DEUTSCHE IMMOBILIEN CHANCEN

ANNUAL REPORT 2020

KEY FIGURES

FOR THE FINANCIAL YEAR FROM 1 JANUARY TO 31 DECEMBER 2020

in EUR million	2020	2019	Δ
Revenue	**203.7**	176.0	16%
Total operating performance	**248.9**	295.1	-16%
EBITDA	**127.9**	190.2	-31%
Operating profit	**69.5**	142.7	-51%
Profit for the period	**45.9**	102.7	-55%
Equity	**891.4**	763.8	17%
Equity ratio (1) in %	**29.4**	26.3	12%
Total assets	**3,188.8**	3,086.5	3%

(1) taking into account long-term loans

CONTENT

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

Prof. Dr. Gerhard Schmidt,
Chairman of the Supervisory Board

Since spring 2020, Germany's macroeconomic situation has been dominated by the Covid-19 pandemic, which paralysed economic and social activity in nearly all sectors and posed challenges for planning. This makes it all the more gratifying that the Group achieved a strong profit and that our major shareholding, DIC Asset AG, continues to move full steam ahead on its growth trajectory with its business platform. The target of EUR 10 billion in assets under management has already been reached by early 2021 and have already started targeting the next milestones.

The risk mechanisms put in place and the early action taken in the Group helped to safeguard our income streams. In particular, the listed company DIC Asset AG, in which we hold a significant stake as an anchor shareholder, demonstrated excellent crisis resilience in the profitability of its business model and considerable agility in the expansion of its real estate platform, bringing the financial year to a successful close from both an operational and a strategic perspective despite the Covid pandemic.

Overall, the Group achieved a strong profit for the period of EUR 45.9 million. Given that the prior-year profit for the period (EUR 102.7 million) had been boosted by a non-recurring effect of EUR 76.9 million from the sale of TLG shares, 2020 saw a significant **increase in regular and sustainable income streams** from the further development of the proprietary management platform in our Group.

A look at the underlying business activities shows that the impact of this success will extend beyond 2020 and that interesting new potential has been tapped:

Despite the challenges posed by the Covid-19 pandemic, our investee DIC Asset AG once again reached a new record high with an FFO of EUR 96.5 million. An exceptional end to the year dominated by a multitude of transactions also laid the strategic foundations for future growth.

Thomas Grimm,
Management Board

To achieve profitable growth with a broader range of real estate products and services, DIC Asset AG strengthened its business with another **strategic acquisition**, having previously purchased the GEG German Estate Group during the 2019 financial year. In December 2020, DIC Asset AG acquired all of the shares in **RLI Investors** GmbH. The acquisition and integration of RLI Investors, Germany's second-largest asset manager for logistics properties, allowed DIC Asset AG to bring its expertise for the **high-potential logistics asset class** on its own platform up to an exceedingly high level within a very short period of time. The integrated logistics expertise will now strengthen both of DIC Asset AG's business segments; it has also expanded the Institutional Business investor base and a broader product range is available. Consequently, our real estate assets under management rose considerably by 26% to EUR 9.6 billion by the end of 2020 – and have already passed our target of **EUR 10 billion in assets under management** when including the acquisition of RLI Investors that was completed in January 2021.

In DIC Asset AG's **Commercial Portfolio**, temporary effects arising from the Covid-19 pandemic were minimised through active management and the **key portfolio figures were further improved**. Systematic portfolio development, successful lettings with long-term leases and proactive individual regulations agreed on with various tenants impacted by the pandemic safeguarded and strengthened the portfolio's profitability. Gross rental income, at EUR 100.7 million, remained stable at the prior-year level despite asset disposals in the wake of property sales. In addition, the weighted average lease term improved from 6.0 to 6.5 years. The EPRA vacancy rate was reduced by 110 basis points from 6.5% to 5.4%. As a result of successful repositioning work within the portfolio, the Group generated EUR 242 million in notarised sales, with selling prices an average of 20% above the most recently determined market values. This resulted in sales profits of around EUR 32.0 million at the level of DIC Asset AG.

The Institutional Business of our investee DIC Asset AG saw its **dynamic growth** continue in 2020. The Group's enduring track record and the high level of trust shown by institutional investors in the real estate platform, which has experienced strong growth for several years, is paying off in this segment. Assets under management in the Institutional Business increased by 33% to around EUR 7.6 billion. Management fees generated from ongoing property management and transaction activities totalling EUR 79.7 million represent a **27% increase** compared to the previous year. Investor demand for management services was very high throughout the year. The model of the platform that provides options for action in every market phase and adds value during every phase of the cycle is demonstrating its strength amid challenging external conditions.

On the **transaction side, DIC Asset AG set a new record** during the past financial year with a total volume of EUR 2.5 billion. The transaction targets adjusted in April in light of the pandemic were significantly exceeded and the profit targets communicated were comfortably reached.

This is due not only to the strength and reliability of our operating business, but also to the continued expansion of key functions and structures within the Group. With the **branches opened in Cologne and Stuttgart**, DIC Asset AG now has a direct local presence in all top 7 cities across Germany. The key focus areas of ESG and digitalisation have also been embedded as success factors in the strategy and several new key roles have been created for this. The **intensification of ESG activities throughout the Group** and implementation of a detailed sustainability strategy for all Group companies is under way. This will not only take account of growing requirements in the future, but will immediately take advantage of opportunities to highlight sustainability aspects as a key criterion for investment. The **digital transformation** that had been driven across every segment of the Company in prior years has also been focused on **strategically relevant value creation** – with the aim of enhancing the business model to offer new digital products and services that add value for investors and allow energy consumption and emissions to be optimised in line with the ESG strategy.

In view of the successful expansion and strategic adjustment of its real estate platform, DIC Asset AG **raised its dividend for the 2020 financial year to 70 cents per share** and reaffirmed its growth course. In so doing, it is expanding its track record as one of the most reliable and highest-dividend listed companies in the commercial real estate sector.

We are satisfied with the Deutsche Immobilien Chancen Group's total operating performance of EUR 248.9 million despite this being markedly lower than the prior-year figure of EUR 295.1 million that had benefited from the one-off proceeds from the sale of shares in TLG. After adjusting for this non-recurring effect, **total operating performance was up by 14.1 %**. Even though the effects of the Covid-19 pandemic will continue to weigh on the anticipated economic recovery, we believe we are very well positioned with our investment in DIC Asset AG's fast-growing real estate platform that is generating substantial cash flow, and with the extensive network within the market.

The persistently high level of liquidity in the transaction markets and consistently low interest rates point to brisk activity in the commercial real estate market; catch-up effects and new decisions on the client side will also clearly provide opportunities for DIC Asset AG's highly diversified business model and the Group's portfolio of expertise. The expansion of the asset classes, the regional presence and the investor base strengthened our Group's network within the market. On this basis we can act rapidly, flexibly and in line with the market conditions, which will allow us to do justice to the mission that is vested in the name Deutsche Immobilien Chancen.

We would like to thank our business partners and shareholders for their trust and support. Our thanks also go to all employees whose extraordinary efficiency and commitment made the development of the Deutsche Immobilien Chancen Group possible. We are clearly optimistic about the challenges that lie ahead and look forward with you to a dynamic real estate market in 2021.

Prof. Dr. Gerhard Schmidt
– Chairman of the Supervisory Board –

Thomas Grimm
– Management Board –

GROUP MANAGEMENT REPORT

FUNDAMENTAL 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. The Group 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 operates in several business segments. Through its stake in the listed company DIC Asset AG, it invests in portfolio properties that generate a sustainable, steady stream of rental income and in a growing real estate management platform for the further expansion of the fund and third-party business in Germany's commercial real estate market. As a central management holding company, DIC Asset AG brings together the functions of corporate governance: directing Group strategy (in particular investment management, portfolio management and sales strategy), corporate and real estate financing, risk management, compliance management as well as the control of property management. The management holding company is also responsible

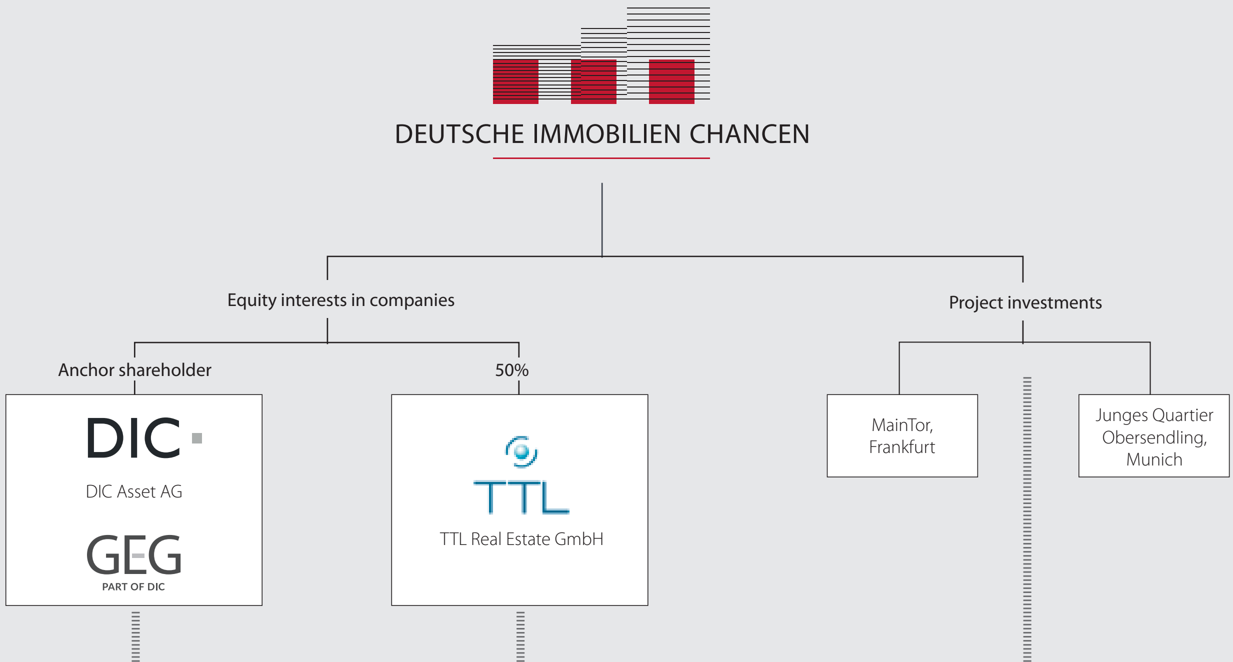
for capital market and corporate communications. Three subsidiaries carry out important core operating tasks: GEG German Estate Group GmbH and RLI Investors GmbH (RLI Investors, since January 2021) are responsible for the Institutional Business segment, including fund and asset management of investment products structured for third parties, refining investment strategies and supporting institutional investors. The Group's own real estate management company DIC Onsite GmbH provides on-site support for the entire property portfolio, including DIC Asset AG's directly-held Commercial Portfolio (approx. EUR 2.0 billion) as well as real estate in the Institutional Business (approx. EUR 7.6 billion) throughout Germany.

- The Deutsche Immobilien Chancen Group invests in listed and high-dividend real estate companies through its 50% equity interest in TTL Real Estate GmbH (TTL Real Estate). TTL Real Estate generated a net cash inflow of around EUR 165 million in 2019 from the sale of its GEG shares. Among other things, TTL Real Estate used the inflow of funds to build up a 7.8% stake in DIC Asset AG. In addition, the Deutsche Immobilien Chancen Group holds further project investments in joint venture investments and development projects.

- The consolidated total volume of real estate investments increased by 26% to EUR 9.6 billion at the reporting date. Including the acquisition of RLI Investors that took effect after the end of the financial year, this volume already exceeds EUR 10 billion, making the Deutsche Immobilien Chancen Group one of Germany's leading commercial real estate companies. Our gross rental income of EUR 100.7 million was virtually unchanged from the previous year (EUR 101.9 million) despite sales and the effects of the Covid-19 pandemic. This was primarily due to the acquisition of properties with strong cash flows and the extension of office leases on much better terms in some cases. We increased management fees by 27% to EUR 79.7 million and in a final flurry of activity at the end of the year laid the foundations for a sharp rise in fees that will be effective from 2021.

- In total, the Deutsche Immobilien Chancen Group employed 272 people at the end of the year (31 December 2019: 247). As at year-end, 41 employees worked in portfolio management, 166 in asset and property management and 65 in 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 managing existing properties and investment products through the DIC Onsite real estate management platform

TTL REAL ESTATE GMBH

- Investment in listed high-dividend real estate companies
- 7.81% interest in DIC Asset AG

PROJECT INVESTMENTS

Project developments

- Attractive project developments in the higher-value segment
- Sale after value added

Joint venture investments

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

OWN REAL ESTATE MANAGEMENT IN THE GROUP

- Eight offices with over 200 experienced real estate professionals
- Strong presence throughout the German commercial real estate market
- Successful, continuous letting performance

Corporate structure

The Deutsche Immobilien Chancen Group is one of the leading investment companies for commercial real estate. The focus of its 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 a sustainable, steady stream of rental income with their portfolio properties (Commercial Portfolio). The properties are managed and optimised according to specific property objectives by the Group's own property management team, increased in value through developments and redevelopments, and sold once the value added has been realised if the market conditions are favourable. 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). We also act to a lesser extent as a co-investor and generate investment income from minority interests. The Deutsche Immobilien Chancen Group generates dividend income and interest income via TTL Real Estate GmbH.

// Own asset and property management and development platform with eight offices throughout Germany, enabling expansion of property management services for third parties

// Commercial portfolio with cash flow-oriented direct real estate investments

// Institutional Business with income from structuring and managing investment vehicles – pool funds, club deals and individual mandates – for national and international institutional investors.

DIC ASSET AG

Our investee DIC Asset AG generates continuous income from complementary activities in its two business segments, Commercial Portfolio and Institutional Business. All activities are based on and guided by our profound management expertise.

The Group's hybrid business model with multiple earnings pillars makes it less dependent on market cycles and constantly presents it with yield enhancement opportunities. Strong financing and structuring expertise enables the Group to securely arrange and rapidly execute transactions and investments. FFO, which does not include profits on sales, rose from EUR 95.0 million to EUR 96.5 million, which also shows that selling properties has not affected the substance of the business. Including sales profits, FFO II amounts to EUR 128.5 million after EUR 135.5 million in the previous year. DIC Asset AG set a new transaction record in 2020, with EUR 2.5 billion of commercial real estate taken up.

Complementary income and investment structure: fully profitable business model

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

Commercial Portfolio

The Commercial Portfolio segment (EUR 2.0 billion in assets under management) includes portfolio properties owned by DIC Asset AG. DIC Asset AG generated continuous cash flows from stable rental income in this segment. The Company also uses active management to increase the properties' value and realises profits by selling them.

Institutional Business

In its Institutional Business segment (EUR 7.6 billion in assets under management), DIC Asset AG generates recurring fees from offering our property services to national and international institutional investors and from structuring and managing investment vehicles with attractive dividend yields.

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

PROJECT INVESTMENTS

Following the sale of all joint venture properties 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. Spring 2021 saw the completion and handover to tenants and buyers of the WINX Tower on the MainTor site. All joint venture properties have thus been sold. Here, the Deutsche Immobilien Chancen Group is still busy with post-completion issues such as corrective action. Both Junges Quartier Obersendling and the WINX Tower continue to be managed by the Deutsche Immobilien Chancen Group for the new owners.

GROUP FUNCTION OF THE DEUTSCHE IMMOBILIEN CHANCEN GROUP

Group companies of Deutsche Immobilien Chancen AG & Co. KGaA is the parent of the Deutsche Immobilien Chancen Group. It directly and indirectly controls around 34.6% of the shares in SDAX-listed DIC Asset AG via subsidiaries and its 50% equity interest in TTL Real Estate GmbH. A total of 7.8% of the aforementioned shares in DIC Asset AG are held via TTL Real Estate GmbH. Deutsche Immobilien Chancen AG & Co. KGaA and TTL Real Estate GmbH finance their equity investments through equity capital, financing from shareholders and bank loans.

REPORT ON ECONOMIC POSITION

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

Despite the coronavirus pandemic, the Group's course of business has been very successful, and we have met all of our targets in the Group.

In the 2020 financial year, the considerable crisis resilience and stability of our investee DIC Asset AG's business model was demonstrated by the profitability of its real estate platform. Despite the challenges posed by the Covid-19 pandemic, the Company's FFO once again reached a new record high of EUR 96.5 million. An exceptional end to the year dominated by a multitude of transactions also laid the strategic foundations for the future growth of the real estate platform. The target of EUR 10 billion in assets under management has already been achieved by the start of 2021.

The 2020 financial year was initially impacted by the effects of coronavirus and the associated restrictions on public life, which were particularly palpable across all areas of the economy during the second quarter. Our investee DIC Asset AG adjusted its forecasts for the 2020 financial year at the start of April, largely due to lower-than-expected transaction activities for the rest of the financial year.

Proactive management was able to significantly minimise tenant credit risks triggered by the pandemic.

The Covid-19 pandemic also affected various tenants from the Commercial Portfolio of our investee DIC Asset AG. The company worked proactively with directly impacted tenants, primarily from the retail and hotel sectors, to agree individual arrangements aimed at providing short-term relief. Generally speaking, rents were adjusted for three months and contract terms were extended at the same time. The largest affected tenant in the Commercial Portfolio was GALERIA Karstadt Kaufhof GmbH, with whom new contractual terms for two locations were agreed. DIC Asset AG also worked quickly to ensure the subsequent use of another location. Proactive management, combined with the local presence of lettings teams, has played a major role in enabling DIC Asset AG to significantly minimise the risk of rent losses associated with coronavirus. Thanks to our successful lettings efforts, the interim lease expiry volume was at a lower level at the start of the year than in previous years, enabling us to focus our letting plans on lease renewals in 2020. Demand among tenants for early lease renewals also grew as a result of the Covid-19 pandemic. As a result, the overwhelming majority of leases concluded in terms of square-metres during the past financial year were lease renewals at 71% (192,600 sqm), with 29% (77,300 sqm) attributable to new leases.

The key portfolio figures for the Commercial Portfolio of our investee DIC Asset AG again improved considerably. This was driven by our lettings efforts and by completing attractive acquisitions and sales to optimise the portfolio. As a result of successful repositioning work within the portfolio, DIC Asset AG generated EUR 242 million in notarised sales, with selling prices an average of 20% above the most recently determined market values. This resulted in sales profits of around EUR 32.0 million at the level of DIC Asset AG. Gross rental income remained stable at the same level as in the previous year at EUR 100.7 million. The average lease term improved from 6.0 to 6.5 years, primarily due to the conclusion of long-term leases. The EPRA vacancy rate was reduced by 110 basis points year-on-year from 6.5% to 5.4%.

Strong growth also continued in the Institutional Business of our investee DIC Asset AG in 2020. The Group's enduring track record and the high level of trust shown by institutional investors in the real estate platform, which has experienced strong growth for several years, is paying off in this segment. On-demand services cover a wide range of real estate services offered across the entire integrated platform of DIC Asset AG. Assets under management increased by 33% to EUR 7.6 billion due to the significant number of transactions completed during the past financial year. As a result, the management fees generated from ongoing management and transaction activities rose by 27% year-on-year to EUR 79.7 million.

On the transaction side of DIC Asset AG, a new record was set during the past financial year with a total volume of EUR 2.5 billion. This once again demonstrated the considerable agility and effectiveness of DIC Asset AG's transaction teams. It also meant that the transaction targets adjusted in April in light of the Covid-19 pandemic were significantly exceeded. Notarisations of acquisitions and sales in December alone amounted to EUR 1.6 billion, which meant that the previous year's record figure of EUR 2.2 billion was once again surpassed. In December 2020, the largest open-ended real estate fund to date with a target volume of EUR 1.6 billion was launched. This fund invests in core office properties with long-term leases and first-class tenants. A seed portfolio of four properties has already been secured, including one property from the Commercial Portfolio that had previously been extensively modernised by DIC Asset AG.

Record transaction volume of EUR 2.5 billion

To achieve profitable growth with a broader range of real estate products and services, the business of our investee DIC Asset AG was strengthened with another strategic acquisition, having previously purchased the GEG German Estate Group during the 2019 financial year. In December 2020, DIC Asset AG acquired 100% of the shares in RLI Investors GmbH ("RLI Investors") as well as a 25% non-controlling interest in Realogis Holding GmbH ("Realogis") for a purchase price of around EUR 42 million. The transfer took place in January 2021. By acquiring the second-largest independent asset manager in the logistics sector, our investee DIC Asset AG has gained experienced logistics experts and a strong brand in this industry. Realogis is an important player in the lettings and investment business for logistics properties in Germany. This brings DIC Asset AG even closer to the logistics market, enabling it to use the added specialist knowledge to effectively implement our growth strategy. Incorporating RLI Investors into the real estate platform of DIC Asset AG strengthens expertise in an additional asset class in both business segments of DIC Asset AG. This has also expanded the Institutional Business investor base and made a broader product range available. The growth planned for business in the logistics market is accelerated by combining the fundraising capabilities of DIC Asset AG with the product expertise of RLI Investors. As a result, the Group can offer both institutional investors and RLI Investors' existing investors a broad spectrum of opportunities to invest in various asset classes and build on its first-class expertise and management quality in all areas.

Expansion of the Logistics business through strategic acquisition of RLI Investors

Consequently, DIC Asset AG's real estate assets under management rose considerably by 26% to EUR 9.6 billion by the end of 2020 – and have already passed our target of EUR 10 billion in assets under management when including the acquisition of RLI Investors that was completed in January 2021.

In addition to the operating successes achieved by our investee DIC Asset AG during the past 2020 financial year, further important functions and structures were embedded and expanded at our investee. At the start of 2020, a new branch office for the West region was opened in Cologne, adapting the company's local presence to reflect dynamic growth in assets under management. The Commercial Portfolio of DIC Asset AG was expanded with various acquisitions in the Stuttgart metropolitan area, and a new branch office in Stuttgart was opened to effectively manage and interconnect our activities there. **DIC Asset AG now has a direct local presence in all top 7 cities across Germany.**

Total income at the level of our investee DIC Asset AG was very high in the 2020 financial year at EUR 321.1 million. **At EUR 96.5 million, FFO exceeded the previous year's figure to reach another record high.** In addition to the considerable increase in real estate management fees, optimising the financing structure also contributed to this rise. Profits from sales are not included in this figure. Overall, our investee DIC Asset AG achieved profit for the period (in accordance with IFRSs) of EUR 73.1 million (previous year: EUR 80.7 million).

At EUR 96.5 million, FFO posted by DIC Asset AG reached another record high

The Deutsche Immobilien Chancen Group can look back on a satisfactory year in spite of the Covid-19 pandemic. Along with the favourable course of business at DIC Asset AG mentioned earlier, the development project in Junges Quartier Munich was completed. As a result of the progress made in the development of the WINX Tower at the MainTor site, the property could be handed over to tenants and buyers in spring 2021.

We generated a profit for the period of EUR 45.9 million in the financial year, down from EUR 102.7 million in the previous year, in which earnings had been boosted by the one-off proceeds of EUR 76.9 million from the sale of the equity investment in TLG. As in the previous year, the share of profit or loss attributable to shareholders of Deutsche Immobilien Chancen AG & Co. KGaA was EUR 7.1 million.

BUSINESS AND MACROECONOMIC ENVIRONMENT

Macroeconomic trends

Covid-19 pandemic throws politics, the economy and society into stop-start modes

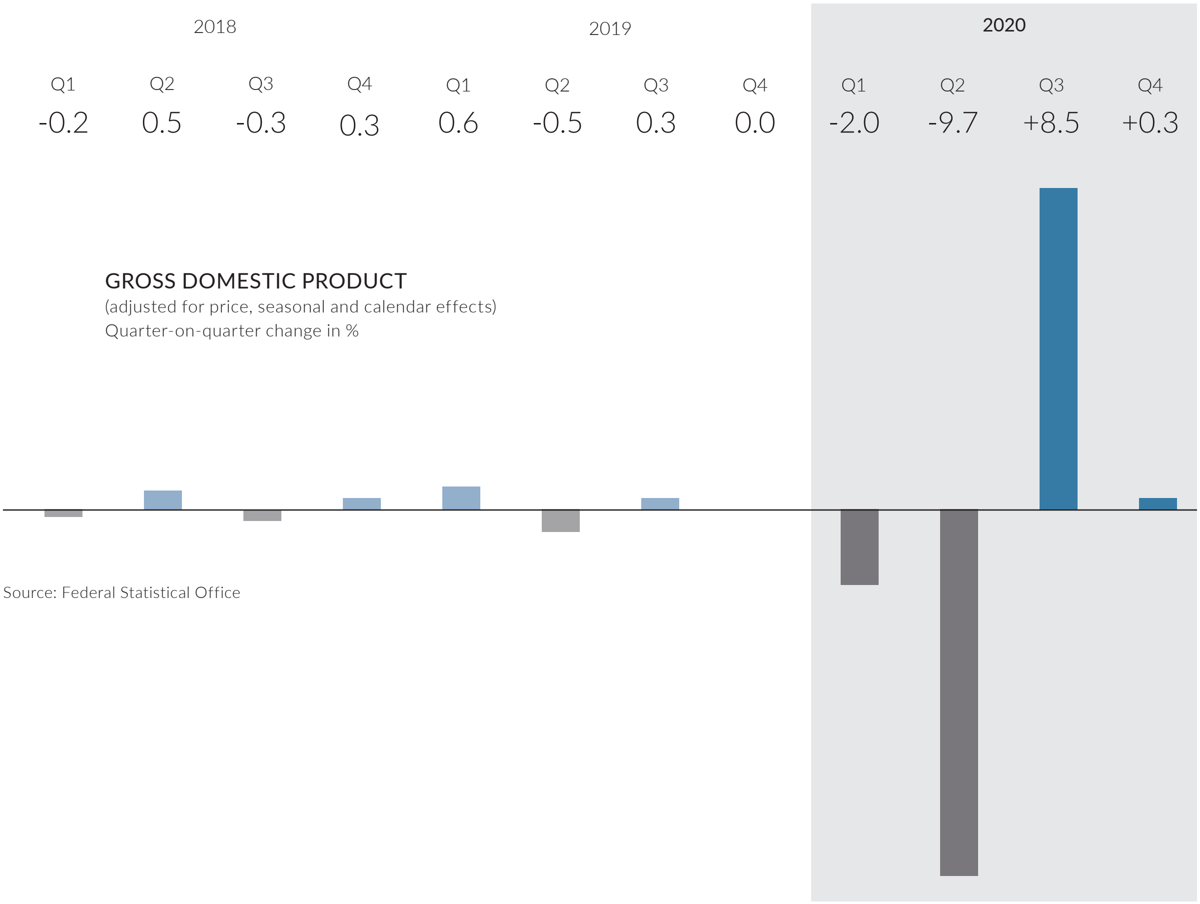
The year 2020 was dominated by the Covid-19 pandemic, the social and economic impact of which outweighed all other global issues such as the trade war between the USA and China, the presidential election in the USA, and Brexit.

