



DEUTSCHE IMMOBILIEN CHANCEN



KEY FIGURES

FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2019

in EUR million	2019	2018	Δ
Revenues	176.0	157.6	12%
Total operating performance	295.1	201.4	47%
EBITDA	190.2	94.4	>100%
Operating result	142.7	55.4	>100%
Group result	102.7	40.6	>100%
Equity	763.8	704.9	8%
Equity ratio ⁽¹⁾ in %	26.3	25.8	2%
Balance sheet total	3,086.5	2,917.8	6%

(1) Taking into account long-term loans

CONTENTS

■	FOREWORD	2
■	CONSOLIDATED MANAGEMENT REPORT	4
■	Information about the Group	4
■	Economic report	10
	Overall statement on the business performance and the situation of the Group	10
	Business and general conditions	12
	Business development	16
	Employees	30
	Financial information	32
■	Outlook, opportunities and risks report	37
■	Events after the reporting date and other information	56
■	CONSOLIDATED FINANCIAL STATEMENTS	57
	Balance sheet	58
	Income statement	60
	Cash flow statement	61
	Statement of changes in equity	62
	Notes	63
■	AUDITOR'S REPORT	80
■	SUPERVISORY BOARD REPORT	82



DEAR SHAREHOLDERS AND BUSINESS PARTNERS, DEAR EMPLOYEES AND FRIENDS OF OUR COMPANY,

Dr Gerhard Schmidt,
Chairman of the Supervisory Board

What endures when the economic news is changing daily? – The coronavirus pandemic and the regulatory measures that have been rapidly introduced as a result represent a stress test for all economic players and business models. It is against this dynamic backdrop that we are presenting our 2019 annual report, with an excellent Group result.

In view of the unique situation created by the coronavirus, presenting our consolidated financial statements for 2019 is more than simply the fulfilment of a formal obligation. During the past financial year, we set a vital course for the Deutsche Immobilien Chancen Group and took advantage of favourable circumstances in order to restructure our investment portfolio.

The driver behind the sharp rise in the Group result from EUR 40.6 million to EUR 102.7 million was the decision to seize opportunities on the market and to consistently focus on active management in a well-diversified two-pillar model:

- We kicked off this work in the first half of 2019 by initiating a selling process for GEG German Estate Group (GEG), together with our investment partner Kohlberg, Kravis & Roberts (KKR). KKR held a 25% stake in GEG and was one of the founding shareholders of the company, which has developed into an investment platform for landmark real estate that generates a high volume of transactions; 75% was held by TTL Real Estate GmbH, in which the Deutsche Immobilien Chancen Group holds a 50% stake.
- The sale was made to DIC Asset AG, which shortly before had mobilised significant funds for the strategic expansion of its own management platform with the sale of its stake in TLG. For a purchase price of around EUR 225 million, which was paid entirely in cash, DIC Asset AG acquired GEG in the middle of the year with a view to integrating the company rapidly into its dynamic institutional business.

We will continue to participate in the successful integration of GEG into DIC Asset AG, whose well-established two-pillar model consists of its own portfolio management and asset management for institutional investors as well as significantly strengthened synergies in asset, portfolio and property management.

Thomas Grimm,
Board of Directors



The listed company DIC Asset AG, in which we have a significant stake as anchor shareholder, achieved a record operating result in 2019 following the integration of GEG and significantly expanded its market position:

- The consolidated total volume of assets under management is around EUR 7.6 billion. As such, DIC Asset AG is one of the leading commercial real estate investment companies on the German market.
- FFO increased from EUR 68.0 million to the record result of EUR 95.0 million. The company increased the dividend to 66 cents per share and reiterated its dividend proposal even against the background of the coronavirus crisis that has since materialised.
- DIC Asset AG's real estate portfolio has good immunity against short-term economic shocks thanks to a high weighting of office properties leased for the long term, infrastructure properties and major public sector users.

Although the macroeconomic effects of the coronavirus pandemic cannot yet be precisely quantified and transaction momentum is temporarily slowing, we are well positioned with our investment in DIC Asset AG's integrative management model. Furthermore, we now have additional resources that enable us to seize opportunities. We believe that carefully examining such opportunities will be an exciting and challenging prospect as we move forwards.

We would like to thank you, our shareholders and business partners, for your trust and support – and the employees within our Group and in our associated companies for their outstanding commitment.

Dr Gerhard Schmidt
– Chairman of the Supervisory Board –

Thomas Grimm
– Board of Directors –

CONSOLIDATED MANAGEMENT REPORT



INFORMATION ABOUT THE GROUP

ORGANISATION AND BUSINESS ACTIVITIES

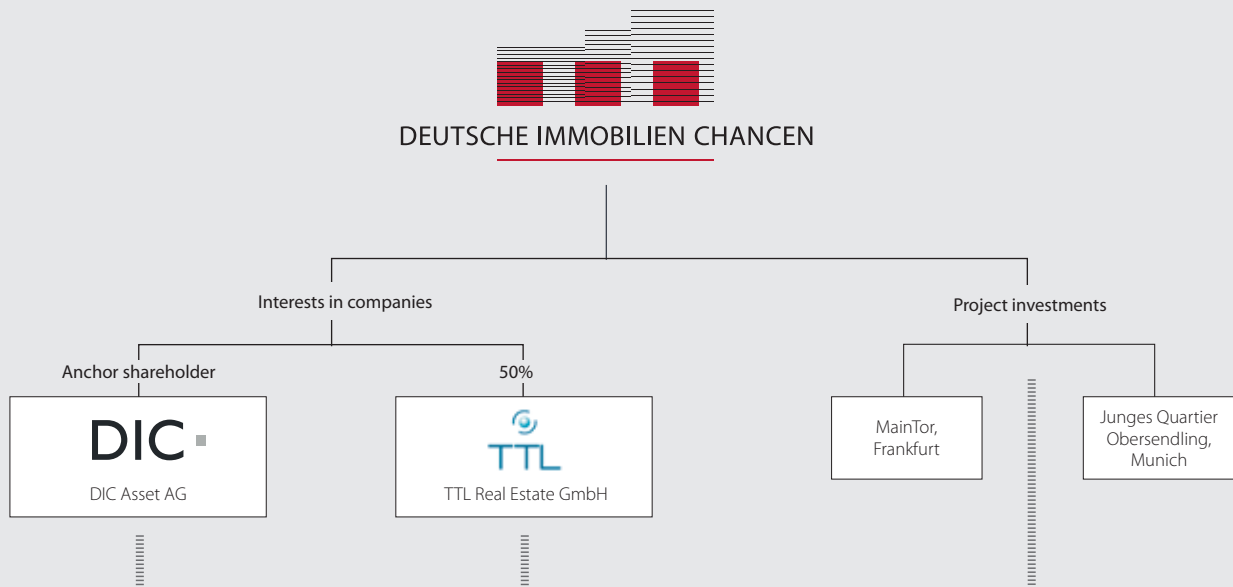
Overview of the Deutsche Immobilien Chancen Group

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 development projects 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 real estate market. In 2019, DIC Asset AG made significant progress in expanding its business base and market position through two strategic transactions: The sale of the stake in TLG, which was agreed at the end of 2018, was completed on schedule in the first half of 2019. DIC Asset AG immediately reinvested the funds generated from the two partial sales; this amounted to around EUR 376 million. DIC Asset AG acquired the real estate investment and asset manager GEG German Estate Group (GEG) under a contract dated 5 June 2019 for a purchase price of approximately EUR 225 million, which was paid entirely in cash. This acquisition expanded DIC Asset AG's institutional investor base to include investors who at the time were invested via GEG in 23 properties, funds, club deals and individual mandates. The sellers of GEG were, with 75%, TTL Real Estate GmbH, in which the Deutsche Immobilien Chancen Group holds a 50% stake, and, with 25%, the US investment company Kohlberg, Kravis & Roberts (KKR). Since the acquisition by DIC Asset AG, the consolidated financial statements now also include the operating business of GEG. The acquisition resulted in the creation of two business segments of equal standing at DIC Asset AG level: The Commercial Portfolio, which comprises the company's own real estate holdings and reliably generates stable cash flows in the form of rental income, and the Institutional Business, in which DIC Asset AG offers customised real estate investment products for institutional investors and generates income from real estate management.
- The Deutsche Immobilien Chancen Group invests in listed and high-dividend real estate companies through its 50% stake in TTL Real Estate GmbH. TTL Real Estate generated a net cash inflow of around EUR 165 million through the sale of its GEG shares. Among other things, TTL Real Estate used the inflow of funds to build up a 7% stake (as at January 2020) in DIC Asset AG. In addition, the Deutsche Immobilien Chancen Group holds further project investments in joint-venture investments and development projects.
- The current consolidated total volume of real estate investments amounts to around EUR 7.6 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 299 million.
- The Deutsche Immobilien Chancen Group had a total of 247 employees at the end of the year. Of these, 145 work in real estate management at DIC Asset AG, which has seven offices throughout the German real estate market and in our real estate locations. Around 34 real estate experts work in portfolio management, investment and funds. A further approximately 68 employees work in group management and administration.

Organisational structure



DIC ASSET AG

- Commercial Portfolio: continuous rental income from direct real estate investments
- Institutional Business: income from the structuring and management of investment products
- Responsible for management of existing properties and the investment products through the real estate management platform DIC Onsite

TTL REAL ESTATE GMBH

- Investment in listed high-dividend real estate companies
- 7% stake in DIC Asset AG (as at 31/12/2019: approx. 5%)

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

- Seven offices with 145 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 the investment in the listed company DIC Asset AG. In addition, there are further joint-venture investments in development projects.

The companies in which investments are made by the Group generate ongoing, secured long-term rental income with their portfolio properties (Commercial Portfolio). 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. In addition, following the merger of the former DIC Asset AG segments Funds and Other Investments with the institutional investment business of GEG, the Deutsche Immobilien Chancen Group generates fees from its activities as an initiator and manager of special real estate funds, individual mandates and club deals for institutional investors (Institutional Business). To a lesser extent we also act as a co-investor and generate our own investment income from minority interests. The Deutsche Immobilien Chancen Group generates dividend income and interest income via TTL Real Estate GmbH.

DIC ASSET AG

- Own asset and property management and development platform with seven offices across Germany enables expansion of property management services for third parties
- Commercial Portfolio with cash flow-oriented direct real estate investments
- Institutional Business segment with income from the structuring and management of investment vehicles – pool funds, club deals and individual mandates – for national and international institutional investors

Our investment in DIC Asset AG generates continuous income from complementary activities in its two business segments, Commercial Portfolio and Institutional Business. Our strong management expertise assumes a cross-sectional function.

The diversified 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 2019 financial year with a record operating result (funds from operations, FFO) of EUR 95 million. This is a significant increase of 40% compared to the previous year.

Complementary income and investment structure: Consistently profitable business model

Our business model combines several sources of revenue. It is based on long-term secured income from the management of our own portfolio (Commercial Portfolio) as well as ongoing management income from a broad range of services for third parties (Institutional Business), supplemented by investment income from investments structured by us.

■ Commercial Portfolio

In the Commercial Portfolio segment (EUR 1.9 billion), DIC Asset AG acts as owner and portfolio holder. These roles allow us to generate continuous cash flows from long-term stable rental income and exploit value-appreciation potential through active renting management and the development and repositioning of portfolio properties.

Active asset management includes making sales at suitable times, with the sales being used by DIC Asset AG uses to optimise its portfolio and realise profits.

■ Institutional Business

In the Institutional Business segment (EUR 5.7 billion), in which newly acquired GEG was bundled, DIC Asset AG generates income from the structuring and management of investment products with attractive distribution returns for national and international institutional investors, both with and without equity investment by the Deutsche Immobilien Chancen Group. As a service provider, it provides transaction, asset and property management services as well as development services for the pool funds, club deals and individual mandates structured by DIC Asset AG.

This enables us to generate continuous and ongoing management income as well as transaction- and performance-based income over the entire property life cycle.

The revenue streams from the two complementary segments ensure continuous profitability and the exploitation of opportunities with the greatest possible independence from market cycles.

PROJECT INVESTMENTS

All joint-venture properties were sold in previous years; the last joint-venture property, “Junges Quartier Obersendling”, was transferred to a special fund managed by Institutional Business as planned in November 2019. Completion of the WINX Tower on the MainTor site is planned for 2020. We will thus have completely phased out our joint ventures in 2020.

One focal point of the 2019 financial year was the completion of the “Junges Quartier Obersendling” property. It was transferred to the long-term portfolio of the GEG Public Infrastructure I special fund in November 2019.



Junges Quartier Obersendling, Munich

Transfer to the portfolio of the GEG Public Infrastructure I special fund

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 second quarter of 2020. 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, Frankfurt

Handover to tenants from Q2 2020

GROUP FUNCTION OF THE DEUTSCHE IMMOBILIEN CHANCEN GROUP

Deutsche Immobilien Chancen AG & Co KGaA is the parent company of the Deutsche Immobilien Chancen Group. It controls around 34% of the shares in SDAX-listed DIC Asset AG; it does so both directly and indirectly via subsidiaries and its 50% stake in TTL Real Estate GmbH. A total of 7% of these shares in DIC Asset AG are held via TTL Real Estate GmbH, which sold its 75% stake in the German Estate Group (GEG) to DIC Asset AG in mid-2019, generating net proceeds of around EUR 165 million. Deutsche Immobilien Chancen AG & Co KGaA and TTL Real Estate GmbH finance their equity interests in companies through equity, financing from shareholders, and bank loans.



**Two business segments of equal standing –
Commercial Portfolio and Institutional Business**

ECONOMIC REPORT

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

In addition to the expansion of the operating business and the resulting increase in income, the Group's business performance was also characterised by two investment transactions: The sale of the shares in TLG Immobilien GmbH generated substantial income and earnings at DIC Asset AG level in the first half of 2019. DIC Asset AG then acquired shares in the German Estate Group (GEG) from TTL Real Estate GmbH (75%) and the US investment company Kohlberg, Kravis & Roberts (KKR). As a result of the integration of GEG into DIC Asset AG, the operating business of GEG is now also reflected in the consolidated financial statements of Deutsche Immobilien Chancen Group. In turn, TTL Real Estate GmbH used the proceeds from the sale of GEG to build up a 7% stake (as at January 2020) in DIC Asset AG.

In the 2019 financial year, DIC Asset AG once again impressively demonstrated the earnings power and dynamism of its business model and set a decisive course for the future. The strategic acquisition and integration of GEG German Estate Group (GEG) and the associated strong growth of the Institutional Business segment had the greatest impact on the company during the financial year.

We successfully completed the strategic restructuring of the DIC Asset AG business segments. With the sale of our stake in TLG Immobilien AG and the transfer of the last property from a joint venture investment, we further simplified our corporate structure as planned.

As a result, two business segments of equal standing have been created: The Commercial Portfolio, which comprises the company's own real estate holdings and reliably generates stable cash flows in the form of rental income, and the Institutional Business, in which we offer customised real estate investment products for institutional investors and generate income from real estate management.

Rapid integration of GEG – capacity increased, market position strengthened, activity increased

The acquisition of GEG significantly accelerated growth in the Institutional Business segment: As a direct consequence, assets under management – and thus income from real estate management – increased significantly, enabling DIC Asset AG to increase its forecast figures for the acquisition volume and FFO (funds from operations) in June. The rapid integration of GEG has greatly increased the capacity of our investment platform, strengthened our market position and further boosted our activity. The increased momentum in the transaction business, the strong performance of our transaction teams operating throughout Germany and the high demand for our investment products in the Institutional Business segment resulted in a record acquisition volume of around EUR 1.9 billion at the end of the financial year. This significantly exceeded the purchase forecast of EUR 1.3 billion, which itself had already been revised upwards again in October.

The Commercial Portfolio was also further optimised: On the sale side, we took advantage of the strong momentum on the commercial real estate market in Germany to sell non-strategic properties with a volume of EUR 154 million and generate attractive income. Across all segments, properties with a volume of EUR 286 million were sold at DIC Asset AG level, exceeding the forecast of EUR 200–230 million. The earnings power of the Commercial Portfolio was also increased by the acquisition of properties beyond the scope of planning that generate substantial rental cash flows. Combined with the successful work of our internal real estate management, which resulted in a like-for-life increase in rental income of 2%, the rental inflows from the acquisitions meant that the DIC Asset subgroup's gross rental income of EUR 101.9 million exceeded both the previous year's figure and the forecast of EUR 98–100 million.

Due to the rapid integration of GEG into the DIC Asset subgroup, the strength of the Institutional Business segment, the growing quality of the Commercial Portfolio and the further optimisation of the financial structure, in October we made a further upward revision to the forecast for the key performance indicator of the DIC Asset subgroup – operating income from real estate management (FFO). With a record FFO of EUR 95 million, DIC Asset AG was able to confirm its estimate as at 31 December 2019 and exceed the previous year's figure by 40%.

Robust business model thanks to diversified earnings structure

The increase in assets under management across all business segments of the DIC Asset subgroup from EUR 5.6 billion to EUR 7.6 billion once again significantly broadened our foundation for stable and sustainable cash flows. With its diversified earnings structure, DIC Asset AG's business model is proving to be robust, scalable and flexible. The DIC Asset subgroup result increased by 70% to around EUR 81 million.

The Deutsche Immobilien Chancen Group can look back on a satisfactory year. The sale of the stake in TLG made a significant contribution to the positive annual result. The operating key figures were also increased by the integration of the German Estate Group (GEG). All in all, we closed the year with a Group result of EUR 102.7 million, more than double that of the previous year.

BUSINESS AND GENERAL CONDITIONS

Economic environment

Slower growth in the German economy

The German economy grew for the tenth successive year in 2019. However, the growth rate slowed noticeably, with price-adjusted gross domestic product (GDP) increasing by just 0.6% in 2019 following growth of 2.5% (2017) and 1.5% (2018) in the previous two years. The global downturn in the industrial economy was the main reason for the subdued growth.

Consumption and construction are the major drivers

International trade conflicts and the dispute over Brexit weighed heavily on Germany's export-focused industrial economy; the uncertainty put the brakes on investment and dampened the mood, particularly in traditional key sectors such as the automotive and mechanical engineering industries and in the electrical and chemical industries. Econom-

ic output in the manufacturing sector excluding construction, which accounts for just over a quarter of the overall economy, fell by 3.6%.

