DEUTSCHE IMMOBILIEN CHANCEN

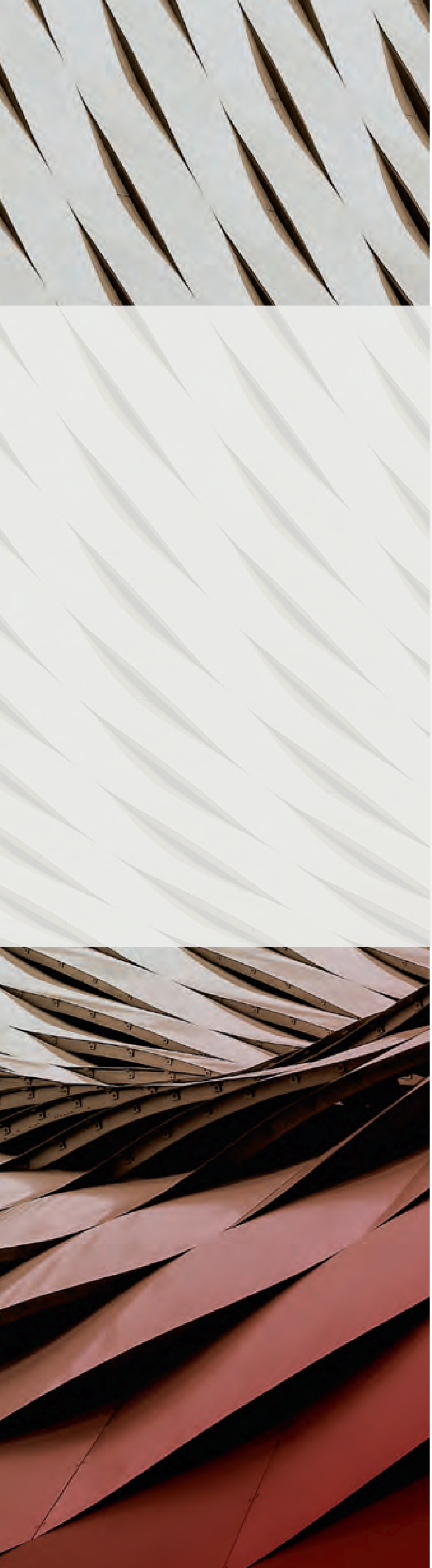
ANNUAL REPORT 2018

KEY FIGURES

FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2018

in EUR million	2018	2017	Δ
Revenues	**157.6**	157.5	0%
Total operating performance	**201.4**	205.1	-2%
EBITDA	**94.4**	101.6	-7%
Operating result	**55.4**	64.4	-14%
Group result	**40.6**	49.7	-18%
Equity	**704.9**	674.9	4%
Equity ratio [1] in %	**25.8**	25.9	0%
Balance sheet total	**2,917.8**	2,774.2	5%

(1) Taking into account long-term loans



CONTENTS

Dear shareholders and business partners,
Dear employees and friends of our company,

Dr Gerhard Schmidt,
Chairman of the Supervisory Board

The right balance between solidity and the ability to take advantage of opportunities creates clear and attractive added value for the Deutsche Immobilien Chancen Group. We generated added value in this way again in 2018. With our investments, we were able to exploit our opportunities in all market segments.

In an exciting environment, we again benefited from our extremely well-positioned investments in the market and, as the Deutsche Immobilien Chancen Group, achieved a group result of EUR 40.6 million, following EUR 49.7 million in the previous year.

Our major investments, DIC Asset AG and GEG German Estate Group, consistently developed in line with our expectations, not only achieving excellent results for the year under review, but also optimising the foundations for future success.

DIC Asset AG: Management platform with strong performance

The listed company DIC Asset AG, in which we have a significant stake as an anchor shareholder, demonstrated its strength as an extraordinarily efficient management platform with a record operating result in 2018. The well-positioned asset, portfolio and property management team succeeded in creating significant value in all business segments and a continued attractive earnings scenario for shareholders:

- The renting and development measures of DIC's own real estate management alone resulted in a 10% increase in the value of the existing portfolio.
- At EUR 1.2 billion, transaction volume was twice as high as in the previous year. EUR 400 million was spent on the commercial portfolio in order to strengthen its earning power and quality in the long term.
- In the fund business, the successful establishment as a trading platform led to significant transaction fees and an FFO contribution from this segment that almost tripled year-on-year.

Thomas Grimm,
Board of Directors

- This powerful real estate management platform forms the basis for the growing third-party business. The real estate assets managed in this area were expanded from EUR 0.8 billion to EUR 1.7 billion. DIC Asset AG's total assets under management grew to EUR 5.6 billion.
- FFO rose to a record EUR 68.0 million. The company increased the dividend to 48 cents per share and the dividend payment can be received as a cash dividend or a dividend in kind.

GEG German Estate Group: Investment platform further expanded

The investment platform GEG German Estate Group, which we founded in early 2015 together with Kohlberg Kravis Roberts & Co. (KKR), made its presence felt in the market in the fourth year of its existence and achieved its goals for the further expansion of the company:

- GEG exceeded the planned performance indicators for 2018 and outperformed the assumptions for the expected acquisition volume of EUR 600 million.
- Including service contracts, assets under management rose from EUR 2.4 billion to EUR 3.0 billion.
- GEG's EBITDA grew from EUR 12.4 million to EUR 20.0 million, underscoring the company's ambitious growth path.

We thank you, our shareholders and business partners, for your trust and support. Our thanks also go to the dedicated employees of our Group and our associated companies for their outstanding performance. We look forward to another exciting and rewarding real estate year.

Dr Gerhard Schmidt
– Chairman of the Supervisory Board –

Thomas Grimm
– Board of Directors –

CONSOLIDATED MANAGEMENT REPORT

ORGANISATION AND BUSINESS ACTIVITIES

Overview of the Deutsche Immobilien Chancen Group

Deutsche Immobilien Chancen AG & Co. KGaA (Deutsche Immobilien Chancen) is a strategic management holding company with a clear investment focus on the German commercial real estate market. It primarily generates income through equity interests in other companies. It invests in real estate portfolios, individual properties and project developments as well as in investment and asset management platforms in the commercial real estate sector.

- The group of companies operates in several business segments: Through its investment in the listed company DIC Asset AG, it invests in existing properties that generate ongoing, long-term secured rental income and in a growing property management platform for the further expansion of the fund and third-party business in the German commercial property market. Through the GEG German Estate Group AG (GEG), the Deutsche Immobilien Chancen Group, together with international and national investors, is involved in an investment and asset management platform in the institutional business, opportunistic investments and developments segments in Germany. In addition, it holds further project participations in joint venture investments and project developments.

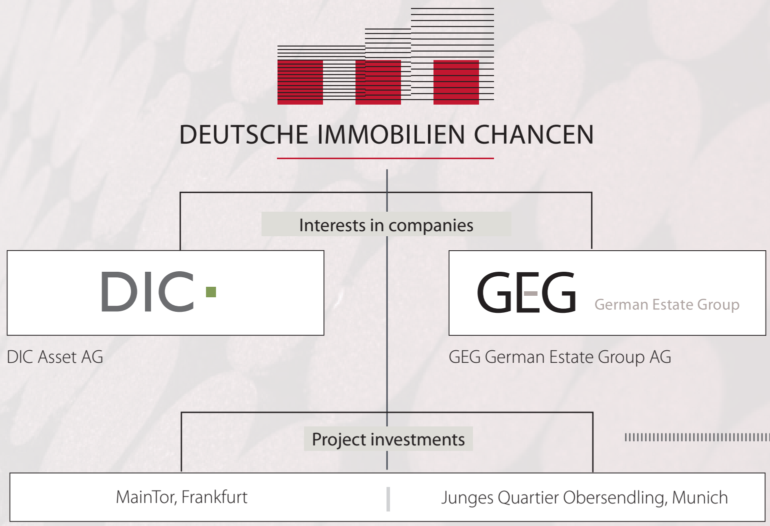
- The current consolidated total volume of real estate investments amounts to around EUR 6.7 billion, making the Deutsche Immobilien Chancen Group one of the leading German commercial real estate companies. The total real estate portfolio generates annualised rental income of around EUR 269 million.

- Deutsche Immobilien Chancen Group and GEG had a total of 251 employees at the end of the year. Of these, 114 work in real estate management at DIC Asset AG, which has six offices throughout the German real estate market and in our real estate locations. Around 37 real estate experts work in the development and investment area of the GEG.

Organisational structure

DIC ASSET AG

- Commercial portfolio: continuous rental income from direct real estate investments
- Funds: Investment income and management fees from fund investments
- Other Investments: Services for third parties (asset and property management) and expiring joint ventures, investment in the development project MainTor and TLG Immobilien AG
- Responsible for management of existing properties and the other segments through the real estate management platform DIC Onsite



GEG GERMAN ESTATE GROUP

Investment and asset management platform

- Institutional business
- Developments
- Opportunistic investments

PROJECT INVESTMENTS

Development projects

- Attractive development projects in the higher value segment
- Sale after value added has been generated

Joint-venture investments

- Minority interests in properties with a higher opportunity-risk profile
- Investments with potential for value enhancement and repositioning

OWN REAL ESTATE MANAGEMENT IN THE GROUP

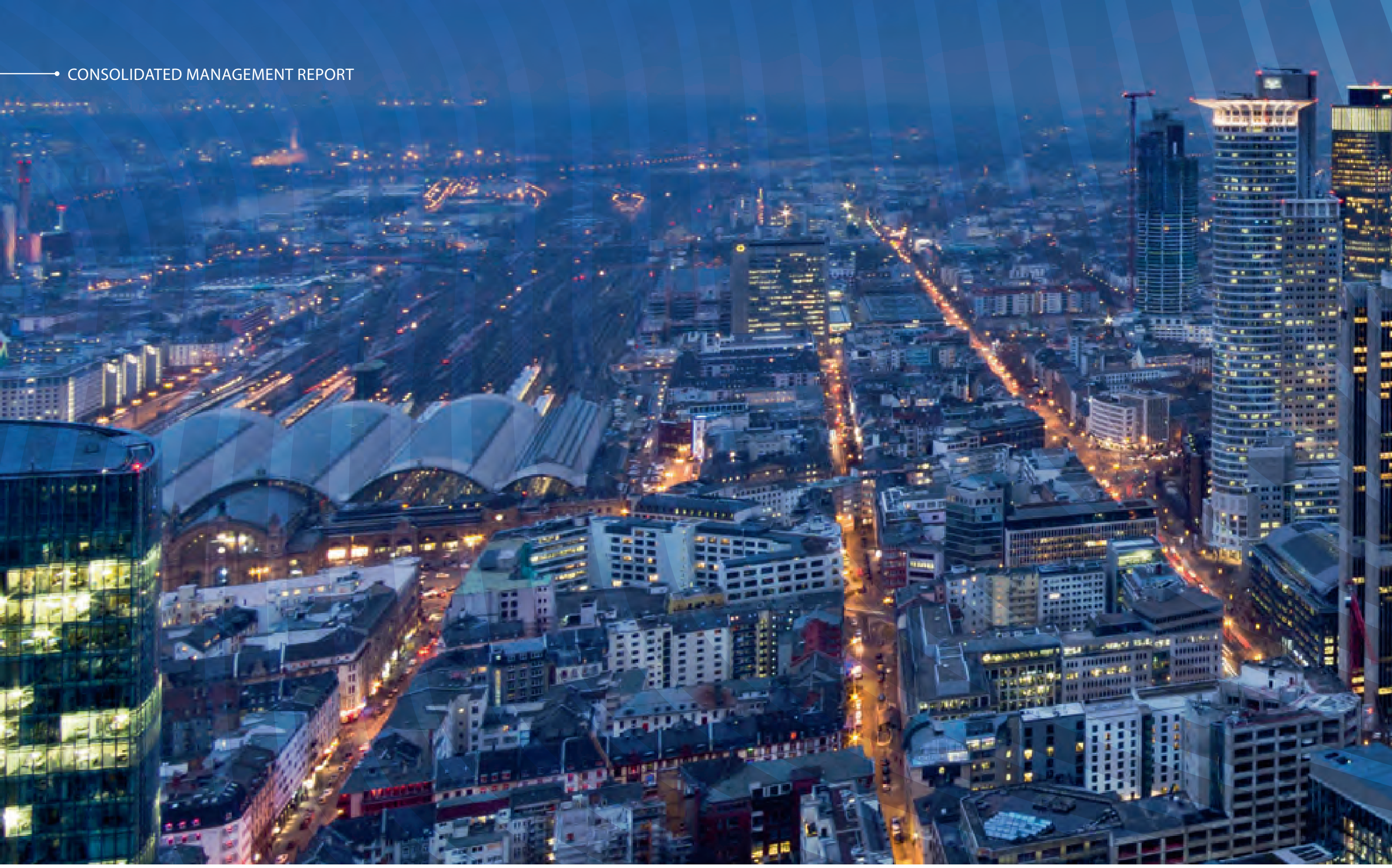
- Six offices with 114 experienced real estate professionals
- Strong presence in the entire German commercial real estate market
- Continued successful renting performance

Corporate structure

The Deutsche Immobilien Chancen Group is one of the leading investment companies for commercial real estate. The focus of the business model is on investments in the listed companies DIC Asset AG and GEG German Estate Group AG. In addition, there are further joint venture participations in project developments and real estate portfolios.

The companies in the Group generate ongoing, secured long-term rental income with their portfolio properties. The properties are managed and optimised according to specific property objectives by our own property management team, increased in value through developments and redevelopments and sold once the value added has been realised in the event of favourable market conditions.

The investment platform GEG German Estate Group, which was founded together with Kohlberg Kravis Roberts & Co. (KKR), gives the Deutsche Immobilien Chancen Group a holistic management platform for institutional clients with an investment focus on opportunistic investments, project developments and commercial properties in the core/landmark segment as well as value add established in Germany. The shares in the German Estate Group are held by TTL Real Estate GmbH (formerly Deutsche Immobilien Chancen Real Estate GmbH) in the amount of 75 % and by KKR in the amount of 25 %. The Deutsche Immobilien Chancen Group holds a 50 % stake (previous year: 67 %) in TTL Real Estate GmbH; the other 50 % is held by TTL Beteiligungs- und Grundbesitz-AG. Deutsche Immobilien Chancen Group generates income from associated companies from its indirect investment in GEG.



OVERALL STATEMENT ON THE BUSINESS PERFORMANCE AND THE SITUATION OF THE GROUP

In the past financial year, the Deutsche Immobilien Chancen Group again achieved major success in the ongoing development of its investments and exceeded expectations of the beginning of the year.

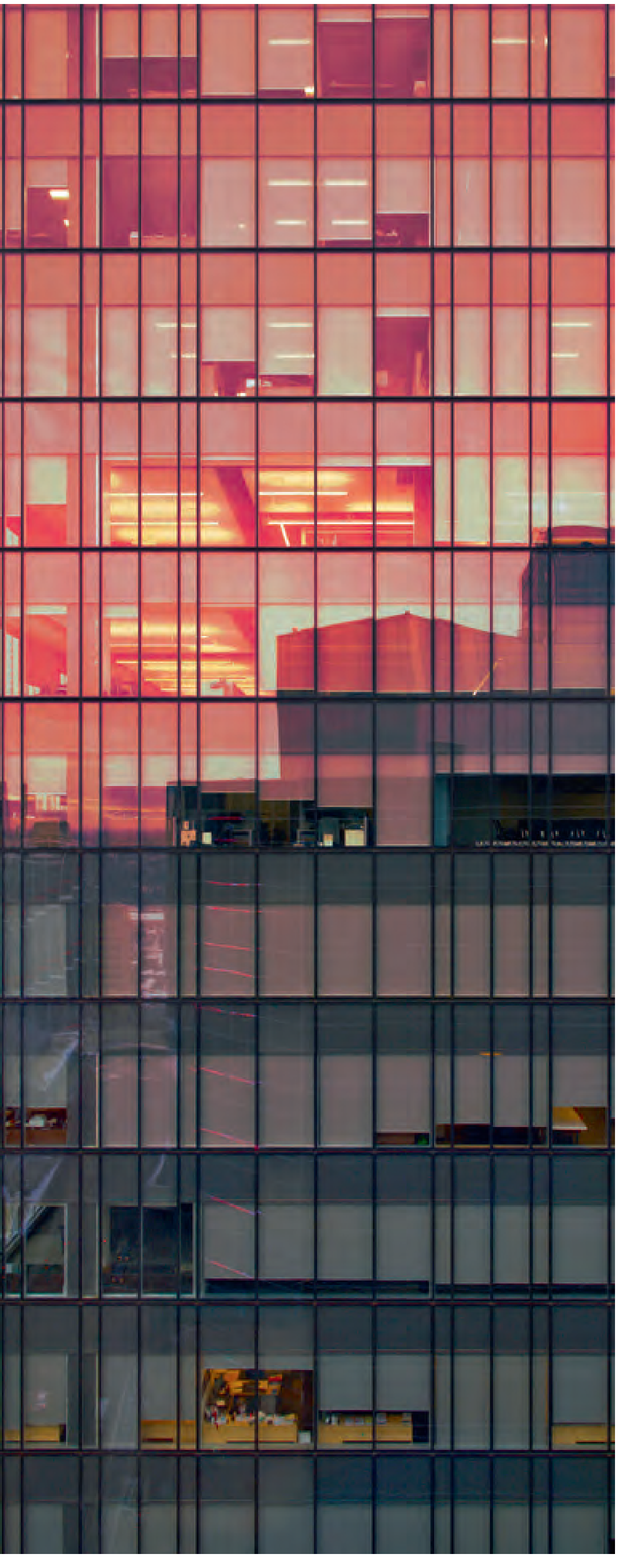
For the operating performance indicators of gross rental income and FFO, the DIC Asset AG investment comfortably achieved its targets, which had been raised during the year. In addition to additional rental income from the newly acquired properties, the successful work of the rental teams, which increased rental income from the commercial portfolio like-for-like by 2.7%, contributed to the fact that gross rental income of EUR 100.2 million exceeded the forecast, which was raised to EUR 98–100 million during the year. With the further establishment of the trading platform in the fund business, substantial income was generated in 2018 from the structuring of transactions in fund real estate. On the seller side, DIC Asset AG very successfully sold two properties from existing funds and used an advantageous exit opportunity for fund investors by selling share certificates. The dynamics of the fund business and the growing quality of the commercial portfolio had led DIC Asset AG, after three strong quarters, to raise its forecast for FFO from EUR 62–64 million to EUR 68 million in October; the company achieved this estimate as at 31 December 2018, with FFO of EUR 68 million. Against the background of the targets achieved and the sustainable business perspective, DIC Asset AG will pay a dividend of EUR 0.48 per share, higher than in the previous year. The option exists to receive the dividend exclusively in cash or in the form of additional shares in the company ("stock dividend").

GEG achieved its strategic goals for the further development of the company in 2018. The acquisition volume amounted to over EUR 600 million. Assets under management at the end of 2018, including service contracts and all business segments, thus exceeded the EUR 3 billion mark, compared with around EUR 2.4 billion in the previous year.

The total operating performance of the GEG German Estate Group increased by around 29% from around EUR 25.1 million in 2017 to EUR 35.6 million in 2018. The improvement in the earnings situation is even more significant: both the EBITDA of EUR 20.0 million (previous year: EUR 12.4 million) and the after-tax consolidated profit of EUR 16.0 million (previous year: EUR 10.8 million) increased significantly.

The Deutsche Immobilien Chancen Group can look back on a satisfactory year. Overall, we closed the year with a high group result of EUR 40.6 million.

BUSINESS AND GENERAL CONDITIONS



Macroeconomic development

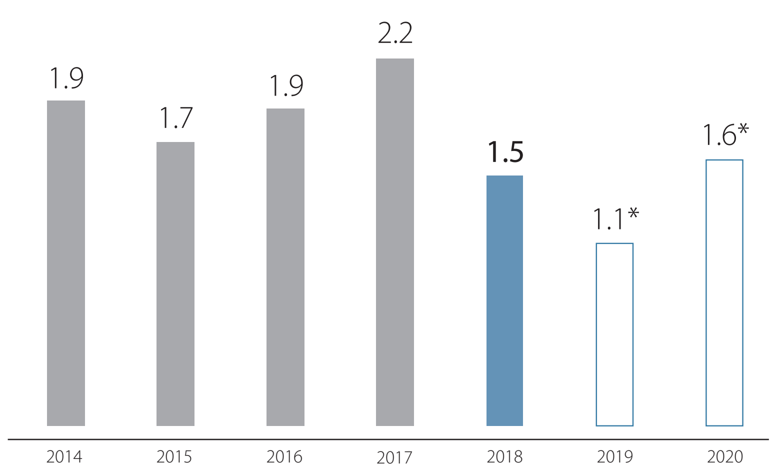
➲ German economy grows despite negative factors

After a sustained period of positive economic development, concerns about an escalation of international trade disputes and political uncertainties in some European countries clouded the previously very positive economic climate. In Europe, economic indicators in 2018 were weaker than economists had expected; in Germany, too, sentiment cooled across all sectors, with the exception of construction. Nevertheless, economic analysts are of the opinion that the German economy is in good shape and forecast GDP growth of 1.5 % and their outlook for the next two years is for a normalised pace of growth after years of a booming economy.

In the course of the year, sentiment indicators showed an increasing awareness of the high level of international uncertainty and the declining strength of the global economy: In December 2018, the Ifo Business Climate Index declined for the fourth month in a row and reached 101.0, its lowest level since December 2016. In both the manufacturing and service sectors, the business climate was noticeably cooler, with only the construction sector remaining at a very high level. Domestic demand – above all private consumption and construction spending – will continue to guarantee further

GDP GROWTH IN GERMANY

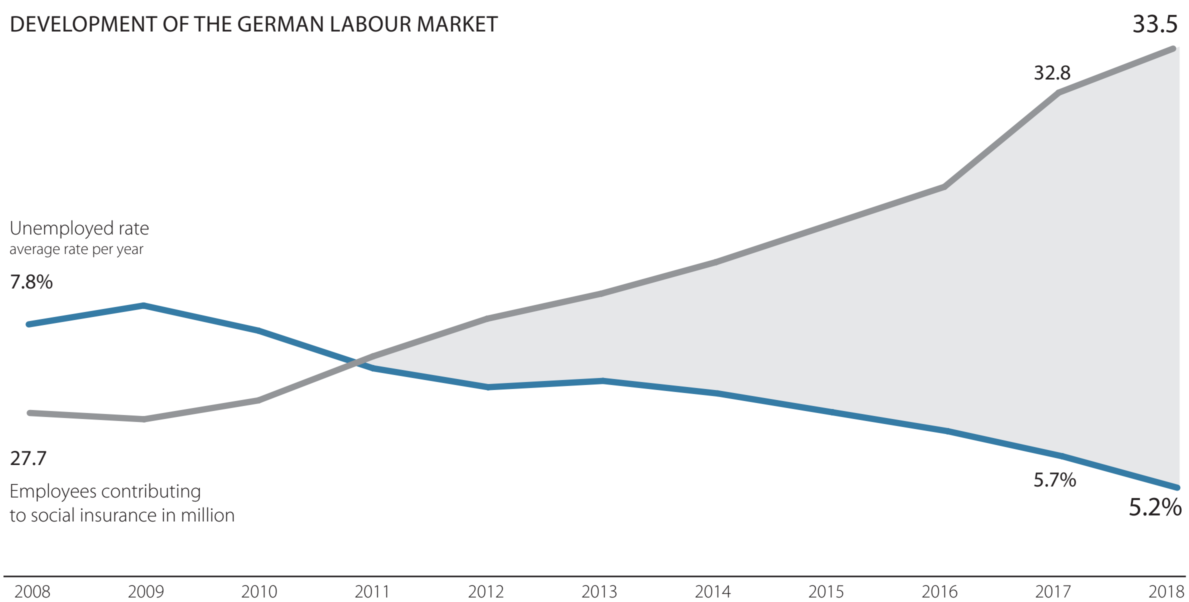
Change compared to previous year in %



Sources: German Federal Statistical Office, *Ifo Institute forecast growth. The expanding service sector and drivers from the labour market also continue to contribute to the positive outlook. The number of persons in employment and employment subject to social insurance contributions continued to rise sharply in 2018. Compared to the previous year, the average number of persons in employment grew by 562,000 to 44.8 million. The majority of the new jobs were created in the area subject to social insurance contributions. Compared to the previous year, this represents an increase of 705,000 jobs or 2.2%.