The outbreak of the Covid-19 pandemic at the beginning of the year abruptly brought the economies of many countries to a virtual standstill within just a few weeks. Governments around the world imposed measures, some of them severe, to restrict travel, movement and personal contact. Central banks and national governments tackled the crisis with strong monetary and fiscal policy stimuli to prevent the economic slump from spreading to the global financial system.

The measures taken to limit the spread of the pandemic's first wave in the spring took effect in early summer, and the lifting of restrictions triggered a strong recovery in economic activity over the summer. Hopes that this rapid rate of recovery would continue suffered a temporary setback as increasing signs of a second wave of infections appeared across Europe in late summer and autumn, leading to new restrictions on public life and the economy towards the end of the year.

The German economy weathered the crisis well compared to other countries

The wave-like spread of the pandemic was also reflected in extreme movements in Germany's economic output. The second quarter recorded a historic slump in GDP of -9.8% as a result of the coronavirus outbreak and the first lockdown. This was followed by a similarly strong economic recovery in the third quarter once the first wave of the pandemic had subsided and restrictions were loosened, supported by the sweeping economic stabilisation programmes introduced by the federal government. Industrial production recovered rapidly, with retail sales returning to pre-crisis levels and GDP rising by 8.5%. While the second wave of infections accompanied by partial lockdown from November onwards slowed down this economic recovery, there was no decline in gross domestic product compared with the spring. Most importantly, the industrial sector was significantly less impacted by the latest restrictions, as the measures are more narrowly defined and focus on particularly contact-intensive sectors. In the end, GDP for the fourth quarter showed a 0.3% increase compared with the previous quarter.



Source: Federal Statistical Office

The federal government's early intervention cushioned the economic losses caused by the coronavirus pandemic in Germany. The rapid approval of an uncomplicated support package in March limited the short-term impact of the first lockdown. According to the Federal Ministry of Finance, all of the measures adopted until the summer – which were also collectively referred to as a "coronavirus shield for Germany" – included more than EUR 350 billion in budgetary measures as well as almost EUR 820 billion in guarantees, tax support measures and increased, far-reaching regulation to provide compensation for short-time work in order to protect jobs.

The Federal Statistical Office is forecasting a price-adjusted decline in GDP of 4.9% for the full year, which is significantly more moderate than in other major European economies. China is the only major economy in the world to have managed to prevent a second wave of coronavirus so far, and has continued to record GDP growth of 2.3%.

This in turn benefits Germany as an exporting country, with industrial production proving to be the main growth driver at the end of the year. Exports unexpectedly rose by 2.2% month-on-month in November, primarily as a result of robust demand from China.

Construction investments and government spending prevent a more severe contraction

As a result of government measures to limit the spread of coronavirus and the restrictions subsequently enforced, consumer spending by private households dwindled by 6.3%. Foreign trade and investments in equipment also fell sharply (-12.1%) due to production and demand shortfalls as well as interruptions to supply chains.

The 3.3% increase in government spending provided a boost to the economy. This included higher pandemic-related healthcare expenditure, including procurement costs for PPE, testing kits and masks as well as the costs of creating additional intensive care capacity.

The coronavirus pandemic has impacted virtually every area of the economy. The sometimes severe production restrictions during the first lockdown led to substantial declines in added value in the manufacturing industry excluding construction as well as in several services sectors – particularly temporary employment, the hotel and hospitality industry and the leisure sector.

By contrast, construction remained unaffected and prevented an even sharper slump in economic output with a 1.9% increase in added value.

There were also industries within the services sector that benefited from the coronavirus crisis. Despite closures in bricks-and-mortar retail, retail sales increased by 4.1% in real terms, with online and mail-order retail generating the highest revenue growth, while sales of furniture, household appliances and building materials also rose significantly.

German labour market largely stable overall

Although the coronavirus pandemic left its mark on the German labour market, the impact was moderate compared to other countries worldwide. The package of measures introduced by the federal government, with easier access to short-time work compensation, which had previously proven effective during the financial crisis, had a noticeable impact. At the peak in April, almost six million people were in short-time work, which is equivalent to 18% of all employees subject to social security contributions. The Federal Employment Agency calculates that the use of short-time work has secured jobs for around one million employees.

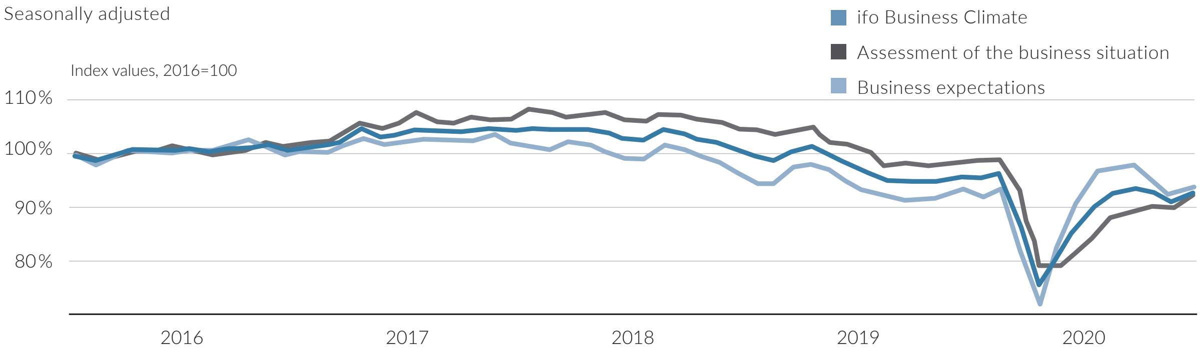
After a sharp turning point at the first peak of the coronavirus crisis in April with a 0.7 percentage point increase in unemployment, job losses slowed considerably during the rest of the year. The unemployment rate reached an annual high of 6.4% in August before declining until the end of the year.

While part of the economy returned to a “new normal” thanks to adapted distance and hygiene regulations, those sectors particularly impacted by restrictions on public movement such as the restaurant, event and hotel industries, aviation and bricks-and-mortar retail scrambled to develop viable solutions before being confronted with a second lockdown from November onwards.

To date, the second lockdown has had hardly any visible impact on the labour market. Only the cyclical short-time work reported by the Federal Employment Agency rose, but not by nearly as much as in the spring and primarily in the hotel and restaurant sector. The unemployment rate fell further from 6.0% to 5.9% between October and December to end the year one percentage point higher than the previous year’s level.

IFO BUSINESS CLIMATE GERMANY*

Seasonally adjusted



Source: ifo business surveys, December 2020

* Manufacturing industry, service sector, trade and construction industry

The annual average number of people in gainful employment fell by around 1.6% to 44.8 million. In terms of employees subject to social security contributions, the decline compared to the previous year – which, according to the latest figures available from October, was only 0.3% – was concentrated in manufacturing, temporary employment, the metal and electronics industry and the hospitality sector. By contrast, many other sectors recorded an increase compared to the previous year, with a particularly sharp rise in employment seen in healthcare, the care and social sector, the public sector and construction.

Hopes of a return to normality

Global efforts to develop a vaccine against coronavirus bore fruit within what previously would have been considered an impossibly short timeframe. The first vaccines received emergency approval after less than a year of development work, providing a dash of optimism at the end of the year and raising hopes of a quick return to normality.

Two other events provided an additional positive boost at the end of the year. Firstly, Joe Biden's victory in the US presidential election increases the chances of being able to develop common solutions to global challenges such as the Covid-19 pandemic and climate change, while the trade agreement reached between the EU and the United Kingdom in the last few days of the year, thus avoiding a hard Brexit, also came as a relief.

The ifo Business Climate Index, which reflects German companies' assessment of the business situation and their expectations for the next six months, also rose again initially in December after declining in October and November as a result of the second wave of the pandemic. Although the Index ended the year lower than its starting figure of 95.5 at 92.2, this marked a considerable recovery from its dramatic decline in April with low of 74.2 points. However, the ifo figure dropped again to 90.1 in January 2021 due to the deterioration in business expectations caused by the extension of the second lockdown.

Many economic researchers expect the German economy to recover from the shock of coronavirus. The speed of this economic recovery and that of the labour market will depend partly on the success of lockdown measures but mostly on how long it takes to carry out vaccinations.

Germany's leading economic research institutes are currently predicting GDP growth within a broad range of 2.8% to 4.9% in 2021.

Central banks implement highly expansive monetary policy

Central bank and national government interventions prevented the slump in the real economy from spreading to the global financial system. According to a statistic from Bank of America, central banks introduced 190 interest rate cuts worldwide within one year. This, together with the massive increase in bond purchases, enabled governments to take on historic levels of debt for support and stimulus packages.

In March, the ECB announced the Pandemic Emergency Purchase Programme (PEPP) with a volume of EUR 750 billion for the purchase of government and corporate bonds. The programme was increased by a further EUR 600 billion in June and extended until June 2021. In December, the total volume was increased by an additional EUR 500 billion to just under EUR 1.9 trillion and prolonged until March 2022.

The key interest rate in the eurozone remained at 0%, while the deposit rate for commercial banks that park their money with the ECB stayed at -0.5%.

Despite the expansive monetary and fiscal policy, the inflation rate remained well below the ECB's 2% target, coming in at -0.3% between September and December 2020. In light of the global challenges facing the economy and the sharp increase in government debt, economic researchers are not anticipating a hike in key interest rates in the near future, even in the event of a potential increase in inflation.

The enormous bond purchase programme has once again increased the pressure on yields of highly-rated government bonds. For example, the average yield on ten-year Bunds reached a historic low of -0.47% in 2020.

Sector trends

Investor confidence intact in real estate investment market

As recently as the first quarter, it looked as though the commercial real estate investment market would break all records. With a transaction volume of around EUR 17.3 billion, this market made an exceptional start to the year and exceeded the previous year's figure by around 60 % despite the imminent first wave of the Covid-19 pandemic. However, investment momentum stalled in the second quarter as review and decision-making processes took longer due to coronavirus, while the majority of foreign buyers without a local presence were cut off from the market.

Increased risk aversion among investors also meant that a large part of demand was focused on core properties with limited availability, long-term leases and blue-chip tenants. The impact of travel, movement and contact restrictions resulting from the Covid-19 pandemic amplified sectoral market transformation trends and triggered a shift in investor preferences. Demand for logistics properties increased, while the environment for investments in the retail and hotel sectors was challenging.

In the fourth quarter, investment volume once again rose significantly compared to the two previous quarters, increasing to EUR 17.4 billion. However, this figure fell far short of what appeared to be a record-breaking EUR 27.9 billion seen in the fourth quarter of 2019.

According to JLL commercial transaction volumes totalled EUR 56.4 billion for the full year, while Savills and BNPBR calculated commercial transaction volumes of EUR 58.8 billion and EUR 59.7 billion, respectively.

As a result, although JLL stated that the commercial investment market closed the year 19% down on the previous year's figure, it still was the fourth-best annual result in the last ten years. This once again demonstrates investors' consistently high level of confidence in the German real estate market.

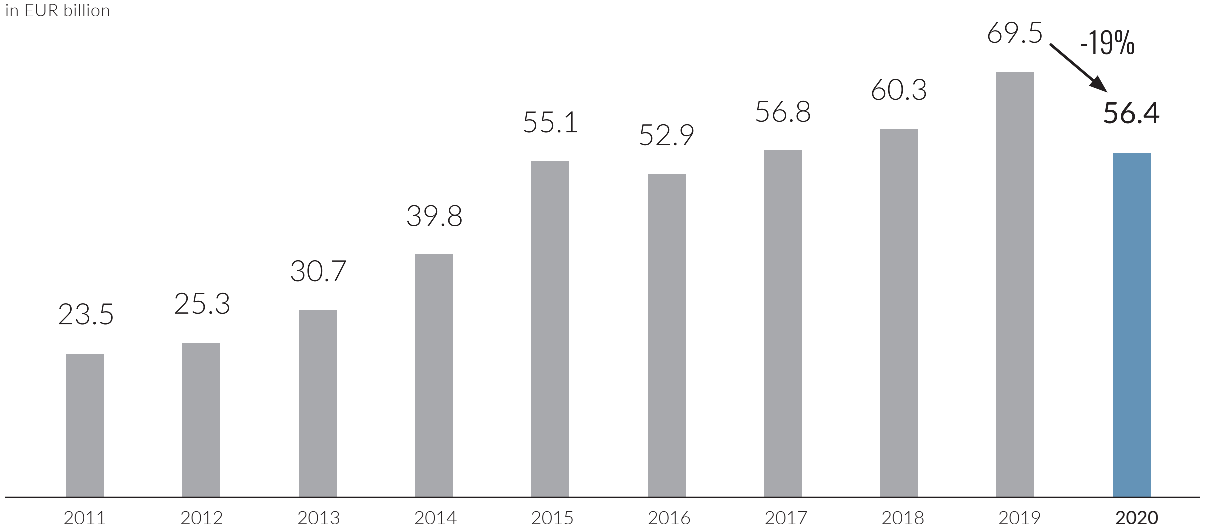
Transaction volumes fall in top seven locations, rise in B and C-locations

According to BNPPRE, revenue in the seven A-locations declined by 30% to EUR 32.4 billion. With the exception of Hamburg, all of these cities were forced to accept losses, some of them significant, ranging from -13% in Düsseldorf to -57% in Cologne.

Berlin once again led the way in 2020 with transaction volumes of almost EUR 9 billion, followed by Frankfurt with EUR 6.5 billion. Volumes in Hamburg increased by 26% to EUR 5.5 billion to take third place ahead of Munich.

Colliers attributes the fall in transaction volumes at the top 7 cities to the lack of core products and the deferral of transactions until next year.

GERMAN COMMERCIAL REAL ESTATE TRANSACTION VOLUME
in EUR billion



Source: JLL

In contrast to the top 7 cities, transaction volumes in B and C-locations rose slightly by around 2%, significantly increasing their share of overall transactions from 37% to approximately 46% in 2020.

Office properties remain top of the pile when it comes to asset classes at around 41%, even through their share of the market decreased compared to the previous year. Unsurprisingly, the focus here is increasingly on the core segment with its secure cash flows. Demand for stable long-term real estate investment products is still being driven by a lack of investment alternatives.

At first glance, the growing share of retail investment appears strange, as this segment has long been under pressure to adapt in the face of digital transformation and, together with hotels, is one of the sectors most severely impacted by the Covid-19 pandemic. On closer inspection, however, it becomes clear that there is a disproportionate increase in investments in crisis-resistant areas of this market, including supermarkets and discounters, which have increased their share of retail investments from around 40% to a new record high of around 57%.

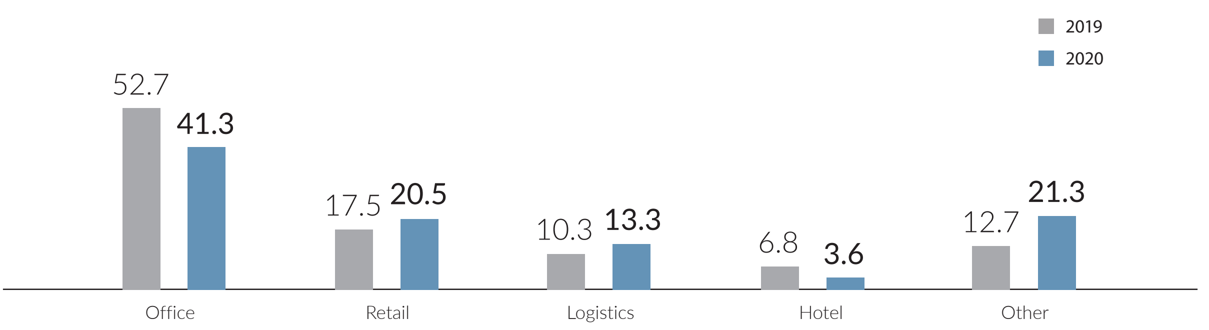
As expected, there was also stronger demand for logistics properties. These profited from the way in which Covid-19 intensified the trend towards online shopping, together with an increased requirement for goods logistics and higher demand for space in local and regional distribution centres.

According to BNPPRE, the market share of international investors in the German real estate investment market remained virtually unchanged at around 40% (2019: 41%). The competition for core and core-plus properties further underlined the fact that Germany enjoys an outstanding reputation as a safe haven among international investors. Low interest rate policies around the world together with the liquidity glut caused by bond purchase programmes also play their part.

Yields declining further in core segments due to persistently high investment pressure

High demand for properties characterised by stable cash flows in crisis situations led to a further decline in yields in these segments, with prime yields on core properties in the top office markets falling by 12 basis points to 2.81% (2019: 2.93%). Logistics properties, which have become increasingly popular with investors, also saw their yields fall by 37 basis points to 3.38%. In the retail segment,

SHARE IN TRANSACTION VOLUME
in %



Source: BNP Paribas Real Estate

yields on sought-after retail parks dropped by 30 basis points to 3.90%, while those for individual specialist stores decreased by 40 basis points to 4.60%. By contrast, shopping centre yields rose by 35 basis points to 4.85% as a result of the crisis in bricks-and-mortar non-food retail.

Office property rental market: wait-and-see and a search for the future "new normal"

The impact of the Covid-19 pandemic was more apparent in the commercial property rental markets. Uncertainty about the depth of the recession and the possible consequences of the pandemic made companies less willing to hire people and caused them to shelve relocation plans. Marked restraint could be seen particularly in the case of large-scale rentals upwards of 10,000 sqm. The Covid-19 activity also led companies to suddenly give greater priority to considering more flexible forms of work, fast-tracked digitalisation and hence decentralised working that is decoupled from corporate offices to a certain degree.

JLL puts annual take-up of office lettings in the top 7 cities at just 2.7 million sqm, down around 34% on the prior-year figure. Take-up declined in all of these locations.

The volume of space available at short notice (including sublet space) rose by around 23% to 3.5 million sqm towards the end of 2019. With regard to the trends in vacancy rates, substantial differences between the individual regions could be observed: while the vacancy rate in Stuttgart fell by a further 20 bp to 2.1% and remained stable in Hamburg at 3.0%, the vacancy rate in the other locations rose particularly sharply by 100 bp in Berlin (to 2.8%) and Düsseldorf (to 6.8%) and by 120 bp in Munich to 3.5%. The aggregated vacancy rate reached an average of 3.7%, up from 3.0% in the previous year. Vacancy rates thus remained far from an oversupply, even though the number of completions had increased in the meantime. The pandemic did not change the situation in many of the top locations, where the office rental market is almost fully occupied.

Some completions were delayed or postponed during the year, which meant that the volume forecasts of 1.9 million sqm made at the beginning of the year were not reached. Overall, 1.5 million sqm came onto the market in 2020, an increase of 29% on 2019, 84% of which was already pre-let by the completion date. JLL notes that 4.5 million sqm is planned or under construction throughout the top 7 cities for 2021 and 2022, half of which is already pre-let for 2021.

High-quality space in good locations still sought after

Despite the significant decline in lettings by square metre, no nominal declines in rent prices were observed; in Stuttgart, Hamburg and Berlin, prime rents actually increased further. JLL notes, however, that owners have provided more incentives in the form of rent-free periods and expansion allowances, with a trend towards 5–10% of nominal rents on a ten-year lease. As regards leases running for shorter terms, the researchers have witnessed a contrary trend, with a flexibility premium in negotiated rents. The rise in rent incentives observed on average as a consequence of Covid-19 does not apply across the board, nor are all market players equally involved in these. Such incentives rather take the form of packages selectively put together between landlord and tenant in an effort to stabilise business plans, provide liquidity assistance and optimise properties in compliance with changed distancing and hygiene rules.

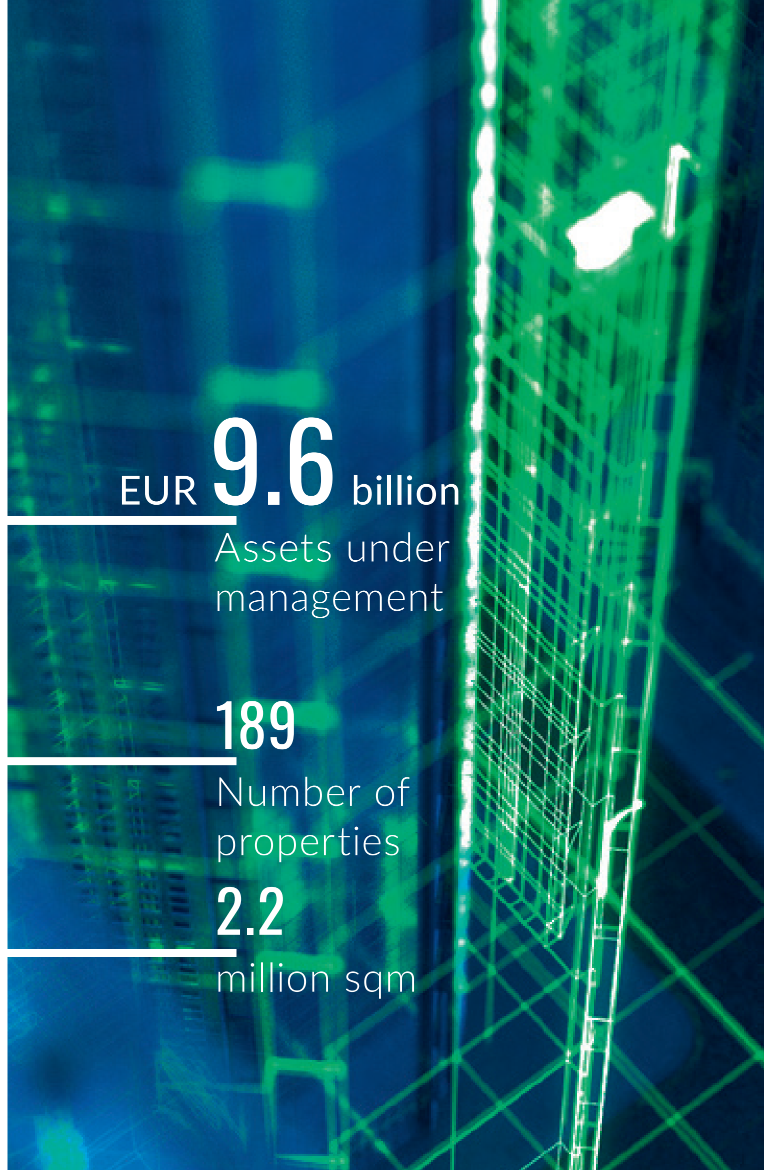
The suspension of decisions during the acute Covid crisis continues to put tenants with expiring leases under intense pressure, and the newly introduced distancing and hygiene rules have also created a need for change. Estate agents estimate that this has created potential for catch-up effects that may also more than compensate for continued uncertainty at senior management levels.

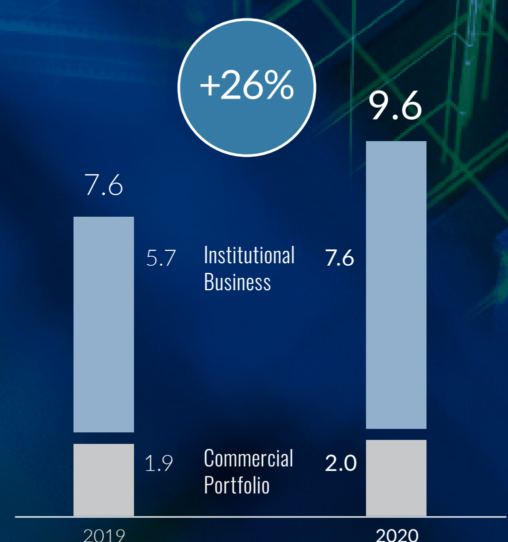
COURSE OF BUSINESS

Overall portfolio of DIC Asset AG

The course of business in the Deutsche Immobilien Chancen Group was significantly shaped by the business of DIC Asset AG. As of the 31 December 2020 reporting date, the real estate assets under management of DIC Asset AG comprised 189 properties with total rental space of around 2.2 million sqm. In the 2020 financial year, DIC Asset AG took its investment, transaction and management platform to a new level, dynamically driving forward both its operating business and strategic development. Real estate assets on the asset management platform grew by more than 25%, rising from EUR 7.6 billion in the previous year to EUR 9.6 billion.

