the hedged item, the objective of risk management and the underlying strategy. In addition, an assessment of whether the derivatives used as hedges compensate for changes in the cash flows of the hedged items is documented at the beginning of the hedge and continuously thereafter.

The gain or loss on derivatives designated as a hedging instrument in a fair value hedge is recognised through profit or loss. In the case of hedges of equity instruments measured through other comprehensive income, the changes in value are recognised in other comprehensive income. The hedging gain or loss on the hedged item results in an adjustment of the carrying amount of the hedged item and is generally recognised in profit or loss. In the case of equity instruments measured through other comprehensive income, the corresponding changes in value are recognised in other comprehensive income. Amounts recognised in other comprehensive income are never recognised in profit or loss.

Derivatives which do not meet the criteria for hedge accounting are classified as at Fair Value through Profit or Loss or as Financial Liabilities at Fair Value through Profit or Loss (FLFVtPL) in accordance with the IFRS 9 measurement categories. Changes to fair values are recognised in profit or loss.

Leases

Leases are accounted for in accordance with the requirements of IFRS 16 which the Group has applied since 1 January 2019 (for the details of its first-time adoption, please see 134).

> The Group as lessor

As a lessor, the Group classifies its leases as operating leases or finance leases. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise, the lease will be classified as an operating lease.

In case of an operating lease, unless this falls under the scope of IAS 40 the Group will report the leased asset under property, plant and equipment. It is measured at depreciated cost. The rental income is recognised on a straight-line basis over the lease term in profit or loss and reported under other operating income.

If the Group operates as a lessor within the scope of a finance lease, a receivable will be recognised in the amount of the net investment under the lease.

> The Group as lessee

For all new agreements which come into effect on or after 1 January 2019, the Group will review whether this agreement is or contains a lease. However, while exercising the relevant option the IFRS 16 rules will not be applied to right-of-use assets for intangible assets.

A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. In application of this definition, the Group assesses whether the contract meets the following three preconditions:

- The contract refers to an identified asset which is either expressly indicated in the contract or is implicitly specified and can thus be considered to have been identified.
- The Group has the right to obtain substantially all of the economic benefits from the use of the identified asset throughout the period of use, while taking into consideration its rights within the defined scope of the contract.
- The Group has the right to determine the use of the identified asset throughout the period of use.
- In case of multiple-component contracts, each separate leasing component is separately accounted for. In case of contracts which include lease components as well as non-lease components, the exemption for separation of these components is applied.

As of the date of provision of the leased asset, the Group recognises a right-of-use asset and a lease liability in the balance sheet. The costs of the right-of-use asset correspond to the amount of the lease liability at the time of acquisition, adjusted for the Group's initial direct costs, an estimate of the costs for disassembly and removal of the asset at the end of the lease as well as the lease payments made prior to the start of the lease, less any lease incentives. In subsequent periods, the right-of-use asset will be measured at depreciated cost.

The lease liability is measured according to the present value of the lease payments made during the term of the lease, on the basis of the underlying interest rate for the lease or, if this is not available, the incremental borrowing rate of interest. Within the scope of the subsequent measurement, interest will accrue to the carrying amount of the lease liability on the basis of the interest rate used for discounting, while the lease payments made will be deducted from this carrying amount.

The lease payments included in the measurement of the lease liability consist of fixed payments (including de facto fixed payments), variable payments which are tied to an index or (interest) rate, payments expected within the scope of residual value guarantees as well as payments which will arise through purchase options with a reasonable degree of certainty. In addition, penalties for a termination are taken into consideration where the term takes into consideration that the lessee will exercise a termination option and corresponding penalties have been agreed.

In principle, changes to leases and remeasurements of lease liabilities are recognised in other comprehensive income against the right-of-use asset. They will be recognised through profit or loss if the carrying amount of the right-of-use asset has already been reduced to zero or this results from a partial termination of the lease.

As a rule, the Group depreciates on a straight-line basis the right-of-use assets from the start of the lease up to the end of the period of use of the leased asset or the end of the contract term, whichever is earlier. A longer period of use for the leased asset will be applied for the depreciation period if a transfer of ownership (e.g. through exercise of a purchase option) is assumed at the end of the lease term. In addition, the Group tests for impairment in case of relevant indicators.

In case of short-term leases and low-value leases, the relevant payments are recognised as expense through profit or loss on a straight-line basis over the term of the lease.

The right-of-use assets and lease liabilities are reported in the balance sheet under property, plant and equipment or other non-current liabilities and other liabilities.

The IAS 17 rules were applied for the comparative period. Here, the following accounting methods have been applied:

Determining whether an arrangement contains a lease is based on the substance of the arrangement at the time it is made and requires an assessment of whether fulfilment of the arrangement is dependent on the use of a specific asset or specific assets and whether the arrangement conveys a right to use the asset. A reassessment can only be made in accordance with IFRIC 4.

> The Group as lessor

Leases where a material portion of the rewards and risks incidental to owning the leased property remain with the lessor are classified as operating leases (IAS 17.8). In accordance with IAS 17.52, initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the rental income. Contingent rents are recognised as income in the period in which they are generated.

Leases where the lessee bears the material risks and the rewards incidental to the leased property are classified as finance leases. The Group does not enter into this type of leases.

> The Group as lessee

Leased assets where not essentially all the rewards and risks incidental to ownership are transferred to the lessee, such as vehicle leasing for example, are classified as operating leases. Lease payments for operating leases are recognised as expense on a straight-line basis over the term of the lease in accordance with IAS 17.33.

Currency translation

The functional currency of all consolidated subsidiaries and joint ventures is the euro. There are not balance sheet items in a foreign currency.

Earnings per share

The basic earnings per share are calculated by dividing the share of the profit for the period attributable to the shareholders of DIC Asset AG by the weighted average of the number of shares outstanding during the year. Shares newly issued or repurchased during a period are taken into consideration on a pro rata basis for the period in which they are outstanding. A dilutive effect may result in the future from existing authorised capital.

Accounting estimates and assumptions

To a certain degree, preparation of the consolidated financial statements requires discretionary decisions and estimates, which have an impact on the recognition, measurement and presentation of assets and liabilities, income and expenses, as well as the contingent assets and contingent liabilities.

The principal areas affected by assumptions and estimates are:

- the determination of the useful lives of fixed assets,
- the calculation of discounted cash flows as well as the discounting and capitalisation rates used in impairment tests,
- determination of the fair value and present value of minimum lease payments, the applicable discount rate and the term of leases, taking into account existing termination and extension options.
- determining the point in time and amount of revenue recognition in accordance with the principles of IFRS 15
- the recognition and measurement of provisions,
- the recoverability of receivables,
- the future usability of tax loss carryforwards.

All assumptions and the underlying estimates are constantly re-evaluated. They are based on past experiences and other factors including expectations with regard to future events.

In future periods, actual values may deviate from the assumptions and estimates made and lead to considerable adjustments to the carrying amounts of the respective assets and liabilities.

Consolidation

Subsidiaries

The consolidated financial statements include the financial statements of the parent company and the companies that it controls. The Company has control if it has power over an investee, is exposed to variable returns from its involvement with the investee and has the ability to affect the amount of the returns as a result of its power.

An investee is consolidated from the point in time when the Company obtains control over the subsidiary until the point in time that it ceases to have control. In this context, the profit or loss of subsidiaries acquired or sold during the year is recognised in the consolidated income statement and in other comprehensive income from the actual date of acquisition to the actual date of disposal.

The Group reassesses whether or not the Company controls an investee if facts and circumstances indicate that one or more of the aforementioned three control criteria have changed.

If the Company does not hold the majority of the voting rights, it still controls the investee if its voting rights give it the practical ability to direct the relevant activities of the investee unilaterally. When assessing whether its voting rights are sufficient to exercise control, the Company considers all facts and circumstances, including:

- the size of the Company's holding of voting rights relative to the size and distribution of holdings of the other vote holders,
- potential voting rights held by the Company, other vote holders or other parties,
- Rights arising from other contractual arrangements and
- any additional facts and circumstances that indicate the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

The acquisition method is used to account for acquired subsidiaries as long as they constitute a business within the meaning of IFRS 3. The acquisition cost comprises the fair value of all assets transferred, of the equity instruments issued and of the liabilities that arose or were assumed at the time of the transaction. In accordance with IFRS 3 Business Combinations, the

carrying amounts of the parent company's investments are offset against its shares in the remeasured equity of the subsidiaries at the time of acquisition. In this process, assets and liabilities are recognised at fair value. Acquisition-related costs are expensed as incurred. The amount recognised as goodwill – which is tested for impairment at least once a year – is calculated as the amount by which the acquisition cost, the amount of non-controlling interests in the acquiree and the fair value of all previously held equity interests at the acquisition date exceeds the Group's share of the acquiree's net assets, measured at fair value. If the cost of acquisition is lower than the fair value of the acquiree's net assets, following further testing the difference is recognised directly in the Group's profit or loss.

If the Group loses control over a subsidiary, the remaining share is remeasured at fair value and the resulting difference is recognised in profit or loss. Furthermore, all amounts relating to this company reported in other comprehensive income are reclassified to the income statement.

All intragroup assets, liabilities, equity, income, expenses and cash flows in connection with transactions between Group entities are eliminated in full as part of the consolidation. Where consolidation adjustments are recognised in profit or loss, the income tax effects are taken into account and deferred taxes are recognised.

No discretion is required to determine control because the Group holds a large majority of the voting rights in all instances (see Chapter Overview).

As at 31 December 2019, a total of 173 (2018: 136) subsidiaries were included in the consolidated financial statements in addition to DIC Asset AG (see appendix 1 to the notes, p. 199 et seq.). There are no material non-controlling interests in the Group.

Three companies were merged and three companies were newly formed in the course of optimising the Group's structure. In addition to the acquisition of the GEG Group, four companies were acquired during the financial year and consolidated for the first time.

Business Combination with GEG

DIC acquired the shares in the GEG Group in early June 2019. At the time of acquisition, the GEG Group consisted of a parent company and 32 subsidiaries. First time consolidation was carried out as at 1 June 2019.

Due to the acquisition of the GEG Group, a year-on-year comparison of the figures is only possible to a limited extent.

GEG's business complements the DIC Asset AG business model perfectly and significantly accelerates its planned growth in the institutional fund and third-party business. At the time of the acquisition, GEG had EUR 3.6 billion in assets under management, with several well-known properties already managed by our property management team under previous mandates. By completing this acquisition, DIC Asset AG has expanded its institutional investor base including investors who were invested in 23 properties in funds, club deals and individual mandates via GEG at the time of the acquisition. The deal has also enlarged the project development capacity we reinforced in the past to enhance value as part of our asset and portfolio management efforts, with the addition of an excellent project development team specialising in the repositioning of challenging properties.

A fixed purchase price of EUR 222.2 million was paid in cash for the acquisition of 99.6% of the shares in the GEG Group.

The following table shows the fair values of the acquired assets and liabilities recognised at the acquisition date of 1 June 2019:

in EUR thousand	Fair Value
Other investments	13,673
Intangible assets	31,753
Other current assets	13,527
Cash	13,180
Total assets	72,133
Total liabilities	39,159
Net assets acquired	32,974
Non-controlling interests (0.4%)	792
Net assets acquired, DIC Asset AG	32,182

The comparison of the total of the consideration transferred and the non-controlling interests in the net assets with the acquired remeasured net assets of GEG resulted in goodwill of EUR 177,892 thousand. The goodwill reflects future synergies, in particular access to a broader investor base, further products in the Institutional Business and the expansion of our project development and refurbishment capacity.

The non-controlling interests of 0.4% were recognised at the acquisition date and measured at their share of the identifiable net assets acquired in the amount of EUR 792 thousand.

The fair value of trade receivables within the item "Trade receivables" amounted to EUR 4,648 thousand. The gross amount of contractual receivables amounted to EUR 4,648 thousand.

The profit for financial year 2019 includes profits of EUR 18,600 thousand (before amortisation of newly identified intangible assets and related deferred taxes recognised through profit or loss) from the additional business generated by GEG. The attributable revenue (income from real estate management fees) for the 2019 financial year includes EUR 31,900 thousand from GEG.

If the acquisition date would have been on 1 January 2019, the Group's revenue (income from real estate management fees) for financial year 2019 would have been EUR 72,116 thousand and the profit for financial year 2019 would have been EUR 80,305 thousand. The pro forma disclosure is based on the assumption that the carrying amounts applicable at the time of acquisition would also have been applicable at the beginning of the period.

Until 31 December 2019, transaction costs of EUR 2,255 thousand were recognised as administrative expenses as part of the transaction.

Associates

An investment in an associate is accounted for using the equity method from the time that the criteria for an associate are met. Any amount by which the cost of acquiring the share exceeds the share acquired in the fair values of the identifiable assets, liabilities and contingent liabilities is reported as goodwill. Goodwill is a component of the carrying amount of the investment and is not tested separately for impairment.

The Group discontinues the use of the equity method from the time at which its investment no longer constitutes an associate or the investment must be classified as held for sale in accordance with IFRS 5. When using the equity method is discontinued, profits or losses previously reported in other comprehensive income by the associate are reclassified to the income statement.

If a Group company enters into a business relationship with one of the Group's associates, profits and losses from this transaction are eliminated in proportion to the Group's interest in the associate.

For strategic reasons, DIC Asset AG holds shares in 14 (2018: 15) companies which are accounted for using the equity method in the consolidated financial statements as associates in accordance with IAS 28.13 (see appendix 2 of the notes on p. 202 et seq.).

Please refer to note 17 "Investments in associates" regarding the discretion to be applied in determining companies to be included using the equity method.

Other investments

Investments that represent an equity instrument as defined by IAS 32 are measured at fair value through other comprehensive income and allocated to the category "At Fair Value through other Comprehensive Income". Any changes in the fair value are shown in other comprehensive income. In this case, if the instrument is derecognised, it is not subsequently reclassified to profit or loss but reclassified to retained earnings. Dividends from these instruments, on the other hand, are recognised as investment income in profit or loss. As a rule, assets available for sale are carried in the balance sheet at their fair value. Changes in the market value are recorded in other comprehensive income as long as there is no impairment.

Investments that do not represent an equity instrument as defined by IAS 32 are measured at fair value through profit or loss and allocated to the category "At Fair Value through Profit or Loss".

Goodwill

Goodwill results from a business combination and corresponds to the amount by which the transferred consideration exceeds the fair value of the net assets (assets acquired less liabilities entered into or assumed). Goodwill is not subject to amortisation and is tested for impairment on the basis of cash-generating units (CGUs) annually and in case of a triggering event. Goodwill is measured at cost less accumulated impairment losses. Reversals of impairment losses are not permitted.

In the case of the sale of the subsidiary, the attributable goodwill amount resulting from this sale will be included in the profit or loss calculation.

With regard to the impairment test for goodwill, please see the information provided in item 14 Goodwill.

Impairment

For assets with a specific useful life, in accordance with IAS 36 on each reporting date indications of possible impairment will be checked for, e.g. particular events or market developments which point to a possible fall in value. There were no indications of an impairment of the intangible assets, property, plant and equipment or the investment property subject to depreciation and amortisation in either the reporting period or the comparative period.

Intangible assets with a indefinite useful life must also be tested for impairment on each reporting date. In the current reporting period, this relates to the goodwill resulting from the acquisition of the German Estate Group.

In case of indications or as of the mandatory annual impairment test for intangible assets with an indefinite useful life, the recoverable amount of the asset will be determined. The recoverable amount of an asset is the higher of the asset's fair value or a cash-generating unit (CGU) less costs to sell and the value in use. The recoverable amount is determined for each individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. In the latter case, the recoverable amount is to be determined on the basis of a CGU to which assets or groups of assets are allocated until they jointly generate largely independent cash inflows. For example, this is the case for goodwill. Where this results from a business combination, it will be allocated from the acquisition date to the CGU or the group of CGUs which may derive benefits from the synergies resulting from the combination and at whose level the goodwill is monitored for internal management purposes.

To determine the value in use, in principle the expected future cash flows are discounted to their present value on the basis of a pre-tax discount rate reflecting the current market assessments with respect to the interest effect and the specific risks of the asset. In determining the value in use, account is taken of the current and future expected income level as well as technological, economic and general development trends on the basis of approved financial budgets. To determine the fair value less costs to sell, account is taken of any recent market transactions.

If the carrying amount exceeds the recoverable amount of the asset or the CGU, an impairment loss is recognised in profit or loss at the level that the carrying amount exceeds the recoverable amount.

For goodwill, if the impairment requirement is higher than the carrying amount of the goodwill of the CGU, then the goodwill is first fully amortised and the remaining impairment requirement distributed to the other assets of the CGU. Account is taken of the necessary impairment on individual assets of this CGU in advance of goodwill impairment testing.

Reversals on the new recoverable amount are made, except for goodwill, when the reasons for impairment in previous years no longer apply. The upper limits for reversals are the depreciated historical costs which would have resulted if no impairments had been recognised in previous years. No reversals were recognised on intangible assets or property, plant and equipment in the reporting period or the comparative period.

The goodwill reported at 31 December 2019 in the amount of EUR 177,892 thousand has resulted from the acquisition of the GEG Group in 2019. This goodwill has been allocated to the Institutional Business segment and will be monitored at this level. Please see item 14 Goodwill for further information.

EPRA earnings

EPRA stands for European Public Real Estate Association, the association of listed real estate companies in Europe. EPRA has issued recommendations on how real estate companies should calculate and adjust their earnings to ensure they are comparable and exclude exceptional factors and non-recurring effects.

"EPRA earnings" measures the sustainable and continuing performance of the real estate portfolio. The financial years 2018 and 2019 showed the following EPRA earnings:

in EUR thousand	2019	2018
IRFS profit	80,911	47,691
EPRA adjustments		
Market value change or depreciation of investment property	29,545	29,407
Profit/loss on disposal of investment property	-40,516	-18,646
Tax on disposal of investment property	6,412	2,951
Amortisation of intangible assets and depreciation of right-of-use assets in acc. with IFRS 16	4,697	170
Other non-recurring effects	3,415	332
Deferred taxes in connection with EPRA adjustments	-570	-385
Contributions from Co-Investments (project development and sales)	0	818
Non-controlling interests	-222	-78
EPRA earnings	83,672	62,260
EPRA earnings per share	1.17	0.89

INCOME STATEMENT DISCLOSURES

1. Gross rental income

Gross rental income increased by EUR 1,753 thousand, primarily driven by property acquisitions, which more than compensated for the sale of property in the current year. Acquisitions made in 2018 and 2019 resulted in an increase in gross rental income of EUR 2,537 thousand and EUR 3,376 thousand, respectively.

A large number of new leases were concluded in the financial year ended as a result of our intensive letting activities, offsetting the termination of other leases. The new leases generated pro rata rental income of EUR 4,643 thousand. Rental income of EUR 4,027 thousand was lost due to the termination of leases.

2. Service charge income and expenses on principal basis

The costs recognised include apportionable current expenses incurred by the Group under section 1 of the Betriebskostenverordnung (German Regulation on Operating Costs) based on its ownership of the land or its use of the building, annexes, facilities, etc. in accordance with their intended purpose as well as ancillary leasing costs to be borne by the tenants under the terms of their contract. These are typically understood to mean costs for water, power, heating and property tax, for example, as well as the necessary maintenance and inspection costs.

The shortfall between income and expenses from service charges amounting to EUR 2,729 thousand (2018: EUR 2,503 thousand) is mainly the result of costs that cannot be passed on to tenants on account of the exemption clauses written into their leases.

Rental income was generated in the case of all investment property.

3. Other property-related expenses

Other property-related expenses include property management costs that cannot be passed on to tenants as operating expenses because they are already covered in the rent charged. These include costs to rectify structural defects caused by wear and tear to the buildings or ageing, in particular the replacement of fire protection technology, as well as administrative and ancillary costs resulting from vacant space.

4. Administrative expenses

in EUR thousand	2019	2018
Legal and consulting costs	8,139	2,897
Marketing/investor relations	1,768	1,271
IT costs	1,485	433
Ancillary financing costs	1,241	947
Insurance/contributions and levies	1,035	786
Auditing costs	698	486
Recruitment and other personnel costs	641	496
External services	401	418
Supervisory Board remuneration	395	401
Rental and ancillary costs	333	2,249
VAT	273	662
Vehicle costs	248	581
Other	1,219	486
Total	17,876	12,113

The increase in administrative expenses by comparison with the previous year is attributable to the business combination with the GEG Group in particular. This includes, above all, the current administrative expenses of the GEG Group such as current legal and consulting costs and IT costs as well as transaction costs associated with the acquisition of the GEG Group.

Compared with the previous year, the rent and ancillary costs as well as vehicle costs were reduced significantly due to the first-time adoption of IFRS 16. These have been mainly allocated to depreciation and amortisation in the financial year.

In the financial year the Company granted remuneration totalling EUR 394 thousand to members of the Supervisory Board. Supervisory Board members were also reimbursed travel expenses totalling EUR 1 thousand. Further details, especially disclosures in accordance with section 314 (1) no. 6 letter a HGB, are provided on page 193 et seq. in the corporate governance section of the remuneration report, which is an integral part of the management report.

The following fees were incurred for the services supplied by the auditors of the financial statements Rödl & Partner GmbH, Wirtschaftsprüfungsgesellschaft, Steuerberatungsgesellschaft, Nuremberg, in financial years 2019 and 2018:

in EUR thousand	2019	2018
Financial statements auditing services	464	380
Other assurance services	34	106
Other services	200	0
Total	698	486

The fees for audits of the financial statements relate to the audit of the consolidated financial statements and the financial statements of DIC Asset AG and its affiliates required by law.

The other assurance services include, in particular, the review of the half-yearly IFRS financial statements.

The other services mainly concern support services in connection with the GEG business combination.

5. Personnel expenses

Personnel expenses include the wages and salaries of employees of DIC Asset AG and DIC Onsite GmbH, DIC Fund Balance GmbH and the entities of the GEG Group as well as the related social security contributions in the total amount of EUR 24,936 thousand (2018: EUR 15,757 thousand). The social security contributions totalling EUR 3,686 thousand (2018: EUR 2,105 thousand) include EUR 1,304 thousand (2018: EUR 1,001 thousand) in contributions to the statutory pension fund. At EUR 27,918 thousand, personnel expenses are higher than in the previous year (2018: EUR 18,204 thousand), mainly because of the business combination with GEG.

The average number of employees rose from 174 in 2018 to 247 in 2019. Averaged over the year, DIC Asset AG had 67 employees, while DIC Onsite GmbH had 114 employees, DIC Fund Balance GmbH had 11 employees and the GEG entities had 55 employees.

Details on the Management Board's remuneration in accordance with section 314 (1) no. 6 letter (a) sentences 5 to 9 of the HGB are reproduced on page 193 et seq. in the corporate governance section of the remuneration report, which is an integral part of the management report.

6. Depreciation and amortisation

Depreciation and amortisation of EUR 34,242 thousand (2018: EUR 29,577 thousand) primarily concerns the recognised properties. This also includes depreciation and amortisation of right-of-use assets for the offices which we use ourselves and, to a lesser extent, office furniture and equipment as well as intangible fixed assets. The depreciation and amortisation item was affected by acquisitions, sales in the previous and current year, the first-time adoption of IFRS 16, the business combination with the GEG Group and the service agreements recognised as intangible assets within the scope of the purchase price allocation as well as the capital expenditures in our investment properties.

7. Real estate management fees

The income relates to asset and property management, accounting and administration, arrangement, leasing, project development and disposition fees charged by DIC Asset AG and its subsidiaries, particularly by DIC Onsite GmbH and, since June, GEG Real Estate Management GmbH to the following non-consolidated companies:

in EUR thousand	2019	2018
DIC Office Balance I	17,289	11,638
DIC Office Balance II	2,192	2,746
DIC Office Balance III	2,805	3,130
DIC Office Balance IV	1,422	1,553
DIC Office Balance V	2,566	4,074
DIC Retail Balance I	1,561	1,177
DIC HighStreet Balance	0	7,279
Deutsche Immobilien Chancen AG & Co. KGaA and subsidiaries	436	364
DIC MSREF HMDD Portfolio GmbH	11	185
DIC MSREF HT Portfolio GmbH	12	324
DIC MSREF FF Südwest Portfolio GmbH	365	72
DIC MainTor GmbH	85	119
Other third parties	34,139	978
Total	62,883	33,639

The real estate management fees from other third parties include, in particular, income from the minority interests in investment vehicles acquired within the scope of the GEG transaction. Of the real estate management fees realised, EUR 21.0 million (2018: EUR 13.0 million) relates to asset and property management and development and EUR 41.9 million (2018: EUR 20.6 million) to transaction- and performance-related fees.

8. Other operating income and expenses

Other operating income mainly includes income from non-monetary benefits of EUR 397 thousand (2018: EUR 350 thousand) resulting from the use of company cars, income from liability remuneration of EUR 119 thousand (2018: EUR 157 thousand) as well as transaction-dependent income from previous years and this year totalling EUR 1,122 thousand (2018: EUR 0 thousand).

The other operating expenses chiefly comprise transaction costs for the reporting year as well as previous years in the amount of EUR 1,214 thousand (2018: EUR 0 thousand). These costs have largely resulted from the GEG companies first time included in 2019.

9. Profit on disposal of investment property

Thanks to the strong performance of the transaction market and strategic sales in connection with the portfolio streamlining, the Group generated profits from the disposal of investment property in the amount of EUR 40,516 thousand (2018: EUR 18,646 thousand). This corresponds to a return on sales of 23% (2018: 21%).

Costs to sell of EUR 5,592 thousand (2018: EUR 3,031 thousand) were deducted from the sales proceeds of EUR 181,565 thousand (2018: EUR 89,783 thousand).

10. Share of the profit or loss of associates

This item relates to the investor's share of the investee's profit or loss to be recognised in the investor's profit or loss using the equity method of accounting as well as investment income and amounts to EUR 18,321 thousand (2018: EUR 15,829 thousand).

The year-on-year rise is primarily attributable to the EUR 2.8 million increase in the dividend from TLG Immobilien AG totalling EUR 13.0 million included in this amount (2018: EUR 10.2 million). The share of the profit or loss of associates also includes contribution from the existing DIC Office Balance I, DIC Office Balance II, DIC Office Balance III, DIC Office Balance IV, DIC Office Balance V and DIC Retail Balance I funds. The investment income from the minority interests acquired in the course of the acquisition of the GEG Group is also shown here and amounted to EUR 151 thousand in the financial year (2018: EUR 0 thousand).

11. Interest income and expense

The expense arising from the repayment of processing fees incurred in connection with financial liabilities amounted to EUR 1,669 thousand in the financial year (2018: EUR 1,120 thousand). The increase is mainly due to the reversal in connection with a short-term loan.

Effective interest expense of EUR 21,476 thousand (2018: EUR 20,591 thousand) results from the corporate bonds.

Finance costs include interest expenses for lease liabilities in the amount of EUR 225 thousand.

12. Income tax

in EUR thousand	2019	2018
Current taxes	-13,803	-6,241
Deferred tax income/expense	-3,371	-2,079
Total	-17,174	-8,320

Current income taxes relate exclusively to taxable profits of consolidated subsidiaries and DIC Asset AG. Current tax expense is composed primarily of corporation tax including solidarity surcharge amounting to EUR 9,493 thousand (2018: EUR 3,831 thousand) and trade tax amounting to EUR 4,310 thousand (2018: EUR 2,410 thousand).

The deferred taxes result from temporary differences between tax base and IFRS balance sheet values, and from existing tax loss carryforwards and the recognition of deferred taxes on outside basis differences.

Whether or not deferred tax assets are recoverable is determined based on management's assessment regarding the recoverability of deferred tax assets. This depends on the generation of future taxable profits during the periods in which temporary differences are reversed and tax loss carryforwards can be utilised. DIC Asset AG assumes that, based on the forecast for each portfolio, the future taxable income will be sufficient to be able in all likelihood to realise the recognised deferred tax assets. The current assessment with regard to the recoverability of deferred tax assets may change, making higher or lower valuation adjustments necessary.

No deferred tax assets were recognised on corporation tax loss carryforwards amounting to EUR 25.7 million (2018: EUR 54.3 million) and on trade tax loss carryforwards amounting to EUR 92.5 million (2018: EUR 98.9 million).

Deferred taxes are measured on the basis of the tax rates that apply or are likely to apply at the date they are realised. The calculation of domestic deferred taxes is based on the corporation tax rate of 15%, the solidarity surcharge of 5.5% and the Company-specific trade tax rates (usually 16.10%).

Deferred tax expense/income compares with the previous year as follows:

in EUR thousand	2019	2018
Tax loss carryforwards	701	-1,459
Real estate valuation	-1,851	460
Service agreements	-2,477	0
Bond issuance	353	-1,099
Other adjustments	-97	19
Total	-3,371	-2,079

Deferred tax assets and liabilities can be classified as follows:

in EUR thousand	31.12.2019		31.12.2018	
	Assets	Liabilities	Assets	Liabilities
Loss carryforwards	20,033	0	19,332	0
Property	7,685	15,846	7,294	13,604
Service agreements	0	12,606	0	0
Derivatives	452	0	0	20
Capital transactions	353	1,914	229	3,002
Other	22	127	22	48
Total	28,545	30,493	26,877	16,674

Deferred taxes on the items included in other comprehensive income amount to EUR -469 thousand (2018: EUR -1,088 thousand), of which EUR -452 thousand (2018: EUR -20 thousand) is attributable to the movements in the Group's cash flow or fair value hedges and EUR -17 thousand (2018: EUR -1,068 thousand) to the fair value changes of the financial instruments measured at fair value through other comprehensive income.

No deferred taxes were recognised on temporary differences in connection with shares in subsidiaries (outside basis differences) totalling EUR 20.3 million (2018: EUR 13.0 million) and on temporary differences in connection with associated companies totalling EUR 0.7 million (2018: EUR 1.1 million).