According to the autumn projections presented in mid-October 2018, the number of persons in employment is expected to increase by just over 1.3 million by 2020, the number of unemployed will fall by around 400,000 and the unemployment rate will fall to 4.8%. In order to reduce uncertainty in the market, the currency authorities decided in June 2018 to extend the key interest rate outlook: According to the outlook, the ECB assumes that key interest rates will remain unchanged until at least summer 2019. The key interest rate in the euro area, which has been at 0% since March 2016 and at which commercial banks can borrow money from the central bank, remained unchanged at its historic low in 2018. The penalty rate on commercial bank deposits with the ECB also remained unchanged at 0.4%. By contrast, the ECB gradually scaled back its billion-euro programme to purchase government and corporate bonds ("quantitative easing").

DEVELOPMENT OF THE GERMAN LABOUR MARKET



Sources: Federal Employment Agency, Federal Statistical Office

Sector development

Rental market: advanced take-up of space and rising rents

On the rental market for office properties, the year 2018 ended with a decline in the take-up of space of 6.5 % on average among the top 7 locations to just under 4 million sqm. However, the decline is not the result of reduced demand, but of a lack of available space. The vacancy rate in the top 7 locations fell by 916,000 sqm; at the end of the year, the vacancy rate of 3.6 % was again below the previous year's level.

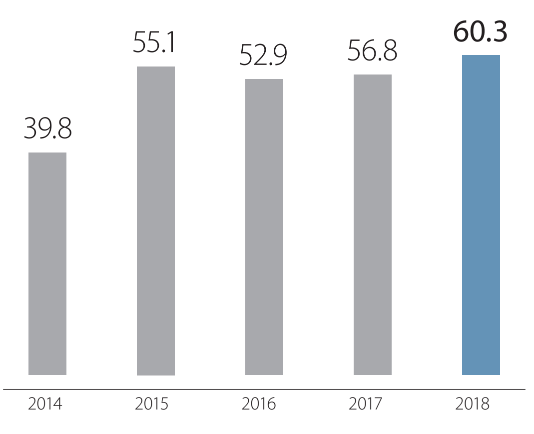
Suppliers of co-working spaces and business centre operators were very active on the demand side in 2018. Their share of office space turnover rose significantly at all top 7 locations. Overall, they accounted for around 6 % of the total take-up of space; the figure was even higher in top locations (CBD) at 16 %. With high demand and a shortage of space, both prime and average rents rose.

The brokerage analysts do not expect a fundamental trend reversal for 2019. The aggregate vacancy rate in the top 7 locations is expected to decline further in 2019.

In view of the boom in demand and the continued low completion rates this year, speculative new construction can at best slow the rise in office rents, but the situation will not ease in the short to medium term. Due to the increasingly scarce supply, however, the take-up of space at the top 7 locations this year will probably not reach the record results of 2017. Due to the unchanged high demand for the few available top spaces in the inner cities of the top 7 locations, an increase in prime rents is expected again.

TRANSACTION VOLUME WITH GERMAN COMMERCIAL REAL ESTATE

in EUR billion



Source: JLL

Investment market: Upward trend still intact

While all European locations were hurt by political uncertainties in the past 12 months, the German investment market once again proved to be robust. As in the previous year, when the difficulties in forming a government in Germany had no major negative impact in the real estate investment market, the commercial real estate investment market posted a new record year despite all the political and economic uncertainties. With revenues of EUR 60.3 billion in the final quarter of 2018, the transaction volume exceeded the EUR 60 billion mark for the first time and exceeded the previous year's result by around 6 %.

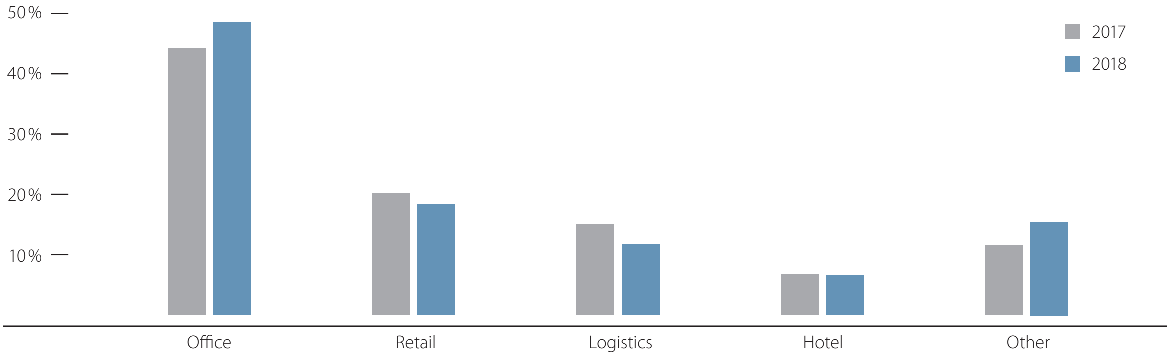
The German commercial real estate market remains very attractive for foreign investors as well. In 2018, prime yields on office properties in A locations fell again from 3.3 % to 3.1 %.

As in previous years, the office asset class was most popular with investors, with a share of just under 50%. The development of the office rental markets in the top 7 locations is reflected in the investment market. In the middle of the year, submarkets somewhat outside city centre locations in the A locations and properties with vacancies and leases expiring in the near future were in greater demand; according to JLL analyses, risk premiums and spreads on prime yields had shrunk to a historically low level. The background to this is the shift in investors' preferences towards products and locations that do not meet the previous criteria for prime and for which there is still potential to achieve the targeted returns through appropriate management measures and new contracts at higher rents. In 2018, Manage-to-Core properties were in strong demand and the asking prices rose significantly.

At the end of the year, the average peak yield in the top 7 cities was 3.11%, after being at 3.27% in the previous year. In combination with the strong growth in rents, the value of office properties in the top 7 locations increased by around 12% in 2018. JLL sees growth in 2019 at an average of around 4% for the total market for office properties in the strongholds due to the advanced compression of returns.

For the outlook on the general conditions and the assessment of industry developments in the 2019 financial year, see our Forecast Report in the "Outlook, Opportunities and Risk Report" section.

SHARES OF TRANSACTION VOLUME



Source: BNP Paribas Real Estate

BUSINESS DEVELOPMENT

Total portfolio of DIC Asset AG

DIC Asset AG's managed real estate portfolio comprised 178 properties with a total area of around 1.9 million sqm as at the reporting date.

The value of assets under management, including third-party business, grew to EUR 5.6 billion. Of this amount, around EUR 1.7 billion is attributable to properties in the directly held commercial portfolio, EUR 1.8 billion to fund properties and EUR 2.1 billion to the Other Investments segment, which, in addition to its stake in the forthcoming MainTor development project and strategic investments, also includes growing third-party business.

Acquisition in Mannheim for DIC Office Balance IV

EUR 5.6 billion
ASSETS UNDER MANAGEMENT

178 PROPERTIES

Development of DIC Asset AG – Targets for 2018 achieved

➲ Higher renting performance in the commercial portfolio and for funds

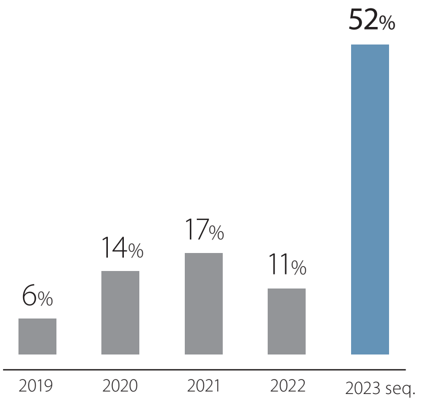
Following an outstanding overall renting performance in 2017, DIC Asset AG's real estate management teams successfully concentrated on further reducing vacancies in the past year, thereby raising the potential of real estate assets.

With a total renting volume of 264,400 sqm (previous year: 273,600 sqm), annual rental income of EUR 35.7 million was contracted (previous year: around EUR 40.2 million). On the basis of the annualised rent, almost three quarters (73%) of the contracts concluded were lease renewals (in the previous year): 45%).

Following the successful conclusion of significant large-scale rentals in the Other Investments segment in the previous year, half of the 2018 renting performance was distributed between the Commercial Portfolio and the Funds segments, with both segments reporting an increase in the volume of contracts concluded: In the Commercial Portfolio, annualised rents of EUR 17.5 million were achieved, an increase of EUR 1.5 million in renting performance. In the Funds segment, output rose even more significantly, by more than 50% from EUR 12.0 million in the previous year to EUR 18.2 million in the 2018 financial year.

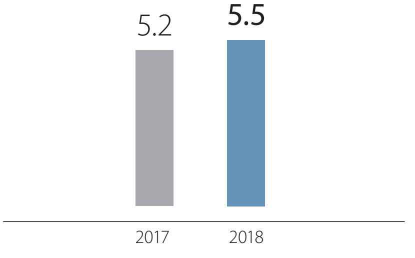
TERM OF RENTAL AGREEMENTS

on the basis of annualised rental income



AVERAGE RENTAL PERIOD

in years *



* excluding third-party business, warehousing and repositioning properties

Sustainably successful rentals with longer contract terms

The rental teams of DIC Asset AG achieved significant success with longer-term contracts: The average contract term for new rentals in the Funds segment rose from 8.7 to 10.6 years on average (in the Commercial Portfolio from 6.4 to 6.5 years). For lease renewals, average rents (EUR 11.18/sqm; previous year: EUR 11.18/sqm) rose, especially for existing tenants in the commercial portfolio: EUR 10.63/sqm) were signed for significantly longer leases and extended for an average of 9.5 years instead of 3.3 years on average. The successful rental work and proven stability of the tenants led to significant increases in the value of the properties.

Rental agreements were concluded in 2018 not only for longer terms on average, but also for larger spaces. Almost half of the rental volume in square metres was accounted for by spaces of more than 5,000 sqm (previous year: 38 %).

More long-term contracts in the portfolio, available space significantly reduced

The qualified rental work in 2018 made a significant contribution to strengthening the profitability of the portfolio over the long term. The residual term structure curve rose significantly at the long end: More than half of the rental agreements are for longer than five years (previous year: 43 %).

In the Commercial Portfolio, the average lease term was extended from 5.1 to 5.8 years, in the Overall Portfolio from 5.2 to 5.5 years. In addition to the ongoing rental work, the successful asset management of DIC Asset AG with targeted purchases and sales is also decisive here.

Transaction volume of around EUR 1.2 billion

In the 2018 financial year, DIC Asset AG succeeded in fully implementing both its planned acquisitions and sales projects in a highly competitive market environment and achieved a record total of around EUR 1.2 billion in purchases and sales. This is the highest transaction volume realised to date in the history of DIC Asset AG and proves the experience available and the comprehensive transaction expertise of its team.

➲ Acquisition volume of around EUR 510 million in 2018 exceeds target corridor

In total, purchases with a volume of around EUR 510 million were made across all segments, exceeding the target corridor of EUR 450–500 million. The main share, EUR 405 million, was accounted for by high-yield acquisitions for the company's own portfolio: Of the six purchases for the commercial portfolio, three were transferred to the portfolio before the reporting date with a total investment volume of around EUR 105 million; the transfer of another property is expected to take place in the second quarter of 2019. DIC Asset AG has contractually secured two properties with a total investment volume of around EUR 256 million as part of longer-term forward deals; their transfer is expected to take place at the beginning of 2020 or 2021 after completion. For two new acquisitions with a volume of around EUR 51 million certified in December, the transfer to fund assets is expected to take place in the first quarter of 2019. At around EUR 105 million, acquisitions for funds accounted for a smaller proportion of new acquisitions in the past year, as the initial portfolios of the new funds were formed with properties from warehousing that had already been secured in the previous year.

➲ Sales transactions totalling almost EUR 700 million structured in line with market requirements

Sales transactions with a total volume of around EUR 693 million across all segments represent the active approach of continuously optimising the use of capital and expertise in investments: In the Commercial Portfolio, the sales volume for portfolio optimisation amounted to the planned EUR 100 million. In addition, there were sales of around EUR 426 million as part of active fund management mandates. In the Other Investments segment, the last three joint venture properties (EUR 167 million) were sold as planned; the transfer of the last property will be completed in 2019.

The transfer of ownership, benefits and encumbrances took place in the amount of EUR 506 million for the sales certified in 2018. Sales of EUR 40 million certified in the previous year took effect in 2018.

Commercial Portfolio

EUR 1.7 billion
MARKET VALUE

Acquisition:
Multi-tenant office building
"Palais Kronberg"

Commercial Portfolio

The commercial portfolio comprised 101 properties as at the reporting date (previous year: 113) with a market value of around EUR 1.7 billion (previous year: EUR 1.6 billion).

➲ New additions for the growth of the existing portfolio

During the financial year, DIC Asset AG made high-yield acquisitions with a total volume of around EUR 405 million for its commercial portfolio.

In making the decision to purchase the properties, importance was attached to the future potential in terms of structure, development opportunities and, above all, location.

- The first step was taken in May 2018 with the completion of a 13,300 sqm, office property in Leverkusen, fully leased with long-term leases, for around EUR 52 million (TIC, total investment costs) in an excellent location and quality, which has just been completed. The tenant is pronova BKK, one of the largest health insurance companies in Germany.

- In August, DIC Asset AG acquired the "Palais Kronberg", a 12,800 sqm multi-tenant office building in Kronberg im Taunus, a prime location in the heart of the Rhine-Main metropolitan region. The property is fully leased to well-known companies and offers good potential with optimal management due to its location and structure.

- In the same month, DIC Asset AG signed a contract for the "Infinity Office" in Düsseldorf. With the conclusion of the forward deal, which is expected to have a volume of around EUR 164 million (TIC), it will acquire a new building for its commercial portfolio, which represents an optimal expansion of the portfolio due to its excellent location, which will continue to gain in attractiveness in the future, not least due to the standard of the construction and pre-rental.

- At the beginning of December, DIC Asset AG announced the successful conclusion of a forward deal with a volume (TIC) expected to be around EUR 90 million for the purchase of a new construction project in Berlin near Kurfürstendamm. After completion at the beginning of 2021, the eight-storey new building in the Berlin-Halensee district will have a rental area of around 16,000 sqm, with a high standard of construction. The German capital has been experiencing above-average economic growth for years, and this property will allow DIC Asset AG to participate in the highly attractive office market for users and investors.

- At the end of December, DIC Asset AG acquired a property in Karlsruhe. The office building in a central location opposite the main railway station has excellent infrastructure connections. The seven-storey building, which has just been modernised, contains around 10,700 sqm of rentable space, of which 100% is currently occupied. The WALT is 10.7 years. With Karlsruhe as an important IT location in Germany, the location and the resulting potential was an important purchasing criterion here as well.

Acquisition: Office building in Leverkusen

Forward deal: "Infinity Office" in Düsseldorf

Forward deal: New building project in Berlin-Halensee

© CASADA GmbH

Acquisition: Office building at Karlsruhe main railway station

➲ Sales

In the 2018 financial year, DIC Asset AG successfully sold ten non-strategic properties, thus further optimising the commercial portfolio with good profits and a sales volume of around EUR 100 million. On average, proceeds from the sales were realised that were 17 % higher than the most recently determined market values.

➲ Portfolio quality significantly improved

Annualised rental income grew from EUR 95.5 million to EUR 97.6 million in the 2018 financial year. With an increase in like-for-like rental income of 2.7 % from EUR 89.9 million to EUR 92.3 million, focused renting work made a major contribution. The average lease term improved significantly from 5.1 to 5.8 years, and the EPRA vacancy rate fell by 2.3 percentage points from 9.5 % to 7.2 % at the end of 2018.

➲ Market valuation: around EUR 160 million growth in portfolio value excluding transactions

At the end of each year, external appraisers regularly determine the market value of DIC Asset AG's properties. This value includes property-related factors such as the occupancy rate, the amount of rental income, the length of the rental agreements as well as the age and quality of the properties. In addition, there are external factors such as the development of the local environment, the general market and the financial environment.

The valuation effect on the properties in the Commercial Portfolio amounted to EUR 159.4 million, which corresponds to a change of 10.4 %. Taking into account purchases, sales, investments and valuation effects, the market value of the commercial portfolio totalled EUR 1,696.8 million, an increase of 3.5 % over the previous year (EUR 1,639.2 million).

Fund business

For DIC Asset AG, the funds business segment is an attractive business with regular high returns. It structures investment products with attractive dividend yields for institutional investors in the German commercial real estate market. DIC Asset AG generally holds between 5 % and 10 % of these funds. DIC Asset AG also provides asset and property management services as well as the structuring and realisation of purchases and sales. DIC Asset AG increases income in the fund business through active fund management.

EUR 1.8 billion
ASSETS UNDER MANAGEMENT

➲ Trading platform established, innovative exit option created

In 2018, DIC Asset AG successfully pursued its strategy of establishing the fund business as a trading platform in the market. In March 2018, it placed a fund managed by it with a well-known institutional investor as part of a share certificate sale. The DIC HighStreet Balance special fund launched in 2012 has continuously generated returns for investors above the target return of 5.0 %. With the sale of the share certificates, DIC Asset AG created an attractive exit opportunity for fund investors, not least in terms of transaction cost efficiency. For the successful preparation and execution of the transaction, it received management fees of around EUR 5.9 million. In addition, two properties from DIC Office Balance I and DIC Office Balance III with a volume of around EUR 192 million were sold with excellent results.

➲ Seventh and eighth special funds launched

At the end of the first half of the year, DIC Asset AG launched its seventh open special AIF – the fifth in the successful series of DIC Office Balance funds. DIC Office Balance V invests in commercial real estate in German metropolitan regions and has a target investment volume of EUR 350–400 million. An attractive start-up portfolio was contributed to the new fund with a planned annual target return of 4.0–4.5 %, which was acquired in advance for the fund in December 2017. The properties with a volume of around EUR 130 million have been generated in the warehousing segment by DIC Asset AG since then.

This was followed at the end of September by the structuring of the DIC Metropolregion Rhein-Main-Fonds: The eighth open-ended special AIF invests primarily in commercial real estate in the Frankfurt-Rhine-Main region, one of the strongest economic regions in Germany with a high degree of sector diversification. The planned dividend yield is 3.5–4.5 %. In addition to investments in office, retail and mixed-use commercial properties, other types of use such as hotels and logistics-city-light industrial are conceivable; DIC Asset AG can exploit its valuable home advantage with a strong regional presence and closeness to the market.

Eschborn – Purchase for OB V: Headquarters of the real estate developer Aurelis

Purchase for OB IV: Office building in the Eschborn-Süd commercial campus

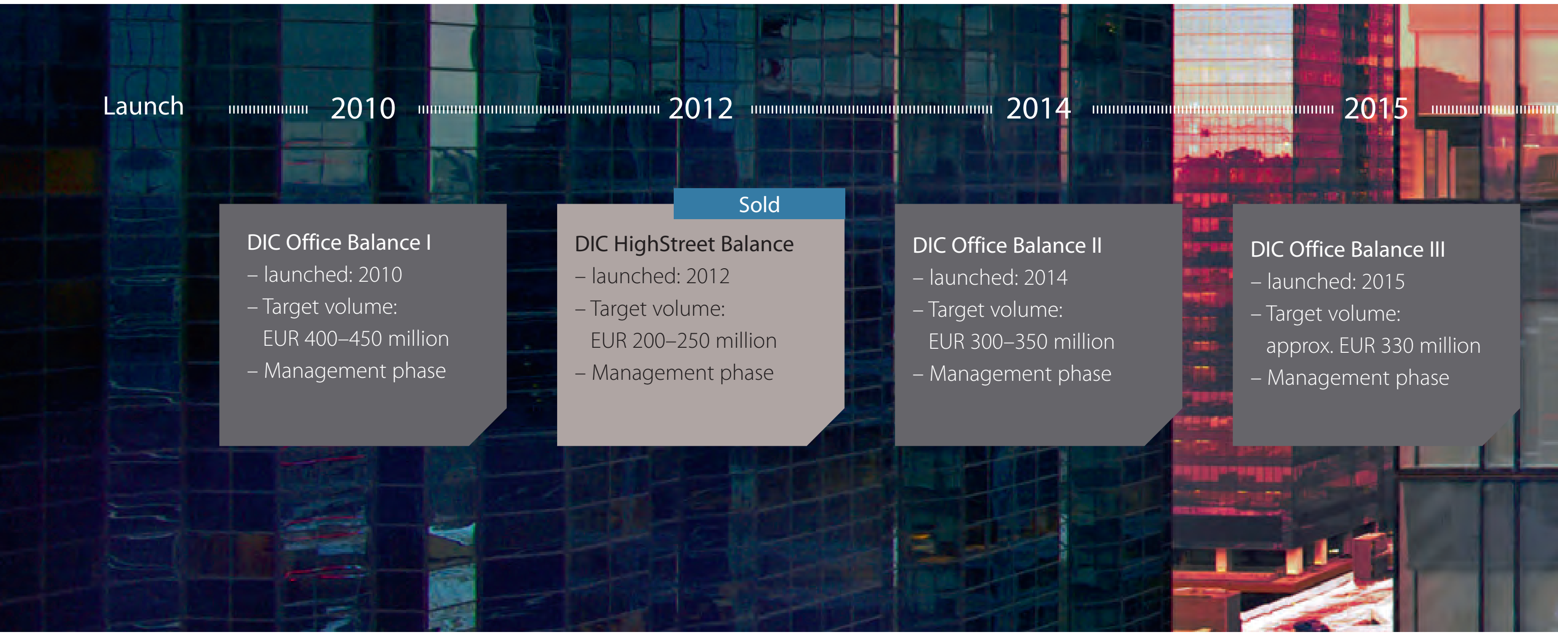
Five acquisitions underpin growth strategy

Apart from adding warehousing properties, DIC Asset AG purchased five properties with a total volume of around EUR 105 million for existing funds in 2018:

- In the first half of the year, DIC Asset AG acquired an office building in the Eschborn-Süd commercial campus for DIC Office Balance IV, which has become much more attractive since Deutsche Börse moved to the district. The building, with around 6,600 sqm of rental space, comprises traditional office space occupied by IT service providers and business consultants as well as showroom space used as order offices at the location, which is easily accessible from other regions. In addition, a property in Mannheim was also purchased for DIC Office Balance IV; the property's 6,500 sqm are fully leased to companies from the technology and healthcare sectors. As the third property for DIC Office Balance IV, DIC Asset AG acquired a building in Fürth with around 10,200 sqm at the end of October. The three purchases together amounted to a volume (total investment costs) of around EUR 54 million.