Of this figure, around EUR 2.0 billion was attributable to the directly held Commercial Portfolio and EUR 7.6 billion to the Institutional Business, which comprises fund properties and individual mandates of institutional investors.

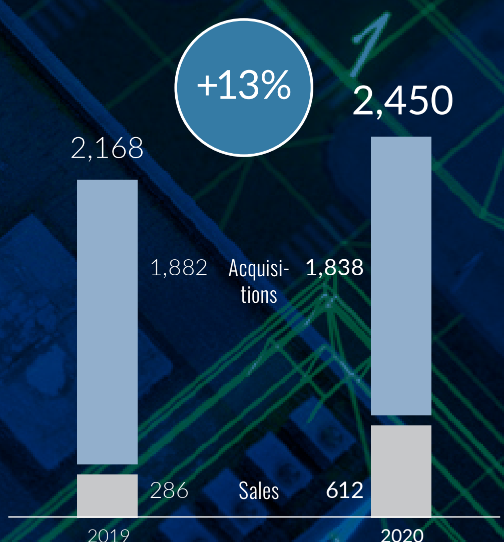




ASSETS UNDER MANAGEMENT
in EUR billion

Our investee DIC Asset AG:
STABLE BUSINESS MODEL – AGILE MANAGEMENT

EUR 2.5 billion
Record transaction volume



TRANSACTIONS
notarised, in EUR million

➲ Transaction targets exceeded thanks to agile management approach

The DIC Asset AG transaction team managed to reach all of its planned targets for financial year 2020. This means that in the end the acquisition target that had been adjusted to EUR 700 million to 1.1 billion during the year in light of the pandemic was significantly exceeded and more than planned was achieved on the sales side as well.

Thanks to a strong finish to the year – with EUR 1.6 billion of transactions notarised in December alone – the previous year's record figure (EUR 2.2 billion) was surpassed with a transaction volume of EUR 2.5 billion.

With acquisitions amounting to around EUR 1.8 billion across both segments, DIC Asset AG eclipsed both the latest forecast of EUR 200 to 300 million for the Commercial Portfolio and EUR 500 to 800 million for the Institutional Business (EUR 700 to 1,100 million overall) due mainly to large-volume acquisitions. With a volume of around EUR 1.6 billion, almost 90% of all acquisitions were made for the Institutional Business, while properties with a total volume of EUR 213 million were acquired for the Commercial Portfolio.

A total of 16 individual properties were acquired: four high cash-flow properties with a total investment volume of around EUR 213 million were purchased for the Commercial Portfolio. Three of the new acquisitions with a volume of around EUR 189 million were transferred to our portfolio before the end of 2020.

Twelve properties with a volume of around EUR 1.6 billion were acquired for institutional investors. The transfer of five of them took effect in the past financial year. Of the other seven new acquisitions with a volume of around EUR 1 billion, one property was transferred on 1 January 2021, and we expect the transfer of possession, benefits and associated risks for four properties to happen in the first half of 2021. Five properties with a volume of around EUR 0.8 billion that were notarised in 2019 or earlier were added in 2020.

Two project developments acquired under forward deals are expected to be transferred to the managed investment vehicles after completion in 2022.

➮ Sales transactions significantly above projections at EUR 612 million

Sales were notarised for 10 properties totalling EUR 612 million: five of them representing a volume of around EUR 242 million for portfolio optimisation and income realisation from the Commercial Portfolio and four properties representing a combined volume of around EUR 370 million as part of our active fund management mandates.

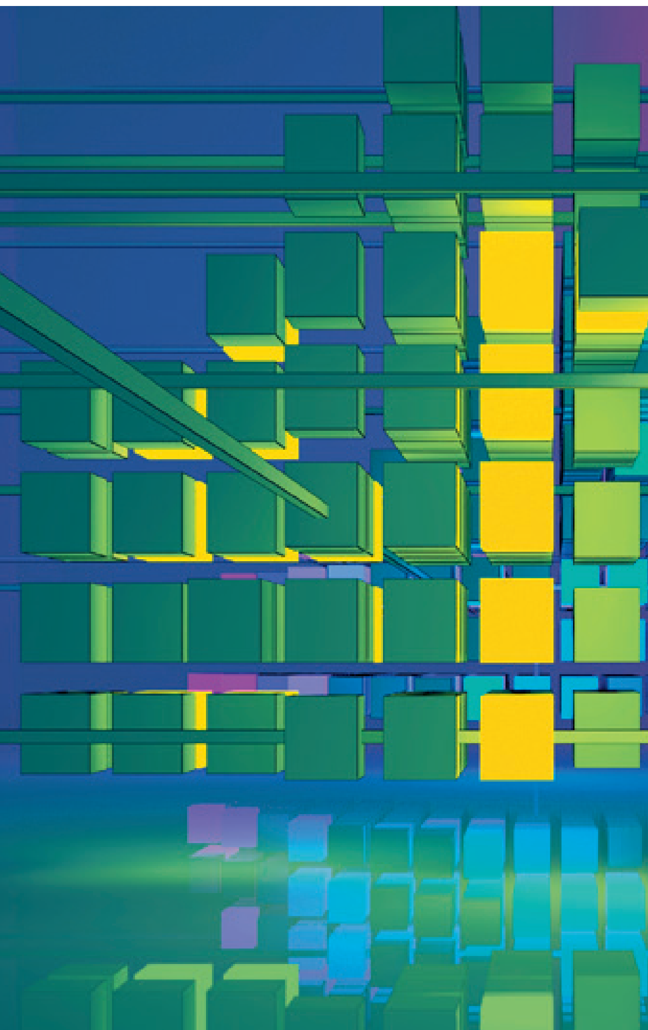
DIC Asset AG therefore exceeded its annual target, which envisaged sale proceeds of around EUR 400 million, by more than 50%. The transaction prices achieved in the 2020 financial year were around 20% higher than the most recently determined market values.

Strategic expansion of the logistics asset class

In December 2020, DIC Asset AG acquired 100% of the shares in RLI Investors GmbH (“RLI Investors”) as well as a 25% non-controlling interest in Realogis Holding GmbH, Munich ("Realogis") for a purchase price of around EUR 42 million.

This acquisition enabled DIC Asset AG to enhance its specialist expertise and secure a well-established network in the logistics sector.

The transfer took place in January 2021. The acquisition of RLI Investors increases our assets under management by more than EUR 700 million. RLI’s current investors also provide an excellent complement to DIC Asset AG’s investor base.



Stabilising effect of DIC Asset AG's regional diversification is reflected in attractive gross rental yields

Regional development: presence completed in all top 7 cities, yields remain well above market average

The regional diversification of the rental space shifted only slightly in favour of economically strong regions compared to the previous year as a result of the acquisitions and sales that took effect during the financial year and the completion of project development and refurbishment activities. At the start of 2020, a new branch office for the West region was opened in Cologne, adapting the company's management capacity to reflect dynamic growth in assets under management. The region's share of the portfolio increased further to 31% (previous year: 29%), in particular due to the acquisition of the Stadthaus in Cologne with a volume of around EUR 500 million and more than 100,000 sqm of rental space. The increase in the Central region's share of the portfolio is primarily attributable to the completion of the WINX Tower project development in Frankfurt. Around 65% of the approximately 42,000 sqm of rental space was transferred to tenants during the year under review, while the remaining space were occupied in spring 2021. The extensive refurbishment of the Eurotheum in Frankfurt with around 23,000 sqm of rental space was also completed and the space was transferred into the portfolio following repositioning.

The portfolio in the Stuttgart metropolitan area was expanded for the long term by acquiring the multi-tenant "GATE NEUN" office building in Leinfelden-Echterdingen and the "LOOK 21" office property in the centre of Stuttgart. To provide optimum support for the acquired properties and further reinforce and interconnect activities in the region, a new branch office was opened in Stuttgart at the start of 2021. This means that DIC Asset AG now has a direct local presence in all top 7 cities across Germany.

While gross rental yields fell in all regions in line with the general market trend, they once again remained at a much higher level than the overall market observed by real estate research analysts at JLL: Due to the greater emphasis on regions and submarkets with higher yields, regional allocation resulted in an average gross rental yield of 4.1% (previous year: 4.5%). JLL reported an average office prime yield of around 2.8% at the end of 2020. The stabilising effect of regional diversification across Germany is once again reflected in the comparatively attractive yield of DIC Asset AG's overall portfolio.

REAL ESTATE MANAGEMENT

Letting activities focused on extending existing lease agreements

The DIC Asset AG real estate management teams dealt mainly with the extension of existing lease agreements during the year under review. Thanks to the outstanding efforts of our lettings teams and portfolio managers in recent years, the overall portfolio's volume of leases set to expire during the year was at a lower level at the start of the year (4.9%) than in the past. This meant that letting plans could focus on renewing even longer-term lease agreements. This trend intensified further during the year under review as a result of the Covid-19 pandemic, with tenants showing an increased desire for stability and a decreased appetite for relocations.

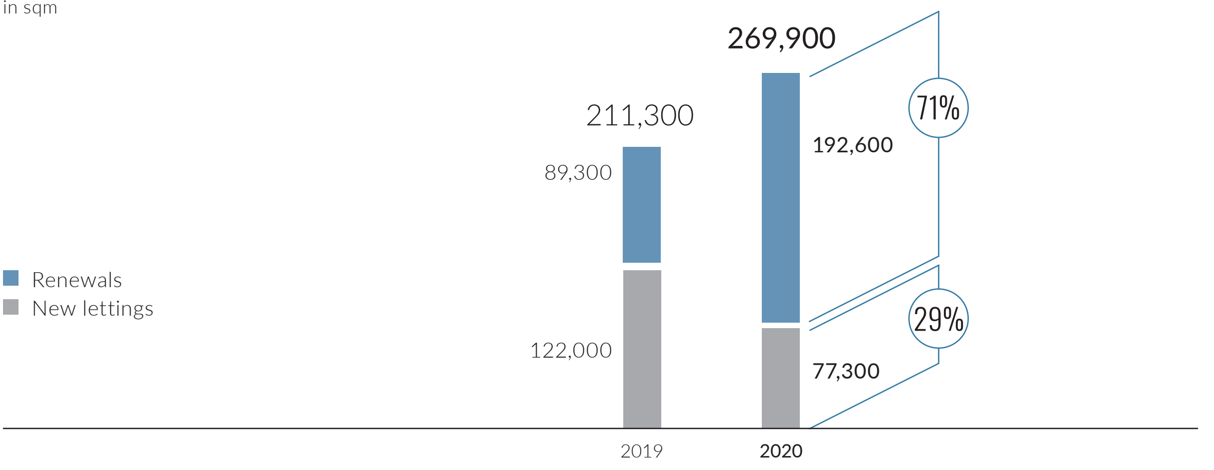
The DIC Asset AG lettings teams used this situation to extend many contracts, particularly in the office segment, and thus secured renewals totalling 111,300 sqm (2019: 51,600 sqm).

This means that, in contrast to the previous year, the overwhelming majority of concluded leases on a square-metre basis were lease renewals at 71% (192,600 sqm), with 29% (77,300 sqm) attributable to new leases. The proportion of high-volume leases concluded for rental space larger than 5,000 sqm increased to over 50% (2019: 45%).

Overall, the number of leases concluded rose by 18% from 201 in 2019 to 237 in 2020.

LETTING VOLUME BY TYPE OF LEASE

in sqm



➲ Active renewals: longer terms, higher rent levels

The increased desire for stability among tenants was also reflected in the fact that the average term of lease renewals rose in both segments of DIC Asset AG: to 4.5 years in the Commercial Portfolio (2019: 2.7 years) and 5.4 years in the Institutional Business (2019: 4.2 years).

In addition to the two major lease renewals with GALERIA Karstadt Kaufhof in Chemnitz and Leverkusen, DIC Asset AG also concluded large-volume leases with public-sector tenants for the Commercial Portfolio. The Free and Hanseatic City of Hamburg extended its lease for the Behördencenter Hamburg-Mitte property by three years until 2027, while the lease for an office property in Mannheim with the Landesbetrieb Vermögen und Bau Baden-Württemberg was also extended by around five years, which means the property is now fully occupied for approximately another eight years.

DIC Asset AG also increased rent levels significantly in some areas with active renewals, raising rents by 2.6% in the Commercial Portfolio when adjusted for the one-off effect of GALERIA Karstadt Kaufhof (including the effect: -13.5%) and by 6.1% in the Institutional Business.

Kaufhof locations in Chemnitz and Leverkusen secured, jobs safeguarded, leases extended

The GALERIA Karstadt Kaufhof chain of department stores called into question the future of the Kaufhof stores in Chemnitz and Leverkusen in a comprehensive restructuring plan developed as part of its insolvency protection proceedings ("Schutzschirmverfahren").

After intensive discussions, DIC Asset AG managed to find a viable solution for all parties and ensure the continued operation of the Chemnitz and Leverkusen locations. The average term of the leases under new contractual conditions was extended to more than 13 years, enabling DIC Asset AG to create an important foundation for protecting jobs and creating a vibrant city centre.

Adding value with active lettings management

Allianz Deutschland AG extended its existing lease for around 14,000 sqm of space by approximately eight years at improved terms. The resulting increase in value of the office property in Karlsruhe managed for a fund was realised by selling it to another investment vehicle managed by DIC Asset AG. The new investors were offered an attractive property with a strong cash flow and a tenant with a good credit rating – a win-win situation for all parties involved.

New leases: around 23,000 sqm leased at former Kaufhof location in Bremen

Unlike with lease renewals, interested parties were more hesitant to agree new leases due to Covid-19 restrictions and postponed these agreements in some cases. There was also a trend towards shorter terms, with an average of 5.2 years in the Commercial Portfolio (2019: 7.4 years) and 7.4 years in the Institutional Business (2019: 8.7 years). The largest new leases were concluded as part of the repositioning of the former GALERIA Karstadt Kaufhof location in Bremen. The rent being generated by the new multi-tenant configuration is at a similar level to pre-letting. Other significant new leases included the conclusion of a lease with the Institute for Federal Real Estate (Bundesanstalt für Immobilienaufgaben) in Bonn for 3,500 sqm of space with a term of more than 15 years and another with the Karlsruhe District Administrative Office (3,000 sqm for approximately five years).

Of EUR 33.2 million in contractually agreed annualised rent, 70% (EUR 23.1 million) was attributable to the Commercial Portfolio and 30% (EUR 10.1 million) to the Institutional Business.

Portfolio quality significantly enhanced, like-for-like rental income up 1.9%

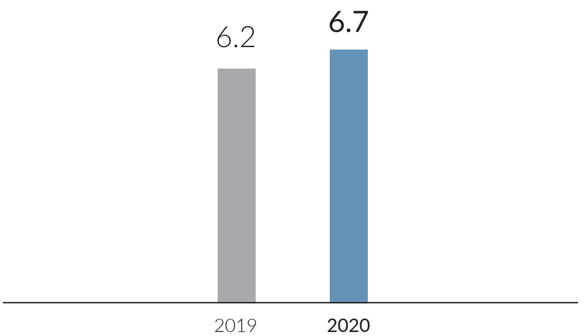
Thanks to the excellent efforts of DIC Asset AG's lettings teams and portfolio managers, the quality and profitability of the portfolio has increased markedly once again. The long end of the remaining term yield curve steepened considerably, With almost three-quarters (72%) of leases running for longer than four years (previous year: 64%), while leases with a term of up to one year account for just 4% (previous year: 5%).

While like-for-like rental income in the Commercial Portfolio fell by 3.1% due to the GALERIA Karstadt Kaufhof effect, like-for-like rental income in the Institutional Business rose by 4.3% due to the conclusion of more profitable leases. All in all, like-for-like rental income in the overall portfolio of DIC Asset AG increased by 1.9% to EUR 301.0 million (2019: EUR 295.3 million).

The average lease term increased by 0.5 years to 6.7 years (2019: 6.2 years).

AVERAGE LEASE TERM

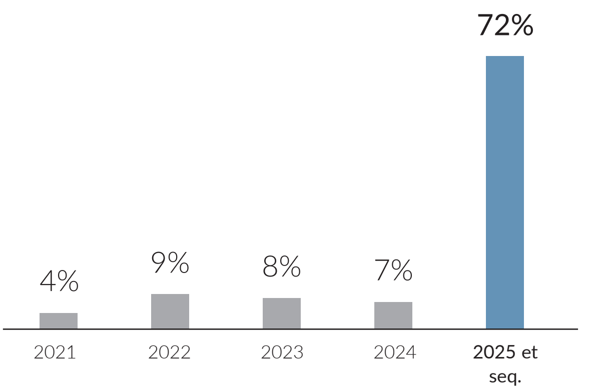
in years*



* excluding project developments and repositioning properties

LEASE TERMS

as at 31 December 2020, based on annualised rental income



Commercial Portfolio

DIC Asset AG's Commercial Portfolio segment comprises the direct real estate investments with which it generates stable long-term rental income. Furthermore, active lettings management is used to optimise and increase the value of properties, and undertake portfolio development activities to leverage their potential. DIC Asset AG takes advantage of attractive acquisition opportunities in the market to diversify the portfolio and stabilise and enhance its profitability, and realises profits by selling properties at the right time.

At the end of the financial year, the Commercial Portfolio of DIC Asset AG comprised 91 properties (previous year: 93) and rental space of 807,800 sqm (previous year: 842,400 sqm) with a market value of around EUR 2.0 billion (previous year: EUR 1.9 billion).

EUR 2.0 billion
market value

0.8 million sqm
rental space

91 properties

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

During the 2020 financial year, DIC Asset AG made three first-rate and high-yield acquisitions with a total volume of approximately EUR 189 million for its Commercial Portfolio, all of which were transferred in the reporting period.

In June, the acquisition of two high-quality office properties for around EUR 117 million (TIC) was notarised:

The “SAP-Turm” (SAP Tower) property in Frankfurt/Eschborn, built in 2018 and equipped with the “LEED Gold” green label, is being used by software company SAP. The building is defined by its modern architectural concept, high building quality and state-of-the-art technical equipment. The weighted average lease term is approximately 8.0 years.

The high-quality office building in Hanover boasts total space of around 9,350 sqm and is being leased by ING-DiBa. The weighted average lease term is approximately 9.5 years.

Together, both properties generate annual gross rental income of around EUR 4.5 million.

“GATE NEUN” in Leinfelden-Echterdingen, which was acquired in September for around EUR 72 million (TIC), is a multi-tenant office building in an ideal location right on the A8 in the Stuttgart metropolitan area. This property is being refurbished and is already generating rental cash flows from an existing tenant. Two further tenants have been confirmed and will move into their space in 2021. DIC Asset AG is also profiting from the high potential for value creation by achieving full occupancy by the time the modernisation work and letting phase is complete. The project will be completed during the second quarter of 2021. With full occupancy expected by the end of 2021 at the latest, the property will generate an attractive gross rental yield of around 5.3%.

➲ Acquisition of a logistics property in warehousing

In December, DIC Asset AG acquired a logistics property in Bremen for around EUR 25 million (TIC) as part of the strategic expansion of its logistics segment. With approximately 8,500 sqm of lettable space, the property is situated in an attractive micro location in Bremen's Airport-Stadt North with excellent regional and nationwide transport links. The user is a subsidiary of the Airbus Group.

➲ Strong profits, particularly from repositioning within the portfolio

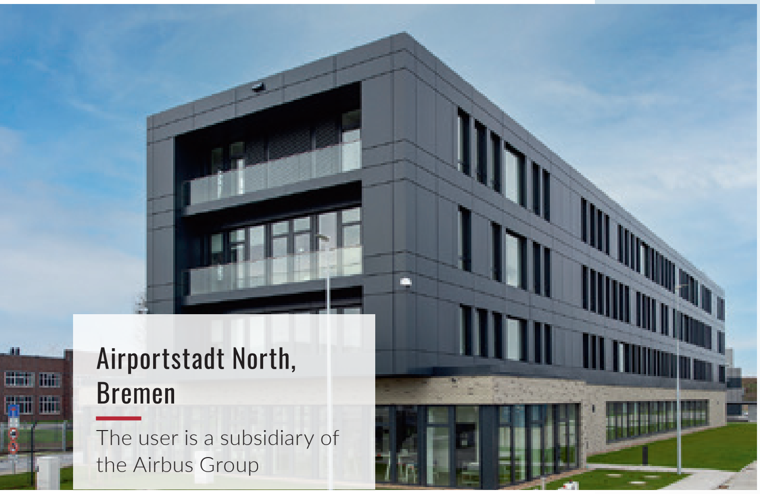
To further optimise its portfolio and generate profits, DIC Asset AG sold five properties with a notarised volume of EUR 242 million during the 2020 financial year. On average, the income generated by DIC Asset AG from these sales was around 20% higher than the most recently determined market values. The profit of around EUR 32.0 million generated by the sale reflects the properties’ appreciation in value during the holding phase based on lettings and repositionings.

SAP Tower, Eschborn

Sales and demo centre of the listed software group SAP

Airportstadt North, Bremen

The user is a subsidiary of the Airbus Group



"Lion property", Hanover

Blue-chip single-tenant ING DiBa

GATE NEUN, Leinfelden-Echterdingen

Refurbishment under cash flow

DIC Asset AG was particular successful in repositioning the Darmstadt Regional Council building. This redevelopment was completed on schedule and on budget at the end of last year. Around 700 civil servants moved back from the temporary premises organised for them for the duration of the building work in the first quarter of 2020. By completely renovating this administration building with 25,000 sqm of rental space and signing a lease agreement that runs until 2040, DIC Asset AG created significant additional value that it realised in December by adding the property to its recently-issued special fund, the largest in the Company's history.

➲ Tenant-focused asset and property management lifts key portfolio figures even amid the challenges of the Covid-19 pandemic

Annualised rental income in the Commercial Portfolio amounted to EUR 95.8 million as of 31 December 2020, due in particular to the effect of sales from the previous year (31 December 2019: EUR 101.8 million).

The Covid-19 pandemic also affected various tenants from the Commercial Portfolio. DIC Asset AG approached these tenants proactively and reached agreements with tenants from the particularly affected sectors of retail and hotels and adjusted leases to ease the burden on them in the short term. In most cases, rents have been reduced temporarily, while the lease term has been extended. Together with the tenant GALERIA Kaufhof GmbH, DIC Asset AG was able to avert the closure of the Chemnitz and Leverkusen locations by extending the average term of the leases to over 13 years subject to new contractual terms.

The rent adjustments for Kaufhof properties, together with the repositioning of space in Wiesbaden and Frankfurt, were primarily responsible for the -3.1% decline in like-for-like rental income.

The average lease term improved from 6.0 to 6.5 years, primarily due to the conclusion of long-term leases. Higher – in some cases significantly higher – rent levels for office property lease renewals, together with the acquisition of high-yield office properties, helped the average rent per square metre in the Commercial Portfolio to rise from EUR 10.41 to EUR 10.81. The EPRA vacancy rate was reduced by 110 basis points year-on-year from 6.5% to 5.4%.

The distribution of tenants by type of use shifted even more markedly towards office use as a result of developments in transaction and letting activity in the Commercial Portfolio. With an increase of 8 percentage points to 74% (2019: 66%), almost three-quarters of annualised rental income in the Commercial Portfolio is generated by office spaces. By contrast, the share of rental income attributable to retail spaces fell by 5 percentage points to 15%.

➲ Value of portfolio properties increases by around EUR 66 million excluding transactions

The market valuation carried out by external experts as at 31 December 2020 revealed a substantial increase in the value of the properties in DIC Asset AG's Commercial Portfolio.

Adjusted for acquisition and sales and including measurement gains, the market value of the Commercial Portfolio amounted to EUR 2.0 billion, an increase of 5.3% compared with the previous year (EUR 1.9 billion). The measurement gain for the Commercial Portfolio as at 31 December 2020 was EUR 65.9 million or 3.4%.

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

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

EUR 7.6 billion
assets under management

Institutional Business

The services provided by DIC Asset AG for institutional investors are combined within the Institutional Business segment. The division generates income by acting as issuer and manager of special real estate funds, individual mandates and club deals for institutional investors. DIC Asset AG also serves to a lesser extent as a co-investor and generates investment income from minority interests.

Demand for management services among the investor base, which has become considerably broader in recent years, was very high throughout the year. This clearly demonstrates how investors trust the DIC Asset AG management platform to identify and exploit attractive market opportunities, especially under challenging external conditions.

Strong growth continues in Institutional Business

DIC Asset AG continued to systematically pursue our growth strategy for the Institutional Business segment in 2020, growing assets under management by 33% to EUR 7.6 billion (2019: EUR 5.7 billion).