The difference between anticipated tax expense and actual tax expense can be reconciled as follows:

in EUR thousand	2019	2018
Profit for the period before tax	97,863	55,933
Applicable statutory tax rate (in %)	31,925	31,925
Anticipated tax expense	31,243	17,857
Increase or decrease in the tax liability through:		
Trade tax reduction and differing tax rates	-6,241	-7,608
Non-deductible expenses	3,574	5,654
Effects of associates	-5,848	-5,053
Effects of unrecognised tax losses	-6,571	-3,331
Taxes for previous periods	-724	257
Other effects	1,741	544
Current total tax expense	17,174	8,320

The anticipated tax rate was determined on the basis of the tax rates applicable in Germany in 2019 and 2018. A tax rate of 31.925% was used for the calculation. This is composed of a nominal corporation tax rate incl. solidarity surcharge of 15.825% plus a nominal trade tax rate of 16.10%. The trade tax rate is based on the assessment rate for Frankfurt am Main of 460%.

13. Earnings per share, EPRA-Net Asset Value (EPRA-NAV) and EPRA-NAV per share

In accordance with IAS 33.12, earnings per share are calculated from profit/loss for the period excluding non-controlling interests and the number of the shares outstanding on an annual average.

in EUR	2019	2018
Profit for the period after non-controlling interests	80,910,538.08	47,691,041.75
Average number of shares issued	71,713,376	69,957,968
Basic earnings per share	1.13	0.68

For 2019, the Management Board will propose a dividend in the amount of EUR 52,187 thousand (EUR 0.66 per share). In addition, the Management Board will propose paying the dividend according to shareholder choice either (i) entirely in cash or (ii) partly in cash and partly in shares of DIC Asset AG (scrip dividend). Of this figure, an amount of EUR 39,604 thousand will be subject to capital gains tax, which is estimated to be EUR 10,446 thousand. In accordance with IAS 10, the dividend is not recognised as a liability in these consolidated financial statements.

Following the recommendation of the European Public Real Estate Association (EPRA), the Net Asset Value (NAV) as at 31 December 2019 and 31 December 2018 is calculated as follows:

in EUR thousand	31.12.2019	31.12.2018
Carrying amount of investment properties	1,623,030	1,459,002
Fair value adjustment	276,987	212,604
Fair value of investment properties*	1,900,017	1,671,606
Properties in accordance with IFRS 5	100,154	25,166
Fair value of real estate properties incl. IFRS 5*	2,000,171	1,696,772
Carrying amount of associates	71,212	86,988
Fair value adjustment	5,887	34,887
Fair value of associates	77,099	121,875
+/- other assets/liabilities	786,662	831,034
+/- restatement of Other assets/liabilities*	-60,288	-73,804
Net loan liabilities at carrying amount	-1,512,125	-1,481,104
Net loan liabilities in accordance with IFRS 5	-35,031	0
Non-controlling interests	-12,253	-8,946
EPRA-NAV	1,244,235	1,085,827
Deferred taxes on fair value adjustments	-44,765	-39,165
EPRA-NNAV	1,199,470	1,046,662
Fair value of financial instruments	3,045	54,667
Fair value adjustment of net loan liabilities	3,802	-4,969
EPRA-NNNAV	1,206,317	1,096,360
EPRA-NAV/share	17.23	15.40
EPRA-NNAV/share	16.61	14.84
EPRA-NNNAV/share	16.70	15.55

* incl. non-controlling interests and IFRS 5 properties

** Restated for deferred taxes (EUR +7,880 thousand; previous year: EUR +6,058 thousand), financial instruments (EUR -3,045 thousand; previous year: EUR -54,667 thousand) and IFRS 5 assets and liabilities (EUR -65,123 thousand; previous year: EUR -25,194 thousand)

BALANCE SHEET DISCLOSURES

14. Goodwill

The goodwill recognised in the current financial year has resulted from the first-time consolidation of the German Estate Group. Please see section Consolidation, Business Combination with GEG, on page 137 for further details. In the financial year, goodwill was tested for impairment on the basis of estimated future cash flows, derived from budgets, for the cash-generating unit to which the goodwill is allocated. This budget is based on a forecast term of 3 years. For discounting of cash flows in the detailed budget period, we apply a consistent capital cost rate after tax of 5.7% which is determined on the basis of a capital asset pricing model (CAPM).

The corresponding capital cost rates before tax averaged 8.3%. At the end of the detailed budget period, this is followed by a reconciled terminal value for the years from 2023 onwards which has been discounted by a capital cost rate of 4.7% (after tax, after growth rate) on the basis of the CAPM. For the terminal value, the calculation is based on a perpetual average growth rate of 1.0%. For the purpose of discounting, we consider the growth rate as a discount on the capital cost rate.

We continuously observe and update the key technical, market-related, economic and statutory parameters and outline conditions for the purpose of the impairment test. Since no indication of impairment arose in the financial year, a goodwill impairment test was implemented at the reporting date and no impairment loss was recognised.

For goodwill in the financial year, a 5% decrease in the cash flows serving as the basis for the calculation would have reduced the value in use by around EUR -25.6 million and would not have resulted in any impairment. A +1% increase in the discount rate would have reduced the value in use by around EUR -81.3 million and would likewise not have given rise to any impairment.

15. Investment property

in EUR thousand	2019	2018
Cost		
As at 1 January	1,701,653	1,669,895
Additions resulting from acquisitions	254,710	103,190
Additions due to capital expenditures	48,992	23,398
Classification as "held for sale"	0,00	-32,213
Disposals	-121,392	-62,617
As at 31 December	1,883,963	1,701,653
Depreciation and amortisation		
As at 1 January	242,651	232,681
Additions	29,045	28,609
Classification as "held for sale"	0,00	-7,047
Disposals	-10,763	-11,592
As at 31 December	260,933	242,651
Carrying amount on 1 January	1,696,772	1,437,214
Carrying amount on 31 December	1,623,030	1,459,002
Fair value *	1,900,017	1,696,772

* incl. non-controlling interests and IFRS 5 property

Details of and information about the levels of the fair value hierarchy in accordance with IAS 40.79 in conjunction with IFRS 13.93 (a), (b) and 13.97 of the Group's investment property as at 31 December 2019 are presented on the next page:

in EUR thousand	Fair value 31.12.2019	Quoted prices in active markets for identical assets (Level 1)	Material other observable inputs (Level 2)	Material unobservable inputs (Level 3)
Commercial real estate in Germany	1,900,017			1,900,017

Valuation techniques applied to level 3

The fair values calculated (net value after deducting transaction costs) are based entirely on the findings of the independent valuers contracted for this purpose, Cushman & Wakefield, Jones Lang LaSalle and ENA Experts, who have undertaken a valuation in accordance with internationally recognised standards. Valuation parameters that are as close to the market as possible should be used as inputs. Despite taking account of some observable market inputs, which correspond to level 2, the fair values must ultimately be assigned to level 3.

The calculation of market values is based on a calculation of their present values (discounted cash flow method). This is generally based on a cash flow period of ten years, at the end of which the property is assumed to be sold. The discount rate recognised for the valuation comprises a risk-free rate, which can be derived from the average current yield on long-term, fixed-income federal bonds and a property-specific risk premium, which reflects the restricted fungibility of real estate investments in relation to more fungible forms of investment such as equities or bonds. The average current yield recognised was 1.12% (2018: 1.46%). The property-specific risk premium was between 1.78% and 5.65% (2018: between 1.54% and 7.54%). The average discount rate was 2.90% to 6.75% (2018: 3.00% to 9.00%).

The interest rate recognised for the capitalisation of the terminal value corresponds to the observable interest rate in the current real estate capital market plus a property-specific risk premium. The capitalisation rates recognised vary between 3.15% and 6.25% (2018: 3.75% and 6.50%) depending on the quality, location and structure of the properties.

When investment property is tested for impairment in accordance with IAS 36, the carrying amounts of the properties – with the exception of properties classified as non-current assets held for sale – are compared with the higher of fair value and the properties' values in use deduced from market values. The comparison uses gross market values, i.e. not including the transaction costs that may arise if the properties are actually sold. In addition, parameters specific to the Company were used to calculate the reference values. These parameters take account of the value in use of the properties in the context of their use for business purposes. In this respect, the important factors are, in particular, the retention of the property in the

Group, the forecast cash flows arising as a result and the reduction in management costs compared with the standard valuation due to the assets being managed in-house. An appropriate asset-specific capitalisation rate is also calculated in accordance with the criteria of IAS 36 A17.

In addition to the sensitivity analysis for the fair values already presented in the report on opportunities and risks (page 101 in the management report), we performed a sensitivity calculation for the properties' values in use so as to be able to assess effects of potential interest rate volatilities more accurately. This produced the following result:

Change in the value in use of properties

		Scenarios: changes of capitalisation rate		
		+0.25%	0%	-0.25%
Scenarios: changes of discount rate	+0.25%	-137.6 EUR million	-50.3 EUR million	+48.8 EUR million
	0%	-89.3 EUR million	+/-0.0	+102.6 EUR million
	-0.25%	-39.0 EUR million	+52.7 EUR million	+157.7 EUR million

Were the capitalisation and discount rates to increase by 25 basis points due to the macroeconomic or business situation, the value in use would fall by EUR 137.6 million. If the interest rates were to fall by the same amount, the value in use would rise by EUR 157.7 million.

As at 31 December 2019, acquisition costs included borrowing costs of EUR 1,683 thousand (2018: EUR 735 thousand). In financial year 2019, borrowing costs of EUR 948 thousand were capitalised (2018: EUR 401 thousand). The range of the recognised rate of borrowing costs was 1.53% to 2.33% (2018: 2.28%).

There are no restrictions on the disposal of investment property in the Group and no contractual obligations to purchase, construct or develop investment property.

Current contractual arrangements result in financial obligations vis-à-vis our tenants of EUR 27.1 million for 2020 and 2021 (2018: EUR 41.8 million). Obligations from purchase agreements amount to EUR 153.3 million (2018: EUR 0.3 million). There are also obligations totalling EUR 163.6 million resulting from agreements to secure property in Berlin and Offenbach.

16. Property, plant and equipment*

in EUR thousand	Office furniture and equipment	Right-of-use assets	2019 Total	2018
Cost				
As at 1 January**	2,388	7,434	9,822	2,238
Additions	969	4,336	5,305	151
Disposals	0	-175	-175	-1
As at 31 December	3,357	11,595	14,952	2,388
Depreciation and amortisation				
As at 1 January**	1,834	0	1,834	1,660
Additions	500	2,336	2,836	175
Disposals	0	-3	-3	-1
As at 31 December	2,334	2,333	4,667	1,834
Carrying amount on 1 January**	554	7,434	7,988	578
Carrying amount on 31 December	1,023	9,262	10,285	554

* In the consolidated financial statements as at 31 December 2019, the Group has renamed the item office furniture and equipment compared with the previous year to property, plant and equipment due to the inclusion of the right-of-use assets in accordance with IFRS 16

** including the right-of-use assets reported for the first time

This includes the following right-of-use assets in accordance with IFRS 16:

in EUR thousand	2019			
	Buildings	Vehicles	IT equipment	Total
Cost				
As at 1 January	6,519	619	296	7,434
Additions	3,803	276	257	4,336
Disposals	0	0	-175	-175
As at 31 December	10,322	895	378	11,595
Depreciation and amortisation				
As at 1 January	0	0	0	0
Additions	1,731	437	168	2,336
Disposals	0	0	-3	-3
As at 31 December	1,731	437	165	2,333
Carrying amount on 1 January	6,519	619	296	7,434
Carrying amount on 31 December	8,591	458	213	9,262
Number of right-of-use assets	11	65	35	
Range of remaining maturities (months)	12–54	2–33	3–26	

17. Investments in associates

The associates as at 31 December 2019 are listed in the following table. The equity investments and/or voting rights in the companies listed below are all held directly by the Group.

in EUR thousand	31.12.2019		31.12.2018	
Interest in:	Share of voting rights	Carrying amount	Share of voting rights	Carrying amount
DIC Office Balance I (fund)	12.5%	14,308	12.5%	22,180
DIC Office Balance II (fund)	0.0%	9,609	0.0%	9,490
DIC Office Balance III (fund)	5.9%	5,681	5.9%	7,564
DIC Office Balance IV (fund)	6.6%	3,176	7.2%	3,064
DIC Office Balance V (fund)	5.9%	3,926	11.1%	3,817
DIC Retail Balance I (fund)	8.1%	5,920	8.3%	5,878
DIC MainTor Zweite Beteiligungs GmbH & Co. KG	40.0%	28,100	40.0%	28,316
DIC MSREF HT Portfolio GmbH	20.0%	3	20.0%	3
DIC MSREF FF Südwest Portfolio GmbH	20.0%	310	20.0%	5,192
DIC MSREF HMDD Portfolio GmbH	20.0%	2	20.0%	2
Other		177		1,482
Total		71,212		86,988

Significant associates as defined in IFRS 12.2 are DIC MainTor Zweite Beteiligungs GmbH & Co.KG, DIC Office Balance I, DIC Office Balance II, DIC Office Balance III, DIC Office Balance IV, DIC Office Balance V, DIC Retail Balance I.

The Group holds a 9.7% interest (DIC Office Balance I), a 4.6% interest (DIC Office Balance II), a 2.4% interest (DIC Office Balance III), a 1.8% interest (DIC Office Balance IV), a 3.9% interest (DIC Retail Balance I), a 1.2% interest (DIC Office Balance V) in the capital of funds and/or in the capital of various fund property entities and thus directly or indirectly holds an interest in the respective fund. It exerts a significant influence on the companies due to the chairmanship and the regulations regarding voting rights in the Investment Committee and through the contractual right to conduct the funds' asset and property management and to manage a fund property entity's business.

The financial information concerning the Group's significant associates is summarised above. The summary financial information corresponds to the contributions in the Company's financial statements prepared in accordance with IFRSs (adjusted by the Group for the purpose of accounting using the equity method).

in EUR thousand	DIC MainTor Zweite Beteiligungs GmbH & Co. KG	DIC Office Balance I	DIC Office Balance II	DIC Office Balance III	DIC Office Balance IV	DIC Retail Balance I	DIC Office Balance V	Other associates	2019 total	2018 total
Assets	587,830	410,755	385,319	195,900	195,295	140,226	105,378	42,222	2,062,925	2,060,353
Liabilities	538,115	192,714	109,519	665	41,561	17,164	53,862	14,983	968,583	982,872
Net assets	49,715	218,041	275,800	195,235	153,734	123,062	51,516	27,239	1,094,342	1,077,481
Income	8,737	51,436	6,547	35,050	7,712	7,261	1,416	32,346	150,505	155,856
Expenses	8,495	16,467	2,576	3,538	1,986	962	791	6,820	41,635	52,007
Profit for the year	242	34,969	3,971	31,512	5,726	6,299	625	25,526	108,870	103,849

18. Loans to related parties

The loans to related parties concern the long-term loans to the related parties listed below. Please refer to the disclosures in the section entitled "Legal transactions with related parties" on p. 172 for a description of the terms.

in EUR thousand	IAS 24.9	2019	2018
DIC Opportunistic GmbH	b (ii)	30,949	36,831
Deutsche Immobilien Chancen AG & Co. KGaA	b (ii)	18,992	30,089
DIC MainTor GmbH	b (ii)	44,751	40,130
DIC MainTor Zweite Beteiligungs GmbH & Co. KG	b (ii)	24,835	23,156
Total		119,527	130,206

19. Other investments

In addition to the equity investment in DIC Opportunistic GmbH in the amount of EUR 31,506 thousand (2018: EUR 30,424 thousand), the other investments also include for the first time the minority interests in GEG's investment vehicles acquired through the business combination with GEG, in the amount of EUR 22,105 thousand (2018: EUR 0 thousand). All equity investments are carried at their fair values.

The equity investment in TLG Immobilien AG was entirely sold in the financial year (2018: EUR 352,154 thousand). The income from the sale was directly recognised in equity in retained earnings.

20. Intangible assets

In 2019, intangible assets mainly comprised the service agreements and trademark rights added through the business combination with GEG as well as software for accounting, consolidation and office applications.

in EUR thousand	IT software, licenses	Service agreements	Brands	2019 Total	2018*
Cost					
As at 1 January	3,161	0	0	3,161	3,161
Additions	215	22,279	1,087	23,581	0
Disposals	0	0	0	0	0
As at 31 December	3,376	22,279	1,087	26,742	3,161
Amortisation					
As at 1 January	2,895	0	0	2,895	2,725
Additions	124	2,146	91	2,361	170
Disposals	0	0	0	0	0
As at 31 December	3,019	2,146	91	5,256	2,895
Carrying amount on 1 January*	266	0	0	266	436
Carrying amount on 31 December	357	20,133	996	21,486	266

*in the previous year only IT software, licenses

21. Trade receivables

These are primarily receivables from rents, service charges and real estate management fees. All receivables are due within one year.

For an explanation of expected credit losses or impairments, please refer to the explanatory notes on credit risk in our risk management reporting.

22. Receivables from and liabilities to related parties

The receivables result predominantly from the granting of loans. An interest rate of 4.5% to 7.25% p.a. applies to the loans. Detailed disclosures on relations with entities and individuals classified as related parties are shown in the corresponding section entitled "Related party disclosures" on p. 172.

The recognised amounts in the balance sheet relate to:

in EUR thousand		31.12.2019		31.12.2018	
	IAS 24.9	Receiv- ables	Liabilities	Receiv- ables	Liabilities
DIC MSREF FF Südwest GmbH	b (ii)	450		1,853	791
DIC MSREF HMDD Portfolio GmbH	b (ii)		272		272
DIC MainTor GmbH	b (ii)	255	9,693	115	8,897
DIC Opportunistic GmbH	b (ii)	5,468	1,237	4,685	1,170
DIC MainTor Zweite Beteiligungs GmbH & Co. KG	b (ii)		3,876		3,656
Deutsche Immobilien Chancen Beteiligungs AG	b (ii)	1,493		46	
Deutsche Immobilien Chancen AG & Co. KGaA	b (ii)	800	585	883	525
DIC MainTor III GmbH	b (ii)		783		738
DIC Office Balance II (fund)	b (ii)	103		202	
DIC Office Balance III (fund)	b (ii)	1,157		1,291	
DIC Office Balance IV (fund)	b (ii)	406		81	
DIC Retail Balance I (fund)	b (ii)	541		9	
DIC Office Balance V (fund)	b (ii)	285		6	
Other	b (ii)	44	136	211	55
Total		11.002	16.582	9.382	16.104

23. Income tax receivables

The figure reported relates to creditable taxes and recoverable corporation and trade tax.

24. Other receivables

in EUR thousand	2019	2018
Receivables from unbilled services	21,574	13,208
Deposits	4,610	3,916
Value added tax	4,326	1,689
Recovery of special repayments	3,619	2,513
"Rent-free period" receivables	3,609	1,801
Receivables from insurance compensations	494	868
Other	3,216	2,411
Total	41,448	26,406

25. Other current assets

This item mainly includes deferred income of EUR 19,309 thousand (2018: EUR 0 thousand) from a refurbishment project added as part of the GEG transaction.

26. Cash and cash equivalents

Of the existing cash and cash equivalents, EUR 44,341 thousand is subject to short-term restrictions on disposal beyond the end of the reporting period.

27. Non-current assets held for sale

The non-current assets held for sale item comprises real estate and incidental acquisition costs for investment products in the Institutional Business segment which are to be sold or transferred over the course of the next year.

Profits of EUR 884 thousand arose in 2019 in connection with the non-current assets held for sale item from the previous year (2018: EUR 4,776 thousand).

28. Equity

a. Issued capital

The subscribed capital in the amount of EUR 72,213,775.00 (previous year: 70,526,248,00) consists of 72,213,775 (previous year: 70,526,248) registered no-par value ordinary shares. There are no other classes of shares. Pursuant to section 67 (2) AktG (in the version applicable until 3 September 2020), only those shareholders who are registered as such in the share register are deemed to be shareholders. All shares convey the same rights and obligations. Each no-par value share grants the holder one vote at the General Shareholders' Meeting. This excludes any treasury shares held by the Company itself. The Company will have no rights based on these shares. The voting right begins when the statutory minimum deposit has been made on the shares. The individual rights and obligations tied to the shares arise from the provisions of the AktG, in particular sections 12, 53a et seq., 118 et seq. and 186.

b. Authorised capital

The Management Board was authorised by a resolution adopted at the ordinary General Shareholders' Meeting on 2 July 2015 to increase the Company's share capital with the approval of the Supervisory Board by a total of up to EUR 34,288,873.00 until 1 July 2020 by issuing new no-par value registered shares once or repeatedly in return for cash contributions and/or contributions in kind (authorised capital). After a portion of authorised capital was utilised subject to the granting of pre-emptive rights to the shareholders in April 2018 and April 2019, the remaining authorised capital at the reporting date amounts to EUR 30,652,845.00. As a rule, the shareholders are to be granted a pre-emptive right when authorised capital is utilised. The shares may also be taken over within the meaning of section 186 (5) sentence 1 AktG by one or more credit institutes or companies determined by the Management Board with the obligation of offering them to the shareholders for purchase (indirect pre-emptive right). However, the Management Board is authorised with the approval of the Supervisory Board to disapply the pre-emptive rights of shareholders

- to exclude fractional amounts from shareholders' pre-emptive rights;
- if the new shares are issued in return for a cash contribution and the issue price of the new shares does not fall substantially below the stock market price of essentially equivalent shares already listed. The number of shares issued in this manner disapplying pre-emptive rights may not exceed 10% of the share capital, neither at the time this authorisation becomes effective nor at the time it is exercised. Other shares that are issued or sold during the term of this authorisation while disapplying pre-emptive rights in direct or corresponding application of section 186 (3) sentence 4 AktG are to be counted toward this upper limit of 10% of the share capital. Shares that are issued to service option rights and/or conversion rights or conversion obligations from bonds with warrants and/or convertible bonds and/or

profit participation rights are also to be counted towards this limit if such bonds or profit participation rights are issued during the term of this authorisation while disapplying pre-emptive rights in corresponding application of section 186 (3) sentence 4 AktG;

- if the capital increase is carried out in return for a contribution in kind, in particular for the purpose of acquiring companies, parts of companies, equity interests in companies or other assets associated with an intended acquisition, or in connection with business combinations;
- to the extent it is necessary to grant pre-emptive rights for new shares to the holders or creditors of bonds with warrants and/or convertible bonds with option and/or conversion rights and/or conversion obligations that were or will be issued by the Company or companies in which the Company holds a direct or indirect 100% interest in the volume to which they would be entitled as shareholders after exercising the option rights and/or conversion rights or fulfilling the conversion obligations;

and only to the extent that the shares issued in return for cash contributions or contributions in kind during the term of this authorisation on the basis of either this authorisation or other authorised capital and disapplying shareholders' pre-emptive rights do not exceed 20% of the share capital altogether, neither at the time this authorisation becomes effective nor at the time it is exercised. Own shares that are sold during the term of this authorisation while disapplying pre-emptive rights and new shares that are to be issued on the basis of bonds with warrants and/or convertible bonds and/or profit participation rights issued during the term of this authorisation while disapplying pre-emptive rights are counted towards the 20% limit mentioned above.

c. Contingent capital

By virtue of the resolution adopted at the ordinary General Shareholders' Meeting of 2 July 2015, the Management Board is authorised, with the approval of the Supervisory Board, to issue bearer convertible bonds or bonds with warrants (together, "bonds") with or without limitation of maturities on one or more occasions until 1 July 2020 in a total nominal amount of up to EUR 450,000,000.00, and to grant to holders and/or creditors of bonds conversion or option rights (which may include a conversion obligation) to no-par value registered shares in the Company representing a proportionate amount of the share capital of up to EUR 34,288,873.00 in total, subject to the terms of the convertible bonds and/or bonds with warrants (together also "bond terms"). The bonds may only be issued in return for cash payment. In principle, the shareholders are granted a pre-emptive right. The bonds may also be taken over within the meaning of section 186 (5) sentence 1 AktG by one or more credit institutes or companies determined by the Management Board with the obligation of offering them to the shareholders for purchase (indirect pre-emptive right).

However, the Management Board is authorised with the approval of the Supervisory Board to disapply the shareholders' pre-emptive rights to bonds

- for fractional amounts resulting from the subscription ratio;
- if upon due review the Management Board concludes that the issue price of the bonds is not substantially lower than the theoretical market value of the bonds determined in accordance with generally accepted methods of financial mathematics. This authorisation to disapply pre-emptive rights does not, however, apply to bonds with a conversion or option right (including those with a conversion obligation) to shares, the total amount of which does not exceed 10% of the lower of the share capital existing at the time this authorisation becomes effective or at the time it is exercised. Shares that were issued or sold during the term of this authorisation while disapplying pre-emptive rights in direct or corresponding application of section 186 (3) sentence 4 AktG are to be counted toward this upper limit of 10% of the share capital. Shares that are issued to service option rights and/or conversion rights or conversion obligations from convertible bonds and/or bonds with warrants are also to be counted towards this limit if such bonds are issued based on a different authorisation during the term of this authorisation while disapplying pre-emptive rights in corresponding application of section 186 (3) sentence 4 AktG;
- to the extent it is necessary to grant pre-emptive rights for bonds to the holders or creditors of bonds with warrants and/or convertible bonds with option and/or conversion rights and/or conversion obligations that were or will be issued by the Company or companies in which the Company holds a direct or indirect 100% interest in the volume to which they would be entitled as shareholders after exercising the option rights and/or conversion rights or fulfilling the conversion obligations;

and only if the sum of the new shares that are to be issued by the Company due to such bonds and due to options with warrants and/or convertible bonds and/or profit participation rights issued based on a different authorisation during the term of this authorisation while disapplying pre-emptive rights, represents an arithmetical share of no more than 20% of the total share capital, neither at the time this authorisation becomes effective nor at the time it is exercised. Own shares that are sold during the term of this authorisation while disapplying pre-emptive rights and shares that are issued from authorised capital during the term of this authorisation while disapplying pre-emptive rights are counted towards the 20% limit mentioned above. The bond issues may be divided into several notes.

If convertible bonds are issued, the holders and/or creditors are granted the right to convert their notes into no-par value registered shares of the Company in accordance with the detailed convertible bond terms to be determined by the Management Board. The conversion ratio is determined by dividing a bond note's nominal amount or price that is below its nominal amount by the conversion price specified for a no-par value registered share of the Company. The terms may provide for a variable conversion ratio. The conversion ratio may be rounded up or down to the nearest whole number; furthermore, an additional payment in cash may be determined. There may also be a provision that fractions can be combined and/or settled in cash.

If bonds with warrants are issued, one or more warrants entitling the holder and/or creditor to purchase no-par value registered shares in the Company in accordance with the option terms to be specified by the Management Board shall be attached to each bond note. The option terms may provide for satisfying the exercise price either in part or as a whole by transferring bond notes and making an additional cash payment if required. There may also be a provision that fractions can be combined and/or settled in cash.

The terms of the convertible bond may also provide for a conversion obligation on maturity (or at an earlier date). The terms of the convertible bonds and/or bonds with warrants may provide for the Company's right and/or that of the Group company issuing the bond to grant new shares or treasury shares of the Company or the shares of another listed company to the holders and/or creditors of the bonds instead of paying all or a portion of the cash amount due. The terms of the convertible bonds and/or bonds with warrants may also stipulate that the Company or the Group company issuing the bond may choose to grant treasury shares of the Company or shares of another listed company when options are converted or exercised. Furthermore, it may be stipulated that the Company and/or the Group company issuing the bond may settle its obligation by making a cash payment and/or granting shares of the Company.

To service conversion or option rights and/or conversion or option obligations under bonds that will be issued until 1 July 2020 based on an authorisation by the General Shareholders' Meeting on 2 July 2015, the Company's share capital was contingently increased, by virtue of the resolution adopted at the ordinary General Shareholders' Meeting on 2 July 2015, by up to EUR 34,288,873.00 by issuing up to 34,288,873 registered shares (contingent capital 2015).

The Management Board has not made use of the authorisation described above to issue convertible bonds and/or bonds with warrants.

d. Powers of the Management Board to buy back shares

By virtue of the resolution adopted by the ordinary General Shareholders' Meeting of 5 July 2016, the Management Board is authorised, with the prior approval of the Supervisory Board, to acquire own shares until 4 July 2021 representing up to 10% of the lower of the Company's share capital at the date of the resolution or at the date the authorisation is exercised. At no time may the acquired shares together with other treasury shares in the possession of the Company or allocated to it under sections 71a et seq. AktG represent more than 10% of the share capital. The authorisation may not be used for the purpose of trading treasury shares. The authorisation may be exercised in whole or in part, once or repeatedly, for one or more than one purpose, by the Company or by companies dependent on it or majority-owned by it, or by third parties acting on their behalf or on behalf of the Company.

At the Management Board's discretion, and with the prior approval of the Supervisory Board, shares may be purchased through the stock exchange or based on a public offering directed to all shareholders or a public invitation to all shareholders to submit offers to sell.

The volume of the public offering directed to all shareholders or the public invitation to all shareholders to submit offers to sell may be restricted. Insofar as the volume of the offered shares exceeds the planned repurchase volume in the case of a public offering or a public invitation to submit offers to sell, the acquisition can take place proportionate to the shares subscribed to or offered in each case; to this extent, the shareholders' right to offer their shares proportionate to the percentage of shares that they hold is disappplied. A preferential acceptance of smaller numbers up to 100 offered shares per shareholder can be stipulated, as can commercial rounding to avoid arithmetic fractions of shares. To this extent, any further right of the shareholders to tender shares is disappplied. The public offering directed to all shareholders or the public invitation to all shareholders to submit offers to sell may stipulate further conditions.

The Management Board is authorised, with the prior approval of the Supervisory Board, to use the treasury shares acquired on the basis of this authorisation for any legal purpose, in particular the following:

- (i) The shares may be redeemed, and such redemption or its execution shall not require another resolution of the General Shareholders' Meeting. They may also be redeemed in a simplified procedure without reducing capital by adjusting the pro-rata share of the remaining no-par value shares in the Company's share capital. If they are redeemed in a simplified procedure, the Management Board is authorised to adjust the number of no-par value shares in the Articles of Association.