- DIC Asset AG purchased a fully leased property with 8,400 sqm in Eschborn at the end of the year for the DIC Office Balance V special fund launched in June 2018. The office building is leased to a total of 12 tenants, with real estate developer Aurelis and office service provider Regus Management renting the largest areas. The WALT is 4.3 years. The purchase price (TIC) was EUR 25.8 million.

- A property acquired in Cloppenburg in December 2018 complements the DIC Retail Balance I retail fund, which is also in the investment phase. It is a specialist retail centre with the long-standing anchor tenant Kaufland and a connected shopping area with various retailers. The property has an average remaining lease term of around 13.7 years. The fully leased centre with a total area of around 6,700 sqm was completed at the end of 2017. The purchase price (TIC) amounted to EUR 25.2 million.



Top Exit:
Berlin, Rosenthaler Höfe

Top sales in Berlin

DIC Asset AG's first fund, DIC Office Balance I, sold its Rosenthaler Höfe property in September as part of a structured bidding process. The property, located in Berlin-Mitte on Hackescher Markt and fully leased to the German software manufacturer SAP with around 13,000 sqm, was part of the initial portfolio in 2010. The fund's long-standing investors were able to benefit in particular from the positive development of the office market in the capital via a significant purchase price premium to the market value. The transaction volume was solidly in the triple-digit million range. In 2018, Berlin was the most expensive German location in the office segment with prime yields at 3%.

With the sale of the "eBay Campus" in Berlin/Kleinmachnow, DIC Office Balance III also benefited from the positive market development in the capital region. The building ensemble consisting of three office and commercial buildings with a rental area of 19,300 sqm is fully leased to the main tenant eBay.

Significant revenue growth with increased transaction revenues

With its establishment as a trading platform, the funds segment recorded a slight net increase in total volume and a significant increase in transaction volume in 2018 as a result of intensive buying and selling activities: As at the balance sheet date, assets under management in the Funds segment amounted to EUR 1.8 billion, an increase of 20% (previous year: EUR 1.5 billion). The volume transacted totalled around EUR 530 million and thus amounted to almost 30% of the assets under management in the funds segment. The sharp rise in transaction fees in 2018 thus made a significant contribution to the significant increase in income from property management fees in the fund business (+67%).

03/2017

DIC Office Balance IV
- launched: 2017
- Target volume: approx. EUR 240 million
- Investment phase

09/2017

DIC Retail Balance I
- launched: 2017
- Target volume: approx. EUR 250 million
- Investment phase

06/2018

DIC Office Balance V
- launched: 06/2018
- Target volume: EUR 350–400 million
- Investment phase

09/2018

DIC Metropolregion Rhein-Main Fonds
- launched: 09/2018
- Target volume: approx. EUR 250 million
- Investment phase

EUR **2.1** billion
ASSETS UNDER MANAGEMENT

OTHER INVESTMENTS

The Other Investments segment (EUR 2.1 billion) comprises strategic investments and the growing third-party business, which also includes property management for parts of the assets managed by GEG, as well as DIC Asset AG's participation in the MainTor project development in Frankfurt, which is about to be finalised. The joint-venture properties still included in the portfolio were sold in 2018, after considerable potential for value appreciation had been realised through refurbishment and repositioning.

➲ Complete phase-out of joint ventures

In February 2018, two joint venture properties were transferred, the sale of which was certified in December 2017. As planned, the remaining three joint venture commitments with a total volume of EUR 167 million were sold in the course of the year. Two of the properties were transferred to the purchaser with an effect on earnings in 2018, while the last joint venture property is to be transferred after completion of the conversions during the second half of 2019. The goal of completely phasing out the joint ventures has thus been achieved.

➲ TLG investments: high earnings contribution secured in 2018 and 2019

DIC Asset AG received dividend income of EUR 10.2 million in 2018 from its stake in TLG Immobilien AG, which was increased to around 15% during the financial year. In December, it reached agreements with Ouram Holding S.à r.l. and the Bedrock Group on the sale of its shares in TLG Immobilien AG totalling around 14% of its share capital. The purchase price volume is in the region of EUR 376 million. The agreement with Ouram relates to a block of shares of approximately 6% and was completed at the end of the first quarter of 2019. The contract with Bedrock for a block of shares of around 8% is expected to be concluded in the second quarter of 2019. The proceeds from the sale are to be used for DIC Asset AG's own further growth. Under the terms of the agreement, it will also receive the dividend on its shares, which TLG will pay for 2018. DIC Asset AG has thus achieved a highly attractive investment income and is opening up new options for dynamic growth with the considerable amount of funds released.

➲ MainTor development project: Handover of WINX expected in second half of 2019

All available office and commercial space for the WINX high-rise in Frankfurt, which is currently being finalised, has been placed under contract. The long-term leases begin in the fourth quarter of 2019. This means that the sixth and final construction phase of the MainTor site, covering around 42,000 sqm, will be handed over to the final investor.

➲ Growing third-party business in real estate management services

DIC Asset AG was able to significantly expand its business with real estate management services for third parties in 2018 and took on additional tasks. Assets under management in the third-party business doubled to around EUR 1.7 billion (previous year: around EUR 0.8 billion), spread over 13 properties with a rental area of 0.3 million sqm (previous year: 8 properties, 0.2 million sqm rental space). It generates additional current income by managing landmark properties such as the Japan Center and the International Business Campus in Frankfurt am Main, both of which are managed by GEG. Due to our proven real estate expertise, demand for services increased during the financial year and further mandates were issued, so that the importance of third-party business will continue to grow.

Development of GEG German Estate Group – Stability and Structure

In the 2018 financial year, the GEG stake achieved all its financial targets and in some cases exceeded them. Market opportunities were anticipated and exploited in all three business segments. GEG kept firmly to its growth strategy in 2018 and further expanded its position as a leading investment platform.

In 2018, the personnel resources of GEG were significantly strengthened and the corporate structure further optimised. Dr. Thomas Hartmann joined the company, giving GEG a Chief Financial Officer with many years of management experience in all areas of finance combined with profound knowledge of the real estate business. He is also responsible for transaction and risk management at GEG. In total, the GEG team was increased to 63 employees.

As part of its strategic growth, GEG has initiated two fund products in the Institutional Business segment: "GEG Public Infrastructure I" and "GEG Deutschland Value I". "GEG Public Infrastructure I" has already been fully placed. Around two thirds of the planned investment volume was invested in infrastructure properties such as the training centre for the North Rhine-Westphalia police in Neuss. The first investor closing took place for "GEG Deutschland Value I". GEG was mandated by the Singapore state fund GIC (Government of Singapore Investment Corporation) to develop and manage a real estate portfolio with significant potential for appreciation. The focus of investment activity will be on the leading German office property markets.

Investment in infrastructure real estate: for example the training centre for the North Rhine-Westphalia police in Neuss

GARDEN TOWER – ACQUISITION IN THE FRANKFURTER CBD

Frankfurt was the leading German location for office properties in 2018. We are convinced that this attractiveness will increase even further in the future. In 2018, GEG therefore invested more in the coveted Central Business District (CBD) micro-location. In 2018, GEG bought the classic Garden Tower high-rise for around EUR 275 million. Another spectacular purchase in the CBD was the well-known landmark property Eurotheum with a transaction volume of around EUR 250 million. In addition, GEG is currently modernising and repositioning the Global Tower, another classic high-rise building in Frankfurt.

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EUROTHEUM

GEG has increasingly expanded its activities nationwide. In 2018, the campus project "Junges Quartier Obersendling", developed by GEG, was purchased for the long-term portfolio of the "GEG Public Infrastructure I" fund. The campus is rented to the state capital Munich, which uses the Junges Quartier Obersendling as a model centre for the joint education and integration of young people in need, with and without a migration background. The modern Sapporobogen office building is also located in Munich, in a prime location on the Mittlerer Ring. GEG manages the centrally located Business Campus am Park (BCP) office building in Düsseldorf and the Triforum hotel and office complex in Cologne. Further projects in Hamburg, Mainz and Neuss refer to the expanded investment focus.

CAMPUS PROJECT JUNGES QUARTIER OBERSENDLING:
ACQUISITION FOR THE "GEG PUBLIC INFRASTRUCTURE I" FUND

MANAGED REAL ESTATE INVESTMENTS DEUTSCHE IMMOBILIEN CHANCEN GROUP

	2018	2017
Usable space in million sqm	**2.1**	1.9
Managed investments in EUR billion	**6.7**	5.1
Number of properties	**184**	186
Annualised rental income in EUR million*	**269**	246

*including Warehousing

RIVERPARK TOWER

The construction of the MainTor site will be concluded with the completion of the WINX Tower in 2019. MainTor sets new standards in the city, with first-class office space, over 200 apartments and various gastronomy and retail spaces, and forms a link between the city and the old town. Another exciting GEG project directly on the Main is already attracting attention. Excellent progress is being made on the conversion of a former office tower into the residential high-rise RIVERPARK Tower, designed by star architect Ole Scheeren.

GEG was able to sell the Global Tower during project development. The investor HANSAINVEST (Real Assets) is entering the Global Tower development project as a future buyer. After completion in autumn 2020, it will acquire the entire building for one of its special funds. The entire development project will continue to be the responsibility of GEG.

GLOBAL TOWER – SUCCESSFUL SALE WITH PROJECT DEVELOPMENT STILL IN PROGRESS

OUR EMPLOYEES

DIC Asset AG had 186 employees at the end of 2018 (previous year: 187). The GEG German Estate Group also employs around 63 real estate experts and other staff. The majority of our employees work in the areas of portfolio, asset and property management, project development, accounting and controlling at our headquarters and in six offices throughout Germany in Frankfurt, Berlin, Hamburg, Düsseldorf, Mannheim and Munich. Due to our broad task and employee structure, we cover a large part of the value chain in the real estate industry, which gives us many advantages in the efficient support and further development of our various business areas. As in previous years, we expanded capacities for the dynamic growth of managed real estate assets and the Funds division. The number of employees in administration declined.

The knowledge, experience, performance and commitment of our employees form the basis of our company's success. We can only achieve our ambitious goals if we have qualified and motivated employees who successfully and convincingly represent our company to the outside world. We therefore value and encourage entrepreneurial thinking and action, personal responsibility, flexibility and specialist knowledge.

Human resources development

Targeted human resources development is an essential part of our long-term corporate development. Its aims include the promotion and qualification as well as the long-term retention of satisfied employees. We ensure that talents are discovered, promoted and challenged. We therefore support our employees in their personal development goals and invest in the development of specialist knowledge and skills. For example, we offer general training courses as well as topic-specific advanced training on current specialised topics. We make use of internal and external lecturers as well as training institutes.

Human resources development and promotion are among our managers' most important tasks. We support our managers in this and provide them with tools such as training and/or individual coaching.

Employer brand

Getting new colleagues enthusiastic about our company is also one of the most important tasks of our Human Resources department. We invest in our positioning as an attractive employer in order to attract talented and qualified candidates. We offer flat hierarchies, early assumption of responsibility and broad decision-making authority. For the eighth time, DIC Asset AG was represented with its own stand at the IZ Career Forum of the Immobilien Zeitung in June 2018 in order to give students an insight into the company's various fields of activity.

The Deutsche Immobilien Chancen Group promotes diversity. As at 31 December 2018, 50 % of the positions in the Deutsche Immobilien Chancen Group were filled by female employees. DIC Asset AG employs staff from nine nations. With regard to flexible working hours, the Deutsche Immobilien Chancen Group offers its employees part-time models.

Training of young employees, promotion of students

Pupils gain insight into various areas of the Deutsche Immobilien Chancen Group through student internships (up to 14 days) and students through study internships for periods of two to six months. University graduates have the opportunity to complete a 12- or 18-month trainee programme after completing their studies. Here, young professionals are trained for responsible positions. Since 2015, DIC Asset AG has also been certified as a trainer for the profession of real estate agent. Students are also supported in their bachelor and master theses. All these programmes are regarded as important building blocks for attracting qualified junior staff to the company in the future, as well as for meeting social responsibilities. In April 2018 and March 2019, DIC Asset AG participated for the second and third time respectively in Girls' Day, the largest career orientation project for schoolgirls worldwide. The aim of the initiative is to promote a choice of profession and studies throughout Germany that is in line with the employee's own interests and is free of gender stereotypes.

Remuneration

The salary consists of basic income, fringe benefits and performance-related components. The company bases its salary levels on industry and competitive standards. The performance-oriented component is based on the achievement of strategic and operational corporate goals as well as individual goals, which are defined annually together with superiors in order to promote the entrepreneurial awareness of our employees.

Staff expansion in the fund and asset management area

In the 2018 financial year, the number of DIC Asset AG employees in the areas of portfolio management, investment and funds as well as asset and property management rose to 141 (previous year: 138). The total number of employees decreased to 186 as at 31 December 2018 (previous year: 187).

GEG team

Competent, committed and motivated employees are one of the main drivers of the successful development of the GEG German Estate Group. For this reason, we work systematically to ensure that we are viewed as an attractive employer in the long term and are recommended to others by our employees. In addition to a balanced relationship between female and male employees, the GEG German Estate Group relies on systematic personnel marketing and practice-oriented promotion of junior staff to expand competencies, performance and potential analyses with the aim of opening up attractive development prospects. Particular attention is paid to employees with high potential. As with the entire team, we encourage entrepreneurial thinking and action, personal responsibility and comprehensive specialist knowledge in high-potential employees. Key positions are regularly analysed with a view to forward-looking succession planning, and suitable internal candidates are prepared for these tasks. Further elements are target group-oriented support and advice as well as attractive incentive systems.

In this context, the GEG German Estate Group stands out in particular for its flat hierarchies and the associated rapid decision-making processes. Employees are expected to assume responsibility at an early stage and are given specific decision-making powers. The average age of the team of approx. 63 employees is around 36 years.

DIC ASSET AG:

- Efficient asset and property management platform
- Commercial Portfolio with cash flow-oriented direct real estate investments
- Attractive fund business with growing earnings
- Own asset and property management platform with six offices across Germany enables expansion of property management services for third parties

Our subsidiary DIC Asset AG generates continuous income from complementary activities in three business segments. Our strong management expertise assumes a cross-sectional function.

The hybrid business model with several earnings pillars makes us less dependent on market cycles and constantly opens up opportunities to optimise yields. Our pronounced financing and structuring know-how ensures that transactions and equity investments are implemented quickly and with confidence. DIC Asset AG closed the 2018 financial year with a record operating result (funds from operations, FFO) of EUR 68 million. This is a significant increase of 13 % compared to the previous year.

Sustainable hybrid business model

The hybrid business model combines several sources of revenue. It is based on long-term secured income from the management of our commercial portfolio as well as recurring management income from the fund business and from the third-party business.

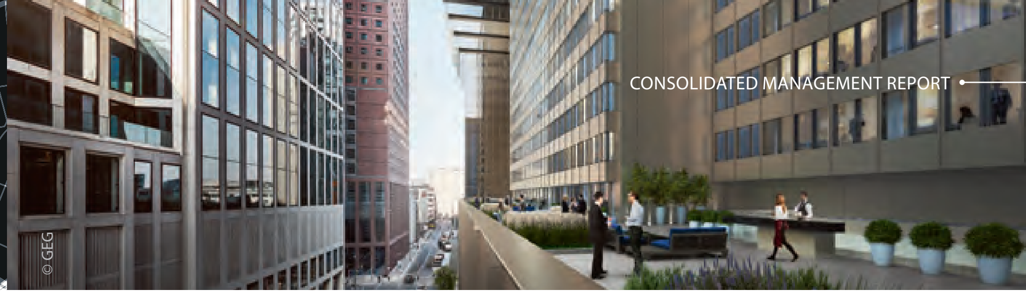
The earnings from three complementary segments ensure continuous profitability and the exploitation of opportunities with the greatest possible independence from market cycles.

The three business segments of DIC Asset AG:

- **Commercial Portfolio**
  In the Commercial Portfolio segment (EUR 1.7 billion), DIC Asset AG acts as owner and portfolio holder and achieves stable long-term rental income, which generates continuous cash flow for the company. In addition, portfolio properties are optimised through active renting management and repositioning. Active asset management is used to exploit value-appreciation potential in the portfolio and profits are realised through sales at suitable times.

- **Funds**
  In the Funds segment (EUR 1.8 billion), investment vehicles with attractive dividend yields are structured for institutional investors in the German commercial real estate market, in which DIC Asset AG itself also has a stake. The focus is on attractive investments in promising business locations. In addition, the Funds division provides asset and property management services as well as buying and selling services. This results in continuously growing management and investment income for the company.

- **Other Investments**
  The Other Investments segment (EUR 2.1 billion) comprises third-party business from the management of real estate assets following the sale of the stake in TLG Immobilien AG, which will be completed in 2019, the completion of the MainTor project, which will also take place in 2019, and the sale of the last remaining joint venture properties.



GERMAN ESTATE GROUP AG:
INTEGRATED INVESTMENT AND ASSET MANAGEMENT PLATFORM IN THE GERMAN COMMERCIAL REAL ESTATE MARKET

- Institutional business with core/landmark real estate and institutional fund products
- Development projects in metropolitan regions
- Opportunistic investments with potential for appreciation

GEG was founded at the beginning of 2015 and is an investment and asset management platform specialising in commercial real estate in Germany. The investment focus is on a return- and income-oriented investment policy. Within the framework of this clearly defined strategy, GEG has consistently exploited opportunities over the past two years and built up an extensive, diversified real estate portfolio with assets under management of more than EUR 3 billion.

With large-volume investments and tailor-made investment strategies, GEG has established itself as an integrated investment manager on the German commercial real estate market. Top expertise, the long-standing, excellent reputation of the company's management and a highly qualified, well-balanced team with a strong track record form the solid foundation for a leading position in the market.

GEG offers investment partners the opportunity to participate in the opportunities offered by the German commercial real estate market on the basis of a joint and individually developed investment strategy.

Institutional business
In this business segment, GEG has successfully acquired further first-class landmark properties in major German cities. Significant transactions such as the two high-rise buildings Garden Tower and Eurotheum in Frankfurt's banking district are just as much a part of this as successful transactions for our institutional fund products "GEG Public Infrastructure I" and "GEG Deutschland Value I". The partnership and the individual mandate with the Singapore state fund GIC (Government of Singapore Investment Corporation), with which we acquire and manage value-added products, were also a milestone in this fast-growing business segment.

Developments
Among other things, in this area excellent progress was made on the Global Tower development project. Following the start of construction and the successful renting of over 9,000 sqm to the globally established co-working company Spaces of the Regus Group, HANSAINVEST (Real Assets) has entered the Global Tower development project as a future buyer and has become a partner.

Construction on the development of the RIVERPARK Tower, a future architectural highlight in the Frankfurt skyline by the world-renowned architect Ole Scheeren, is also expected to begin at the end of 2019.

Opportunistic investments
GEG's third business area traditionally builds on opportunities arising in challenging market situations and is therefore naturally somewhat less active due to the still stable and prosperous market environment. Nevertheless, GEG has already begun work on an impressive project here with the refurbishment and repositioning of a large existing property in Munich, the Pasing Central.

PROJECT INVESTMENTS:
INVESTMENTS CURRENTLY BEING EXECUTED

In February 2018, two joint venture properties were transferred, the sale of which was certified in December 2017. As planned, we sold the remaining three joint venture commitments with a total volume of EUR 167 million in the course of the year. Two of the properties were transferred to the purchaser with an effect on earnings in 2018; for the last joint venture property, the "Junge Quartier Obersendling", the transfer to a special fund managed by GEG is to take place in the second half of 2019 after completion of the conversions. Completion of the WINX Tower on the MainTor site is also planned for 2019. As planned, we will thus have completely phased out our joint ventures in 2019.

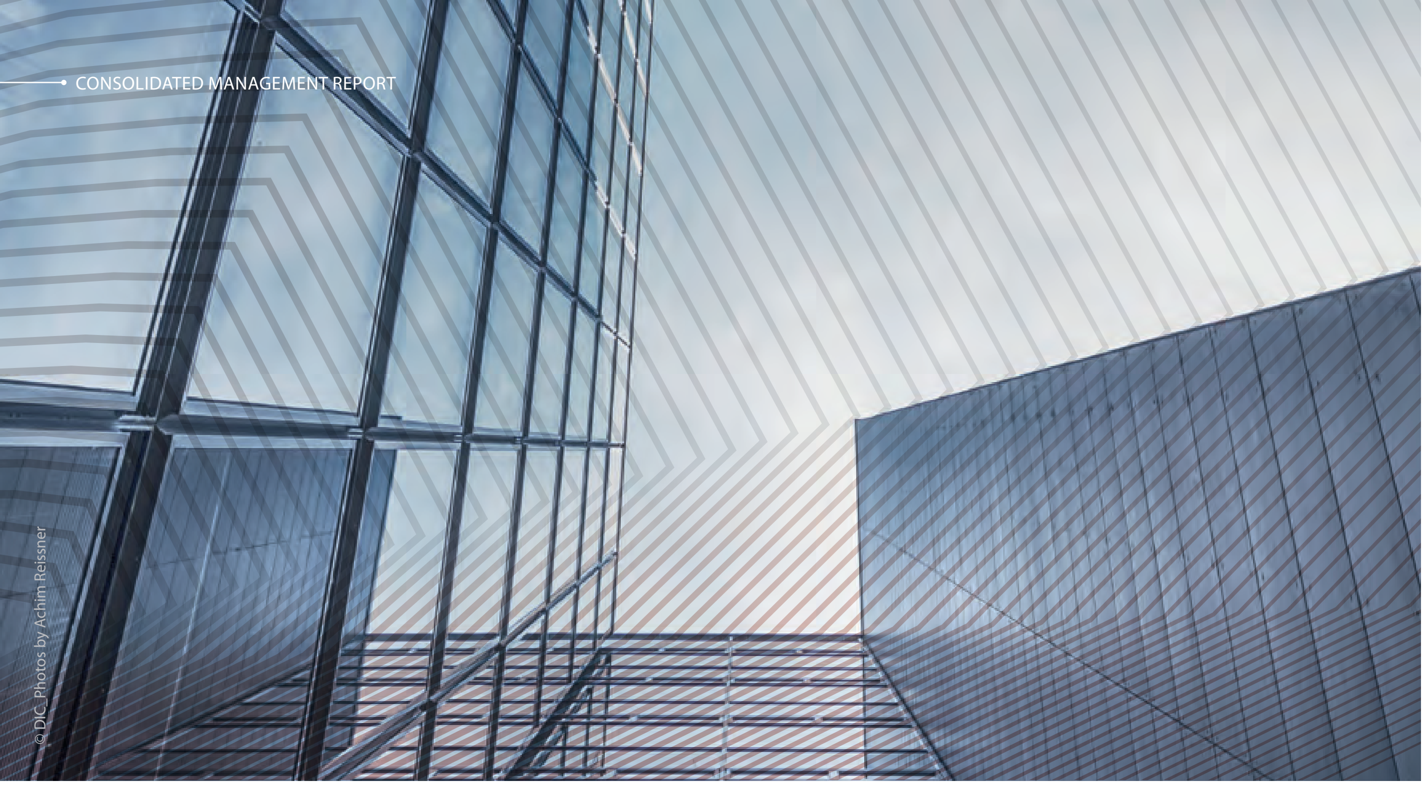
Following the conclusion of the corresponding purchase agreement in spring 2018, the development of the "Junges Quartier Obersendling" property was a focal point in the 2018 financial year. A first construction phase was handed over to the capital of the German state, Munich, as tenant, and the "GEG Public Infrastructure I" fund managed by GEG, as owner, in mid-2018. The campus project in Munich developed by GEG will be fully completed in 2019 and transferred to the long-term portfolio of the special fund.