Overall, 12 properties with a total investment volume of EUR 1,625 million were acquired to expand the Institutional Business in 2020.

Five of the acquired properties with a volume of EUR 577 million were transferred before the reporting date and contributed to the strong growth in assets under management together with an additional five properties with a volume of EUR 772 million that were acquired in 2018 and 2019 and transferred in 2020.

Value growth of 3.3% recognised

The Institutional Business also saw an increase in value, mainly due to our successful asset management. For example, the 4.3% like-for-like increase in rental income in the Institutional Business led to a measurement gain of around EUR 241 million, which was also reflected in the rise in assets under management.

Club Deal | EUR 175 million

DÜSSELDORF, „Infinity Office“

Acquisition of high-quality core properties underscores investment and growth strategy

DIC Asset AG acquired the Infinity Office project development in Düsseldorf in 2018 under a forward deal. Once the 20,500-sqm property occupied by anchor tenant Bankhaus Lampe with a WALT of around 12 years was complete and transferred into warehousing, DIC Asset AG launched and structured a club deal for two renowned institutional investors with a total investment volume of EUR 175 million in the first quarter.

EUR 122 million

STUTTGART, „LOOK 21“

In September DIC Asset AG acquired two properties in the top 7 cities:

It acquired “LOOK 21” in central Stuttgart for around EUR 122 million (TIC) for the GEG Public Infrastructure II fund. This new-build property with around 11,200 sqm of lettable space boasts modern architecture and landmark character and is fully let for 12 years to a blue-chip tenant from the infrastructure sector.

The new “HangarOne” building in the dynamic Cologne-Ossendorf office market was acquired for around EUR 38 million (TIC) for the GEG Deutschland Value I manage-to-core fund. After being completed, this modern property has around 8,500 sqm of lettable space and is 60% pre-let to blue-chip tenants from the specialist industrial materials, flexible office and IT consulting sectors. The weighted average lease term (WALT) is around 9 years.

In December DIC Asset AG acquired the “Galilei” property in Mannheim for the GEG Deutschland Value I fund with a total investment volume of EUR 39 million (TIC). This multi-tenant property with around 9,300 sqm of lettable space is mostly let to agricultural chemicals manufacturer EuroChem Agro and international auditing firm Deloitte.

EUR 38 million

COLOGNE-OSSENDORF, "HangarOne”

© Virtuell Format Korczowski, Ratingen / HangarOne gmbh & co Kg, Aachen

EUR 39 million

MANNHEIM, „Galilei“

Also in December, the “Magazinhof” in Kassel with around 15,000 sqm of lettable space for EUR 65 million (TIC) was purchased for the GEG Public Infrastructure II fund. This city campus near the Kassel-Wilhelmshöhe ICE railway station is fully let on long-term leases to three blue-chip public-sector tenants, including Landesbetrieb Bau und Immobilien Hessen. The weighted average lease term (WALT) is around 15 years.

In December, DIC Asset AG structured a club deal for the acquisition of the “Goldenes Haus” property in Frankfurt with a volume of around EUR 192 million (TIC) for institutional investors. This fully-let landmark office property in Frankfurt’s City West district has around 33,000 sqm of lettable space and was extensively modernised in 2019 and 2020. Its two blue-chip tenants, Landwirtschaftliche Rentenbank and Finanz Informatik, provide secure long-term cash flows.

Sales after successful active management

In accordance with the Company's investment strategy, the DIC Office Balance I fund is currently in the divestment phase. Three exceptionally attractive properties from this fund were secured “off-market” this year by other funds managed by DIC Asset AG:

The Frankfurter Straße property in Wiesbaden has been in the DIC Office Balance I portfolio since 2010. After refurbishment and repositioning, DIC Asset AG succeeded in concluding a long-term 10-year lease with the Institute for Federal Real Estate (Bundesanstalt für Immobilienaufgaben, BImA) to be used by the Federal Criminal Police Office (Bundeskriminalamt, BKA). After completion, this core property with strong cash flow was placed in the GEG Public Infrastructure I fund in March.

DIC Asset repositioned the “Wacker Hof” infrastructure property in Düsseldorf in 2020. With the modernisation work having been completed in the third quarter of 2020, this former single-tenant property with around 23,100 sqm of lettable space was successfully transformed to allow multi-tenant use. The main tenant, the City of Düsseldorf, is using around 13,000 sqm for its newly-created Office for Migration and Integration as well as the Department of Health. The weighted average lease term (WALT) is around 7 years. The GEG Public Infrastructure II fund managed by DIC Asset AG secured this significantly upgraded property in December.

Another property from the DIC Office Balance I fund in Karlsruhe was upgraded with active lettings management and transferred for marketing after the conclusion of a long-term lease renewal for 14,000 sqm of space with blue-chip tenant Allianz AG. DIC Asset AG was able to acquire this profitable property for the investors in the DIC Office Balance VI fund.

A property from the DIC Office Balance III fund and another property from the separate accounts were also sold after a significant increase in value. The sales volume of these five transactions totalled around EUR 370 million.

WIESBADEN,
FRANKFURTER STRASSE

DÜSSELDORF,
„WACKER HOF“

KARLSRUHE,
GARTENSTR./KRIEGSTR.

➲ Largest open-ended real estate fund to date launched with target volume of EUR 1.6 billion

In December 2020, DIC Asset AG issued the largest investment vehicle by volume in the Company's history for a club of national institutional investors. The investment focus of this new fund with a target volume of EUR 1.6 billion is core office properties with long-term leases and first-class tenants.

The four properties in the seed portfolio with a value of around EUR 780 million are all characterised by high build quality and central locations within the leading Rhine-Main business region. The properties are fully let with a weighted average lease term (WALT) of over 18 years. The key properties in the starting portfolio are the "Deka Office Hub" in Frankfurt and the "Wilhelminenhaus" in Darmstadt.

The equity amount of EUR 800 million was already fully subscribed by the issue date.

THE SEED PORTFOLIO INCLUDES:

Lincoln Offices II, Wiesbaden

The "Lincoln Offices II" were acquired by DIC Asset AG under a forward deal. Total rental space of around 18,000 sqm that has been leased to the State of Hesse on a long-term basis for 25 years will be created here by summer 2022. The aim is to obtain gold DGNB (German Sustainable Building Council) certification for this property.

"Wilhelminenhaus" Regional Council building, Darmstadt

The "Wilhelminenhaus" in Darmstadt from DIC Asset AG's Commercial Portfolio has been fully modernised and upgraded by DIC Asset AG over the last few years. This modernisation also achieved a great deal in terms of energy, with primary energy savings of more than 40%. This property with around 25,700 sqm of rental space has a blue-chip public-sector tenant with a long-term lease in the Darmstadt Regional Council of the State of Hesse.

Frankfurt Ordnungsamt, Frankfurt am Main

This immaculate portfolio property in Frankfurt's Gallus district is leased on a long-term basis (WALT of more than eight years) to the City of Frankfurt am Main, which is using the attractive space for its Office for Public Order and its Youth and Social Welfare Office. The property has around 26,500 sqm of lettable space with options for flexible use.

Deka Office Hub, Frankfurt am Main

The "Deka Office Hub" is a high-end new build in Frankfurt am Main. The property is scheduled for full completion by 2022. The future user of this property will be Deka Bank, which is planning to relocate around 3,500 employees in Frankfurt to its new office. We are aiming to obtain a Gold DGNB Certificate for the sustainable building design of the "Deka Office Hub".

Crane being dismantled at “Global Tower” in Frankfurt, summer 2020

➲ Global Tower project development: Construction progressing according to plan

In the Institutional Business segment, DIC Asset AG manages the Global Tower project development in Frankfurt am Main. The former Commerzbank high-rise building with 33,000 sqm of space in the heart of Frankfurt's banking district has been comprehensively revitalised since August 2018 and repositioned under the name Global Tower.

In January 2020, a lease was signed with a major tenant from the IT sector for around 5,400 sqm of space. To complement this, a lease was signed with a financial services provider for around 1,000 sqm in December 2020.

➲ Management fees increase by 27%

The further expansion of the management platform and strong transaction business were very effective in driving forward DIC Asset AG's strategy of dynamically expanding the Institutional Business during the current year. Management fees totalling EUR 79.7 million were generated during the year under review, an 27% increase compared to the previous year.

Project investments

➲ MainTor project development: scheduled handover of the WINX high-rise building

The sixth and final WINX sub-project with around 42,000 sqm on the MainTor site was completed in spring 2021 and handed over to the tenants.

OUR WORKFORCE

Our success as a company is based on the knowledge, skills and dedication of our employees. We can only achieve our ambitious goals if we have qualified and motivated employees who represent our group externally with success and conviction. We therefore value and encourage an entrepreneurial mindset and behaviour, accountability, flexibility and expertise.

Maintaining eight branch offices now across Germany enables us to be active in the focal regions of our portfolio. The Deutsche Immobilien Chancen Group's principal place of business is Frankfurt am Main where the key management and administrative tasks are taken care of.

Workforce changes

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

Personnel development and advancement is an essential part of the role of our managers. We support our managers in this regard and provide them with tools, for example through training sessions and/or one-on-one coaching. In individual cases, it has been agreed to pay the tuition fees for work-study programmes.

Employer brand

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

At career fairs, our colleagues gave interested students an insight into the various business areas of our group of companies in one-on-one conversations. Due to the Covid-19 pandemic, the annual IZ Career Forum of organised by the Immobilien-Zeitung trade journal could not be held as an in-person event in 2020.

As a result of increasing digitalisation, the Deutsche Immobilien Chancen Group has gained valuable insights for future HR work and recruiting. Digital interviews with applicants will remain an option going forward.

Training of junior employees, nurturing students and young talent

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

We have been supporting the global Girls' Day career orientation project for schoolgirls for several years. In this project, schoolgirls learned more about apprenticeships and study programmes in the property sector and had the opportunity to meet women in leadership roles. The Girls' Day is part of a federal initiative entitled "Klischeefrei – Nationale Kooperationen zur Berufs- und Studienwahl" ("Free from Stereotypes – National Collaborations for Career and Study Choices"). The aim of the initiative is to encourage young people across Germany to choose careers and studies that fit with their own interests regardless of gender stereotypes.

Remuneration system

Our salaries consist of a basic income, supplementary benefits and performance-related components. We base our salaries on industry standards and those of our competitors. The performance-related component is based on achieving individual goals as well as strategic and operating targets, which are set annually together with supervisors. In 2020, a total of EUR 26.4 million was spent on employees. This figure includes performance-related remuneration of EUR 3.2 million, corresponding to a share of approximately 12%. Social security contributions, pension plans and other benefits added up to EUR 2.9 million.

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

The number of employees rose to 272 (31 December 2019: 247) as a result of continued growth in DIC Asset AG's asset and property management. As at year-end, 41 employees worked in portfolio management, 166 in asset and property management and 65 in administration.

Diversity

We promote diversity within the Group. As at 31 December 2020, 52% of all positions were staffed by women. We offer our employees part-time models to enable flexible working hours. As at the end of 2020, the Group had employees from 13 countries. We firmly believe that heterogeneous teams that differ in terms of their individual skills, expertise and approaches are better equipped to solve complex issues than homogeneous teams and have a higher potential for innovation as a result. With this in mind, we maintain a corporate culture that is committed to the principles of ethics and integrity and promotes mutual appreciation, responsibility and respect within the workforce. Our Compliance Guidelines outline our comprehensive approach to protection against discrimination, particularly with regard to ethnic identity, gender, religion or belief, disability, age and sexual identity. As a result, our aim is to actively counteract discrimination, disadvantage or undesirable behaviour.

FINANCIAL INFORMATION

GROUP RESULTS OF OPERATIONS

➲ Stable rental income despite Covid-19

Overall, the Group's revenue increased from EUR 176.0 million to EUR 203.7 million. Gross rental income remained stable despite the challenges posed by the Covid-19 pandemic and sales in the previous and current year. Gross rental income for the entire Deutsche Immobilien Chance Group amounted to approximately EUR 101.0 million (previous year: EUR 102.4 million). In connection with the pandemic, the Group engaged in active dialogue with tenants of DIC Asset AG with the aim of developing fair, mutually satisfactory solutions. For example, rent waivers were announced at the same time that leases were extended in order to provide tenants with short-term liquidity support and ensure that DIC Asset AG receives stable cash flows in the future. Deferment agreements were also reached with several tenants. In addition to coronavirus-related rent adjustments, new leases and acquisitions were able to offset the loss of tenants due to sales and lease terminations. The revenue generated from the rental business on the whole therefore remained relatively stable at EUR 124.9 million compared with EUR 125.8 million in the previous year. The significant increase in other revenue from management, project development and other services by EUR 28.6 million to EUR 78.8 million (previous year: EUR 50.2 million) is due in particular to the first-time recognition of the income and expenses of the GEG German Estate Group for the full past financial year (previous year: seven months) and the resulting increase in income for asset and property management and development fees.

Other operating income amounted to EUR 45.2 million in the financial year (previous year: EUR 119.0 million); in the previous year, this item had largely comprised the one-off proceeds from the sale of shares in TLG Immobilien AG of EUR 76.9 million.

Due to this non-recurring effect, the Group's total operating performance therefore decreased by 15.6% from EUR 295.1 million in the previous year to EUR 248.9 million. After adjusting for the non-recurring effect, total operating performance rose by 14.1%.

➲ Operating expenses reflect growth

The cost of materials increased slightly by EUR 1.9 million to EUR 37.5 million due to higher expenses for ancillary costs and higher non-allocable property management costs.

Operating expenses amounted to EUR 142.0 million, compared with EUR 116.8 million in the previous year. The increase is largely attributable to higher depreciation and amortisation (EUR 11.0 million) and other operating expenses (EUR 9.2 million). The main drivers of this increase are the initial recognition of all expenses of the GEG German Estate Group and the higher administrative costs connected with the significant growth in assets under management.

Personnel expenses increased by EUR 2.6 million or 9.2% year-on-year to around EUR 30.3 million, due to the now full-year recognition of the costs of the integrated GEG team on the one hand and the targeted strengthening of expertise for the implementation of the growth strategy on the other. As at year-end, 41 employees worked in portfolio management, 166 in asset and property management and 65 in administration. Overall, the number of employees increased to 272 (previous year 247).

➲ Interest expense reduced due to refinancing

We further optimised our finance costs in the financial year now ended, reducing interest expense to EUR 39.3 million from EUR 44.3 million in the previous year. Particularly at the level of DIC Asset AG, expiring loans were financed at better terms.

➲ Interest and investment income down

Interest income decreased slightly, falling from EUR 6.7 million in the previous year to EUR 5.8 million.At EUR 19.8 million, the share of the profit or loss of associates was around EUR 2.6 million lower than in the previous year (EUR 22.4 million).

➲ Profit for the period at a high level

Overall, the Group achieved a strong profit for the period of EUR 45.9 million, though this was significantly below the EUR 102.7 million recorded in the previous year, which had been substantially boosted by a non-recurring effect of EUR 76.9 million from the sale of TLG shares.

The profit for the period is largely attributable to the DIC Asset AG subgroup, in which the shareholders of the Deutsche Immobilien Chancen Group participate on a pro rata basis. As in the previous year, the share of profit or loss attributable to shareholders of Deutsche Immobilien Chancen AG & Co. KGaA was EUR 7.1 million.

GROUP RESULTS OF OPERATIONS

in EUR million	**2020**	2019
Total operating performance	**248.9**	295.1
Operating profit	**69.5**	142.7
Net interest income	**-33.5**	-37.6
Share of the profit of associates	**19.8**	22.4
Taxes	**-9.9**	-24.8
Profit for the period	**45.9**	102.7
of which minority shareholders	**38.8**	95.6
of which shareholders of Deutsche Immobilien Chancen AG & Co. KGaA	**7.1**	7.1

NET ASSETS AND FINANCIAL POSITION

➲ Total assets increased

Total assets increased by 3.3% compared with the previous year, rising by EUR 102.2 million to EUR 3,188.8 million. Assets rose sharply, particularly under receivables and other assets (EUR +83.8 million). This was particularly due to growth in receivables at the level of DIC Asset AG attributable to the transaction-related real estate management income generated at the end of the year, as well as to the establishment of a silent partnership with TTL Real Estate GmbH. In addition, other securities rose significantly year-on-year (EUR +30.6 million), boosted by short-term shares in special investment funds. Cash and cash equivalents (EUR +15.1 million) and work in progress (EUR +9.3 million) also rose. A decrease in intangible assets (EUR -19.9 million) and in property, plant and equipment (EUR -18.5 million) due to depreciation and amortisation had an offsetting effect.

The expansion of assets was mainly financed by an increase of EUR 127.6 million in equity, which rose sharply as a result of the capital increase at DIC Asset AG. By contrast, liabilities decreased by EUR 28.2 million as a result of both scheduled and unscheduled repayments.

➲ Equity ratio lifted by strong earnings and capital increase at the level of DIC Asset AG

The Group’s reported equity rose by EUR 127.6 million or 16.7% year-on-year to EUR 891.4 million due in particular to the capital increase implemented by DIC Asset AG at the beginning of the financial year.

The reported equity attributable to the shareholders of Deutsche Immobilien Chancen AG & Co. KGaA increased by a net EUR 7.1 million to EUR 148.8 million (previous year: EUR 144.0 million) as a result of the dividend payment for 2019 and the attributable net income for 2020. Due to their term until mid-2028, we consider long-term loans from Deutsche Immobilien Chancen AG & Co. KGaA in the amount of EUR 46.8 million (previous year: EUR 47.2 million) as equity. The equity of Deutsche Immobilien Chancen AG & Co. KGaA shareholders including these long-term loans amounted to EUR 195.6 million at the end of the financial year, up from EUR 191.2 million in the previous year. The reported equity ratio rose by 330 basis points year-on-year to 28.0% (previous year: 24.7%). The equity ratio including the long-term loans increased to 29.4% (previous year: 26.3%).

➲ 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 stable, long-term financing that supports our business development positively and sustainably and gives us a corresponding degree of flexibility when making strategic decisions. We complied with all financing obligations, including financial covenants, throughout the year and as at the reporting date. Financial covenants are customary and specify the attainment of key financial figures such as equity ratio, interest coverage ratio (ICR), debt service coverage ratio (DSCR) or loan-to-value ratio (LTV).

➲ Broad financing spectrum

With the help of our financial management, we ensure that we are able to guarantee the liquidity of the Deutsche Immobilien Chancen Group and its equity investments at all times. We also strive to achieve the greatest possible stability vis-à-vis external influences and, at the same time, to maintain the degree of flexibility that guarantees our company's development.

We meet our financing requirements both through traditional bank financing and the capital markets. The promissory note market and one commercial paper programme complement our financing strategy. The Group has a large number of business relationships with various partner banks and insurance companies. We arrange loans at customary market conditions and review them continuously to see whether there is scope for optimisation.

➲ Long-term focus and security in our planning

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

The Group realised a financing volume (new borrowings and repayments) of approximately EUR 1,492 million in 2020, after arranging a financing volume of around EUR 1,733 million in the previous year.

At EUR 1,649.6 million, the financial debt shown on the balance sheet as at 31 December 2020 was down EUR 61.4 million year-on-year following refinancing and repayments. The large majority (66.0%) of financial debt consists of bank loans, whereas the remaining portion is attributable to funds from the bonds of DIC Asset AG (20.3%) and promissory notes (10.9%). Across the Group, loan repayments made in 2020 totalled EUR 290.7 million, of which around EUR 58.6 million were unscheduled repayments following property sales.

➲ Remaining maturities down only slightly to 3.6 years

The average maturity of our financial debt remained stable overall. The average remaining maturity including the bonds decreased by 0.3 years compared with the previous year and was 3.6 years at the end of December 2020. About 90% of all financing has a maturity of more than one year.

To reflect our dynamic and agile business model, DIC Asset AG set up a commercial paper programme in the previous year under which up to EUR 300 million can be called up at short notice for a specified period of time. During the reporting period, DIC Asset AG repaid the EUR 40 million tranche drawn in the previous year. There also negotiations with a major German bank regarding a working capital facility of EUR 25 million at corporate level. This facility has currently not been utilised and is available without payout requirements.

➲ Hedging against interest rate fluctuations

At around 88%, the vast majority of financial debt is hedged against fluctuations in interest rates – as a rule by means of fixed-rate loans. This gives us long-term certainty in our planning and keeps interest rate risks low. Just under 12% of our financial liabilities – primarily short-term in nature – are agreed at variable rates and are not hedged against interest rate risks.

➲ Average interest rate across all financial liabilities reduced by 10bp

The average interest rate across all financial liabilities as at 31 December 2020 amounted to 2.1% (previous year: 2.2%).

The interest coverage ratio (ICR, the ratio of EBITDA to net interest result) decreased by 124 percentage points year-on-year to 382% (previous year: 506%) due to the lower total operating performance – primarily as a result of the non-recurrence of the one-off effect of the sale of the remaining TTL AG shares at the level of DIC Asset AG.

➲ Financing obligations met in full

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

Essentially, the following covenants apply:

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

➲ No off-balance sheet financing

There are no significant off-balance sheet forms of financing. The consolidated financial statements report all forms of financing used by the Company.

➲ Comfortable liquidity situation

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

During 2020, the Deutsche Immobilien Chancen Group was at all times able to meet its payment obligations. As at 31 December 2020, available liquidity amounted to around EUR 383.0 million. The Company also has unused bank credit lines and guarantee facilities in the amount of EUR 80.2 million at its disposal.

➲ Cash flow driven by operating activities, transactions and financing arrangements

Cash generated from operations decreased to EUR 101.0 million (previous year: EUR 165.1 million), mainly due to the non-recurrence of the one-off proceeds of EUR 76.9 million from the sale of shares in TLG Immobilien AG. Due to the continued, highly positive revenue trend in DIC Asset AG's Institutional Business, the loss was very well absorbed and reflects the Company's strong operational profitability.

The cash outflow from investing activities came to EUR 97.9 million (cash outflow in the previous year: EUR 96.1 million).The key factors here are investments in real estate made at DIC Asset AG level amounting to EUR 202.4 million (previous year: EUR 368.4 million) and investments in development projects of EUR 20.6 million (previous year: EUR 34.1 million).Inflows of funds came in particular from successful sales of properties in DIC Asset AG's Commercial Portfolio amounting to approximately EUR 116.3 million (previous year: EUR 177.7 million). Significant effects from the previous year also included DIC Asset AG's acquisition of GEG with a total cash outflow of EUR 222.2 million; the sale of the shares held by DIC Asset AG in TLG Immobilien AG resulted in a cash inflow of EUR 328.1 million.

Cash flow from financing activities amounted to EUR 7.2 million (previous year: EUR -6.3 million) and was largely made up of the capital increase as well as the non-cash dividend at DIC Asset AG level totalling EUR 122.2 million. Proceeds from borrowings of EUR 189.0 million (previous year: EUR 275.3 million) were offset by repayments of EUR 239.6 million (previous year: EUR 224.4 million), mainly due to sales. Interest paid amounted to EUR 33.8 million (previous year: EUR 41.0 million). In addition, the payment of dividends led to a cash outflow of EUR 28.0 million (previous year: EUR 19.6 million).

Cash outflows from investing activities were more than compensated by cash generated from operations and by cash flows from financing activities. Company acquisitions added EUR 4.7 million (previous year: EUR 13.9 million), increasing cash and cash equivalents by a total of EUR 15.1 million.

BALANCE SHEET OVERVIEW

in EUR thousand	2020	2019
Fixed assets	2,161.6	2,199.3
Current assets	987.2	848.3
Prepaid expenses and deferred tax assets	40.0	38.9
	3,188.8	3,086.5
Equity*	938.2	811.0
Long-term debt	1,122.5	1,140.5
Long-term debt	1,128.1	1,135.0
	3,188.8	3,086.5
Equity ratio*	29.4	26.3%
Loan-to-value ratio*	70.6	73.7%

* Long-term loans are considered equity.

REPORT ON EXPECTED DEVELOPMENTS, OPPORTUNITIES AND RISKS

REPORT ON RISKS AND OPPORTUNITIES

THE DEUTSCHE IMMOBILIEN CHANCEN GROUP RISK MANAGEMENT SYSTEM

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

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

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

The risk management system extends throughout all areas of the Deutsche Immobilien Chancen Group and its subsidiaries, and is binding on all employees. The Group's risk system currently comprises five risk classes: (1) strategic risks, (2) compliance risks, (3) operational risks, (4) political, social, regulatory and environmental (ESG) risks and (5) financial risks. These risks are examined to determine whether they have a significant impact on the Company's existence, economic position and achievement of corporate objectives. The RMS covers strategic decisions by the Management Board as well as day-to-day business. The internal control and monitoring system is an integral component of the risk management system. It minimises operational and financial risks and monitors processes, and it ensures compliance with laws and regulations including the appropriateness of financial reporting.

Structure of the risk management system

> Risk early warning system

The Deutsche Immobilien Chancen Group's risk early warning system aims to identify all potential risks at an early stage so that measures can be taken in due time to manage negative developments. The respective risk owners are

responsible for identifying, reporting, assessing and controlling risks. For example, real estate data are recorded and aggregated at property level by the asset and property management teams. These data are checked, supplemented and summarised by the central Controlling function and then reported to management.