- (ii) The shares may also be sold in a way other than through the stock exchange or based on an offering directed to all shareholders if the purchase price payable in cash is not significantly lower than the stock market price of equivalent shares already listed. The number of shares sold in this manner disapplying pre-emptive rights may not exceed 10% of the share capital, neither at the time this authorisation becomes effective nor at the time it is exercised. Other shares that are issued or sold during the term of this authorisation while disapplying pre-emptive rights in direct or corresponding application of section 186 (3) sentence 4 AktG are to be counted toward this upper limit of 10% of the share capital. Shares that are issued to service option rights and/or conversion rights or conversion obligations from bonds with warrants and/or convertible bonds and/or profit participation rights are also to be counted towards this limit if such bonds or profit participation rights are issued during the term of this authorisation while disapplying pre-emptive rights in corresponding application of section 186 (3) sentence 4 AktG.
- (iii) The shares may be sold in return for contributions in kind, in particular in connection with business combinations, for the purpose of acquiring companies, parts of companies, equity interests in companies or other assets, or claims for acquiring other assets including receivables in respect of the Company.
- (iv) The shares may be used to implement a scrip dividend in which shares of the Company are used (including partially and alternatively) to fulfil shareholder dividend claims.
- (v) The shares may be used to fulfil subscription and exchange rights on the basis of the exercise of conversion and/or option rights or the fulfilment of conversion obligations arising from convertible bonds and/or bonds with warrants issued by the Company or one of its Group companies wholly owned by DIC Asset AG either directly or indirectly..

As at 31 December 2019, the Company held no treasury shares. It has not made use of the authorisation described above.

e. Share premium

The capital reserves amounted to EUR 763,909 thousand at the reporting date (2018: EUR 749,816 thousand). It contains the premium from the issuance of shares. The year-on-year rise results from the capital increase carried out in connection with the scrip dividend.

f. Hedging reserve

The reserve contained the effects of hedge accounting recognised directly in equity.

g. Provision for financial instruments classified as measured at fair value through other comprehensive income

The reserve contains the fair value gains/losses from the investments accounted for at fair value through other comprehensive income.

h. Retained earnings

The reconciliation of the consolidated profit for the year and other comprehensive income with consolidated retained earnings is shown in the following table:

in EUR thousand	31.12.2019	31.12.2018
Retained earnings beginning of the period	1,275	-14,763
Consolidated profit for the year	80,689	47,613
Dividend payment	-33,852	-43,890
Profit attributable to non-controlling interests	222	78
Amount reclassified from the provision for financial instruments classified as measured at fair value	76,836	12,237
Consolidated retained earnings	125,170	1,275
of which profits from the income statement	36,097	-10,962
of which profits from other comprehensive income	89,073	12,237

The dividend payment per share was EUR 0.48 for 2018 and EUR 0.64 for 2017 (including an extraordinary dividend of EUR 0.20 per share).

29. Interest-bearing loans and borrowings

in EUR thousand	31.12.2019		31.12.2018	
	Carrying amount	Fair value	Carrying amount	Fair value
Long-term (> 1 year) interest-bearing loans and borrowings				
Variable-rate loans and borrowings	59,325	59,675	73,838	74,065
Fixed-rate loans and borrowings	1,232,946	1,230,048	1,107,135	1,106,778
	1,292,271	1,289,723	1,180,973	1,180,843
Short-term (< 1 year) interest-bearing loans and borrowings				
Variable-rate loans and borrowings	89,133	89,374	110,183	111,228
Fixed-rate loans and borrowings	165,753	164,258	189,948	194,004
	254,886	253,632	300,131	305,232
Total	1,547,157	1,543,355	1,481,104	1,486,075

The fair values of the fixed-rate loans and borrowings are based on discounted cash flows calculated using interest rates taken from the yield curve as at 31 December 2019. The fair values of the financial instruments were determined applying risk premiums on a case-by-case basis. The carrying amounts of the variable-rate loans and borrowings are roughly equivalent to their fair values.

The maturities of the variable-rate and fixed-rate loans and borrowings are structured as follows:

in EUR thousand	31.12.2019			31.12.2018		
	Total variable-rate loans and borrowings	Total fixed-rate loans and borrowings	Weighted interest rate (fixed-rate loans and borrowings)	Total variable-rate loans and borrowings	Total fixed-rate loans and borrowings	Weighted interest rate (fixed-rate loans and borrowings)
< 1 year	89,133	165,753	1.12%	110,183	189,948	4.51%
1-5 years	59,325	1,036,956	2.17%	73,838	1,026,033	2.33%
> 5 years	-	195,990	1.39%	-	81,102	1.71%
Total	148,458	1,398,699		184,021	1,297,083	

Interest rates on the variable-rate loans and borrowings were adjusted regularly. Interest-rate adjustment dates are based on the 3- or 6-month Euribor rate plus an average margin. An average interest rate of 1.41% (2018: 1.89%) is used for the variable-rate loans and borrowings, while an average interest rate of around 2.00% (2018: 2.59%) is used for the fixed-rate loans and borrowings.

The price the bond issued in July 2017 with a nominal volume of EUR 180 million was 103.8% at the reporting date. The bond issued in October 2018 with a nominal volume of EUR 150 million was quoted at 104,0% at the reporting date.

The interest-bearing loans and borrowings were secured by land charges – with two exceptions: EUR 324,896 thousand for our corporate bonds (2018: EUR 497,823 thousand) and EUR 227,256 thousand in current liabilities (2018: EUR 88,000 thousand) mainly comprising the promissory note and the commercial paper.

30. Derivatives

At the reporting date, four derivative financial instruments were held:

in EUR thousand	31.12.2019		31.12.2018	
	Notional amount	Fair value	Notional amount	Fair value
Liabilities				
Interest rate hedges (swaps)	53,750	-1,729	0	0
Share option	0	0	n/a*	14,847

* The share option existing in the previous year concerned the writer position of a call option for 6,196,377 shares in TLG AG.

As a matter of principle, contracts for derivative financial instruments are concluded only with major banks to keep credit risks as low as possible.

Negative fair values of EUR 1,406 thousand after deduction of deferred taxes were recorded in equity as at 31 December 2019. The interest-rate hedging agreements had remaining terms of between 18 months and 30 months as at 31 December 2019.

in EUR thousand	31.12.2019		31.12.2018	
	Notional amount	Fair value	Notional amount	Fair value
Term ≤ 1 year	0	0	N/A	14,847
Term > 1 year	53,750	-1,729	0	0

In the previous year, the Group entered into the writer position of a call option for 6,196,377 shares in TLG AG to hedge the fair value of the shares in TLG AG shown under Other investments.

This had the following effects in the financial year:

in EUR thousand	Type of hedge	Notional amount	Carrying amount	Change in value	Balance sheet item
					Derivatives
	Interest rate hedges (Swaps)	53,750	-1,729	-1,406	Derivatives

In the previous year, the hedge had the following effects:

in EUR thousand				
Type of hedge	Notional amount	Carrying amount	Change in value	Balance sheet item
Share option	n/a	14,847	1,243	Derivatives

The following effects result from the hedged items:

in EUR thousand				
Type of hedged item	Carrying amount	Balance sheet item	Change in value in the current financial year	Cumulative change in value
Loans	3,348	Interest-bearing loans and borrowings	0	0

An interest rate hedge for a nominal volume of EUR 50,400 thousand was concluded for a loan of the same amount yet to be raised.

In the previous year, the hedged items had the following effects:

in EUR thousand				
Type of hedged item	Carrying amount	Balance sheet item	Change in value in the current financial year	Cumulative change in value
Equity investment	161,106	Equity investment	8,799	8,799

No ineffectiveness from hedges is shown in the income statement in the current financial year.

31. Other non-current financial liabilities

The lease liabilities are composed of the following items:

in EUR thousand		31.12.2019
Non-current lease liabilities		6,709
Current lease liabilities		2,635
Total lease liabilities		9,344

There were no significant lease liabilities for short-term leases or low-value leases which have not been included.

The short-term lease liabilities are reported under the "Other liabilities" item.

The total outflow of funds from leases for financial year 2019 amounted to EUR 2,494 thousand. This includes principal payments of EUR 2,269 thousand and interest payments of EUR 225 thousand.

The following table shows the maturity analysis for the lease liabilities. The amounts shown are the undiscounted lease payments rather than the present values of the lease liabilities carried in the balance sheet.

in EUR thousand		2019
< 1 year		2,583
1-5 years		7,347
> 5 years		0
Total		9,930

Possible future outflows of funds from extension and termination options not considered reasonably certain in the amount of EUR 9,067 thousand have not been included in the measurement of the lease liabilities.

At the reporting date, there were no leases which had been entered into but had not yet begun.

At 31 December 2019, the Group was not bound by any significant short-term leases for which the relevant practical expedient has been made use of.

32. Trade payables

Trade payables amounting to EUR 3,443 thousand (2018: EUR 2,149 thousand), EUR 391 thousand (2018: EUR 340 thousand) results from deferred service charges and from the use of services. They are due within one year.

33. Income tax payable

in EUR thousand	31.12.2019	31.12.2018
Trade tax	11,520	4,307
Corporation tax	9,169	4,320
Total	20,689	8,627

34. Other liabilities

in EUR thousand	31.12.2019	31.12.2018
Invoices outstanding	33,157	13,850
Bonuses	6,555	2,702
Deposits	4,631	3,905
Value added tax	4,518	826
Current lease liabilities	2,635	0
Security deposits	2,060	1,652
Holiday pay und other personnel-related expenses	1,664	1,132
Share-based payment	1,163	686
Building cost subsidies received	907	0
Auditing costs	591	494
Tax consultancy fees	530	341
Supervisory Board remuneration	394	395
Advance rent payments received	75	592
Advances received	0	21,479
Obligations under purchase contracts	0	3,455
Other	2,983	3,116
Total	61,863	54,625

In the previous year, the advances received were related to the agreements entered into on the sale of a block of shares in TLG Immobilien AG.

The increase in invoices outstanding compared with the previous year is mainly attributable to the business combination with GEG. The invoices outstanding include the expert fees for the annual property valuations, property transfer tax not yet paid, consultancy costs, other services and service charges, among others.

The Group has agreed performance-related remuneration agreements with the members of the Management Board in the form of a share-based payment model. At the end of 2019, the current and former members of the Management Board held options on 200,000 (2018: 315,000) phantom stocks of the Company. These options may not be exercised by members of the

Management Board until they have been a member of the Board of DIC Asset AG for two to three years. As at 31 December 2019, the Company measured the fair value at EUR 9.53 for Ms Wärtges and Mr von Mutius, and at EUR 9.82 for Mr Hasselbring (Management Board member of DIC Asset AG until 31 August 2019). The Black-Scholes option pricing model is applied for the measurement.

The critical parameters for this valuation model are the share price at the reporting date of EUR 15.90, (2018: EUR 9.07), the exercise price of EUR 5.87 in each case, the standard deviation from the expected share price return of 32.73% (2017: 15.80%) and the annual term-dependent risk-free interest rate of 0.01%, which remained unchanged from the previous year. Volatility as measured by the standard deviation from the expected share price returns is based on statistical analyses of the daily share prices over the last year.

Ms Wärtges and Mr von Mutius exercised their phantom stock options from 2014 and 2015 when the prerequisites were achieved. The total of 80,000 phantom stocks were measured at an average price of EUR 10.10 and EUR 10.12, respectively, (Xetra closing price) in the last ten trading days prior to the date of exercise. This resulted in total cash compensation of EUR 339 thousand, of which EUR 83 thousand was recognised as an expense in the reporting period (2018: EUR 8 thousand recognised as income). These constitute related party transactions as defined by IAS 24.17e. Further details, especially disclosures in accordance with section 314 (1) no. 6 letter a sentences 5 to 8 HGB, are provided in the remuneration report, which is an integral part of the combined management report.

At the reporting date, there were no exercisable phantom stock options. The fair value of all options granted (including former members of the Management Board) amounted to EUR 1.163 thousand at the reporting date (2018: EUR 686 thousand). As a result, a total of EUR 1.280 thousand (2018: EUR 161 thousand) was recognised as an expense for stock options in the financial year.

The liabilities arising from Supervisory Board remuneration are liabilities to members of the Supervisory Board. They constitute liabilities to related parties as defined by IAS 24.9. The breakdown of the remuneration in accordance with the criteria set out in IAS 24.9 is provided in the section entitled "Legal transactions with related parties" on page 172 et seq. For information on individual members, see the details on Supervisory Board remuneration in the remuneration report.

35. Supplementary disclosures on financial instruments

Due to the short terms of cash and cash equivalents, trade receivables and payables and other current receivables and liabilities, it is assumed that the fair value corresponds to the carrying amount in each case.

The fair value of financial instruments traded on an active market is based on the quoted market price at the reporting date. The fair value of financial instruments not traded on an active market, such as over-the-counter derivatives, is determined using a valuation technique (discounted cash flow measurement or option pricing model) with the use of observable market data. The fair value of the financial liabilities is calculated as the present value of expected future cash flows. They are discounted on the basis of the interest rates applicable at the reporting date.

The following table presents the carrying amounts, measurement and the fair values of the individual financial assets and financial liabilities for each class of financial instrument and reconciles them to the corresponding line items in the balance sheet. The IFRS 9 measurement categories relevant for the Group are: Financial assets at fair value through OCI (FVOCI), Financial assets at fair value through profit or loss (FVTPL), Financial assets measured at amortised cost (FAAC), and Financial liabilities measured at amortised cost (FLAC).

There are no prices quoted on an active market for the unlisted shares in DIC Opportunistic GmbH held by the Group and for the equity investments newly acquired in the course of the GEG acquisition. Their fair value is based on the indirectly held real estate and equity investments. Changes in fair value at the end of the reporting period amounted to EUR +1,082 thousand. Please refer to page 146 et seq. for the valuation of real estate assets.

in EUR thousand	IFRS 9 measurement category	Carrying amount 31.12.19	Measurement in acc. with IFRS 9			Fair value 31.12.19
			Amortised cost	Fair value through profit or loss	Fair value through other comprehensive income	
Assets						
Other investments	FVOCI	38,418			38,418	38,418
Other investments	FVTPL	15,193		15,193		15,193
Other loans	FAAC	119,527	119,527			119,527
Receivables from sale of investment property	FAAC	488	488			488
Trade receivables	FAAC	11,634	11,634			11,634
Receivables from related parties	FAAC	11,002	11,002			11,002
Other receivables	FAAC	41,448	41,448			41,448
Other assets	FAAC	20,402	20,402			20,402
Cash and cash equivalents	FAAC	351,236	351,236			351,236
Total	FAAC	555,737	555,737			555,737
Liabilities						
Derivatives	n/a	1,729			1,729	1,729
Corporate bond	FLAC	324,896	324,896			342,720
Non-current interest-bearing loans and borrowings	FLAC	967,374	967,374			947,003
Current loans and borrowings	FLAC	219,856	219,856			219,691
Trade payables	FLAC	3,443	3,443			3,443
Related party liabilities	FLAC	16,582	16,582			16,582
Other liabilities*	FLAC	59,228	59,228			59,228
Liabilities related to financial investments held for sale	FLAC	35,031	35,031			33,941
Total	FLAC	1,626,410	1,626,410			1,622,608

* without current lease liabilities

The figures for the previous year are as follows:

in EUR thousand	IFRS 9 measurement category	Carrying amount 31.12.18	Measurement in acc. with IFRS 9		Fair value 31.12.18
			Amortised cost	Fair value through other comprehensive income	
Assets					
Other investments	FVOCI	382,578		382,578	382,578
Other loans	FAAC	130,206	130,206		130,206
Receivables from sale of investment property	FAAC	515	515		515
Trade receivables	FAAC	4,182	4,182		4,182
Receivables from related parties	FAAC	9,382	9,382		9,382
Other receivables	FAAC	26,406	26,406		26,406
Other assets	FAAC	1,545	1,545		1,545
Cash and cash equivalents	FAAC	286,903	286,903		286,903
Total	FAAC	459,139	459,139		459,139
Liabilities					
Derivatives	n/a	14,487		14,487	14,487
Corporate bond	FLAC	497,822	497,822		508,958
Non-current interest-bearing loans and borrowings	FLAC	857,601	857,601		850,123
Current loans and borrowings	FLAC	125,681	125,681		126,994
Trade payables	FLAC	2,149	2,149		2,149
Related party liabilities	FLAC	16,104	16,104		16,104
Other liabilities	FLAC	54,625	54,625		54,625
Liabilities related to financial investments held for sale	FLAC	0	0		0
Total	FLAC	1,553,982	1,553,982		1,558,953

Interest income and interest expense for each category are as follows:

in EUR thousand	Interest income		Interest expense	
	2019	2018	2019	2018
Financial assets measured at amortised cost (FAAC)	10,296	9,266		
Financial liabilities measured at amortised cost (FLAC)			-38,963	-40,205

Financial instruments recognised at fair value are divided into several measurement levels in accordance with IFRS 7. These are financial instruments that

- Level 1: are measured at current market prices in an active market for identical financial instruments,
- Level 2: are measured at current market prices in an active market for comparable financial instruments or with valuation models whose significant inputs are based on observable market data, or
- Level 3: are measured using inputs not based on observable market prices.

As at 31 December 2019, the division into measurement levels is as follows:

in EUR thousand	Fair Value 31.12.2019	Level 1	Level 2	Level 3
Assets at fair value – recognised in other comprehensive income				
Equity investment	38,418			38,418
Assets at fair value – recognised through profit or loss				
Equity investment	15,193			15,193

The figures for the previous year are as follows:

in EUR thousand	Fair Value 31.12.2018	Level 1	Level 2	Level 3
Assets at fair value – recognised in other comprehensive income				
Equity investment	382,578	352,154		30,424

Changes in Level 3 financial instruments are as follows:

in EUR thousand	2019	2018
01.01.	30,424	31,026
Addition	22,106	0
Measurement gains/losses	1,081	-602
31.12.	53,611	30,424

Net gains and losses on financial instruments are as follows:

in EUR thousand	2019	2018
Financial assets measured at fair value through other comprehensive income (FVOCI) - equity instruments	1,081	30,887
Financial assets measured at fair value through profit and loss (FVtPL) - debt instruments	0	0
Financial assets measured at amortised cost (FAAC)	584	401

The net gains and losses consist of the changes in the fair value of financial assets recognised through other comprehensive income (equity instruments, FVOCI), as well as expenses and income for expected credit losses (previous year: impairments) from the financial assets measured at amortised cost (FAAC).

STATEMENT OF CASH FLOWS DISCLOSURES

The cash and cash equivalents shown in the statement of cash flows correspond to the cash and cash equivalents shown on the balance sheet, i.e. cash at hand and bank balances that can be made available within three months.

The non-cash changes in financial liabilities in the statement of cash flows are largely attributable to unpaid interest and transactions.

in EUR thousand	01.01.2019	Cash		Non-cash		31.12.2019
			Reclassifications	Changes in the basis of consolidation	Interest / Other	
Corporate Bond	497,822	-175,000			2,074	324,896
Long-term interest-bearing loans and borrowings	857,601	262,894	-160,506	8,250	-865	967,374
Current interest-bearing loans and borrowings	125,681	-65,693	160,506		-638	219,856
Liabilities in accordance with IFRS 5	0			35,031		35,031
Total	1,481,104	22,201	0	43,281	571	1,547,157

SEGMENT REPORTING

The segment report is structured in line with IFRS 8 Operating Segments, following the management approach. As part of the GEG transaction, we have restructured and simplified our business segments to focus our reporting on two pillars. Firstly, there is the Commercial Portfolio segment, which includes our own property portfolio as before. Secondly, we are combining our previous Funds and Other Investments segment with the GEG business to form the Institutional Business segment. The TLG dividend column shows that effect of our equity investment in TLG which we have not allocated to any segment. By completing the sale of the

shares in TLG Immobilien AG in the first half of 2019, we ended our involvement in TLG Immobilien AG and included all effects in Q2. The prior-year figures were restated accordingly.

Decisions by the Management Board on the allocation of resources to the segments and their earnings capacity are based primarily on the operational and financial key performance indicators presented.

The FFO contribution of the Commercial Portfolio segment rose by EUR 4.0 million or 9% to EUR 47.5 million overall (2018: EUR 43.5 million). This was primarily due to the EUR 1.7 million increase in gross rental income or EUR 3.2 million increase in net rental income and thus con-

SEGMENT REPORTING

in EUR million	2019				2018			
	Commercial Portfolio	Institutional Business	TLG dividend	Total	Commercial Portfolio	Institutional Business	TLG dividend	Total
Key earnings figures								
Gross rental income (GRI)	101.9			101.9	100.2			100.2
Net rental income (NRI)	87.9			87.9	84.7			84.7
Profits on property disposals*	40.5			40.5	18.6			18.6
Real estate management fees		62.9		62.9		33.6		33.6
Share of the profit or loss of associates		5.4	12.9	18.3		5.6	10.2	15.8
Net other income	1.0	-0.4	0.0	0.6				
Net interest result	-28.6	-2.2	-1.6	-32.4	-28.5	-1.4	-6.9	-36.8
Operational expenditure (OPEX)	-12.8	-31.5	-1.5	-45.8	-12.7	-16.1	-1.5	-30.3
- of which admin costs	-4.9	-12.5	-0.5	-17.9	-5.1	-6.4	-0.6	-12.1
- of which personnel costs	-7.9	-19.0	-1.0	-27.9	-7.6	-9.7	-0.9	-18.2
EPRA FFO adjustments	0.0	3.4	0.1	3.5	0.3	0.8	0.0	1.1
Funds from Operations (FFO)	47.5	37.6	9.9	95.0	43.5	22.7	1.8	68.0
EBITDA	116.6	36.4	11.5	164.5	90.4	23.2	8.7	122.3
EBIT	85.8	32.9	11.5	130.2	60.9	23.2	8.7	92.8
Segment assets*								
Number of properties	93	87	0	180	101	77	0	178
Assets under Management (AuM) in EUR million	1,900.0	5,729.4	0	7,629.4	1,696.8	3,948.9	0	5,645.7
Rental space in sqm	842,400	1,164,600	0	2,007,000	893,500	966,700	0	1,860,200

* not proportionate / based on 100%, incl. project developments and repositioning properties

firmed the growth trend in the Commercial Portfolio. Assets under management grew by 12% to EUR 1,900.0 million (previous year: EUR 1,696.8 million)

Real estate management fees, which rose as a result of the GEG acquisition, among others, are predominantly responsible for the sharp increase in the FFO contribution of the Institutional Business segment and also overcompensated for the significant growth in operating expenses. Assets under management on the balance sheet day grew by 45% to EUR 5,729.4 million (previous year: EUR 3,948.9 million)

After deducting operating expenses and net interest result, the investment in TLG Immobilien AG generated an FFO contribution of EUR 9.9 million in 2019.

RECONCILIATION BETWEEN THE MARKET VALUE IN 2019 AND THE CARRYING AMOUNT OF INVESTMENT PROPERTIES

in EUR million	2019	2018
Market value, AuM, total	7,629	5,646
less Institutional Business	5,729	3,949
less fair value adjustment	277	213
less IFRS 5 properties	0	25
Total	1,623	1,459

LEASES

The Group is the lessor in a large number of operating leases (tenancy agreements) of different types for investment property owned by the Group. Most of the leases have a term of between five and ten years. They contain a market rent review clause in case the lessee exercises its option to extend the lease. The lessee is not granted the option to acquire the property at the end of the lease term.

At the reporting date, investment properties with a carrying amount of EUR 1,623,030 thousand (2018: EUR 1,459,002 thousand) were let under operating leases. With regard to the required disclosures on accumulated depreciation and depreciation costs for the period, please see the information in note 15 "Investment property".

DIC Asset AG will receive the following future minimum lease payments from existing leases with third parties:

in EUR thousand	2019	2018
< 1 year	79,822	93,225
1-5 years	263,195	270,459
> 5 years	151,944	175,180
Total	494,961	538,864

The minimum lease payments include net rental income to be collected up until the agreed lease expiry date or the earliest possible date of termination by the lessee (tenant), regardless of whether notice of termination or non-renewal of a lease is actually expected.

In 2019, the Group had leases primarily for retail and gastronomy space involving a revenue-dependent, in some cases index-linked rent agreement. The Group generated rent of EUR 4,204 thousand (2018: EUR 4,561 thousand) from these leases. Furthermore, there were no contingent rents.

With regard to the gross rental income recognised by the Group from investment property in 2019, please refer to note 1. Maintenance expenses included in other property-related expenses were as follows:

in EUR thousand	2019	2018
Properties with which rental income is generated	1,536	1,555
Properties which are vacant	0	0

The Group has entered into several lease agreements as lessee. The lease agreements primarily concern leased vehicles and the rental of office premises. The lease for the offices began on 1 April 2014 and ends on 31 March 2024. Contracts for leased vehicles have a standard term of three years. For leases there exist extension options with a term of 3 to 10 years.

For the previous year, the application of IAS 17 results in the following disclosures:

Total expenses from minimum lease payments for operating leases in which the Group is the lessee amounted to EUR 2,095 thousand. In 2018, DIC Asset AG made the following minimum lease payments for existing non-cancellable operating leases:

in EUR thousand	2018
< 1 year	2,000
1–5 years	6,106
> 5 years	361
Total	8,467

REPORTING ON RISK MANAGEMENT

The Group is exposed to various financial risks, such as credit risk, liquidity risk and market risk, in connection with its operating activities, and managing these financial risks is integral to the Group's business strategy. The associated corporate policies are stipulated by the Management Board.

Details concerning the risk management system and business risks are presented in the Company's management report in the section entitled "Risk management" on page 93 et seq. The following supplementary disclosures on individual risks are made in accordance with IFRS 7:

Credit risk

Credit risk is defined as the risk that a business partner may not be able to meet obligations on time, resulting in a financial loss or a decline in the value of the assets serving as collateral. To reduce the risk of a loss from non-performance, the Group aims to only enter into business relationships with creditworthy counterparties or, if appropriate, request that collateral be furnished. The Group is exposed to credit risk as part of its operating activities (in particular from trade receivables, receivables from related parties) as well as risks as part of its financing activities, including its deposits with banks and financial institutions.

Receivables from tenants are due from a large number of tenants spread across various industries. Credit risk is assessed and controlled by regularly conducting credit rating analyses when new leases or extensions are signed as well as proactively managing accounts receivable. Leases are only signed with counterparties with excellent credit standing. Credit ratings are analysed and updated on each reporting date. To this end, the available credit information is reviewed for significant deterioration. Contractual partners without any record of late payments are assigned to Risk Level I. Delayed payments or non-payment of outstanding receivables are generally considered to increase credit risk significantly and in some cases are already subject to litigation (Risk Level II). Receivables that appear uncollectible, e.g. because insolvency proceedings have been opened, are classified in the highest risk level (Risk Level III). This principle can be refuted if reliable and justifiable information indicates in individual cases that credit risk has not increased. Based on the relevant risk level assignment, loss allowances are recognised in the amount of the expected credit loss.

Receivables from related parties exist mainly in the form of loans granted. The creditworthiness of these contractual partners is monitored continuously. Due to the existing collateral and the assets of the contractual partners, the expected credit losses in this context are regarded as insignificant. In the case of financing activities, the Group is exposed to credit risk arising from the non-performance of contractual agreements on the part of its contractual partners. This applies in particular to bank balances. The credit risk of these contractual partners is subject to regular monitoring. To minimise risk, the Group enters into transactions only with counterparties that have a high credit rating or are members of a deposit protection fund.

In addition, the Group is exposed to credit risk resulting from financial guarantees furnished by the Group to banks or other contractual partners. The Group's maximum risk corresponds to the amount the Group would have to pay if the guarantee was called in. As at 31 December 2019, there were guarantees amounting to EUR 118,168 thousand (2018: EUR 160,752 thousand). The share attributable to DIC Asset as at the reporting date amounts to EUR 101,716 thousand (2018: EUR 128,140 thousand) (see disclosures on contingent liabilities).

Based on the risk classifications, the carrying amounts per risk level are as follows:

in EUR thousand	2019			
	Trade receivables	Loans to related parties	Receivables from related parties	Cash and cash equivalents
Risk level I	11,263	119,527	11,002	351,236
Risk level II	371	-	-	-
Risk level III	-	-	-	-
Total	11,634	119,527	11,002	351,236

Impairment losses on trade receivables changed as follows:

in EUR thousand	2019	2018
As at 1 January	1,832	1,734
Additions	1,019	614
Use	-321	-303
Reversal	-435	-213
As at 31 December	2,095	1,832

The change in loss allowances is attributable to the ongoing measurement of receivables. Additions relate mainly to additions to Levels 2.

For all other assets subject to the impairment model according to IFRS 9.5.5, there were no material expected credit losses.

The maximum credit risk is equal to the carrying amounts of the financial assets recognised in the balance sheet.

A concentration risk could arise in cases where individual tenants generate more than 10% of the Group's rental income. Since no tenant has a share exceeding 10% of total volume, the Group is not exposed to significant credit risk. The top ten tenants generate some 41% of total annual rental income. These tenants are all renowned tenants with mostly excellent credit standing, primarily from the public sector, the telecommunications industry and the retail sector.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting its contractual financial obligations. The Group manages liquidity risk by holding reserves, by maintaining credit lines at banks and by continually monitoring forecast and actual cash flows as well as matching the maturity profiles of financial assets and liabilities. The aim of this liquidity planning is to ensure that unforeseeable needs can be met alongside planned financing requirements.

Among other factors, demands are placed on the DIC Asset Group's liquidity by obligations from contractually agreed interest and principal payments for non-derivative financial liabilities. Liquidity risk may arise, for example, if loans which have been earmarked for renewal cannot be extended, if delays arise in sales activities or if capital requirements for new financing are larger than expected.