By contrast, the service sector, which is primarily based on domestic demand, experienced a strong upswing, as did construction within Germany. The strongest growth was recorded in the construction industry, which generated a gain of 4.0%. Consumption also remained a stable pillar of the economy. Private consumption increased by 1.6% and government consumption by 2.5%.

The positive drivers from the German domestic economy – supported by job creation, high wage agreements, tax and contribution relief and low interest rates – thus balanced out the industrial weakness and negative foreign trade factors and carried the German economy through the weak global phase.



German economy starts the new year with confidence

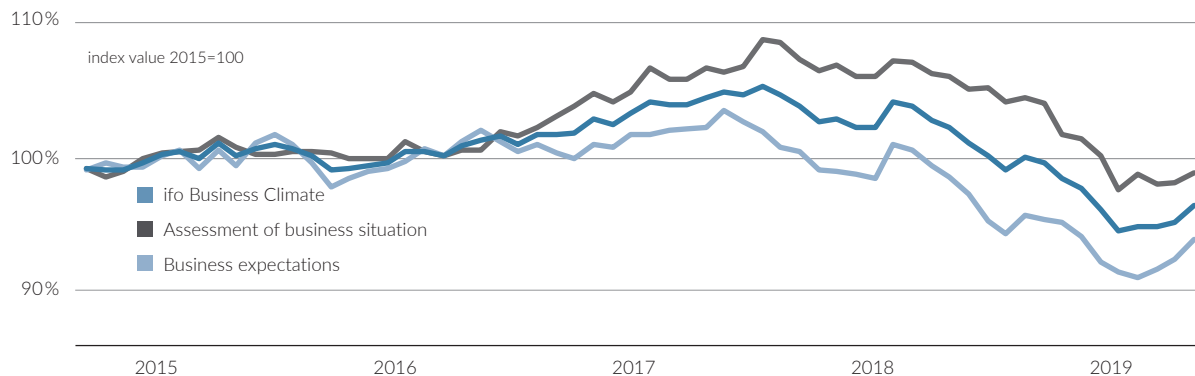
Sentiment indicators repeatedly hit new lows during the year through August due to domestic problems in key German industries, the intensifying trade conflicts and the associated cooling of the global economy, but the mood in German boardrooms brightened again at the end of the year. In particular, the marked improvement was driven by indications of tensions easing in the US-China trade dispute, following the announcement of a partial agreement. The ifo business climate index rose in December for the third time in four months, to 96.3; there were positive trends both in the assessment of the current situation and in expectations. Here too, however, the picture was mixed across the sectors. Companies in the service sector gave a much more positive assessment of their current situation and are more optimistic about the future, while the manufacturing sector, although assessing the current situation as worse, was less pessimistic about the future. Expectations in the construction industry lowered, but the assessment of the current situation remained at a high level.

Monetary policy responds to growing economic risks

In view of growing economic risks and low inflation rates, the ECB, too, continued to push out the date of a possible departure from its zero-interest policy throughout the course of the year. While at the beginning of the year an interest rate hike was still planned for mid-2019 at the earliest, in March the ECB pushed back the date to the end of 2019 at the earliest and at the meeting in June to mid-2020 at the earliest. In September, the ECB lowered the rate for deposits, the “penalty rate” for banks that park their money at the ECB, still further, to -0.5%. Bond purchases resumed in November, having only been stopped at the beginning of the year. The main refinancing rate in the euro area is expected to remain at zero until there is a lasting improvement in the inflation outlook in the euro area.

IFO BUSINESS CLIMATE GERMANY*

Seasonally adjusted



Source: ifo Business Surveys, December 2019

* Manufacturing, service sector, trade and construction



Sector development

Record sales again in the real estate investment market

Neither global risk factors nor the weaker economic momentum have had any noticeable impact on the real estate investment market. The commercial investment market closed the decade, which had been extremely positive for real estate investors, with a new sales record. Powered by the significant revival in transaction activity at the end of the year and the strongest quarter of all time, the annual forecasts of the brokerage houses were in some cases exceeded by a wide margin. CBRE calculated a transaction volume of around EUR 68 billion excluding corporate investments, Colliers calculated a commercial transaction volume of EUR 71.6 billion including investments in real estate portfolio holders or their portfolios, and JLL calculated volumes of around EUR 69.5 billion for all commercial transactions.

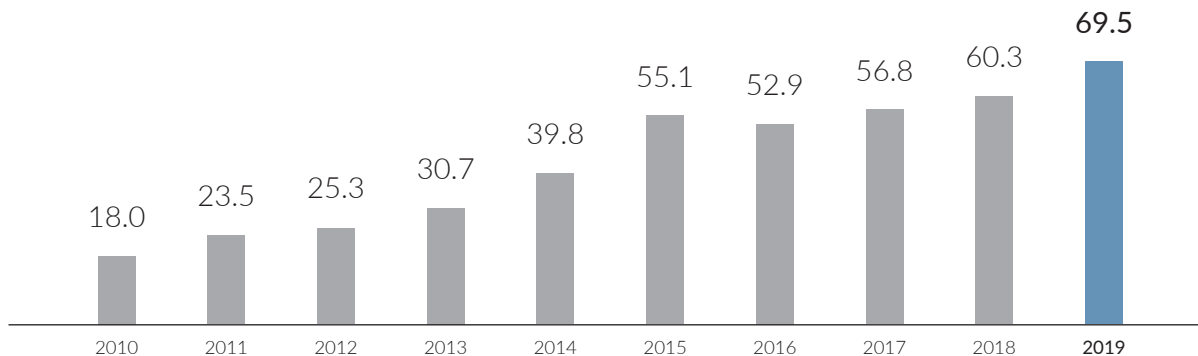
At the end of the year, the transaction revenues from the previous year, which were already extraordinarily high, had been exceeded by well over 10%.

The most popular asset class, by a large and increasing margin, was office properties. They accounted for 59% of investment turnover, having achieved a share of 53% in the previous year. With sales of more than EUR 40 billion, this represents a year-on-year increase of 25%. Retail real estate, which ranked second, contributed around EUR 16 billion (24%) to sales, representing a 6% decline. The share of logistics properties declined with a slight increase in transaction volume to 10% (EUR 6.9 billion), while hotel properties saw a strong increase in transaction volume of 43% to EUR 5.6 billion, equivalent to an increase in the share of investment turnover to 8%.

As in the previous year, investors focused on individual transactions. Their share of commercial real estate investments amounted to 71%, demonstrating the strong focus of investors on profitability at individual property level. Colliers and JLL attributed the increase in the volume of portfolio transactions to the increased interest in corporate investments. In view of the continuing lack of products with a corresponding interest rate, the investment transactions, which are also to be regarded as real estate investments, proved to be a real investment alternative for investors.

TRANSACTION VOLUME WITH GERMAN COMMERCIAL REAL ESTATE

in EUR billion



Source: JLL

Transaction activity on the commercial real estate market continued to focus on the Big 7 locations, which increased their share to around 60% with a rise of 21% to EUR 44 billion. However, there were strong regional differences.

Berlin and Munich broke through the EUR 10 billion mark for the first time, while Frankfurt, with a decline of 19% to EUR 7.8 billion, remained well below last year's record sales.

Yields have declined further as the market continues to show strong momentum. According to JLL, at the end of 2019 the average top yield for office properties in the Big 7 cities was 2.93%, which is 18 basis points below the previous year.

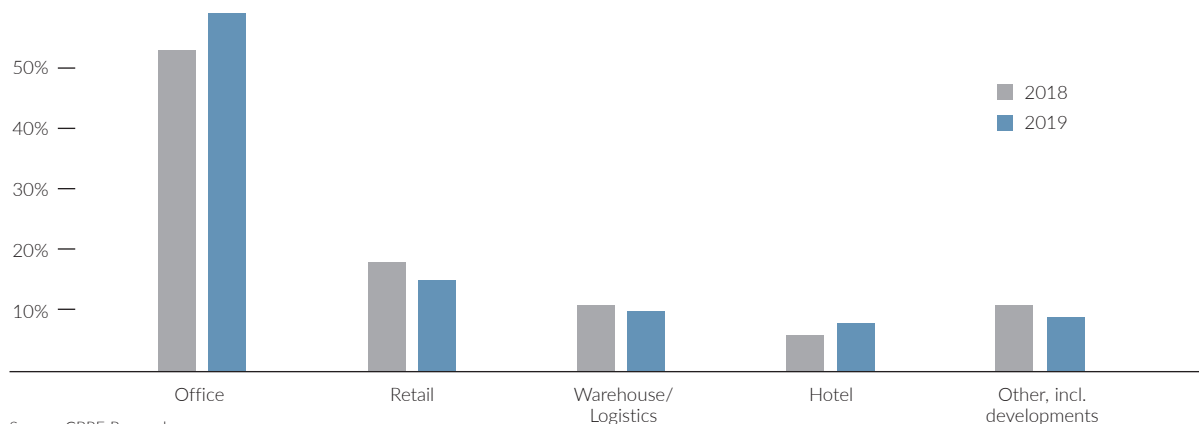
Office rental market characterised by a lack of supply

Despite a slowdown in economic momentum, the office rental market remained extremely robust. With a take-up of space of just over 4 million sqm, the previous year's result was exceeded by 1.6%. This was the second-strongest take-up result after 2017. However, clear differences become apparent when looking at the individual markets. While year-on-year sales increased by almost 50% in Stuttgart, by

33% in Düsseldorf and by 19% in Berlin, Munich brought up the rear this year with a decline of 22%. Declining sales figures were also reported for Hamburg (-9%), Frankfurt (-8%) and Cologne (-5%). The undisputed leader in 2019 in terms of space take-up was Berlin at around 1 million sqm, followed by Munich with a take-up of around 0.8 million sqm.

The rental market continues to face a very significant lack of supply. Although both the volume of space under construction and the volume of building completions have risen significantly recently – with an increase of 21% year on year and an aggregate of around 1.1 million sqm, the highest volume of completions since 2010 was achieved – it is still not enough to reduce the backlog of demand, especially for new properties. At the end of 2019, a total of just 2.85 million sqm was available to companies seeking space in the Big 7 cities, a decline of almost 550,000 sqm within a year (end of 2018: 3.4 million sqm). The aggregated vacancy rate fell by a further 0.6 percentage points year on year to just 3.0%; here too, Berlin leads the way nationwide with the lowest vacancy rate of 1.8%.

SHARES OF TRANSACTION VOLUME

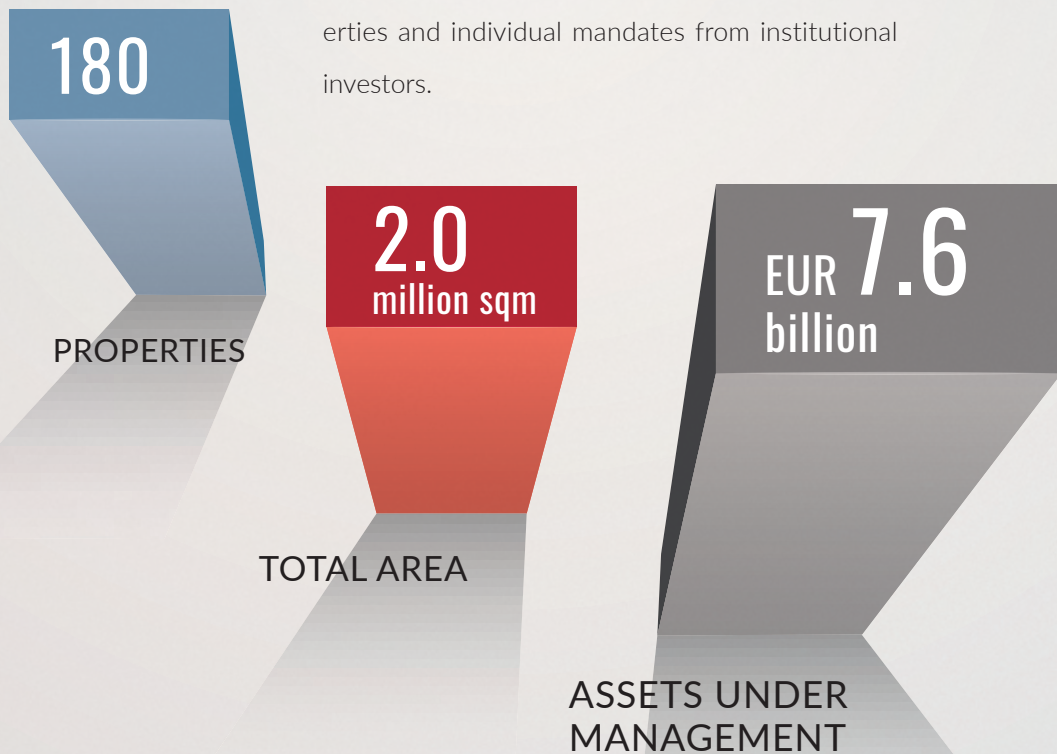


BUSINESS PERFORMANCE

Total portfolio of DIC Asset AG

The business performance of Deutsche Immobilien Chancen Group is largely determined by the business of DIC Asset AG. As at 31 December 2019, DIC Asset AG's managed real estate assets comprised 180 properties with a total area of around 2.0 million sqm. Through the acquisition of GEG in June of the financial year and further acquisitions in the Commercial Portfolio and Institutional Business segments, it increased in value by EUR 2 billion to EUR 7.6 billion within one year.

Around EUR 1.9 billion is attributable to properties in the directly held Commercial Portfolio segment and EUR 5.7 billion to properties in the Institutional Business segment, which comprises fund properties and individual mandates from institutional investors.



Development of DIC Asset AG – Targets for 2019 achieved

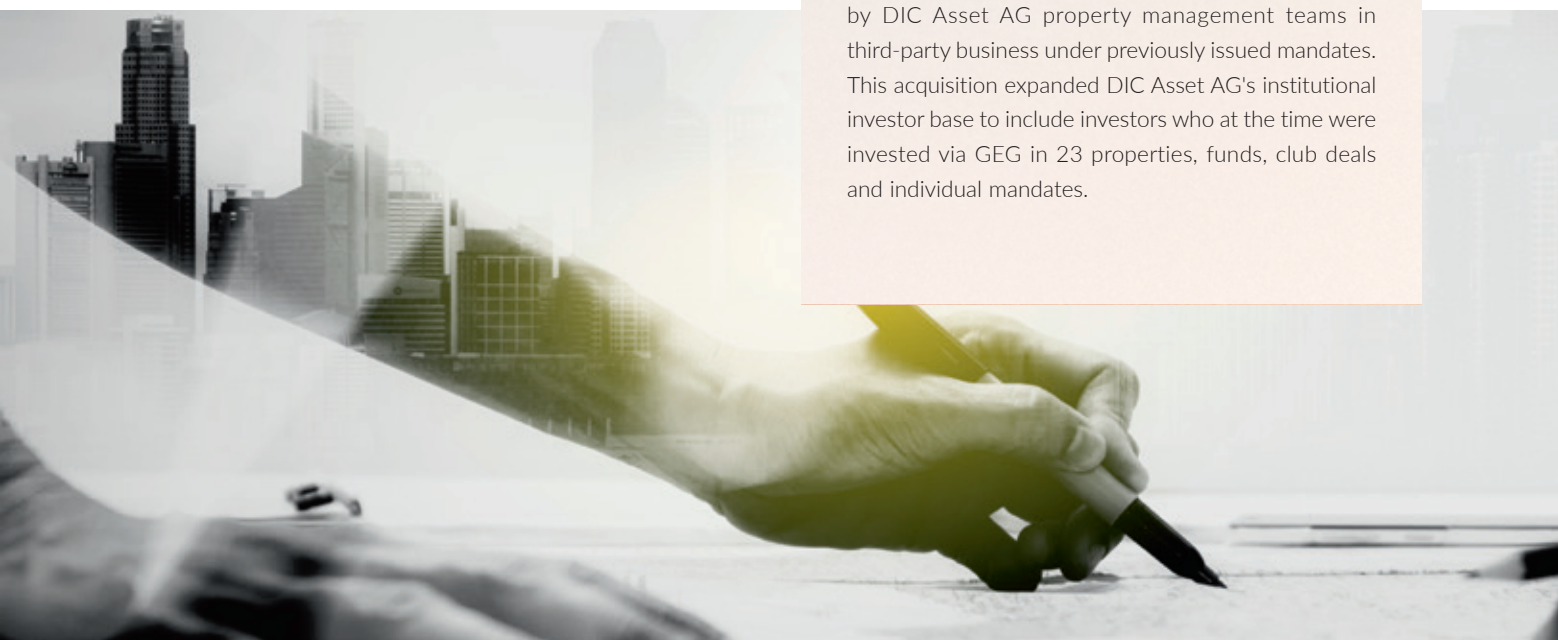
➔ **Transaction volume exceeds the two billion euro mark**
Following the previous year's record figure of EUR 1.2 billion, our transaction teams succeeded in nearly doubling revenue in 2019 and achieving a new record volume that exceeds the EUR 2 billion mark: DIC Asset AG fully realised both planned acquisition projects and planned sale projects during the year as well as integrating the GEG Group into the DIC Asset subgroup, raising the transaction targets and, in total, achieving a record level of around EUR 2.2 billion in acquisitions and sales.