> Risk identification

As part of risk controlling, the identification of risk is the first step in the risk management process and forms the basis for managing risks in an adequate and effective manner. Risks are identified and systematised in accordance with the integration concept as part of general business processes. Owing to the permanently changing situation the Deutsche Immobilien Chancen Group is up against, identification and documentation of risk is a continuous task.

Instruments such as corporate and scenario analyses among others are used to analyse strategic risks, and both data collection methods (check lists) and creativity methods (e.g. brainstorming) are used to identify risk. All risks identified are assigned to a risk class.

> Risk assessment and communication

Our employees are required to manage risks and opportunities conscientiously and responsibly and in line with their competencies. Responsibilities are defined for all relevant risks in accordance with the hierarchy. An identified risk is assessed as to its probability of occurrence and the extent of potential financial loss is calculated. The next step involves a decision by the responsible divisional managers, if necessary together with the Management Board, regarding appropriate risk management. In addition, measures that have already been or could be taken are developed and monitored regularly, and any residual risks are pointed out. Unquantifiable risks are assessed using qualitative attributes.

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

> Opportunity management

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

> Risk management

Risk identification and assessment allows us to initiate appropriate measures for coping with risk and also for exploiting in a targeted manner any opportunities that arise.

For example, we reduce the risk from interest rate fluctuations through matching hedging transactions. In connection with long-term project developments and portfolio developments, a systematic and comprehensive project management with standardised project milestones, preliminary acceptances, the awarding of contracts for individual trades and general contractors and clearly determined approval processes help us minimise project risks.

The individual risks can be averted or reduced in some cases through appropriate action. Possible countermeasures are regularly discussed and monitored with the management. The decision as to whether risk management measures must be taken – and which ones – is generally made on the basis of cost/benefit considerations and taking risk/return ratios into account where possible.

Depending on the significance of the risks identified, suitable risk mitigation activities may need to be developed and implemented in addition to the existing safeguards. Avoidance, reduction, transfer and acceptance are all possible alternatives.

Risks that are serious or could even jeopardise the continued existence of the Deutsche Immobilien Chancen Group are reported to the Management Board without delay.

> Risk communication and reporting

Risk communication is an interactive process through which the findings of individual risk assessments and of any control measures implemented plus their effectiveness are made available to the Company's management as promptly and comprehensively as possible. Its core function is therefore to ensure the transparency of the risk situation, the operating business and the Company as a whole. Risk communication is an integral part of the Deutsche Immobilien Chancen Group's reporting system and is generally performed from the bottom up to the Management Board through tiered information channels.

> Risk management documentation

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

INTERNAL CONTROL SYSTEM

General

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

The monitoring measures consist of elements incorporated into the process and external independent elements. The integrated measures include manual controls such as the "dual control principle", which is applied universally, and technical controls, essentially by software-based checking mechanisms. In addition, qualified employees with the appropriate powers (managing directors of portfolio companies or first- and second-tier management, for instance) as well as specialised Group departments such as Controlling perform monitoring and control functions as part of the various processes.

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

Use of IT

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

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

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

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

We also regularly perform penetration tests to verify and further optimise the measures taken.

Ensuring that the financial reporting is appropriate and reliable

The checks to ensure that financial reporting is appropriate and reliable include analysing the issues and changes using specific key data, and using check lists to ensure that the information is complete and that the procedures are uniform. Accounting transactions in the single-entity financial statements of the Deutsche Immobilien Chancen Group and its subsidiaries are recorded in our enterprise resource planning (ERP) system, which is tailored specially to the requirements of real estate companies. In 2020, a digital invoice workflow system was introduced to support the approval and posting process of incoming invoices throughout the Group. This is supplemented by a payment software package closely tied in with the ERP system that ensures that payment transactions are correct and are duly entered.

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

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

Caveats

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

INDIVIDUAL RISKS AND OPPORTUNITIES

Strategic risks

- Negative macroeconomic development and pandemic risk
- Negative development of the real estate sector
- Organisational risk

Compliance risks

- Risks arising from breaches of compliance regulations
- Legal risks

Operational risks

- Tenant credit risk
- Letting risk
- Credit risk related to real estate management fees
- Risk arising from refurbishments /project developments
- Transaction risk
- Location and property risks
- Technological risks (including IT)
- Personnel risks

Political, social, regulatory and environmental risks (ESG)

- Regulatory risks
- Climate and environmental risks

Financial risks

- Financing risk
- Valuation risk

Strategic risks

> Negative macroeconomic development and pandemic risk

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

Since spring 2020, Germany's macroeconomic situation has been dominated by the Covid-19 pandemic. The outbreak of the pandemic and the initial lockdown that followed led to a historic drop in gross domestic product of 9.8% in the second quarter of 2020. The economy began to recover during the summer, though the rebound was curbed in late 2020 by the second wave of the virus and a further government-mandated lockdown. According to calculations by the Federal Statistical Office (Destatis), Germany's price-adjusted gross domestic product (GDP) in 2020 was 4.9% lower than in 2019, abruptly ending a ten-year growth phase that had lasted since the financial and economic crisis of 2008/2009. Economic production was severely curtailed in some cases in both the services and manufacturing sectors. The fallout of the Covid-19 pandemic dealt German industry a particular blow in the first half of the year, due in part to the temporary disruption of global supply chains. The services sector also saw a marked economic decline, With sectors such as retail, transportation and hospitality experiencing a 6.1% drop on 2019 after adjusting for price changes. This contrasted sharply with online trading, which witnessed significant growth at the expense of bricks-and-mortar trading. Hit hard by the lockdown restrictions in the spring, accommodation and food service experienced a significant revenue and earnings decline in the hospitality industry. By contrast, the construction industry held up well, with price-adjusted gross value added actually even rising by 2.8% year-on-year. Coronavirus produced the first drop in the labour market after 14 years of rising employment levels.

In 2020, Germany's economic output was delivered by an average of 44.8 million people working in this country, A decrease of 1.1% compared with 2019. "Marginal" part-time workers and the self-employed were the hardest hit, while the number of employees paying mandatory social security contributions remained stable. The extension of regulations on short-time working in particular probably prevented redundancies.

Economic researchers expect to see the trend in the Federal Republic of Germany reverse in the 2021 financial year. Despite the restriction in place since the start of the year, which is likely to result in a 2% decline in GDP in the first quarter, economic growth is anticipated for the full year as more and more people are vaccinated. Consumer spending is expected to be the main driver of the domestic economy, probably benefiting sectors such as retail and food service. Economists also estimate that the economy will return to normal and reach pre-crisis levels by summer 2022 at the latest. Germany's leading economic research institutes predict GDP growth within a broad range of 2.8% to 4.9% in 2021.

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

Our business model and our investments, especially at the level of our investee DIC Asset AG with its individual business segments are highly diversified. Investments include a high proportion of agreements with public sector tenants and a large number of tenancy agreements with SMEs in particular. The investor base and investment portfolio was broadened at the level of DIC Asset AG by acquiring GEG in 2019 and making the strategic acquisition of RLI Investors at the end of 2020 and completing the transfer in January 2021. Based on assets under management in excess of EUR 10 billion achieved after the reporting date, DIC Asset AG generates diversified, steady cash flows from ongoing rental income, transaction, structuring and management fees, and income from investments.

Overall, we classify the probability of occurrence of a negative macroeconomic development and its negative financial impact on the Deutsche Immobilien Chancen Group as medium.

> Negative development of the real estate sector

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

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

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

Due to the stable general environment, the German commercial real estate market remains an attractive investment market among foreign and domestic investors even in spite of the coronavirus crisis. Persistently favourable financing conditions combined with a lack of investment alternatives are making properties with attractive returns in the top 7 cities and also in B- and C-locations particularly interesting. In the top 7 cities, gross initial yields for top properties at the end of 2020 ranged from 2.7% in Munich to 2.8% in Berlin, 3.0% in Frankfurt and Hamburg, 3.1% in Stuttgart, 3.2% in Düsseldorf and 3.3% in Cologne. According to consultancy firm Colliers International, the commercial transaction volume in Germany totalled around EUR 59.2 billion in 2020. This means that in the last decade the EUR 50 billion threshold was significantly exceeded for the sixth time in a row. The fourth quarter in particular contributed EUR 18.2 billion, or 31%, to this full-year result, even slightly exceeding the figure for the start of the year of EUR 17.7 billion. Despite the Covid-19 crisis, Germany's seven major investment centres continued to attract investors' attention in the financial year now ended, With around EUR 30.6 billion, or 52% of the transaction volume, being placed there in 2020. After the first lockdown, the investment market therefore began to grow again in the second half of the year and gained significant momentum, particularly in the final quarter of the year, on the strength of more high-volume transactions. This also demonstrates the resilience of the German investment market and the ability of market players to adapt. The share of foreign investors increased again as the year went on and by year-end accounted for 43% of the commercial transaction volume in 2020. The price trend remained stable, rising in the core segment.

Office locations in German B- and C-cities also generated increased interest among investors despite the coronavirus-induced situation in the 2020 financial year as well as the ongoing liquidity pressure and yield compression in the top 7 cities. New projects are generally launched with high pre-letting rates rather than as speculative projects, and portfolio properties with low vacancy rates promise a crisis-resistant investment. Acquisition processes continued and were brought to a conclusion despite the restrictions in public life. The strong demand outside the major office centres was reflected in a high transaction volume. Nearly 17% of all office transactions in 2020 took place in B- and C-cities, an increase of three percentage points on 2019. Properties with a core profile and a large share of public sector tenants were particularly popular with investors.

The Covid-19 pandemic inevitably had an impact on the office rental market as well. Planned expansions were initially postponed or could no longer be implemented at all. However, there was no dramatic increase in vacancy rates or a wave of vacancies. Information provided by Colliers International Deutschland reveals take-up of 2,555,100 sqm in Germany's seven largest office markets in 2020. This is a decrease of nearly 35% on the extraordinarily strong 2019 And 25% below the ten-year average. According to the experts, the weighted vacancy rate in the top 7 cities rose slightly to 3.5% at year-end, though it remains at a very low level. The level is therefore indicative of a more landlord-friendly market in a situation with normal levels of demand. Even in relation to the vacancy rate of 2.9% in the final quarter of 2019, the increase is only moderate. Here, too, we can see the resilience of the German economy. Prime rents in the top 7 cities mostly moved sideways in 2020. As of the end of 2020, slightly over 3 million sqm of office space were available for short-term rental. Sublet space and incentives are becoming increasingly important, but still do not play a dominant role in office markets.

Individual project developments experienced delays during the year, which is why Colliers International anticipates higher completion volumes in 2021. Just under 1.7 million sqm of new office space came on the market in 2020 in spite of the Covid-19 pandemic, a large share of which was already pre-let.

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

We have an extensive network to minimise risks. Through our investee DIC Asset AG, we are an active investor and asset manager that is well placed to become aware of possible sales in our relevant markets at an early stage. Furthermore, our market penetration throughout Germany and our in-depth knowledge also of B- and C-locations enables us to seize opportunities in the regions, thereby compensating for a potential lack of supply at the top 7 cities. While rental yields from A-locations within B-cities continued to decline, they are still significantly higher than rental yields from A-locations in A-cities. This means that they continue to offer attractive investment opportunities.

In view of the basic economic data and an expected recovery, liquidity in the transaction markets is expected to remain high in the 2021 financial year from mid-year at the latest. Companies could then increasingly resume relocation and expansion plans, and in doing so halt the decline in the total amount of space let. By contrast, the situation for hotel and retail properties will remain challenging. Ongoing travel restrictions and lockdown measures in particular are putting companies operating in these sectors under considerable pressure. This means that the negative trend for the properties affected could continue and lead to an increase in alternative uses or hybrid properties. In 2021, investors are expected to continue differentiating clearly between the asset classes and also within the asset classes when assessing the risks of an investment. On the transaction market, we see more opportunities than risks on the seller side in 2021, particularly due to continuing demand for core real estate in light of persistently low interest rates. On the buyer side, we continue to see suitable opportunities due to our growing real estate platform, the expanding investor network, and a broader scope of investment thanks to our increasing investments in the logistics sector as well.

We expect rental markets, particularly office rental markets, to recover in 2021. Tenants are still prepared to pay high rents for high-quality space in good locations. However, the surge in rents seen in recent years is likely to slow due to the coronavirus-related fall in demand, especially in the large-scale segment. How demand in the markets develops will depend on the evolution of the pandemic. With the prospect of widespread vaccination against Covid-19 followed by a consistently positive economic recovery, letting activities in the office markets are expected to steadily return to normal.

Overall, we classify the probability of occurrence of a negative development of the real estate sector and its negative financial impact also as medium.

> Organisational risk

Organisational risk describes the risk that the Company's organisation, processes, and rules and regulations are not strictly aligned with the corporate strategy and objectives, or are incorrect, or that there is no connection between the strategy and the operating business. There is also a risk of inefficient organisational structures and processes, and dependence on or a lack of support from IT systems and structures.

To minimise risks, we continuously review current processes and decision-making channels as well as efficient use of our IT systems. An independent committee has been formed for this purpose that generally meets once every two weeks.

Overall, we classify the probability of occurrence of organisational risk and its negative financial impact as low.

Compliance risks

> Risks arising from breaches of compliance regulations (e.g. fraud, money laundering, data protection)

The Deutsche Immobilien Chancen Group relies on all employees and its management team to observe the compliance standards. Were employees to commit criminal, unlawful or unethical acts (including corruption) or breach data protection legislation, this could have a material adverse effect on the Deutsche Immobilien Chancen Group's business activities, financing terms and earnings. These consequences may also occur if future business opportunities are negatively impacted by damage to our reputation in the real estate market.

In its Compliance Guidelines, which apply Group-wide, the Deutsche Immobilien Chancen Group requires all Group employees to act responsibly and lawfully. A Compliance Officer was appointed and the whistleblower system for reporting misconduct and violations was set up. The Compliance Guidelines include the following items:

- Protection against discrimination: Employees prevent any form of discrimination, disadvantage or undesirable behaviour, particularly on grounds of ethnic origin, gender, religion or belief, disability, age or sexual orientation.
- Avoidance of conflicts of interest and corruption risks: DIC Asset Group companies reject any kind of corruptive behaviour and the misuse of decision-making powers. The giving and accepting of gifts is regulated by binding provisions in the Compliance Guidelines and subject to the principle of maintaining transparent business activities. Employees must avoid giving the appearance of granting an advantage when dealing with government officials. Under no circumstances must benefits be granted to government officials in order to persuade them to act in contradiction to their duties. Private secondary employment and company investments must not influence the employee's actions as stipulated in their employment contract.
- Data protection: Employees undertake to safeguard trade and company secrets and to comply with applicable data protection laws. DIC Asset AG provides information on its website on the handling of personal data in accordance with the European General Data Protection Regulation.
- Capital market requirements/insider trading bans: Conducting insider trading, advising or inducing third parties to conduct insider trading and the unauthorised disclosure of insider information are prohibited.
- Money laundering: The Deutsche Immobilien Chancen Group does not tolerate money laundering and obliges its employees to report suspicious behaviour by business partners and advisers and observes all relevant provisions and instructions in this regard.
- Prohibited agreements: Any distortion of competition or corrupt practices in contravention of competition law are strictly rejected. In situations where employees see a violation of competition rules, they are encouraged to voice their concerns clearly, expressly distance themselves from the content and inform the Compliance Officer immediately.
- Reports of misconduct and violations: Employees are encouraged to report misconduct and violations of statutory provisions or regulations and internal company guidelines. They can report such incidents to the Compliance Officer, relevant supervisor, Management Board, personnel department or via a whistleblower system that also enables employees to submit reports anonymously.
- Consequences: Employees can expect sanctions under employment law for violating statutory provisions and internal company guidelines. The companies also reserve the right to report a crime or file a criminal complaint in the event of a criminal offence.

The risk arising from breaches of compliance regulations is considered unlikely due to the compliance management system in place and because no incidents occurred in the 2020 financial year, and the negative financial impact is considered low.

> Legal risks

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

At present, ongoing litigation relate mostly to legal proceedings initiated by the Company to collect outstanding rent. There are also isolated cases of legal disputes in connection with suppliers in project developments. We recognised provisions for these legal costs and recognised bad-debt allowances as required.

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

Operational risks

> Tenant credit and letting risks

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

Letting risks involve the non-payment of rent and profitability risks due to less profitable new leases or lease renewals. Counterparty credit risk resulting from outstanding rental payments is taken into account by way of bad debt allowances. These were increased by EUR 3.2 million in 2020 as a consequence of the Covid-19 pandemic and lingering uncertainties. In addition, we entered into agreements with tenants that safeguard short-term liquidity benefits for the tenants and long-term cash flows for us. In 2020, for example, we adjusted our gross rents by EUR 1.4 million based on existing rental agreements.

We generally try to avoid being dependent on major tenants. In 2020, around 39% of total rental income from the Commercial Portfolio of our investee DIC Asset AG was attributable to the ten largest tenants. These tenants are all renowned tenants with mostly excellent credit standing, primarily from the public sector, and from the telecommunications, insurance and IT industries. No tenant accounts for more than 6% of total letting volume.

In financial year 2021, tenancy agreements in the Commercial Portfolio of DIC Asset AG with a volume of EUR 3.6 million may end, while leases generating income of EUR 6.4 million will be extended periodically without a fixed end date. We assume that, as previously, the overwhelming majority of expiring agreements can be extended, or the space becoming vacant can be let to new tenants. If, for example, 10% of the rental space to become vacant in 2021 is not re-let, this would result in a maximum loss of income of approx. EUR 0.4 million when assuming an annualised rent total of approx. EUR 3.6 million.

Thanks to our effective real estate management platform, we maintain a regional focus on our tenants and seek to achieve long-term tenant loyalty. From the onset of the Covid-19 pandemic in March 2020, transaction activity declined, with letting activities tapering off some time later. In 2020, we noted a clear trend towards lease renewals, in some cases even ahead of schedule, rather than new leases. The most recent development (lockdown since November 2020) has perceptibly curbed momentum once more. As things stand today, the restraint among players in the rental market is expected to continue until around mid-2021. As the rate of vaccinated people increases – with the EU commission expecting around 60% of the population to have received their vaccination by the end of the second quarter –, companies will regain more planning certainty for the development of their businesses and letting activities will return to normal levels.

The discussion about future office space requirements unleashed in connection with the Covid-19 crisis as greater numbers of people work from home or remotely must be viewed from different angles. A drop in demand in excess of 10% seems unlikely at present, especially given that the supply of vacant rental space in line with the market is at an all-time low in the top office locations. What is more, new project developments – especially speculative ones – have continued to decline recently, which means that the strained supply situation before the pandemic will remain unchanged. Larger companies will use the experience gained from employees' mobile working to review their space requirements at the very least. One area to be examined in particular is not whether remote workplaces can be permanently relocated to employees' private residences, but whether it would be possible to rent flexible workplaces close to employees' places of residence so as to reduce commuting times for them in the future and mitigate any infection risks arising from the use of public transport. In addition, the current situation will increase demand for small-scale and flexible forms of office use (cellular offices). Savings in potential space requirements resulting from desk-sharing and remote concepts will be eroded to some extent by more spacious working environments and the growing need for meeting zones that allow staff to maintain a safe distance.

To further reduce letting and tenant credit risks, our investee DIC Asset AG expanded its regional footprint around the end of the year with the acquisition of an eighth location in Stuttgart. By opening a further branch of our subsidiary DIC Onsite GmbH, the regional presence in Germany's top real estate locations is further expanded. Our local presence and proven expertise in the German real estate market is a central pillar of our portfolio of services – also for our institutional investors. The new location of DIC Asset AG is a logical step that allowed it to manage acquisitions in the 2020 financial year and will enable it to manage future acquisitions in and around Stuttgart on the DIC real estate platform, delivering the customary level of quality. Currently, the new branch has assets under management in the Stuttgart area worth approximately EUR 200 million. Further investments are planned.

Due to our proximity to tenants and the market, we classify the probability of occurrence of letting risks in our property portfolio as low overall and the financial impact as low to medium-high. We consider the probability of occurrence of tenant credit risks as medium overall due to the continuing uncertainty about the macroeconomic consequences of the ongoing restrictions on public life. We classify the financial impact as low to medium. Opportunities will arise as vacancy rates fall further – particularly if the rental market stabilises from the second half of 2021 onwards – and from a future change in the use of office space by existing and potential new tenants.

> Credit risk related to real estate management fees

The Deutsche Immobilien Chancen Group designs funds, club deals and individual investment structures for institutional investors via its equity investment in DIC Asset AG. DIC Asset AG typically invests up to 10% as a co-investor, thereby achieving regular investment income. In recent years, the trend has been towards smaller co-investments. In addition, the Institutional Business segment of the DIC Asset sub-group generates recurring income from asset and property management and from management fees on regular acquisitions and sales driven by platform growth and developments.

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

After the onset of the pandemic in mid-March 2020, transaction activity in the real estate market came to almost a complete halt at times. Some ongoing transactions were postponed while others were cancelled. However, transaction volumes increased sharply again in the second half of the financial year, and particularly in the fourth quarter. Thanks to our robust real estate platform, we too were able to resume postponed transactions and secure new transactions and bring them to a successful conclusion in the fourth quarter of the financial year. As a result, all transaction targets for 2020 were achieved and some were even exceeded.

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

Investors' lack of interest or waning interest in our investment products could pose another risk. We are continuously expanding our investor base and the range of products we offer. In the fourth quarter of 2020, for example, we launched the largest institutional fund in the Company's history with a target volume of EUR 1.6 billion and acquired logistics specialist RLI Investors with economic effect from the beginning of 2021 – a transaction that will significantly broaden our portfolio of investment products in the logistics sector.

After launching the special fund and completing extensive transactions with a total volume of EUR 2.5 billion in 2020, DIC Asset AG now manages 27 investment products, including twelve pool funds, six club deals and nine separate accounts. This meant that the overall managed volume in the Institutional Business segment rose to EUR 7.6 billion. The Company plans to launch more investment products operationally and drive forward its growth in 2021.

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

In terms of personnel, our investee DIC Asset AG has further strengthened its subsidiary GEG by adding two members to its executive management at the beginning of 2021. Their work as managing directors will focus on raising additional funds from national and international institutional investors and opening up new opportunities in the asset management market.

Thanks to our expertise, our customer relationships and based on the current and planned activities in 2021, we consider the risks from the Institutional Business segment, particularly the probability of occurrence of credit risks from real estate management fees as low. We consider the financial impact to be low to medium.

> Risks arising from refurbishments/project developments

The Deutsche Immobilien Chancen Group has invested in project developments in the past few years as a co-investor and through its investee DIC Asset AG possesses real estate with potential for development. At the level of DIC Asset AG, the Group is currently increasing its focus on repositioning efforts within the Commercial Portfolio and, in the Institutional Business segment, on repositioning larger landmark properties in the top 7 cities of Frankfurt and Munich as part of management services for third parties.

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

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

The following project developments and repositioning projects are currently in the implementation and planning phase:

The “Wilhelminenhaus” in Darmstadt, which is part of the Commercial Portfolio of our investee DIC Asset AG, had been undergoing a complete refurbishment since December 2018. In addition to upgrading the technical specifications, the focus was on restructuring the building to make it handicap-accessible and on the rooftop installation of a photovoltaic system. The total investments costs added up to around EUR 33 million. In light of the planned renovation work, Darmstadt Regional Council and Landesbetrieb Bau und Immobilien Hessen (LBIH) also extended their lease until 2040. The tenant moved into temporary quarters elsewhere in Darmstadt for the duration of the refurbishment work, which took roughly 18 months. This ensured that the Regional Council's work could continue without interruption during this period. The tenant moved back into the renovated offices in Darmstadt in the first quarter of 2020 as planned. At the end of the 2020 financial year, the completed property was sold as part of a seed portfolio for a new, open-ended institutional fund with a target volume of EUR 1.6 billion. The transfer of possession, benefits and associated risks will take place in the first quarter of 2021.

The last quarter of 2020 saw the start of planning for a modernisation of Rheydt-Galerie at the heart of Mönchengladbach’s Rheydt district. The property is part of the Commercial Portfolio of the DIC Asset AG sub-group. Rheydt-Galerie has total rental space of around 10,300 sqm. With an investment volume of approximately EUR 30 million, the business centre, which was built in the late 1950s and last modernised in the 1990s, will be technically and visually upgraded over the next 18–24 months. A variety of construction measures are planned for the interior, the car park and the exterior facade. At the time the repositioning project kicked off, a long-term lease was concluded at the beginning of December with a discount supermarket that will occupy an area of around 1,200 sqm on the ground floor as the largest single tenant. Most of the existing tenants will still be found there. Overall, the retail focus at Rheydt-Galerie in future will be on non-discretionary retail.

Due to the restructuring of GALERIA Karstadt Kaufhof under the insolvency protection proceedings (“Schutzschirmverfahren”), the discontinued location in the centre of Bremen had to repositioned in the short-term. Plans for the subsequent use of the centrally located property were developed at an early stage. Follow-up contracts were signed with the existing tenant Saturn occupying around 9,000 sqm and other smaller tenants. In furniture retail chain Opti-Wohnwelt, DIC Asset also found a new anchor tenant for the approximately 15,500 sqm of space that had become vacant. The net cost of the tenant fit-out is around EUR 3.4 million. Planning and construction will take about 10 months.