An additional fundamental risk arises from loan agreements in which covenants are agreed, e.g. debt-service coverage ratio (DSCR), interest coverage ratio (ICR), WALT or LTV. Covenant violations, which occur when defined thresholds are exceeded, can, for example, necessitate unscheduled repayments or the furnishing of collateral for the amount required to comply with the covenant.

Compliance with covenants is monitored on an ongoing basis and included in the Group's quarterly reporting to management. All covenants were met in the 2019 financial year. We expect no covenant violations in 2020.

Cash and cash equivalents totalling EUR 351,236 thousand (2018: EUR 286,903 thousand) are available to cover liquidity requirements. Furthermore, the Group has credit lines and guarantee facilities unutilised to date in the total amount of EUR 77,265 thousand (2018: EUR 108,628 thousand). The Group expects to be able to fulfil its other obligations from operating cash flows.

In the interest of minimising risk concentration, new financing and refinancing deals for real estate portfolios are spread across several banks in some cases, thus reducing the respective exposure per bank. At the reporting date, the maximum counterparty risk with a single counterparty stands at EUR 204 million (2018: EUR 255 million).

The financial liabilities arising over the next few years from the liabilities existing at the reporting date including estimated interest payments are shown below. These are undiscounted gross amounts including estimated interest payments.

in EUR thousand	2020	2021 to 2024	2025 and after
Non-derivative financial liabilities			
Non-current interest-bearing loans and borrowings	27,116	1,181,744	204,582
Current loans and borrowings	268,518		
Trade payables	3,443		
Related party liabilities	16,582		
Other liabilities	61,863		
Derivative financial liabilities	0	1,729	
Total	377,522	1,183,473	204,582

The figures for the previous year are as follows:

in EUR thousand	2019	2020 to 2023	2024 and after
Non-derivative financial liabilities			
Non-current interest-bearing loans and borrowings	19,974	1,198,880	88,063
Current loans and borrowings *	320,857		
Trade payables	2,149		
Related party liabilities	16,104		
Other liabilities	54,626		
Derivative financial liabilities	0	0	0
Total	413,710	1,198,880	88,063

*incl. liabilities – properties held for sale

Market risk

Market risk is the risk that market prices, such as interest rates, may change and thus affect the Group's income or the value of the financial instruments it holds. The aim of market risk management is to manage and control the risk within acceptable bandwidths, and to optimise returns as much as possible.

Interest rate risk arises as a result of market-driven fluctuations in interest rates or margins on new borrowings and renewals of loans. The Group is exposed to interest rate risk because Group companies raise funds at fixed and variable interest rates. This risk is managed by the Group through a balanced portfolio of fixed-rate and variable-rate loans. Interest rate swaps, mainly payer swaps, are also arranged additionally for this purpose if appropriate. As at the 31 December 2019 reporting date, the Group had four interest rate derivatives (2018: none).

In order to hedge the fair value of the shares in TLG AG shown under Other Investments in the previous year, the Company had entered into a writer position on a call option during the previous year (see page 156)

The following table shows the notional amounts and remaining terms of derivatives at the end of the reporting period.

in EUR thousand	2019		2018	
	Notional amount	Fair value	Notional amount	Fair value
Term ≤ 1 year	0	0	n/a	14,847
Term 1-5 years	53,750	-1,729	0	0
Term > 5 year	0	0	0	0

As at 31 December 2019, 91% (2018: 88%) of the Group's loans and borrowings carried a fixed interest rate and thus matched the cash flows from rents. This means that the impact of fluctuations in market interest rates are foreseeable in the medium term.

For the purpose of optimising its net interest result, the Group maintained 9% (2018: 12%) of financial debt at variable interest rates in financial year 2019.

In accordance with IFRS 7, interest rate risk is presented using sensitivity analyses. These show the effects of changes in market interest rates on interest payments, interest income and expense, other earnings items and, in the case of derivatives in a hedging relationship, the effects on the hedging reserve in equity and the fair value of these derivatives. The sensitivity analyses are based on the assumption that changes in market interest rates of non-derivative financial instruments carrying fixed interest rates only affect earnings if these are measured at fair value. As a result, fixed-rate financial instruments carried at amortised cost are not subject to interest rate risk as defined in IFRS 7. Sensitivity analyses are therefore only conducted for variable-rate financial liabilities. For variable-rate financial debt, it is assumed that the amount of the outstanding liability at the end of the reporting period was outstanding for the full year. An increase or decrease of the market interest rate by 100 basis points would have had the following effect on earnings income and equity at the reporting date after taking deferred taxes into consideration:

in EUR thousand	2019		2018	
	+100 Bp	-100 Bp	+100 Bp	-100 Bp
Effect on earnings from variable-rate loans and borrowings	-1,457	+1,457	-1,723	+1,705
Hedge effect on equity	-2,992	+3,251	0	0

The interest rate risk of the Group's financial assets and financial liabilities is described in the section entitled "Liquidity risk".

In the previous year, there are no realisable market risks for the option on TLG Immobilien AG shares due to the fixed sales over the term of the option.

CONTINGENT LIABILITIES AND OTHER FINANCIAL OBLIGATIONS

Contingent liabilities

The DIC Asset Group has provided the following sureties and guarantees:

Type of collateral	Beneficiary	Purpose	Amount in EUR thousand	DIC Asset Group share in EUR thousand
Directly enforceable fixed liability guarantee	Deutsche Hypotheken Bank AG, Berlin Hyp AG, HSH Nordbank AG	Loan agreement, Commercial Portfolio	50,500	50,500
Directly enforceable guarantee	Thoma Aufzüge GmbH	Claims from the MT Porta construction project	30	30
Directly enforceable guarantee	Imtech Deutschland	Claims from the MT Porta construction project	2,481	2,481
Directly enforceable guarantee	Union Investment Real Estate GmbH	Warranty bond for MT Porta	2,750	2,750
Payment bond	BAM Deutschland AG	MT WINX construction project	7,088	7,088
Payment bond	ED.Züblin AG	MT Panorama construction project	595	595
Payment bond	BAM Deutschland AG	MT WINX construction project	14,000	14,000
Rent guarantee	Ideal Lebensversicherung	Rent guarantee for a subsidiary's commercial property	34	34
Payment bond	Köster GmbH	Leverkusen construction project	350	350
Letters of comfort	Novapierre Allemagne	Sale of properties	1,493	1,493
Directly enforceable guarantee	Union Investment Real Estate GmbH	Fulfilment of all payment obligations and obligations to pay damages by the seller in accordance with the MT Porta purchase agreement	5,000	2,000
Cost overrun guarantee	Deutsche Pfandbriefbank	Global Tower project development	3,750	3,750
Warranty bond	PATRIZIA WohnInvest Kapitalverwaltungsgesellschaft mbH	Acceptance of MT Patio construction project	1,000	400
Directly enforceable guarantee	WinX Verwaltungs GmbH	Obligation to fulfil contractually secured claims in the WINX construction project	16,000	6,400
Directly enforceable guarantee	Grundbesitzgesellschaft Große Theaterstraße mbH & Co. KG	Opera Offices NEO construction project	2,300	460
Directly enforceable guarantee	Grundbesitzgesellschaft Große Theaterstraße mbH & Co. KG	Opera Offices NEO construction project	140	28
Debt service guarantee	Deutsche Pfandbriefbank	Global Tower project development	1,650	1,650
Cost overrun / debt service guarantee	Deutsche Hypothekenbank (Actien-Gesellschaft)	Regional Council Darmstadt construction project	5,000	5,000
Payment bond	Schwitzke Project GmbH	Regional Council Darmstadt construction project	2,974	2,974
Performance surety bond	Ferox	Regional Council Darmstadt construction project	1,033	1,033

Currently, there is no discernible risk of DIC Asset being held liable for the contingent liabilities it has assumed, because the financial situation of the relevant companies indicates that they will settle the underlying liabilities.

Financial obligations

A sublease agreement with a fixed term until 31 March 2024 is in place between DIC Asset AG and Deutsche Immobilien Chancen AG & Co. KGaA, which acts as the general tenant for the Group, for the premises in the MainTor Primus building. DIC Asset AG subleased upper levels two to seven in that building. This agreement triggers annual payments of EUR 1,256 thousand, plus EUR 191 thousand in advance payments of service charges. Deutsche Immobilien Chancen AG & Co. KGaA subleased the space on the eighth floor to another tenant.

Additional financial obligations arise from operating lease agreements for vehicles in which the Company is the lessee. Please see the section entitled "Leases" on p. 165 et seq. for more information.

With regard to existing investment obligations for measures on portfolio properties, please refer to our explanations in the section entitled "Investment property" on p. 146 et seq.

CAPITAL MANAGEMENT

The paramount objective of capital management is to ensure that the Group retains its ability to repay its debts and the financial stability to support its business activities in the future.

The capital structure is managed in accordance with economic and regulatory provisions. In this process, we aim to achieve a balanced maturity structure for outstanding liabilities.

DIC Asset AG is able to manage its capital structure through dividends and/or capital increases or by changes to its financing. DIC Asset AG strives to maintain a capital structure that is in line with the business risk. DIC Asset AG is subject to the minimum capital requirements for stock corporations. Compliance with these requirements is monitored.

The equity ratio is used as an important parameter vis-à-vis investors, analysts and banks.

in EUR thousand	2019	2018
Equity	968,778	895,921
Total assets	2,657,443	2,490,051
Reported equity ratio	36.5%	36.0%

The reported equity ratio increased by 0.5 percentage points year-on-year.

RELATED PARTY DISCLOSURES

Entities and individuals classified as related parties

Related parties include the 14 (2018: 15) associated companies accounted for using the equity method (see the section entitled "Consolidation").

Due to their significant influence, the following entities and individuals are classified as related parties:

- Deutsche Immobilien Chancen AG & Co. KGaA
- Group companies of Deutsche Immobilien Chancen AG & Co. KGaA
- DIC Opportunistic GmbH
- Deutsche Immobilien Chancen Beteiligungs AG
- DIC Grund- und Beteiligungs GmbH
- DIC Capital Partners (Europe) GmbH
- GCS Verwaltungs GmbH
- MSREF Funding Inc. together with the companies of the MSREF Group
- Forum European Realty Income II L.P. (hereinafter "Forum")
- DICP Capital SE
- Prof. Dr. Gerhard Schmidt

Additional related parties are the Supervisory Board, the Management Board and close relatives of these individuals.

Until 31 May 2019, legal transactions with the GEG Group were included in the related party disclosures. There were no material legal transactions up to this date.

The Company has prepared a dependent company report outlining its relations with affiliated companies. This report lists all legal transactions conducted by the Company or its subsidiaries with affiliates, or at the request of or in the interest of one of these companies, over the past financial year, as well as all other measures the Company took or failed to take at the request of or in the interest of these companies over the past financial year.

The report concludes with the following statement:

"We hereby declare that, based on the circumstances known to us at the time when the transactions were entered into, our Company received or paid appropriate consideration for each transaction. We took no actions at the request of or on behalf of the controlling company."

An overview of legal transactions and relations with related parties is shown below.

Legal transactions with related parties

Deutsche Immobilien Chancen AG & Co. KGaA

There is an overlap of personnel in the Supervisory Boards of DIC Asset AG, Deutsche Immobilien Chancen AG & Co. KGaA ("DIC AG & Co. KGaA") and DIC Beteiligungs AG in that Prof. Dr. Gerhard Schmidt and Mr Klaus-Jürgen Sontowski are also indirectly significant limited shareholders in DIC AG & Co. KGaA. In addition, Prof. Dr. Gerhard Schmidt is also the indirect majority shareholder of its sole general partner, DIC Beteiligungs AG. Mr Ulrich Höller was a member of the Supervisory Board of DIC Asset AG (until 15 May 2019) and DIC Beteiligungs AG (until 30 September 2019).

The Company currently provides services related to general property and building management (including re-letting services), technical building management as well as accounting, finance and management control for a total of 19 properties in which DIC AG & Co. KGaA has a direct or indirect equity interest. In 2019, the total remuneration received by the Company for these services amounted to EUR 62,883 thousand (2018: EUR 33,639 thousand). Of this, a total of EUR 436 thousand (2018: EUR 364 thousand) was attributable to remuneration paid by consolidated companies of the DIC AG & Co. KGaA Group.

DIC Asset AG has granted a loan to DIC AG & Co. KGaA with an indefinite term and a notice period of 12 months effective at the end of a quarter. An interest rate of 3% above the 3-month Euribor to be paid in arrears, has been agreed. As collateral for taking out the loan, DIC AG & Co. KGaA in accordance with an addendum dated 21 December 2015 had granted a lien on ordinary shares of TTL Real Estate GmbH in the amount of EUR 222 thousand (22% of the ordinary shares). As at 31 December 2019, EUR 18,992 thousand of this credit line had been utilised (2018: EUR 30,089 thousand). As at the end of the year, DIC AG & Co. KGaA repaid EUR 12,000 thousand. For the money made available, DIC Asset AG received interest income in the amount of EUR 903 thousand in the reporting year (2018: EUR 876 thousand). The loan is shown under non-current loan and borrowings in the balance sheet.

In addition, a sublease relationship is in place between DIC AG & Co. KGaA and DIC Asset AG with regard to office space used by DIC Asset AG at the Frankfurt site since DIC AG & Co. KGaA acts as the general tenant in the Group headquarters in Frankfurt. The amount of the rent is based on the space actually occupied by DIC Asset AG and is charged on at the same price per square metre that is a component of the general rental agreement of DIC AG & Co. KGaA. For 2019, rent paid to DIC AG & Co. KGaA amounted to EUR 1,466 thousand (2018: EUR 1,319 thousand). DIC Asset AG considered the rent to be at the normal rate for the location and appropriate.

DIC Opportunistic GmbH

In accordance with a loan agreement dated 17 December 2008 and the addenda thereto, DIC Asset AG has granted a loan to DIC Opportunistic GmbH. As at 31 December 2019, this loan amounted to EUR 30,949 thousand (2018: EUR 36,831 thousand). The term of the loan was extended from 31 December 2016 to 31 December 2017 with respect to a partial amount of EUR 35 million and to 31 December 2018 with respect to the remaining amount of EUR 9.8 million in accordance with an addendum dated 14 December 2015. The term was extended from 31 December 2017 to 31 December 2018 with respect to a partial amount of EUR 15 million and to 31 December 2019 with respect to the remaining amount of EUR 19.8 million in accordance with an addendum dated 20 December 2017. Based on an addendum dated 18 October 2018, the term was extended to 31 December 2019 with respect to a partial amount of EUR 15 million, and to 31 December 2020 with respect to the remaining amount. Based on an addendum dated 23 December 2019, a partial repayment of EUR 8 million was agreed, the interest rate was adjusted to 3.0% p.a. and the term for the remaining amount was extended to 31 December 2021. For the money made available, DIC Asset AG received interest income in the amount of EUR 2,118 thousand in the reporting period (2018: EUR 2,003 thousand).

DIC Opportunistic GmbH holds a 7.5% interest in DIC Hamburg Portfolio GmbH and in DIC HI Portfolio GmbH; DIC Asset AG holds the remaining 92.5% of the shares. DIC Opportunistic GmbH would generally be willing to sell this interest. However, since DIC Asset AG is interested in maintaining this structure to avoid any influence by a third party or triggering property transfer tax, it pays an annual financial compensation of 5% of the purchase cost for the shares (EUR 285 thousand).

DIC MainTor GmbH

In an agreement dated 12 December 2011, DIC OF REIT 1 GmbH (a wholly-owned subsidiary of DIC Asset AG) granted DIC MainTor Porta GmbH a loan in the amount of up to nominally EUR 30 million to finance the corresponding construction stage of our project development. The loan has an interest rate of 7.25% p.a. In accordance with the addendum dated 6 December 2018, it has a term ending 31 December 2020. In accordance with the addendum to the loan agreement dated 18 December 2014, a special repayment of EUR 20 million was agreed. The shares in DIC MainTor WINX GmbH were pledged as collateral. As at the reporting date, this loan amounted to EUR 44,751 thousand including accrued interest (2018: EUR 40,130

thousand). Total interest income of EUR 3,703 thousand (2019: EUR 3,398 thousand) was recognised in the 2018 financial year. In addition, a collateral promise agreement was concluded on 19 December 2014. The collateral promise turned this liability into a joint and several obligation of DIC MainTor Porta GmbH and DIC MainTor GmbH.

DIC MainTor Zweite Beteiligungs GmbH & Co. KG

DIC Asset AG entered into a loan agreement with DIC MainTor Zweite Beteiligungs GmbH & Co. KG in the amount of EUR 8,000 thousand with effect from 4 July 2008 for the purpose of financing the working capital of the borrower. The loan carries annual interest of 7.25%. The claims arising from the loan were secured by providing the lender with a first-priority pledge over the rights and claims from the shares in the capital of DIC MainTor Erste Beteiligungs GmbH. Addendum 1 dated 10 October 2008 to the loan agreement dated 4 July 2008 increased the loan amount by EUR 4,000 thousand to EUR 12,000 thousand. Addenda 1 through 10 extended the term of the loan, most recently to 31 December 2020 by way of Addendum 10. As at 31 December 2019, the loan balance was EUR 24,835 thousand (2018: EUR 23,156 thousand). For the money made available, DIC Asset AG received interest income in the amount of EUR 1,679 thousand in the reporting period (2018: EUR 1,565 thousand).

DIC Office Balance I, DIC Office Balance II, DIC Office Balance III, DIC Office Balance IV, DIC Office Balance V, DIC Retail Balance I, DIC Metropolregion Rhein-Main und DIC High-Street Balance

As a result of an agency agreement regarding asset and property management, the Group generated income from real estate management fees of EUR 17,289 thousand (2018: EUR 11,638 thousand) for services provided to the DIC Office Balance I fund, of EUR 2,192 thousand (2018: EUR 2,746 thousand) for services provided to the DIC Office Balance II fund, of EUR 2,805 thousand (2018: 3,130 thousand) for services provided to DIC Office Balance III, of EUR 1,422 thousand (2018: EUR 1,533 thousand) for services provided to DIC Office Balance IV, of EUR 2,566 thousand (2018: EUR 4,074 thousand) for services provided to DIC Office Balance V, of EUR 1,561 thousand (2018: EUR 1,177 thousand) for services provided to DIC Retail Balance I, of EUR 1,545 thousand (2018: EUR 0 thousand) for services provided to DIC Metropolregion Rhein-Main and of EUR 0 thousand (2018: EUR 7,279 thousand) for services provided to DIC HighStreet Balance.

Deutsche Immobilien Chancen Beteiligungs AG

Under the "German Investment Program Agreements" dated 29 July 2004 and the "Investment And Shareholder Agreements" dated 7 June 2005, the following DIC Asset AG investees and their respective wholly-owned subsidiaries made use of various services provided by DIC Beteiligungs AG.

SERVICE AGREEMENTS

Companies

DIC MSREF HMDD Portfolio GmbH
DIC MSREF Hochtief Portfolio GmbH
DIC MSREF FF Südwest Portfolio GmbH

Agreements in place

Provision of management services;
Commission on letting or sale of properties;
Accounting fee
Remuneration for subleases (tenant improvement fee)
Development fees
Arrangement fee

Under the current asset management agreements and the addenda thereto, MSREF investees are to pay the following compensation to DIC Beteiligungs AG, as in the previous year:

- Base management fee: 1.3% of net annual rent
- Disposition fee (corresponds to a sales commission): 1% to 3% of the sales price after transaction costs if no outside broker is involved, and 0.4% to 1.5% of the sales price after transaction costs if an outside broker is involved
- Development fee: for project development services up to initial leasing: dependent on expenses or market-rate compensation.
- Accounting fee: for accounting, finance and control services, EUR 10.8 thousand per company p.a. and EUR 28 thousand for a company that was still operational

A fee for services in connection with new financing or the renewal of existing financing (arrangement fee) was also added to the asset management agreement of DIC MSREF FF Südwest Portfolio GmbH with the addendum dated 20 March 2013.

The addendum dated 15 December 2015 fixed the amount of the arrangement fee at 0.15% (plus value added tax) of the loan amount.

In 2019 and 2018, the following compensation was paid to DIC Beteiligungs AG, in which MSREF holds 25.1% of the share capital (excluding applicable value added tax):

Recipient of service (amounts in EUR thousand)		Base management fee	Disposition fee	Accounting fee	Arrangement fee	Development fee	Total
DIC MSREF HMDD Portfolio GmbH	2019	0	0	11	0	0	11
	2018	2	247	38	0	0	287
DIC MSREF HT Portfolio GmbH	2019	0	0	11	0	0	11
	2018	7	465	28	0	0	500
DIC MSREF FF Südwest Portfolio GmbH	2019	9	4,046	47	109	1,469	5,680
	2018	7	0	61	0	1,072	1,140
Total amounts	2019	9	4,046	69	109	1,469	5,702
	2018	16	712	127	0	1,072	1,927

In addition to the Management Board members, DIC Beteiligungs AG employs one more person; and for the purpose of providing the services assigned to it under the asset management agreement, it made use of services rendered by DIC Onsite GmbH in the reporting year. Based on a service agreement dated 31 July 2012, DIC Onsite GmbH (a wholly-owned subsidiary of DIC Asset AG) charges fees to DIC Beteiligungs AG for this, the amount of which also depends on whether the MSREF investee has contracted third parties to provide these services with the approval of the Company.

Specifically, the agreement provides for compensation for services related to portfolio and asset management in the amount of 0.8% of net annual rent. The compensation paid for sales assistance is 0.13% to 0.38% of the proceeds realised, or 0.05% to 0.19% of the proceeds realised if an external broker was used. Individual properties and project developments may be subject to case-by-case arrangements.

DIC Capital Partners (Europe) GmbH

Under the existing service agreements (“Asset Management Agreements”) the DICP investees are to pay the following compensation to DIC Beteiligungs AG, as in the previous year:

- Disposition fee (corresponds to a sales commission): 1.5% of the sales price after transaction costs if no outside broker is involved, and 0.5% of the sales price after transaction costs if an outside broker is involved
- Development fee: for project development services up to initial leasing: dependent on expenses or market-rate compensation
- Accounting fee: for accounting, finance and control services, between EUR 20 thousand and 35 thousand per company p.a.
- Arrangement fee: for services in connection with new financing or renewals of existing financing.

In 2019 and 2018, the following compensation was paid to DIC Beteiligungs AG, in which DICP directly holds 7.5% of the share capital (excluding applicable value added tax):

Recipient of service (amounts in EUR thousand)	Base Management Fee	Disposition Fee	TI/Develop- ment Fee	Accounting Fee	Arrangement Fee	Total	
DIC MainTor GmbH	2019	0	0	0	85	0	85
	2018	0	0	0	84	0	84

Morgan Stanley Real Estate Funds (MSREF)

Together with the companies of the MSREF Group, DIC Asset AG has acquired interests in investment properties, including:

- properties transferred from MEAG, which were held by DIC MSREF HMDD Portfolio GmbH and its wholly-owned subsidiaries, under agreements dated 14 December 2005;
- properties acquired from Hochtief, which were held by DIC MSREF HT Portfolio GmbH and its wholly-owned subsidiaries, under agreements dated 24 May 2006;
- properties transferred from the Falk Group, which were held by DIC MSREF FF Südwest Portfolio GmbH and its wholly-owned subsidiaries, under agreements dated 16 August 2006;

(hereinafter referred to collectively as “joint ventures”).

The Company indirectly held 20% in each of the property companies in the FF Südwestportfolio, the HT portfolio and the properties acquired from MEAG via the portfolio companies. Deutsche Immobilien Chancen AG & Co. KGaA also has an indirect stake of 30% in each company in addition to the companies of the MSREF Group, which each hold 50%. With respect to the distribution of profits, DIC Beteiligungs AG is entitled to a profit paid in advance based on the respective internal rate of return (IRR). This profit amounts to 10% of profits if the IRR is 17.5% or higher and increases up to a maximum of 30% of profits if the IRR is over 27.5%.

The Company continues to be bound by credit agreements with the joint ventures, under which the Company acts both as lender and borrower. The underlying credit comes in the form of overdraft facilities with an agreed interest rate of 6% p.a. in each case. Interest is payable in arrears at the end of a year or quarter or is added to the principal. The agreements do not provide for fixed terms or collateral. With regard to the balances existing as at the reporting dates, see note 18.

Transactions with executives

There extent of transactions with executives and their close relatives was insignificant.

Management remuneration

The remuneration of key management personnel in the Group, which is subject to disclosure requirements under IAS 24.17, encompasses the remuneration paid to the current Management Board and the Supervisory Board.

The members of the Management Board received remuneration as follows:

in EUR thousand	2019	2018
Short-term benefits	1,805	1,994
Share-based payment	971	142
Total	2,776	2,136

For more details of the Management Board's remuneration, please see the remuneration report starting on page 193 et seq., which is part of the combined management report.

The members of the Supervisory Board received remuneration as follows:

in EUR thousand	2019	2018
Short-term benefits	394	395
Total	394	395

Further details, especially disclosures in accordance with section 285 (1) no. 9 letter a sentences 5 to 9 HGB, are provided in the management report. Supervisory Board members were also reimbursed travel expenses totalling EUR 1 thousand.

The Chairman of the Company's Supervisory Board, Prof. Dr. Gerhard Schmidt, is a partner in the law firm of Weil, Gotshal & Manges LLP. This law firm received remuneration for legal consultancy services and disbursed fees and costs in the amount of EUR 330 thousand for financial year 2019.

Shareholder structure

Deutsche Immobilien Chancen AG & Co. KGaA, Frankfurt am Main, holds a direct and indirect equity interest of 35.0% in the capital of DIC Asset AG, subject to a pooling agreement. The Company has received the voting rights announcements pursuant to section 20 AktG.

OTHER DISCLOSURES

Announcements pursuant to section 160 AktG

The existing announcements pursuant to section 21 (1) WpHG concerning direct and indirect equity investments in the issued capital of DIC Asset AG are listed in appendix 3 to the notes.

Events after the reporting period

In January 2020, the transfer of possession, benefits and associated risks for two properties acquired in 2019 for the Institutional Business segment with a volume of around EUR 554 million took place.

On 21 January 2020, DIC Asset AG increased its subscribed capital by EUR 6,857,774.00 under a cash capital increase from authorised capital. A total of 6,857,774 new shares were placed at a price of EUR 16.00 per share. The Company will receive gross proceeds of approximately EUR 110 million from the capital increase.

End of January 2020, we notarised a sale of a commercial portfolio property. The transfer of possession, benefits and associated risks is expected to take place in the first quarter 2020.

No other material transactions were resolved, initiated or carried out in the period between the reporting date and the release for publication of the consolidated financial statements by the Management Board.

Corporate governance report

The declaration regarding the German Corporate Governance Code pursuant to section 161 AktG has been submitted and has been made permanently available to shareholders on the website "<http://www.dic-asset.de/engl/investor-relations/CG/declaration.php>".