EUR 2.2 billion
Record
transaction
volumes

Integration of the GEG German Estate Group into DIC Asset AG

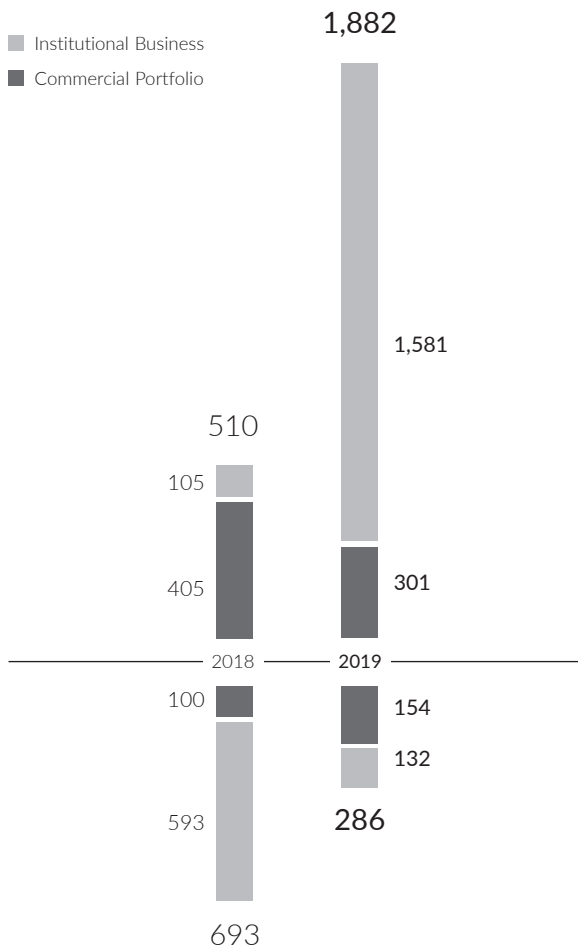
In 2019, DIC Asset AG made significant progress in expanding its business base and market position through two strategic transactions: The sale of the stake in TLG, which was agreed at the end of 2018, was completed on schedule in the first half of 2019. It immediately reinvested the funds generated from the two partial sales, amounting to around EUR 376 million, for its own growth: DIC Asset AG acquired the real estate investment and asset manager GEG German Estate Group (GEG) under a contract dated 5 June 2019 for a purchase price of approximately EUR 225 million, which was paid entirely in cash. The Deutsche Immobilien Chancen Group was also indirectly involved in the GEG transaction on the seller side: TTL Real Estate GmbH, in which it holds a 50% stake, was the seller of 75% of the GEG shares. By January 2020, TTL Real Estate GmbH had invested part of the net proceeds of around EUR 165 million received in building up a 7% stake in DIC Asset AG.

As at 30 June 2019, GEG had assets under management with a volume of EUR 3.6 billion, of which properties with a volume of around EUR 2.2 billion are already being managed and will continue to be managed by DIC Asset AG property management teams in third-party business under previously issued mandates. This acquisition expanded DIC Asset AG's institutional investor base to include investors who at the time were invested via GEG in 23 properties, funds, club deals and individual mandates.



ACQUISITION VOLUME

in EUR million



SALES VOLUME

in EUR million

➤ **Combined acquisition volume of EUR 1.9 billion realised**

With acquisitions with a volume of around EUR 1.9 billion across both segments of DIC Asset AG, we significantly exceeded the previous year's figure of EUR 0.5 billion. The dynamic expansion of DIC Asset AG's Institutional Business segment with the integration of the complementary GEG business played a significant role in this increase. A total of 21 properties were acquired.

Five of these properties, with a total investment volume of around EUR 301 million, were purchased for the Commercial Portfolio segment, effectively driving forward the strategy of strengthening the long-term recurring cash flow with reliable rental income from the company's own portfolio. Four of the new acquisitions were transferred to our portfolio before the end of 2019; the fifth property, with a volume of around EUR 85 million, was contractually secured in a forward deal and we expect the transfer to take place after completion, probably at the beginning of 2021.

A total of 16 properties with a volume of around EUR 1.6 billion were acquired for the Institutional Business segment. Of these, 12 were effectively transferred in the past financial year. The remaining four new acquisitions with a volume of around EUR 610 million were transferred to the managed investment vehicles in the first quarter of 2020.

➤ **Sales transactions of EUR 286 million structured with high added value**

Sales have been notarised for 15 properties with a total volume of EUR 286 million: 11 of these with a volume of around EUR 154 million for portfolio optimisation from the Commercial Portfolio segment and four properties with a combined volume of around EUR 132 million under our active fund management mandates. As a result, DIC Asset AG exceeded its target for the year, which provided for a corridor of EUR 200–230 million for proceeds of sales.

➤ **Optimisation of income per sqm**

During the past year, our real estate management teams optimised the mix of tenants in order to successfully address the acquisition of tenants at standard market rents, tenant loyalty and the enhancement of portfolio quality.

With a total renting volume of 211,300 sqm (previous year: 264,400 sqm), annual rental income of EUR 32.7 million was contracted (previous year: EUR 35.7 million). Measured in terms of annualised rental income, 56% (EUR 18.4 million) of the renting performance was attributable to the Institutional Business segment and 44% (EUR 14.3 million) to the Commercial Portfolio segment.

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

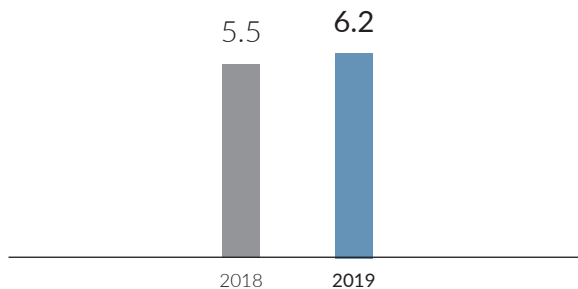
➤ **Higher rents, more long-term contracts**

The average rent under the contracts concluded rose by 14% to EUR 12.88/sqm. In terms of the overall portfolio, our property management teams thus increased rental income like for like by 2.0% to EUR 242.1 million. Our leasing teams again achieved significant success with longer-term leases. With the new leases and lease renewals, the average lease term in the portfolio as a whole rose from 5.5 to 6.2 years.

The qualified rental work made a significant contribution to strengthening the earnings power of our portfolio over the long term. Once again, the remaining term structure curve rose significantly at the long end: Just under two thirds (64) of the rental agreements are for more than four years (previous year: 52%).

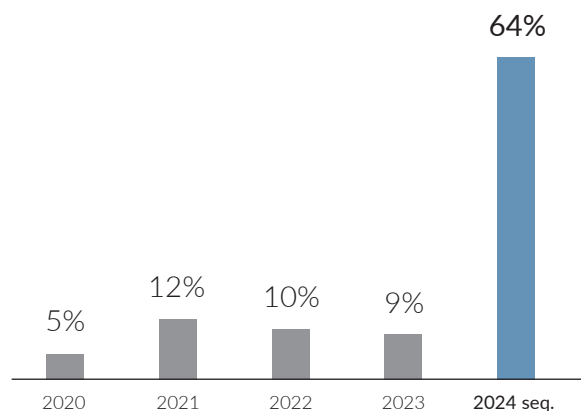
Rental agreements were concluded in 2019 not only for longer terms on average, but also with a focus on larger spaces. As in the previous year, almost half of the rental volume in square metres was accounted for by spaces of more than 5,000 sqm.

AVERAGE RENTAL PERIOD
in years*



* excluding repositioning properties

TERM OF RENTAL AGREEMENTS
on the basis of annualised rental income



➤ **Value creation through development of the portfolio**

A special feature of our business model is that we have the expertise and capacity to revitalise properties to custom specifications and to arrange spaces in such a way that existing or future tenants derive greater benefit, thus leading to profitable long-term rental agreements.

The expertise for this work takes the form of an interdisciplinary in-house property development team comprising architects, engineers, economists and other specialists in planning and operational project management. DIC Asset AG was able to expand this team significantly during the past financial year by integrating GEG and its portfolio developers.

Key property development activities in 2019 included the comprehensive modernisation of Wilhelminenhaus in Darmstadt, the registered office of the Hessian Regional Council (Commercial Portfolio), and the refurbishment of an office property as a BKA location in Wiesbaden (Institutional Business). Each property comprises 25,000 sqm of rental space, which we converted in close collaboration with the future users. The contractually agreed services were implemented on schedule and within the planned budget. We have achieved significant increases in the value of the portfolio through a combination of development services and long-term leases.

Other portfolio developments for which DIC Asset AG assumed management and implementation on behalf of institutional investors when it acquired GEG are two high-rise buildings in prominent locations in Frankfurt am Main:

The Global Tower, formerly the headquarters of Commerzbank in the heart of the banking district, with its 30 floors and around 33,000 sqm of rental space, is being converted

into a first-class office tower that complies with the highest green building standards. Completion is scheduled for the end of 2020. The shell construction was largely completed by the end of 2019; our team is currently working on the basic fit-out and marketing of this premium-quality office space.

Riverpark Tower is a landmark project situated directly on the banks of the Main. The high-rise, which was used commercially for decades, will be reconceived as a residential building and completely renovated. The project, based on a design by internationally renowned architect Ole Scheeren, combines innovative building features with international architecture set against the backdrop of an outstanding location. The tender for the construction work was launched in Q4 2019; construction is scheduled to start in summer 2020 once all permits have been obtained.





**BKA site,
Wiesbaden**

Refurbishment on schedule
and within budget



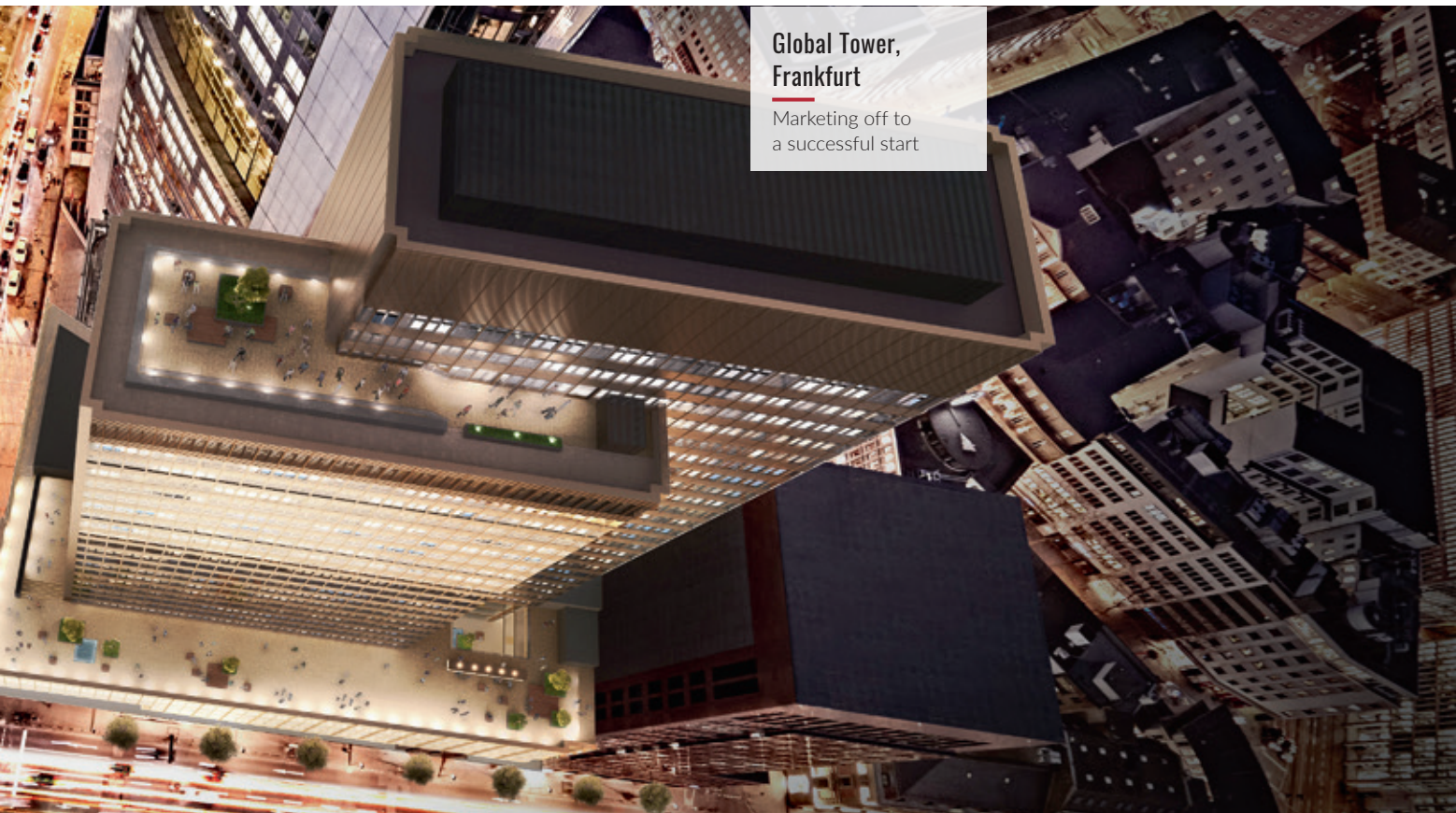
**Wilhelminenhaus,
Darmstadt**

Conversion completed
on schedule in Q1 2020



**Riverpark Tower,
Frankfurt**

© Büro-OS



**Global Tower,
Frankfurt**

Marketing off to
a successful start

Commercial Portfolio

DIC Asset AG's Commercial Portfolio segment comprises our direct real estate investments, from which we generate stable long-term rental income. We also optimise our properties to increase their value through active renting management and leverage potential through portfolio development. We utilise attractive acquisition opportunities in the market in order to diversify our portfolio and to stabilise and expand its earnings power, and we realise profit by making sales at the right times. The Commercial Portfolio comprised 93 properties as at the end of the financial year (previous year: 101), covering rental space of 842,400 sqm (previous year: 893,500 sqm). The market value is around EUR 1.9 billion (previous year: EUR1.7 billion).

EUR 1.9 billion
market value

Portfolio structurally consolidated and optimised

We made high-yield acquisitions with a total volume of around EUR 301 million for the Commercial Portfolio in the 2019 financial year, through the purchase of five properties. With these acquisitions – four of the five new acquisitions were effectively transferred in the financial year, with one property in Karlsruhe acquired in December 2018 – we have offset the effect of the sales on our rental income and increased the quality of our portfolio: In contrast to the decline in rental space, annualised rental income from the Commercial Portfolio rose from EUR 97.6 million to EUR 101.8 million.

High-yield new additions to our portfolio

- An office ensemble consisting of five buildings was acquired in January 2019. The property has a rental area of around 9,400 sqm and is mainly used by the University of Bremen. The average lease term (WALT) is 4.5 years. The total investment costs amounted to EUR 14.7 million.



Office building in Bremen

University of Bremen
is main tenant

Stadtfenster Duisburg

Municipal use

- The Stadtfenster in Duisburg was acquired by DIC Asset AG at the beginning of May at a total investment cost of EUR 58.1 million. It is a modern office property in a central location and was completed in 2014. It offers a total of 12,600 sqm of rental space over five floors. The space is mainly used by the municipal library and the adult education centre. The rental agreements at this fully leased property have a weighted remaining term (WALT) of around 18 years. The annualised rental income amounts to approximately EUR 2.2 million.
- The transfer of ownership, benefits and encumbrances of an office property at Bahnhofplatz in Karlsruhe for around EUR 45 million also took place in the second quarter. A purchase agreement was concluded in December 2018 for this fully let property, which benefits from an excellent location and modern fittings.
- In August, the purchase was notarised of the SAFE office building in Berlin-Mitte, comprising a total rental space of around 10,100 sqm. The purchase price was around EUR 111 million. This well-maintained property in a premium ministry location not far from Friedrichstrasse, Gendarmenmarkt and Unter den Linden is fully leased to Deutsche Kreditbank Aktiengesellschaft (DKB) for a term (WALT) of 5.1 years. Due to the large connected and high-quality office spaces in a top location, this property has strong future potential in a dynamic Berlin market.
- In October, DIC Asset AG acquired a local shopping centre in Stockstadt am Main for around EUR 25 million (TIC); the property offers excellent fundamental data. The property's more than 9,000 sqm are leased on a long-term basis to strong anchor tenants and generate a very attractive, stable rental cash flow. Some 90% of the space is used by Rewe and Drogerie Müller; the weighted term of the rental agreements was 11.1 years at the time of acquisition.



SAFE in Berlin-Mitte

Premium office space in a top location



Local shopping centre in Stockstadt am Main

Stable and high rental cash flow



Office property in Karlsruhe

Fully leased



Administrative building in Offenbach

New building for 570 employees of AXA Konzern AG

■ In November, as part of a forward deal, DIC Asset AG secured a new building in the dynamic Kaiserlei office sub-market at the intersection point between Frankfurt am Main and Offenbach. The purchase price including incidental acquisition costs was around EUR 85 million. The new-build project on Berliner Strasse is fully pre-rented. After completion, the property will have a total rental area of around 13,300 sqm and will be fully used by the AXA insurance group and the flexible office provider Regus. The average lease term is around 12.4 years. The transfer of ownership, benefits and encumbrances is expected to take place at the beginning of 2021.

➤ Strong profits on planned sales

In the 2019 financial year, DIC Asset AG sold 11 non-strategic properties, thus further optimising the Commercial Portfolio with excellent profits and a notarised sales volume of EUR 154 million.

On average, the proceeds from sales at DIC Asset AG level were 18% higher than the most recently determined market values.

The sale of two office buildings in Duisburg that had been in the portfolio since 2007 played a major role in this increase. A sale price of around EUR 95 million was achieved for the buildings, which cover a total area of around 28,700 sqm. This resulted in a sales gain of around EUR 28 million above balance sheet value.

➤ Further increase in portfolio quality through in-house property management

With a 2.0% increase in like-for-like rental income from EUR 87.1 million to EUR 88.9 million, focused rental activities, in addition to transaction activities, made a significant contribution to portfolio optimisation and to the increase in annualised rental income from EUR 97.6 million to EUR 101.8 million. The average lease term improved from 5.8 to 6.0 years, and the EPRA vacancy rate fell by 70 basis points from 7.2% to 6.5% at the end of 2019.

➤ **Repositioning in the portfolio: basis for significant increases in value**

The 18-month renovation of the Darmstadt Regional Council was completed on schedule and within budget during the financial year. The administration's approximately 700 employees had been relocated to a temporary space for the duration of the construction work; they moved back to the building in the first quarter of 2020. Following its complete renovation, the 25,000-sqm administrative building in an exposed urban development location at Luisenplatz is now a prominent part of the Hessian Regional Council, with a lease that runs until 2040, and its value has been increased significantly.

The Kaiserpassage in Frankfurt, which was reopened at the beginning of 2019, is almost fully leased following its revitalisation and has become more appealing in the long term. The market value has more than quadrupled from its level before the conversion at the end of 2016, to a market value of EUR 56.5 million.

➤ **Around EUR 124 million growth excluding transactions**

The market value determined as at 31 December 2019 by external appraisers showed significant growth in value for the properties in the Commercial Portfolio.

Taking into account purchases, sales, investments and the valuation effect, the market value of the Commercial Portfolio totalled EUR 1,900.0 million, an increase of 12.0% over the previous year (EUR 1,696.8 million). The valuation effect on the portfolio as at 31 December 2019 was EUR 124.2 million or 7.0%.