"JUNGES QUARTIER OBERSENDLING", MUNICH:
FINAL COMPLETION 2019

MAINTOR, FRANKFURT

MainTor sets new standards in the city, with first-class office space, over 200 apartments and various gastronomy and retail spaces, and forms a link between the city and the old town. MainTor has brought back to life an area that had been unused for decades. Traditional routes connecting the old town, the banks of the Main and the banking district were reopened. All available office and commercial space for the WINX high-rise in Frankfurt, which is currently being finalised, has been placed under contract. The long-term leases begin in the fourth quarter of 2019. This means that the sixth and final construction phase of the MainTor site, covering around 42,000 sqm, will be handed over to the final investor.

WINX TOWER:
COMPLETION PLANNED FOR 2019



EARNINGS POSITION OF THE GROUP

➲ Rental income above expected target range

Net rental income was at the upper end of the forecast, which was raised during the year from EUR 95–98 million to EUR 98–100 million, and amounted to around EUR 100.2 million. The total revenues resulting from the rental business fell by EUR 12.1 million to EUR 121.0 million as a result of extensive sales in recent years (previous year: EUR 133.1 million). Successful asset management enabled DIC Asset AG to increase the rental income of its commercial portfolio like-for-like by 2.7%. The significant increase in other revenues by EUR 12.2 million to EUR 36.6 million (previous year: EUR 24.4 million) is attributable in particular to the transaction-related increase in proceeds from the fund business.

Other operating income amounted to EUR 43.9 million in the financial year (previous year: EUR 47.7 million) and was thus 8.7% below the level of the previous year. This item includes special proceeds of EUR 12.6 million from the sale of shares in TLG Immobilien AG (previous year: one-off special income of EUR 20.2 million from the conversion of WCM shares into TLG shares).

At EUR 201.4 million, the Group's total operating performance was thus slightly below that of the previous year (EUR 205.1 million, -1.8%).

Operating expenses amounted to EUR 106.7 million, compared with EUR 97.4 million in the previous year. This figure also includes revaluations of investments in projects that have since been sold (EUR 16.0 million).

The earnings contributions of the GEG German Estate Group are recognised under income from investments.

➲ Operating expenses down slightly

The cost of materials relates to expenses for ancillary costs and property management costs that cannot be allocated.

Compared to the previous year, personnel expenses fell by EUR 1.8 million or 9.6% to around EUR 18.5 million. We have shifted the ratio in favour of the operational departments of the funds business, transactions and real estate management (141 employees vs. 138 employees in the previous year) by means of continuous process optimisation with a virtually unchanged total number of employees (186 employees vs. 187 employees in the previous year). Some of these activities were performed as revenue-generating services for associated companies.

➲ Interest expenses after refinancing decline

In the past year, we were able to further optimise our financing expenses, so that interest expenses fell from EUR 54.1 million in the previous year to EUR 48.9 million. At the level of Deutsche Immobilien Chancen AG & Co. KGaA, expiring loans were refinanced more cheaply. At the level of DIC Asset AG, the EUR 50 million increase in the 2017/2022 corporate bond to EUR 180 million in March 2018 and the successful placement of the fifth 2018/2023 corporate bond in October 2018 with a volume of EUR 150 million, which primarily serves to refinance the bond due in 2019, led to higher expenses. The scheduled repayment in July of the 2013 bond with a volume of EUR 100 million and loan repayments due to sales had a counteracting effect.

➲ Net interest and investment income at previous year's level

Interest income rose by EUR 5.8 million to EUR 6.6 million. The main reason for this is that Deutsche Immobilien Chancen Group is participating in the net profit of TTL Real Estate GmbH this year as part of a silent partnership. Income from associates amounted to EUR 34.6 million, around EUR 7.0 million less than in the previous year (EUR 41.6 million); this was partly due to a EUR 13.2 million drop in profits from non-consolidated companies, which were offset by a EUR 6.2 million higher dividend from TLG Immobilien AG. Income totalling EUR 22.3 million was generated from the indirect investment in the German Estate Group (previous year: EUR 22.3: EUR 35.4 million).

➲ Very satisfactory group result

Overall, the Group achieved a very satisfactory group result of EUR 40.6 million after EUR 49.7 million in the previous year, with 2017 being impacted by a one-time effect of EUR 20.2 million from the conversion of WCM shares into TLG shares.

The profit attributable to the shareholders of Deutsche Immobilien Chancen AG & CO. KGaA amounted to EUR 10.7 million, after EUR 12.1 million in the previous year.

EARNINGS POSITION OF THE GROUP

in EUR million	2018	2017
Total operating performance	201.4	205.1
Operating result	55.4	64.4
Interest balance	-42.3	-53.3
Investment income	34.6	41.6
Taxes	-7.1	-2.9
Group result	40.6	49.8
of which minority interests	29.9	37.7
of which shareholders of Deutsche Immobilien Chancen AG & Co. KGaA	10.7	12.1

NET ASSETS AND FINANCIAL POSITION

Financial management

The primary objective of our financial management is to ensure solvency at all times while maintaining financial independence. Our focus here is on long-term, stable financing that supports our business development positively and sustainably and allows a corresponding degree of freedom in strategic decisions. We complied with all financing commitments, including the financial covenants, throughout the year and as of the balance sheet date. Financial covenants are customary in the market and stipulate compliance with financial ratios such as the equity ratio, the interest coverage ratio (ICR), the debt service coverage ratio (DSCR) or the loan-to-value ratio.

➲ Balance sheet total increased

The balance sheet total increased by EUR 143.6 million (+5.2 %) year-on-year to EUR 2,917.8 million. Assets increased particularly in the area of financial assets (EUR +68.2 million) due to the expansion of the position in TLG Immobilien AG and cash and cash equivalents (EUR +80.9 million). A EUR 68.2 million decline in property assets due to sales and depreciation had the opposite effect.

The expansion of assets was financed in particular by EUR 99.3 million higher bond liabilities of DIC Asset AG, EUR 55.9 million higher advance payments received from the MainTor development project and EUR 30.0 million higher equity as a result of earnings.

➲ Equity ratio increased by good result

The balance sheet equity of the Group increased by EUR 30.0 million (+4.4 %) to EUR 704.9 million compared to the previous year, in particular due to the Group result.

Equity attributable to the shareholders of Deutsche Immobilien Chancen AG & Co. KGaA improved by EUR 8.4 million to EUR 139.3 million as a result of the dividend payment for 2017 and the allocated net income for 2018. Due to their term until mid-2028, we consider long-term loans from Deutsche Immobilien Chancen AG & Co. KGaA in the amount of EUR 47.1 million (previous year: EUR 46.5 million) as equity. The economic equity of Deutsche Immobilien Chancen AG & Co. KGaA shareholders amounted to EUR 186.4 million at the end of the financial year compared with EUR 177.3 million in the previous year. The equity ratio on the balance sheet remained virtually unchanged at 24.2 % (previous year: 24.3 %). The economic equity ratio remained virtually unchanged at 25.8 % (previous year: 25.9 %).

➲ Financing volume of EUR 1,882 million realised

Including the financing activities for co-investments and the funds area, DIC Asset AG realised a financing volume of around EUR 1,099 million in 2018, after a financing volume of around EUR 530 million had been newly arranged in the previous year.

As part of the investments made in 2018, GEG concluded financing totalling around EUR 760 million.

In addition, we repaid or refinanced loans amounting to EUR 23.3 million as planned at the level of the Deutsche Immobilien Chancen Group.

At EUR 1,645.9 million, balance sheet financial debt after borrowings, repayments and refinancing as at 31 December 2018 was EUR 62.6 million higher than in the previous year.

➲ Cash flow affected mainly by operating activities, transactions and bonds

Cash flow from ordinary activities amounted to EUR 116.2 million (previous year: EUR 63.3 million). Despite lower rental income due to the sales volume of previous years, the cash flow from ordinary activities increased, primarily due to income in connection with the fund business.

The cash inflow from investing activities amounted to EUR 30.8 million (previous year: EUR 85.6 million) and is mainly influenced by successful sales in 2018, which led to a cash inflow of EUR 100.9 million while at the same time generating cash inflows of EUR 60.9 million, particularly in connection with the transfer of warehousing properties to new funds. On the other hand, the acquisition and investments in DIC Asset AG's commercial portfolio resulted in a cash outflow of EUR 126.6 million. The resulting cash inflow of EUR 35.2 million is offset by cash outflows from project development of EUR 17.4 million. Loan repayments by associated companies and dividends received led to a cash inflow of EUR 13.2 million.

The cash outflow from financing activities of EUR -66.6 million (previous year: EUR -114.7 million) was mainly influenced by the nominal increase of EUR 50 million in the bond issued last year and the issue of a new corporate bond of EUR 150 million. At the same time, the bond issued in 2013 with a volume of EUR 100 million was repaid. Proceeds from borrowings (EUR 319.6 million) were offset by repayments of EUR 408.1 million, mainly due to sales.

Cash outflows from financing activities were covered by cash inflows from ordinary activities and investing activities. This resulted in a net cash inflow of EUR 80.9 million (previous year: EUR 34.2 million).

BALANCE SHEET OVERVIEW

in TEUR	2018	2017
Fixed assets	2,125.0	2,104.0
Current assets	742.1	618.9
RAP and deferred taxes	50.7	51.3
	2,917.8	2,774.2
Economic equity*	752.0	721.4
Non-current debt	1,191.8	932.9
Current debt	974.0	1,119.9
	2,917.8	2,774.2
Equity ratio*	25.8 %	26.0 %
loan-to-value ratio*	74.2 %	74.0 %

*Long-term loans are regarded as economic equity.

EVENTS AFTER THE REPORTING DATE

At the beginning of January 2019, DIC Asset AG certified the purchase of a property in Bremen for the Commercial Portfolio. The transfer of ownership, benefits and encumbrances took place at the end of March 2019. The transfer of ownership, benefits and encumbrances of two properties in DIC Asset AG's commercial portfolio took place at the end of March. The sale of four properties from DIC Asset AG's commercial portfolio was also certified at the end of March. The transfer of ownership, benefits and encumbrances is scheduled to take place by the end of 2019.

At the end of January 2019, a loan of EUR 55 million was repaid in full.

On 22 March 2019, the Annual General Meeting of DIC Asset AG approved a dividend of EUR 0.48 per share in accordance with the management's proposal for the appropriation of profits, which can be paid in cash or as a share dividend at the shareholder's discretion.

On 19 March 2019, DIC Asset AG completed the sale of the first block of shares in TLG Immobilien AG agreed in December 2018.

The GEG German Estate Group acquired the following real estate projects in the first quarter of 2019:

- the Pressehaus Berlin: two real estate units on Alexanderplatz in Berlin with a total investment volume of around EUR 365 million

- the property Karl-Arnold-Platz 1 (CAPO) in Düsseldorf for its manage-to-core fund "GEG Deutschland Value I" and a building used by Deutsche Bahn for its "GEG Public Infrastructure I" fund in Mainz's old town on the banks of the Rhine (Rheinstraße 2). The total investment volume is around EUR 140 million.

This brings the assets under management of GEG to EUR 3.6 billion.

Mr Ulrich Höller took over as Chairman of the Supervisory Board of GEG German Estate Group AG at the beginning of April 2019 and resigned from his position as Chairman of the Board of Directors of this company. Mr Christian Bock has also been appointed to the GEG Board of Directors as COO.

OTHER INFORMATION

Related party disclosures

The Company has prepared a dependent company report on its relationships with affiliated companies. This report lists all legal transactions which the Company or its subsidiaries have undertaken in the past financial year with affiliated companies or at the instigation or in the interest of one of these companies in the past financial year, and all other measures which the Company has undertaken or omitted at the instigation or in the interest of these companies in the past financial year.

The report concludes with the following statement: "We hereby declare that, according to the circumstances known to us at the time when the transactions were entered into, our Company received or paid appropriate consideration for each transaction. No action has been taken or omitted at the instigation or in the interest of the controlling undertaking."

THE RISK MANAGEMENT SYSTEM OF THE DEUTSCHE IMMOBILIEN CHANCEN GROUP

In a dynamic environment, it is a fundamental entrepreneurial task to identify and exploit opportunities at an early stage. The risk management system of the Deutsche Immobilien Chancen Group makes it possible to identify developments that could jeopardise the continued existence of the company at an early stage so that effective countermeasures can be taken. At the same time, it helps to exploit existing opportunities, tap new potential for success and increase the value of the company by managing risks in a controlled manner. Balancing opportunities and risks keeps potential negative effects on the company's success to a minimum.

The Group's governing bodies have established basic rules for the assumption of risks. This includes taking entrepreneurial risks in a targeted manner, insofar as the opportunities associated with these risks would be expected to lead to an increase in the value of the company. This is in line with our efforts to achieve sustainable growth and increase enterprise value while managing, relocating and reducing the risks that arise in the process. Risk and opportunity management is therefore an elementary component of corporate management.

In the interests of tenants, employees and investors, the risk management system protects against critical situations and ensures the long-term survival of the company.

The risk management system (RMS) covers all areas of the company and its subsidiaries and is binding on all employees. Risks are considered to be strategic and operational factors, events and actions that have a material influence on the existence and economic position of the company. External factors, such as the competitive situation, demographic developments and others that could jeopardise the achievement of corporate goals, are also examined. The RMS comprises strategic decisions made by the Board of Directors as well as day-to-day business. An integral part of risk management is the internal control and monitoring system, which minimises operational and financial risks, monitors processes and ensures that laws and regulations are complied with, including the proper presentation of accounts.

Structure of the risk management system

> Risk early warning system

The aim of the Deutsche Immobilien Chancen Group's early warning system is to identify, quantify and communicate all relevant risks and their causes. This ensures that necessary countermeasures can be initiated at an early stage. The individual departments are responsible for identifying, reporting, assessing and controlling risks. For example, via asset and property management, real estate data is recorded at property level, aggregated and supplemented in Controlling, reviewed and reported to management in summary form.

> Risk identification

As part of risk controlling, risk identification is the first step in the risk management process and forms the basis for the appropriate and effective handling of risks. The integration concept is used to identify and systematise risks within the framework of general business processes. To this end, we use instruments such as company and scenario analyses to analyse strategic risks and detailed checklists for routine checks.

> Risk analysis and communication

Our employees are encouraged to consciously and responsibly deal with risks and opportunities within the scope of their competencies. Responsibilities are defined for all relevant risks based on the hierarchy. An identified risk is assessed for its probability of occurrence and the potential extent of damage is determined. In the next step, the responsible division heads, if necessary together with the Board of Directors, decide on appropriate risk management. As a result, appropriate response measures are developed and their success regularly monitored. Longer-term risks are integrated into the strategic planning process.

Risks are analysed for possible cumulative effects and then aggregated. This allows a statement to be made on the overall risk for the Deutsche Immobilien Chancen Group. Risk management is integrated into our regular planning, reporting and control routines to provide information on identified risks and key events in the market environment. The Board of Directors and the Supervisory Board as well as decision-making bodies are informed on a quarterly basis and, if necessary, on an ad hoc basis if serious issues arise suddenly. This ensures that the Board of Directors and Supervisory Board are fully and promptly informed of material risks.

> Opportunity management

The systematic identification and communication of opportunities is also an integral part of the risk management system. Opportunities are events or developments that can have a positive impact on business development. As a matter of principle, we strive to achieve a balance between opportunities and risks.

> Risk management and controlling

The analysis and forecasting process puts us in a position to initiate appropriate risk management measures and to exploit opportunities that arise in a targeted manner. For example, we reduce the risk from interest rate fluctuations through appropriate hedging transactions. For long-term development projects, systematic and comprehensive project management with standardised project milestones, preliminary acceptance procedures, subcontracting and general contractor assignments, as well as clearly defined approval processes, helps us to minimise project risks.

> Risk management documentation

The existing guidelines, procedures, instruments, risk areas and responsibilities are documented in writing and are subject to ongoing development. A summary documentation contains the essential elements of the established control cycle of the risk management system.

A compliance guideline for the DIC Asset Group has existed at DIC Asset AG level since 2013. A compliance officer was appointed and a whistleblower system for reporting misconduct and violations was installed.

The compliance guideline covers the following points:

- Protection against discrimination
- Avoidance of conflicts of interest and corruption risks
- Data protection
- Capital market requirements/insider bans
- Money laundering
- Prohibited agreements
- Reporting of misconduct and infringements
- Consequences of non-compliance with legal requirements and internal company policies

INTERNAL CONTROL SYSTEM

General information

The internal control system (ICS) and the risk management system with regard to the accounting process of the Deutsche Immobilien Chancen Group comprise guidelines, procedures and measures. Key objectives are the security and efficiency of business transactions, the reliability and regularity of financial reporting, compliance with laws and guidelines and compliance with the relevant legal provisions.

The monitoring activities consist of elements integrated into the process and external independent elements. The integrated measures include manual controls such as the "principle of dual control", which is applied throughout, and technical controls, essentially by means of software-controlled testing mechanisms. In addition, qualified employees with the appropriate competencies (e.g. managing directors of portfolio companies or employees at the second management level) as well as specialised departments such as Controlling or Legal fulfil process-integrated monitoring and control functions.

External, process-independent audit measures for the internal monitoring system are primarily performed by the Board of Directors and the Supervisory Board (including the Audit Committee at DIC Asset AG level) and the auditor as part of the audit of the annual financial statements.

IT use

Our relevant IT systems are controlled and monitored centrally. In addition to the physical infrastructure, the system landscape is of particular importance. Both are extensively protected against failures by suitable mechanisms to ensure a high availability of all necessary systems and components at all times.

Within the framework of contingency planning for the IT area, external service providers and their emergency precautions are also taken into account. In this context, SLAs (Service Level Agreements) have been formulated and compared with the most important IT service providers. This also includes coordinating the IT emergency preparedness requirements of the Deutsche Immobilien Chancen Group with the range of services and resources of external service providers.

The proper operation of the programmes and interfaces we use is regularly monitored. The results of the monitoring are used for the ongoing optimisation of processes.

Our entire IT system is protected with a multi-level concept against unauthorised access and malware such as viruses and Trojans. The internal network of the Deutsche Immobilien Chancen Group is protected against external access with firewalls. Access to the internal systems is actively monitored by an IDS (Intrusion Detection System).

Ensuring the regularity and reliability of accounting methods

The control activities to ensure the correctness and reliability of accounting methods include, for example, the analysis of facts and developments on the basis of specific key figures, the use of checklists to ensure completeness and uniform procedures. Accounting transactions are recorded in the individual financial statements of the companies of the Deutsche Immobilien Chancen Group in ERP systems specially tailored to the needs of real estate companies. In addition, payment software that is closely linked to the ERP system is used to ensure correct payment transactions and correct booking.

The rules, control activities and measures of the internal control system ensure that business transactions are recorded promptly and completely in accordance with legal and internal guidelines and that assets and liabilities as well as expenses and income are recognised, measured and reported appropriately in the annual accounts. The accounting documents create a reliable and comprehensible information basis.

At Group level, control includes, in particular, the analysis and, where appropriate, adjustment of the individual financial statements included in the consolidated financial statements, taking into account the findings and recommendations made by the auditors. All financial statements are consolidated at the headquarters in Frankfurt am Main. Centrally conducted impairment tests, in particular the annual external market value tests of all properties by independent appraisers, ensure uniform and standardised application of the valuation criteria. The aggregation and processing of necessary data for information in the group management report and annex is also carried out at group level.

Restrictive notes

Even well-established systems such as the internal control system and the risk management system of the Deutsche Immobilien Chancen Group cannot completely eliminate the possibility of errors and infringements, with the result that absolute certainty as to the correct, complete and timely recording of items in accounting cannot always be fully guaranteed. One-time business transactions outside the routine or with high priority in terms of timing hold a certain risk potential. In addition, risks may arise from the discretion that employees have in the recognition and measurement of assets and liabilities. Likewise, the use of service providers in the processing of items gives rise to a certain control risk.

INDIVIDUAL RISKS AND OPPORTUNITIES

External environment

> Macroeconomic issues

Economic changes can have a positive or negative impact on our business, financial position and results of operations. Short-term opportunities and risks primarily relate to the share of sales from new leases and lease renewals for rental space. Risks also exist in the loss of rental income due to the insolvency of tenants.

According to experts, the German economy is in the late phase of the upswing that began in 2013 and, due to numerous domestic and global negative factors, recorded weaker growth of 1.5 % in 2018 compared to the previous year (previous year: 2.2 %). Positive drives for the year as a whole came above all from corporate investments, but investments in residential buildings also expanded strongly. Numerous economic researchers had recently revised their forecasts for the next two years downwards, but assume that the upswing will continue overall in 2019 and 2020. In 2019, we expect growth in Germany to be weaker than in 2018, which could amount to 1.1 % according to the Ifo Institute's forecast. Domestic demand – above all private consumption and construction spending – should guarantee further growth. The expanding service sector and drivers from the labour market also continue to contribute to the positive outlook. Employment growth is expected to continue in 2019, albeit at a slower pace.

However, the positive domestic conditions are offset by numerous uncertainties. Economic risks include, in particular, a possible intensification of the global trade conflict, the UK's continued unresolved withdrawal from the EU with the risk of a hard Brexit and the vulnerability of many emerging markets with high foreign debt to a more restrictive monetary policy with worsening financing conditions. Opportunities, on the other hand, arise primarily from a possible settlement of the trade dispute between the US and China.

In order to minimise risks, we are concentrating on long-term leases to tenants with strong credit ratings, the distribution of sales among many different tenants and investments in economically strong regions.