Supervisory Board

The members of the Supervisory Board are:

- Prof. Dr. Gerhard Schmidt (Chairman), Attorney, Glattbach
- Mr Klaus-Jürgen Sontowski (Vice Chairman), Entrepreneur, Nuremberg
- Mr Ulrich Höller (until 15 May 2019), Master of Economics, Real Estate Economist (ebs), Chartered Surveyor FRICS, Frankfurt am Main
- Prof. Dr. Ulrich Reuter, Chief Administrative Officer of the District of Aschaffenburg, Kleinostheim
- Mr Eberhard Vetter, Head of Capital Investments at RAG-Stiftung, Nauheim
- Dr. Anton Wieggers, former Chief Financial Officer of Provinzial Rheinland Holding, Provinzial Rheinland Versicherung AG and Provinzial Rheinland Lebensversicherung AG, Winterbach
- René Zahnd (since 21 May 2019), Chief Executive Officer of Swiss Prime Site AG

The members of the Supervisory Board also serve on the following supervisory boards and control bodies:

Membership in additional supervisory boards and control bodies:

Prof. Dr. Gerhard Schmidt	Deutsche Immobilien Chancen Beteiligungs AG, Frankfurt am Main: Chairman of the Supervisory Board*
	Deutsche Immobilien Chancen AG & Co. KGaA, Frankfurt am Main: Chairman of the Supervisory Board*
	DICP Erste Family Office Beteiligungsgesellschaft mbH & Co. KGaA, Munich: Chairman of the Supervisory Board*
	DIC Capital Partners (Germany) GmbH & Co. Kommanditgesellschaft auf Aktien, Munich: Chairman of the Supervisory Board
	DICP Asset Management Beteiligungsgesellschaft mbH & Co. KGaA, Munich: Chairman of the Supervisory Board
	DICP Capital SE, Munich: Chairman of the Board of Directors/Managing Director**
	DIC Capital Partners Beteiligungs GmbH, Munich: Chairman of the Supervisory Board**
	DIC Capital Partners (Germany) Verwaltungs GmbH, Munich: Chairman of the Supervisory Board**
	GEG German Estate Group AG, Frankfurt am Main: Vice Chairman of the Supervisory Board*
	Grohe AG, Hemer: Chairman of the Supervisory Board
	TTL Beteiligungs- und Grundbesitz AG, Munich: Chairman of the Supervisory Board*
	Novalpina Capital Group S.à.r.l., Luxembourg: Non-Executive Chairman
	STONE Capital Partners GmbH, Frankfurt am Main: Chairman of the Supervisory Board**
Klaus-Jürgen Sontowski	Deutsche Immobilien Chancen AG & Co. KGaA, Frankfurt am Main: Vice Chairman of the Supervisory Board
	Deutsche Immobilien Chancen Beteiligungs AG, Frankfurt am Main: Vice Chairman of the Supervisory Board
	Pegasus CP Holding GmbH, Erlangen: Chairman of the Advisory Board
	S&P Commercial Development GmbH, Erlangen: Chairman of the Advisory Board

* Membership as defined in section 100 (2) sentence 2 AktG

** Supervisory Board not required by law

Prof. Dr. Ulrich Reuter	Bayerischer Versicherungsverband Versicherungsaktiengesellschaft, Munich: Member of the Supervisory Board	René Zahnd (seit 21.05.2019)	Jelmoli AG, Zurich: President of the Board of Directors
	Bayerische Landesbrandversicherung Aktiengesellschaft, Munich: Member of the Supervisory Board		SPS Beteiligungen Alpha AG, Olten: President of the Board of Directors
	Bayern-Versicherung Lebensversicherungs Aktiengesellschaft, Munich: Chairman of the Supervisory Board		Swiss Prime Site Immobilien AG, Olten: President of the Board of Directors
	Sparkasse Aschaffenburg-Alzenau, Aschaffenburg: Chairman of the Board of Directors		Swiss Prime Site Finance AG, Olten: President of the Board of Directors
	Sparkassenverband Bayern (Bavarian Savings Banks Association), Munich: Association Chairman and Chairman of the Board of Directors		Swiss Prime Site Management AG, Olten: President of the Board of Directors
	Versicherungskammer Bayern (Bavarian Insurance Chamber), Munich: Member of the Board of Directors		Swiss Prime Site Solutions AG, Zurich: President of the Board of Directors
Eberhard Vetter	GEG German Estate Group AG, Frankfurt am Main: Member of the Supervisory Board		Tertianum Gruppe AG, Zurich: President of the Board of Directors
	Deutsche Immobilien Chancen Beteiligungs AG, Frankfurt am Main: Member of the Supervisory Board		Wincasa AG, Winterthur: President of the Board of Directors
	HQ Capital (Deutschland) GmbH, Bad Homburg: Member of the Advisory Board		immoveris ag, Bern: President of the Board of Directors
	Roeder Zeltsysteme und Service GmbH, Buedingen: Member of the Advisory Board		
Dr. Anton Wiegers	GRR AG, Erlangen: Member of the Supervisory Board		
	Lippische Landes-Brandversicherungsanstalt, Detmold: Member of the Gewährträgerversammlung (Guarantors' Meeting)		
	Savills Fund Management Holding AG, Frankfurt am Main: Vice Chairman of the Supervisory Board		
	Savills Investment Management KVG GmbH, Frankfurt am Main: Vice Chairman of the Supervisory Board		
	Savills Fund Management GmbH, Frankfurt am Main: Vice Chairman of the Supervisory Board		
	Lippische Landes-Brandversicherungsanstalt, Detmold: Member of the Board of Directors		
	Kriton Immobilien GmbH, Munich: Member of the Advisory Board		

Management Board member

The members of the Management Board are:

- Ms Sonja Wärntges (Chairwoman), CEO, Economics Graduate, Frankfurt am Main

Ms Sonja Wärntges is a member of the corporate/ supervisory bodies of the following companies:

- DIC Real Estate Investments GmbH & Co. KGaA, Frankfurt am Main, Chairwoman of the Supervisory Board
- GEG German Estate Group AG, Frankfurt am Main, Chairwoman of the Supervisory Board, since 11 October 2019

- Mr Johannes von Mutius, CIO, Business Administration Graduate, Königstein im Taunus

Mr Johannes von Mutius is a member of the corporate/ supervisory bodies of the following companies:

- DIC Real Estate Investments GmbH & Co. KGaA, Frankfurt am Main: Member of the Supervisory Board

- Mr Dirk Hasselbring, Chief Funds Officer, Master of Economics, Kronberg im Taunus (until 31 August 2019)

RESPONSIBILITY STATEMENT

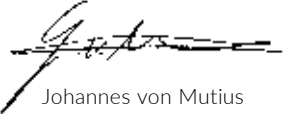
To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the group management report, which is combined with the management report of DIC Asset AG, includes a fair review of the development and performance of the business and the position of the Group, together with a description of the material opportunities and risks associated with the expected development of the Group.

Frankfurt am Main, 4 February 2020

The Management Board



Sonja Wärntges



Johannes von Mutius

INDEPENDENT AUDITOR'S REPORT

To the DIC Asset AG, Frankfurt am Main, Germany

Report on the audit of the consolidated financial statements and of the combined management report

Audit Opinions

We have audited the consolidated financial statements of DIC Asset AG and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated profit and loss account, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from January 1., 2019 to December 31, 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the combined management report of DIC Asset AG for the financial year from January 1., 2019 to December 31, 2019. In accordance with the German legal requirements, we have not audited the content of those parts of the combined management report listed in the appendix.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to § [Article] 315e Abs. [paragraph] 1 HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at December 31, 2019, and of its financial performance for the financial year January 1., 2019 to December 31, 2019, and
- the accompanying combined management report as a whole provides an appropriate view of the Group's position. In all material respects, this combined management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the combined management report does not cover the content of the parts of the combined management report listed in the appendix.

Pursuant to § 322 Abs. 3 Satz [sentence] 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the combined management report.

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the combined management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the combined management report.

In our view, the matters described below were the most significant matters in the course of our audit:

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from January 1., 2019 to December 31, 2019. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon, we do not provide a separate audit opinion on these matters.

Impairment of Investment Properties

■ Reasons for designation as a key audit matter

The consolidated financial statements as at December 31, 2019 present investment properties amounting to EUR 1,623 million. DIC Asset AG measures investment properties using the cost model in accordance with IAS 40 in conjunction with IAS 16. The carrying amounts of investment properties are tested for impairment according to IAS 36 annually. For this purpose, specialized and acknowledged expert evaluators (Cushman & Wakefield und ENA Experts) are commissioned with the preparation of expert assessments in order to determine market values and values in use. The evaluation is carried out for all residential and commercial properties using the discounted cash flow ("DCF") method. The valuation of investment properties includes numerous valuation-relevant parameters which are associated with considerable estimation uncertainty and discretionary leeway. Even minor changes in the valuation-relevant parameters can lead to significant changes in the resulting fair values. Due to the existing estimation uncertainty and discretionary leeway, there is a risk for the consolidated financial statements that the carrying amounts of the investment properties are not covered by the fair values less costs of disposal or values in use and an impairment requirement exists. In addition, IAS 40 and IAS 36 require a large number of disclosures in the notes, the completeness and adequacy of which is to be ensured.

■ Our audit approach

Our audit activities included in particular the assessment of the valuation procedures for compliance with IAS 36 for the correctness and completeness of the data used for the real estate and for the reasonableness of the valuation parameters used. For a partly random-based and partly for risk aspects deliberately selected sample of properties, we have conducted on-site visits and mathematically reviewed the valuations determined by the commissioned external experts. We have assured ourselves of the qualification and objectivity of the external experts commissioned by DIC Asset AG and the applied valuation methodology for conformity with IAS 36. In addition, we examined the completeness and appropriateness of the disclosures required under IAS 40 and IAS 36 in the notes to the consolidated financial statements.

■ Reference to related disclosures in the notes

With regard to the accounting policies applied regarding the impairment of investment property, the related disclosures on accounting estimates and assumptions and the disclosures on the impairment of investment property, we refer to the disclosures in the notes to the consolidated financial statements in the sections "Accounting policies" under Significant accounting policies and "Investment property" under Balance sheet disclosures.

First-time consolidation of German Estate Group

■ Reasons for designation as a key audit matter

With the contract dated 5 June 2019, DIC Asset AG acquired 99.6% of the shares in the German Estate Group, Frankfurt, (GEG Group). The first-time consolidation as at June 1, 2019 was carried out using the acquisition method in accordance with IFRS 3.4 et seq. This required significant assessments and assumptions by the Management Board in the context of purchase price allocation for the recognition and measurement of the acquired net assets and the hidden reserves and liabilities to be identified. These have a significant impact on the measurement of the acquired assets and liabilities and goodwill. In view of the materiality for the DIC Group's financial position and the existing scope for discretion in carrying out the purchase price allocation, we consider the first-time consolidation of the GEG Group to be a key audit matter.

■ Our audit approach

As part of our audit procedures, we have verified the determination of the acquisition date and the acquisition costs for the acquisition of the GEG group on the basis of the contractual documents. Based on our knowledge of the business activities of the GEG Group and the explanations and plans of the Management Board, we examined the identification of assets and liabilities. We then gained an understanding of the procedure for determining the fair values of the acquired assets and liabilities, both methodically and arithmetically. In addition, we assessed the methodological approach and the first-time calculation of goodwill, taking non-controlling interests into account. By inspecting contracts and invoices and reconciling them with the accounting records, we have verified whether the costs incurred in the business combination were expensed. We also assessed the completeness and appropriateness of the disclosures required by IFRS 3 in the notes to the consolidated financial statements.

- Reference to related disclosures in the notes

With regard to the accounting policies applied to the first-time consolidation of German Estate Group, the related disclosures on accounting estimates and assumptions, we refer to the disclosures in the notes to the consolidated financial statements in the sections "Acquisition of GEG" under "Significant accounting policies".

Impairment of Goodwill

- Reasons for designation as a key audit matter

In financial year 2019, DIC Asset AG carried out an impairment test on the goodwill resulting from the acquisition of the GEG Group. The impairment test for the related identified cash-generating unit is highly dependent on assessments and assumptions and is therefore discretionary. In view of the materiality for the DIC Group's financial position and the scope for discretion in carrying out the impairment test, we consider the impairment of the goodwill from the acquisition of the GEG Group to be a key audit matter.

- Our audit approach

In order to assess the recoverability of goodwill, we have followed the methodical procedure for carrying out the impairment test with regard to the requirements of IAS 36. With regard to the determination of the recoverable amount on the basis of a discounted cash flow procedure, we compared the expected cash flows with the underlying planning and critically assessed these planning data. With regard to the capitalization interest rate applied, we analyzed the individual parameters to determine whether they reflect industry-specific market expectations. We also assessed the completeness and appropriateness of the disclosures required by IAS 36 in the notes to the consolidated financial statements.

- Reference to related disclosures in the notes

With regard to the accounting policies applied for the impairment of goodwill, the related disclosures on accounting estimates and assumptions, we refer to the disclosures in the notes to the consolidated financial statements in the sections "Impairment" under Significant accounting policies and "Goodwill" under Balance sheet disclosures.

Other Information

The executive directors are responsible for the other information. The other information comprises:

- Unaudited content of those parts of the combined management report listed in the appendix to the auditor's report,
- The remaining parts of the annual report, with the exception of the audited consolidated financial statements and combined management report and our auditor's report,
- The corporate governance report pursuant to No. 3.10 of the German Corporate Governance Code, and
- The confirmation pursuant to § 297 Abs. 2 Satz 4 HGB regarding the consolidated financial statements and the confirmation pursuant to § 315 Abs. 1 Satz 5 HGB regarding the combined management report.

Our audit opinions on the consolidated financial statements and on the combined management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the combined management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of such other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Executive Directors and the Supervisory Board for the Consolidated Financial Statements and the Combined Management Report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the combined management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a combined management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the combined management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the combined management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the combined management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the combined management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this combined management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the combined management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the combined management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to

continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the combined management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the combined management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- Evaluate the consistency of the combined management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the combined management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the annual general meeting on March 22, 2019. We were engaged by the supervisory board on November 2, 2019. We have been the group auditor of the DIC Asset AG without interruption since the financial year 2006.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

German Public Auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Karsten Luce.

Nuremberg, February 4, 2020

Rödl & Partner GmbH
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

gez. Landgraf	gez. Luce
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

Appendix to the auditor's report: Parts of the combined management report, whose contents is unaudited

We have not audited the content of the following parts of the combined management report:

- the statement on corporate governance included in the section Corporate Governance of the combined management report
- the report on sustainability,
- the report on digitalization.



CORPORATE GOVERNANCE

CORPORATE GOVERNANCE REPORT AND
CORPORATE GOVERNANCE DECLARATION

WORKING PRACTICES AND COMPOSITION OF THE
MANAGEMENT BOARD AND SUPERVISORY BOARD

REMUNERATION REPORT

CORPORATE GOVERNANCE REPORT AND CORPORATE GOVERNANCE DECLARATION

The Management Board files a report – also on behalf of the Supervisory Board – on the Company's corporate governance and, at the same time, reports on corporate governance in accordance with sections 289f and 315d HGB. The section also contains the remuneration report.

The corporate governance declaration for the Company and the Group is a component of the combined management report.

Disclosures on corporate governance practices

DIC Asset AG attaches great value to corporate governance with the Company and the Group. The Management Board and Supervisory Board feel that they have an obligation to ensure the Company's continued existence and the generation of sustained value added through responsible corporate governance with a long term focus. For DIC Asset AG, good corporate governance also includes managing risks in a responsible manner. The Management Board therefore makes sure that risks are appropriately managed and controlled in the Company (see also the comments in the report on risks and opportunities) and ensures that the Company complies with the law by maintaining a compliance management system that reflects the Company's exposure to risk. As described in its annual Declaration of Conformity, the Company is in compliance with the recommendations of the German Corporate Governance Code as amended on 7 February 2017. The Management Board regularly informs the Supervisory Board of any existing risks and their development. The Company's internal control, reporting and compliance structures are continuously reviewed, enhanced and adjusted to changes in the general environment.

Compliance Guidelines are in place for the DIC Asset Group and a Compliance Officer supervises observance of material compliance requirements. In addition, a whistleblower system for reporting misconduct and violations has been set up. Based on the Compliance Guidelines, the employees of DIC Asset AG and its subsidiaries are obliged to act in a responsible and legal manner. This includes the principles of ethics and integrity within the Company, in particular compliance with legal requirements, internal company guidelines and self-imposed values. The cornerstones of the Compliance Guidelines are described in the current report on risks and opportunities which is part of the Group management report of DIC Asset AG. In our opinion, more sophisticated corporate governance tools, such as in-house corporate governance principles, are not required given the company-specific circumstances. Should the implementation of additional tools become necessary, the Management Board and Supervisory Board will respond without delay.

Current Declaration of Conformity

The Management Board and Supervisory Board again focused on meeting the recommendations of the German Corporate Governance Code in financial year 2019. The consultation process resulted in the adoption of an updated annual Declaration of Conformity dated 10 December 2019, which has been made permanently accessible to the public on the Company's website.

Declaration of Conformity pursuant to section 161 AktG

The Management Board and the Supervisory Board declare that DIC Asset AG from the date of submission of its previous Declaration of Conformity has complied and will continue to comply with the recommendations of the German Corporate Governance Code as published on 7 February 2017. The following exceptions applied or apply:

- › If a D&O (directors' and officers' liability insurance) policy is taken out for Supervisory Board members, the Code in clause 3.8 paragraph 3 recommends agreeing a deductible of at least 10% of the loss up to at least the amount of one and a half times the fixed annual remuneration. DIC Asset AG has taken out a D&O policy for the members of its Supervisory Board which does not provide for a deductible for the Supervisory Board members. We believe that a deductible in the D&O policy would not enhance the motivation and sense of responsibility shown by the members of the Supervisory Board in performing their duties.
- › The Code in clause 4.1.5, in particular, recommends aiming for an appropriate consideration of women when appointing company executives. In appointing company executives, the Management Board has focused and will in the future continue to focus on the interests of the Company and the statutory provisions and in doing so will most of all give priority to the professional and personal qualifications of candidates – irrespective of gender. We have met the applicable statutory provisions with regard to the determination of targets for the share of women at the executive level below the Management Board.
- › The members of the Management Board have been promised performance-related payments (profit-sharing bonuses) and options on so-called phantom stocks as

variable remuneration components. In accordance with clause 4.2.3 paragraph 2 sentence 4 of the Code, both positive and negative developments within the agreed assessment period are taken into consideration when determining the variable remuneration components, insofar as the payments may turn out to be proportionately higher or lower, or may not be made at all. When they exercise the options, the members of the Management Board receive share-price-dependent payments which are based solely on the Company's share price within a reference period. In deviation from clause 4.2.3 paragraph 2 sentence 7 of the Code, these options on phantom stocks were not and are not based on "demanding and relevant comparison parameters" within the meaning of the Code. We are of the opinion that incorporating additional comparison parameters would not inspire greater motivation or a keener sense of responsibility.

- › The Code recommends in clause 4.2.3 paragraph 2 sentence 6 that the amount of the remuneration of the members of the Management Board should be capped both in the aggregate and as regards variable components. The amount of the variable performance-related payments (profit-sharing bonus) of Management Board members has not been capped in the director's contracts of the current Management Board members. We do not consider a cap on the profit-sharing bonus necessary since the Supervisory Board determines the amount of the bonus annually. The options on so-called phantom stocks granted to the members of the Management Board as long-term variable remuneration components have been and continue to be limited in number. When exercised, the options entitle the bearer to a cash payment in an amount defined by the positive difference between the average closing price of the DIC Asset AG share during a reference period preceding the exercise of the option, on the one hand, and the contractually agreed exercise price, on the other hand. The members of the Management Board may therefore benefit from the upside price potential of the shares during the refer-

ence period. There was and still is no cap on the amount of participation in the upside price potential at the time the option is exercised. We believe that an additional cap on this share-based remuneration component would run counter to its major incentive, which is working toward increasing the company value. Given the absence of caps on the variable remuneration components and on some of the ancillary benefits, there were and are also no caps on the total amount of remuneration for the members of the Management Board.

- › When concluding Management Board employment contracts, it should be ensured that payments to members of the Management Board upon the prior termination of their work for the Management Board do not exceed two annual remunerations, including ancillary benefits (severance cap), and that only the residual employment term be remunerated. In deviation from clause 4.2.3 paragraph 4 of the Code, Management Board employment contracts do not and will not include a severance cap. Any agreement of this kind would run counter to the basic understanding of a Management Board employment contract that is routinely concluded for the duration of the period of appointment, and that principally does not permit a regular termination. In addition, the Company cannot enforce a cap to the severance payment unilaterally in the event that a member's work for the Management Board is terminated by mutual agreement, as is frequently the case in practice. In the event of a Management Board employment contract being terminated prematurely, we will try to take account of the underlying principle of the recommendation.
- › The Code recommends in clause 4.2.5 paragraph 3 and paragraph 4, to present the board remuneration for each Member of the Management Board by using model tables that include specific details prescribed by the Code. To the extent that the Company deviates as elaborated above from the recommendation of clause 4.2.3 paragraph 2, sentence 6, for defining caps for the board re-

muneration, it obviously fails to act on the corresponding disclosure recommendation. Moreover, certain other disclosures required in the model tables that concern the remuneration structure are not relevant for the Management Board of DIC Asset AG. In the opinion of the Management Board and the Supervisory Board the new method would provide no added information value to shareholders. Against this background, the Company continues to present the board remuneration in compliance with the statutory requirements. Accordingly, the Company has deviated and will deviate from clause 4.2.5 paragraph 3 and paragraph 4 of the Code.

- › The Supervisory Board is required to propose suitable candidates for new appointments or reappointments to positions on the Supervisory Board by the General Shareholders' Meeting. In deviation from clause 5.3.3 of the Code, no nomination committee was or will be formed for this purpose. As the six members of the Supervisory Board are only representatives of the shareholders, and the current practice of voting proposals being prepared by the full Supervisory Board has proved to be efficient, the Supervisory Board sees no need to form a nomination committee.
- › In deviation from clause 5.4.1 paragraph 2 of the Code, the Supervisory Board has specified no age-independent regular limit of members' terms of office, nor will it specify such a regular limit. The Supervisory Board is of the opinion that it is more beneficial for the Company to have access to many years of expertise of individual Supervisory Board members and to make a decision in favour of continuity or replacement on a case-by-case basis. In the absence of a corresponding regular limit for term of office, in deviation from clause 5.4.1 paragraph 4 of the Code, this aspect is also not taken into account in the Supervisory Board's nominations for elections to the General Shareholders' Meeting, nor is information on the status of its implementation published.

- › The Code recommends in clause 5.4.1 paragraph 5 sentence 2 part 1 that the proposal for a candidate shall be accompanied by a curriculum vitae, providing information on the candidate's relevant knowledge, skills and experience. The recommendation does not specify whether this curriculum vitae must be published as part of the convening of the General Shareholders' Meeting. As previously, the Company makes the curricula vitae available on the Company's website together with any other material to be made available for the General Shareholders' Meeting. We believe that publishing curricula vitae as part of the covering to the General Shareholders' Meeting would impair its readability. As a matter of precaution, the Company therefore declares that it deviates from clause 5.4.1 paragraph 5 sentence 2 part 1 of Code.
- › According to the current Articles of Association, members of the Supervisory Board have been and are granted performance-related remuneration that is based on the annual dividend payment and may thus deviate from clause 5.4.6 paragraph 2 of the Code, which recommends that remuneration be linked to sustainable growth of the company. The dividend payment is a key measure of success for the shareholders. We consider it appropriate that members of the Supervisory Board be remunerated in accordance with criteria that are also of significance for the shareholders.

Frankfurt am Main, 10 December 2019

Management Board and Supervisory Board of DIC Asset AG

WORKING PRACTICES AND COMPOSITION OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD

Dual management structure

As a listed corporation, DIC Asset AG has a dual management structure comprising a Management Board and a Supervisory Board. The two Boards are clearly separated from each other – both in terms of personnel and function – allowing each of them to perform their different duties independently. While the duty of the Management Board is to manage the Company independently, the Supervisory Board's duty is to monitor this management.

Close cooperation between the Management Board and the Supervisory Board

The Management Board and the Supervisory Board work closely together in the interests of the Company and the Group. This ensures that optimal use is made of the professional expertise of the Board members and speeds up decision-making processes. The Management Board keeps the Supervisory Board regularly, promptly and comprehensively informed of strategy, planning, risk position and risk management, the internal control system, compliance, as well as current business developments. The Chairman of the Supervisory Board is also notified of material developments and decisions by the Management Board between meetings.

The Management Board performs its management role as a collegial body. It determines corporate objectives, strategic orientation, corporate policy and Group organisation and coordinates these with the Supervisory Board and ensures that they are implemented. In this process, the Management Board is bound to the Company's Group-wide interests and committed to the sustained increase of enterprise value, and to the needs of shareholders, customers, employees and other groups associated with the Company. The members of the

Management Board are jointly responsible for managing the entire business. Notwithstanding their overall responsibility, the individual Management Board members manage the departments assigned to them independently and within the parameters of the Management Board resolutions. The allocation of duties between the members of the Management Board is derived from the Schedule of Responsibilities. The Management Board has a quorum if at least the majority of its members participate in the resolution and adopts its resolutions by a simple majority. In the event that the Management Board consists of more than two members, the Chairman will have the casting vote in the event of a tie.

The Supervisory Board appoints and dismisses members of the Management Board. The Supervisory Board monitors the Management Board in its leadership and management of the Company. In the case of specifically defined actions of material significance – such as major capital expenditures – the Rules of Procedure for the Management Board require the approval of the Supervisory Board. The Supervisory Board has also adopted Rules of Procedure. Supervisory Board resolutions are generally passed at meetings by a simple majority of the votes cast. At the instruction of the Chairman of the Supervisory Board, resolutions can also be passed outside meetings if no member objects to this process. The Chairman of the Supervisory Board coordinates work within the Supervisory Board, chairs its meetings and attends to the affairs of the Supervisory Board externally.

An overview of the Supervisory Board's activities during the 2019 financial year is presented in the Supervisory Board report.

Composition of the Boards

Since 1 September 2019, the Management Board of DIC Asset AG has consisted of two members: Sonja Wärntges as Chairwoman (CEO), also responsible for Finance & Controlling as well as Asset, Property and Portfolio Management, and Johannes von Mutius (CIO), responsible for Transaction Business.

The Supervisory Board of DIC Asset AG consists of six members, who are all elected by the General Shareholders' Meeting. The Supervisory Board has elected a Chairman and a Vice Chairman. Members of the Supervisory Board are elected for a term of office ending at the conclusion of the General Shareholders' Meeting that formally approves their actions during the fourth financial year following the start of their term of office. The financial year in which the term of office begins is not included in this calculation. The current terms in office end at different times due to different appointment dates.

The specific composition of the Supervisory Board in the 2019 financial year and the disclosures pursuant to section 285 no. 10 HGB are listed in the notes to the consolidated financial statements.

Succession planning for the Management Board, diversity concept

The Supervisory Board works with the Management Board on long-term succession planning. When making decisions on filling Management Board positions, the key suitability criteria are professional qualifications for the division being run, leadership qualities, past performance and acquired skills as well as knowledge of DIC Asset AG.

With regard to the composition of the Management Board, the Supervisory Board follows a diversity concept that primarily includes the following aspects:

- Members of the Management Board should have the knowledge, skills and experience required to properly complete their tasks.
- Members of the Management Board must be familiar with the commercial real estate sector. At least some members of the Management Board should also have knowledge or experience of funds/asset and property management as well as capital markets and financing. As a minimum, the member of the Management Board responsible for Fi-

nance must have accounting or auditing expertise and some members of the Management Board should contribute experience of leading a medium-sized company.

- Diversity should also be taken into account when searching for qualified individuals for the Management Board. There should also be an appreciation of how different complementary professional profiles, work and life experiences and balanced gender representation can benefit the work of the Management Board.
- As a rule, members of the Management Board should be under 65 years old. Age should therefore also be taken into account when appointing Management Board members.
- The Supervisory Board stipulated targets for the share of women on the Management Board and a deadline for their achievement in accordance with section 111 (5) AktG as outlined below.

The diversity concept should benefit the work of the Management Board overall. When deciding which individual should fill a specific Management Board position, the Supervisory Board acts in the best interests of the Company while taking into account all circumstances in each individual case.

The Management Board of DIC Asset AG currently consists of two members professionally and personally qualified in different areas, including a female member, Sonja Wärtgtes, as CEO. The Supervisory Board believes that the diversity concept has been satisfied during the reporting period.

Objectives of the Supervisory Board with regard to its composition, skills profile and diversity concept

The Supervisory Board defined targets for its composition, taking the recommendations of the German Corporate Governance Code as amended on 7 February 2017 into account in accordance with the Declaration of Conformity. These targets include the skills profile for the Supervisory Board as a whole as well as the diversity concept it pursues for its composition.

- As a group, the Supervisory Board should have the knowledge, skills and professional experience required to properly complete its tasks. Members of the Supervisory Board must generally be familiar with the sector in which the Company operates.
- It should be ensured that at least some individual members of the Supervisory Board have the following knowledge or experience: (i) familiarity with the commercial real estate sector, (ii) knowledge of funds/asset and property management, (iii) knowledge of capital markets and financing, (iv) accounting or auditing expertise for at least one Supervisory Board member, (v) experience of leading a medium-sized company. The individual qualifications of individual members may complement each other in achieving this objective.
- Independence and avoiding conflicts of interest are also important objectives: The Supervisory Board should include an adequate number of independent members. At least half of Supervisory Board members should be independent as defined by clause 5.4.2 of the German Corporate Governance Code as amended 7 February 2017. The Supervisory Board is in compliance with the recommendations of the German Corporate Governance Code with regard to conflicts of interest. The Supervisory Board should not include any members who perform an executive or advisory role with significant third-party competitors of the Company or Group. The Supervisory Board

should not include more than two former Management Board members.

- Requirements for individual Supervisory Board members include: Only persons under 70 should be proposed for election to the Supervisory Board. Supervisory Board members should have business or operational experience. They should be able to assess the profitability, expediency and legality of the business decisions being evaluated as part of the Supervisory Board's work as well as key accounting documents, with the support of the auditor where appropriate. They should be willing to get involved in the substance of the business to a reasonable extent. Each Supervisory Board member ensures that they can dedicate the expected time to properly exercising their Supervisory Board mandate.
- The Supervisory Board may also include members who are particularly qualified for international requirements. However, in view of DIC Asset AG's focus on the German property market, the decision was made not to stipulate the aspect of internationality as an objective.
- Diversity should also be taken into account when searching for qualified individuals for the Supervisory Board. There should also be an appreciation of how different complementary professional profiles, work and life experiences and balanced gender representation can benefit the work of the Supervisory Board. The Supervisory Board stipulated targets for the share of women on the Supervisory Board and a deadline for their achievement in accordance with section 111 (5) AktG as outlined below.

The aforementioned targets should benefit the work of the Supervisory Board overall. The targets for the composition of the Supervisory Board are taken into account in the Supervisory Board's proposals for the election of Supervisory Board members submitted to the General Shareholders' Meeting. When preparing and approving candidate proposals to the General Shareholders' Meeting for the appointment of Supervisory Board members, the Supervisory Board should

be guided by the best interests of the Company in each case, observe legal requirements and focus on the professional and personal qualifications of the candidate.

The Supervisory Board believes that with the exception of the target for the share of women on the Supervisory Board the current composition of the Supervisory Board complies with the objectives set. All of the members of the Supervisory Board are familiar with the property sector relevant for the Company's activities, with at least one Supervisory Board member having accounting or auditing expertise. The Supervisory Board has an adequate number of independent members. In the opinion of the Supervisory Board, at least four Supervisory Board members are independent as defined in clause 5.4.2 of the German Corporate Governance Code as amended on 7 February 2017: Prof. Dr. Ulrich Reuter as Chairman of the Audit Committee, Dr. Anton Wieggers, Eberhard Vetter and René Zahnd.

Stipulations of targets for the share of women on the Supervisory Board, on the Management Board and at the executive level below the Management Board

As a listed company not subject to co-determination, DIC Asset AG is required by law to stipulated targets for the share of women on the Supervisory Board, on the Management Board and at the two executive levels below the Management Board, to the extent that these exist.

With effect from 1 July 2017, the Supervisory Board adopted targets of 1/6 (corresponding to around 16.66%) for the share of women on the Supervisory Board and 25% (1/4) for the share of women on the Management Board. A deadline of 30 June 2022 has been set for achieving these targets. With a ratio of 1/2 (50%), the target for the Management Board is currently exceeded. The target for the share of women on the Supervisory Board is currently not achieved with a ratio of 0%. When proposing to the General Share-

holders' Meeting to elect member of the Supervisory Board, the Supervisory Board takes into account the objectives set by the Supervisory Board for its composition and the skills profile for the Supervisory Board as a whole, while focusing on the professional and personal qualification of the candidate.