External appraisers regularly determine the market value for DIC Asset AG's own portfolio and for the properties managed by DIC Asset AG. 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 change in value therefore also mainly reflects the performance of DIC Asset AG's asset, property and development management.

The valuation effect of the overall portfolio managed by DIC Asset AG amounted to 11.1% at the end of 2019.



Darmstadt Regional Council

Revitalisation and repositioning

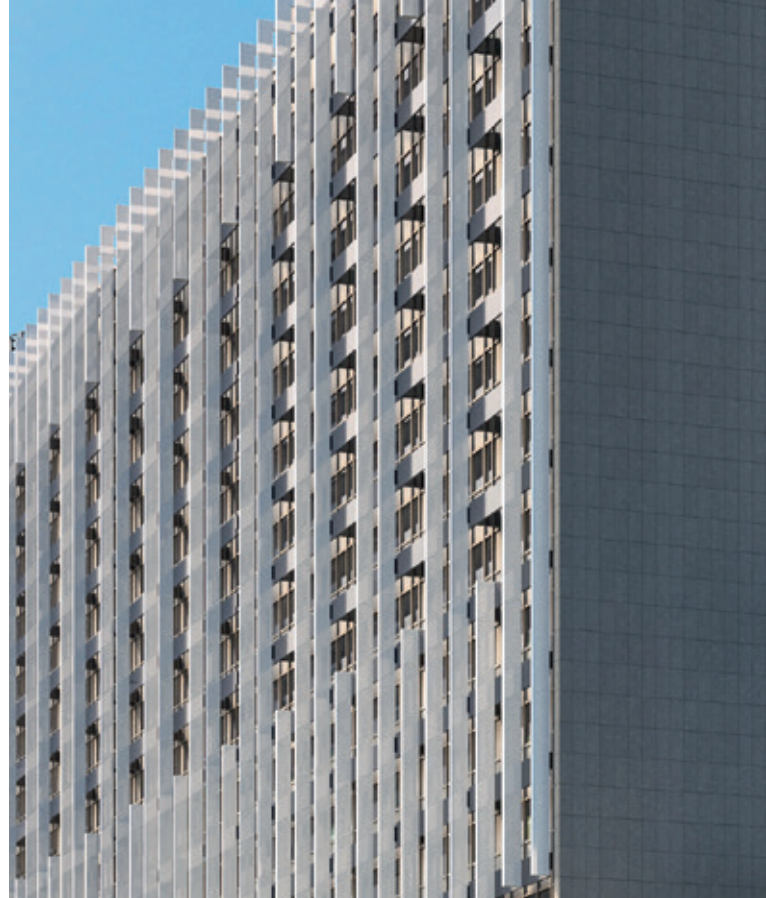
Increase in portfolio value

Kaiserpassage, Frankfurt

Institutional Business

The Institutional Business segment combines the previous Funds and Other Investments segments of DIC Asset AG with the institutional investment business of GEG. The division generates fees from its activities as an issuer and manager of special real estate funds, individual mandates and club deals for institutional investors. To a lesser extent we also act as a co-investor and generate our own investment income from minority interests.

As at 31 December 2019, the segment comprised assets under management with a value of EUR 5.7 billion (combined values of the previous segments as at 31 December 2018: EUR 3.9 billion).



Pressehaus at Alexanderplatz, Berlin

Revitalised high-rise and planned expansion



CABO, Düsseldorf

Property for the manage-to-core fund
GEG Deutschland Value I



Palazzo Fiorentino, Frankfurt

Fully leased to Bankhaus Metzler



EUR 5.7 billion

Assets under management

➤ Strong increase in growth in the institutional business

In 2019, DIC Asset AG continued to pursue its growth strategy for the institutional segment very effectively. The integration of GEG and strong transaction business increased assets under management by 46% to EUR 5.7 billion. The office special fund series was expanded to include DIC Office Balance VI (for which marketing will start in 2020); in addition, a new special fund focusing on infrastructure properties was launched. A total of 16 properties with a total investment volume of EUR 1,581 million were acquired in the financial year to expand the Institutional Business segment, of which around EUR 761 million were acquired via GEG, which was integrated into the company at the end of June. Of the 16 newly acquired properties, 12 with a volume of EUR 973 million had been transferred to the assets under management of DIC Asset AG by the end of the financial year.

Expansion of the platform in Institutional Business

The Institutional Business segment was further expanded in 2019 with the acquisition of properties with a total volume of around EUR 1.6 billion.

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

➤ Acquisitions underpin growth strategy

In February, DIC Asset AG acquired the Falkenbrunnen office property in Saxony's capital city for the DIC Office Balance V fund at a total investment cost of around EUR 19.5 million. The property's main tenant is TU Dresden. Several large-volume properties in central locations were added via GEG: In February, CABO in Düsseldorf for EUR 56.6 million and a property in Mainz on the banks of the Rhine used solely by Deutsche Bahn for EUR 85.6 million; in April the Berlin Pressehaus on Alexanderplatz – an ensemble consisting of a revitalised high-rise building and a planned extension with a total investment volume of EUR 367.1 million;





Stadthaus, Cologne

Club deal in the amount of EUR 500 million for five institutional investors


and in June, HELIO in Augsburg – a fully leased property in a prime central location for EUR 111.6 million. Also in June, the Palazzo Fiorentino office building in Frankfurt-Sachsenhausen, which is fully leased to Bankhaus Metzler, was added for EUR 50.9 million. At the same time, the fully leased Fashion Mall Munich in Parkstadt Schwabing in Munich was acquired for a total investment volume of EUR 88.7 million.

In the second half of the year, the transaction team, with DIC and GEG operating jointly, was able to build on the momentum created by its successful acquisitions. In August, an office ensemble in Bremen with two multi-tenant office buildings was acquired for the DIC Office Balance V special fund; the purchase price amounted to around EUR 31 million. The Am Brill property offers stable cash flow and further potential in the medium term. The Am Wall office complex is being modernised by DIC Asset AG and repositioned on the Bremen office market. In October, the newly acquired LaVie property in Düsseldorf marked the starting point for the launch of a new office fund, DIC Office Balance VI. At the same time, a fully rented office property in Hamburg, which will be used by the renowned ILS (Institut für Lernsysteme) distance learning institute as its headquar-

ters, was purchased for the GEG Public Infrastructure I fund. The two acquisitions together amounted to EUR 81 million. At the beginning of November, a multi-tenant property in Bad Homburg was acquired for around EUR 59 million for DIC Office Balance V. In addition, a core office property in Bochum was acquired for around EUR 27 million for the open-ended special fund GEG Public Infrastructure I. At the beginning of December, the purchase agreement for Stadthaus Köln, located in the immediate vicinity of Lanxess Arena and the Köln-Deutz ICE train station, was notarised in a club deal for five institutional investors; the total investment costs amounted to over EUR 500 million. The Stadthaus is fully let on a long-term basis to the city of Cologne, which uses the more than 100,000 sqm for five departments of the city administration.

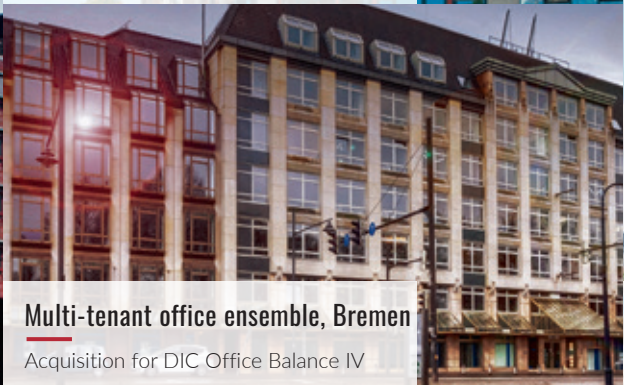
➤ **Sales after successful active management**

In line with the investment strategy, three properties from the portfolios of the Office Balance Funds I and II were placed again after appreciating significantly due to active asset management. The total sales volume was around EUR 132 million.



Headquarters of the ILS (Institut für Lernsysteme), Hamburg

Property for GEG Infrastructure I fund



Multi-tenant office ensemble, Bremen

Acquisition for DIC Office Balance IV



LaVie, Düsseldorf

Acquisition for DIC Office Balance VI

➤ **Strong growth in management income**

The platform expansion and strong transaction business have very effectively driven forward our strategy for the dynamic expansion of the institutional business during the current year. The management income of EUR 50.2 million generated in the financial year corresponds to an increase of EUR 13.6 million over the previous year.

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

The sixth and final WINX sub-project comprising around 42,000 sqm on the MainTor site is currently being completed. Almost all available office and commercial space is now under contract. With the completion and handover to the end investor during the year, we will complete our investment in major development projects and begin to focus our development capacity increasingly on refurbishments in the Commercial Portfolio and on the repositioning of landmark properties for third parties in the Institutional Business.

➤ **Reversal of stake in TLG**

In the first half of 2019, the sale of the stake in TLG was completed as planned and the position was terminated. DIC Asset AG effectively used the resulting proceeds, which totalled around EUR 376 million, to finance the expansion of its own management platform. The last dividend received contributed EUR 12.9 million to income from investments in the financial year.

OUR EMPLOYEES

The knowledge, skills 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 both 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 outstanding employer in order to attract talented and qualified candidates. We offer flat hierarchies, early assumption of responsibility and broad decision-making authority.

For the ninth time, our company had its own stand at the IZ Career Forum of the Immobilien Zeitung on 25 May 2019. In the casino building on the Westend Campus of the Goethe University Frankfurt, our on-site colleagues provided interested students with details of the various areas in which our group of companies operates. Attracting around 300 visitors, the fair was once again very well attended this year. For us, this annual event is the ideal platform to make interesting contacts in the real estate sector and enthuse potential applicants about a career with the Deutsche Immobilien Chancen Group.

Training of young employees, promotion of students and junior staff

Pupils gain insight into various areas of our company through student internships (up to 14 days) and students through study internships for periods of two to six months. We offer university graduates 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, we have also been certified as a trainer for the profession of real estate agent. We also support students with their bachelor's and master's degrees. We see all of these programmes as important building blocks for attracting qualified junior staff to our company in the future, as well as for meeting our social responsibilities.

On 28 March 2019, we participated for the third time in Girls' Day, the largest career orientation project for school-girls worldwide. During the event, the pupils learned about apprenticeships and courses of study in the real estate industry and had the opportunity to meet women in management positions. Girls' Day supports the German nationwide initiative "Klischeefrei – Nationale Kooperation zur Berufs- und Studienwahl". The aim of the initiative is to align career and study choices throughout Germany with individual interests, and make them free from gender stereotypes.

Remuneration system

The salary consists of basic income, fringe benefits and performance-related components. We base our salary levels on industry and competitive standards. The performance-oriented component is based on the achievement of individual as well as strategic and operational corporate goals, which are defined annually together with superiors. In 2019, a total of EUR 27.7 million was invested in employees. This includes performance-oriented remuneration of EUR 3.8 million, corresponding to a share of around 15%. Social security contributions, pensions and other benefits totalled EUR 3.7 million.

As in previous years, capacity for the dynamic growth of the managed real estate assets and the Institutional Business segment was expanded in order to strengthen real estate expertise and the speed of implementation.

The number of employees rose to 247 as a result of organic growth in asset and property management and in particular following the acquisition of GEG (31 December 2018: 186). Some 67 employees were integrated as a result of the GEG acquisition, of whom 11 were in portfolio management, investment and funds, 29 in asset and property management and 27 in group management and administration. As at year-end, the number of employees in portfolio management had increased to 34, the number in asset and property management to 145 and the number in administration to 68.

Diversity

DIC Asset AG and its subsidiaries promote diversity within the Group. As at 31 December 2019, 50% of positions were filled by female employees. We offer our employees flexible working hours based on part-time models. As at the end of 2019, the Group employed staff from nine separate nations. We believe that diverse teams comprising individuals with different skills, different expertise and different approaches to solving problems are often better placed to tackle complex issues than teams with a less varied make-up. Another benefit of this diversity is that it leads to greater potential for innovation. To this end, we foster a corporate culture that is committed to the principles of ethics and integrity and promotes mutual appreciation, responsibility and respect among staff. Our compliance guideline sets out a comprehensive framework for protection against discrimination, particularly with regard to ethnic identity, gender, religion or beliefs, disability, age and sexual identity. We are committed to actively combatting discrimination, disadvantage and unacceptable conduct.



FINANCIAL INFORMATION

EARNINGS POSITION OF THE GROUP

➤ Rental income above expected target range

Overall, Group revenues increased from EUR 157.6 million to EUR 176.0 million. Gross rental income was above the forecast of EUR 98–100 million issued by DIC Asset AG at the beginning of the year and amounts to around EUR 102.4 million for the entire Deutsche Immobilien Chance Group. The revenues generated by the rental business as a whole are attributable to successful asset management, which resulted in a like-for-like increase of 2% in annualised rental income from its own portfolio as at the balance sheet date. Later disposals of sales and earlier additions of acquisitions also contributed to figures exceeding expectations. As a result, revenues generated by the rental business as a whole increased from EUR 121.0 million to EUR 125.8 million. The significant increase in other sales for administration, development projects and other services, of EUR 13.6 million to EUR 50.2 million (previous year: 36.6 million), is due in particular to the acquisition of the GEG German Estate Group and the resulting increase in income for asset and property management as well as development fees.

Other operating income amounted to EUR 119.0 million in the financial year (previous year: EUR 43.9 million) and was thus significantly above the level of the previous year. This includes special proceeds from the sale of shares in TLG Immobilien AG of EUR 76.9 million (previous year: EUR 12.6 million).

At EUR 295.1 million, the Group's total operating performance was thus significantly above that of the previous year (EUR 201.4 million, +46.5%).

➤ Operating expenses up due to GEG takeover

The cost of materials fell by EUR 3.7 million due to lower expenses for ancillary costs and property management costs that cannot be allocated.

Operating expenses amounted to EUR 116.8 million, compared with EUR 106.7 million in the previous year. The increase is mainly due to higher personnel expenses (EUR 9.2 million) and increased depreciation (EUR 8.5 million). Both are due to the acquisition of the GEG German Estate Group. This figure also includes effects of subsequent measurement of investments in projects that have since been sold (EUR 5.0 million).

Personnel expenses rose by EUR 9.2 million or 49.9% to around EUR 27.7 million compared to the previous year, due in particular to the integration of the GEG team. Some 67 employees were integrated as a result of the GEG acquisition, of whom 11 were in portfolio management, investment and funds, 29 in asset and property management and 27 in group management and administration. As at year-end, the number of employees in portfolio management had increased to 34, the number in asset and property management to 145 and the number in administration to 68. The total number of employees thus rose to 247 (previous year: 186).

➤ 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 48.9 million in the previous year to EUR 44.3 million. At DIC Asset AG level in particular, expiring loans were refinanced at more favourable terms.

➤ Net interest and investment income declined overall

At EUR +0.1 million, interest income remained virtually unchanged year on year, rising from EUR 6.6 million to EUR 6.7 million. At EUR 22.4 million, the result from associates was around EUR 12.2 million lower than in the previous year (EUR 34.6 million); this was due to distributions from non-consolidated companies of EUR 22.3 million affecting the income statement in the previous year.

➤ Excellent Group result

Overall, the Group achieved a significant increase in the group result, which sits at EUR 102.7 million compared with the EUR 40.6 million achieved in the previous financial year, which was strongly impacted by a one-time effect of EUR 76.9 million from the sale of TLG shares.

The Group result is largely attributable to the DIC Asset AG subgroup, in which the shareholders of the Deutsche Immobilien Chancen Group participate proportionately. The profit attributable to the shareholders of Deutsche Immobilien Chancen AG & CO. KGaA amounted to EUR 7.1 million, compared to EUR 10.7 million in the previous year.

EARNINGS POSITION OF THE GROUP

in EUR million	2019	2018
Total operating performance	295.1	201.4
Operating result	142.7	55.4
Interest balance	-37.6	-42.3
Investment income	22.4	34.6
Taxes	-24.8	-7.1
Group result	102.7	40.6
of which minority shareholders	95.6	29.9
of which shareholders of Deutsche Immobilien Chancen AG & Co. KGaA	7.1	10.7

NET ASSETS AND FINANCIAL POSITION

➤ Balance sheet total increased

The balance sheet total increased by EUR 168.7 million (+5.8%) year on year to EUR 3,086.5 million. Assets increased strongly, particularly in the area of intangible assets, due to the acquisition of the GEG German Estate Group (EUR +196.2 million) and property, plant and equipment, due to a positive balance of property acquisitions and sales (EUR +230.0 million). In addition, works in progress (EUR +34.1 million) and liquid assets (EUR +76.6 million) increased. This was offset by a decrease in financial assets (EUR -352.0 million), attributable in particular to the disposal of the TLG investment, and a decrease in deferred tax assets (EUR -10.8 million).

The increase in assets was financed in particular by liabilities to banks, which rose by EUR 285.8 million, and by a EUR 58.9 million increase in equity. DIC Asset AG's bond liabilities moved in the opposite direction by EUR -177.5 million due to the scheduled repayment of the bond issued in 2014.

➤ Equity ratio increased by good result

The balance sheet equity of the Group increased by EUR 58.9 million (+8.4%) to EUR 763.8 million compared to the previous year, in particular due to the Group result, which more than doubled.

Equity attributable to the shareholders of Deutsche Immobilien Chancen AG & Co. KGaA improved by EUR 7.1 million to EUR 144.0 million overall as a result of the dividend payment for 2018 and the allocated net income for 2019. Due to their term until mid-2028, we consider long-term loans from Deutsche Immobilien Chancen AG & Co. KGaA in the amount of EUR 47.2 million (previous year: EUR 47.1 million) as equity. The economic equity of Deutsche Immobilien Chancen AG & Co. KGaA shareholders amounted to EUR 191.3 million at the end of the financial year compared to EUR 186.4 million in the previous year. The equity ratio on the balance sheet rose by 50 basis points year on year to 24.7% (previous year: 24.2%). The economic equity ratio increased to 26.3% (previous year: 25.8%).

➤ **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 at the reporting 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.

➤ **Broader range of financing**

Our financial management activities help us to ensure that the solvency of the Deutsche Immobilien Chancen Group and its investments can be guaranteed at all times. In addition, we strive to achieve the greatest possible stability vis à vis external influences while maintaining levels of freedom that ensure the further growth of our company.