We consider it unlikely that the economy will deteriorate significantly over the next 12 months. This would have a minor to moderate negative financial effect on our business. Overall, the risk/opportunity profile of the economic environment factors has deteriorated only insignificantly for us compared with the previous year. Our portfolio has a high degree of diversification, a high proportion of contracts with tenants from the public sector and a large number of leases, especially with small and medium-sized companies.

> Real estate sector

The real estate sector is one of the most diverse branches of the modern economy. In addition to property management, this also includes the construction industry and the activities associated with property assets and financing. Every phase of the life cycle "planning, construction, financing, management, administration" as well as the purchase and sale of real estate is associated with risks and opportunities.

In the rental market, an oversupply of space or outdated equipment can lead to price pressure, loss of margins and vacancies. In contrast, a shortage of suitable space can lead to high user demand and rising prices for the qualities that are in demand.

During the intensive examination of the properties prior to purchase, we aim to avoid the risks that may result from difficult re-renting and a lack of flexibility in the use of the properties. At the same time, we are interested in identifying opportunities that we can exploit through our strong asset and property management, which also enables us to implement challenging real estate management tasks.

Due to the stable framework conditions and the good economic fundamental data, the German commercial real estate market has developed into an attractive investment market for foreign investors as well. In combination with low financing conditions and unattractive investment alternatives, this has led to an increasing shortage of properties with attractive yields, particularly at A locations. On average across all top 7 cities, prime yields for office properties fell further in 2018 to 3.11 %, while in Berlin the yield in 2018 remained below the 3 % mark at 2.90 %.

Falling yields could have a long-term impact on our transaction planning. However, the risk would not mean any significant financial loss, at least in the medium term, as our business plans are long-term and flexible. On the contrary, it also offers us attractive exit opportunities on the seller side.

In order to minimise risks, our company has established a broad network. As an active investor and asset manager operating locally, we have a good chance of gaining early knowledge of potential sales projects in our relevant markets. On the other hand, our Germany-wide market penetration and our in-depth knowledge of B locations also enable us to seize opportunities in the regions and thus compensate for possible shortages at A locations. Although rental yields in the A locations of the B cities have also fallen further, they are currently still significantly higher than rental yields in the A locations of the A cities, so that we continue to find attractive investment opportunities here thanks to our broad regional network.

In our view, the changes in Europe associated with Brexit represent opportunities rather than risks for our business in the short and medium term. International companies considering relocating to continental Europe or strengthening existing locations could provide positive drivers for the German real estate market.

We continue to expect the renting market to remain stable in 2019. Completions are coming onto the market with a high pre-renting rate, and in view of the continuing high demand and declining supply, there should be no oversupply of attractive space with a corresponding fall in prices. On the transaction market in 2019, we see opportunities rather than risks on the seller side due to the sustained high dynamics and demand, and adequate opportunities on the buyer side due to our broad and local network.

With regard to risks from negative industry developments, we currently assume a low probability of occurrence. This would have a slight to moderate financial impact.

> Regulatory and political changes

Both risks and opportunities can arise from changes in underlying conditions and regulations. Usually, such changes require a certain lead time, which allows a sufficient adjustment. However, in exceptional circumstances, such as the financial crisis, such changes can happen quickly, making adjustment more difficult.

Compared to other European countries, Germany has in the past proved to be an economy with high regulatory, social and political stability and thus offered little potential for sudden, unmoderated measures and regulatory intervention outside a broad consensus on social and economic policy. In our opinion, this is unlikely to change in 2019.

A possible change in the political power structure, combined with a further increasing polarisation of society and a possible trend towards more protectionism, could have a negative impact on the German economy.

For the 2019 financial year, we consider both risks and opportunities from sudden changes to be unlikely. We also consider the potential financial impact to be low.

> Legal risks

The Deutsche Immobilien Chancen Group is exposed to the risk that third parties may assert claims or sue in the normal course of business. We therefore carefully review all significant corporate actions in order to identify and avoid conflicts. Risks could also arise from non-compliance with contractual obligations.

Current legal disputes relate almost exclusively to active litigation for the collection of outstanding rent receivables. Provisions are recognised for these litigation costs and receivables are written down if necessary. In addition to active lawsuits, the legal disputes also relate to risks with construction companies, suppliers and sellers in connection with our project developments, for which sufficient provisions have been made in the balance sheet.

Significant legal disputes that could pose a major risk are currently neither pending nor foreseeable. Sufficient provision has been made for existing risks. Overall, we consider the legal risk and financial impact to be low.

Finances

> Interest rates

Interest rate risks arise from market-related fluctuations in interest rates (market interest rate volatility) and from the company's own interest rate exposure (open fixed interest rate positions, maturities, etc.). They can have a negative impact on profitability, liquidity, financial position and expansion opportunities of the Deutsche Immobilien Chancen Group.

The majority of current financing transactions are concluded as fixed-interest loans, and derivative financial instruments can also be used selectively to hedge interest rates. As at 31 December 2018, 88 % (previous year: 88 %) of the financing volume of the DIC Asset subgroup is hedged against changes in interest rates. Due to the hedge, an interest rate increase of 100 basis points would only have an effect on our cash flow with an additional expense of EUR 1.7 million. The average interest rate for all liabilities to banks of the DIC Asset subgroup was 1.8 % as of 31 December 2018 (previous year: 1.8 %). Further information on interest rate risks can be found in the Notes.

The current historically low level of interest rates offers opportunities for favourable financing and for long-term improvements in our financing structure. We are therefore regularly in negotiations with financing institutions. If we succeed in making unscheduled early renewals or attractive agreements, we benefit primarily from lower costs and a reduction in financing risks.

In March and October 2018, we used the market windows to refinance the company on the bond market early on; in March 2018, we increased the 2017/2022 bond by EUR 50 million to 102 % of its nominal value. In cooperation with established banking partners, a further corporate bond 2018/2023 with a coupon of 3.5 % was successfully placed in October 2018. On the basis of the oversubscribed order book, a volume of EUR 150 million was achieved, which was above the original target of EUR 100 million. The interest rate remains very attractive at 3.5 %, especially in comparison with the maturing 2014/2019 bond, which currently bears 4.625 %. With this last transaction, the repayment of EUR 175 million from the 2014/2019 bond has been secured, and, in addition, the average costs for the liabilities of the Deutsche Immobilien Chancen Group have been further reduced. The average interest costs were further reduced by the full scheduled repayment of the 2013/2018 bond with a coupon of 5.250 % and a volume of EUR 100 million in July 2018.

In the course of 2018, Deutsche Immobilien Chancen Group concluded new financing for the acquisitions. The banking partners were selected in a competitive process on the basis of conditions, structure, transaction security and timing. In the first half of 2018, three fund properties were financed in Warehousing, which were transferred to new funds in the course of the year; the existing Warehousing facilities were repaid upon transfer. There are currently no properties in Warehousing. In 2018, the Deutsche Immobilien Chancen Group used the insurance market as an alternative source of financing in addition to the banking market, and, amongst other things, to finance the forward purchase for the Infinity Office in Düsseldorf, the financing and interest rate of which were already secured when the contract was signed. Overall, the new financing volume for loans secured by real estate from the DIC Asset subgroup amounted to approximately EUR 352 million.

For 2019, we expect interest rates to rise slightly at a low level, which will continue to favour the real estate investment markets. A stronger rise in interest rates would have a slight to moderate negative direct impact on our finances due to the high hedging level of our existing interest liabilities. In 2019, the Deutsche Immobilien Chancen Group will continue to use the available sources of finance to opportunistically optimise the liabilities side of its balance sheet.

> Financing and liquidity

The close interaction between the financial and real economy is particularly visible in the real estate sector. This is partly due to the fact that construction measures, repairs, modernisations and the purchase of real estate are usually very capital-intensive and thus require outside capital to finance them.

The after-effects of the last financial crisis have led some real estate financiers to discontinue their new business or to apply more restrictive risk parameters to their credit requirements. However, the ECB's ongoing expansionary monetary policy, the liquidity associated with it and the favourable refinancing conditions are currently leading to a high volume of funds on the real estate investment markets and thus also to a consistently high willingness to provide finance on the part of banks and other financing partners. New alternative lenders are also exposing traditional financiers to increased margin competition. For a sustainable and permanently stable financial structure, we therefore only take out loans and derivative financial instruments with financial institutions with which we expect to have a reliable and long-term performance partnership and which have a very good credit rating or are affiliated with a security fund.

The real estate portfolio of Deutsche Immobilien Chancen Group is financed on the basis of properties or portfolios. Financial risks can therefore not have a direct or unlimited impact on the entire group of companies (non-recourse financing).

The Deutsche Immobilien Chancen Group has agreed loans with financial covenants to the usual extent. In the event of non-compliance with the clauses, banks could adjust credit conditions or partially reclaim loans at short notice, which would have negative financial consequences. The following covenants are essentially effective:

– DSCR (debt service coverage ratio): indicates the percentage of the expected interest rate plus repayment (debt service) covered by the rental income.

– LtV (loan-to-value): indicates the ratio between the loan amount and the market value of the property.

Compliance with the credit clauses is monitored continuously and with foresight by Risk Management in the Corporate Finance area; all covenants were complied with for the entire year 2018. Via ongoing sensitivity analyses, deviations from defined threshold values are immediately presented to the Board of Directors, which determine the type and scope of the countermeasures to be taken. For all new acquisitions, the conclusion of a long-term financing agreement was and is a key condition for the investment decision.

Liquidity risk is the risk that existing or future payment obligations cannot be met due to insufficient availability of cash or that unfavourable financing conditions have to be accepted in the event of bottlenecks. This risk is managed centrally within the Group on the basis of multi-year financial planning and monthly rolling liquidity planning for long-term credit lines and liquid assets in order to ensure the solvency and financial flexibility of the Group at all times. As part of cash pooling, the funds are transferred to the Group companies as required. The financing and liquidity requirements for the operating activities of the Deutsche Immobilien Chancen Group are secured over the long term and are based on the cash flows of our properties and equity interests that can be planned over the long term. Liquidity is mainly held in the form of overnight deposits and time deposits.

In the current interest rate landscape, we have also been intensively dealing with the issue of credit charges and bank levies, with the aim of minimising costs while maintaining financial flexibility. In this case, the Deutsche Immobilien Chancen Group relies on standardised products for financial investments, essentially periodically rolling time deposits. Further information on financing and liquidity risks can be found in the Notes.

Opportunities in the area of financing are opened up by new, complementary financing methods, such as our corporate bonds or new forms of mezzanine financing, which enable us to diversify default risks to the benefit of all parties involved and which we regularly make use of.

Overall, we classify the risks from financing and liquidity as low in terms of their probability and impact.

> Measurement

The market value of our real estate assets is determined annually by independent external experts in accordance with international guidelines. This value is subject to fluctuations that are influenced by external factors such as the economic situation, the level of interest rates and rents, as well as by property-related factors such as the occupancy rate and the condition of the property.

Changes in market value may affect the valuation of fixed assets, the overall balance sheet structure and financing conditions. In order to minimise risk, we pursue a balanced diversification of our portfolio, increase the value of our properties primarily through consistent tenant-oriented property management and intensive renting activities as well as selective sales.

In order to quantify possible valuation risks, experts carried out sensitivity calculations on the balance sheet date. The sensitivity analysis uses examples to show how the market values react to changes in the discount rate and the capitalisation rate. If, for example, the discount rate rises by 25 basis points, the market values are reduced by EUR 37.7 million. With a simultaneous 25 basis point increase in the capitalisation rate, the decline reached EUR 85.7 million. The property assets of Deutsche Immobilien Chancen Group are carried at amortised (acquisition) cost. Fluctuations in market value therefore have no direct impact on the balance sheet and income statement. Depreciation is only required when the carrying amounts of the properties fall short of their fair values and values in use.

In view of the expected economic growth and the expected stable development in the commercial real estate sector, which we can actively shape with our own asset and property management in relation to our portfolio, we expect a low to medium probability of declining market values in 2019. The expected impact would be moderate.

We selectively exploit and realise opportunities arising, for example, as a result of an increase in the value of a property following the measures we have taken, by selling it.

Strategy

> Portfolio management

Active portfolio management is an essential component of our corporate development. We continuously monitor the risks associated with the sale or acquisition of real estate and, if necessary, make provision for them in the balance sheet.

We constantly review and develop options to expand our real estate portfolio. If we succeed in exploiting growth opportunities, this could allow us to increase sales and earnings. We use property sales from the portfolio to reduce the cluster risk in the sectoral and regional portfolio structure, realise gains, drive debt reduction and thus reduce financial risks.

In the case of purchases, opportunities and risks exist mainly in the fact that earnings and costs develop differently than planned – which usually only becomes apparent in the medium to long term. In the case of sales of real estate, the seller usually gives certain guarantees, such as those regarding legal and technical matters. As a result, there is a risk after the sale that the seller will be held liable for breach of warranty obligations. There is also the risk that the planned figures may not be achieved due to short-term changes in the macroeconomic environment or property-specific conditions.

We reduce risks before purchase and sale through extensive due diligence involving the necessary external experts. In addition, we draw up risk-oriented business plans that are continuously adapted to cost and earnings trends. Ongoing property management increases the opportunities for positive development.

Based on the ongoing and planned transaction activities for the next 12 months, we estimate the portfolio management risks for 2019 to be unlikely and the financial impact to be low.

> Funds/Landmark Core real estate

The Deutsche Immobilien Chancen Group designs funds and investment structures for institutional investors via its investments in DIC Asset AG and the GEG German Estate Group.

DIC Asset AG is co-investor in the fund at up to 10%; GEG's participation in club deals and alternative investment structures is a maximum of 5%. The Deutsche Immobilien Chancen Group thus generates regular investment income. In addition, the business segment generates regular income from asset and property management as well as management fees for transactions.

Opportunities and risks from this business segment exist with regard to expected earnings, which are primarily dependent on the volume of assets under management and transaction activity. The volume of assets under management may be affected in particular by a transaction activity that deviates from the forecast. Earnings can also be negatively influenced by negative fair value developments or lower rental income. Successful transactions can have a positive effect on our earnings, as performance-based exit fees could be generated.

A further risk could be the loss of our reputation as a provider of institutional investment products, which could jeopardise the implementation of new products. In order to strengthen investor confidence, we hold a significant equity interest in each case in order to ensure that our interests are aligned.

Risks with regard to investment income exist in particular with regard to the rental income of the properties, which can be adversely affected by insolvencies and significant losses of rental income. We minimise these risks through our own very active property management, which manages the properties (cf. "Operating risks – Renting").

DIC Asset AG has launched a total of eight funds since 2010: the retail funds DIC HighStreet Balance and DIC Retail Balance I, the office funds DIC Office Balance I, DIC Office Balance II, DIC Office Balance III, DIC Office Balance IV and DIC Office Balance V as well as the regional fund Metropolregion Rhein-Main. In the 2018 financial year, the fund volume increased to its current level of around EUR 1.8 billion, primarily due to the launch of two new funds and write-ups in existing funds. Further funds are expected to start operations in 2019. The DIC HighStreet Balance fund, which was sold in 2018 by the sale of share certificates, was managed for third parties until the end of 2018. At the end of 2018, the assets under management of GEG, including the service contracts, amounted to approximately EUR 3.0 billion.

On the basis of our expertise and good customer relations and on the basis of the ongoing and planned fund activities at the level of DIC Asset AG and the investments to be managed by GEG in 2019, we consider the probability of occurrence and the financial scope of the risks from the fund business/landmark-core properties to be low.

> Development projects/repositionings in the portfolio

In recent years, the Deutsche Immobilien Chancen Group has participated in project developments as a co-investor and has properties with development potential.

In order to further minimise the risks arising from project developments, the Group is increasingly concentrating on repositioning within our existing portfolio at the level of the listed firm DIC Asset AG.

In December 2016, the modernisation of the Kaiserpassage in Frankfurt to reposition it was started as a development project in the company's own portfolio. 97% of the rental space of around 9,700 sqm was already leased prior to the start of the conversion. The transfer of the last area to a food retailer took place after the end of the reporting period in January 2019.

With the MainTor project in Frankfurt, we are currently pursuing an even larger development project with an investment by DIC Asset AG with a total volume of around EUR 800 million. The Deutsche Immobilien Chancen Group holds a total share of 70% in this project.

All six construction phases of the MainTor project were sold and marketed in advance. In the meantime, five of the six construction phases have been completed and handed over to the final investors. All available office and commercial space for the WINX Tower in finalisation has been placed under contract. The long-term leases begin in the fourth quarter of 2019. The approximately 42,000 sqm of the last construction phase and thus the entire MainTor site are fully leased except for one restaurant area.

In the joint venture segment, the Deutsche Immobilien Chancen Group (including DIC Asset AG) holds a stake of 50% in the "Junges Quartier Obersendling" project. The campus project, which is unique in Germany, was rented on a long-term basis by the City of Munich and acquired by GEG in spring 2018 for the open-ended special fund "GEG Public Infrastructure 1" managed by GEG. The project with a total investment volume of EUR 170 million will be completed in several stages by mid-2019 and handed over to the buyers. The project management of the development measure is carried out by the GEG.

As the financing for all development projects currently being realised has been completed in line with the project term, there are residual risks with regard to project developments, above all in the construction measures of sections currently being planned or constructed and in the further renting of properties.

New development projects are managed by GEG, and the investment funds are mainly provided by institutional investors.

The GEG German Estate Group initiates and structures investments in development projects at the leading German real estate locations. The focus is on contemporary, high-quality and sought-after architecture with high space and cost efficiency. The main focus is on offices, retail and sophisticated residential projects with significant marketing potential.

In the case of existing project developments, in order to optimise potential opportunities and mitigate risks, we generally only begin sales after appropriate pre-marketing. Suitable pre-marketing can take the form of extensive pre-renting or a sale prior to the start of construction (forward deal). We implement tight project and cost controlling right from the start. This involves carrying out regular variance analyses between the costs actually incurred and still to be expected and the budgeted costs. On the earnings side, general brand developments and the progress of projects and marketing are analysed on an ongoing basis. In the event of significant deviations on the cost side, suitable countermeasures to reduce or avoid risk are evaluated and implemented between project and company management. The same applies to newly identified risks.

In addition, internal project management is advised and supported by external project partners throughout the entire duration of the project. In this way, opportunities and risks are identified and evaluated at an early stage and strategies for minimising risk are developed. An appropriate risk distribution is achieved through the participation of competent project partners. Thus, project risks are reduced at an early stage through contractual arrangements. Construction services are awarded to experienced and well-known companies. In addition, specialist planners and consultants are involved in project management. Legal advice is provided by renowned law firms.

Risk management also includes the internal compliance guideline, compliance with which is monitored by management. The relevant bodies (management, Board of Directors, Supervisory Board or Investment Committee) of the GEG German Estate Group or the investors/owners consult and approve any pending major decisions. The same applies to the case of budget deviations and claim management. The regularity of project execution is also continuously monitored by external project controllers.

Based on the ongoing and planned project development measures for the next 12 months, we assess the risks for 2019 and their possible financial impact as medium high.

Operations

> Purchase and sales planning

Our planning for 2019 also includes revenues and profits from purchases and sales. Should we exceed or fall short of the forecast transaction volumes, our earnings forecast could change positively or negatively. Apart from the risks and opportunities that arise externally in the transaction market (cf. Risks in the external environment, "Real estate sector") or from the approval requirements of investors in the fund business, we consider the probability of having to deviate more strongly from our plans for 2019 to be low. Here, the opportunities outweigh the flexibility to exceed the set minimum targets. The possible financial impact would be low to medium.

The GEG German Estate Group plans an acquisition volume of at least EUR 750 million in all segments. Should we exceed or fall short of the forecast transaction volumes, our earnings forecast could change positively or negatively. Apart from the risks and opportunities that arise externally in the transaction market, we consider the probability of having to deviate more strongly from our plans for 2019 to be low. Here, the opportunities outweigh the flexibility to exceed the set minimum targets. The possible financial impact would be low to medium.

> Renting

Opportunities from renting exist above all in the stabilisation and increase of income. We aim to achieve this by renting to tenants with strong credit ratings and through intensive property management. When making acquisition decisions, we intensively analyse the property, market, location and tenant. In general, we seek to sign tenants to long-term leases and take measures at an early stage for new leases and renewals. We optimise renting opportunities by regularly monitoring and improving the structural quality of the properties.

Rental risks relate to loss of rental income and profitability risks due to less profitable new leases or renewals. The default risks from rent receivables are accounted for by impairments. In addition, we try to avoid dependence on major tenants. In 2018, around 43 % of the total rental income in the commercial portfolio of the DIC Asset subgroup was attributable to the ten largest tenants. These are exclusively well-known tenants, most of whom have strong credit ratings, primarily from the public sector, telecommunications and retail. No tenant has a share of more than 10 % of the total rental volume.

In the 2019 financial year, leases in the commercial portfolio of the DIC Asset subgroup with a volume of EUR 10.5 million may end; in addition, lease agreements with income of EUR 9.8 million extend periodically without a fixed end date. We assume that we will continue to be able to extend most of the expiring contracts or lease new space as it becomes available. If, for example, 10% of the rental space that becomes available cannot be re-leased in 2019, this would lead to a loss of earnings of a maximum of around EUR 1.1 million based on an annualised rent of around EUR 10.5 million.

Thanks to our own strong real estate management platform, we are positioned close to our regional tenants and maintain long-term tenant loyalty. We consider the renting risks in our portfolios to be low overall and their potential impact to be low to medium high. Opportunities will arise from the additional reduction of vacancies, especially if economic and employment growth continues in the course of 2019.

> Location and property

Location opportunities and risks result from the misjudgement of the real estate situation as well as from changes in the infrastructure of the microlocation or the regional structures of the macrolocation. We therefore examine the situation and location intensively in advance of investment and acquisition decisions. In operations, our professional asset management helps to identify changes in the environment in good time and to react appropriately, for example by repositioning or selling.

Property risks are risks arising from the ownership and operation of a property. In addition to wear and tear, this includes all risks arising from use of or damage to the property. Risks could also arise from contaminated sites, pollutants or breaches of building regulations. As landlords, we try to reduce usage risks by contractually obliging tenants to use the property for the purposes it was designed for and to maintain or repair it. In addition, our professional asset management virtually eliminates risks arising from inadequate property management, maintenance failures and inefficient cost management.

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

> Personnel

Competent, committed and motivated employees represent a major opportunity for the successful performance of the Deutsche Immobilien Chancen Group. For this reason, we make substantial effort to be considered an attractive employer. We focus above all on systematic personnel marketing, practice-oriented promotion of junior staff, targeted further training measures to expand competencies, performance and potential analyses with the aim of opening up attractive development prospects, and the promotion of employees with high potential. Key positions are regularly analysed with a view to forward-looking succession planning, and suitable internal candidates are prepared for these tasks. Further elements are target group-oriented support and advice as well as attractive incentive systems.

Risks exist above all in the departure from the company of top performers and in the recruitment of suitable new employees. As a result of our measures, we believe that stronger negative impacts and personnel risks are unlikely and that their financial impact is minimal.