With effect from 1 July 2017, the Management Board adopted a target of 15.38% (2/13) for the share of women at the executive level below the Management Board and a deadline for achieving this target of 30 June 2022. As of the reporting date, this target has been missed with a ratio of 14.28% (2/14). This shortfall is due to the expansion of the management level below the Management Board as a result of the GEG acquisition in June 2019.

Disclosure of conflicts of interest

Each member of the Management Board and Supervisory Board discloses potential conflicts of interest in compliance with the German Corporate Governance Code. No conflicts of interest arose in financial year 2019. Board disclosed to the Supervisory Board in the 2019 financial year and their treatment are described in the Supervisory Board report.

Establishment of the Audit Committee

The Supervisory Board established an Audit Committee, which supports the Board in the performance of its duties and regularly reports to it. The Audit Committee primarily monitors the financial reporting process, the effectiveness of the internal control system, the risk management system, Group-wide compliance and, finally, the audit of financial statements. It assesses and monitors the independence of the auditors (also taking into account the additional services provided by the auditors) and the quality of the audit, and determines the areas of emphasis of the audit in consultation with the auditors. The Audit Committee mainly meets as needed.

The Audit Committee has the following three members:

- Prof. Dr. Ulrich Reuter (Chairman of the Audit Committee)
- Prof. Dr. Gerhard Schmidt
- Dr. Anton Wieggers

The Chairman of the Audit Committee is independent and has particular knowledge and experience in financial reporting and the auditing of financial statements. All of the members of the Audit Committee are familiar with the property sector.

D&O insurance

A Directors & Officers (D&O) insurance policy is in place for members of the Management Board and the Supervisory Board. It provides insurance for claims for damages by the Company, shareholders or third parties, which may be asserted due to Board members' failure to exercise due care. DIC Asset AG bears the costs of the insurance policy. The members of the Management Board have to pay a deductible in the event of a claim.

REMUNERATION REPORT

The following remuneration report is a component of the management report.

Remuneration system for the Management Board

The Supervisory Board sets the total remuneration of individual members of the Management Board, and adopts and regularly reviews the remuneration system for the Management Board.

Total remuneration adequately reflects the tasks of each member of the Management Board, their personal performance, the economic situation, the success and future prospects of DIC Asset AG, and it is also appropriate when measured against its peer group and the Company's overall remuneration structure. The remuneration structure establishes long-term behavioural incentives particularly through share-based payments and is generally focused on ensuring long-term and sustainable business growth. At the same time, remuneration is focused in such a way that it is competitive.

The remuneration of the Management Board comprises three components: (i) a fixed remuneration and fringe benefits, (ii) a variable remuneration that is contingent on the achievement of specific targets (short-term performance-related component) and (iii) share-based payment (long-term incentive component).

(i) Fixed remuneration and fringe benefits

The fixed remuneration is paid in equal monthly instalments. The fringe benefits consist of the provision of a company car, a mobile telephone and capped insurance subsidies, particularly for accident, medical and pension insurance or some other private form of pension provision.

- (ii) Variable, performance-related remuneration
The Management Board's variable, performance-related remuneration (bonus) is based on the operating result of the DIC Asset Group and therefore take account of both positive and negative developments.

Members of the Management Board are granted a bonus only if the DIC Asset Group reports an operating profit. The amount of the bonus is based on the extent to which corporate and personal targets were achieved. Corporate and personal targets are each given a 50% weighting by the Supervisory Board when setting the bonus. No bonus cap has been specified in the director's contracts. The Supervisory Board decides on the bonus once a year by 31 May of the following year. The bonus is paid on the last bank working day of the month in which the Supervisory Board makes its decision on the bonus.

(iii) Share-based payment as a long-term incentive

In addition, members of the Management Board hold options on phantom stocks in DIC Asset AG, which also take account of both positive and negative developments. The number of options granted is specified in individual contracts and capped. The options are designed such that they only grant the right to cash payment. The exercise of the options is linked to a specific number service years (vesting period). The duration of the vesting period is regulated by contract (see table "Phantom stock options"). When the options are exercised, the special remuneration is determined as the positive difference between the average of the closing prices during a reference period of ten trading days preceding the exercise of the options and the contractually agreed exercise price of EUR 5.88 per phantom stock. The members of the Management Board may therefore benefit from the shares' upside potential during the reference period. No cap has been set on the participation in the upside potential at the time the option is exercised. The fair value of the options on 31 December 2019 was EUR 792 thousand.

Activities carried out by the members of the Management Board in executive management and/or supervisory functions for DIC Asset AG's subsidiaries or investees are covered by the Management Board remuneration paid for DIC Asset AG.

Regulations regarding the termination of director's contracts

The director's contracts of the Management Board members do not expressly provide for severance pay. In deviation from clause 4.2.3 of the German Corporate Governance Code as amended on 7 February 2017, it has not been agreed that payments made to Management Board members on premature termination of their director's contract including fringe benefits do not exceed the equivalent of two years' remuneration (severance pay cap) and compensate no more than the remaining term of the director's contract.

If a Management Board member dies during the term of their director's contract, the fixed annual salary and the variable remuneration are to be paid pro rata temporis to their surviving dependants for a period of six months after the end of the month in which the Management Board member died. If a Management Board member becomes permanently incapable of working during the term of their director's contract, the contract will end three months after the end of the half-year in which the member's permanent incapacity was established. In the event of illness, the benefits will be paid for a term of six months, but no longer than until the director's contract ends.

Management Board members have not been promised a post retirement employee benefit.

Management Board remuneration in financial year 2019

REMUNERATION OF THE MANAGEMENT BOARD

in EUR	Fixed remuneration	Variable remuneration*	Share-price related remuneration**	Other***	Total 2019	Total 2018
Sonja Wärtges	520,000.00	260,000.00	495,000.00	31,052.40	1,306,052.40	870,216.66
Johannes von Mutius	390,000.00	195,000.00	297,000.00	32,568.80	914,568.80	655,059.21
Dirk Hasselbring (until 31.08.2019)	240,000.00	120,000.00	179,000.00	16,692.74	555,692.74	610,502.65
Total	1,150,000.00	575,000.00	971,000.00	80,313.94	2,776,313.94	2,135,778.52

* Provision as at 31 December 2019, the payment exceeding the provision amounted to EUR 205,000 in the previous year

** Provision as at 31 December 2019; Dirk Hasselbring, provision as at 31 August 2019

*** Non-monetary benefits from personal use of a company car and insurance subsidies

PHANTOM STOCK OPTIONS

	Number of stock options	Exercisable from
Sonja Wärtges	50,000	31.12.2018 (exercised in February 2019)
	75,000	31.12.2020
Johannes von Mutius	30,000	31.12.2018 (exercised in February 2019)
	45,000	31.12.2020
Dirk Hasselbring (until 31.08.2019)	40,000	31.05.2020

Benefits paid to former Management Board members in financial year 2019

Mr Dirk Hasselbring, who left the Management Board effective 31 August 2019, did not receive any further remuneration in financial year 2019 in addition to the above remuneration for his service on the Management Board until 31 August 2019. An additional provision of EUR 152,400.00 was recognised as at 31 December 2019 for the remaining share-price related remuneration. On 1 September 2019, Dirk Hasselbring moved to the Management Board of DIC Asset subsidiary GEG German Estate Group AG, where he is responsible for institutional business.

Mr Karaduman (CEO until 30 September 2017) exercised his 75,000 share options at the beginning of the year and received a total of EUR 314,025.00 in return, of which EUR 240,000.00 had already been accounted for by way of a provision as at 31 December 2018.

REMUNERATION OF THE SUPERVISORY BOARD

in EUR	Fixed remuneration	Variable remuneration	Remuneration for committee memberships	Total 2019	Total 2018
Prof. Dr. Gerhard Schmidt (Chairman)	50,000.00	50,000.00	5,000.00	105,000.00	105,000.00
Klaus-Jürgen Sontowski (Deputy Chairman)	37,500.00	37,500.00		75,000.00	75,000.00
Ulrich Höller (until 15.05.2019)	9,246.58	9,246.57		18,493.15	50,000.00
Prof. Dr. Ulrich Reuter	25,000.00	25,000.00	10,000.00	60,000.00	58,750.00
Eberhard Vetter	25,000.00	25,000.00		50,000.00	37,500.00
Dr. Anton Wieggers	25,000.00	25,000.00	5,000.00	55,000.00	53,750.00
René Zahnd (from 21.05.2019)	15,410.96	15,410.96		30,821.92	
Michael Bock (until 16.03.2018)					15,000.00
Total	187,157.54	187,157.53	20,000.00	394,315.07	395,000.00

Remuneration of Supervisory Board members

Supervisory Board remuneration is based on article 10 of the Articles of Association of DIC Asset AG. Accordingly, each member receives appropriate remuneration for their work that is composed of fixed remuneration and variable performance-related remuneration. The members of the Supervisory Board receive fixed remuneration of EUR 25,000.00 for each full financial year of membership of the Supervisory Board. Such remuneration shall be payable after the end of the financial year and shall be posted as an expense. Each member also receives EUR 2,500.00 annually for each percentage of the dividend over the rate of ten percent, calculated on the amount of the share capital that is distributed, but no more than EUR 25,000.00. The Chairman is paid twice the fixed and variable remuneration, and the Vice Chairman is paid one-and-a-half times the fixed and variable remuneration.

Supervisory Board members who are members of a Supervisory Board committee that has met at least once during the financial year receive an annual remuneration of EUR 5,000.00 per committee for each full financial year of their membership of this committee, but no more than EUR 10,000.00 in total. The Chairman of a Supervisory Board committee receives double this amount of additional remuneration.

In addition to the remuneration, each member of the Supervisory Board receives reimbursement of their expenses, including value added tax.

The total remuneration of the Supervisory Board members amounted to EUR 394 thousand in 2019. Supervisory Board members were also reimbursed travel expenses totalling EUR 1 thousand. A total of EUR 190 thousand (previous year: EUR 388 thousand) in remuneration for services purchased was paid to the law firm of Weil, Gotshal & Manges LLP, of which the Chairman of the Supervisory Board, Prof. Dr. Gerhard Schmidt, is a partner. The Supervisory Board had approved of this retention in July 2019, with the Chairman of the Supervisory Board abstaining from the vote. The fees paid for services in financial year 2019 concerned project-related legal consulting services on specific issues of company law.

Directors' dealings

Article 19 of Regulation (EU) no. 596/2014 of the European Parliament and of the Council on market abuse (Market Abuse Regulation) requires members of the Management Board and Supervisory Board to report any transactions conducted on their own account relating to the shares or debt instruments of DIC Asset AG or to derivatives or other financial instruments of DIC Asset AG linked thereto (Directors' dealings). This obligation also applies to persons related to members of governing bodies. However, transactions only had to be disclosed if the total amount of all transactions made by a member of a governing body or a person related to a member of a governing body until the end of the 2019 calendar year was at least EUR 5,000.00.

The following securities transactions as defined by article 19 Market Abuse Regulation were reported in the 2019 financial year:

Date	Issuer (ISIN)	Person required to file the report	Type of transaction	Volume
17.12.2019	DIC Asset AG DE000A1X3XX4	Entity with close relations to Prof. Dr. Gerhard Schmidt Supervisory Board	Acquisition	EUR 9,064,800.0000
02.12.2019	DIC Asset AG DE000A1X3XX4	Entity with close relations to Prof. Dr. Gerhard Schmidt Supervisory Board	Acquisition	EUR 7,625,000.0000
21.11.2019	DIC Asset AG DE000A1X3XX4	Entity with close relations to Prof. Dr. Gerhard Schmidt Supervisory Board	Acquisition	EUR 989,464.2202
20.11.2019	DIC Asset AG DE000A1X3XX4	Entity with close relations to Prof. Dr. Gerhard Schmidt Supervisory Board	Acquisition	EUR 170,046.0000
20.11.2019	DIC Asset AG DE000A1X3XX4	Entity with close relations to Prof. Dr. Gerhard Schmidt Supervisory Board	Acquisition	EUR 973,442.8195
19.11.2019	DIC Asset AG DE000A1X3XX4	Entity with close relations to Prof. Dr. Gerhard Schmidt Supervisory Board	Acquisition	EUR 955,826.0000
18.11.2019	DIC Asset AG DE000A1X3XX4	Entity with close relations to Prof. Dr. Gerhard Schmidt Supervisory Board	Acquisition	EUR 116,360.0000
18.11.2019	DIC Asset AG DE000A1X3XX4	Entity with close relations to Prof. Dr. Gerhard Schmidt Supervisory Board	Acquisition	EUR 40,219.2000
18.11.2019	DIC Asset AG DE000A1X3XX4	Entity with close relations to Prof. Dr. Gerhard Schmidt Supervisory Board	Acquisition	EUR 68,423.1600
18.11.2019	DIC Asset AG DE000A1X3XX4	Entity with close relations to Prof. Dr. Gerhard Schmidt Supervisory Board	Acquisition	EUR 1,060,044.3592
15.11.2019	DIC Asset AG DE000A1X3XX4	Entity with close relations to Prof. Dr. Gerhard Schmidt Supervisory Board	Acquisition	EUR 20,266.2600
11.11.2019	DIC Asset AG DE000A1X3XX4	Entity with close relations to Prof. Dr. Gerhard Schmidt Supervisory Board	Acquisition	EUR 3,837,000.0000
01.11.2019	DIC Asset AG DE000A1X3XX4	Entity with close relations to Prof. Dr. Gerhard Schmidt Supervisory Board	Acquisition	EUR 5,125,895.8300
01.11.2019	DIC Asset AG DE000A1X3XX4	Entity with close relations to Prof. Dr. Gerhard Schmidt Supervisory Board	Acquisition	EUR 25,000.0000
01.11.2019	DIC Asset AG DE000A1X3XX4	Entity with close relations to Prof. Dr. Gerhard Schmidt Supervisory Board	Acquisition	EUR 125,000.0000

Date	Issuer (ISIN)	Person required to file the report	Type of transaction	Volume
01.11.2019	DIC Asset AG DE000A1X3XX4	Entity with close relations to Prof. Dr. Gerhard Schmidt Supervisory Board	Acquisition	EUR 62,500.0000
31.10.2019	DIC Asset AG DE000A1X3XX4	Entity with close relations to Prof. Dr. Gerhard Schmidt Supervisory Board	Acquisition	EUR 625,000.0000
30.10.2019	DIC Asset AG DE000A1X3XX4	Entity with close relations to Prof. Dr. Gerhard Schmidt Supervisory Board	Acquisition	EUR 738,000.0000
30.10.2019	DIC Asset AG DE000A1X3XX4	Entity with close relations to Prof. Dr. Gerhard Schmidt Supervisory Board	Acquisition	EUR 374,476.2000
29.10.2019	DIC Asset AG DE000A1X3XX4	René Zahnd Aufsichtsrat	Acquisition	EUR 44,960.0000
06.09.2019	DIC Asset AG DE000A1X3XX4	Entity with close relations to Prof. Dr. Gerhard Schmidt Supervisory Board	Acquisition	EUR 6,858,000.0000
23.08.2019	DIC Asset AG DE000A1X3XX4	Entity with close relations to Prof. Dr. Gerhard Schmidt Supervisory Board	Acquisition	EUR 4,740,000.0000
26.04.2019	DIC Asset AG DE000A1X3XX4	Entity with close relations to Prof. Dr. Gerhard Schmidt Supervisory Board	Acquisition	EUR 495,056.0189
25.04.2019	DIC Asset AG DE000A1X3XX4	Entity with close relations to Prof. Dr. Gerhard Schmidt Supervisory Board	Acquisition of shares by exercising pre-emptive rights	EUR 24,977.7000
27.03.2019	DIC Asset AG DE000A1X3XX4	Dirk Hasselbring Management Board member	Granting of 22,026 pre-emptive rights under a rights issue	EUR 0
04.01.2019	DIC Asset AG DE000A1X3XX4	Dirk Hasselbring Management Board member	Purchase (transaction was executed via joint custody account with his wife Maria Gabriela Hasselbring)	EUR 201,700.2200

OTHER DISCLOSURES

Shareholders and General Shareholders' Meeting

The shareholders of DIC Asset AG exercise their rights at the General Shareholders' Meeting. The ordinary General Shareholders' Meeting takes place once a year. Every shareholder who is recorded in the share register and registers in good time is entitled to take part in the General Shareholders' Meeting, to vote with his shares recorded in the share register and registered and to pose questions to the Management Board. Each share grants one vote at the General Shareholders' Meeting.

Shareholders who cannot attend in person may arrange for their voting rights to be exercised in the General Shareholders' Meeting by an Intermediary (e.g. a bank), an association of shareholders, the proxy or proxies of DIC Asset AG acting according to instructions or any other authorised individual.

Transparent communication

We report each quarter on the course of business and the net assets, financial position and results of operations and inform our shareholders in an open, prompt and transparent manner about the DIC Asset AG business model as well as of any news or changes. We describe communications with our shareholders and business partners in detail in the chapter entitled "Investor relations and capital market".

Financial reporting and auditing

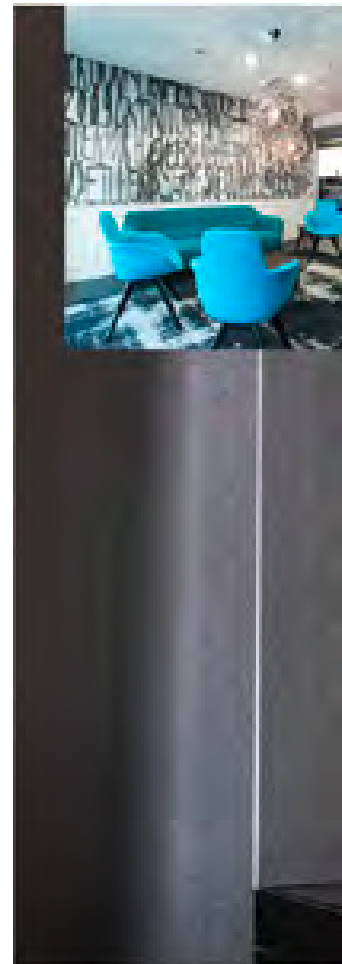
DIC Asset AG prepares its consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs), taking into account the recommendations of EPRA, while the single-entity financial statements are prepared in accordance with the HGB. The financial statements for the full year are prepared by the Management Board, audited by the auditor, Rödl & Partner GmbH Wirtschafts-

prüfungsgesellschaft, Steuerberatungsgesellschaft, Nuremberg, and examined by the Supervisory Board. Prior to their publication, the quarterly financial information and the half-yearly report reviewed by the auditors are discussed with the Supervisory Board. Based on the recommendation of the Audit Committee, the Supervisory Board submits a proposal regarding the election of the auditors by the General Shareholders' Meeting. Prior to this, the auditors submit a statement of independence to the Supervisory Board. In addition, it has been agreed with the auditors that they would notify the Supervisory Board immediately of any possible grounds for exclusion or bias that may arise during the audit.

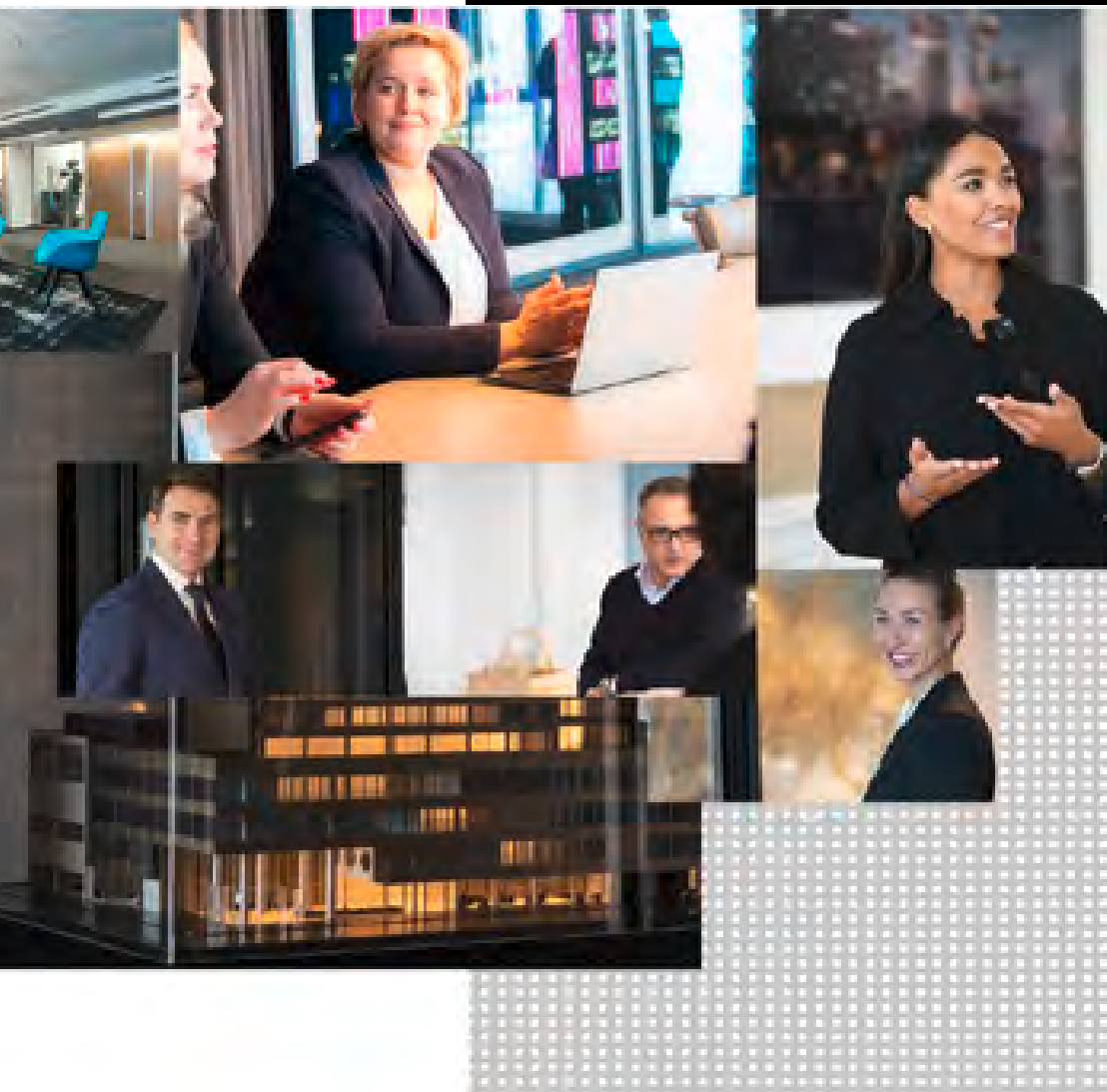
Rödl & Partner GmbH Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft has been the auditor of the annual and consolidated financial statements since 2001 and was re-elected as the auditor following a call for tenders in the 2016 financial year. Mr Karsten Luce has been the auditor responsible for reviewing these statements since the audit of the 2015 annual and consolidated financial statements (1 January to 31 December 2015). In addition to Mr Karsten Luce, Mr Christian Landgraf is also authorised to sign the auditor's report relating to the annual financial report for the 2019 financial year.

Risk management

Good corporate governance also includes managing risks in a responsible manner. The Management Board ensures that risks are adequately managed and controlled in the company. DIC Asset AG has therefore established a systematic risk management process, which ensures that risks are recognised and assessed at an early stage and the existing risk exposure is optimised. Risk management and risk control processes are continually enhanced and adjusted to changes in the general environment. Key features of the control and risk management systems are presented in the report on risks and opportunities.



OVERVIEW



Overview of holdings: Appendix 1 to the notes to the consolidated financial statements

List of consolidated subsidiaries

Name and registered office of company	Interest (%)*
DIC Asset Beteiligungs GmbH, Frankfurt am Main	100.0
DIC Fund Balance GmbH, Frankfurt am Main	100.0
DIC Office Balance I GmbH, Frankfurt am Main	100.0
DIC Office Balance II GmbH, Frankfurt am Main	100.0
DIC Office Balance III GmbH, Frankfurt am Main	100.0
DIC Office Balance IV GmbH, Frankfurt am Main	100.0
DIC Office Balance VI, Frankfurt am Main	100.0
DIC FB Property Management GmbH, Frankfurt am Main	100.0
OB III Verwaltungs GmbH Frankfurt am Main	100.0
DIC High Street Balance GmbH, Frankfurt am Main	100.0
DIC Retail Balance I GmbH, Frankfurt am Main	100.0
DIC Retail Balance I Betriebsvorrichtungs GmbH, Frankfurt am Main	100.0
DIC Retail Balance I Funding GmbH, Frankfurt am Main	100.0
DIC Retail Balance I Beteiligungs GmbH, Frankfurt am Main	100.0
DIC Objekt Halle GmbH & Co. KG, Frankfurt am Main	100.0
DIC Objekt Berlin Heilbronner Straße GmbH & Co. KG, Frankfurt am Main	100.0
DIC Fund Advisory GmbH & Co. KG, Frankfurt am Main	99.99
DIC Objekt Düsseldorf Schwannstraße GmbH & Co. KG, Frankfurt am Main	100.0
DIC Fund Balance Consulting I GmbH, Frankfurt am Main	100.0
DIC Fund Balance Consulting II GmbH, Frankfurt am Main	100.0
DIC Real Estate Investments Beteiligungs GmbH, Frankfurt am Main	100.0
DIC Real Estate Investments GmbH & Co. KGaA, Frankfurt am Main	100.0
DIC Development Services GmbH, Frankfurt am Main	100.0
DIC Objekt Karlsruhe Bahnhofplatz GmbH, Frankfurt am Main	100.0
DIC Objekt Stadtfenster Duisburg GmbH, Frankfurt am Main	100.0
DIC Objekt Stockstadt GmbH; Frankfurt am Main	100.0
DIC Projekt Berlin Taubenstraße GmbH, Frankfurt am Main	100.0
DIC Objekt Berlin Taubenstraße GmbH & Co. KG, Frankfurt am Main	100.0
DIC Objekt Bremen GmbH & Co. KG, Frankfurt am Main	100.0
DIC Objekt Zeppelinheim GmbH, Frankfurt am Main	100.0
DIC Finance Management GmbH & Co. KG, Frankfurt am Main	100.0
DIC Fund Balance 1. Beteiligungs GbR, Frankfurt am Main	100.0
DIC Fund Balance 2. Beteiligungs GbR, Frankfurt am Main	100.0
DIC RMN Portfolio GmbH, Frankfurt am Main	100.0
DIC Objekt Stadthaus Offenbach GmbH, Frankfurt am Main	100.0

* Interest equals the share of voting rights

Name and registered office of company	Interest (%)*	Name and registered office of company	Interest (%)*
DIC Objekt Kronberg GmbH, Frankfurt am Main	100.0	GEG Emittent GmbH & Co. KG, Frankfurt am Main	100.0
DIC Objekt Velbert GmbH, Frankfurt am Main	100.0	GEG Emittent Verwaltungs GmbH, Frankfurt am Main	100.0
DIC Objekt Alsbach GmbH, Frankfurt am Main	100.0	GEG HA Holding GmbH & Co. KG, Frankfurt am Main	100.0
DIC Objekt Hemsbach GmbH, Frankfurt am Main	100.0	GEG HA Verwaltungs GmbH, Frankfurt am Main	100.0
DIC Ruhr Portfolio GmbH, Frankfurt am Main	100.0	GEG Merlion FF & E GmbH, Frankfurt am Main	100.0
DIC RP Objekt 1 GmbH, Frankfurt am Main	100.0	GEG Merlion GmbH, Frankfurt am Main	100.0
DIC RP Objekt 2 GmbH, Frankfurt am Main	100.0	GEG Real Estate Beteiligungs - und Verwaltungs GmbH, Frankfurt am Main	100.0
DIC RP Objekt Bochum GmbH, Frankfurt am Main	100.0	GEG Real Estate Fund Management GmbH, Frankfurt am Main	100.0
DIC RP Objekt Essen GmbH, Frankfurt am Main	100.0	GEG Real Estate Fund Management VK GmbH, Frankfurt am Main	100.0
DIC AP Portfolio GmbH, Frankfurt am Main	100.0	GEG Sapporobogen Holding GmbH & Co. KG, Frankfurt am Main	100.0
DIC AP Objekt 2 GmbH, Frankfurt am Main	100.0	GEG Triforum BVO GmbH, Frankfurt am Main	100.0
DIC AP Objekt 3 GmbH, Frankfurt am Main	100.0	GEG Triforum FinCo GmbH & Co. KG, Frankfurt am Main	100.0
DIC AP Objekt 5 GmbH, Frankfurt am Main	100.0	GEG Triforum Holding GmbH & Co. KG, Frankfurt am Main	100.0
DIC AP Objekt 6 GmbH, Frankfurt am Main	100.0	GEG Triforum Verwaltungs GmbH, Frankfurt am Main	100.0
DIC AP Objekt 7 GmbH, Frankfurt am Main	100.0	GEG Verwaltungs GmbH, Frankfurt am Main	100.0
DIC AP Objekt 8 GmbH, Frankfurt am Main	100.0	Global Tower Verwaltungs GmbH, Frankfurt am Main	100.0
DIC AP Objekt 9 GmbH, Frankfurt am Main	100.0	HCC Dortmund Holding GmbH & Co. KG, Frankfurt am Main	100.0
DIC AP Objekt Augustaanlage GmbH, Frankfurt am Main	100.0	GEG Development GmbH, Frankfurt am Main	99.99
DIC AP Objekt Coblitzweg GmbH, Frankfurt am Main	100.0	GEG German Estate Group AG, Frankfurt am Main	99.99
DIC AP Objekt Düsseldorf GmbH, Frankfurt am Main	100.0	GEG German Estate Group Management Holding OHG, Frankfurt am Main	99.99
DIC AP Objekt Insterburger Str. 5 GmbH, Frankfurt am Main	100.0	GEG Investment Advisory GmbH, Frankfurt am Main	99.99
DIC AP Objekt Insterburger Str. 7 GmbH, Frankfurt am Main	100.0	GEG Portfolio Advisory GmbH, Frankfurt am Main	99.99
DIC AP Objekt Königsberger Str. 29 GmbH, Frankfurt am Main	100.0	GEG Real Estate Management GmbH, Frankfurt am Main	99.99
DIC AP Objekt Konstanz GmbH, Frankfurt am Main	100.0	Global Tower GmbH & Co. KG, Frankfurt am Main	99.99
DIC Asset Portfolio GmbH, Frankfurt am Main	100.0	GEG Riverpark GmbH & Co. KG, Frankfurt am Main	94.9
DIC Asset AP GmbH, Frankfurt am Main	100.0	German Estate Group GmbH, Frankfurt am Main	94.9
DIC Asset OP GmbH, Frankfurt am Main	100.0	DIC Objekt Leverkusen GmbH, Frankfurt am Main	94.9
DIC Asset DP GmbH, Frankfurt am Main	100.0	DIC OP Portfolio GmbH, Frankfurt am Main	100.0
DIC OF REIT 1 GmbH, Frankfurt am Main	100.0	DIC OP Objekt 1 GmbH, Frankfurt am Main	100.0
DIC 27 Portfolio GmbH, Frankfurt am Main	100.0	DIC OP Objekt 2 GmbH, Frankfurt am Main	100.0
BCP Düsseldorf BVO GmbH, Frankfurt am Main	100.0	DIC OP Objekt 3 GmbH, Frankfurt am Main	100.0
BCP Düsseldorf Holding GmbH GmbH & Co. KG, Frankfurt am Main	100.0	DIC OP Objekt 4 GmbH, Frankfurt am Main	100.0
BCP Verwaltungs GmbH, Frankfurt am Main	100.0	DIC OP Objekt Darmstadt GmbH, Frankfurt am Main	100.0
Diamond BVO GmbH, Frankfurt am Main	100.0	DIC OP Objekt Duisburg GmbH, Frankfurt am Main	100.0
Diamond Holding 1 GmbH, Frankfurt am Main	100.0	DIC OP Objekt Düsseldorf GmbH, Frankfurt am Main	100.0
Diamond Verwaltungs GmbH, Frankfurt am Main	100.0	DIC OP Objekt Hamburg GmbH	100.0
GEG Betriebsvorrichtung GmbH, Frankfurt am Main	100.0	DIC OP Objekt Leverkusen GmbH, Frankfurt am Main	100.0