In the Institutional Business segment, our investee DIC Asset AG manages the Global Tower project development in Frankfurt. The former Commerzbank high-rise building with 33,000 sqm of space in the heart of Frankfurt’s banking district has been comprehensively revitalised since August 2018 and repositioned under the name Global Tower. Its completion is planned for summer 2021. In January 2020, a lease was signed with a major tenant from the IT sector for around 5,400 sqm of space on the 22nd to 27th floors. To complement this, a lease was signed with a financial services provider for around 1,000 sqm on the eighth floor in December 2020.

Another project ("Riverpark") in Frankfurt am Main is currently being managed by DIC Asset AG under a third-party mandate. Further planning as well as marketing and sales activities took place for this project in the past financial year. DIC Asset AG also discussed further options for implementing the project with the investor against the background of the Covid-19 pandemic.

The Pasing Central project in Munich’s Pasing district has been under construction since mid-2018. An extensive refurbishment and construction project on a site opposite the Pasing Arcaden shopping centre and Pasing’s main railway station. The first sub-project, “Pasing I”, consisting of three buildings with a mixed use of apartments, commercial and retail space, was sold to an institutional investor in February 2020 as part of a forward asset deal. All of the 66 condominiums from the second sub-project, “Pasing II”, had already been sold in 2019. The entire complex including exterior spaces is scheduled to be completed by mid-2021.

We are also pursuing a project development with our MainTor district project in Frankfurt – divided into six construction phases with a total volume of around EUR 850 million. All six construction phases of the MainTor project were sold and marketed in advance between June 2011 and November 2014. All six construction phases have now been completed and transferred to their tenants and buyers. The project’s last construction phase, WINX, was handed over to the investor in spring 2021.

On the basis of current and planned project development and repositioning work for the next twelve months, we consider these risks and any potential financial impact for 2021 to be low to medium.

> Transaction risk

Active portfolio management is a key component of our corporate development. We constantly monitor the risks associated with the sale or purchase of real estate and, where required, recognise provisions.We continuously examine and develop options for expanding our real estate portfolio. If we succeed in leveraging growth opportunities, this could allow us to increase revenues and income. We use real estate sales from the portfolio to lessen cluster risks in the sectoral and regional portfolio structure, realise profits and reduce debt, thereby also lowering the financial risks.

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

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

The planned transaction targets recently revised at the level of DIC Asset AG were clearly exceeded in the 2020 financial year. The cross-segment acquisition volume at the level of our investee DIC Asset AG stood at EUR 1.8 billion, divided into EUR 213 million for the Commercial Portfolio and EUR 1,625 million for the Institutional Business. This means that the goal of EUR 200 to 300 million for the Commercial Portfolio was achieved. The targets for the Institutional Business were exceeded, due not least to large-volume acquisitions such as “Deka Office Hub” and “Lincoln Offices”, contracts for which were signed in December. Likewise, all targets on the sales side were exceeded with a volume of EUR 242 million in the Commercial Portfolio and EUR 370 million in the Institutional Business. A total volume of around EUR 2.5 billion was transacted in 2020, which is once again significantly higher than the record-breaking year 2019. This raises assets under management to around EUR 9.6 billion as at 31 December 2020, of which around EUR 2.0 billion is attributable to the Company’s Commercial Portfolio and approximately EUR 7.6 billion to the third-party business. In addition, the acquisition of RLI Investors GmbH reported on 23 December 2020, with assets under management in excess of EUR 700 million, was completed by our investee DIC Asset AG in January. As a result, the DIC platform’s real estate assets under management rose to over EUR 10 billion on a pro forma basis by the end of the year. DIC Asset AG is planning transactions with a volume of between EUR 1.5 billion and EUR 2.2 billion across all segments for 2021.

Our planning for 2021 also contains income and profits resulting from acquisitions and sales. Should we exceed or fail to meet the projected transaction volumes, this could change our earnings forecast positively or negatively. Aside from the risks and opportunities that may arise outside the Company on the transaction market or from the requirements to obtain consent from investors in the Institutional Business segment, we consider it unlikely that we will have to deviate substantially from our planning for 2021. The opportunities for exceeding the minimum targets set predominate here thanks to the Company’s flexibility.

On the basis of current and planned transaction activities for the next twelve months, we therefore consider the probability of occurrence of transaction risks and the financial impact to be low.

> Location and property risks

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

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

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

> Technological risks (including IT)

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

During the 2016 financial year, the internal data centre was relocated to an external provider, further reducing the risk of IT failure. Over the next years, we continued the process started in 2018 of moving our physical server and storage infrastructure to a private cloud. This step has already been completed to a very large extent, further enhancing fail safety.

As a result of the precautions and security measures taken, we consider the probability of IT risks occurring to be low overall. We classify the financial impact as low to medium.

> Personnel risks

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

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

Political, social, regulatory and environmental risks (ESG)

> Regulatory risks

Risks as well as opportunities may arise from changes to general conditions or regulations. While such changes usually require a certain amount of lead time to allow sufficient scope to adjust, they can sometimes be made rapidly in exceptional situations such as the Covid-19 pandemic or a financial crisis, thus complicating the adjustment process.

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

Legislation for mitigating the consequences of the Covid-19 pandemic:

Amid the Covid-19 pandemic, the German Bundesrat on 27 March 2020 approved the Act to Mitigate the Effects of the Covid-19 Pandemic in Civil, Insolvency and Criminal Procedure Law, which the Bundestag had passed two days earlier. Overall, the Act provided for temporary changes to civil law regulations on general contract law, tenancy law (moratorium on termination) and loan law (deferral of consumer loan agreements) in the period from April until the end of June 2020, among other things. The regulations constituted a temporary exemption from the principle that the landlord can terminate a tenancy if the tenant is late in paying the rent. A moratorium on termination could apply if a tenant's failure to pay the rent was a consequence of the Covid-19 pandemic. However, the moratorium did not change the tenant's obligation to pay the rent or the due date for the rent. The tenant has until 30 June 2022 to settle arrears from the period between 1 April 2020 and 30 June 2020.

In response to the imposing of fresh restrictions and lockdown regulations in December 2020 (as of the date of publication of the Annual Report until the end of April 2021), the German parliament on 17 December 2020 approved the Act to Further Shorten the Residual Debt Discharge Procedure and Amend Pandemic-Related Provisions in Company, Cooperative, Association and Foundation Law, as well as in Tenancy and Patent Law. This is an amendment to the earlier Act to Mitigate the Effects of the Covid-19 Pandemic in Civil, Insolvency and Criminal Procedure Law of 27 March 2020. The amendment entered into force on 31 December 2020 and entails two major changes to tenancy law as well as to the acceleration of legal proceedings as a consequence of the Covid-19 pandemic.

Our investee DIC Asset AG maintains ongoing dialogue with its tenants. Arrangements have been made with affected tenants that will continue to provide a foundation on both sides for a long-term partnership based on trust. Thanks to active communication with tenants directly affected by the closures – primarily from the retail and hotel sectors in both business segments – the risks arising from rent losses were significantly reduced through economically viable individual solutions such as temporary rent waivers with simultaneous extension of the lease term. In specific cases, the precautionary measure of starting to draw up post-utilisation and repositioning plans for properties with retail spaces was taken. In addition, higher loss allowances were recognised at the level of the DIC Asset sub-group in the 2020 financial year for possible non-payment of rent.

A possible shift in the balance of political power combined with further increasing social polarisation and a potential trend towards greater protectionism plus other temporarily applicable or permanently amended laws as a consequence of exceptional circumstances could have a negative effect on the German economy and the real estate sector.

Overall, we consider the risks and opportunities arising from the short-term change in the regulatory environment to be minor for the Deutsche Immobilien Chancen Group. The financial impact would be low to medium.

> Climate and environmental risks

Due to the long-term nature of the investment horizon, the increasing impact of climate change and the public's growing need for information on sustainable aspects of economic activity require the business models of real estate investors and managers to be firmly established in the real estate sector.

The Deutsche Immobilien Chancen Group is exposed to the following climate and environmental risks:

Portfolio risks and changing consumer behaviour (direct/indirect):

Significant and sustained extreme changes in weather conditions increase the risk that storms, floods, severe global warming, and changes in the atmospheric environment, for example, will have a direct and indirect impact on the fabric of the buildings in DIC's property portfolio or the properties it manages for third parties, limiting possible uses and bringing about changes in usage behaviour. Tenants' consumption of energy and water could increase.

Tenants could place greater emphasis on sustainability-certified or energy-efficient accommodation in future. A climate-induced increase in tenants' consumption of energy or water is also likely to increase operating expenses.

Although renovating existing buildings to make them more energy-efficient entails a higher level of capital expenditure, it reduces operating expenses in the long term. We work closely with tenants to find the most efficient approach for meeting their energy needs. Construction measures that generate savings in energy consumption and carbon emissions are also to be preferred when repositioning properties from our Commercial Portfolio. Our energy procurement activities ensure that the electricity requirements of our properties' common areas have been met with renewable energy sources since 2010. We expect that implementing smart metering systems for the entire property portfolio will make it easier to analyse and manage consumption data going forward.

Regulatory and legislative aspects

The Paris Agreement on climate change that was adopted on 12 December 2015 replaces the Kyoto Protocol and is considered an important milestone in the fight against global warming. At the UN Climate Change Conference held in France in December 2015, 196 countries plus the European Union agreed for the first time to limit global warming to well below 2, preferably to below 1.5 degrees Celsius, compared to pre-industrial levels. The goal of containing climate change below this temperature level was to effectively mitigate environmental consequences such as natural disasters, droughts and rising sea levels. New regulations and stricter laws on energy efficiency and emissions requirements may necessitate increased spending on modernisation. The German Renewable Energy Sources Act (EEG) sets out among other things that from 2025 more than 40% of energy consumed in Germany must be generated from renewable sources. Future amendments by the legislature could require significant changes in the construction or conversion of real estate and lead to stricter energy efficiency requirements in the areas of asset and property management.

Through its investee DIC Asset AG, the Deutsche Immobilien Chancen Group has expertise in the field of energy management, along with a team of property managers experienced in catering to tenants' needs. Regular investments are made in buildings. Legal and regulatory changes are noted promptly to ensure compliance with all relevant regulations. At the beginning of 2021, more internal expertise in the area of ESG was built up at the level of DIC Asset AG when the position of Head of Sustainability was created to ensure that changes in the general framework are continuously analysed and any necessary adjustments to operating processes are implemented.

The increasing requirements for ESG criteria within companies' own business activities are also creating opportunities for the Deutsche Immobilien Chancen Group.Proactive modernisation of buildings, the building of ESG criteria into decision-making processes, and selection of future investments and divestments incorporating ESG criteria may give rise to additional business activity on the existing real estate platform and among institutional investors who attach considerable importance to sustainability-related aspects as an additional key criterion for investment.

For financial year 2021, we consider risks or opportunities arising from climate and environmental risks and their financial impact to be low.

Financial risks

> Financing risk

Interest rates

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

At present, our financing is primarily based on fixed-interest loans, although derivative financial instruments can also be used selectively for interest rate hedging. As at 31 December 2020, 96% (previous year: 91%) of the DIC Asset sub-group's financing volume was hedged against interest rate changes. Due to the hedging, an increase in interest rates of 100 basis points would only reduce our cash flow by an additional EUR 0.3 million. As at 31 December 2020, the average interest rate across all liabilities to banks of the DIC Asset sub-group amounted to 1.7% (previous year: 1.7%).

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

Borrowing costs were further optimised by locking in attractive financing conditions associated with the acquisition of new properties in the Commercial Portfolio of our investee DIC Asset AG. These were all financed on a non-recourse basis with domestic credit institutions. The Company selected its banking partners in competitive processes that weighed up conditions, structure, transaction security and timing. The overall new financing volume for loans secured by real estate for the DIC Asset sub-group in 2020 totalled around EUR 154.9 million with an average interest rate of 1.0% p.a.

Deutsche Immobilien Chancen AG & Co. KGaA and TTL Real Estate GmbH are financed, among other things, through bank loans secured by the deposit of shares.

Due to the Covid-19 pandemic and the resulting macroeconomic challenges experienced in financial year 2020, we expect interest rates to remain low in 2021, which will continue to benefit real estate investment markets. Thanks to the substantial level of hedging, a stronger increase in interest rates would have a slightly to moderately negative impact on our finances. The Deutsche Immobilien Chancen Group will once again make use of available sources of financing in 2021 to continue opportunistically optimising the liability side of the balance sheet.

Financing and liquidity

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

The aftermath of the last financial crisis resulted in some real estate financiers discontinuing new business or basing their credit requirements on more restrictive risk parameters. However, due to the ongoing expansive monetary policy pursued by the ECB, the liquidity associated with this and the favourable refinancing conditions, funds in the real estate markets are at a high level and the willingness of banks and other financing partners to provide financing remains high – despite the temporary effects of the Covid-19 pandemic. This is true in particular to so-called core properties in premium locations, which are characterised by long lease terms and tenants with strong credit ratings. New, alternative lenders have entered the market, subjecting the traditional financing providers to greater margin competition. To ensure a viable and sustainably stable financing structure, we therefore only agree loans and derivative financial instruments with banks with which we can build on a reliable and long-term partnership and which have excellent credit ratings or are members of a guarantee fund.

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

The Deutsche Immobilien Chancen Group has agreed a customary level of credit with financial covenants. If the Company fails to comply with these clauses, capital providers could modify their credit terms or demand the repayment of some loans at short notice, which would have negative financial implications. Essentially, the following covenants apply:

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

Compliance with credit clauses is monitored continuously and proactively through risk management in the Corporate Finance division; all covenants were complied with throughout 2020. Deviations from defined threshold values are identified through ongoing sensitivity analyses and presented to the Management Board without delay, and the type and scope of the countermeasures to be taken are determined. The conclusion of affordable long-term financing has been a material condition for the investment decision for all new acquisitions.

The liquidity risk consists of the risk that, due to insufficient availability of funds, the Company is unable to meet existing or future payment obligations or has to accept unfavourable financing terms in order to meet cash shortfalls. In the Group, this risk is managed centrally on the basis of multi-year financial plans and monthly rolling liquidity planning of long-term credit lines and liquid funds to ensure the solvency and financial flexibility of the Group at all times. Cash is passed on to Group companies as required under cash pooling arrangements. The Deutsche Immobilien Chancen Group's financing and liquidity requirements for its operations are secured for the long term and are based on the cash flow from our properties and investments, which can be planned long-term. Liquidity is mainly held in the form of call and term deposits.

In addition to existing bank credit lines and guarantee facilities, a working capital facility of EUR 25 million with a major German bank is in place. This financing is unsecured and enhances our financial flexibility at the level of the DIC Asset AG sub-group.

The DIC Asset sub-group's commercial paper programme was also launched at the end of 2019. The commercial paper market has changed a great deal in recent years and perfectly complements the Deutsche Immobilien Chancen Group's mostly long-term financing structure. The programme's volume is limited to a maximum of EUR 300 million. The Deutsche Immobilien Chancen Group will use the commercial paper product selectively and only as long as repayment is guaranteed. Currently, there are no drawdowns under the commercial paper programme.

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

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

Overall, we classify the risks arising from financing including their financial impact as low.

> Valuation risk

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

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

Sensitivity calculations were carried out as at the reporting date in order to quantify possible valuation risks. The sensitivity analysis shows, by way of example, how market values react to changes in the discount rate and capitalisation rate. If the discount rate increases by 25 basis points, for example, market values will drop by EUR 41.4 million. If the capitalisation rate increases at the same time by 25 basis points, the drop will increase to EUR 122.5 million. The Deutsche Immobilien Chancen Group's real estate assets are recognised at amortised cost. Variations in market value therefore do not have a direct effect on the balance sheet or the income statement. Impairments are only recognised if the carrying amounts exceed the fair values and values in use of the properties.

We succeeded in minimising the temporary effects of the Covid-19 pandemic on our property portfolio in the 2020 financial year through active management and by reaching individual agreements with directly affected tenants. In view of the anticipated economic recovery and the likelihood of an upswing in the commercial real estate sector in 2021, we believe that our active management approach with in-house asset and property management expertise puts us in an excellent position with regard to our Commercial Portfolio and in the third-party business, which is why we consider the risk that market values will decline in 2021 to be low on the whole. As property is recognised at amortised cost, declining market values do not simultaneously trigger a need for write-downs. Overall, we classify the risk arising from valuation including its financial impact as low.

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

OVERALL ASSESSMENT OF THE RISK AND OPPORTUNITY POSITION

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

In the wake of the steep decline in economic activity in the second quarter of 2020, economic output saw a strong rebound in the third quarter before being brought to a halt at the end of the year by a further lockdown imposed in December and the associated restrictions in public life. Further macroeconomic developments in the 2021 financial year will depend to a large extent on the impact of the second lockdown, which is still ongoing, as well as on the effects of more stringent measures taken to combat the Covid-19 pandemic and the government support schemes implemented.

Overall, the risk mechanisms put in place within the Group and the early action taken during the Covid-19 pandemic in the course of the 2020 financial year helped to safeguard our income streams, with the direct effects on income being minimised through proactive interaction with tenants, investors and other stakeholders, among other things.

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

The risk and opportunity situation is mainly characterised by:

- Earnings opportunities/risks from:
  Rental income: Numerous extensions of existing leases and Covid-19-related individual temporary contractual arrangements to minimise the risk of rent default among directly affected tenants helped secure and stabilise the tenant base.

  Sensible additions to the Commercial Portfolio by acquiring property occupied by tenants with good credit ratings also contributed to reducing the risk of rent losses. We are further expanding our earnings base and enhance the diversification of our portfolio and tenant base with the growth planned at the level of DIC Asset AG for the 2021 financial year.

  Real estate management fees: The significant growth in the base of assets under management in the Institutional Business segment in the 2020 financial year based on, among other things, DIC Asset AG's acquisition of GEG in summer 2019 and the logistics specialist RLI Investors at the turn of 2020/2021 further increased the number of investors and investment vehicles managed by the DIC Group. The strategic acquisition of RLI Investors, among others, enabled us to expand the range of possible investments in terms of geographical location, volume of investment for each individual property and asset class. This will help to further reduce and avoid cluster risks as well as dependence on income from large individual mandates, investors and asset classes.

- Strategic opportunities/risks:
  With the major new development WINX (MainTor) now being completed, the focus of the corporate strategy is continuing to shift towards lower-risk business segments. Our powerful real estate management platform enables us to focus on active management of the directly held Commercial Portfolio as well as our growing Institutional Business.

- Project development opportunities/risks:
  We have completed the MainTor project development. All six construction phases are now operational, and the final WINX sub-project was completed in early 2021 and handed over to the tenants and the investor. In addition, DIC Asset AG manages small to mid-sized repositioning activities and refurbishments within the Commercial Portfolio as well as larger repositioning activities and refurbishments of landmark properties for third parties in the Institutional Business segment. DIC Asset AG is only a minor shareholder in the Global Tower, Riverpark and Munich Pasing project developments it currently manages for third parties. Managing

project developments for third parties provides good earnings opportunities for DIC Asset AG while minimising its equity interest.

- Financing opportunities/risks:
  The financing risks were reduced in the medium term as a result of implementing the refinancing of our Commercial Portfolio in January 2017 and the resulting significant reduction in financing costs, the increased maturity of our financial debt and increased future cash flows from lower levels of debt servicing. In the 2019 financial year, the issuance of DIC Asset AG's first promissory note with a weighted average interest rate of 1.55% also led to further diversification of the sources of outside capital. In the 2020 financial year, our acquisition activities also saw us enter into attractive financing deals. We intend to further optimise our financing structure in financial year 2021, develop new sources of finance and keep our loan-to-value (LTV) ratio at a level of around 45%.

As a result, the Group's overall risk profile proved to be stable and crisis-resistant in 2020 compared with the previous year. As our equity investments have business models comprising a comprehensive range of services with broad coverage of the real estate value chain we can generate diversified, steady cash flows from ongoing rental income, transaction, structuring and management fees, and attractive income from investments. Our excellent market penetration and extensive knowledge of the German commercial real estate market will support the planned growth at the level of DIC Asset AG. We will efficiently create economies of scale and investment opportunities from the symbiosis of our capital and financial structure as a traditional real estate property holder and the long-standing expertise of a real estate manager.

In a financial year dominated by Covid-19, DIC Asset AG succeeded in lifting its FFO earnings once again to EUR 96.5 million. On the transaction side, too, a significantly higher number of transactions had been completed by the end of 2020 than recently forecast. On the acquisition side, transactions worth around EUR 1,838 million were notarised, while on the sales side this figure was EUR 614 million. This significantly increased assets under management to EUR 9.6 billion at the reporting date. Acquiring the asset manager RLI Investors, which specialises in logistics properties, effective as of the beginning of 2021 has already enabled us to meet our short-term goal of having around EUR 10 billion in assets under management.

Overall economic development in the 2021 financial year will be contingent on the evolution of the pandemic and, subsequently, on possible further restrictions and lockdown regulations introduced by the legislature. On a more positive note, there are high hopes that vaccines will soon be extensively available to combat and contain the pandemic.

This would also have positive effects for the real estate sector as a whole. Following an extraordinary low in the rental market triggered by the pandemic, demand for office space could pick up again during financial year 2021. In 2020, companies put off decisions about relocations and expansion, but leases with correspondingly shorter terms are expiring or coming up for renewal. As a result, additional demand pressure coupled with a shortage of space in Germany's top 7 cities and in metropolitan regions could give a boost to the total amount of space let. Demand in the investment market is also buoyant at present, particularly for core properties. High-yield government bonds are nearing the end of their term, and interest rates are expected to remain low for an indefinite period, which could lead to increased investment pressure among institutional investors. All things considered, the property sector can expect a much stronger year in 2021.

The resulting developments, both positive and negative, and their potential repercussions may have significant consequences for the German economy, its businesses and the real estate sector. However, due to their complexity, these effects are currently subject to greater uncertainty than in previous years in terms of their probability of occurrence.

REPORT ON EXPECTED DEVELOPMENTS

Achievement of objectives for 2020

We met all of the most recent targets set at the level of our investee DIC Asset AG for the key performance indicators and exceeded some of them – in some cases by a considerable margin. Despite the exceptional environment and temporary restrictions on public life aimed at tackling and limiting the spread of the Covid-19 pandemic during the 2020 financial year, we were able to expand our diversified real estate platform further with numerous investments both for the Company's own portfolio and as part of third-party mandates. One of our major competitive advantages in this regard is our in-house real estate management team, which was recently strengthened further by opening an eighth office, in Stuttgart, at the start of 2021. Thanks to our proximity to our tenants, investors and properties and our proactive management approach, we were able to significantly minimise potential risks to our business even amid the challenges posed by the outbreak of the Covid-19 pandemic and during the first half of 2020, particularly with regard to the risk of rent losses from directly affected tenants. Directly impacted tenants in particular asked to defer their rent payments during the first few weeks and months of lockdown. We also entered into individual agreements with a number of tenants from sectors particularly affected by lockdown, such as retail and hotels. These agreements primarily comprised a combination of temporary short-term relief from rent payments and a simultaneous extension of contract terms.

On 3 April 2020, DIC Asset AG adjusted the forecasts made for the key performance indicators at the start of the year before the outbreak of the Covid-19 pandemic to reflect the potential short-term impact of the crisis. The forecast for funds from operations (FFO) was revised to EUR 94 to 96 million (previously: EUR 104 to 106 million), placing it at the high level achieved in 2019 (EUR 95.0 million). The expectation for gross rental income was adjusted to EUR 94 to 98 million (previously: EUR 102 to 104 million), while the outlook for real estate management fees was revised to a range of EUR 80 to 90 million (previously: EUR 85 to 95 million). On the transaction side, we anticipated totalling EUR 700 million to 1.1 billion, including EUR 200 to 300 million for the Commercial Portfolio (previously: EUR 500 to 600 million) and EUR 500 to 800 million for the Institutional Business (previously: EUR 1.1 to 1.3 billion). We continued to forecast planned sales of approximately EUR 400 million, with around EUR 100 million in the Commercial Portfolio and around EUR 300 million in the Institutional Business.

These updated forecasts of DIC Asset AG were refined further when the nine-month figures were published at the end of October 2020 due to increased visibility and a renewed sharp increase in activities on the transaction market in the second half of the year. The latest forecast for FFO was EUR 95 to 96 million, which DIC Asset AG was able to achieve as planned with a figure of EUR 96.5 million as of the reporting date. We generated EUR 101.0 million in gross rental income. This meant that the most recent adjusted forecast of EUR 98 million was exceeded due to later sales than originally predicted. Real estate management fees were EUR 79.7 million at the end of the year, thus reaching the most recent projection of EUR 80 to 85 million. On the transaction side, we managed to significantly exceed our transaction targets in some cases due to an very busy final quarter. Among other things, this was due to the launch of the largest real estate special fund in the history of DIC Asset AG, which boasted a seed portfolio of around EUR 780 million that already put it halfway towards its target volume of approximately EUR 1.6 billion.