> IT

A loss of data or a prolonged failure of the systems used in the regions or the headquarters can lead to significant disruptions of business operations. We have protected ourselves against IT risks through our own network, modern hardware and software solutions and measures against attacks. All data are backed up daily to an external computer centre. We have developed data recovery and continuity plans to quickly troubleshoot problems. Employees have detailed access rights regulations which give them access only to the systems and documents necessary for their work. We work with an IT platform that has replaced isolated systems with integrated software and increased efficiency and security in the control of real estate management.

Based on the precautions we have taken and the security measures we have implemented, we estimate the occurrence of IT risks as unlikely overall and their possible consequences as low to medium.

OVERALL RISK AND OPPORTUNITY SITUATION

As part of our risk management, the individual risks and opportunities are summarised in an overall risk overview in the Finance and Controlling department.

With regard to the individual risks listed in this report – taking into account the probability of occurrence and the potential financial impact – as well as the aggregated overall risk, we assume that these risks cannot directly endanger the further development of the company.

Overall, during the 2018 financial year we were able to achieve an improvement in the risk situation over the previous year. This was due in particular to

- Project development risks: The Deutsche Immobilien Chancen Group now holds a majority stake in only one major development project. Five of the six construction phases of the large-volume MainTor project development have already been handed over to the final investors; the final WINX sub-project is progressing according to plan and is expected to be completed in the second half of 2019.

  The "Junges Quartier Obersendling" migration and integration project has already been leased to the City of Munich on a long-term basis prior to the start of construction. The sale was certified at the beginning of 2018. The first module was completed in mid-2018 and handed over to the buyer, the remaining parts will follow by mid-2019.

- Strategic risks: With major development projects being successfully completed in the near future and the gradual phasing out of joint ventures from the Other Investments segment through sales, the focus of the corporate strategy of the DIC Asset subgroup is shifting further to lower-risk business areas. With its powerful real estate management platform, the DIC Asset subgroup concentrates on active portfolio management of the directly held commercial portfolio as well as on the significantly growing fund business and third-party business.

- Financing risks: we have reduced financing risks in the medium term by refinancing our commercial portfolio in January 2017 and thus significantly reducing financing costs, increasing the maturity of our financial liabilities and increasing future cash flows by lowering debt service costs.

- Risks of loss of rental income: Numerous contracts concluded with existing and new tenants led to a further strengthening of the tenant base and positive growth in our like-for-like rental income in 2018.

With the property management platform GEG German Estate Group, launched jointly with the financial investor KKR in 2015, we have expanded our range of services in order to make use of our real estate expertise and have opened up new business areas for the company. This creates new business opportunities and diversifies the risks of our business. GEG has strengthened its profitability by further expanding its business; the Deutsche Immobilien Chancen Group reduced its exposure to the GEG by transferring indirect shares to TTL Beteiligungs- und Grundbesitz AG.

The overall risk profile of the Deutsche Immobilien Chancen Group has thus improved compared with the previous year.

However, the momentum of the global economy slowed over the course of the year, in particular due to the escalation of the trade dispute between the US and China, and sentiment in the economy deteriorated. A slowdown in economic momentum in the sales markets of export-oriented German industry – especially in China – carries the risk of having a negative impact on the economic outlook for Germany as well. Further uncertainties in Europe arise from the uncertainty over Brexit, which could lead to increasing political and economic disintegration.

The resulting developments and their possible consequences could have considerable effects on the German economy, its companies and the real estate sector. However, due to their complexity, these effects are currently neither foreseeable nor calculable.

FORECAST REPORT

Achievement of targets 2018

We comfortably achieved all of the targets forecast for our performance indicators at the beginning of the year and significantly exceeded some of them, despite the fact that we raised the forecast for the financial indicators gross rental income and FFO during the course of the year.

Our efficient real estate management platform operating throughout Germany puts us in the position at all times to identify and take advantage of opportunities on the real estate markets and to react to current developments. The German investment market proved to be extremely attractive for domestic and foreign investors, as it had been in the previous year, when the difficulties in forming a government in Germany had no major negative impact. Despite all the global political and economic uncertainties, the commercial real estate investment market posted a new record year and, at EUR 60.3 billion, exceeded the transaction volume of the previous year by around 6 %. We also more than doubled our activities in the 2018 transaction market with a transaction volume of around EUR 1.2 billion for the DIC Asset subgroup (previous year: EUR 608 million). In the DIC Asset subgroup, we exceeded our projected acquisition volume of EUR 450–500 million at the beginning of the year with a volume of around EUR 510 million as at 31 December 2018. The reason for this was that we took advantage of opportunities – particularly for our commercial portfolio with a volume of over EUR 400 million – to strengthen the earnings power of the portfolio in the long term and significantly improve quality. On the sales side, we were able to successfully implement the planned EUR 100–120 million sale volume from the commercial portfolio of the DIC Asset subgroup of around EUR 100 million, thus continuing to drive sales of non-strategic properties and portfolio optimisation.

The high acquisition volume for the commercial portfolio of the DIC Asset subgroup generated additional rental income in the course of the year. In addition to the later than planned transfer of some properties, accompanied by a longer than originally forecast collection of rental income, and very successful rental management, which increased rental income like-for-like by 2.7 %, these factors contributed to gross rental income reaching EUR 100.2 million. The forecast of rental income of EUR 95 to 98 million made at the beginning of the year had therefore already been raised to EUR 98–100 million in October 2018.

The growing dynamism of our trading platform in the fund business of the DIC Asset subgroup, which is increasingly generating income from the sale of fund properties in addition to attractive purchase fees, was clearly noticeable in 2018. The sharp rise in transaction proceeds in the past financial year, in particular from the sale of fund properties, led to an FFO contribution from the fund business of the DIC Asset subgroup that was well above plan. This prompted us in October, in conjunction with the expectation of higher gross rental income, to raise the forecast for FFO for the financial year from the original EUR 62–64 million to EUR 68 million. In addition to the dynamism of the fund business and the growing quality of the existing portfolio, the planned reduction in operating costs also contributed to this forecast being confirmed with an FFO of EUR 68.0 million as at 31 December 2018.

In the 2018 financial year, the GEG German Estate Group achieved its strategic goals for the further development and expansion of the company. The GEG German Estate Group was above plan for the forecast performance indicators for 2018, mainly due to higher transaction profits. The assumptions for the expected acquisition volume of EUR 600 million were also exceeded due to opportunities that arose. As a result, assets under management at the end of 2018, including service contracts, amounted to around EUR 3 billion.

Overall statement 2019

For the 2019 financial year, we expect stable overall conditions for the Deutsche Immobilien Chancen Group.

Thanks to our strong renting performance in 2018 and acquisitions with a volume of over EUR 400 million, we have once again decisively improved the diversification, stability and earning power of the commercial portfolio of the DIC Asset subgroup, thereby generating stable long-term cash flow. In addition to the further increase in assets under management as a result of acquisitions, some of which have already been secured, the focus in 2019 will increasingly be on development measures in the portfolio, which we will use to leverage further potential in the commercial portfolio of the DIC Asset subgroup and improve the quality of the portfolio.

In the funds business, the further establishment of our trading platform has enabled us to increase transaction activities and adapt them flexibly to the market situation. We plan to further expand both fund and third-party business – asset and property management services for third parties – and therefore foresee growing income from the Funds and Other Investments segments of the DIC Asset subgroup in 2019 as well.

The success of the GEG German Estate Group in the past financial year provides the operational and strategic foundation for further targeted growth in the 2019 financial year. The GEG German Estate Group is planning an acquisition volume of at least EUR 750 million in all business areas and is aiming for EBITDA of EUR 26.0 to 28.0 million.

Economic environment in 2019

Sentiment in the German economy deteriorated towards the end of the year in view of growing international uncertainty and political risks as well as the looming slowdown in the global economy. In December 2018, the Ifo Business Climate Index fell for the fourth consecutive month to 101.0, its lowest level since December 2016. In both the manufacturing and service sectors, the business climate was noticeably cooler, with only the construction sector remaining at a very high level.

Leading German economic research institutes had also recently revised their forecasts for the next two years downwards, but assume that the upturn will continue in 2019 as a whole. They feel that concerns about a recession are exaggerated, and that the growth rate of the German economy is merely normalising after a boom that has lasted several years. However, the economic outlook is influenced by numerous uncertainties. There are economic risks, in particular from a possible intensification of the global trade conflict. In Europe, the UK's continued unresolved withdrawal from the EU with the risk of a hard Brexit and, more recently, the political situation in France are weighing on the economic climate. An unexpected rise in interest rates, especially in the US, could lead to tighter financing conditions and changes in capital flows, which would affect emerging markets with high foreign debt in particular. On the other hand, an agreement in the trade dispute between the US and China could have a positive impact on the global economy.

Although the export-oriented German industry is likely to grow only slightly in 2019 due to the deteriorating economic conditions in the sales markets, the German economy should continue to expand for the seventh year in a row. The upturn is being driven by the construction industry and private consumption, which continue to benefit from the very good labour market situation, rising real incomes and favourable financing conditions. In line with the figures of the Ifo Institute, we expect a weaker economic growth of approx. 1.1 % for Germany in 2019 compared to the previous year.

Assessment of sector development

In order to assess the situation in the sector, we use both indicators from our own business as well as published analyses by renowned brokerage houses, above all CBRE, Colliers, JLL and Savills.

The office rental markets continue to benefit from the strong domestic economy and the associated increase in employment. With a sales volume of around 4 million sqm in the top 7 cities, 2018 ranked second in the all-time statistics – albeit with a decline of 6.5 % compared to the exceptionally strong previous year. The brokerages attribute the decline to the increasing shortage of adequate office space and not to a slowdown in demand. This can also be seen in the 10 % increase in net absorption to 1.2 million sqm. Although the volume of completions rose by around 8 % year-on-year, the vacancy rate fell by almost 1.1 percentage points to 3.6 %. With high demand and a tight supply situation, top and average rents rose strongly by around 7 % in 2018.

The analysts at the brokerage houses expect sales to decline in 2019 but to remain at a high level. The clear decrease in the availability of office space in central locations where demand is strong is seen as a limiting factor in the rental markets. The continuing – albeit less dynamic – growth in the German economy ensures a sustained increase in employment, which, together with the excess demand, should keep demand for space at a high level. Taking into account the forecasted completion volumes for 2019 of around 1.7 million sqm, of which 70 % has already been pre-rented or is being used by owner-occupiers, the vacancy rate is likely to fall slightly again, to 3.5 %. And prime rents in the top 7 cities are also expected to rise at least slightly before the increasing volume of completions eases tension, which could mean that things have bottomed out. In view of the shortage of space and the sharp rise in prime rents, an increasing shift to peripheral locations can be observed, which has led to rents in the B and C locations increasing much more strongly in the past 5 years than in the A locations. This trend is likely to continue in 2019.

In 2018, the German real estate investment market confirmed its strong appeal as a "safe haven" for domestic and foreign investors. Transaction volumes rose by over 6 % compared to the previous year and reached a new all-time high of around EUR 60 billion. With a share of just under 50 %, offices remain the most popular asset class, and the top 7 locations dominated the transaction business with a share of just under 55 %. The prime yields for office real estate in the top 7 cities fell by a further 26 basis points to 3.11 % with a slowdown in momentum. The strongest decline to 4.1 % (40 basis points) was recorded by the top yield in the warehouse and logistics segment, fuelled by the sector’s dynamism and the good outlook for online retail. For the first time since 2010, an increase in yields was observed for one segment: Yields on investments in shopping centres rose by 20 basis points.

After years of unbridled optimism on the German real estate market, the mood among real estate investors began to change noticeably towards the end of the year. It is becoming increasingly clear that the German economy is in the late cycle of a long-term upswing and that disruptive factors are increasing. According to a study by Union Investment, European real estate investors are entering 2019 with cautious expectations. Nevertheless, real estate in Germany remains the preferred target of investors in Europe; across all types of use, investors see the best overall conditions here.

The conditions are likely to deteriorate slightly in 2019 due to the numerous economic and political risks. The forecasts for the German economy were revised downwards by leading research institutes during the year, but still point to growth of around 1.1 %. This should continue to have a positive impact on the labour market and the rental market. On the other hand, the monetary policy stimuli that supported the years of upswing on the real estate markets are weakening. After the Fed had already ended its zero-interest policy at the end of 2015 and had raised the key interest rate in three steps to a range of 2.25–2.50 % in 2018, the ECB decided in December 2018 to end its long-standing bond purchase programme. It previously announced that interest rates would remain at an all-time low until at least the end of summer 2019. Depending on how the economic situation and inflation develop, the first interest rate increase since the reduction to 0 % in March 2016 could take place in 2019.

Nevertheless, investors should remain focused on the German commercial real estate market and the transaction volume should decline slightly, but remain at a high level. The robustness of the German economy, a lack of investment alternatives and the ECB's interest rate policy continue to contribute to the attractiveness of the German commercial real estate market for well-capitalised institutional investors, such as insurance companies and pension funds. Due to the price levels achieved, the compression in yields at the top locations should ease, and market players may increasingly take advantage of the opportunity to realise the increases in value achieved in recent years, which would thus counteract the shortage of product in the core area. With our high sales volumes of the last two years, we have already initiated this process internally. Due to the extremely low returns in the core segment, we expect that high increases in value will continue to be achieved by shifting the focus from core properties to more management-intensive properties.

Equity investment in DIC Asset AG

➲ Growth in all business areas

DIC Asset AG expects further growth in assets under management in 2019. In total, it plans to make acquisitions of around EUR 500 million.

➲ Realisation of attractive gains on sales

In a strong investment market and with a low interest climate forecast again for 2019, DIC Asset AG sees good opportunities to further exploit the potential of its properties by developing existing properties, reducing vacancies, increasing rental income on a comparable basis and thereby achieving gains in value. Selected properties will be brought on the market at suitable opportunities in order to realise attractive sales gains and to strategically optimise the portfolio. For 2019, DIC Asset AG is planning targeted sales for all segments with a volume of between EUR 200 and 230 million.

➲ Expected sales and earnings situation for 2019

DIC Asset AG anticipates stable gross rental income from the commercial portfolio of EUR 98–100 million as a result of the significant increase in the quality of the commercial portfolio in the financial year and on the basis of the planned renting performance and taking into account the planned sales.

The expansion of third-party business and transaction activities in the funds area is expected to be accompanied by a further increase in the trading platform in 2019. Due to the extraordinarily good transaction fees, DIC Asset AG plans to maintain current income from real estate management at the same level as business expands and conditions return to normal. All in all, DIC Asset AG is planning an operating result above the previous year with an FFO of between EUR 70–72 million (approx. EUR 0.99–1.01 per share).

➲ Expected financial position for 2019

DIC Asset AG does not currently require any additional external financing for its planned ongoing business operations, but will continue to examine financing opportunities in the ongoing low interest rate environment in 2019. The key factors influencing liquidity in 2019 are expected to be the portfolio investments, the dividend distribution for the 2018 financial year, the repayment of the 2014/2019 bond due in 2019 and the cash inflow from sales.

The liquidity position allows DIC Asset AG to participate in and carry out acquisitions as a co-investor for the growth of the fund business. In these cases, additional external funds may be raised in consultation with the other fund investors. All liquidity requirements and financing obligations are met as far as they are foreseeable.

Equity investment GEG German Estate Group

For the 2019 financial year, the GEG German Estate Group is continuing to implement its strategic plan to fully establish a market-leading, unlisted platform for commercial real estate in Germany. The plan envisages an acquisition volume of at least EUR 750 million across all business segments. In addition, an EBITDA in the range of EUR 26 to 28 million is targeted. The GEG German Estate Group currently requires no additional external financing for its planned ongoing business operations. The key factors influencing liquidity from operations in 2019 are expected to be income from management fees for portfolio investments and transaction fees as well as income from equity placements. All liquidity requirements and financing obligations are met as far as they are foreseeable.

Main assumptions for the business forecast

Our forecast is based on the following main assumptions:

- Global trade conflicts will not expand significantly
- There will be no intensification of geopolitical tensions
- There will be no significant worsening of the sovereign debt crisis in the euro area
- There will be no resurgence of the banking crisis in the euro area
- Brexit will have no dramatic consequences for the euro area economy
- The German economy will not fall into recession and the labour market will remain robust
- The rental market will exhibit stable development
- Loss of rental income due to insolvencies will remain low
- There will be no unexpectedly strong increase in inflation
- The ECB will not abruptly abandon its policy of cheap money
- There will be no significant tightening of requirements in the financing policy of credit institutions, which would have the effect of constraining the transaction process.
- No unforeseen regulatory changes will come into force

If the underlying assumptions do not materialise or other extraordinary developments occur, our forecast may differ materially from the actual results.

We do not provide a specific forecast for net income for the year. The exact amount of net income for the year depends, among other things, to a large extent on whether we can buy or sell properties from our segments with majority or minority interests.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR
FROM 1 JANUARY 2018 TO 31 DECEMBER 2018

BALANCE SHEET OF THE GERMAN IMMOBILIEN CHANCEN GROUP as at 31 December 2018

Assets in TEUR	31/12/2018	31/12/2017
FIXED ASSETS		
Intangible assets		
Concessions and similar rights and assets and licences in such rights and assets	266	436
Goodwill	144,560	150,823
	144,826	151,259
Property, plant and equipment		
Land and buildings	1,428,824	1,503,477
Operating and office equipment	727	783
Payments on account and assets under construction	13,653	7,121
	1,443,204	1,511,381
Financial assets		
Investments	285,266	225,216
Shares in associates	251,770	213,959
Loans to related parties	0	2,203
	537,036	441,378
CURRENT ASSETS		
Inventories		
Works in progress	339,750	309,683
Receivables and other assets		
Trade receivables	7,288	28,355
Receivables from associated companies	49,760	22,740
Other assets	53,977	47,685
	111,025	98,780
Cash on hand, bank balances	291,303	210,426
ACCRUED AND DEFERRED ITEMS	9,884	10,341
DEFERRED TAX ASSETS	40,780	40,910
	2,917,808	2,774,158

Liabilities in TEUR	31/12/2018	31/12/2017
EQUITY		
Subscribed capital	46,801	46,801
Capital reserve	8,855	8,855
Generated group equity	83,619	75,265
Minority interests	565,658	544,010
	704,933	674,931
PROVISIONS		
Tax provisions	12,169	6,662
Other provisions	45,366	48,986
	57,535	55,648
LIABILITIES		
Bonds	511,600	412,287
Liabilities to banks	1,043,843	1,055,197
Advance payments received on orders	339,546	283,689
Trade accounts payable	1,912	2,254
Liabilities to companies in which investments are held	109,973	74,461
Other liabilities	116,401	183,383
	2,123,275	2,011,271
ACCRUED AND DEFERRED ITEMS	1,381	1,496
DEFERRED TAX LIABILITIES	30,684	30,812
	2,917,808	2,774,158

INCOME STATEMENT OF THE DEUTSCHE IMMOBILIEN CHANCEN GROUP from 1 January to 31 December 2018

in TEUR	**01/01/2018 – 31/12/2018**	01/01/2017– 31/12/2017
Revenues	**157,581**	157,463
Other operating income	**43,855**	47,665
Total operating performance	**201,436**	205,128
Cost of materials	**-39,326**	-43,418
Gross profit	**162,110**	161,710
Personnel expenses	**-18,489**	-20,257
Amortisation of intangible assets and depreciation of property, plant and equipment	**-38,989**	-37,210
Other operating costs	**-49,263**	-39,889
Operating result	**55,369**	64,354
Other interest and similar income	**6,565**	762
Income from associates	**34,623**	41,616
Interest and similar expenses	**-48,933**	-54,088
Result from ordinary activities	**47,624**	52,644
Taxes on income and earnings	**-6,973**	-3,145
Other taxes	**-98**	245
Group net income	**40,553**	49,744
Profit attributable to minority interests	**29,858**	37,668
Profit attributable to group shareholders	**10,695**	12,076

CASH FLOW STATEMENT OF THE DEUTSCHE IMMOBILIEN CHANCEN GROUP from 1 January to 31 December 2018

in TEUR	01/01/2018 – 31/12/2018	01/01/2017– 31/12/2017
CURRENT BUSINESS ACTIVITY		
Group earnings before interest	82,921	103,071
Gains from the sale of properties	-18,646	-17,581
Depreciation and amortisation	38,989	37,210
Changes in receivables, liabilities and provisions	56,146	-9,024
Other non-cash transactions	-43,169	-50,394
Cash flow from ordinary activities	116,241	63,282
INVESTMENT ACTIVITY		
Proceeds from the sale of properties	100,908	223,718
Dividends received	10,200	4,049
Acquisition of and investment in real estate	-126,588	-128,829
Investing in / selling of investments	60,909	-43,342
Change in loans receivable from associated companies	2,971	35,847
Investments in development projects	-36,120	-67,051
Advance payments from development projects	18,670	61,448
Acquisition / sale of office furniture and equipment	-151	-201
Cash flow from investing activities	30,799	85,639
FINANCING ACTIVITY		
Inflows from the issuance of bonds	201,000	130,000
Inflows from loans	319,630	1,237,949
Interest received	1,118	153
Interest paid	-47,469	-44,037
Repayment of loans	-408,132	-1,411,190
Repayment of bonds	-100,000	0
Inflows / withdrawals of minority interests	0	146
Capital transaction costs paid	-5,547	-3,923
Dividends paid	-27,151	-23,820
Cash flow from financing activities	-66,551	-114,722
Acquisition-related increase in cash and cash equivalents	388	0
Changes in cash and cash equivalents	80,489	34,199
Cash and cash equivalents at the beginning of the financial year	210,426	176,227
Cash and cash equivalents at end of period	291,303	210,426

STATEMENT OF CHANGES IN EQUITY OF THE DEUTSCHE IMMOBILIEN CHANCEN GROUP as at 31 December 2018

in TEUR	Subscribed capital	Capital reserves	Group equity generated	Equity attributable to group shareholders	Minority interests	Total
As at 31 December 2016	46,801	8,855	67,009	122,665	525,482	**648,147**
Group net income			12,076	12,076	37,668	**49,744**
Distributions in 2016			-4,680	-4,680	-19,140	**-23,820**
Acquisition of additional shares			860	860	0	**860**
As at 31 December 2017	46,801	8,855	75,265	130,921	544,010	**674,931**
Group net income			10,695	10,695	29,858	**40,553**
Distributions in 2017			-2,341	-2,341	-30,947	**-33,288**
Inflows from minority interests			0	0	22,737	**22,737**
As at 31 December 2018	46,801	8,855	83,619	139,275	565,658	**704,933**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR FROM 1 JANUARY 2018 TO 31 DECEMBER 2018

I. General information

Deutsche Immobilien Chancen AG & Co. KGaA, Frankfurt am Main, (hereinafter referred to as: Deutsche Immobilien Chancen) entered in the Commercial Register B of the Local Court of Frankfurt (Reg. No. HRB 54220) prepares voluntary financial statements of the Deutsche Immobilien Chancen Group (consolidated financial statements), which – with the exception of the deviations described in the notes, in particular the definition of the group of consolidated companies – have been prepared in accordance with the provisions of the German Commercial Code (Handelsgesetzbuch - HGB) and the German Stock Corporation Act (Aktiengesetz - AktG) as well as the provisions of the Articles of Association. There is no obligation to prepare consolidated financial statements either under the law or under the articles of association. In the preparation of the consolidated financial statements, some simplifications for small corporations pursuant to Section 288 of the German Commercial Code (HGB) were made use of.