* Interest equals the share of voting rights

Name and registered office of company	Interest (%)*
DIC OP Objekt Marl GmbH, Frankfurt am Main	100.0
DIC OP Objekt München-Grünwald GmbH, Frankfurt am Main	100.0
DIC VP Portfolio GmbH, Frankfurt am Main	100.0
DIC VP Objekt Köln ECR GmbH, Frankfurt am Main	100.0
DIC VP Objekt Köln SILO GmbH, Frankfurt am Main	100.0
DIC VP Objekt Moers GmbH, Frankfurt am Main	100.0
DIC VP Objekt Neubrandenburg GmbH, Frankfurt am Main	100.0
DIC VP Objekt Saalfeld GmbH, Frankfurt am Main	100.0
DIC DP Portfolio GmbH, Frankfurt am Main	100.0
DIC DP Langensfeld Am Weiher GmbH, Frankfurt am Main	100.0
DIC DP Mönchengladbach Stresemannstraße GmbH, Frankfurt am Main	100.0
DIC DP Objekt 1 GmbH & Co. KG, Frankfurt am Main	100.0
DIC DP Objekt 2 GmbH, Frankfurt am Main	100.0
DIC DP Objekt 5 GmbH, Frankfurt am Main	100.0
DIC DP Objekt 6 GmbH, Frankfurt am Main	100.0
DIC Objekt Bremen Grazer Straße GmbH, Frankfurt am Main	100.0
DIC DP Wiesbaden Frankfurter Straße 46-48 GmbH, Frankfurt am Main	100.0
DIC 25 Portfolio GmbH, Frankfurt am Main	100.0
DIC 25 Betriebsvorrichtung GmbH, Frankfurt am Main	100.0
DIC 25 Objekt Bremen GmbH, Frankfurt am Main	99.4
DIC 25 Objekt Chemnitz GmbH, Frankfurt am Main	99.4
DIC 26 Portfolio GmbH, Frankfurt am Main	100.0
DIC 26 Erfurt GmbH, Frankfurt am Main	100.0
DIC 26 Frankfurt Taunusstraße GmbH, Frankfurt am Main	100.0
DIC 26 Wiesbaden GmbH, Frankfurt am Main	100.0
DIC Main Palais GmbH, Frankfurt am Main	100.0
DIC MainTor Real Estate 1 GmbH, Frankfurt am Main	100.0
DIC Onsite GmbH, Frankfurt am Main	100.0
DIC Berlin Portfolio Objekt Bundesallee GmbH, Frankfurt am Main	100.0
DIC EB Portfolio GmbH & Co. KG, Frankfurt am Main	99.4
DIC Zeil Portfolio GmbH, Frankfurt am Main	99.4
DIC Frankfurt Objekt 3 GmbH, Frankfurt am Main	99.4
Gewerbepark Langenfeld West 3 GmbH & Co. KG, Frankfurt am Main	99.2
DIC Management Holding GmbH	94.9
DIC Objektsteuerung GmbH, Frankfurt am Main	94.8
DIC Objekt Frankfurt 1 GmbH & Co. KG, Frankfurt am Main	94.0

* Interest equals the share of voting rights

Name and registered office of company	Interest (%)*
Deutsche Immobilien Chancen Objekt Ulm 1 Erweiterung GmbH, Frankfurt am Main	90
Deutsche Immobilien Chancen Objektbeteiligungs GmbH, Frankfurt am Main	90
DIC HI Portfolio GmbH, Frankfurt am Main	92.5
DIC HI Beteiligungs GmbH, Frankfurt am Main	92.5
DIC HI Landsberger Straße GmbH & Co. KG, Frankfurt am Main	92.5
DIC HI Objekt 1 GmbH, Frankfurt am Main	92.5
DIC HI Objekt 10 GmbH, Frankfurt am Main	92.5
DIC HI Objekt 11 GmbH, Frankfurt am Main	92.5
DIC HI Objekt 12 GmbH, Frankfurt am Main	92.5
DIC HI Objekt 13 GmbH, Frankfurt am Main	92.5
DIC HI Objekt 14 GmbH, Frankfurt am Main	92.5
DIC HI Objekt 15 GmbH, Frankfurt am Main	92.5
DIC HI Objekt 2 GmbH & Co. KG, Frankfurt am Main	92.5
DIC HI Objekt 4 GmbH, Frankfurt am Main	92.5
DIC HI Objekt 5 GmbH, Frankfurt am Main	92.5
DIC HI Objekt 6 GmbH & Co. KG, Frankfurt am Main	92.5
DIC HI Objekt 7 GmbH, Frankfurt am Main	92.5
DIC HI Objekt 9 GmbH, Frankfurt am Main	92.5
DIC HI Objekt Frankfurt Theodor-Heuss-Allee GmbH, Frankfurt am Main	92.5
DIC HI Objekt Hamburg Kurt-Schumacher-Allee GmbH, Frankfurt am Main	92.5
DIC HI Objekt Köln GmbH, Frankfurt am Main	92.5
DIC HI Objekt Neu-Isenburg GmbH, Frankfurt am Main	92.5
DIC HI Objekt Ratingen GmbH, Frankfurt am Main	92.5
DIC Hamburg Portfolio GmbH, Frankfurt am Main	92.5
DIC Hamburg Objekt 1 GmbH, Frankfurt am Main	92.5
DIC Hamburg Objekt 5 GmbH, Frankfurt am Main	92.5
DIC Hamburg Objekt Großmannstrasse GmbH, Frankfurt am Main	92.5
DIC Hamburg Objekt Marckmannstraße GmbH, Frankfurt am Main	92.5

Overview of holdings: Appendix 2 to the notes to the consolidated financial statements
Indirect and direct holdings of up to 40%

Name and registered office of company	Interest (%)*
DIC MainTor III GmbH, Frankfurt am Main	40.0
DIC MainTor Zweite Beteiligungs GmbH & Co. KG, Frankfurt am Main	40.0
MainTor GmbH, Frankfurt am Main	40.0
DIC MainTor Primus GmbH, Frankfurt am Main	40.0
DIC MainTor Verwaltungen GmbH, Frankfurt am Main	40.0
DIC MainTor WinX GmbH, Frankfurt am Main	40.0
DIC GMG GmbH, Frankfurt am Main	20.0
WACO Beteiligungs GmbH, Frankfurt am Main	20.0
DIC MSREF HMDD Portfolio GmbH, Frankfurt am Main	20.0
DIC MSREF HT Portfolio GmbH, Frankfurt am Main	20.0
DIC MSREF FF Südwest Portfolio GmbH, Frankfurt am Main	20.0
DIC MSREF FF Südwest Objekt München 1 Verwaltungen GmbH, Frankfurt am Main	20.0
DIC Development GmbH, Frankfurt am Main	20.0
DIC Opportunistic GmbH, Frankfurt am Main	20.0
DIC BW Portfolio GmbH, Frankfurt am Main	20.0
DIC Hamburg Objekt Dammthorstraße GmbH & Co. KG, Frankfurt am Main	18.8
DIC Office Balance I, Frankfurt am Main**	9.7
DIC Office Balance II, Frankfurt am Main***	4.6
DIC Office Balance III, Frankfurt am Main****	2.4
OB III Berlin 1 GmbH & Co. KG, Frankfurt am Main	5.1

Name and registered office of company	Interest (%)*
OB III Berlin 2 GmbH & Co. KG, Frankfurt am Main	5.1
OB III Berlin 3 GmbH & Co. KG, Frankfurt am Main	5.1
OB III Bochum GmbH & Co. KG, Frankfurt am Main	5.1
OB III Bonn GmbH & Co. KG, Frankfurt am Main	5.1
OB III Frankfurt GmbH & Co. KG, Frankfurt am Main	5.1
OB III Hannover GmbH & Co. KG, Frankfurt am Main	5.1
OB III Koblenz GmbH & Co. KG, Frankfurt am Main	5.1
OB III Köln GmbH & Co. KG, Frankfurt am Main	5.1
OB III München GmbH & Co. KG, Frankfurt am Main	5.1
OB III Nürnberg GmbH & Co. KG, Frankfurt am Main	5.1
DIC Office Balance IV, Frankfurt am Main*****	1.8
OB IV Düsseldorf GmbH & Co. KG, Frankfurt am Main	5.1
OB IV München GmbH & Co. KG, Frankfurt am Main	5.1
DIC Retail Balance I, Frankfurt am Main*****	3.9
RB I Objekt Berlin GmbH & Co. KG, Frankfurt am Main	5.1
RB I Objekt Hamburg Bergedorf GmbH & Co. KG, Frankfurt am Main	5.1
RB I Objekt Hamburg Harburg GmbH & Co. KG, Frankfurt am Main	5.1
DIC Office Balance V, Frankfurt am Main****	1.2
OB V Hamburg GmbH & Co. KG, Frankfurt am Main	5.1
OB V München GmbH & Co. KG, Frankfurt am Main	5.1

- * Interest equals the share of voting rights
- ** 12.5% share of voting rights
- *** 0.0% share of voting rights
- **** 5.9% share of voting rights
- ***** 6.6% share of voting rights
- ***** 8.1% share of voting rights

Appendix 3 to the notes to the consolidated financial statements

Announcements on voting rights

Disclosures in line with section 160 (1) no. 8 AktG

Section 160 (1) no. 8 AktG requires disclosures to be made regarding equity investments of which the Company was informed pursuant to section 21 (1) or (1a) WpHG (as amended until 2 January 2018) or pursuant to section 33 (1) or (2) WpHG (as amended from 3 January 2018). The following disclosures were taken from the most recent notification received from a person or entity required to make an announcement of their voting rights. The most recent change in the total number of voting rights has been effective since 21 January 2020.

- a. Prof. Dr. Gerhard Schmidt informed us pursuant to section 33 (1) WpHG by way of a voluntary group voting rights notification where the threshold is met only at the level of subsidiaries, and due to the change in the total number of voting rights that on 21 January 2020 his share of voting rights in DIC Asset AG, Frankfurt am Main, amounted to 34.07% (26,937,429 voting rights). 34.07% (26,937,429 voting rights) of these voting rights are to be assigned to Prof. Dr. Gerhard Schmidt pursuant to section 34 WpHG. The names of the shareholders with 3% or more voting rights are: Deutsche Immobilien Chancen AG & Co. Kommanditgesellschaft auf Aktien, DIC Opportunistic GmbH and TTL Real Estate GmbH.
- b. Mr Norbert Ketterer informed us pursuant to section 33 WpHG that on 21 January 2020 his share of voting rights in DIC Asset AG, Frankfurt am Main, exceeded the threshold of 3% and amounted to 3.79% (2,998,219 voting rights) as per this date. 3.79% (2,998,219 voting rights) of these voting rights are to be assigned to Mr Ketterer pursuant to section 34 WpHG. The name of the shareholder holding at least 3% of the voting rights is: Ketom AG.
- c. DWS Investment S.A., Luxembourg, Luxembourg, informed us pursuant to section 33 (1) WpHG that on 18 October 2019 its share of voting rights in DIC Asset AG, Frankfurt am Main, fell below the threshold of 3% and amounted to 2.97% (2,142,314 voting rights) as per this date. 2.97% (2,142,314 voting rights) of these voting rights are to be assigned to DWS Investment S.A. pursuant to section 34 WpHG.
- d. Fidelity Investment Trust, Boston, Massachusetts, United States of America, informed us pursuant to section 33 (1) WpHG that on 7 October 2019 its share of voting rights in DIC Asset AG, Frankfurt am Main, exceeded the threshold of 3% and amounted to 3.01% (2,175,132 voting rights) as per this date. 3.01% (2,175,132 voting rights) of these voting rights are to be assigned to Fidelity Investment Trust pursuant to section 34 WpHG.
- e. FMR LLC, Wilmington, Delaware, United States of America, informed us pursuant to section 33 (1) WpHG that on 6 September 2019 its share of voting rights in DIC Asset AG, Frankfurt am Main, amounted to 5.76% (4,160,277 voting rights). 5.76% (4,160,277 voting rights) of these voting rights are to be assigned to FMR LLC pursuant to section 34 WpHG.
- f. BlackRock, Inc., Wilmington, Delaware, United States of America, informed us pursuant to section 33 (1) WpHG that on 16 August 2019 its share of voting rights in DIC Asset AG, Frankfurt am Main, fell below the threshold of 3% and amounted to 2.99% (2,160,321 voting rights) as per this date. 2.99% (2,160,321 voting rights) of these voting rights are to be assigned to BlackRock, Inc. pursuant to section 34 WpHG.
- g. Makuria Fund Ltd, Grand Cayman, Cayman Islands, informed us pursuant to section 33 (1) WpHG that on 29 January 2019 its share of voting rights in DIC Asset AG, Frankfurt am Main, fell below the threshold of 3% and amounted to 2.96% (2,084,321 voting rights) as per this date. 2.96% (2,084,321 voting rights) of these voting rights are to be assigned to Makuria Fund Ltd pursuant to section 34 WpHG.
- h. Makuria Investment Management (UK) LLP, London, United Kingdom, informed us pursuant to section 33 (1) WpHG that on 29 January 2019 its share of voting rights in DIC Asset AG, Frankfurt am Main, fell below the threshold of 3% and amounted to 2.96% (2,084,321 voting rights) as per this date. 2.96% (2,084,321 voting rights) of these voting rights are to be assigned to Makuria Investment Management (UK) LLP pursuant to section 34 WpHG.
- i. BrightSphere Investment Group plc, London, United Kingdom, informed us pursuant to section 33 (1) WpHG that on 3 May 2018 its share of voting rights in DIC Asset AG, Frankfurt am Main, fell below the threshold of 3% and amounted to 0.00% (0 voting rights) as per this date.
- j. Deka Investment GmbH, Frankfurt am Main, Germany, informed us pursuant to section 21 (1) WpHG that on 6 July 2017 its share of voting rights in DIC Asset AG, Frankfurt am Main, fell below the thresholds of 5% and 3% and amounted to 0.31% (213,000 voting rights) as per this date. 0.31% (213,000 voting rights) of these voting rights are to be assigned to Deka Investment GmbH pursuant to section 22 WpHG.
- k. RAG-Stiftung, Essen, Germany, informed us pursuant to section 21 (1) WpHG that on 6 July 2017 its share of voting rights in DIC Asset AG, Frankfurt am Main, exceeded the threshold of 10% and amounted to 10.01% (6,867,520 voting rights) as per this date.
- l. ASSET VALUE INVESTORS LIMITED, London, United Kingdom, informed us pursuant to section 21 (1) WpHG that on 19 May 2017 its share of voting rights in DIC Asset AG, Frankfurt am Main, fell below the thresholds of 5% and 3% and amounted to 2.98% (2,044,526 voting rights) as per this date. 2.98% (2,044,526 voting rights) of these voting rights are to be assigned to ASSET VALUE INVESTORS LIMITED pursuant to section 22 WpHG.

- m. BRITISH EMPIRE TRUST PLC, Exeter, United Kingdom, informed us pursuant to section 21 (1) WpHG that on 18 May 2017 its share of voting rights in DIC Asset AG, Frankfurt am Main, fell below the threshold of 3% and amounted to 2.98% (2,042,218 voting rights) as per this date. 2.98% (2,042,218 voting rights) of these voting rights are to be assigned to BRITISH EMPIRE TRUST PLC pursuant to section 22 WpHG.
- n. GMO Credit Opportunities Fund, L.P., Boston, MA, United States of America, informed us pursuant to section 21 (1) WpHG that on 4 August 2016 its share of voting rights in DIC Asset AG, Frankfurt am Main, fell below the threshold of 3% and amounted to 2.99498% (2,053,891 voting rights) as per this date.
- o. Grantham, Mayo, Van Otterloo & Co. LLC, Boston, MA, United States of America, as the manager/investment advisor of GMO Credit Opportunities Fund, L.P. having discretion regarding investments and re-investments of the fund assets informed us pursuant to section 21 (1) WpHG that on 4 August 2016 its share of voting rights in DIC Asset AG, Frankfurt am Main, fell below the threshold of 3% and amounted to 2.99498% (2,053,891 voting rights) as per this date. 2.99498% (2,053,891 voting rights) of these voting rights are to be assigned to Grantham, Mayo, Van Otterloo & Co. LLC pursuant to section 22 WpHG. The name of the shareholder holding at least 3% of the voting rights is GMO Credit Opportunities Fund, L.P.
- p. APG Asset Management N.V., Amsterdam, The Netherlands, informed us pursuant to Article 21 Section 1 WpHG that on 2 March 2015 its voting rights in DIC Asset AG, Frankfurt am Main, Germany, have fallen below the threshold of 3% and amounted to 2.68% (1,838,377 voting rights) as per this date.
- APG Groep NV, Amsterdam, The Netherlands, informed us pursuant to Article 21 Section 1 WpHG that on 2 March 2015 its voting rights in DIC Asset AG, Frankfurt am Main, Germany, have fallen below the threshold of 3% and amounted to 2.68% (1,838,377 voting rights) as per this date. Of these voting rights, 2.68% (1,838,377 voting rights) are to be attributed to APG Groep NV pursuant to Article 22 Section 1 Sentence 1 No. 1 WpHG.
- q. Stichting Pensioenfonds ABP, Heerlen, The Netherlands, informed us pursuant to Article 21 Section 1 WpHG that on 2 March 2015 its voting rights in DIC Asset AG, Frankfurt am Main, Germany, have fallen below the threshold of 3% and amounted to 2.68% (1,838,377 voting rights) as per this date. Of these voting rights, 2.68% (1,838,377 voting rights) are to be attributed to Stichting Pensioenfonds ABP pursuant to Article 22 Section 1 Sentence 1 No. 1 WpHG.
- r. EII Capital Management, Inc., New York City, United States of America, informed us in line with § 21 (1) WpHG that its share of voting rights in DIC Asset AG, Frankfurt am Main, fell below the 3% threshold on 1 August 2014 and was 2.79% as of this date (1,914,860 votes). 2.79% thereof (1,914,860 votes) is allocable to EII Capital Management, Inc. in line with § 22 (1) sentence 1 No. 6 WpHG.
- EII Capital Holding, Inc., New York City, United States of America, informed us in line with § 21 (1) WpHG that its share of voting rights in DIC Asset AG, Frankfurt am Main, fell below the 3% threshold on 1 August 2014 and was 2.79% as of this date (1,914,860 votes). 2.79% thereof (1,914,860 votes) is allocable to EII Capital Holding, Inc. in line with § 22 (1) sentence 1 No. 6 in conjunction with § 22 (1) sentence 2 WpHG.
- s. Morgan Stanley, Wilmington, Delaware, United States of America, informed us in line with § 21 (1) WpHG that its share of voting rights in DIC Asset AG, Frankfurt am Main, fell below the 3% threshold on 9 June 2014 and was 0.01% as of this date (8,000 votes). 0.01% thereof (8,000 votes) is allocable to Morgan Stanley in line with § 22 (1) sentence 1 No. 1 WpHG.
- t. Commerzbank Aktiengesellschaft, Frankfurt am Main, Germany, informed us pursuant to § 21 Para. 1 WpHG that its share of voting rights in DIC Asset AG, Frankfurt am Main, fell below the levels of 10%, 5% and 3% on 29 November 2013 and now stands at 0.02% (corresponding to 15,000 votes). 0.02% of these voting rights (corresponding to 15,000 votes) are to be assigned to Commerzbank Aktiengesellschaft pursuant to § 22 Para. 1 Sentence 1 No. 6 WpHG.
- u. BNP Paribas Investment Partners S.A., Paris, France, informed us pursuant to § 21 Para. 1 WpHG that its share of voting rights in DIC Asset AG, Frankfurt am Main, fell below the level of 3% on 24 January 2012 and now stands at 2.93% (corresponding to 1,338,422 votes). 2.41% of these (corresponding to 1,099,682 votes) are to be assigned to the company pursuant to § 22 Para. 1 Sentence 1 No. 6 WpHG.
- v. Massachusetts Mutual Life Insurance Company, USA, informed us pursuant to § 21 Para. 1, 24 WpHG:
- Correction to the voting rights notification pursuant to § 21 Para. 1, 24 WpHG
OppenheimerFunds Inc., Centennial, Colorado, USA, fell below the 3% level of voting rights in DIC Asset AG, Frankfurt am Main (ISIN: DE0005098404, WKN: 509840) on 9 January 2008. The share of the voting rights on this date amounted to 2.91% (911,303 voting rights), which are to be assigned to OppenheimerFunds Inc. pursuant to § 22 Para. 1 Sentence 1 No. 6 WpHG.

Voting rights notification pursuant to § 21 Para. 1, 24: WpHG Oppenheimer Acquisition Corp., Centennial, Colorado, USA, fell below the 3% level of voting rights in DIC Asset AG, Frankfurt am Main (ISIN: DE0005098404, WKN: 509840) on 9 January 2008. The share of the voting rights on this date amounted to 2.91% (911,303 voting rights), which are to be assigned to Oppenheimer Acquisition Corp. pursuant to § 22 Para. 1 Sentence 1 No. 6 Sentence 2 WpHG.

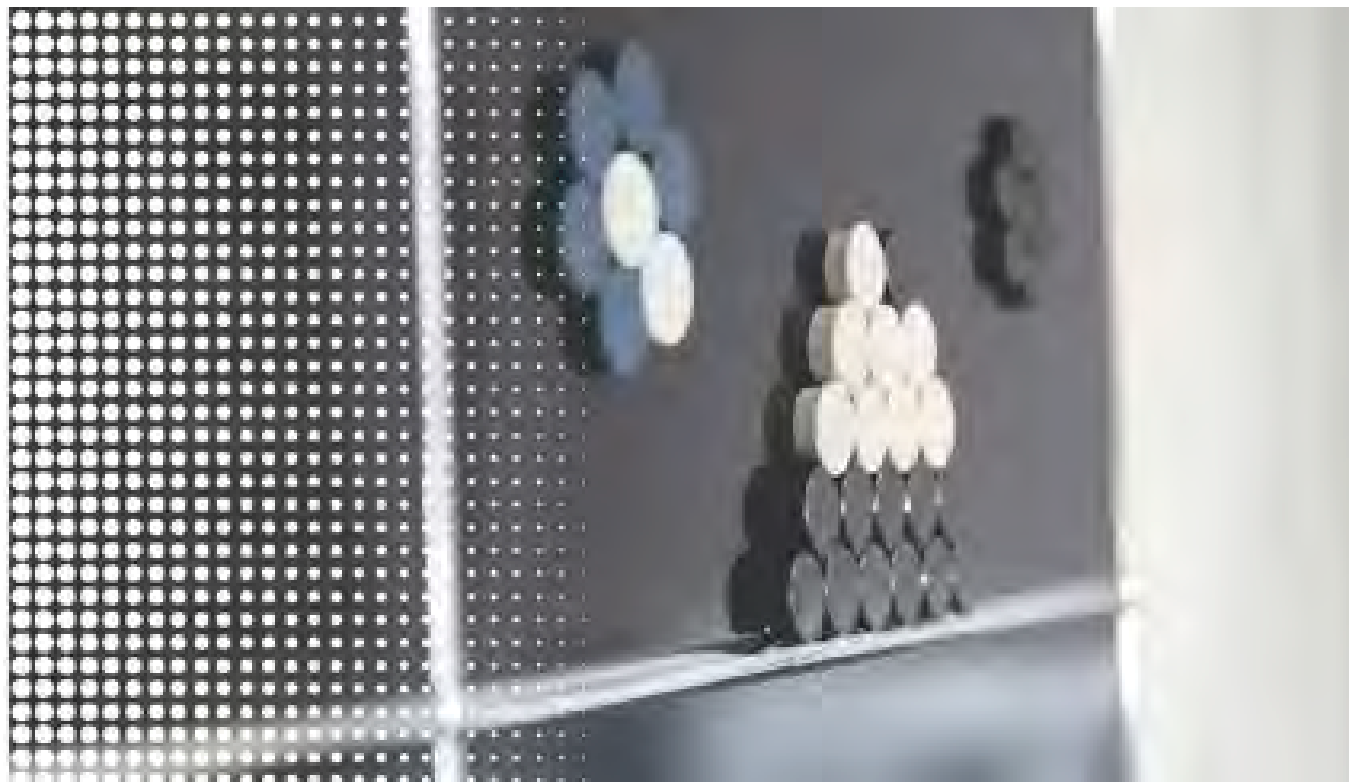
Voting rights notification pursuant to § 21 Para. 1, 24 WpHG

MassMutual Holding LLC, Springfield, Massachusetts, USA, fell below the 3% level of voting rights in DIC Asset AG, Frankfurt am Main (ISIN: DE0005098404, WKN: 509840) on 9 January 2008. The share of the voting rights on this date amounted to 2.91% (911,303 voting rights), which are to be assigned to MassMutual Holding LLC pursuant to § 22 Para. 1 Sentence 1 No. 6 Sentence 2 WpHG.

Correction to the voting rights notification pursuant to § 21 Para. 1, 24 WpHG

Massachusetts Mutual Life Insurance Company, Springfield, Massachusetts, USA, fell below the 3% level of voting rights in DIC Asset AG, Frankfurt am Main (ISIN: DE0005098404, WKN: 509840) on 9 January 2008. The share of the voting rights on this date amounted to 2.91% (911,303 voting rights), which are to be assigned to Massachusetts Mutual Life Insurance Company pursuant to § 22 Para. 1 Sentence 1 No. 6 Sentence 2 WpHG.

- w. FMR Corp., Boston, Massachusetts, USA, informed us pursuant to § 21 Para. 1 WpHG that its share of voting rights in DIC Asset AG fell below the level of 3% on 1 February 2007 and now stands at 1.71%. The voting rights are assigned to FMR Corp. pursuant to § 22 Para. 1 Sentence 2 WpHG in conjunction with § 22 Para. 1 Sentence 1 No. 6 WpHG.



GLOSSARY

Adjusted NAV (Adjusted Net Asset Value)

Adjusted NAV is calculated as EPRA-NAV plus the further economic value of the Institutional Business division that was determined in an external valuation at year-end and is not included in full in the consolidated balance sheet. Adjusted NAV therefore serves as an indicator of the value of the entire Group including all income pillars.

Acquisition volume

The total of the purchase prices for acquired real estate (with notarisation) within a reporting period.

Annualised rent

Rental income of a property at a specific date based on current rent, extrapolated to the full year.

Asset Management

Value-orientated operation and/or optimisation of properties through letting management, repositioning or modernisation.

Asset management/property management/development fees

The fees for asset management and property management services as well as services for development activities are closely correlated with the amount of assets under management and as a general rule are largely derived from this.

Assets under Management

At DIC Asset AG, the term assets under management refers to all managed real estate assets from the Commercial Portfolio and Institutional Business divisions that are included here at the most recently determined market value in each case.

Cash flow

Figure that shows the flow of cash during a given period, making a distinction between cash flow from operating, investing and financing activities.

Commercial Portfolio

The Commercial Portfolio represents the existing portfolio of DIC Asset AG including the direct real estate investments ("investment properties"). Properties in this portfolio are reported under "Investment property". Income from managing its own real estate portfolio and optimising its value are combined in the "Commercial Portfolio" division.

Core real estate

Properties let on long-term leases to tenants with outstanding credit ratings in the best locations are described as "core real estate".

Corporate Governance

Rules for sound, responsible business management aimed at running a company in line with values and standards in the interest of its investors and other stakeholders. The annual declaration of conformity to the German Corporate Governance Code provides a tool to assess corporate governance.

Derivative financial instruments

Derivative financial instruments, or derivatives, are reciprocal contracts, whose price determination is generally based on the trend of a market-dependent underlying security (e.g. shares or interest rates). At DIC Asset AG, these are used exclusively to hedge interest rate risks.