In the fourth quarter of the financial year ended, we once again observed a marked increase in investors' willingness to complete transactions, which meant that the most recent acquisition guidance was exceeded significantly by the end of the year. Acquisition volumes across all segments reached EUR 1,838 million, including EUR 213 million in the Commercial Portfolio segment and EUR 1,625 million in the Institutional Business. This means that the goal of EUR 200 to 300 million for the Commercial Portfolio was achieved. Likewise, all targets on the sales side were exceeded with a volume of EUR 242 million in the Commercial Portfolio and EUR 370 million in the Institutional Business. Overall, the Company's transactions in 2020 add up to around EUR 2.5 billion, exceeding even the record set in 2019 by a significant amount. As a result, assets under management at the end of 2020 rose to more than EUR 2 billion for our own portfolio (Commercial Portfolio segment) and approximately EUR 7.6 billion under third-party mandates (Institutional Business segment).

Overall assessment for 2021

The earnings of the Deutsche Immobilien Chancen Group are significantly influenced by the performance of DIC Asset AG.

DIC Asset AG again expects a more stable environment overall in the 2021 financial year. The business model and profitable real estate platform in the German commercial real estate market enable us to react quickly and flexibly to changing business conditions.

Based on the diversified cash flows we generate via the two significant earnings pillars of our real estate platform, our local presence and the active management approach of our overall managed portfolio, we were able to demonstrate the considerable crisis resilience and flexibility of our business model under the challenging conditions caused by the Covid-19 pandemic during the past financial year.

By repeating the strong letting performance and making attractive acquisitions of around EUR 200 million, in financial year 2020 the diversification, stability and profitability of the Commercial Portfolio was improved considerably once again, resulting in a stable long-term cash flow. We were able to minimise tenant credit risks by proactively communicating with tenants directly affected by the Covid-19 pandemic. In addition to further growth in assets under management through acquisitions, we continue to focus on development measures in 2021 to leverage additional potential in the Commercial Portfolio and improve its quality.

In the Institutional Business, our reputation in the German commercial real estate market as a provider of investment products with attractive returns has been further enhanced since acquiring GEG in financial year 2019 and making the strategic acquisition of RLI Investors towards the end of 2020, making us an even more appealing partner for institutional investors. With our enhanced offering in logistics and our office property expertise, we are seeing persistently high demand for investment products among our investors, not least in view of the low interest rate environment. DIC Asset AG therefore anticipates rising income from real estate management in 2021 as a result of having further expanded its assets under management.

Macroeconomic environment in 2021

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

Since spring 2020, Germany's macroeconomic situation has been dominated by the Covid-19 pandemic. The outbreak of the pandemic and the initial lockdown that followed led to a massive drop in gross domestic product of 9.8% in the second quarter of 2020. The economy began to recover during the summer, though the rebound was curbed in late 2020 by the second wave of the virus and a further government-mandated lockdown. According to calculations by the Federal Statistical Office (Destatis), Germany's price-adjusted gross domestic product (GDP) in 2020 was 4.9% lower than in 2019, abruptly ending a ten-year growth phase that had lasted since the financial and economic crisis of 2008/2009. The fallout of the

Covid-19 pandemic dealt German industry a particular blow in the first half of the year, due in part to the temporary disruption of global supply chains. Coronavirus produced the first drop in the labour market after 14 years of rising employment levels.

Economists are anticipating a trend reversal in Europe's largest economy during the 2021 financial year. In spite of the further lockdown imposed at the beginning of the year, economic growth is anticipated to increase from mid-2021 as more and more people are vaccinated. Consumer spending is expected to be the main driver of the domestic economy, probably benefiting sectors such as retail and food service. Economists also estimate that the economy will return to normal and reach pre-crisis levels by summer 2022 at the latest. Based on the initial assessments of leading economists, we are currently anticipating GDP growth of around 3.5% to 4.0% for 2021.

Assessment of sector trends

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

Rental market in 2021

During the 2020 financial year, pandemic-related uncertainty among businesses was palpable in the German office rental market. Many sectors and industries have been adversely affected by the Covid-19 pandemic, And this inevitably had an impact on the office rental market as well. Planned expansions were initially postponed or could no longer be implemented at all. However, there was no dramatic increase in vacancy rates or a wave of vacancies. Information provided by Colliers International Deutschland reveals take-up of 2,555,100 sqm in Germany's seven largest office markets in 2020. This is a decrease of nearly 35% on the extraordinarily strong 2019 and 25% below the ten-year average. According to the experts, the weighted vacancy rate in the top 7 cities rose slightly to 3.5% at year-end, though it remains at a very low level. The level is therefore indicative of a more landlord-friendly market in a situation with normal levels of demand. Even in relation to the vacancy rate of 2.9% in the final quarter of 2019, the increase is only moderate.

We expect rental markets, particularly office rental markets, to recover in 2021. Companies could then increasingly resume relocation and expansion plans, and in doing so halt the declining trend in letting revenue observed in 2020. Tenants are still prepared to pay high rents for high-quality space in good locations. However, the surge in rents seen in recent years is likely to slow due to the coronavirus-related fall in demand, especially in the large-scale segment. How demand in the markets develops in 2021 will also depend on the evolution of the pandemic. With the prospect of widespread vaccination against Covid-19 followed by a consistently positive economic recovery, letting activities in the office markets are expected to steadily return to normal.

Investment market in 2021

According to consultancy firm Colliers International, the commercial transaction volume in Germany totalled around EUR 59.2 billion in 2020. This means that in the last decade the EUR 50 billion threshold was significantly exceeded for the sixth time in a row. The fourth quarter in particular contributed EUR 18.2 billion, or 31%, to this full-year result, even slightly exceeding the record figure for the start of the year of EUR 17.7 billion. Despite the Covid-19 crisis, Germany's seven major investment centres continued to attract investors' attention in the financial year now ended, with around EUR 30.6 billion, or 52% of the transaction volume, being placed there in 2020. After the first lockdown, the investment market therefore began to grow again in the second half of 2020 and gained significant momentum, particularly in the final quarter of the year, on the strength of more high-volume transactions. This also demonstrates the resilience of the German investment market and the ability of market players to adapt. The share of foreign investors increased again as the year went on and by year-end accounted for 43% of the commercial transaction volume in 2020. The price trend remained stable, even rising in the core segment.

In view of the basic economic data and an expected recovery, liquidity in the transaction markets is expected to remain high in the 2021 financial year from mid-year at the latest. In 2021, investors are likely to continue differentiating clearly between the asset classes (including office, retail, logistics and hotel) when assessing the risks of an investment. On the transaction market, we see more opportunities than risks on the seller side in 2021, particularly due to continuing demand for core real estate in light of persistently low interest rates. On the buyer side, adequate opportunities to improve the profile and market share of DIC Asset AG and its subsidiaries in the German-speaking real estate market and beyond will arise due to steady growth in the investor network and real estate platform with an increased range of logistics investments in the future.

Expected development of the Deutsche Immobilien Chancen Group

Further growth in all segments

Based on high transaction volumes in the past financial year and more than EUR 10 billion in pro forma real estate assets under management at the end of the year, we are expecting our real estate platform to grow further in the German commercial real estate market in 2021. We laid the foundations for this in 2020, firstly with EUR 1.1 billion of acquisitions that have not yet been recognised in the balance sheet, of which around EUR 0.5 billion will be transferred to the 2021 financial year, and secondly by agreeing in December DIC Asset AG's acquisition of specialist logistics property investment and asset management company RLI Investors GmbH, which has assets under management of more than EUR 700 million. The acquisition is expected to contribute around EUR 4 million to EBITDA as early as 2021. In December, the largest real estate fund in the history of DIC Asset AG with a target volume of EUR 1.6 billion was launched, after having put together a seed portfolio of four properties with a total volume of around EUR 780 million. We already have the equity commitments required for the remaining acquisition volume of approximately EUR 800 million. Despite the ongoing Covid-19 pandemic during the 2021 financial year, we expect DIC Asset AG to make an increasing contribution to earnings with its Institutional Business segment and record growth in assets under management in both the Commercial Portfolio and Institutional Business segments. Overall, we are planning for transactions with a total volume of between EUR 1.5 and 2.2 billion across all segments in 2021. In the medium term, we are aiming to increase assets under management to around EUR 15 billion across all segments.

As of 31 December 2020, assets under management totalled approximately EUR 9.6 billion. Additional acquisitions amounting to around EUR 1.2 to 1.8 billion are planned for 2021. Acquisitions within a range of EUR 200 to 300 million are attributable to the Commercial Portfolio and EUR 1.0 to 1.5 billion to the Institutional Business (third-party business). These acquisitions are planned for both existing mandates and as part of new mandates and investment vehicles.

Generation of sales profits and investment income after successful value creation

We expect consistently high demand on the transaction markets, not least due to low interest rates. The persistently low interest rate environment in 2021 is one of the reasons why we believe that there is an excellent chance that we can continue to leverage the potential of the properties in the Commercial Portfolio and for our clients in the Institutional Business. We can do this by investing in selected properties and in some instances redeveloping and repositioning them, reducing vacancy rates, raising rental income on a like-for-like basis and thus creating additional value that is reflected by the rental income in the Commercial Portfolio as well as in management income from looking after properties in the Institutional Business. We will market selected properties across all segments when a suitable occasion arises in order to realise attractive sales profits and investment income and to further strategically optimise the portfolios managed by DIC Asset AG. We can also develop additional suitable investment properties for our institutional investors from our own portfolio and place them in appropriate investment vehicles.

As a result, we are targeting sales across all segments with a volume of between EUR 300 and 400 million for 2021 for DIC Asset AG. Of this figure, around EUR 100 million is attributable to the Commercial Portfolio and around EUR 200 to 300 million to the Institutional Business.

Development of the DIC Asset AG Commercial Portfolio

We made attractive acquisitions to enhance the quality of our portfolio during the past financial year. Successfully repositioned properties were sold for reasons including the realisation of added value, some of which was reintroduced to managed investment vehicles in the Institutional Business segment within the real estate platform. Non-strategic properties were also sold to optimise the portfolio further. We were able to minimise pandemic-related rent defaults with active, tenant-focused management, while stabilising expected rental cash flows with appropriate individual agreements at the end of the year. We are planning to make further acquisitions for the Commercial Portfolio in excess of EUR 2 billion during the 2021 financial year. Based on the current portfolio, planned letting performance and taking into account additional acquisitions and sales recognised on the balance sheet in the current financial year, we expect gross rental income from the Commercial Portfolio to be stable or rise slightly and come in between EUR 98 and 102 million.

Development of the DIC Asset AG Institutional Business

Assets under management in the Institutional Business rose by 33% from EUR 5.7 billion to EUR 7.6 billion in 2020. With DIC Asset AG's acquisition of RLI Investors in December, we acquired an additional more than EUR 700 million in assets under management after the reporting date. In addition, EUR 488 million in assets under management that were acquired in 2020 will be transferred in 2021. The strategic acquisition of logistics experts RLI Investors further diversified the real estate platform after DIC Asset AG's acquisition of GEG in 2019. This will provide the existing investor base with access to an even broader range of real estate investments in future, particularly in the office and logistics asset classes. With significant capital commitments already secured, we have also laid the foundations for making additional investments during the current financial year. In light of this, we anticipate a sharp increase in real estate management fees resulting from ongoing management (asset and property management and development), transaction fees for acquisitions and sales and the structuring of investment products as well as performance fees for exceeding predefined target returns. DIC Asset AG is planning to generate real estate management fees of EUR 94 to 104 million in the 2021 financial year.

Expected revenue and results of operations of DIC Asset AG in 2021

Overall, DIC Asset AG is planning funds from operations (FFO) growth of around 10% year-on-year from the planned activities of DIC Asset AG in the current financial year, particularly from planned growth in all segments as well as the ongoing active management of the Commercial Portfolio and the managed properties in the Institutional Business. Our investee DIC Asset AG anticipates FFO of EUR 106 to 110 million for 2021.

OTHER DISCLOSURES

Material assumptions for the business forecast

Our forecast is based on the following material assumptions:

- The vaccination rates against Covid-19 among the population in Germany will increase and will be effective
- There will not be any outbreaks of previously unknown pandemics that could result in a further deterioration in and restrictions on public life
- Global trade conflicts do not expand significantly
- There will be no major escalations of geopolitical tensions
- There will be no material escalation of the sovereign debt crisis in the eurozone
- There will be no resurgence of the banking crisis in the eurozone
- Brexit will have no dramatic effects on the economies in the eurozone
- In the second half of the year the German economy will recover and the unemployment rate will not increase significantly
- The rental market and lease revenue will grow again during the 2021 financial year to reach a normal level seen in previous years
- Inflation will not see an unexpectedly high increase
- The ECB will not abruptly end its policy of cheap money
- Banks will not tighten the requirements of their lending policies to such an extent that they restrict transaction activity
- No new, unforeseen permanent or temporary regulatory changes and regulations will come into effect

We are not issuing a specific forecast for profit for the period. Among other things, the precise amount of profit for the period depends to a large extent on whether we are able to buy or sell properties from our equity or project investments or minority interests.

Related party disclosures

Deutsche Immobilien Chancen AG & Co. KGaA has prepared a dependent company report outlining its relations with affiliated companies. This report lists all legal transactions conducted by the Company or its subsidiaries with affiliates, or at the request of or in the interest of one of these companies, over the past financial year, as well as all other measures the Company took or failed to take at the request of or in the interest of these companies over the past financial year.

The report concludes with the following statement: “We hereby declare that, based on the circumstances known to us at the time when the transactions were entered into, our company received or paid appropriate consideration for each transaction. We took no actions at the request of or on behalf of the controlling company.”

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR FROM
1 JANUARY 2020 TO 31 DECEMBER 2020

BALANCE SHEET OF THE DEUTSCHE IMMOBILIEN CHANCEN GROUP as at 31 December 2020

Assets in EUR thousand	31.12.2020	31.12.2019
FIXED ASSETS		
Intangible fixed assets		
Concessions and similar rights and assets, and licences in such rights and assets	26,153	29,874
Goodwill	294,963	311,178
	321,116	341,052
Tangible fixed assets		
Land and buildings	1,622,131	1,626,652
Office furniture and equipment	1,164	1,159
Prepayments and assets under construction	31,400	45,348
	1,654,695	1,673,159
Long-term financial assets		
Long-term equity investments	27,509	22,105
Investments in associates	158,242	162,970
	185,751	185,075
CURRENT ASSETS		
Inventories		
Work in progress	383,219	373,886
Receivables and other assets		
Trade receivables	32,284	16,636
Receivables from investees	67,171	39,927
Other assets	90,889	49,966
	190,344	106,529
Securities		
Other securities	30,647	0
Cash on hand, bank balances	382,996	367,913
Prepaid expenses	9,546	8,959
Deferred tax assets	30,471	29,967
	3,188,785	3,086,540

Equity and liabilities in EUR thousand	31.12.2020	31.12.2019
EQUITY		
Issued capital	**46,801**	46,801
Capital reserves	**8,855**	8,855
Equity earned by the Group	**93,140**	88,341
Non-controlling interests	**742,590**	619,798
	891,386	763,795
PROVISIONS		
Provision for taxes	**27,777**	25,219
Other provisions	**58,256**	58,559
	86,033	83,778
LIABILITIES		
Corporate bond	**334,069**	334,083
Liabilities to banks	**1,268,680**	1,329,611
Payments received on account of orders	**335,119**	314,157
Trade payables	**1,701**	3,656
Liabilities to other long-term investees and investors	**129,972**	103,958
Other liabilities	**99,997**	112,275
	2,169,538	2,197,740
Deferred income	**5,044**	1,945
Deferred tax liabilities	**36,784**	39,282
	3,188,785	3,086,540

INCOME STATEMENT OF THE DEUTSCHE IMMOBILIEN CHANCEN GROUP from 1 January to 31 December 2020

in EUR thousand	01.01.2020 –31.12.2020	01.01.2019–31.12.2019
Revenue	203,698	176,034
Other operating income	45,236	119,035
Total operating performance	248,934	295,069
Cost of materials	-37,487	-35,597
Gross profit	211,447	259,472
Personnel expenses	-30,280	-27,717
Amortisation of intangible fixed assets and depreciation of tangible fixed assets	-58,458	-47,483
Other operating expenses	-53,234	-41,586
Operating profit	69,475	142,686
Other interest and similar income	5,804	6,684
Share of the profit or loss of associates	19,820	22,435
Interest and similar expenses	-39,330	-44,272
Profit before tax	55,769	127,533
Current income tax expense	-10,020	-24,582
Other taxes	166	-219
Consolidated profit for the year	45,915	102,732
Profit attributable to minority interests	38,775	95,670
Profit attributable to shareholders of the Group	7,140	7,062

CASH FLOW STATEMENT OF THE DEUTSCHE IMMOBILIEN CHANCEN GROUP from 1 January to 31 December 2020

in EUR thousand	01.01.2020–31.12.2020	01.01.2019–31.12.2019
OPERATING ACTIVITIES		
Profit for the period before interest	79,441	140,320
Gains from the sale of properties	-32,000	-36,728
Depreciation and amortisation	58,458	47,483
Changes in receivables, liabilities and provisions	-1,877	-5,388
Other non-cash transactions	-3,001	19,411
Cash generated from operations	**101,021**	165,098
INVESTING ACTIVITIES		
Proceeds from the sale of properties	116,324	177,723
Dividends received	7,500	13,043
Acquisition of and investment in properties	-202,409	-368,388
Investment in/sales of properties	1,899	331,209
Investment in business acquisitions	0	-222,208
Change in loan receivables from investees	0	2,670
Investment in project developments	-20,622	-34,135
Prepayments from project developments	0	5,000
Acquisition of office furniture and equipment	-574	-1,028
Cash flow from investing activities	**-97,882**	-96,114
FINANCING ACTIVITIES		
Proceeds from the issue of share capital	122,234	0
Proceeds from the issue of corporate bond / promissory notes	0	180,000
Proceeds from borrowings	189,010	275,257
Interest received	85	19
Interest paid	-33,797	-41,032
Repayment of borrowings	-239,573	-224,404
Repayment of corporate bonds	0	-175,000
Payment of transaction costs	-2,701	-1,476
Dividends paid	-28,048	-19,639
Cash flow from financing activities	**7,210**	-6,275
Acquisition related increase in cash and cash equivalents	4,734	13,901
Net changes in cash and cash equivalents	10,349	62,709
Cash and cash equivalents at the beginning of the financial year	367,913	291,303
Cash and cash equivalents at the end of the period	**382,996**	367,913

STATEMENT OF CHANGES IN EQUITY OF THE DEUTSCHE IMMOBILIEN CHANCEN GROUP as at 31 December 2020

in EUR thousand	Issued capital	Capital reserves	Equity earned by the Group	Equity attributable to Group shareholders	Non-controlling interests	**Total**
Balance at 31 December 2018	46,801	8,855	83,619	139,275	565,658	**704,933**
Consolidated profit for the year			7,062	7,062	95,670	**102,732**
Distributions in 2018			-2,340	-2,340	-24,157	**-26,497**
Acquisition of additional shares					7,647	**7,647**
Sale of shares					-25,020	**-25,020**
Balance at 31 December 2019	46,801	8,855	88,341	143,997	619,798	**763,795**
Consolidated profit for the year			7,140	7,140	38,775	**45,915**
Distributions in 2019			-2,341	-2,341	-38,218	**-40,559**
Acquisition of additional shares					122,235	**122,235**
Balance at 31 December 2020	46,801	8,855	93,140	148,796	742,590	**891,386**

NOTES ZUM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR FROM 1 JANUARY 2020 TO 31 DECEMBER 2020

I. General disclosures

Deutsche Immobilien Chancen AG & Co. KGaA, Frankfurt am Main, (hereinafter referred to as "Deutsche Immobilien Chancen") entered in the commercial register of the Local Court of Frankfurt am Main (reg. no. HRB 54220), prepares voluntary financial statements of the Deutsche Immobilien Chancen Group (consolidated financial statements), which – with the exception of the departures described in the notes, in particular the determination of entities to be included in consolidation – 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 requirements of the Articles of Association. There is no obligation to prepare consolidated financial statements either under the law or under the Articles of Association. When the consolidated financial statements were being prepared, size-related exemptions for small corporations pursuant to section 288 HGB were applied in some cases.

II. Basis of consolidation

The consolidated financial statements comprise all companies in which Deutsche Immobilien Chancen holds a 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.

The Deutsche Immobilien Chancen Group has control of around 34.56% of the voting rights in DIC Asset AG, and in the financial year the same person served as Chairman of the Supervisory Board of both companies (Deutsche Immobilien Chancen and DIC Asset AG). This gives rise to the possibility of significant influence being exercised, but control does not exist within the meaning of the consolidation requirements under commercial law (section 290 HGB and GAS 19). In order to provide a comprehensive picture of the course of business and the position, and in particular of the operating business, of the Deutsche Immobilien Chancen Group as a whole, 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 approximately 70% of the shares.

Under the equity method, investments in companies over which Deutsche Immobilien Chancen has significant influence are included in the consolidated financial statements. Investments in associates are carried at the amount that corresponds to the proportionate share of the associate's equity.

The basis of consolidation and shares in associates are shown in Appendix 1 to the Notes.

In June 2019, 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 as at 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 following table shows the fair values of the acquired assets and liabilities recognised at the acquisition date of 1 June 2019:

in EUR thousand	Fair value
Long-term equity investments	13,673
Intangible assets	31,753
Other current assets	13,527
Cash	13,180
Total assets	72,133
Total liabilities	39,159
Net assets acquired	32,974
Non-controlling interests (0.4%)	792
Net assets acquired, DIC Asset AG	32,182

The comparison of the total of the consideration transferred and the non-controlling interests in the net assets with the acquired remeasured net assets of GEG resulted in goodwill of EUR 177,892 thousand. The goodwill reflects future synergies, in particular access to a broader investor base, further products in the Institutional Business and the expansion of our portfolio development capacity.

III. Consolidation principles

Acquisition accounting uses the revaluation method by eliminating the purchase cost of the investment against the proportionate equity of the subsidiaries attributable to the parent at the time of acquisition or initial consolidation of the subsidiaries. Any excess of the carrying amount of the shares over the proportionate equity at the time of initial consolidation is treated as a difference and carried forward as goodwill or, in the case of MainTor, allocated as the total project value of the project development. In the case of minority interests, the difference is also included in the balance sheet and the carrying amount is adjusted.

Shares in associates within the meaning of section 311 HGB are measured using the equity method (book value method) on the basis of their subgroup financial statements. Any excess of the carrying amount of the shares over the proportionate equity at the time of initial consolidation is treated as a difference and carried forward as goodwill. For reasons of materiality, in individual cases associates without business activities are accounted for with their individual financial statements or at purchase cost.

Receivables and liabilities between companies in the Group are eliminated in the consolidation of intercompany balances. Income between companies in the Group is eliminated against the related expenses. Intercompany profits arising from transactions between companies in the Group are eliminated.

With a few exceptions, the reporting date of the consolidated companies is the same as the Group's reporting date. Where the financial years differ, subsidiaries and associates with interim financial statements as at the Group reporting date are included.

IV. Classification principles

The consolidated financial statements have been classified in accordance with the requirements 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 (nature of expense) format (section 275 (2) HGB) was used.

V. Accounting policies

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

Purchased intangible assets and tangible fixed assets are carried at cost and reduced by straight-line depreciation or amortisation over their average useful lives. The average useful life of buildings is 40 years.

Goodwill is carried at cost and reduced by straight-line amortisation.

The useful lives, which reflect the long-term business cycle of the real estate investments concerned, 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 costs are increased or decreased annually by the changes in equity corresponding to the interest held by the 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, sustainable management of the properties and is used to test the recoverability of investments and goodwill.

The total project value disclosed in connection with the initial consolidation of the MainTor project companies is subjected to annual impairment testing.

Interest rate hedges are combined with the corresponding loan liabilities to form a micro hedge applying the net hedge presentation method. The effectiveness of the hedge is demonstrated by the hypothetical derivative or critical term match method. Negative market values of interest rate hedges to which hedge accounting has not been applied are reported under other provisions.

Receivables, inventories and other assets are carried at the lower of cost or market at the reporting date. Prepaid expenses are deferred and reversed over the underlying terms.

Bank balances are recognised at their nominal amount.

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 their settlement amounts.

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

Deferred tax liabilities result from differences between the carrying amounts of properties under commercial law and their tax base. They are measured 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. Balance sheet disclosures

1. Fixed assets

Intangible fixed assets developed as follows:

in EUR thousand	Goodwill	Other intangible fixed assets
Cost at 1 January	356,419	35,561
Additions	0	290
Disposals	0	0
Cost at 31 December	**356,419**	**35,851**
Amortisation at 1 January	45,241	5,687
Additions	16,215	4,011
Disposals	0	0
Amortisation at 31 December	**61,456**	**9,698**
Carrying amount at 1 January	311,178	29,874
Carrying amount at 31 December	**294,963**	**26,153**

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

Tangible fixed assets developed as follows:

in EUR thousand	Land and buildings	Office furniture and equipment	Prepayments and assets under construction
Cost at 1 January	1,736,569	3,815	45,348
Additions	172,752	574	29,657
Reclassifications	42,013	0	-42,013
Disposals	-211,856	0	-1,592
Cost at 31 December	**1,739,478**	**4,389**	**31,400**
Depreciation at 1 January	109,917	2,656	0
Additions	37,663	569	0
Disposals	-30,233	0	0
Depreciation at 31 December	**117,347**	**3,225**	**0**
Carrying amount at 1 January	1,626,652	1,159	45,348
Carrying amount at 31 December	**1,622,131**	**1,164**	**31,400**

Long-term financial assets developed as follows:

in EUR thousand	Long-term equity investments	Investments in associates
Cost at 1 January	22,105	162,970
Additions	5,404	448
Reclassifications	0	0
Disposals	0	-5,176
Cost at 31 December	**27,509**	**158,242**
Depreciation at 1 January	0	0
Additions	0	0
Disposals	0	0
Depreciation at 31 December	**0**	**0**
Carrying amount at 1 January	22,105	162,970
Carrying amount at 31 December	**27,509**	**158,242**

The additions to long-term equity investments are mainly attributable to additions of minority interests in the investment vehicles of the Institutional Business segment.