We cover our financing requirements both through traditional bank financing and through the capital markets. At DIC Asset AG level, the promissory note market and a commercial paper programme were included in the financing strategy for the first time. The Group maintains a large number of business relationships with various partner banks and insurance companies. We arrange loans at standard market conditions and continually review them with a view to capitalising on optimisation opportunities.

➤ **Long-term orientation and planning reliability**

In order to make our financing structure as stable as possible, we generally conclude our financing activities on a long-term basis, usually over five to eight years. The current financing is on a non-recourse basis, which does not allow unlimited access to the Group. We achieve further stability and planning reliability by largely hedging against interest rate fluctuations.

Within the Group, a financing volume (new borrowings and repayments) of around EUR 1,733 million was realised in 2019, while EUR 1,882 million was arranged in the previous year.

Taking into account new borrowings and repayments, financial liabilities as at 31 December 2019 were EUR 65.0 million higher than in the previous year at EUR 1,710.9 million. The financial liabilities comprise largely loans from banks (67%), funds from our bonds (20%) and the promissory note loans issued for the first time in 2019 (11%). Within the Group, loan repayments amounting to EUR 517.8 million were made in 2019, including unscheduled repayments following property sales of around EUR 190.9 million.

➤ **Remaining terms continue to be at a comfortable level due to new issues and bond repayments**

In July 2019, DIC Asset AG entered the German promissory note market for the first time and placed promissory note loans of EUR 150.0 million and maturity ranges of 3 to 11 years. In the second half of the year, the total volume was increased to EUR 180.0 million with two further tranches.

In September, DIC Asset AG repaid on schedule the 2014/2019 bond issued in 2014 with an interest rate of 4.625% and since increased to EUR 175.0 million.

As a result, the average term of financial liabilities remained stable. The average remaining term of debt including bonds was 3.9 years at the end of December 2019, unchanged from the previous year. Around 68% of all financing has a term of more than one year.

In order to take account of its dynamic business model, which thrives on speed, DIC Asset AG has set up a commercial paper programme under which up to EUR 300 million can be called up at short notice for a specific period. At the end of the year, EUR 40 million of this had been called up. A working capital facility at corporate level of EUR 25 million was also negotiated with a major German bank. This has not yet been drawn on and is available without payout requirements.

➤ **Hedging against interest rate fluctuations**

The vast majority of financial liabilities (around 88%) are hedged against interest rate fluctuations – generally at a fixed interest rate. This provides us with long-term planning security and keeps interest rate risks low. Just under 12% of our financial liabilities – in particular those of a short-term nature – are agreed at variable rates and are not hedged against interest rate risks.

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

The average interest rate across all financial liabilities was 2.2% as at 31 December 2019, which is 50 basis points lower than in the previous year (previous year: 2.7%).

The interest coverage ratio (ICR, the ratio of EBITDA to net interest) rose by 283 percentage points to 506% compared to the previous year due to the significant increase in EBITDA and the improved net interest result (2018: 223%).

➤ **Financing commitments fully met**

We complied with all financing commitments, including the financial covenants with conditions vis à vis financial ratios, throughout the year and as at the reporting date. The Deutsche Immobilien Chancen Group has agreed loans with financial covenants to the usual extent. In the event of non-compliance with the covenants, banks could adjust credit conditions or partially reclaim loans at short notice.

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.

➤ **No off-balance-sheet financing arrangements**

There are no significant off-balance-sheet financing arrangements. The consolidated financial statements reflect all types of financing used by the company.

➤ **Comfortable liquidity position**

Liquidity planning is a top priority for us within the framework of financial management, even against the background of the continued strict lending conditions. We therefore endeavour not to be dependent on additional financing for ongoing operations. For this reason, the Deutsche Immobilien Chancen Group prepares an annual liquidity plan as part of the budget process. The plan is then updated on an ongoing basis. The consistency of our cash flows allows us to make detailed liquidity forecasts that we can use as a basis for aligning our use of and requirements for funds with a high degree of accuracy.

The Deutsche Immobilien Chancen Group was able to meet its payment obligations at all times in 2019. As at 31 December 2019, free liquidity amounted to EUR 367.9 million. In addition, unused bank credit lines and guarantee lines amounting to EUR 77.3 million are available.

➤ **Cash flow affected mainly by operating activities, transactions and financing**

Cash flow from ordinary activities amounted to EUR 165.1 million (previous year: EUR 116.2 million). Cash flow from ordinary activities increased, in particular as a result of the very positive development of revenues in DIC Asset AG's Institutional Business segment, and reflects the company's high operating earnings power.

The outflow of funds from investment activities was EUR -96.1 million (previous year inflow: EUR 30.8 million). The key factors here are investments in real estate made at DIC Asset AG level amounting to EUR -368.4 million (previous year: EUR -126.6 million), the acquisition of GEG by DIC Asset AG with a total cash outflow of EUR -222.2 million and investments in development projects of EUR -34.1 million (previous year: EUR -36.1 million). Inflows of funds came in particular from the sale of the remaining shares in TLG Immobilien AG held by DIC Asset AG amounting to EUR 328.1 million (previous year: EUR 131.9 million) and the dividend received from these shares of EUR 13.0 million (previous year: EUR 10.2 million). Successful sales of properties in DIC Asset AG's Commercial Portfolio also resulted in around EUR 177.7 million (previous year: EUR 100.9 million) of funds flowing in.

The cash flow from financing activities amounts to EUR -6.3 million (previous year: EUR -66.6 million). The initial issue of a promissory note loan with a volume of EUR 180 million

was offset by the repayment of a bond in the amount of EUR 175 million. Inflows from borrowings (EUR 275.3 million) were offset by repayments of EUR 224.4 million, mainly due to sales. Interest paid amounted to EUR -41.0 million (previous year: EUR -47.5 million). In addition, the payment of dividends led to a cash outflow of EUR 19.6 million.

Cash outflows from investment and financing activities were covered by cash inflows from ordinary activities. This resulted in a net cash inflow of EUR 76.6 million (previous year: EUR 80.9 million).

BALANCE SHEET OVERVIEW

in TEUR	2019	2018
Fixed assets	2,199.3	2,125.0
Current assets	848.3	742.1
RAP and deferred taxes	38.9	50.7
	3,086.5	2,917.8
Economic equity*	811.0	752.0
Non-current debt	1,140.5	1,191.8
Current debt	1,135.0	974.0
	3,086.5	2,917.8
Equity ratio*	26.3%	25.8%
Loan-to-value ratio*	73.7%	74.2%

*Long-term loans are regarded as economic equity.

OUTLOOK, OPPORTUNITIES AND RISKS REPORT

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 strategic and operational factors, events and actions that have a material influence on the existence and economic position of the Group. External factors, such as the competitive situation, demographic developments and other scenarios 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 risk 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 and portfolio developments, 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. 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 implemented.

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 transaction settlements, 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 Deutsche Immobilien Chancen Group 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 preparedness are also taken into account. In this context, SLAs

(Service Level Agreements) have been formulated and coordinated 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 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 and the use of checklists to ensure completeness and uniform procedures. Accounting transactions for the individual financial statements of the Deutsche Immobilien Chancen Group and its subsidiaries are recorded in our ERP system (Enterprise Resource Planning System), which is 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 and in accordance with legal and internal guidelines and that assets and liabilities as well as expenses and income are appropriately recognised, measured and reported in the consolidated financial statements. 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 consolidated management report and notes 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. Accounting-related risks from financial instruments are explained in the notes.

INDIVIDUAL RISKS AND OPPORTUNITIES

External environment

- Macroeconomic issues
- Real estate sector
- Regulatory and political changes
- Legal risks

Finances

- Interest rates
- Financing and liquidity
- Measurement

Strategy

- Portfolio management
- Institutional Business
- Development projects/repositionings in the Commercial Portfolio and Institutional Business segments

Operations

- Purchase and sales planning
- Renting
- Personnel
- IT

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.

In view of the current situation with the COVID-19 pandemic and the short-term health policy and economic policy measures that have been introduced, all economic actors are facing a highly dynamic data scenario.

On 30 March 2020, the German Council of Economic Experts issued a special report in which it presented three economic scenarios, the probability of occurrence of which is linked to developments in the coming weeks:

According to this report, the spread of the coronavirus has abruptly interrupted the nascent economic recovery, making a recession in Germany unavoidable, at least in the first half of 2020. It indicated that, depending on the duration of the lockdown, the GDP curve would take a V-shaped course or, in the worst case scenario, a U-shaped course:

■ Basic scenario: “small V” – rapid recovery

The researchers found that the most probable scenario would be a normalisation of the economic situation again over the summer. In the basic scenario, the German Council of Economic Experts expects average GDP growth of minus 2.8% in 2020, with potential for a 3.7% increase in GDP in 2021.

■ Risk scenario: “large V” – large-scale shutdown and strong catch-up period

The risk scenario for a deeper economic downturn would apply in the event that large-scale production shutdowns or longer-term health policy measures become necessary. In this scenario, GDP is likely to shrink by 5.4% in 2020. Catch-up effects could then see GDP grow by 4.9% in 2021.

■ Risk scenario: “elongated U” – drawn-out period of losses and sluggish recovery

There could be a protracted crisis if the health policy measures continue beyond the summer and economic recovery does not set in until 2021. The economic policy measures introduced might then not be sufficient to prevent far-reaching damage to the economic structure, leading to an increased volume of insolvencies. Deteriorating financing conditions and continued uncertainty could also put the brakes on investment and lead to consumer spending reluctance. In this scenario, growth in 2020 would be minus 4.5%, and economic output would grow only very slowly in 2021, at 1.0%.

Compared with some of the major economic research institutes (in particular the ifo Institute, which bases its calculations on a complete loss of sales over three months for several sectors), the German Council of Economic Experts thus remains more optimistic and more differentiated in respect of the downturns in the hard-hit sectors of tourism, catering, leisure and cultural services and the trade in consumer goods. However, there is consensus among economists that the depth of the recession will depend primarily on the duration of the shutdown.

We are working on the basis that the effects of the coronavirus crisis will be of a short-term nature and therefore assume a low probability of negative macroeconomic development in the medium to long term. This would have a slight to moderate financial impact. The effects of the coronavirus crisis will depend on the duration and extent of the necessary restrictions and as such the consequences for 2020 cannot yet be tangibly assessed.

> 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 "planning, construction, financing, management, administration" life cycle 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.

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.

Due to the coronavirus crisis, there may currently be negative effects on developments in the sector. As with macro-economic development, we are working on the basis that these effects will be of a short-term nature and therefore assume a low probability of negative sector development in the medium to long term. This would have a slight to moderate financial impact. The effects of the coronavirus crisis will depend on the duration and extent of the necessary restrictions and as such the consequences for development in the sector in 2020 cannot yet be tangibly assessed.

> 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 current coronavirus crisis, such changes can happen quickly, making adjustment more difficult.

In the 2020 financial year, we are currently experiencing sudden changes in conditions due to the coronavirus crisis, such as contact restrictions and the possibility of rent suspensions for tenants. The potential financial impact of this situation will depend on the duration and extent of the necessary restrictions, and we estimate the financial consequences to be slight to moderate.

> 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.

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 2019, 91% (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 1.5 million. The average interest rate for all liabilities to banks of the DIC Asset subgroup was 1.7% as at 31 December 2019 (previous year: 1.8%).

For the first time, in 2019 DIC Asset AG made use of the promissory note market in addition to the bond market for the placement of unsecured promissory note loans. The placement was managed by two German Landesbanken and was effected in July 2019 with a volume of EUR 150 million over maturity ranges of 3 to 11 years. In the second half of the year, the promissory note loans were increased by two further tranches to a total volume of EUR 180 million at year end. The Deutsche Immobilien Chancen Group has once again demonstrated its ability to seize upon opportunities to utilise different sources of financing in order to optimise its financial structure. The promissory note loans have an average interest rate of 1.55%, thus reducing the average financing costs overall.

The scheduled repayment of the 2014/2019 bond made a further contribution to reducing average financing costs. Originally launched with a volume of EUR 125 million and increased by EUR 50 million, it was issued at a relatively high interest rate for current conditions of 4.625% p.a.; the repayment has therefore significantly reduced average borrowing costs. At the end of 2018, costs stood at an average of 2.5% p.a. in the DIC Asset subgroup. At the end of 2019, average borrowing costs, including bonds and promissory note loans, were reduced by 50 bp to 2.0% p.a. as a result of the above-mentioned transactions and the continuing attractive interest rate environment.

Deutsche Immobilien Chancen AG & Co KGaA and TTL Real Estate GmbH are financed by, among other things, bank loans secured against the deposit of shares. In 2019, further financing of EUR 25 million was concluded at attractive conditions.

We expect interest rates to remain at a low level in 2020 – a scenario that will continue to be beneficial to 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.

Due to the coronavirus crisis, there may currently be negative effects on new financing. The liquidity premiums required at banks are currently significantly higher due to the increased level of uncertainty. We are working on the basis that these increases will be of a short-term nature and therefore assume a low probability of negative development in the financing market in the medium to long term. This would have a slight to moderate financial impact against a backdrop of an overall increase in interest costs. The effects of the coronavirus crisis will depend on the duration and extent of the necessary restrictions and as such the consequences for the financing market in 2020 cannot yet be tangibly assessed.

> 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 have led 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.

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 covenants, investors 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 any 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 financed asset (real estate or block of shares).

Compliance with the financial covenants is monitored continuously and with foresight by Risk Management in the Corporate Finance area; all covenants were complied with for the entire year 2019.

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 investments that can be planned over the long term. Liquidity is mainly held in the form of overnight deposits and time deposits.

In addition to the existing bank credit and guarantee lines, in 2019 we negotiated a working capital facility of EUR 25 million with a major German bank. This financing is unsecured and increases financial flexibility at corporate level.

In addition, the DIC Asset subgroup's commercial paper programme was launched at the end of 2019. The commercial paper market has changed considerably in recent years and complements the predominantly long-term financing structure of Deutsche Immobilien Chancen Group extremely well. The volume of the programme is limited to a maximum of EUR 300 million. EUR 40 million was raised for the first time in the fourth quarter. The Deutsche Immobilien Chancen Group will use the Commercial Paper product selectively and only as long as repayment is assured.

Due to the decline in share prices in connection with the coronavirus crisis in spring 2020, loans in the amount of around EUR 20.9 million from Deutsche Immobilien Chancen AG & Co KGaA and TTL Real Estate GmbH, which were secured by blocks of shares, were repaid from our existing liquidity. Due to the slight recovery in share prices that has occurred in the meantime, Deutsche Immobilien Chancen AG & Co KGaA and TTL Real Estate GmbH have the option of partially recalling the repaid loan amounts.

Opportunities in the area of financing are opened up by new, complementary financing methods, such as our corporate bonds or the promissory note market, and for short-term liquidity procurement the commercial paper market or mezzanine financing, which enable us to diversify both financing sources and default risks to the benefit of all parties involved and which we regularly make use of.

As things stand, we believe that we are well positioned despite the current coronavirus crisis. We have a strong balance sheet and financial strength. With around EUR 350 million in our bank accounts and no significant maturities, our liquidity position is very comfortable. Overall, therefore, 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 appraisers 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 and 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, the appraisers 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 43.2 million. With a simultaneous 25 basis point increase in the capitalisation rate, the decline reaches EUR 104.3 million. The property assets of the 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.

No reliable statement can currently be made about the potential effects of the current coronavirus crisis. In particular, it is still too early to assess whether individual asset classes in the commercial real estate sector (office, retail, hotel, logistics) will be affected by changes in market demand (from the transaction business, rental performance, changes in market rents and vacancy rates), and if so for how long the effects will be felt.

We believe that our own active asset and property management activities leave us well positioned to stabilise and optimise our portfolio in 2020 despite the coronavirus crisis, and therefore currently expect only a low to moderate probability of declining market values. 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 that property.

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. In the Institutional Business segment, we use a portfolio management system that we are now rolling out to the entire Deutsche Immobilien Chancen Group. This puts us in an even more efficient position to continuously monitor the risks associated with the acquisition, ongoing management or sale of properties.

Based on the ongoing and planned transaction activities for the next 12 months, we estimate the portfolio management risks for 2020 to be few and the financial impact to be low.

> Institutional Business

The Deutsche Immobilien Chancen Group designs funds, club deals and individual investment structures for institutional investors through its stake in DIC Asset AG. DIC Asset AG itself typically holds investments of up to 10% as a co-investor and thus generates regular investment income. In addition, the Institutional Business segment of the DIC Asset subgroup generates recurring income from asset, property and development management as well as from management fees for transactions.

Opportunities and risks in the Institutional 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 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 in addition to transaction fees, performance-based exit fees can also 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 investment products. In order to strengthen investor confidence, we generally hold an equity interest in the investment products 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 in our investment products (cf. “Operating risks – Renting”).

With the launch of DIC Office Balance VI, DIC Asset AG now has 26 investment products under management. These include nine pool funds, five club deals and 12 “individual mandates” (separate accounts). Overall, the volume under management has thus increased to EUR 5.7 billion in the Institutional Business segment. Further investment products are expected to start operations in 2020.

On the basis of our expertise and customer relations and of current and planned activities in the Institutional Business segment in 2020, we consider the probability of occurrence and the financial scope of the risks from the Institutional Business segment to be low.

> Development projects/repositionings in the Commercial Portfolio and Institutional Business segments

In recent years, the Deutsche Immobilien Chancen Group has participated in development projects as a co-investor, and in its own portfolio (Commercial Portfolio of the DIC Asset subgroup) has properties with development potential. We are currently focusing more strongly on repositionings within our own portfolio; in the Institutional Business segment, as part of our management services for third parties, we are focusing increasingly on repositioning larger landmark properties in the Big 7 locations of Frankfurt and Munich.

In the case of existing development projects and repositionings, in order to optimise potential and reduce risks we have generally only started realisation after suitable advance renting. We entered into long-term financing arrangements at an early stage and implemented a detailed project and cost controlling system. An appropriate distribution of risk in development projects has been achieved through investments by project partners and through contractual agreements.

Successful development projects and repositionings can create extraordinary earnings potential. Due to the predominantly long-term nature of projects, risks arise primarily with regard to their planned feasibility under construction

law, the planned construction costs, and deadlines, as well as in the area of rental and sales. Delays and rising costs would primarily reduce the planned project profit or future recurring profit and, in the case of managed development projects in the Institutional Business segment, our management income. In order to prevent this risk, general contractors are called in or contracts with individual trades are combined into packages; management is carried out via professional and well-established engineering offices and an effort is made to spread risks.