II. Group of consolidated companies

All companies in which Deutsche Immobilien Chancen holds the majority of shares, as well as DIC Asset AG, DIC MainTor Erste Beteiligungs GmbH (hereinafter also referred to as "MainTor GmbH") and DIC Opportunistic GmbH (hereinafter also referred to as "Opportunistic") with their respective subsidiaries were fully consolidated in the consolidated financial statements.

The Deutsche Immobilien Chancen Group holds around 31.2% of the voting rights in DIC Asset AG and in the financial year one and the same person served as Chairman of the Supervisory Boards of both companies (Deutsche Immobilien Chancen and DIC Asset AG). This gives rise to the possibility of material influence, but there is no control in the sense of the consolidation regulations under commercial law (Section 290 HGB and DRS 19). The Deutsche Immobilien Chancen Group (including DIC Asset AG) owns 50% of the shares in DIC Opportunistic GmbH. The real estate assets of DIC Opportunistic GmbH were transferred to DIC Asset AG in 2013 as part of a non-cash capital increase. Due to these links with the Deutsche Immobilien Chancen Group, there is the possibility of material influence, but control in the sense of the consolidation regulations under commercial law (Section 290 HGB and DRS 19) does not exist here either. In order to provide a comprehensive picture of DIC's overall business performance and situation, and in particular of its operating business, we prepare these voluntary consolidated financial statements including DIC Asset AG, DIC MainTor GmbH, in which Deutsche Immobilien Chancen and DIC Asset AG jointly hold approx. 70% of the shares, and DIC Opportunistic GmbH, in which Deutsche Immobilien Chancen and DIC Asset AG jointly hold 50% of the shares.

Under the equity method, investments in companies in which Deutsche Immobilien has a material influence are included in the consolidated financial statements. The associates are included in the consolidated financial statements according to the share of equity.

The group of consolidated companies and shares in associates are shown in Appendix I to the Notes.

The GEG German Estate Group was founded at the turn of the year 2014/2015 by the Deutsche Immobilien Chancen Group (75%) and KKR (25%). Deutsche Immobilien Chancen Group holds its share in GEG German Estate Group via TTL Real Estate GmbH (formerly Deutsche Immobilien Chancen Real Estate GmbH), in which it held a share of 67% of the voting rights when it was founded. In the medium term, the structure of GEG is designed to ensure that each GEG partner will hold 50% and that all important strategic decisions are therefore taken jointly. Given these facts, GEG, its subsidiaries and DIC Strategic Investments II GbR, through which the shares in GEG are held indirectly, were not consolidated. In 2018, Deutsche Immobilien Chancen Group transferred part of its shares in TTL Real Estate GmbH to TTL Beteiligungs- und Grundbesitz AG. Deutsche Immobilien Chancen Group and TTL Beteiligungs- und Grundbesitz AG each currently hold 50% of the ordinary shares in TTL Real Estate GmbH.

III. Principles of consolidation

Capital consolidation is performed according to the revaluation method by offsetting the acquisition costs against the pro rata equity of the subsidiaries at the time of their acquisition or initial consolidation. The carrying amount of the shares at the time of initial consolidation which exceeds the pro rata equity is treated as a difference and amortised as goodwill or, in the case of MainTor, allocated as the total project value of the development project.

Shares in associates within the meaning of Section 311 HGB are valued using the equity method (carrying amount method) on the basis of their subgroup financial statements. The carrying amount of the shares exceeding the pro rata equity at the time of initial consolidation is treated as a difference and amortised as goodwill. For reasons of materiality, in individual cases associates without business activities are accounted for with their individual financial statements or at acquisition cost.

Intragroup receivables and liabilities are offset against each other as part of debt consolidation. Intragroup income is offset against corresponding expenses. Interim profits from intragroup transactions are eliminated.

With a few exceptions, the balance sheet date of the consolidated companies corresponds to the Group balance sheet date. In the case of deviating financial years, subsidiaries and associates with interim financial statements as at the Group balance sheet date are included.

IV. Classification principles

The consolidated financial statements have been structured in accordance with the provisions of the German Commercial Code. The balance sheet corresponds in principle to the statutory classification scheme (Section 266 (2) and (3) HGB). For the income statement, the statutory classification scheme was deviated from in some cases in order to bring the presentation into line with international accounting standards. As in the previous year, the total cost method (Section 275 (2) HGB) was applied.

V. Principles of accounting and measurement

The annual and interim financial statements included in the consolidated financial statements are generally prepared in accordance with uniform Group accounting and measurement principles.

Purchased intangible assets and property, plant and equipment are carried at acquisition cost less straight-line depreciation over their estimated useful lives. The normal useful life of buildings is 40 years.

Goodwill is recognised at acquisition cost less scheduled straight-line depreciation. The useful lives, which reflect the long-term business cycle of the respective real estate investments, are as follows:

- DIC Asset AG und DIC Opportunistic GmbH: 40 years
- Other: 15 years

Low-value assets of less than EUR 250.00 are written off immediately. A collective item is formed for low-value assets with a value between EUR 250.00 and EUR 1,000.00. The collective item is reversed over five years.

In the case of associates accounted for using the equity method, the acquisition costs are increased or decreased annually by the changes in equity corresponding to the equity interest of Deutsche Immobilien Chancen Group.

The net asset value in use derived from the net asset value (NAV) is an indicator of the recoverability of investment and property-related goodwill. It is based on the market values of the properties held by the subsidiaries or associates, which are determined annually by independent experts on the basis of each individual property, and, unlike the short-term or sales-based market value, takes into account the value in use of the properties from the perspective of the Deutsche Immobilien Chancen Group. It reflects the long-term and sustainable management of our properties and is used to test the value of investments and goodwill.

The total project value disclosed as part of the initial consolidation of MainTor is subjected to an annual lowest value test.

Interest rate hedges are combined with the corresponding loan liabilities to form a valuation unit using the net hedge presentation method (micro hedge). The effectiveness of the hedging relationship is demonstrated by the hypothetical derivative or critical term match method. Negative market values of interest rate hedges that have not been combined to form a single valuation unit are reported under other provisions.

Receivables, inventories and other assets are carried at the lower of cost or market at the balance sheet date. Discounts and other accrued and deferred items are deferred and reversed over the underlying terms.

Bank balances are recognised at nominal value.

Provisions are recognised at the settlement amount required in accordance with prudent business judgement. Liabilities are recognised at the settlement amounts.

Deferred tax assets result from differences in carrying amounts between the carrying amounts of real estate, bank debt and hedging instruments under commercial law and under tax law, as well as from tax loss carryforwards.

Deferred tax liabilities result from differences in carrying amounts between the carrying amounts of real estate under commercial law and its tax base. They are valued at a corporate income tax rate (including solidarity surcharge) of 15.825 % (for shares in partnerships; real estate using the extended trade tax reduction) or a corporate income tax rate (including solidarity surcharge) of 15.825 % and a trade tax rate of 16.1 % for other temporary differences.

VI. Notes to the balance sheet

1. Fixed assets

Intangible assets developed as follows:

in TEUR	Goodwill	Other intangible assets
Acquisition costs 01/01	178,527	3,592
Additions	0	0
Disposals	0	0
Acquisition costs 31/12	**178,527**	**3,592**
Depreciation 01/01	27,704	3,156
Additions	6,263	170
Disposals	0	0
Depreciation 31/12	**33,967**	**3,326**
Carrying amounts 01/01	150,823	436
Carrying amounts 31/12	**144,560**	**266**

Goodwill results from the initial consolidation of DIC Asset AG and DIC Opportunistic GmbH.

Property, plant and equipment developed as follows:

in TEUR	Land and buildings	Operating and office equipment
Acquisition costs 01/01	1,615,584	2,778
Additions	125,388	282
Disposals	-189,205	-87
Acquisition costs 31/12	**1,551,767**	**2,973**
Depreciation 01/01	112,107	1,995
Additions	32,302	253
Disposals	-21,466	-2
Depreciation 31/12	**122,943**	**2,246**
Carrying amounts 01/01	1,503,477	783
Carrying amounts 31/12	**1,428,824**	**727**

Financial assets developed as follows:

in TEUR	Investments	Shares in associates	Loans to associates
Acquisition costs 01/01	225,216	213,959	2,203
Additions	60,050	60,960	0
Reclassification	0	0	0
Disposals	0	-23,149	-2,203
Acquisition costs 31/12	**285,266**	**251,770**	**0**
Depreciation 01/01	0	0	0
Additions	0	0	0
Disposals	0	0	0
Depreciation 31/12	**0**	**0**	**0**
Carrying amounts 01/01	225,216	213,959	2,203
Carrying amounts 31/12	**285,266**	**251,770**	**0**

Shares in associates include the following shares in special investment trusts within the meaning of InvG:

- The "DIC Office Balance I" fund invests in commercial real estate, especially office real estate in Germany. Following the sale at the beginning of the previous financial year, DIC holds a capital share of 9.8%8%. The carrying amount of the shares is TEUR 22,180, the fair value TEUR 22,180 (2017: TEUR 21,413). In the past financial year, we received distributions of TEUR 700 (2017: TEUR 1,336). A redemption period of at least six months applies to the redemption of shares.

- The "DIC Office Balance II" fund invests in office real estate in Germany. DIC holds a capital share of 4.6%. The carrying amount of the shares is TEUR 9,490, the fair value TEUR 9,490 (2017: TEUR 9,819). In the past financial year, we received distributions of TEUR 348 (2017: TEUR 336). A redemption period of at least six months applies to the redemption of shares.

- The "DIC Office Balance III" fund invests in office real estate in Germany. DIC holds a capital share of 3.3%. The carrying amount of the fund shares is TEUR 7,546, the fair value TEUR 7,546 (2017: TEUR 8,388). In the past financial year, we received distributions of TEUR 177 (2017: TEUR 0).

- The "DIC Office Balance IV" fund invests in office real estate in Germany. DIC holds a capital share of 2.5%. The carrying amount of the shares of the fund is TEUR 3,064, the fair value TEUR 3,064 (2017: TEUR 5,750). In the past financial year, we received distributions of TEUR 35 (2017: TEUR 0).

- The "DIC Office Balance V" fund was launched in 2018 and invests in office properties in Germany. DIC holds a capital share of 40.7%. The carrying amount of the fund shares is TEUR 31,217.

- The "DIC Retail Balance I" fund invests in retail real estate with a focus on local supply in Germany. DIC holds a capital share of 4.6%. The carrying amount of the shares of the fund is TEUR 5,878, the fair value TEUR 5,878 (2017: TEUR 5,443). In the past financial year, we received distributions of TEUR 108 (2017: TEUR 0).

- The "DIC Metropolregion Rhein-Main" fund was launched in 2018 and invests in commercial properties in the Frankfurt Rhine-Main region. DIC holds a capital share of 44.4%. The carrying amount of the fund shares is TEUR 12,028.

2. Inventories

Inventories relate to unfinished components of the MainTor development project. Borrowing costs attributable to production are included in production costs.

3. Receivables and other assets
With the exception of deposits of TEUR 4,172 (2017: TEUR 4,068) reported under other assets, all receivables and other assets have a remaining term of less than one year. Receivables from associated companies generally relate to their financing.

4. Liquid assets
The credit balance is recognised at par value. TEUR 33,176 of the existing credit balance is subject to short-term restrictions on disposal beyond the balance sheet date.

5. Accrued and deferred items
Prepaid expenses of TEUR 9,884 (2017: TEUR 10,341) include processing fees for borrowings of TEUR 3,766 (2017: TEUR 5,230), prepaid ground rent of TEUR 1,188 (2017: TEUR 1,204) and other prepaid expenses such as insurance premiums.

6. Equity

- Share capital

The Company's share capital amounts to EUR 46,800,657.00 (2017: EUR 46,800,657.00), divided into 46,800,657 no-par value shares, each with a notional value of EUR 1.00 of the share capital per share.

- Contingent capital

As in the previous year, the conditional capital amounted to a nominal EUR 18,000,000.00.

- Capital reserve

The capital reserve includes amounts pursuant to Section 272 (2) No. 1 HGB amounting to TEUR 8,855 (2017: TEUR 8,855).

- Generated group equity

As part of the preparation of the annual financial statements, EUR 1,500,000.00 was allocated to retained earnings as a charge to the balance sheet profit within the group equity generated.

- Minority interests

The minority interests in the Group's equity increased from TEUR 544,010 to TEUR 565,908, in particular as a result of the allocation of earnings.

7. Other provisions
The other provisions relate to:

in TEUR	**01/01/2018–31/12/2018**	01/01/2017–31/12/2017
Outstanding invoices	**11,713**	13,645
Management bonus	**2,702**	2,620
Audit of the financial statements	**555**	655
Holiday accrual	**446**	422
Other provisions	**29,950**	31,644
	45,366	48,986

Provisions for outstanding invoices mainly include provisions for project development services.

8. Liabilities

The maturities of the liabilities are shown in the following table:

in TEUR	Total	of which remaining term in years		
		<1 year	1 to 5 years	>5 years
Corporate bonds	**511,600**	**181,600**	**330,000**	**0**
2017	412,287	107,287	305,000	0
Liabilities to banks	**1,043,843**	**181,986**	**780,383**	**81,474**
2017	1,055,197	240,321	353,466	461,410
Advance payments received on orders	**339,546**	**339,546**	**0**	**0**
2017	283,689	283,689	0	0
Trade accounts payable	**1,912**	**1,912**	**0**	**0**
2017	2,254	2,254	0	0
Liabilities to companies in which investments are held	**109,973**	**109,973**	**0**	**0**
2017	74,461	74,461	0	0
Other liabilities	**116,401**	**69,344**	**0**	**47,057**
2017	183,383	136,897	0	46,486
Total	**2,123,275**	**884,361**	**1,110,383**	**128,531**
2017	2,011,271	844,909	658,466	507,896

Long-term liabilities to banks are fully covered by land charges or other collateral.

Other liabilities mainly relate to convertible loans and other strategic financing of TEUR 90,452 (2017: TEUR 112,092). The other liabilities are secured in the amount of TEUR 77,500 (2017: TEUR TEUR 86,000) by the pledging of securities.

Liabilities to companies in which participations are held generally result from the granting of loans.

9. Deferred taxes

Deferred tax assets and liabilities developed as follows in the financial year:

in TEUR	As at 01/01/2018	Change	As at 31/12/2018
Deferred tax assets	40,910	-130	40,780
Deferred tax liabilities	30,812	-128	30,684

VII. Notes to the income statement

1. Revenues break down as follows:

in TEUR	**01/01/2018– 31/12/2018**	01/01/2017– 31/12/2017
Renting and leasing	**121,004**	133,092
Administration, project development and other services	**36,577**	24,371
	157,581	157,463

2. Other operating income

Other operating income includes income from the sale of assets and cost recharges, among other items.

3. Income from associates

In the financial year, income from the contribution of non-consolidated companies of EUR 22.3 million (2017: EUR 35.4 million) was reported in the result from associates.

VIII. Notes to the cash flow statement

The cash and cash equivalents considered in the cash flow statement include all liquid assets reported in the balance sheet, i.e. cash in hand and bank balances, insofar as they are available within three months.

IX. Notes to the statement of changes in equity

At the level of the Group parent company, an amount equal to the excess of deferred tax assets over deferred tax liabilities of TEUR 12,817 is subject to a distribution block. Accordingly, the balance sheet profit in the amount of TEUR 7,007 and revenue reserves in the amount of TEUR 62,500, an amount of TEUR 56,690 was generally available for distributions.

X. Other information

1. Contingent liabilities

The DIC Group has issued the following guarantees:

Type of collateral	Beneficiaries
Direct debt guarantee	Thoma Aufzüge GmbH
Direct debt guarantee	Imtech Deutschland
Direct debt guarantee	Union Investment Real Estate GmbH
Direct debt guarantee	City of Frankfurt am Main
Payment guarantee	BAM Deutschland AG
Direct debt guarantee	Deutsche Hypothekenbank
Guarantee according to Section 648 BGB (German Civil Code)	Dodel Metallbau GmbH
Payment guarantee	ED.Züblin AG
Guarantee according to Section 648 BGB (German Civil Code)	Siemens Immobilien GmbH & Co. KG
Direct debt guarantee	Union Investment Real Estate GmbH
Direct debt guarantee	Union Asset Management Holding AG
Warranty bond	PATRIZIA WohnInvest Kapitalverwaltungsgesellschaft mbH
Direct debt guarantee	WINX Verwaltungs GmbH
Rent guarantee	Grundstückgesellschaft Oper GbR
Share purchase obligation	RAG-Stiftung
Share purchase obligation	Deutsche Bundesstiftung Umwelt
Credit guarantee	Bankhaus Lampe KG
Directly enforceable maximum amount guarantee	Deutsche Hypothekenbank AG, Berlin Hyp AG, HSH Nordbank AG
Guarantee declaration	Berlin Hyp AG
Direct debt guarantee	Grundbesitzgesellschaft Große Theaterstraße mbH & Co. KG
Direct debt guarantee	Grundbesitzgesellschaft Große Theaterstraße mbH & Co. KG
Payment guarantee	Cummins Deutschland GmbH
Cost overrun/capital service guarantee	Deutsche Hypothekenbank (Actien-Gesellschaft)
Payment guarantee	Schwitzke Project GmbH
Performance bond	Ferox

The contingent liabilities assumed by Deutsche Immobilien Chancen KGaA do not currently pose a risk of utilisation, as it is assumed on the basis of the economic situation of the respective companies that the companies will meet the underlying liabilities.

Cause	Amount in TEUR	DIC Group pro rata in TEUR
Claims from the MT Porta construction project	30	30
Claims from the MT Porta construction project	2,481	2,481
MT Porta warranty bond	2,750	2,750
Collateral for planning services MT WINX	360	360
MT WINX construction project	7,088	7,088
Loan agreement Riverpark Frankfurt GmbH & Co. KG (formerly DIC Blue GmbH)	5,000	3,595
Claims from the construction project Junges Quartier Obersendling	648	648
MT Panorama construction project	1,666	1,666
Claims from the construction project Junges Quartier Obersendling	6,750	6,750
Fulfilment of all payment and compensation obligations of the seller according to the MT Porta purchase contract	10,000	7,200
Securing the tenant's contractual claims within the scope of the MT Porta construction project	1,200	864
Acceptance of the MT Patio construction project	1,000	720
Obligation to fulfil contractually secured claims in the WINX construction project	16,000	11,520
Rent guarantee from rental agreement	459	459
Preferred shares in TTL Real Estate GmbH upon exercise of tender right	30,000	30,000
Preferred shares in TTL Real Estate GmbH upon exercise of tender right	30,000	30,000
Fulfilment of all payment obligations of DIC Office Balance I GmbH	20,000	20,000
Settlement of all payment obligations arising from the financing of the commercial portfolio	53,000	53,000
Loan agreement DIC 26 Frankfurt Taunusstraße GmbH	2,000	2,000
Opera Offices NEO construction project	2,300	1,150
Opera Offices NEO construction project	140	70
Kaiserpassage Frankfurt construction project	132	132
Darmstadt Regional Council construction project	5,000	5,000
Darmstadt Regional Council construction project	2,974	2,974
Darmstadt Regional Council construction project	1,033	1,033

2. Financial obligations

There is a lease agreement between OPER GbR and Deutsche Immobilien Chancen AG & Co. KGaA for the office space used by the Company from April 2014, which results in a payment obligation of TEUR 131 net per month until March 2024.

Current contractual agreements result in financial obligations to our tenants for the years 2019 and 2020 from investment commitments amounting to EUR 41.8 million (2017: EUR 7.6 million). There are other financial obligations from a debt waiver with debtor warrant in the amount of EUR 10.0 million.

3. Number of employees

The Deutsche Immobilien Chancen Group employed an average of 174 people in the financial year (2017: 180).

Portfolio management, investment, funds	25
Asset and property management	105
Group management, administration	44
Total	174

4. Voting rights notifications

DICP Capital SE, Munich, has notified us pursuant to Section 20 (1) and (3) AktG that, by virtue of attribution pursuant to Section 16 (4) AktG, it owns more than one quarter of the limited partner's shares of Deutsche Immobilien Chancen AG & Co. KGaA (Section 20 (1) AktG), without adding shares pursuant to Section 20 (2) AktG (Section 20 (3) AktG).

5. Allocation of the auditor's fee

The following fees were incurred for the services rendered by the auditor Rödl & Partner GmbH, Wirtschaftsprüfungsgesellschaft, Steuerberatungsgesellschaft, Nuremberg, in the financial years 2018 and 2017:

in TEUR	2018	2017
Audit of the financial statements	473	511
Other certification services	106	76
Total	579	587

6. Events after the balance sheet date

At the beginning of January 2019, DIC Asset AG certified the purchase of a property in Bremen for the Commercial Portfolio. The transfer of ownership, benefits and encumbrances took place at the end of March 2019. The transfer of ownership, benefits and encumbrances of two properties in DIC Asset AG's commercial portfolio took place at the end of March 2019. The sale of four properties from DIC Asset AG's commercial portfolio was also certified at the end of March 2019. The transfer of ownership, benefits and encumbrances is scheduled to take place by the end of 2019.

At the end of January 2019, a loan of EUR 55 million was repaid in full.

On 22 March 2019, the Annual General Meeting of DIC Asset AG approved a dividend of EUR 0.48 per share in accordance with the management's proposal for the appropriation of profits, which can be paid in cash or as a share dividend at the shareholder's discretion.

On 19 March 2019, DIC Asset AG completed the sale of the first block of shares in TLG Immobilien AG agreed in December 2018.

The GEG German Estate Group acquired the following real estate projects in the first quarter of 2019:

- the Pressehaus Berlin: two real estate units on Alexanderplatz in Berlin with a total investment volume of around EUR 365 million

- the property Karl-Arnold-Platz 1 (CAPO) in Düsseldorf for its manage-to-core fund "GEG Deutschland Value I" and a building used by Deutsche Bahn for its "GEG Public Infrastructure I" fund in Mainz's old town on the banks of the Rhine (Rheinstraße 2). The total investment volume is around EUR 140 million.

This brings the assets under management of GEG to EUR 3.6 billion.

Mr Ulrich Höller took over as Chairman of the Supervisory Board of GEG German Estate Group AG at the beginning of April 2019 and resigned from his position as Chairman of the Board of Directors of this company. Mr Christian Bock has also been appointed to the GEG Board of Directors as COO.