Designated Sponsor

The term "designated sponsor" is used for stock brokers who are active in Deutsche Börse's Xetra trading system, and who in their role as special market players ensure that the shares of a given issuer retain the necessary liquidity.

Disposal volume

The total of the sales prices for the sold real estate (with notarisation) within a reporting period.

EBIT

Earnings before interest and taxes, including the share of the profit or loss from associates

EBITDA

Earnings before interest and other financing activities, excluding depreciation and amortisation, including the share of the profit or loss from associates

EPRA earnings

The EPRA earnings are a measure for the sustained and continuous performance by a real estate portfolio and are comparable with the calculation of funds from operations (FFO), although they differ in the way deferred taxes are considered, among other things. When calculating EPRA earnings, all non-recurring or non-cash income components are eliminated. These include valuation effects/depreciation and amortisation and the result of the sale of properties and project developments.

EPRA-NAV (Net Asset Value)

Represents the intrinsic value of a company. The net assets are calculated as the fair value of the assets less liabilities. After the changes in the EPRA framework enter into force at the end of 2019, EPRA-NAV will be replaced by the new EPRA-NTA, EPRA-NRV and EPRA-NDV metrics.

EPRA-NDV (Net Disposal Value)

EPRA-NDV represents the intrinsic value of a company after adjusting for goodwill recognised in the balance sheet and the fair value adjustment for fixed-rate liabilities.

EPRA-NNAV (Triple Net Asset Value)

EPRA-NAV adjusted for the fair value of derivatives, financial liabilities and deferred taxes thereon. After the changes in the EPRA framework enter into force at the end of 2019, EPRA-NNAV will be replaced by the new EPRA-NTA, EPRA-NRV and EPRA-NDV metrics.

EPRA-NRV (Net Reinstatement Value)

EPRA-NRV represents the intrinsic value of a company after adjusting for deferred taxes on fair value adjustments to investment properties and the fair value of financial instruments.

EPRA-NTA (Net Tangible Assets)

EPRA-NTA represents the intrinsic value of a company after adjusting for deferred taxes on fair value adjustments to investment properties, the fair value of financial instruments and all intangible assets.

Equity method

Consolidation and measurement method in the consolidated financial statements based on the share of updated equity and earnings. DIC Asset AG reports its shares in associates using this method.

Fair Value

The fair value is the amount for which an asset could be exchanged, or a liability settled, without compulsion between competent, independent business partners.

Fee

Payment for services to third parties or payment obligation as a result of using third-party services. In the Institutional Business division DIC Asset AG makes a distinction between fees for asset management, property management and development activities, as well as transaction and performance fees.

FFO (Funds from Operations)

Operating income from property management, before depreciation, tax, profits from sales and project developments as well as other non-recurring or non-cash income components.

Financial Covenants

Financial covenants are conditions stipulated by financial institutions when granting loans. They are linked to the achievement of financial key figures (e. g. interest coverage ratio [ICR], and debt service coverage ratio [DSCR]) during the term.

Funds

The Funds division existed up until DIC Asset AG's report on the first quarter of 2019. Since the report on the second quarter of 2019, it has been integrated into the new Institutional Business segment.

GEG

Abbreviation for German Estate Group, which following the conclusion of the purchase agreement dated 5 June 2019 was integrated into the DIC Asset AG Group. GEG is a leading investment and asset management platform for commercial real estate and has been combined with DIC Asset AG's existing funds business under the GEG brand. Since the report on the second quarter of 2019, GEG's earnings have been reported as part of the Institutional Business division.

Goodwill

Goodwill arises from the recognition of acquisitions in the acquirer's balance sheet as a residual figure when the purchase price used to acquire the acquiree cannot be fully divided among the sum of the fair values of all of the acquiree's assets. Unrecognised intangible assets of the acquiree are reflected in goodwill. In accordance with IFRSs, the goodwill recognised must be tested for impairment on an annual basis.

Gross rental income

Corresponds to the contractually agreed rent, plus/minus the rental incentives to be distributed over the lease agreement in accordance with IFRSs from investment rent and rent-free periods.

Gross rental yield

Ratio of contractually agreed gross rent to the most recently determined market value of the real estate.

Hedge (cash flow hedge, fair value hedge)

Agreement of a contract to safeguard and compensate for the exposure to financial risk.

IFRSs (International Financial Reporting standards)

IFRSs have been applicable to listed companies in the EU since 1 January 2005. They are intended to facilitate worldwide comparability of publicly traded companies. The focus is on providing information that is easy to understand and fair, not on the protection of creditors and risk-related matters.

Impairmenttest

Obligatory periodic comparison under IFRSs of fair values and carrying amounts and the assessment of potential signs of a sustained impairment in the value of assets.

Institutional Business

Since DIC Asset AG's report on the second quarter of 2019, the Institutional Business reporting segment has included all income from real estate management services and all income from associated companies (particularly in connection with co-investments), which were reported in previous reports in the Funds and Other Investments segments. Since June 2019, the new reporting segment has also contained income from the consolidated subsidiary GEG.

Investment Properties

Investment properties are investments in land and/or buildings that are held for the purposes of earning income from rents and leases, and/or for capital appreciation. They are reported as "Investment property" in accordance with the International Accounting Standards (IAS 40). DIC Asset AG measures investment properties at depreciated cost in accordance with IAS 40.56.

Interest cover ratio (ICR)

Ratio of EBITDA to net interest result; also called interest coverage ratio.

Interest rate swap

In the case of interest rate swaps, cash flows from fixed and variable interest-bearing loans are swapped between counterparties. This can be used, for example, to ensure a certain interest rate and thereby minimise risks from interest rate rises.

Joint Venture

Property investments with strategic finance partners, in which DIC Asset AG has a significant stake of up to 40% (discontinued in 2019).

Letting performance/volume

Rental space for which rental agreements for new tenancies or renewals have been concluded for a given period. The letting performance is reported as of a specific date.

Like-for-like rental income

Like-for-like rental income is rental income from properties in a portfolio that were continuously in the portfolio within a given period. Changes due to portfolio additions and disposals are therefore not included here. When comparing periods, this figure shows the organic component of the change in rental income from letting activity, among other aspects.

Loan-to-Value (LTV)

The ratio of total net financial debt (including liabilities to related parties) to the sum of the market value of the Commercial Portfolio, the market value of other investments, GEG goodwill and other intangible assets in connection with the acquisition of GEG, loans to associates and receivables from related parties. DIC Asset AG also reports loan to value without the short-term effects of bridge financing in connection with warehousing.

Market capitalisation

Total market value of a company listed on the stock exchange, resulting from the share price multiplied by the number of shares issued at a specific date.

Measurement at cost

When measuring an asset at cost, measurement includes recognising the historical cost incurred for producing or acquiring the asset. The carrying amount of depreciable assets is reduced by depreciation and, if required, by impairment charges. Also referred to as "at cost accounting".

Non-recourse financing

Financing at property or portfolio level, whereby recourse to other assets within the scope of the Group is excluded. In the case of non-recourse financing, lenders tailor their lending to the property or the portfolio, as well as the cash flow from the rental income.

Operating leases

Term used in the context of international financial reporting standards. It refers to a periodic lease without transfer of title to the leased asset for the agreed period of use. The recognised right-of-use asset (e.g. for operating and office equipment) is offset by a corresponding liability on the liabilities side.

Operating expenses

Combined personnel and administrative expenses

Other Investments

The Other Investments division existed up until DIC Asset AG's report on the first quarter of 2019. Since the report on the second quarter of 2019, it has been integrated into the new Institutional Business segment.

Peak rent

The peak rent is the highest possible rent that could be expected in the market for a prime quality, suitably equipped office unit in the best location.

Prime Standard

Segment of the Frankfurt Stock Exchange with the greatest relevance and degree of regulation, as well as the highest level of transparency.

Proceeds from sales of property

Pro-rata income from sales of investment property after transfer of ownership.

Property management

Complete property servicing by own efforts or by management of commercial, infrastructure and technical service providers.

Redevelopment

Redevelopment is any type of measure to develop property that is already in use. The development activities of DIC Asset AG relate exclusively to such portfolio developments.

Refurbishment

Generally, structural changes to a building aimed at improving a building's quality and/or fixtures and fittings.

Share of the profit or loss of associates

Covers the earnings of DIC Asset AG's equity investments calculated in accordance with the equity method. These investments are essentially co-investments by DIC Asset AG in the investment vehicles of the Institutional Business division. The share of the profit or loss of associates includes income from the management of real estate and profits on sales among other sources, calculated proportionately in each case, as well as dividends.

Transaction and performance fees

Transaction and performance fees include fees for acquisitions and sales, for the set-up of investment products and for the exceeding of defined profitability hurdles through successful real estate management.

Value-in-Use

Present value of future cash flows to be earned through the use of an asset. In contrast to the fair value, which is orientated towards sales and markets, the value in use reflects the specific value of the continued use of an asset from the point of view of the company.

Warehousing

Securing real estate to form the start-up portfolios for new vehicles to be launched, or to contribute the properties to existing investment products at a later time by acquiring them and adding them to the Commercial Portfolio. Warehousing property was accounted for as "Non-current assets held for sale".

QUARTERLY OVERVIEW 2019

Key financial figures in EUR million	Q1 2019	Q2 2019	Q3 2019	Q4 2019
Gross rental income	24.5	25.2	25.9	26.3
Net rental income	21.2	21.8	22.5	22.4
Real estate management fees	9.2	8.3	21.4	24.0
Proceeds from sales of property	11.2	4.8	31.4	128.5
Total income	50.6	43.5	84.7	185.4
Profits on property disposals	1.2	0.5	2.7	36.1
Share of the profit or loss of associates	2.4	13.4	1.9	0.6
Funds from Operations (FFO)	17	26	25.5	26.5
EBITDA	27.2	34	34.9	68.4
EBIT	19.7	25.8	25.7	59.0
EPRA earnings	15.1	25.2	22.4	21.0
Profit for the period	9.2	16.7	14.1	40.7
Cash flow from operating activities	9.8	32.5	8.1	14.4

Balance sheet figures in EUR million	31.03.2019	30.06.2019	30.09.2019	31.12.2019
Loan-to-value ratio (LTV)* in %	49.8	50.4	50.4	47.8
Investment property	1,460.20	1,556.80	1,540.90	1,623.0
Total assets	2,449.90	2,533.10	2,593.20	2,657.4

Key figures per share in EUR	Q1 2019	Q2 2019	Q3 2019	Q4 2019
FFO	0.24	0.36	0.36	0.36
EPRA earnings	0.21	0.36	0.31	0.29
Earnings	0.13	0.24	0.19	0.57

* adjusted for warehousing

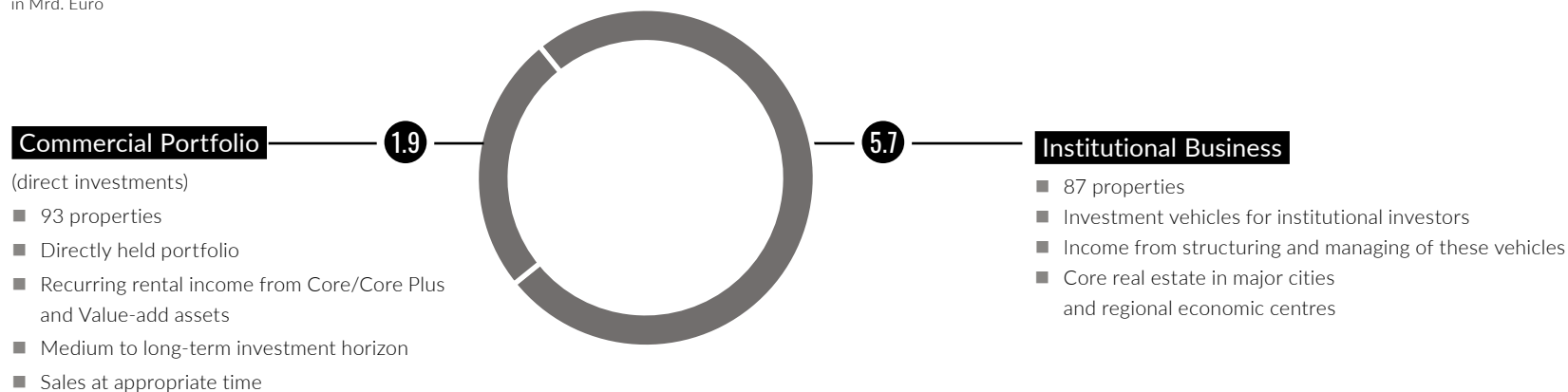
5-YEAR OVERVIEW

Key financial figures in EUR million	2015	2016	2017	2018	2019
Gross rental income	136.7	111.2	109.7	100.2	101.9
Net rental income	120.4	94.5	93.1	84.7	87.9
Real estate management fees	7.3	21.5	20.8	33.6	62.9
Proceeds from sales of property	201.3	318.1	229.5	86.8	176.0
Total income	372.4	473.8	381.9	241.6	364.2
Profits on property disposals	14.9	23.2	25.5	18.6	40.5
Share of the profit or loss of associates	7.7	2.3	29.0	15.8	18.3
Funds from Operations (FFO)	49.0	47.0	60.2	68.0	95.0
EBITDA	126.6	114.9	136.6	122.3	164.5
EBIT	83.9	79.6	105.6	92.8	130.2
EPRA earnings	47.6	44.1	56.9	62.3	83.7
Adjusted profit/loss for the period	20.7	26.9	64.4	47.6	80.7
Profit/loss for the period	20.7	-29.4	64.4	47.6	80.7
Cash flow from operating activities	53.0	33.9	56.5	61.9	64.8
Balance sheet figures in EUR million	31.12.2015	31.12.2016	31.12.2017	31.12.2018	31.12.2019
Investment property	1,700.2	1,583.4	1,437.2	1,459.0	1,623.0
EPRA-Net Asset Value	884.1	880.0	900.0	1,085.8	1,244.2
Total assets	2,456.1	2,395.5	2,341.3	2,490.1	2,657.4
Equity	792.1	757.0	828.9	895.9	968.8
Liabilities	1,664.0	1,638.6	1,512.4	1,594.1	1,688.7
Key figures per share in EUR	2015	2016	2017	2018	2019
FFO	0.72	0.69	0.88	0.97	1.32
EPRA earnings	0.69	0.64	0.83	0.89	1.17
EPRA-Net Asset Value	12.89	12.83	13.12	15.40	17.23
Dividend	0.37	0.40	0.64**	0.48	0.66*

* proposed dividend

** incl. extraordinary dividend of EUR 0.20

ASSETS UNDER MANAGEMENT
in Mrd. Euro



Commercial Portfolio

1.9

(direct investments)

- 93 properties
- Directly held portfolio
- Recurring rental income from Core/Core Plus and Value-add assets
- Medium to long-term investment horizon
- Sales at appropriate time

5.7

Institutional Business

- 87 properties
- Investment vehicles for institutional investors
- Income from structuring and managing of these vehicles
- Core real estate in major cities and regional economic centres

PORTFOLIO BY SEGMENTS

		Commercial Portfolio	Institutional Business*	Gesamt
Number of properties	2019	93	87	180
	2018	101	77	178
Market value in EUR million	2019	1,900.0	5,729.4	7,629.4
	2018	1,696.8	3,948.9	5,645.7
Rental space in sqm	2019	842,400	1,164,600	2,007,000
	2018	893,500	966,700	1,860,200

* 2018: Segments Funds and Other Investments

PORTFOLIO BY REGIONS*

		North	East	Central	West	South	Total
Number of properties	2019	27	17	44	50	42	180
	2018	23	18	40	53	44	178
Market value in EUR million	2019	722.4	908.6	3,419.7	1,441.7	1,137.0	7,629.4
	2018	643.3	477.5	2,299.7	1,255.1	970.1	5,645.7
Portfolio proportion in % by market value	2019	9%	12%	45%	19%	15%	100%
	2018	11%	9%	41%	22%	17%	100%
Annualised rental income in EUR million	2019	34.8	32.8	110.2	71.3	53.2	302.3
	2018	32.6	24.3	81.6	73.9	45.3	257.7
Average rent in EUR per sqm	2019	11.28	13.39	16.72	11.09	11.20	12.97
	2018	10.06	9.81	11.74	10.47	10.48	10.56
Weighted average lease term in years	2019	8.9	6.0	5.5	5.3	7.0	6.2
	2018	7.9	4.4	6.0	5.5	3.6	5.5
Gross rental yield	2019	4.8%	3.6%	4.3%	4.9%	4.7%	4.5%
	2018	5.1%	6.1%	5.5%	5.5%	5.1%	5.4%

* figures excluding developments and warehousing, except for number of properties, market value and rental space; figures including third-party properties, except for average rent, weighted average lease term and gross rental yield

COMMERCIAL PORTFOLIO: TOP 20 ASSETS BY MARKET VALUE*

	Location	Address	Rental space (thsd. sqm)	EPRA vacancy rate	Annualised rental income (EUR million)	Market value (EUR million)	WALT (years)
1	Berlin	Taubenstr. 7-9	10.1	0.0%	4.3	120.5	5.1
2	Düsseldorf	Werdener Str. 4	29.5	4.2%	6.2	107.0	5.8
3	Darmstadt	Wilhelminenstr. 1-3	25.7	0.0%	4.3	106.0	17.1
4	Halle	Neustädter Passage 17 a-d	30.7	0.0%	4.3	70.6	4.5
5	Frankfurt	Instenburger Str. 7	14.3	7.5%	5.5	68.3	2.2
6	Hamburg	Marckmannstr. 129a-e	23.4	0.0%	**	60.4	**
7	Duisburg	Steinsche Gasse 26	12.6	0.0%	2.2	58.1	17.3
8	Leverkusen	Horst-Henning-Platz 1	13.4	0.0%	**	56.7	**
9	Chemnitz	Am Rathaus 1	26.9	0.0%	**	56.7	**
10	Frankfurt	Kaiserstr. 62-64	9.6	1.6%	2.1	56.5	12.4
11	Berlin-Mahlsdorf	Landsberger Str. 225-241, 245-249, 252-255, 261-262	40.1	2.4%	2.9	56.1	3.9
12	Frankfurt	Königsberger Str. 29	12.8	0.5%	2.4	50.8	8.9
13	Wiesbaden	Gustav-Stresemann-Ring 12-16	26.1	0.0%	3.3	46.2	2.3
14	Karlsruhe	Bahnhofplatz 12	11.0	0.0%	1.8	44.9	10.1
15	Hamburg	Kurt-Schumacher-Allee 2-6	13.2	0.2%	1.6	41.2	4.5
16	Cologne	Mathias-Brüggen-Str. 124-170	28.2	4.7%	2.0	40.5	3.1
17	Kronberg	Westerbachstr. 28-32	12.8	0.6%	2.0	34.5	4.7
18	Offenbach	Berliner Str. 60	12.8	0.0%	**	33.7	**
19	Cologne	Agrippinawerft 22+24	8.5	0.1%	1.7	33.0	2.7
20	Mannheim	Coblitzallee 1-7	17.9	0.0%	2.2	32.7	3.0
Top 20 properties			379.6	1.4%	59.7	1.174.4	7.5
Other properties			462.7	12.6%	42.1	725.6	4.0
Total			842.3	6.5%	101.8	1.900.0	6.0

* Top 20 list without non-strategic properties and properties earmarked for future development activities

** Undisclosed information for reasons of competition

KEY FIGURES IN ACCORDANCE WITH EPRA

DIC Asset AG periodically supplements its reporting in accordance with International Financial Reporting Standards (IFRS) with the best practice recommendations of the European Public Real Estate Association (EPRA).

As in the previous year, we are reporting EPRA Net Asset Value (EPRA-NAV), EPRA Triple Net Asset Value (EPRA-NNAV) and EPRA earnings for our Group. We are also reporting EPRA net initial yield (normal and 'topped up'), the EPRA vacancy rate and EPRA cost ratio (including and excluding direct vacancy costs) for our Commercial Portfolio.

As early adopters, we are also reporting for the first time the new key figures, EPRA Net Tangible Assets (EPRA-NTA), EPRA Net Reinstatement Value (EPRA-NRV) and EPRA Net Disposal Value (EPRA-NDV) for the financial year ended and provide a reconciliation to EPRA-NAV in this report. The EPRA guidelines of October 2019 recommend that association members use these new indicators for reporting periods starting on 1 January 2020, replacing the previously recommended indicators EPRA-NAV and EPRA-NNAV.

In this report we are also showing for the first time the full calculation of all EPRA key figures to further enhance the transparency of our reporting for our stakeholders.

Overview of EPRA key figures

in EUR million	31.12.2019	31.12.2018
EPRA Net Asset Value (EPRA-NAV)	1,244.2	1,085.8
EPRA Triple Net Asset Value (EPRA-NNAV)	1,206.3	1,096.4
EPRA Net Reinstatement Value (EPRA-NRV)	1,192.5	1,046.2
EPRA Net Disposal Value (EPRA-NDV)	1,065.3	1,129.5
EPRA Net Tangible Assets (EPRA-NTA)	993.1	1,045.9
EPRA net initial yield (in %)*	4.5	4.8
EPRA "topped up" net initial yield (in %)*	4.6	4.9
EPRA vacancy rate (in %)**	6.5	7.2

in EUR million	2019	2018
EPRA earnings	83.7	62.3
EPRA cost ratio incl. direct vacancy costs (in %)*	21.6	23.9
EPRA cost ratio incl. direct vacancy costs (in %)*	18.9	21.1

* Calculated for the Commercial Portfolio only

** Calculated for the Commercial Portfolio only, without project developments and repositioning



EPRA Net Asset Value

in EUR million	31.12.2019	31.12.2018
Equity attributable to Group shareholders	964.7	892.4
plus hidden reserves on investment properties*	268.9	207.2
plus reserves on equity investments	5.9	34.9
plus deferred tax on investment properties in IFRS financial statements	7.9	6.0
less fair value of financial instruments	-3.0	-54.7
EPRA Net Asset Value (EPRA-NAV)	1.244.2	1.085.8
Number of shares (thousand)	72.214	70.526
EPRA-NAV per share in EUR**	17.23	15.40

* Excl. non-controlling interests

** Based on 72,213,775 shares (previous year: 70,526,248 shares)

EPRA Net Reinstatement Value

The new EPRA Net Reinstatement Value (EPRA-NRV) key performance indicator represents the intrinsic value of a company after adjusting for deferred taxes on fair value adjustments and the fair value of financial instruments. As of 31 December 2019, EPRA-NRV rose by around 14% to EUR 1,192.5 million (previous year: EUR 1,046.2 million). This increase was primarily attributable to higher equity attributable to Group shareholders as at 31 December 2019.

in EUR million	31.12.2019	31.12.2018
Equity attributable to Group shareholders	964.7	892.4
plus hidden reserves on investment properties*	268.9	207.2
plus hidden reserves on equity investments	5.9	34.9
less deferred tax on fair value adjustments on investment properties	-43.8	-33.6
less fair value of financial instruments	-3.0	-54.7
EPRA Net Reinstatement Value (EPRA-NRV)	1,192.5	1,046.2
Number of shares (thousand)	72,214	70,526
EPRA-NRV per share in EUR**	16.51	14.83

* Excl. non-controlling interests

** Based on 72,213,775 shares (previous year: 70,526,248 shares)



EPRA Net Disposal Value

The new EPRA Net Disposal Value (EPRA-NDV) key performance indicator represents the intrinsic value of a company after adjusting for goodwill recognised in the balance sheet and the fair value adjustment for fixed-rate liabilities. As at 31 December 2019, EPRA-NDV fell by around 6% to EUR 1,065.3 million (previous year: EUR 1,129.5 million). This decline was primarily due to the rise in goodwill associated with the acquisition of the GEG Group in June 2019, which was offset by a fall in the Other Investments balance sheet item after the sale of the last shares in TLG Immobilien AG.

in EUR million	31.12.2019	31.12.2018
Equity attributable to Group shareholders	964.7	892.4
plus hidden reserves on investment properties*	268.9	207.2
plus hidden reserves on equity investments	5.9	34.9
less recognised goodwill	-177.9	0.0
plus fair value adjustment of fixed-rate liabilities	3.8	-5.0
EPRA Net Disposal Value (EPRA-NDV)	1,065.3	1,129.5
Number of shares (thousand)	72,214	70,526
EPRA-NDV per share in EUR**	14.75	16.02

* Excl. non-controlling interests

** Based on 72,213,775 shares (previous year: 70,526,248 shares)

EPRA Net Tangible Assets

The new EPRA Net Tangible Assets (EPRA-NTA) key performance indicator represents the intrinsic value of a company after adjusting for deferred taxes on fair value adjustments to investment properties, the fair value of financial instruments and all intangible assets. As at 31 December 2019, EPRA-NTA fell by around 5% to EUR 993.1 million (previous year: EUR 1,045.9 million). This decline was primarily due to the rise in goodwill and additional intangible assets associated with the acquisition of the GEG Group in June 2019, which was offset by a fall in the Other Investments balance sheet item after the sale of the last shares in TLG Immobilien AG.

in EUR million	31.12.2019	31.12.2018
Equity attributable to Group shareholders	964.7	892.4
plus hidden reserves on investment properties*	268.9	207.2
plus hidden reserves on equity investments	5.9	34.9
less deferred tax on fair value adjustments on investment properties	-43.8	-33.6
less fair value of financial instruments	-3.0	-54.7
less recognised goodwill	-177.9	0.0
less intangible assets	-21.5	-0.3
EPRA Net Tangible Assets (EPRA-NTA)	993.1	1,045.9
Number of shares (thousand)	72,214	70,526
EPRA-NTA per share in EUR**	13.75	14.83

* Excl. non-controlling interests

** Based on 72,213,775 shares (previous year: 70,526,248 shares)



Reconciliation of EPRA-NAV to new EPRA key figures

in EUR million	31.12.2019	31.12.2018
EPRA-NAV	1,244.2	1,085.8
less deferred tax on fair value adjustment and property-related matters	-51.7	-39.7
EPRA-NRV	1,192.5	1,046.2
less goodwill without deferred tax	-177.9	0.0
less fair value adjustment of fixed-rate liabilities	3.8	-5.0
plus fair value of financial instruments	3.0	54.7
plus deferred tax on fair value adjustments on investment properties	43.8	33.6
EPRA-NDV	1,065.3	1,129.5
plus fair value adjustment of fixed-rate liabilities	-3.8	5.0
less deferred tax on fair value adjustment on investment properties	-43.8	-33.6
less intangible assets	-21.5	-0.3
less fair value of financial instruments	-3.0	-54.7
EPRA-NTA	993.1	1,045.9

EPRA net initial yield

The EPRA net initial yield compares annualised rental income (excluding non-allocable property expenses) with the market value of the real estate portfolio at the reporting date; the 'topped up' calculation includes notional rents in respect of unexpired rent-free periods.

in EUR million	31.12.2019	31.12.2018
Annualised gross rental income at the reporting date*	100.0	96.4
less non-allocable operating expenses	-9.9	-10.9
Annualised net rental income at the reporting date (A)	90.1	85.5
plus estimated rent for current rent-free periods	1.8	1.2
Topped up annualised net rental income at the reporting date (B)	91.9	86.7
Investment property in the Commercial Portfolio segment	1,900.0	1,696.8
Estimated incidental acquisition costs on real estate portfolio	95.0	84.8
Commercial Portfolio (gross) (C)	1,995.0	1,781.6
EPRA net initial yield (in %) (A/C)	4.5%	4.8%
EPRA topped-up net initial yield (in %) (B/C)	4.6%	4.9%

*without warehousing, without rent-free periods

EPRA vacancy rate

The EPRA vacancy rate compares market rents for vacant spaces with the market rent for the total portfolio space (at the respective reporting date).

in EUR million	31.12.2019	31.12.2018
Estimated rent for vacant space (A)	6.4	6.9
Estimated rent for the entire portfolio (B)	98.5	95.3
EPRA vacancy rate* (in %) (A/B)	6.5%	7.2%

*reported for the Commercial Portfolio only, without project developments and repositioning



EPRA earnings

in EUR thousand	2019	2018
IRFS profit	80,911	47,691
EPRA adjustments		
Market value change or depreciation of investment property	29,545	29,407
Profit/loss on disposal of investment property	-40,516	-18,646
Tax on disposal of investment property	6,412	2,951
Amortisation of intangible assets and depreciation of right-of-use assets in acc. with IFRS 16	4,697	170
Other non-recurring effects	3,415	332
Deferred taxes in connection with EPRA adjustments	-570	-385
Contributions from Co-Investments (project developments and sales)	0	818
Non-controlling interests	-222	-78
EPRA earnings	83,672	62,260
EPRA earnings per share	1.17	0.89

EPRA cost ratios

The EPRA cost ratio compares the sum of the proportional operating and administrative expenses of the Commercial Portfolio with gross rental income during the reporting period – both including and excluding direct vacancy costs.

in EUR million	2019	2018
Operating expenses	24.1	25.7
less ground rents	-0.7	-0.8
less exceptionals	-2.0	-1.8
EPRA costs incl. direct vacancy costs (A)	21.4	23.1
less direct vacancy costs	-2.6	-2.7
EPRA costs excl. direct vacancy costs (B)	18.8	20.4
Gross rental income less ground rents	101.3	98.4
exceptionals relating object management	-2.0	-1.8
Gross rental income (C)	99.3	96.6
EPRA cost ratio incl. direct vacancy costs (in %) (A/C)	21.6%	23.9%
EPRA cost ratio excl. direct vacancy costs (in %) (B/C)	18.9%	21.1%







Johannes von Mutius
Chief Investment Officer



Sonja Wärtges
Chief Executive Officer

LEGAL NOTES

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Forward-looking statements

This annual report contains statements that refer to future developments. Such statements constitute assessments that have been taken in the light of the information available. Should the assumptions on which they are based not prove accurate, or should – as specified in the section entitled Risk Report – risks occur, the actual results may differ from those anticipated.

Note:

This report is published in German (original version) and English (non-binding translation).

For computational reasons, rounding differences from the exact mathematical values calculated (in EUR thousand, %, etc.) may occur in tables and cross-references.

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