The following development projects and repositioning projects are currently being implemented and planned: Modernisation work is currently being carried out on a property in Darmstadt from the company’s own portfolio with a volume of around EUR 34 million. The work was completed in the first quarter of 2020. Against the backdrop of the planned conversion measures, the Darmstadt Regional Council and the Landesbetrieb Bau und Immobilien Hessen (LBiH) have also extended their lease with the Deutsche Immobilien Chancen Group until 2040.

In the Institutional Business segment, DIC Asset AG manages the “Global Tower” development project in Frankfurt. The former Commerzbank high-rise, which covers 33,000 sqm and is located in the heart of Frankfurt’s banking district, has been undergoing extensive revitalisation since August 2018 and is being repositioned under the name “Global Tower”. Completion is scheduled for the end of 2020.

The “Pasing Central” project in the Pasing district of Munich has been under construction since mid-2018. Opposite the “Pasing Arcaden” shopping centre and Pasing’s main railway station, a small, central quarter with apartments, offices and retail space is being created through comprehensive refurbishment and the construction of new buildings. Completion is scheduled for the end of 2020.

We are also pursuing development on our MainTor quarter project in Frankfurt, which has a total volume of around EUR 850 million spread over six construction phases. All six construction phases of the MainTor project were sold and marketed in advance between June 2011 and November

2014. 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, which is in the final stages, has been leased for the long term. The leases will begin upon completion. The approximately 42,200 sqm of the last construction phase and thus the entire MainTor site are fully leased except for one small restaurant area.

The “Riverpark” (Institutional Business) project on the banks of the Main in Frankfurt is also in the planning phase. The existing office high-rise, which has 18 upper floors, was used commercially for decades and will be reconceived and completely renovated as a residential building under the name “Riverpark Tower” in the coming years. In addition, 31 subsidised apartments are planned in the immediate vicinity. The project is scheduled for completion by 2022.

Due to the current coronavirus crisis, there is a risk of construction delays, due among other things to the potential for a shortage of building materials or a lack of personnel as result of employees from neighbouring countries not being available due to travel restrictions, or due to official instructions aimed at preventing the further spread of the coronavirus. Making use of its risk and crisis management facilities and in consultation with construction companies, Deutsche Immobilien Chancen Group has been able to ensure continued construction site operations. Based on the ongoing and planned development projects and repositioning measures for the next 12 months, we assess the risks for 2020 and their possible financial impact as low to moderate.

Operations

> Purchase and sales planning

Our planning for 2020 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 Institutional Business segment, we consider the probability of having to deviate strongly from our plans for 2020 to be low. However, if the coronavirus situation worsens, transactions may be temporarily postponed. The possible financial impact would be low to moderate.

> Renting

Opportunities from renting exist above all in the stabilisation and increase of income in our own portfolio and in the institutional business. 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 2019, around 41% 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 2020 financial year, leases in the Commercial Portfolio of the DIC Asset subgroup with a volume of EUR 6.9 million may end; in addition, lease agreements with income of EUR 6.5 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 2020, this would lead to a loss of earnings of a maximum of around EUR 0.7 million based on an annualised rent of around EUR 6.9 million.

The current coronavirus situation may lead to the conclusion of individual planned leases being postponed. Rental deferrals and rent losses may also be relevant in relation to tenants particularly affected by the crisis. As at the start of April 2020, tenants (including retailers in the non-food sector, gastronomy and hotels) with a rental volume of around EUR 1.5 million per month have indicated a desire to suspend payment of their rent for between one and three months. The company is in dialogue with the tenants and is seeking a solution that is mutually agreeable to both parties and respects the contractual framework to the greatest degree possible. In some key cases, the company has already agreed the arrangements.

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 real estate portfolio to be low to moderate overall and their potential impact also to be low to moderate.

> 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 strong negative impacts and personnel risks are unlikely and that any financial impact would be minimal.

> IT

A loss of data or a prolonged failure of the systems used in the regions or the headquarters could 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 is backed up daily in a second computer centre. We have developed data recovery and continuity plans to quickly troubleshoot problems. Detailed access rights regulations are in place that give employees access only to the systems and documents necessary for their work. We work with a modern IT platform that has replaced isolated systems with integrated software and increased efficiency and security in the control of real estate management.

In the 2016 financial year, the internal computer centre was relocated to an external provider, further reducing the risk of IT failures. We began to transition our physical server and storage infrastructure to a private cloud at the end of 2018 and continued this process in 2019. This move will increase reliability even further.

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 any consequences as moderate to high.

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 2019 financial year we were able to achieve an improvement in the risk situation over the previous year. This was due in particular to:

- **Development project opportunities/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 development project have already been handed over to the final investors; the final WINX sub-project is progressing and is expected to be completed in the first half of 2020. The “Junges Quartier Obersendling” project, a pilot project with the city of Munich tackling education, intercultural encounters, life and work, has already been leased long term to the city of Munich, sold and handed over to the buyer even before construction work begins. In addition, DIC Asset AG manages small to medium-sized repositionings and refurbishments in its own portfolio as well as larger repositionings and refurbishments of landmark properties for third parties in the Institutional Business segment.
- **Strategic opportunities/risks:** With our powerful real estate management platform, we are focusing on active portfolio management of the directly held Commercial Portfolio and on the growing activity in the Institutional Business segment, which promises significant growth in the future.
- **Financing opportunities/risks:** We have reduced financing risks in the medium term by refinancing the Commercial Portfolio of the DIC Asset subgroup 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. In the 2019 financial year, the first-time placement of a promissory note loan at an average of 1.55% further diversified our sources of external financing. We intend to further optimise our financing structure in 2020 as well as tapping new sources of financing and maintaining our loan-to-value ratio (LTV) at a level of 45% in the DIC Asset subgroup.

■ **Earnings opportunities/risks from:**

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 the Commercial Portfolio in 2019. Sensible additions to the Commercial Portfolio through purchases involving tenants with good credit ratings also helped to reduce the risk of rent default.

Real estate management income: With the significant growth in the basis of assets under management in the Institutional Business segment in the 2019 financial year, the number of investors and investment vehicles managed by Deutsche Immobilien Chancen Group has increased significantly. In addition, the range of possible investments has been expanded in terms of geographical location, investment volumes per individual property and asset class. This leads to a further reduction and avoidance of cluster risks and dependence on income from larger individual mandates and investors.

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

However, the global economy continued to lose momentum during 2019, in particular due to the trade dispute between the US and China. There is further turbulence in Europe as a result of the uncertainty surrounding the structure of Brexit, and in Germany in particular with regard to the consequences of technological change in the automotive industry, which faces enormous challenges and, as a key industry, has a significant impact on other sectors of the German economy.

FORECAST REPORT

Of far greater significance at present is the coronavirus pandemic and the associated uncertainty about its duration and the impact on the global economy.

The structure of our real estate portfolio across both business pillars – Commercial Portfolio and Institutional Business – is balanced. In both segments we benefit from a high level of diversification across types of use, tenants and locations. Some 66% of the annualised rental income in the existing portfolio results from office space, of which just under 30% comes from public tenants such as the city of Hamburg, the state of Hesse or the city of Duisburg. We generate around 20% of our rent from retail space, around a third of which is accounted for by grocery stores and local suppliers, which as part of the critical infrastructure are not affected by current closures. In the managed portfolio of the Institutional Business segment, around 86% of rent is generated through office space, while around 14% relates to other commercial space, including around 8% retail space.

As things stand, we believe that we are well positioned despite the current crisis. We have a strong balance sheet and financial strength and, given the approximately EUR 368 million in our bank accounts, additional unused credit lines and absence of significant maturities, we have a comfortable liquidity position.

Developments relating to the coronavirus crisis 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.

Achievement of targets 2019

We have exceeded all the targets forecast for our performance indicators at the beginning of the year – some of them very significantly. DIC Asset AG actually revised its forecast for FFO and acquisition volume upwards during the course of the year.

With our internal real estate management, we focus strongly on taking care of our local real estate assets. This approach continued to pay dividends in 2019; through successful rental management, DIC Asset AG was able to increase annualised rental income from its own portfolio (Commercial Portfolio) by 2% like for like as at the balance sheet date. We were also able to generate additional rental income from a higher than forecast acquisition volume, with the result that gross rental income totalled EUR 101.9 million, exceeding both the previous year's figure and the forecast of EUR 98–100 million issued at the beginning 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.

During the past financial year, the GEG German Estate Group, along with its fully complementary business segments, has been integrated into DIC Asset AG.

As a result, we have further strengthened our market position DIC Asset AG level, we have significantly increased the capacity of our real estate management platform and we have boosted our activity once again. Assets under management and the associated income flows in the Institutional Business segment, in which we combine third-party business for institutional investors, increased significantly. As a result, with the merger in June the expected FFO contribution of EUR 70–72 million has been adjusted by the contribution to earnings of GEG to EUR 88–90 million and the purchase forecast of around EUR 500 million has been adjusted to around EUR 1 billion in the DIC Asset subgroup. The seller of the German Estate Group was, at 75%, TTL Real Estate GmbH, in which the Deutsche Immobilien

Chancen Group holds a 50% stake. TTL Real Estate GmbH received a net purchase price of around EUR 165 million from the sale. The Deutsche Immobilien Chancen Group was thus able to participate in the sale and will benefit in the long term from the synergy and earnings potential arising from the integration of GEG into DIC Asset AG.

The transaction volume of around EUR 70 billion set another sales record. We have used this strong momentum on the sales side to realise income and optimise our portfolio. The DIC Asset subgroup sold real estate with a volume of EUR 286 million, exceeding the forecast of EUR 200–230 million.

The high demand we have experienced from investors for our investment products in the Institutional Business segment prompted us to revise our forecast for the acquisition volume upwards once more in August, to EUR 1.3 billion. With a club deal structured for insurance companies and pension funds with a volume of more than EUR 500 million for Stadthaus Köln, we were able to significantly exceed this forecast by the end of the year, achieving a record acquisition volume of around EUR 1.9 billion.

Integration of the business taken over from GEG was successfully completed within a very short time. The combined management and investment teams in particular maintained their strong momentum and significantly exceeded the transaction target for 2019. As a result of the good performance of the business and the successful integration of GEG, as well as due to lower real estate-related costs, better net interest income from the further optimisation of our financial structure, higher income from the Institutional Business segment and the subsequent transfer of ownership, benefits and encumbrances of planned real estate sales in the fourth quarter, we increased our FFO forecast to around EUR 95.0 million during the year and were able to confirm this as at 31 December 2019 in the DIC Asset subgroup.

Overall statement 2020

Due to the coronavirus pandemic and the associated negative effects on both the global economy and the real estate sector, reliable estimates regarding sales are not currently possible given the associated uncertainty, particularly with regard to the duration of the situation.

Thanks to its strong renting performance in 2019 and acquisitions with a volume of over EUR 300 million, the DIC Asset subgroup has once again decisively improved the diversification, stability and earnings power of the Commercial Portfolio, thereby generating stable long-term cash flow. With our active asset and property management, we hope to further stabilise our Commercial Portfolio, even against the backdrop of the coronavirus crisis, and to optimise it by exploiting further potential as well as enhancing the quality of the portfolio through selective acquisitions.

In the Institutional Business segment, we are experiencing high demand for our investment products that are tailored to the needs of investors and are therefore also planning a significant expansion of assets under management for 2020, accompanied by rising income from real estate management.

The structure of our real estate portfolio is balanced. In both segments we benefit from a high level of diversification across types of use, tenants and locations.

Economic environment in 2020

The coronavirus crisis and the uncertainty about its duration have thrown a spanner in the works in terms of the forecasts made at the start of 2020 by economic researchers and most economic players. The constantly changing data situation in relation to the pandemic and the health policy and economic policy measures taken to limit its consequences mean that all forecasts regarding macroeconomic and sectoral impacts are subject to considerable uncertainty. For current macroeconomic scenarios, please refer to page 41, "External environment".

There is agreement among market researchers that the duration of the lockdown will be decisive in determining whether there will only be a short downturn with strong catch-up effects starting in the current year or whether there will be sustained economic shifts and distortions.

Even after the legislation that came into force in Germany on 1 April 2020 as part of the coronavirus economic aid programme, any unpaid rents remain due and must be paid by 30 June 2022 at the latest. Effects in the real estate portfolio business therefore initially relate primarily to agreements on voluntary rent waivers and on individual deferral arrangements that are made on a case-by-case basis as a contribution to crisis management and in the interest of sustainable business relations. The extent of rent default risks depends on the subsequent duration of health policy regulatory restrictions on business operations as well as on the success of the extensive economic support measures that have been introduced. As such, the risks cannot currently be quantified. Furthermore, transactions may be postponed and new business originally planned for the financial year may be put off until an as-yet-unspecified date.

Researchers at the brokerage firm JLL note that decisions within the rental business are being postponed. Whether the home office solutions that have been put in place as a matter of acute need will result in a reconsideration of fundamental office space requirements for companies remains a matter of speculation. JLL analysts currently see no significant distortions or selling pressure on the investment market. However, they believe further developments will also depend on the extent to which commercial tenants make use of the possibility of rent deferral. According to JLL, there are currently insufficient observable market values to make a forecast for the real estate investment market for 2020.

Performance of the Deutsche Immobilien Chancen Group

The earnings of the Deutsche Immobilien Chancen Group are largely influenced by the performance of DIC Asset AG. While we expect financing costs at Deutsche Immobilien Chancen AG & Co. KGaA level to remain stable for 2020, the current coronavirus crisis may have an impact, particularly on the operating business at DIC Asset AG level.

DIC Asset AG will continue on its path of growth. However, due to the expected effects of the COVID-19 pandemic, the company does not expect earnings growth for 2020; instead the focus is on maintaining the strong results seen in the previous year. At EUR 94–96 million, funds from operations (FFO) are expected to remain at the high level seen in 2019 (EUR 95.0 million). This should be helped by expected gross rental income of EUR 94–98 million, real estate management income of EUR 80–90 million and acquisitions totalling between EUR 700 million and EUR 1.1 billion, of which EUR 200–300 million is for the Commercial Portfolio and EUR 500–800 million for the Institutional Business segment. Sales in the amount of EUR 400 million are planned; around EUR 100 million of this is in the Commercial Portfolio and around EUR 300 million in the Institutional Business segment.

In the current situation, we are striving to reach agreements with affected tenants that will continue to create the basis on both sides for a long-term partnership founded on trust. DIC Asset AG is solidly positioned and has demonstrated its growing earnings power year after year in recent years. Our current liquidity and earnings power supports our expectation that with the operational strength of our business model and a forecast at the high level of 2019 we are very well positioned and will continue to grow in the medium term.

As things stand today, we are working on the assumption that the effects of the COVID-19 pandemic will have an impact on expected rental income and management income for DIC Asset AG in the 2020 financial year. As at 3 April 2020, tenants (including retailers in the non-food sector, gastronomy and hotels) with a rental volume of around EUR 1.5 million per month have indicated a desire to suspend payment of their rent for between one and three months. The company is in dialogue with the tenants and is seeking a solution that is mutually agreeable to both parties and respects the contractual framework to the greatest degree possible. In some key cases, the company has already agreed the arrangements.

The measures put in place throughout Germany are also likely to lead to lower transaction activity in the German real estate market. A transaction volume lower than originally planned or later-than-planned transfers of ownership, benefits and encumbrances in both the Commercial Portfolio and the Institutional Business segment may result in lower gross rental income in relation to acquisitions or income that is no longer effective in 2020, lower transaction-related management income and, as a result of this and of potential rent reductions, lower ongoing management income.

Main assumptions for the business forecast

The forecast is based on the following main assumptions and, from today's perspective, on the assumption that the coronavirus pandemic will not trigger an ongoing and sustained fundamental crisis in the global economy or in the real estate sector:

- Global trade conflicts will not expand significantly and geopolitical tensions will not intensify to any considerable degree.
- There will be no significant worsening of the sovereign debt crisis in the eurozone and Brexit will have no dramatic consequences for the eurozone economy.
- There will be no resurgence of the banking crisis in the eurozone.
- The German economy will not fall into prolonged recession and the effects on the labour market remain limited in the medium term.
- The rental market will be robust and loss of rental income due to insolvencies will remain low.
- There will be no unexpectedly strong increase in inflation and the ECB will not abruptly abandon its policy of cheap money.
- There will be no significant tightening of requirements in the financing policy of banks that would have the effect of constraining the transaction process.
- No further unforeseen regulatory changes will come into force.

If the underlying assumptions do not materialise, if the coronavirus pandemic persists for a significant period or if other extraordinary developments occur, the forecast may differ materially from the actual results.

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

EVENTS AFTER THE REPORTING DATE

The transfer of ownership, benefits and encumbrances of two properties acquired in 2019 for the Institutional Business segment with a volume of around EUR 554 million took place in January 2020. In addition, the transfer of ownership, benefits and encumbrances of a property in DIC Asset AG's Commercial Portfolio took place at the end of March 2020.

On 21 January 2020, DIC Asset AG increased its subscribed capital by EUR 6,857,774.00 as part of a cash capital increase from authorised capital. A total of 6,857,774 new shares were placed at a price of EUR 16.00. DIC Asset AG will receive gross issue proceeds of approximately EUR 110 million from the capital increase. TTL Real Estate GmbH, in which the Deutsche Immobilien Chancen Group holds a 50% stake, acquired 2.3 million of these shares and increased its stake in DIC Asset AG from around 5% to 7.1%.

As a result of the coronavirus crisis, DIC Asset AG adjusted its earnings forecast on 3 April 2020: Instead of an increase in operating key figures, an FFO at the same high level as the previous year, EUR 94–96 million, is expected. The general meeting of shareholders originally planned for 17 March 2020 is expected to take place in the second half of 2020; DIC Asset AG intends to maintain its dividend proposal of EUR 0.66 per share.

OTHER INFORMATION

Related party disclosures

Deutsche Immobilien Chancen AG & Co KGaA has prepared a dependent company report on its relationships with affiliated companies. This report lists all legal transactions that 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 that 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."