7. Supervisory Board

Members of the Supervisory Board are:

- Prof Dr Gerhard Schmidt (Chairman), Glattbach, Attorney at Law
- Mr Klaus-Jürgen Sontowski (Deputy Chairman), Nuremberg, Entrepreneur
- Mr Thomas Hartl, Managing Director Morgan Stanley, London/Great Britain
- Mr Roland Oppermann, Stuttgart, Member of the Management Board of SV Sparkassen Versicherung Holding AG
- Mr Volker Pätzold, Hanover, Head of Department VGH Versicherungen
- Mr Bernd W. Schirmer, Leipzig, Entrepreneur
- Mr Günter Schlatter, Cologne, former member of the Management Board of RAG-Stiftung, Essen
- Mr Jan Schlüter, Düsseldorf, Head of Department, Director of Real Estate Investment, Nordrheinische Ärzteversorgung
- Mr Bernd Wegener, Munich, Head of Department Versicherungskammer Bayern

The total remuneration of the Supervisory Board in the financial year amounted to TEUR 190 (2017: TEUR 190).

8. Board of Directors

The members of the Board of Directors of the general partner Deutsche Immobilien Chancen Beteiligungs AG, Frankfurt am Main, were

– Mr Thomas Grimm (CFO), Business Studies Graduate, Hanau

The Board of Directors received no remuneration from the Company for its activities.

Frankfurt am Main, 10 April 2019

Thomas Grimm

Companies included

Appendix 1 to the Annex:
List of shareholdings as at 31 December 2018

Name and registered office of the company	Capital share (%)
DIC Asset AG, Frankfurt am Main	31.2
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 FB Property Management GmbH, Frankfurt am Main	100.0*
OB III Verwaltungs GmbH, Frankfurt am Main	100.0*
DIC Office Balance IV 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 Fund Advisory GmbH & Co. KG, Frankfurt am Main	100.0*
DIC Real Estate Investments Beteiligungs GmbH, Frankfurt am Main	100.0*
DIC Real Estate Investments GmbH & Co. Kommanditgesellschaft auf Aktien, Frankfurt am Main	100.0*
DIC Objekt Berlin Heilbronner Straße GmbH & Co. KG, Frankfurt am Main	100.0*
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 Objekt EKZ Duisburg GmbH, 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*

Name and registered office of the company	Capital share (%)
DIC Objekt Stadthaus Offenbach GmbH, Frankfurt am Main	100.0*
DIC Objekt Velbert GmbH, Frankfurt am Main	100.0*
DIC Objekt Alsbach GmbH, Frankfurt am Main	100.0*
DIC Objekt Alsbach 2 GmbH, Frankfurt am Main	100.0*
DIC Objekt Hemsbach GmbH, Frankfurt am Main	100.0*
DIC RMN Objekt 1 GmbH, Frankfurt am Main	100.0*
DIC Ruhr Portfolio GmbH, Frankfurt am Main	100.0*
DIC RP Objekt Bochum GmbH, Frankfurt am Main	100.0*
DIC RP Objekt Essen GmbH, Frankfurt am Main	100.0*
DIC RP Objekt 1 GmbH, Frankfurt am Main	100.0*
DIC RP Objekt 2 GmbH, Frankfurt am Main	100.0*
DIC AP Portfolio GmbH, Frankfurt am Main	100.0*
DIC AP Objekt Augustaanlage GmbH, Frankfurt am Main	100.0*
DIC AP Objekt Düsseldorf GmbH, Frankfurt am Main	100.0*
DIC AP Objekt Insterburger Str. 5 GmbH, Frankfurt am Main	100.0*
DIC AP Objekt Insterburger Str. 7 GmbH, Frankfurt am Main	100.0*
DIC AP Objekt Königsberger Str. 29 GmbH, Frankfurt am Main	100.0*
DIC AP Objekt Coblitzweg GmbH, Frankfurt am Main	100.0*
DIC AP Objekt Konstanz GmbH, Frankfurt am Main	100.0*
DIC AP Objekt 1 GmbH, Frankfurt am Main	100.0*
DIC AP Objekt 2 GmbH, Frankfurt am Main	100.0*
DIC AP Objekt 3 GmbH, Frankfurt am Main	100.0*
DIC AP Objekt 5 GmbH, Frankfurt am Main	100.0*
DIC AP Objekt 6 GmbH, Frankfurt am Main	100.0*
DIC AP Objekt 7 GmbH, Frankfurt am Main	100.0*
DIC AP Objekt 8 GmbH, Frankfurt am Main	100.0*
DIC AP Objekt 9 GmbH, Frankfurt am Main	100.0*
DIC Asset Portfolio GmbH, Frankfurt am Main	100.0*
DIC Asset AP GmbH, Frankfurt am Main	100.0*
DIC Asset OP GmbH, Frankfurt am Main	100.0*
DIC Asset DP GmbH, Frankfurt am Main	100.0*
DIC OF REIT 1 GmbH, Frankfurt am Main	100.0*

*indirect share via DIC Asset AG

Name and registered office of the company	Capital share (%)
DIC Objekt Kronberg GmbH, Frankfurt am Main	100.0*
DIC 27 Portfolio GmbH, Frankfurt am Main	100.0*
DIC OP Portfolio GmbH, Frankfurt am Main	100.0*
DIC OP Objekt Darmstadt GmbH, Frankfurt am Main	100.0*
DIC OP Objekt Duisburg GmbH, Frankfurt am Main	100.0*
DIC OP Objekt Düsseldorf GmbH, Frankfurt am Main	100.0*
DIC OP Objekt Hamburg GmbH, Frankfurt am Main	100.0*
DIC OP Objekt Leverkusen GmbH, Frankfurt am Main	100.0*
DIC OP Objekt Marl GmbH, Frankfurt am Main	100.0*
DIC OP Objekt München-Grünwald GmbH, Frankfurt am Main	100.0*
DIC OP Objekt 1 GmbH, Frankfurt am Main	100.0*
DIC OP Objekt 2 GmbH, Frankfurt am Main	100.0*
DIC OP Objekt 3 GmbH, Frankfurt am Main	100.0*
DIC OP Objekt 4 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 Wiesbaden Frankfurter Straße 46-48 GmbH, Frankfurt am Main	100.0*
DIC DP Mönchengladbach Stresemannstraße GmbH, Frankfurt am Main	100.0*
DIC DP Langenselbold Am Weiher 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 25 Portfolio GmbH, Frankfurt am Main	100.0*
DIC 25 Betriebsvorrichtungs GmbH, Frankfurt am Main	100.0*
DIC 25 Objekt Bremen GmbH, Frankfurt am Main	100.0*
DIC 25 Objekt Chemnitz GmbH, Frankfurt am Main	100.0*

Name and registered office of the company	Capital share (%)
DIC 26 Portfolio GmbH, Frankfurt am Main	100.0*
DIC 26 Leipzig GmbH, Frankfurt am Main	100.0*
DIC 26 Frankfurt Taunusstraße GmbH, Frankfurt am Main	100.0*
DIC 26 Erfurt GmbH, Frankfurt am Main	100.0*
DIC 26 Schwaben GmbH, Frankfurt am Main	100.0*
DIC 26 Wiesbaden GmbH, Frankfurt am Main	100.0*
DIC MainTor Real Estate 1 GmbH, Frankfurt am Main	100.0*
DIC Objekt Frankfurt 1 GmbH & Co. KG, Frankfurt am Main	100.0*
Deutsche Immobilien Chancen Objekt Ulm 1 Erweiterung GmbH & Co. KG, Frankfurt am Main	100.0*
Deutsche Immobilien Chancen Objektbeteiligungs GmbH, Frankfurt am Main	100.0*
DIC Onsite GmbH, Frankfurt am Main	100.0*
DIC EB Portfolio GmbH, Frankfurt am Main	100.0*
DIC Zeil Portfolio GmbH, Frankfurt am Main	100.0*
DIC Frankfurt Objekt 3 GmbH, Frankfurt am Main	100.0*
DIC Berlin Portfolio Objekt Bundesallee GmbH, Frankfurt am Main	100.0*
DIC Objekt Bremen Grazer Straße GmbH, Frankfurt am Main	100.0*
Gewerbepark Langenfeld West 3 GmbH & Co. KG, Frankfurt am Main	99.5*
DIC HI Portfolio GmbH, Frankfurt am Main	96.25*
DIC HI Landsberger Straße GmbH & Co. KG, Frankfurt am Main	96.25*
DIC HI Objekt Frankfurt Theodor-Heuss-Allee GmbH, Frankfurt am Main	96.25*
DIC HI Objekt Hamburg Kurt-Schumacher-Allee GmbH, Frankfurt am Main	96.25*
DIC HI Objekt Köln GmbH, Frankfurt am Main	96.25*
DIC HI Objekt Neu-Isenburg GmbH, Frankfurt am Main	96.25*
DIC HI Objekt Ratingen GmbH, Frankfurt am Main	96.25*
DIC HI Objekt 1 GmbH, Frankfurt am Main	96.25*
DIC HI Objekt 2 GmbH & Co. KG, Frankfurt am Main	96.25*
DIC HI Objekt 4 GmbH, Frankfurt am Main	96.25*
DIC HI Objekt 5 GmbH, Frankfurt am Main	96.25*

*indirect share via DIC Asset AG

Name and registered office of the company	Capital share (%)
DIC HI Objekt 6 GmbH & Co. KG, Frankfurt am Main	96.25*
DIC HI Objekt 7 GmbH, Frankfurt am Main	96.25*
DIC HI Objekt 9 GmbH, Frankfurt am Main	96.25*
DIC HI Objekt 10 GmbH, Frankfurt am Main	96.25*
DIC HI Objekt 11 GmbH, Frankfurt am Main	96.25*
DIC HI Objekt 12 GmbH, Frankfurt am Main	96.25*
DIC HI Objekt 13 GmbH, Frankfurt am Main	96.25*
DIC HI Objekt 14 GmbH, Frankfurt am Main	96.25*
DIC HI Objekt 15 GmbH, Frankfurt am Main	96.25*
DIC HI Beteiligungs GmbH, Frankfurt am Main	96.25*
DIC Hamburg Portfolio GmbH, Frankfurt am Main	96.25*
DIC Hamburg Objekt Großmannstraße GmbH, Frankfurt am Main	96.25*
DIC Hamburg Objekt Marckmannstraße GmbH, Frankfurt am Main	96.25*
DIC Hamburg Objekt 1 GmbH, Frankfurt am Main	96.25*
DIC Hamburg Objekt 5 GmbH, Frankfurt am Main	96.25*
DIC Objekt Leverkusen GmbH, Frankfurt am Main	94.9*
DIC Objektsteuerung GmbH, Frankfurt am Main	94.8*
MainTor GmbH, Frankfurt am Main	70.6
DIC MainTor Primus GmbH, Frankfurt am Main	70.6
DIC MainTor WinX GmbH, Frankfurt am Main	70.6
DIC MainTor Zweite Beteiligungs GmbH & Co. KG, Frankfurt am Main	70.6
DIC MainTor Verwaltungs GmbH, Frankfurt am Main	70.6
DIC MainTor III GmbH, Frankfurt am Main	70.6
DIC GMG GmbH, Frankfurt am Main	50.0
WACO Beteiligungs GmbH, Frankfurt am Main	50.0
DIC MSREF HMDD Portfolio GmbH, Frankfurt am Main	50.0
DIC MSREF HT Portfolio GmbH, Frankfurt am Main	50.0
DIC MSREF FF Südwest Portfolio GmbH, Frankfurt am Main	50.0
DIC MSREF FF Südwest Objekt München 1 GmbH & Co. KG, Frankfurt am Main	50.0
DIC MSREF FF Südwest Objekt München 1 Verwaltungs GmbH, Frankfurt am Main	50.0
DIC BW Portfolio GmbH, Frankfurt am Main	50.0
DIC Development GmbH, Frankfurt am Main	50.0
DIC Opportunistic GmbH, Frankfurt am Main	50.0
DIC Hamburg Objekt Dammtorstraße GmbH & Co. KG, Frankfurt am Main	53.0
DIC Services Beteiligungs GmbH, Frankfurt am Main	100.0

Name and registered office of the company	Capital share (%)
DIC Projekt Frankfurt 1 GmbH & Co. KG, Frankfurt am Main	100.0
Deutsche Immobilien Chancen Objekt Coburg GmbH, Frankfurt am Main	100.0
DIC Opportunity Fund GmbH, Frankfurt am Main	100.0
DIC MSREF HT Objekt Hamburg GmbH & Co. KG, Frankfurt am Main	100.0
DIC Funding GmbH, Frankfurt am Main	100.0
DIC Zweite Beteiligungs GmbH & Co. KG, Frankfurt am Main	100.0
DIC Zweite Beteiligungsverwaltungs GmbH, Frankfurt am Main	100.0
DIC Real Estate 2. Beteiligungs GbR, Frankfurt am Main	100.0
DIC MainTor Porta GmbH, Frankfurt am Main	100.0
DIC MainTor Patio GmbH, Frankfurt am Main	100.0
DIC MainTor Panorama GmbH, Frankfurt am Main	100.0
DIC MainTor Palazzi GmbH, Frankfurt am Main	100.0
DIC Strategic Investments II GbR, Frankfurt am Main	100.0
TTL Real Estate GmbH, Frankfurt am Main (voting rights)	50.0
TTL Real Estate Mezzanine GmbH, Frankfurt am Main	50.0
TTL Real Estate Mezzanine Investments GmbH & Co. KG, Frankfurt am Main	50.0
DIC MainTor Real Estate 2 GmbH, Frankfurt am Main	70.6
DIC MainTor Real Estate 3 GmbH & Co. KG, Frankfurt am Main	70.6
DIC MainTor Real Estate 3 Verwaltungs GmbH, Frankfurt am Main	70.6
DIC MainTor Erste Beteiligungs GmbH, Frankfurt am Main	51.0
DIC Beteiligungs GbR, Frankfurt am Main	49.9
GEG Verwaltungs GmbH, Frankfurt am Main	50.0
German Estate Group GmbH & Co. KG, Frankfurt am Main	50.0
GEG German Estate Group AG, Frankfurt am Main	50.0
GEG Real Estate Management GmbH, Frankfurt am Main	50.0
GEG German Estate Group Management Holding OHG, Frankfurt am Main	50.0
GEG Development GmbH, Frankfurt am Main	50.0
GEG Betriebsvorrichtungs GmbH, Frankfurt am Main	50.0
GEG Real Estate Beteiligungs- und Verwaltungs GmbH, Frankfurt am Main	50.0
GEG Real Estate Fund Management GmbH, Frankfurt am Main	50.0

*indirect share via DIC Asset AG

Name and registered office of the company	Capital share (%)
GEG Sapporobogen Holding GmbH & Co. KG, Frankfurt am Main	50.0
Diamond Holding 1 GmbH, Frankfurt am Main	50.0
GEG Real Estate Fund Management VK GmbH, Frankfurt am Main	50.0
GEG Emittent Verwaltungs GmbH, Frankfurt am Main	50.0
Global Tower Verwaltungs GmbH, Frankfurt am Main	50.0
BCP Düsseldorf BVO GmbH, Frankfurt am Main	50.0
GEG Riverpark GmbH & Co. KG, Frankfurt am Main	50.0
Diamond Verwaltungs GmbH, Frankfurt am Main	50.0
BCP Verwaltungs GmbH, Frankfurt am Main	50.0
GEG Emittent GmbH & Co. KG, Frankfurt am Main	50.0
GEG Triforum FinCo. GmbH & Co. KG, Frankfurt am Main	50.0
BCP Düsseldorf Holding GmbH & Co. KG, Frankfurt am Main	50.0
GEG Triforum Holding GmbH & Co. KG, Frankfurt am Main	50.0
GEG Triforum BVO GmbH, Frankfurt am Main	50.0
Diamond BVO GmbH, Frankfurt am Main	50.0
HCC Dortmund Holding GmbH & Co. KG, Frankfurt am Main	50.0
GEG Investment Advisory GmbH, Frankfurt am Main	50.0
GEG Merlion GmbH, Frankfurt am Main	50.0
GEG Triforum Verwaltungs GmbH, Frankfurt am Main	50.0
GEG Merlion FF&E GmbH, Frankfurt am Main	50.0
RIVERPARK Frankfurt Verwaltungs GmbH, Frankfurt am Main	50.0
Global Tower GmbH & Co. KG, Frankfurt am Main	50.0

AUDITOR'S REPORT

To Deutsche Immobilien Chancen AG & Co.
Kommanditgesellschaft auf Aktien, Frankfurt am Main:

Note on the audit of the consolidated financial statements

We have audited the accompanying consolidated financial statements of Deutsche Immobilien Chancen AG & Co. Kommanditgesellschaft auf Aktien – comprising the balance sheet, income statement, statement of changes in equity, cash flow statement and notes – for the financial year from 1 January 2018 to 31 December 2018.

Responsibility of the legal representatives

The legal representatives of Deutsche Immobilien Chancen AG & Co. Kommanditgesellschaft auf Aktien are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the accounting principles set out in Section I. General information in the notes to the consolidated financial statements, which, with the exception of the exceptions described in the notes, comply with the requirements of German commercial law for the preparation of consolidated financial statements. The legal representatives are also responsible for internal control considered necessary to permit the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Responsibility of the auditor

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit of the consolidated financial statements in accordance with German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The selection of audit procedures is at the auditor's due discretion. This includes assessing the risks of material misstatement, whether intentional or unintentional, of the financial statements. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements. The objective is to plan and perform the audit procedures that are appropriate in the circumstances, but not to express an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the accounting methods used and the reasonableness of accounting estimates made by the legal representatives, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to serve as a basis for our opinion.

Audit opinion

In our opinion, based on the findings of our audit, the consolidated financial statements for the financial year from 1 January 2018 to 31 December 2018 are in all material respects in accordance with the accounting policies set out in section I. General information, which, with the exception of the exceptions described in the notes, comply with the requirements of German commercial law for the preparation of consolidated financial statements.

Accounting principles

Without qualifying our opinion, we refer to Section I. General information of the notes, which describes the significant accounting policies. The financial statements were prepared voluntarily in order to provide a comprehensive picture of the business performance and the situation of the Deutsche Immobilien Chancen Group. Consequently, the conclusion may not be suitable for a purpose other than that mentioned above.

Note on the audit of the consolidated financial statements

We have audited the accompanying consolidated management report of the Deutsche Immobilien Chancen Group for the financial year from 1 January 2018 to 31 December 2018. The legal representatives of Deutsche Immobilien Chancen AG & Co. Kommanditgesellschaft auf Aktien are responsible for the preparation of the consolidated management report of the Deutsche Immobilien Chancen Group with appropriate application of the commercial law provisions on the consolidated management report. We conducted our audit in accordance with Section 317 (2) HGB and German principles of proper auditing for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW - German Institute of Auditors). Those standards require that we plan and perform the audit of the consolidated management report to obtain reasonable assurance about whether the consolidated management report is consistent with the consolidated financial statements and with the findings of our audit of the consolidated financial statements, whether it complies with legal requirements, and as a whole provides a suitable view of the position of Deutsche Immobilien Chancen Group and suitably presents the opportunities and risks of future development.

In our opinion, based on the findings of our audit of the consolidated financial statements and the consolidated management report, the consolidated management report of the Deutsche Immobilien Chancen Group is consistent with the consolidated financial statements, prepared in accordance with the requirements of German commercial law relating to the consolidated management report, and as a whole provides a suitable view of the position of the Deutsche Immobilien Chancen Group and suitably presents the opportunities and risks of future development.

Terms and conditions and liability

We, Rödl & Partner GmbH Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, have audited the accompanying consolidated financial statements and the consolidated management report on behalf of the Company. The independent auditor's report is addressed exclusively to the Company. Our activities are based – including in relation to third parties – on the "General Terms and Conditions of Engagement for Auditors and Auditing Companies" in the version of 1 January 2017 published by the Institut der Wirtschaftsprüfer (German Institute of Auditors). According to Section 9 (2) of the General Terms and Conditions, our liability is limited to an amount of EUR 4 million. The limitation of liability shall also apply if a liability towards a person other than the client is established.

Nuremberg, 10 April 2019

Rödl & Partner GmbH
Auditors
Tax consulting company

Hübschmann	Luce
Auditor	Auditor

SUPERVISORY BOARD REPORT

During the financial year, the Board of Directors of the general partner regularly and promptly informed the Supervisory Board about all material issues of corporate planning, the situation and development of the Company and the Group, including risks and risk management, as well as significant business transactions by means of written and verbal reports. The Supervisory Board gained an insight into the economic situation of the Company and the Group on the basis of this report and through discussion with the Board of Directors of the general partner and monitored the management in accordance with the tasks assigned to it by law, the articles of association and the rules of procedure. The Supervisory Board was involved in all decisions of material importance to the company.

In the 2018 financial year, discussions and resolutions focused primarily on current business developments and the implementation of the strategic objectives of DIC Asset AG and the GEG German Estate Group. In addition, the situation on the transaction market, the investment and leasing activities in the associated companies, the status of the company's development projects (in particular the MainTor project) and the options for strategic shareholdings were discussed.

The annual financial statements of Deutsche Immobilien Chancen AG & Co. Kommanditgesellschaft auf Aktien, prepared by the Board of Directors of the general partner, together with the management report and consolidated financial statements, together with the group management report as at 31 December 2018, were audited by Rödl & Partner GmbH Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Nuremberg, the auditors appointed by the annual general meeting, and were each issued with an unqualified audit opinion and an unqualified auditor's opinion. The corresponding financial statement documents and the auditor's reports were made available to the individual members of the Supervisory Board in good time. The auditor took part in the Supervisory Board's discussion of the financial statement documents and reported on the main results of its audit.

For its part, the Supervisory Board has examined the annual and consolidated financial statements together with the management report and consolidated management report and concurs with the result of the audit by the auditor. Following the final result of its audit, the Supervisory Board has no objections to raise and approves the annual and consolidated financial statements prepared by the Board of Directors of the general partner. The annual financial statements are then adopted by the annual general meeting. The Supervisory Board proposes to the annual general meeting the election of Rödl & Partner as auditor and auditor for the consolidated financial statements for the 2019 financial year.

The Board of Directors prepared a report on relations with affiliated companies for the 2018 financial year. The auditor audited this report, reported on the results in writing and issued the following unqualified audit opinion:

"Based on our audit and opinion as required by law, we confirm that

1. the factual information in the report is correct,
2. the consideration paid by the Company for the legal transactions listed in the report was not unreasonably high."

The reports of the Board of Directors and the auditors were submitted to the individual members of the Supervisory Board for examination in good time. These reports were reviewed and discussed in detail in April 2019. The auditor attended this meeting and reported on the main results of its audit. The Supervisory Board approved the Board of Director's report on relations with affiliated companies and also concurred with the results of the auditor's review of the report. As a result of its review, the Supervisory Board found that there were no objections to the declaration of the Board of Directors at the end of the report on relations with affiliated companies.

The Supervisory Board would like to express its sincere thanks to the Board of Directors of the general partner and the employees for their successful work and commitment in the 2018 financial year.

Frankfurt am Main, April 2019

The Supervisory Board

Dr Gerhard Schmidt
Chairman

BOARD OF DIRECTORS

Thomas Grimm, 49

Neue Mainzer Straße 20 • MainTor
60311 Frankfurt am Main

Design:
LinusContent AG, Frankfurt am Main