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR
FROM 1 JANUARY 2019 TO 31 DECEMBER 2019



BALANCE SHEET OF THE DEUTSCHE IMMOBILIEN CHANCEN GROUP as at 31 December 2019

Assets in TEUR	31/12/2019	31/12/2018
FIXED ASSETS		
Intangible assets		
Concessions and similar rights and assets and licences in such rights and assets	29,874	266
Goodwill	311,178	144,560
	341,052	144,826
Property, plant and equipment		
Land and buildings	1,626,652	1,428,824
Operating and office equipment	1,159	727
Payments on account and assets under construction	45,348	13,653
	1,673,159	1,443,204
Financial assets		
Investments	22,105	285,266
Shares in associates	162,970	251,770
	185,075	537,036
CURRENT ASSETS		
Inventories		
Works in progress	373,886	339,750
Receivables and other assets		
Trade receivables	16,636	7,288
Receivables from associated companies	39,927	49,760
Other assets	49,966	53,977
	106,529	111,025
Cash on hand, bank balances	367,913	291,303
Accrued and deferred items	8,959	9,884
Deferred tax assets	29,967	40,780
	3,086,540	2,917,808

Liabilities in TEUR	31/12/2019	31/12/2018
EQUITY		
Subscribed capital	46,801	46,801
Capital reserve	8,855	8,855
Generated group equity	88,341	83,619
Minority interests	619,798	565,658
	763,795	704,933
PROVISIONS		
Tax provisions	25,219	12,169
Other provisions	58,559	45,366
	83,778	57,535
LIABILITIES		
Bonds	334,083	511,600
Liabilities to banks	1,329,611	1,043,843
Advance payments received on orders	314,157	339,546
Trade accounts payable	3,656	1,912
Liabilities to companies in which investments are held	103,958	109,973
Other liabilities	112,275	116,401
	2,197,740	2,123,275
Accrued and deferred items	1,945	1,381
Deferred tax liabilities	39,282	30,684
	3,086,540	2,917,808

INCOME STATEMENT OF THE DEUTSCHE IMMOBILIEN CHANCEN GROUP
from 1 January to 31 December 2019

in TEUR	01/01/2019 -31/12/2019	01/01/2018 -31/12/2018
Revenues	176,034	157,581
Other operating income	119,035	43,855
Total operating performance	295,069	201,436
Cost of materials	-35,597	-39,326
Gross profit	259,472	162,110
Personnel expenses	-27,717	-18,489
Amortisation of intangible assets and depreciation of property, plant and equipment	-47,483	-38,989
Other operating costs	-41,586	-49,263
Operating result	142,686	55,369
Other interest and similar income	6,684	6,565
Income from associates	22,435	34,623
Interest and similar expenses	-44,272	-48,933
Result from ordinary activities	127,533	47,624
Taxes on income and earnings	-24,582	-6,973
Other taxes	-219	-98
Group net income	102,732	40,553
Profit attributable to minority interests	95,670	29,858
Profit attributable to group shareholders	7,062	10,695

CASH FLOW STATEMENT OF THE DEUTSCHE IMMOBILIEN CHANCEN GROUP

from 1 January to 31 December 2019

in TEUR	01/01/2019 -31/12/2019	01/01/2018 -31/12/2018
CURRENT BUSINESS ACTIVITY		
Group result before interest	140,320	82,921
Gains from the sale of properties	-36,728	-18,646
Depreciation and amortisation	47,483	38,989
Changes in receivables, liabilities and provisions	-5,388	56,146
Other non-cash transactions	19,411	-43,169
Cash flow from ordinary activities	165,098	116,241
INVESTMENT ACTIVITY		
Proceeds from the sale of properties	177,723	100,908
Dividends received	13,043	10,200
Acquisition of and investment in real estate	-368,388	-126,588
Investing in / selling of investments	331,209	60,909
Investments in company acquisitions	-222,208	0
Change in loans receivable from associated companies	2,670	2,971
Investments in development projects	-34,135	-36,120
Advance payments from development projects	5,000	18,670
Acquisition / sale of operating and office equipment	-1,028	-151
Cash flow from investing activities	-96,114	30,799
FINANCING ACTIVITY		
Inflows from the issuance of bonds/promissory notes	180,000	201,000
Inflows from loans	275,257	319,630
Interest received	19	1,118
Interest paid	-41,032	-47,469
Repayment of loans	-224,404	-408,132
Repayment of bonds	-175,000	-100,000
Capital transaction costs paid	-1,476	-5,547
Dividends paid	-19,639	-27,151
Cash flow from financing activities	-6,275	-66,551
Acquisition-related increase in cash and cash equivalents	13,901	388
Changes in cash and cash equivalents	62,709	80,489
Cash and cash equivalents at the beginning of the financial year	291,303	210,426
Cash and cash equivalents at end of period	367,913	291,303

STATEMENT OF CHANGES IN EQUITY OF THE DEUTSCHE IMMOBILIEN CHANCEN GROUP
as at 31 December 2019

in TEUR	Subscribed capital	Capital reserves	Group equity generated	Equity attributable to group shareholders	Minority interests	Total
As at 31 December 2017	46,801	8,855	75,265	130,921	544,010	674,931
Consolidated net income / loss			10,695	10,695	29,858	40,553
Distributions in 2017			-2,341	-2,341	-30,947	-33,288
Sale of shares					22,737	22,737
As at 31 December 2018	46,801	8,855	83,619	139,275	565,658	704,933
Consolidated net income / loss			7,062	7,062	95,670	102,732
Distributions in 2018			-2,340	-2,340	-24,157	-26,497
Sale of shares					7,647	7,647
Acquisition of additional shares					-25,020	-25,020
As at 31 December 2019	46,801	8,855	88,341	143,997	619,798	763,795

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR FROM 1 JANUARY 2019 TO 31 DECEMBER 2019

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 utilised.

II. Group of consolidated companies

All companies in which Deutsche Immobilien Chancen holds the majority of shares, as well as DIC Asset AG and DIC MainTor Erste Beteiligungs GmbH, including the indirectly held MainTor GmbH, with their respective subsidiaries were fully consolidated in the consolidated financial statements.

The Deutsche Immobilien Chancen Group controls around 34.07% 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). In order to provide a comprehensive picture of Deutsche Immobilien Chancen Group's overall business performance and situation, and in particular of its operating business, we prepare these voluntary consolidated financial statements including DIC Asset AG and MainTor GmbH, in which Deutsche Immobilien Chancen and DIC Asset AG jointly hold approx. 70% 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 1 to the Notes.

At the beginning of June, DIC Asset AG acquired 99.6% of the GEG German Estate Group. As a result of this acquisition, the GEG German Estate Group was consolidated for the first time on 1 June 2019. At the time of acquisition, the GEG Group consisted of a parent company and 32 subsidiaries.

A fixed purchase price of EUR 222.2 million was paid in cash for the acquisition of 99.6% of the shares in the GEG Group.

The fair values of the acquired assets and liabilities recognised at the acquisition date of 1 June 2019 are shown in the following table:

in TEUR	Fair value
Investments	13,673
Intangible assets	31,753
Other current assets	13,527
Cash	13,180
Total assets	72,133
Total liabilities	39,159
Acquired net assets	32,974
Minority interests (0.4%)	792
Net assets acquired, DIC Asset AG	32,182

The comparison of the sum of the consideration transferred and the non-controlling shareholders' share of net assets with the acquired remeasured net assets of GEG results in goodwill of TEUR 177,892. The goodwill reflects future synergies, in particular access to a broader investor base, additional products in the Institutional Business segment and the expansion of our portfolio development capacity.

The non-controlling interests of 0.4% were recognised at the acquisition date and measured at their share of the acquired identifiable net assets in the amount of TEUR 792.

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 that 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 and DIC Opportunistic GmbH: 40 years
- Other: 15 years

The expected useful life of goodwill acquired under the GEG acquisition is estimated at 15 years, based on the number of employees and/or the terms of contracts taken over and the life cycle of the products acquired.

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 capital share 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 appraisers 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 the properties and is used to test the value of investments and goodwill.

The total project value disclosed as part of the initial consolidation of the MainTor project companies 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 as at the balance sheet date. Accrued and deferred items are deferred and reversed over the underlying terms.

Bank balances are recognised at par value.

The subscribed capital is 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 under tax law. 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	177,892	31,969
Disposals	0	0
Acquisition costs 31/12	356,419	35,561
Depreciation 01/01	33,967	3,326
Additions	11,274	2,361
Disposals	0	0
Depreciation 31/12	45,241	5,687
Carrying amounts 01/01	144,560	266
Carrying amounts 31/12	311,178	29,874

Goodwill results from the initial consolidation of DIC Asset AG, GEG German Estate Group and DIC Opportunistic GmbH.

Property, plant and equipment developed as follows:

in TEUR	Land and buildings	Operating and office equipment	Payments on account and assets under construction
Acquisition costs 01/01	1,551,767	2,973	13,653
Additions	368,389	1,028	31,695
Disposals	-183,587	-186	0
Acquisition costs 31/12	1,736,569	3,815	45,348
Depreciation 01/01	122,943	2,246	0
Additions	33,326	522	0
Disposals	-46,352	-112	0
Depreciation 31/12	109,917	2,656	0
Carrying amounts 01/01	1,428,824	727	13,653
Carrying amounts 31/12	1,626,652	1,159	45,348

Financial assets developed as follows:

in TEUR	Investments	Shares in associates
Acquisition costs 01/01	285,266	251,770
Additions	22,105	96,548
Reclassification	0	0
Disposals	-285,266	-185,348
Acquisition costs 31/12	22,105	162,970
Depreciation 01/01	0	0
Additions	0	0
Disposals	0	0
Depreciation 31/12	0	0
Carrying amounts 01/01	285,266	251,770
Carrying amounts 31/12	22,105	162,970

The disposal of investments is due in its entirety to the disposal of the TLG investment. The additions result from the acquisition of the GEG German Estate Group.

The additions to associates are mainly due to the addition of TTL Real Estate GmbH, whose shares were previously held by DIC Real Estate 2. Beteiligungs GbR. DIC Real Estate 2. Beteiligungs GbR is accrued to Deutsche Immobilien Chancen AG & Co KGaA. This resulted in a disposal carrying amount of TEUR 120,944. The other disposals in associates are primarily the result of sales (TEUR 27,400) and updates carried out using the equity method (TEUR 14,909) in the special funds.

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 Asset AG holds a capital share of 9.7%. The carrying

amount of the shares is TEUR 14,308 and the fair value TEUR 14,308 (2018: both TEUR 22,180). In the past financial year, we received distributions of TEUR 6,710 (2018: TEUR 700). 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 Asset AG holds a capital share of 4.6%. The carrying amount of the shares is TEUR 9,609 and the fair value TEUR 9,609 (2018: both TEUR 9,490). In the past financial year, we received distributions of TEUR 339 (2018: TEUR 348). 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 Asset AG holds a capital share of approximately 2.4%. The carrying amount of the shares of the fund is TEUR 5,681 and the fair value TEUR 5,681 (2018: both TEUR 7,564). In the past financial year, we received distributions of TEUR 1,547 (2018: TEUR 177).

- The “DIC Office Balance IV” fund invests in office real estate in Germany. DIC Asset AG holds a capital share of approximately 1.8%. The carrying amount of the shares of the fund is TEUR 3,176 and the fair value TEUR 3,176 (2018: both TEUR 3,064). In the past financial year, we received distributions of TEUR 40 (2018: TEUR 35).
- The “DIC Office Balance V” fund was launched in 2018 and invests in office real estate in Germany. DIC Asset AG holds a capital share of approximately 1.2%. The carrying amount of the shares of the fund is TEUR 3,926 and the fair value TEUR 3,926 (2018: both TEUR 31,217).
- The “DIC Retail Balance I” fund invests in retail real estate with a focus on local supply in Germany. DIC Asset AG holds a capital share of approximately 3.9%. The carrying amount of the shares of the fund is TEUR 5,920 and the fair value TEUR 5,920 (2018: both TEUR 5,878). In the past financial year, we received distributions of TEUR 140 (2018: TEUR 108).

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 4,865 (2018: TEUR 4,172) 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 44,341 of the existing credit balances are subject to short-term restraints on disposal beyond the balance sheet date.

5. Accrued and deferred items

Prepaid expenses of TEUR 8,959 (2018: TEUR 9,884) include processing fees for borrowings of TEUR 2,842 (2018: TEUR 3,766), prepaid ground rent of TEUR 0 (2018: TEUR 1,188) and other prepaid expenses such as insurance premiums.

6. Equity

■ Share capital

The company's share capital amounts to EUR 46,800,657.00 (2018: 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 (2018: TEUR 8,855).

■ Minority interests

The minority shareholder interests in the Group's equity increased from TEUR 565,658 to TEUR 619,798, in particular as a result of the allocation of earnings.

7. Other provisions

The other provisions relate to:

in TEUR	01/01/2019 -31/12/2019	01/01/2018 -31/12/2018
Outstanding invoices	15,187	11,713
Management bonus	6,719	2,702
Audit of the financial statements	596	555
Holiday accrual	637	446
Other provisions	35,420	29,950
	58,559	45,366

The provisions for outstanding invoices include, among other things, the appraiser's fees for the annual property valuation, unpaid fees, consultancy fees and other services. Other provisions include warranties as well as operating and ancillary costs.

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	334,083	4,083	330,000	0
2018	511,600	181,600	330,000	0
Liabilities to banks	1,329,611	537,611	350,000	442,000
2018	1,043,843	181,986	780,383	81,474
Advance payments received on orders	314,157	314,157	0	0
2018	339,546	339,546	0	0
Trade accounts payable	3,656	3,656	0	0
2018	1,912	1,912	0	0
Liabilities to companies in which investments are held	103,958	103,958	0	0
2018	109,973	109,973	0	0
Other liabilities	112,275	46,543	18,500	47,232
2018	116,401	69,344	0	47,057
Total	2,197,740	1,010,008	698,500	489,232
2018	2,123,275	884,361	1,110,383	128,531

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 73,446 (2018: TEUR 90,452). The lender of the convertible loan in the amount of TEUR 10,000 was granted a right to convert the entire repayment

claim into shares (total: 3,333,333) of Deutsche Immobilien Chancen AG & Co. KGaA at a price of EUR 3.00 per share until 31 December 2020. The other liabilities are secured in the amount of TEUR 81,000 (2018: TEUR 77,500) by the pledging of securities.

Liabilities to companies in which investments 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 01/01/2019	Change	As at 31/12/2019
Deferred tax assets	40,780	-10,813	29,967
Deferred tax liabilities	30,684	+8,598	39,282

VII. Notes to the income statement

1. Revenues break down as follows:

in TEUR	01/01/2019 -31/12/2019	01/01/2018 -31/12/2018
Renting and leasing	125,841	121,004
Administration, development projects and other services	50,193	36,577
	176,034	157,581

2. Other operating income

Other operating income includes EUR 76.9 million (2018: EUR 12.6 million) in income from the sale of shares in TLG Immobilien AG. This item also includes income from the sale of assets and cost recharges, among other items.

3. Income from associates

The income from associates includes, among other things, the distribution by TLG Immobilien AG of EUR 13.2 million, distributions by the special investment funds of EUR 5.2 million and distributions by MSREF HT Portfolio GmbH of EUR 2.2 million and TTL Real Estate GmbH of EUR 1.2 million. In the previous year, dividends from non-consolidated companies affecting net income were reported in the amount of EUR 22.3 million.

4. Personnel expenses break down as follows:

in TEUR	01/01/2019 -31/12/2019	01/01/2018 -31/12/2018
Wages and salaries	23,951	16,295
Social security contributions	3,766	2,194
	27,717	18,489

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 on hand and bank balances, insofar as they are available within three months.

Reconciliation of the Group result with the Group result before interest:

in TEUR	01/01/2019 -31/12/2019	01/01/2018 -31/12/2018
Group net income	102,732	40,553
Interest paid	44,272	48,933
Interest received	-6,684	-6,565
	140,320	82,921

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 3,200 is subject to a distribution block. Accordingly, from the balance sheet profit in the amount of TEUR 5,932 and revenue reserves in the amount of TEUR 62,500, an amount of TEUR 65,232 was generally available for distributions.

X. Other information

1. Contingent liabilities

The Deutsche Immobilien Chancen 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
Payment guarantee	BAM Deutschland AG
Payment guarantee	BAM Deutschland AG
Rent guarantee	Ideal Lebensversicherung
Payment guarantee	Köster GmbH
Letter of comfort	Novapierre Allemagne
Payment guarantee	ED. Züblin AG
Direct debt guarantee	Union Investment Real Estate GmbH
Cost overrun guarantee	Deutsche Pfandbriefbank
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
Directly enforceable maximum amount guarantee	Deutsche Hypothekenbank AG, Berlin Hyp AG, HSH Nordbank AG
Direct debt guarantee	Grundbesitzgesellschaft Große Theaterstraße mbH & Co. KG
Direct debt guarantee	Grundbesitzgesellschaft Große Theaterstraße mbH & Co. KG
Capital service guarantee	Deutsche Pfandbriefbank
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
MT WINX construction project	7,088	7,088
MT WINX construction project	14,000	14,000
Rent guarantee for commercial property of a subsidiary	34	34
Leverkusen construction project	350	350
Sale of properties	1,493	1,493
MT Panorama construction project	595	595
Fulfilment of all payment and compensation obligations of the seller according to the MT Porta purchase contract	5,000	3,600
Global Tower development project	3,750	3,750
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
Settlement of all payment obligations arising from the financing of the Commercial Portfolio	50,500	50,500
Opera Offices NEO construction project	2,300	1,150
Opera Offices NEO construction project	140	70
Global Tower development project	1,650	1,650
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 135 net per month until March 2024.

Current contractual agreements result in financial obligations to tenants for the years 2020 and 2021 from investment commitments amounting to EUR 27.1 million (2018: EUR 41.8 million). In addition, agreements to secure real estate in Berlin and Offenbach result in obligations totalling EUR 163.6 million.

3. Number of employees

The Deutsche Immobilien Chancen Group employed an average of 247 people in the financial year (2018: 174). The increase is mainly due to the acquisition of GEG.

Portfolio management, investment, funds	34
Asset and property management	145
Group management, administration	68
Total	247

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 2019 and 2018:

in TEUR	2019	2018
Audit of the financial statements	559	473
Other certification services	34	106
Other services	200	0
Total	793	579

6. Events after the balance sheet date

The transfer of ownership, benefits and encumbrances of two properties acquired in 2019 for the Institutional Business segment with a volume of around EUR 554 million took place in January 2020. In addition, the transfer of ownership, benefits and encumbrances of a property in DIC Asset AG's Commercial Portfolio took place at the end of March 2020.

On 21 January 2020, DIC Asset AG increased its subscribed capital by EUR 6,857,774.00 as part of a cash capital increase from authorised capital. A total of 6,857,774 new shares were placed at a price of EUR 16.00. DIC Asset AG will receive gross issue proceeds of approximately EUR 110 million from the capital increase. TTL Real Estate GmbH, in which the Deutsche Immobilien Chancen Group holds a 50% stake, acquired 2.3 million of these shares and increased its stake in DIC Asset AG from around 5% to 7.1%.

As a result of the coronavirus crisis, DIC Asset AG adjusted its earnings forecast on 3 April 2020: Instead of an increase in operating key figures, an FFO at the same high level as the previous year, EUR 94–96 million, is expected. The general meeting of shareholders originally planned for 17 March 2020 is expected to take place in the second half of 2020; DIC Asset AG intends to maintain its dividend proposal of EUR 0.66 per share.

7. Corporate governance report

The declaration on the German Corporate Governance Code required for the listed company DIC Asset AG as included in the consolidated financial statements in accordance with Section 161 AktG has been issued and made permanently available to shareholders on the website "<https://www.dic-asset.de/en/ir/corporate-governance/>".

8. Supervisory Board

Members of the Supervisory Board are:

- Dr Gerhard Schmidt (Chairman),
Glattbach, Attorney at Law
- Mr Klaus-Jürgen Sontowski (Deputy Chairman),
Nuremberg, Entrepreneur
- Mr Thomas Hartl, London/UK,
Managing Director Morgan Stanley
- 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
- 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 (2018: TEUR 190).

9. 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, 15 April 2020



Thomas Grimm

Consolidated companies

Appendix 1 to the Notes: List of shareholdings as at 31 December 2019

Name and registered office of the company	Capital share (%)	Name and registered office of the company	Capital share (%)
DIC Asset AG, Frankfurt am Main	34.07	DIC Objekt Stadtfenster Duisburg GmbH, Frankfurt am Main	100.0*
DIC Asset Beteiligungs GmbH, Frankfurt am Main	100.0*	DIC Objekt Stockstadt GmbH, Frankfurt am Main	100.0*
DIC Fund Balance GmbH, Frankfurt am Main	100.0*	DIC Projekt Berlin Taubenstraße GmbH, Frankfurt am Main	100.0*
DIC Office Balance I GmbH, Frankfurt am Main	100.0*	DIC Objekt Berlin Taubenstraße GmbH & Co. KG, Frankfurt am Main	100.0*
DIC Office Balance II GmbH, Frankfurt am Main	100.0*	DIC Objekt Bremen GmbH & Co. KG, Frankfurt am Main	100.0*
DIC Office Balance III GmbH, Frankfurt am Main	100.0*	DIC Objekt Zeppelinheim GmbH, Frankfurt am Main	100.0*
DIC Office Balance IV GmbH, Frankfurt am Main	100.0*	DIC Finance Management GmbH & Co. KG, Frankfurt am Main	100.0*
DIC Office Balance VI, Frankfurt am Main	100.0*	DIC Fund Balance 1. Beteiligungs GbR, Frankfurt am Main	100.0*
DIC FB Property Management GmbH, Frankfurt am Main	100.0*	DIC Fund Balance 2. Beteiligungs GbR, Frankfurt am Main	100.0*
OB III Verwaltungs GmbH, Frankfurt am Main	100.0*	DIC RMN-Portfolio GmbH, Frankfurt am Main	100.0*
DIC High Street Balance GmbH, Frankfurt am Main	100.0*	DIC Objekt Stadthaus Offenbach GmbH, Frankfurt am Main	100.0*
DIC Retail Balance I GmbH, Frankfurt am Main	100.0*	DIC Objekt Kronberg GmbH, Frankfurt am Main	100.0*
DIC Retail Balance I Betriebsvorrichtungen GmbH, Frankfurt am Main	100.0*	DIC Objekt Velbert GmbH, Frankfurt am Main	100.0*
DIC Retail Balance I Funding GmbH, Frankfurt am Main	100.0*	DIC Objekt Alsbach GmbH, Frankfurt am Main	100.0*
DIC Retail Balance I Beteiligungs GmbH, Frankfurt am Main	100.0*	DIC Objekt Hemsbach GmbH, Frankfurt am Main	100.0*
DIC Objekt Halle GmbH & Co. KG, Frankfurt am Main	100.0*	DIC Ruhr Portfolio GmbH, Frankfurt am Main	100.0*
DIC Objekt Berlin Heilbronner Straße GmbH & Co. KG, Frankfurt am Main	100.0*	DIC RP Objekt Bochum GmbH, Frankfurt am Main	100.0*
DIC Fund Advisory GmbH & Co. KG, Frankfurt am Main	100.0*	DIC RP Objekt Essen GmbH, Frankfurt am Main	100.0*
DIC Objekt Düsseldorf Schwannstraße GmbH & Co. KG, Frankfurt am Main	100.0*	DIC RP Objekt 1 GmbH, Frankfurt am Main	100.0*
DIC Fund Balance Consulting I GmbH, Frankfurt am Main	100.0*	DIC RP Objekt 2 GmbH, Frankfurt am Main	100.0*
DIC Fund Balance Consulting II GmbH, Frankfurt am Main	100.0*	DIC AP Portfolio GmbH, Frankfurt am Main	100.0*
DIC Real Estate Investments Beteiligungs GmbH, Frankfurt am Main	100.0*	DIC AP Objekt Augustaanlage GmbH, Frankfurt am Main	100.0*
DIC Development Services GmbH, Frankfurt am Main	100.0*	DIC AP Objekt Düsseldorf GmbH, Frankfurt am Main	100.0*
DIC Real Estate Investments GmbH & Co. Kommanditgesellschaft auf Aktien, Frankfurt am Main	100.0*	DIC AP Objekt Insterburger Str. 5 GmbH, Frankfurt am Main	100.0*
DIC Objekt Karlsruhe Bahnhofplatz 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*

*indirect share via DIC Asset AG

Name and registered office of the company	Capital share (%)	Name and registered office of the company	Capital share (%)
DIC AP Objekt Coblitzweg GmbH, Frankfurt am Main	100.0*	GEG Real Estate Fund Management VK GmbH, Frankfurt am Main	97.5*
DIC AP Objekt Konstanz GmbH, Frankfurt am Main	100.0*	GEG Sapporobogen Holding GmbH & Co. KG, Frankfurt am Main	100.0*
DIC AP Objekt 2 GmbH, Frankfurt am Main	100.0*	GEG Triforum BVO GmbH, Frankfurt am Main	100.0*
DIC AP Objekt 3 GmbH, Frankfurt am Main	100.0*	GEG Triforum FinCo GmbH & Co. KG, Frankfurt am Main	100.0*
DIC AP Objekt 5 GmbH, Frankfurt am Main	100.0*	GEG Triforum Holding GmbH & Co. KG, Frankfurt am Main	100.0*
DIC AP Objekt 6 GmbH, Frankfurt am Main	100.0*	GEG Triforum Verwaltungs GmbH, Frankfurt am Main	100.0*
DIC AP Objekt 7 GmbH, Frankfurt am Main	100.0*	GEG Verwaltungs GmbH, Frankfurt am Main	100.0*
DIC AP Objekt 8 GmbH, Frankfurt am Main	100.0*	Global Tower Verwaltungs GmbH, Frankfurt am Main	100.0*
DIC AP Objekt 9 GmbH, Frankfurt am Main	100.0*	HCC Dortmund Holding GmbH & Co. KG, Frankfurt am Main	97.5*
DIC Asset Portfolio GmbH, Frankfurt am Main	100.0*	GEG Development GmbH, Frankfurt am Main	100.0*
DIC Asset AP GmbH, Frankfurt am Main	100.0*	GEG German Estate Group AG, Frankfurt am Main	100.0*
DIC Asset OP GmbH, Frankfurt am Main	100.0*	GEG German Estate Group Management Holding OHG, Frankfurt am Main	100.0*
DIC Asset DP GmbH, Frankfurt am Main	100.0*	GEG Investment Advisory GmbH, Frankfurt am Main	100.0*
DIC OF REIT 1 GmbH, Frankfurt am Main	100.0*	GEG Portfolio Advisory GmbH, Frankfurt am Main	100.0*
DIC 27 Portfolio GmbH, Frankfurt am Main	100.0*	GEG Real Estate Management GmbH, Frankfurt am Main	100.0*
BCP Düsseldorf BVO GmbH, Frankfurt am Main	100.0*	Global Tower GmbH & Co. KG, Frankfurt am Main	100.0*
BCP Düsseldorf Holding GmbH & Co. KG, Frankfurt am Main	100.0*	GEG Riverpark GmbH & Co. KG, Frankfurt am Main	97.5*
BCP Verwaltungs GmbH, Frankfurt am Main	100.0*	German Estate Group GmbH, Frankfurt am Main	97.5*
Diamond BVO GmbH	100.0*	DIC Objekt Leverkusen GmbH, Frankfurt am Main	94.9*
Diamond Holding 1 GmbH, Frankfurt am Main	100.0*	DIC OP Portfolio GmbH, Frankfurt am Main	100.0*
Diamond Verwaltungs GmbH, Frankfurt am Main	100.0*	DIC OP Objekt Darmstadt GmbH, Frankfurt am Main	100.0*
GEG Betriebsvorrichtungen GmbH, Frankfurt am Main	100.0*	DIC OP Objekt Duisburg GmbH, Frankfurt am Main	100.0*
GEG Emittent GmbH & Co. KG, Frankfurt am Main	100.0*	DIC OP Objekt Düsseldorf GmbH, Frankfurt am Main	100.0*
GEG Emittent Verwaltungs GmbH, Frankfurt am Main	100.0*	DIC OP Objekt Hamburg GmbH, Frankfurt am Main	100.0*
GEG HA Holding GmbH & Co. KG, Frankfurt am Main	100.0*		
GEG HA Verwaltungs GmbH, Frankfurt am Main	100.0*		
GEG Merlion FF & E GmbH, Frankfurt am Main	100.0*		
GEG Merlion GmbH, Frankfurt am Main	100.0*		
GEG Real Estate Beteiligungs - und Verwaltungs GmbH, Frankfurt am Main	100.0*		
GEG Real Estate Fund Management GmbH, Frankfurt am Main	100.0*		

*indirect share via DIC Asset AG

Name and registered office of the company	Capital share (%)
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 Langensfeld 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 Objekt Bremen Grazer Straße GmbH, Frankfurt am Main	100.0*
DIC 25 Portfolio GmbH, Frankfurt am Main	100.0*
DIC 25 Betriebsvorrichtung GmbH, Frankfurt am Main	100.0*
DIC 25 Objekt Bremen GmbH, Frankfurt am Main	100.0*
DIC 25 Objekt Chemnitz GmbH, Frankfurt am Main	100.0*
DIC 26 Portfolio GmbH, Frankfurt am Main	100.0*
DIC 26 Frankfurt Taunusstraße GmbH, Frankfurt am Main	100.0*

Name and registered office of the company	Capital share (%)
DIC 26 Erfurt GmbH, Frankfurt am Main	100.0*
DIC 26 Wiesbaden GmbH, Frankfurt am Main	100.0*
DIC Main Palais GmbH, Frankfurt am Main	100.0*
DIC MainTor Real Estate 1 GmbH, Frankfurt am Main	100.0
DIC Onsite GmbH, Frankfurt am Main	100.0*
DIC Berlin Portfolio Objekt Bundesallee GmbH, Frankfurt am Main	100.0*
DIC EB Portfolio GmbH, Frankfurt am Main	100.0*
DIC Zeil Portfolio GmbH, Frankfurt am Main	100.0*
DIC Frankfurt Objekt 3 GmbH, Frankfurt am Main	100.0*
Gewerbepark Langenfeld West 3 GmbH & Co. KG, Frankfurt am Main	99.69*
DIC Management Holding GmbH, Frankfurt am Main	97.45*
DIC Objektsteuerung GmbH, Frankfurt am Main	94.8*
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 HI Portfolio GmbH, Frankfurt am Main	100.0*
DIC HI Landsberger Straße GmbH & Co. KG, Frankfurt am Main	100.0*
DIC HI Objekt Frankfurt Theodor-Heuss-Allee GmbH, Frankfurt am Main	100.0*
DIC HI Objekt Hamburg Kurt-Schumacher-Allee GmbH, Frankfurt am Main	100.0*
DIC HI Objekt Köln GmbH, Frankfurt am Main	100.0*
DIC HI Objekt Neu-Isenburg GmbH, Frankfurt am Main	100.0*
DIC HI Objekt Ratingen GmbH, Frankfurt am Main	100.0*
DIC HI Objekt 1 GmbH, Frankfurt am Main	100.0*
DIC HI Objekt 2 GmbH & Co. KG, Frankfurt am Main	100.0*
DIC HI Objekt 4 GmbH, Frankfurt am Main	100.0*
DIC HI Objekt 5 GmbH, Frankfurt am Main	100.0*
DIC HI Objekt 6 GmbH & Co. KG, Frankfurt am Main	100.0*

*indirect share via DIC Asset AG

Name and registered office of the company	Capital share (%)	Name and registered office of the company	Capital share (%)
DIC HI Objekt 7 GmbH, Frankfurt am Main	100.0*	DIC Services Beteiligungs GmbH, Frankfurt am Main	100.0
DIC HI Objekt 9 GmbH, Frankfurt am Main	100.0*	DIC Projekt Frankfurt 1 GmbH & Co. KG, Frankfurt am Main	100.0
DIC HI Objekt 10 GmbH, Frankfurt am Main	100.0*	Deutsche Immobilien Chancen Objekt Coburg GmbH, Frankfurt am Main	100.0
DIC HI Objekt 11 GmbH, Frankfurt am Main	100.0*	DIC Opportunity Fund GmbH, Frankfurt am Main	100.0
DIC HI Objekt 12 GmbH, Frankfurt am Main	100.0*	DIC Funding GmbH, Frankfurt am Main	100.0
DIC HI Objekt 13 GmbH, Frankfurt am Main	100.0*	DIC Zweite Beteiligungs GmbH & Co. KG, Frankfurt am Main	100.0
DIC HI Objekt 14 GmbH, Frankfurt am Main	100.0*	DIC Zweite Beteiligungsverwaltungs GmbH, Frankfurt am Main	100.0
DIC HI Objekt 15 GmbH, Frankfurt am Main	100.0*	DIC MainTor Porta GmbH, Frankfurt am Main	100.0
DIC HI Beteiligungs GmbH, Frankfurt am Main	100.0*	DIC MainTor Patio GmbH, Frankfurt am Main	100.0
DIC Hamburg Portfolio GmbH, Frankfurt am Main	100.0*	DIC MainTor Panorama GmbH, Frankfurt am Main	100.0
DIC Hamburg Objekt Großmannstraße GmbH, Frankfurt am Main	100.0*	DIC MainTor Palazzi GmbH, Frankfurt am Main	100.0
DIC Hamburg Objekt Marckmannstraße GmbH, Frankfurt am Main	100.0*	TTL Real Estate GmbH, Frankfurt am Main (voting rights)	50.0
DIC Hamburg Objekt 1 GmbH, Frankfurt am Main	100.0*	TTL Real Estate Mezzanine GmbH, Frankfurt am Main	50.0
DIC Hamburg Objekt 5 GmbH, Frankfurt am Main	100.0*	TTL Real Estate Mezzanine Investments GmbH & Co. KG, Frankfurt am Main	50.0
MainTor GmbH, Frankfurt am Main	70.6	DIC MainTor Real Estate 2 GmbH, Frankfurt am Main	51.0
DIC MainTor Primus GmbH, Frankfurt am Main	70.6	DIC MainTor Real Estate 3 GmbH & Co. KG, Frankfurt am Main	51.0
DIC MainTor WinX GmbH, Frankfurt am Main	70.6	DIC MainTor Real Estate 3 Verwaltungs GmbH, Frankfurt am Main	51.0
DIC MainTor Zweite Beteiligungs GmbH & Co. KG, Frankfurt am Main	70.6	DIC MainTor Erste Beteiligungs GmbH, Frankfurt am Main	51.0
DIC MainTor Verwaltungs GmbH, Frankfurt am Main	70.6	DIC Beteiligungs GbR, Frankfurt am Main	49.9
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 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	100.0		
DIC Hamburg Objekt Dammtorstraße GmbH & Co. KG, Frankfurt am Main	100.0		

*indirect share via DIC Asset AG

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 to 31 December 2019.

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 the German principles of proper auditing promulgated by the Institut der Wirtschaftsprüfer (IDW – German Institute of Auditors). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about 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 due to fraud or error, 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 to 31 December 2019 are in all material respects in accordance with the accounting principles 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 principles. 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 financial statements may not be suitable for a purpose other than that mentioned above.

Note on the audit of the consolidated management report

We have audited the accompanying consolidated management report of the Deutsche Immobilien Chancen Group for the financial year from 1 January to 31 December 2019. 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 the consolidated management report 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 guidelines, 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.

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, 15 April 2020

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 2019 financial year, discussions and resolutions focused primarily on current business developments and the implementation of the strategic objectives of DIC Asset AG. Another focus was the sale of the indirectly held shares in GEG German Estate Group to DIC Asset AG. 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 accounts 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 consolidated management report as at 31 December 2019, were audited by Rödl & Partner GmbH Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Nuremberg, the auditors appointed by the general meeting of shareholders, 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 accounts are then adopted by the general meeting of shareholders. The Supervisory Board proposes to the general meeting of shareholders the election of Rödl & Partner as auditor of the annual accounts and the consolidated financial statements for the 2020 financial year.

The Board of Directors prepared a report on relations with affiliated companies for the 2019 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 May 2020. 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 2019 financial year.

Frankfurt am Main, May 2020

The Supervisory Board



Dr Gerhard Schmidt
Chairman

BOARD OF
DIRECTORS

Thomas Grimm, 50



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Forward-looking statements

This annual report contains information relating to future developments. These statements represent estimates that we have made on the basis of the information currently available to us. Should the assumptions on which the statements are based fail to materialise, or should risks – as mentioned in the risk report – occur, the actual results may differ from the results currently expected.

For arithmetical reasons, rounding differences may occur in tables and references compared with mathematically exact values (TEUR; percentages (%) etc.).

Note:

This report is published in German (original version) and English (non-binding translation).