The disposals in associated companies result in particular from the shares in DIC FF Südwest Portfolio GmbH & Co. KG that were still presented under associates in the previous year and are consolidated in the current financial year (EUR 2,775 thousand), and from adjustments to the carrying amounts of special investment funds included using the equity method (EUR 1,953 thousand).

Investments in associates include the following shares held in special investment funds as defined by the German Investment Act (InvG):

- The DIC Office Balance I fund invests in commercial real estate, especially office properties in Germany. DIC Asset AG holds an equity interest of 10.0%. The carrying amount of the shares is EUR 12,982 thousand and the fair value EUR 12,982 thousand (2019: both EUR 14,308 thousand). In the financial year ended, we received distributions of EUR 4,383 thousand (2019: EUR 6,710 thousand). A redemption period of at least six months applies to the redemption of the shares.

- The DIC Office Balance II fund invests in office properties in Germany. DIC Asset AG holds an equity interest of 4.6%. The carrying amount of the shares is EUR 9,661 thousand and the fair value EUR 9,661 thousand (2019: both EUR 9,609 thousand). In the financial year ended, we received distributions of EUR 378 thousand (2019: EUR 339 thousand). A redemption period of at least six months applies to the redemption of the shares.

- The DIC Office Balance III fund invests in office properties in Germany. DIC Asset AG holds an equity interest of around 2.4%. The carrying amount of the shares in the fund is EUR 4,734 thousand and the fair value EUR 4,734 thousand (2019: both EUR 5,681 thousand). In the financial year ended, we received distributions of EUR 1,835 thousand (2019: EUR 1,547 thousand).

- The DIC Office Balance IV fund invests in office properties in Germany. DIC Asset AG holds an equity interest of around 1.7%. The carrying amount of the shares in the fund is EUR 3,167 thousand and the fair value EUR 3,167 thousand (2019: both EUR 3,176 thousand). In the financial year ended, we received distributions of EUR 53 thousand (2019: EUR 40 thousand).

- The DIC Office Balance V fund was launched in 2018 and invests in office properties in Germany. DIC Asset AG holds an equity interest of around 1.2%. The carrying amount of the shares in the fund is EUR 3,967 thousand and the fair value EUR 3,967 thousand (2019: both EUR 3,926 thousand). In the financial year ended, we received distributions of EUR 33 thousand (2019: EUR 0 thousand).

- The DIC Retail Balance I fund invests in retail real estate, with a focus on non-discretionary retail in Germany. DIC Asset AG holds an equity interest of around 3.8%. The carrying amount of the shares in the fund is EUR 5,804 thousand and the fair value EUR 5,804 thousand (2019: both EUR 5,920 thousand). In the financial year ended, we received distributions of EUR 127 thousand (2019: EUR 140 thousand).

Shares in associates also include the 50% interest in TTL Real Estate GmbH of EUR 90.9 million (as in the previous year) and the 49.9% share in DIC Beteiligungs GbR (EUR 25.6 million, previous year: EUR 25.3 million).

2. Inventories

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

3. Receivables and other assets

With the exception of the security deposits of EUR 5,264 thousand (2019: EUR 4,865 thousand) reported under other assets, all receivables and other assets have a remaining term of less than one year. Receivables from investees generally relate to their financing.

4. Cash on hand, bank balances

The credit balance is carried at its nominal amount. Of the existing credit balances, EUR 60,977 thousand is subject to short-term restrictions on disposal beyond the end of the reporting period.

5. Prepaid expenses

Prepaid expenses of EUR 9,546 thousand (2019: EUR 8,959 thousand) include processing fees for borrowings of EUR 2,712 thousand (2019: EUR 2,842 thousand) and other prepaid expenses such as insurance premiums.

6. Equity

- Share

The Company's share capital amounts to EUR 46,800,657.00 euros (2019: EUR 46,800,657.00 euros), divided into 46,800,657 no-par value no-par value shares with a notional value of EUR 1.00 each.

- Contingent capital

The contingent capital amounted to a nominal EUR 18,000,000.00 in the previous year. The respective authorisation of the General Shareholders' Meeting to use the contingent capital expired at the end of 2020.

- Capital reserves

The capital reserves include amounts pursuant to section 272 (2) no. 1 HGB in the amount of EUR 8,855 thousand (2019: EUR 8,855 thousand).

- Non-controlling interests

Minority interests in the Group's equity increased from EUR 619,798 thousand to EUR 742,590 thousand, in particular as a result of the allocation of earnings and the capital increase carried out at DIC Asset AG.

7. Other provisions

The other provisions concern:

in EUR thousand	01.01.2020–31.12.2020	01.01.2019–31.12.2019
Invoices outstanding	28,108	15,187
Bonus	4,875	6,719
Audit of financial statements	604	596
Provision for vacation	963	637
Miscellaneous other provisions	23,706	35,420
	58,256	58,559

The provisions for outstanding invoices include the appraiser's fees for the annual property valuation, unpaid fees, consultancy fees and other services. Miscellaneous 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 EUR thousand	Total	of which remaining maturity in years		
		<1 year	1 to 5 years	> 5 years
Corporate bond	334,069	4,069	330,000	0
2019	334,083	4,083	330,000	0
Liabilities to banks	1,268,680	476,165	350,000	442,515
2019	1,329,611	537,611	350,000	442,000
Payments received on account of orders	335,119	335,119	0	0
2019	314,157	314,157	0	0
Trade payables	1,701	1,701	0	0
2019	3,656	3,656	0	0
Liabilities to other long-term investees and investors	129,972	129,972	0	0
2019	103,958	103,958	0	0
Other liabilities	99,997	53,172	0	46,825
2019	112,275	46,543	18,500	47,232
Total	2,169,538	1,000,198	680,000	489,340
2019	2,197,740	1,010,008	698,500	489,232

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 arrangements amounting to EUR 63,527 thousand (2019: EUR 73,446 thousand).The lender of the convertible loan in the amount of EUR 7,500 thousand (2019: EUR 10,000 thousand) 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 2.50 per share until 31 December 2020. The other liabilities are secured in the amount of EUR 71,703 thousand (2019: EUR 81,000 thousand) through the pledging of securities.

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

9. Deferred tax income/expense

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

in EUR thousand	As at 01.01.2020	Change	As at 31.12.2020
Deferred tax assets	29,967	+504	30,471
Deferred tax liabilities	39,282	-2,498	36,784

VII. Income statement disclosures

1. Revenue breaks down as follows:

in EUR thousand	01.01.2020–31.12.2020	01.01.2019–31.12.2019
Letting and leasing	124,909	125,841
Administration, project development and other services	78,789	50,193
	203,698	176,034

2. Other operating income

Other operating income mainly includes income from the sale of assets and cost allocations. In the previous year, other operating income had included EUR 76.9 million from the sale of shares in TLG Immobilien AG.

3. Share of the profit or loss of associates

Share of the profit or loss of associates mainly includes the profit or loss of associates being acquired applying the equity method of accounting. In the previous year, this item had included a distribution by TLG Immobilien AG of EUR 13.2 million.

4. Personnel expenses break down as follows

in EUR thousand	01.01.2020–31.12.2020	01.01.2019–31.12.2019
Wages and salaries	27,051	23,951
Social security contributions	3,229	3,766
	30,280	27,717

VIII. Cash flow statement disclosures

The cash and cash equivalents shown in the cash flow statement include all the cash and cash equivalents shown on the balance sheet, i.e. cash on hand and bank balances that can be made available within three months.

Reconciliation of profit for the period to profit before interest:

in EUR thousand	01.01.2020–31.12.2020	01.01.2019–31.12.2019
Consolidated profit for the year	45,915	102,732
Interest expense	39,330	44,272
Interest income	-5,804	-6,684
Profit for the period before interest	79,441	140,320

IX. Statement of changes in equity disclosures

At the level of the annual financial statements of the Group parent company, an amount equal to the excess of deferred tax assets over deferred tax liabilities of EUR 3,200 thousand is subject to a restriction on profit distribution. This means that of the retained earnings in the amount of EUR 5,253 thousand and revenue reserves in the amount of EUR 62,500 thousand presented in the annual financial statements of Deutsche Immobilien Chancen AG & Co. KGaA, an amount of EUR 64,553 thousand is available in principle for distribution.

X. Other disclosures

1. Contingent liabilities

The Deutsche Immobilien Chancen Group has provided the following sureties and guarantees:

Type of collateral	Beneficiary
Directly enforceable guarantee	Thoma Aufzüge GmbH
Directly enforceable guarantee	Imtech Germany
Directly enforceable guarantee	Union Investment Real Estate GmbH
Payment bond	BAM Deutschland AG
Payment bond	BAM Deutschland AG
Payment bond	BAM Deutschland AG
Rent guarantee	Ideal Lebensversicherung
Payment bond	Köster GmbH
Payment bond	ED.Züblin AG
Directly enforceable guarantee	Union Investment Real Estate GmbH
Cost overrun guarantee	Deutsche Pfandbriefbank
Warranty bond	PATRIZIA WohnInvest Kapitalverwaltungsgesellschaft mbH
Directly enforceable guarantee	WinX Verwaltungs GmbH
Rent guarantee	Triuva Kapitalverwaltungsgesellschaft mbH
Share purchase obligation	RAG-Stiftung
Share purchase obligation	Deutsche Bundesstiftung Umwelt
Directly enforceable fixed liability guarantee	Deutsche Hypothekenbank AG, Berlin Hyp AG, HSH Nordbank AG
Directly enforceable guarantee	Grundbesitzgesellschaft Große Theaterstraße mbH & Co. KG
Directly enforceable guarantee	Grundbesitzgesellschaft Große Theaterstraße mbH & Co. KG
Debt service guarantee	Deutsche Pfandbriefbank
Payment bond	Schwitzke Project GmbH

Currently, there is no discernible risk of Deutsche Immobilien Chancen KGaA being held liable for the contingent liabilities it has assumed, because the financial situation of the relevant companies indicates that they will settle the underlying liabilities.

Purpose	Amount in EUR thousand
Claims from the MT Porta construction project	30
Claims from the MT Porta construction project	2,481
Warranty bond for MT Porta	2,750
MT WINX construction project	7,088
MT WINX construction project	14,000
MT WINX construction project	7,000
Rent guarantee for a subsidiary's commercial property	34
Leverkusen construction project	350
MT Panorama construction project	595
Fulfilment of all payment obligations and obligations to pay damages by the seller in accordance with the MT Porta purchase agreement	5,000
Global Tower project development	3,750
Acceptance of MT Patio construction project	1,000
Obligation to fulfil contractually secured claims in the WINX construction project	16,000
Rent guarantee from tenancies	285
Preferred shares in TTL Real Estate GmbH when exercising the right to tender	30,000
Preferred shares in TTL Real Estate GmbH when exercising the right to tender	30,000
Fulfilment of all payment obligations arising from the financing of the Commercial Portfolio	50,500
Opera Offices NEO construction project	1,800
Opera Offices NEO construction project	140
Global Tower project development	1,650
Regional Council Darmstadt construction project	813

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 starting in April 2014 that gives rise to a net monthly payment obligation of EUR 135 thousand until March 2024.

Current contractual arrangements result in financial obligations vis-à-vis our tenants of EUR 26.2 million for 2020 and 2021 (2019: EUR 27.1 million). Obligations from purchase agreements amount to EUR 174.4 million (2019: EUR 153.3 million). In the previous year, there were also obligations totalling EUR 163.6 million resulting from agreements to secure property.

3. Number of employees

The Deutsche Immobilien Chancen Group employed an average of 272 people in the financial year (2019: 247).

Portfolio management, investment, funds	41
Asset and property management	166
Group management, administration	65
Total	272

4. Announcements on voting rights

DICP Capital SE, Munich, informed 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. Breakdown of auditors' fees

The following fees were incurred for the services supplied by the auditors of the financial statements Rödl & Partner GmbH, Wirtschaftsprüfungsgesellschaft, Steuerberatungsgesellschaft, Nuremberg, in financial years 2020 and 2019:

in EUR thousand	**2020**	2019
Audits of financial statements	**578**	559
Other assurance services	**39**	34
Other services	**167**	200
Total	**784**	793

6. Events after the reporting period

At the beginning of 2021, the economic transfer of the shares in the logistics property specialist RLI Investors GmbH ("RLI Investors") acquired by DIC Asset AG in December 2020 with a volume of assets under management of around EUR 700 million and a minority interest of 25% in Realogis Holding GmbH took place.

Initial consolidation is carried out as at 1 January 2021. A purchase price of EUR 36.2 million was paid in cash for the acquisition of 100% of the shares in RLI Investors. The fair values of the acquired assets and liabilities recognised at the acquisition date of 1 January 2021 mainly relate to current assets of EUR 2.1 million, intangible assets of around EUR 5.7 million, and current and non-current liabilities of EUR 2.7 million.

The comparison of the sum total of the consideration transferred and the share in the net assets with the acquired remeasured net assets of RLI Investors resulted in goodwill of EUR 31.1 million. The goodwill reflects future synergies, in particular access to a broader investor base and further products in the logistics asset class.

In January 2021, the transfer of possession, benefits and associated risks for two properties acquired in 2020 for the Institutional Business segment with a volume of around EUR 231 million took place.

In late January 2021, the transfer of possession, benefits and associated risks for one property acquired in 2019 for the Commercial Portfolio segment with a volume of around EUR 85 million took place.

In February 2021, the transfer of possession, benefits and associated risks for two properties acquired in 2020 for the Institutional Business segment with a volume of around EUR 152 million took place.

In February 2021, the transfer of possession, benefits and associated risks for one property acquired in 2020 for the Logistics asset class with a volume of around EUR 22.5 million took place.

In March 2021, the transfer of possession, benefits and associated risks for one property acquired in 2021 for the Logistics asset class with a volume of around EUR 28 million took place.

In March 2021, the notarisation of a sale of a property from the Institutional Business segment with a volume of around EUR 79 million took place. The transfer of possession, benefits and associated risks is scheduled to take place in the second quarter of 2021.

In March 2021, the transfer of possession, benefits and associated risks for one property sold in 2021 for the Institutional Business segment with a volume of around EUR 95 million took place.

In mid-March 2021, the transfer of possession, benefits and associated risks of the WINX Tower to the investor and the handover of the space to the main tenants took place. The project volume of the WINX Tower amounts to around EUR 395 million.

7. Corporate governance report

The declaration regarding the German Corporate Governance Code required pursuant to section 161 AktG for the listed entity DIC Asset AG included in the consolidated financial statement has been submitted and has been made permanently available to shareholders on the website “http://www.dic-asset.de/engl/investor-relations/CG/declaration.php”.

8. Supervisory Board

The members of the Supervisory Board are:

- Prof. Dr. Gerhard Schmidt (Chairman), Glattbach, attorney
- Mr Klaus-Jürgen Sontowski (Vice Chairman), Nuremberg, entrepreneur
- Mr Thomas Hartl, London/UK, Managing Director, Morgan Stanley
- Mr Roland Oppermann, Stuttgart, Member of the Board of Management 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 Board of Directors of RAG-Stiftung, until 30 August 2020
- Mr Jan Schlüter, Düsseldorf, Department Director, Head of Real Estate Investment, Nordrheinische Ärzteversorgung
- Mr Bernd Wegener, Munich, Head of Department, Versicherungskammer Bayern, 30 until June 2020
- Mr Johannes von Hebel, Künzelsau, Chairman of the Board of Management, Sparkasse Erlangen, since 19 November 2020

The total benefits of the Supervisory Board in financial year 2020 amounted to EUR 190 thousand (2019: EUR 190 thousand).

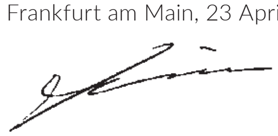
9. Management Board

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

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

The Management Board received no benefits from the Company for its work.

Frankfurt am Main, 23 April 2021



Thomas Grimm

Companies included in the consolidated financial statements

Appendix 1 to the Notes: List of shareholdings as at 31 December 2020

Name and registered office of the company	Equity interest (%)
DIC Asset AG, Frankfurt am Main	34.56
DIC Asset Beteiligungs GmbH, Frankfurt am Main	100.0*
DIC Fund Balance GmbH, Frankfurt am Main	100.0*
DIC Office Balance I GmbH, Frankfurt am Main	100.0*
DIC Office Balance II GmbH, Frankfurt am Main	100.0*
DIC Office Balance III GmbH, Frankfurt am Main	100.0*
DIC Office Balance IV GmbH, Frankfurt am Main	100.0*
DIC FB Property Management GmbH, Frankfurt am Main	100.0*
OB III Verwaltungs GmbH, Frankfurt am Main	100.0*
DIC High Street Balance GmbH, Frankfurt am Main	100.0*
DIC Retail Balance I GmbH, Frankfurt am Main	100.0*
DIC Objekt Halle BV GmbH, Frankfurt am Main	100.0*
DIC Retail Balance I Funding GmbH, Frankfurt am Main	100.0*
DIC Retail Balance I Beteiligungs GmbH, Frankfurt am Main	100.0*
DIC Objekt Halle GmbH & Co. KG, Frankfurt am Main	100.0*
DIC Objekt Berlin Heilbronner Straße GmbH & Co. KG, Frankfurt am Main	100.0*
DIC Fund Advisory GmbH & Co. KG, Frankfurt am Main	100.00*
DIC Objekt Düsseldorf Schwannstraße GmbH & Co. KG, Frankfurt am Main	100.0*
DIC Fund Balance Consulting I GmbH, Frankfurt am Main	100.0*
DIC Fund Balance Consulting II GmbH, Frankfurt am Main	100.0*
DIC Real Estate Investments Beteiligungs GmbH, Frankfurt am Main	100.0*
DIC Development Services GmbH, Frankfurt am Main	100.0*
DIC Real Estate Investments GmbH & Co. Kommanditgesellschaft auf Aktien, Frankfurt am Main	100.0*
DIC Objekt Karlsruhe Bahnhofsplatz GmbH, Frankfurt am Main	100.0*
DIC Objekt Duisburg Stadtfenster GmbH, Frankfurt am Main	100.0*

Name and registered office of the company	Equity interest (%)
DIC Objekt Stockstadt GmbH, Frankfurt am Main	100.0*
DIC Objekt Köln Butzweilerhof GmbH, Frankfurt am Main	100.0*
DIC Objekt Offenbach Kaiserlaistraße, GmbH, Frankfurt am Main	100.0*
DIC Objekt Hannover Podbie GmbH, Frankfurt am Main	100.0*
DIC Projekt Berlin Taubenstraße GmbH, Frankfurt am Main	100.0*
DIC Objekt Leinfelden-Echterdingen GmbH, Frankfurt am Main	100.0*
DIC Objekt Stuttgart I GmbH, Frankfurt am Main	100.0*
DIC Objekt Eschborn Frankfurter Straße GmbH, Frankfurt am Main	100.0*
DIC Objekt Offenbach Unite GmbH, Frankfurt am Main	100.0*
DIC Objekt Berlin BELT GmbH, Frankfurt am Main	100.0*
DIC Objekt Berlin Taubenstraße GmbH & Co. KG, Frankfurt am Main	100.0*
DIC Objekt Bremen GmbH & Co. KG, Frankfurt am Main	100.0*
DIC Objekt Zeppelinheim GmbH, Frankfurt am Main	100.0*
DIC Finance Management GmbH & Co. KG, Frankfurt am Main	100.0*
DIC Fund Balance 1. Beteiligungs GbR, Frankfurt am Main	100.0*
DIC Fund Balance 2. Beteiligungs GbR, Frankfurt am Main	100.0*
DIC RMN-Portfolio GmbH, Frankfurt am Main	100.0*
DIC Objekt Stadthaus Offenbach GmbH, Frankfurt am Main	100.0*
DIC Objekt Kronberg GmbH, Frankfurt am Main	100.0*
DIC Objekt Velbert GmbH, Frankfurt am Main	100.0*
DIC Objekt Alsbach GmbH, Frankfurt am Main	100.0*
DIC Objekt Hemsbach GmbH, Frankfurt am Main	100.0*
DIC Ruhr Portfolio GmbH, Frankfurt am Main	100.0*
DIC RP Objekt Bochum GmbH, Frankfurt am Main	100.0*
DIC RP Objekt Essen GmbH, Frankfurt am Main	100.0*
DIC RP Objekt 1 GmbH, Frankfurt am Main	100.0*

*indirect share via DIC Asset AG

Name and registered office of the company	Equity interest (%)
DIC RP Objekt 2 GmbH, Frankfurt am Main	100.0*
DIC AP Portfolio GmbH, Frankfurt am Main	100.0*
DIC AP Objekt Augustaanlage GmbH, Frankfurt am Main	100.0*
DIC AP Objekt Düsseldorf GmbH, Frankfurt am Main	100.0*
DIC AP Objekt Insterburger Str. 5 GmbH, Frankfurt am Main	100.0*
DIC AP Objekt Insterburger Str. 7 GmbH, Frankfurt am Main	100.0*
DIC AP Objekt Königsberger Str. 29 GmbH, Frankfurt am Main	100.0*
DIC AP Objekt Coblitzweg GmbH, Frankfurt am Main	100.0*
DIC AP Objekt Konstanz GmbH, Frankfurt am Main	100.0*
DIC AP Objekt 2 GmbH, Frankfurt am Main	100.0*
DIC AP Objekt 3 GmbH, Frankfurt am Main	100.0*
DIC AP Objekt 5 GmbH, Frankfurt am Main	100.0*
DIC AP Objekt 6 GmbH, Frankfurt am Main	100.0*
DIC AP Objekt 7 GmbH, Frankfurt am Main	100.0*
DIC AP Objekt 8 GmbH, Frankfurt am Main	100.0*
DIC AP Objekt 9 GmbH, Frankfurt am Main	100.0*
DIC Asset Portfolio GmbH & Co. KG, Frankfurt am Main	100.0*
DIC Asset AP GmbH, Frankfurt am Main	100.0*
DIC Asset OP GmbH, Frankfurt am Main	100.0*
DIC Asset DP GmbH, Frankfurt am Main	100.0*
DIC OF REIT 1 GmbH, Frankfurt am Main	100.0*
DIC 27 Portfolio GmbH, Frankfurt am Main	100.0*
BCP Düsseldorf BVO GmbH, Frankfurt am Main	100.0*
BCP Düsseldorf Holding GmbH & Co. KG, Frankfurt am Main	100.0*
BCP Verwaltungs GmbH, Frankfurt am Main	100.0*
Diamond BVO GmbH, Frankfurt am Main	100.0*
Diamond Holding 1 GmbH, Frankfurt am Main	100.0*
Diamond Verwaltungs GmbH, Frankfurt am Main	100.0*
GEG Betriebsvorrichtungs GmbH, Frankfurt am Main	100.0*
GEG Emittent GmbH & Co. KG, Frankfurt am Main	100.0*
GEG Emittent Verwaltungs 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*
GEG Real Estate Fund Management VK GmbH, Frankfurt am Main	100.0*
GEG Sapporobogen Holding GmbH & Co. KG, Frankfurt am Main	97.5*
GEG Triforum BVO GmbH, Frankfurt am Main	100.0*
GEG Triforum FinCo GmbH & Co. KG, Frankfurt am Main	100.0*
GEG Triforum Holding GmbH & Co. KG, Frankfurt am Main	100.0*
GEG Triforum Verwaltungs GmbH, Frankfurt am Main	100.0*
GEG Verwaltungs GmbH, Frankfurt am Main	100.0*
Global Tower Verwaltungs GmbH, Frankfurt am Main	100.0*
HCC Dortmund Holding GmbH & Co. KG, Frankfurt am Main	97.5*
GEG Development GmbH, Frankfurt am Main	100.0*
GEG German Estate Group GmbH, Frankfurt am Main	100.0*
GEG Investment Advisory GmbH, Frankfurt am Main	100.0*
GEG Portfolio Advisory GmbH, Frankfurt am Main	100.0*
GEG Real Estate Management GmbH, Frankfurt am Main	100.0*
Global Tower GmbH & Co. KG, Frankfurt am Main	100.0*
DIC Metropolregion Rhein-Main, Frankfurt am Main	100.0*

*indirect share via DIC Asset AG

Name and registered office of the company	Equity interest (%)
GEG Riverpark GmbH & Co. KG, Frankfurt am Main	97.5*
German Estate Group GmbH, Frankfurt am Main	97.5*
DIC Objekt Leverkusen GmbH, Frankfurt am Main	94.9*
DIC OP Portfolio GmbH, Frankfurt am Main	100.0*
DIC OP Objekt Darmstadt GmbH, Frankfurt am Main	100.0*
DIC OP Objekt Düsseldorf GmbH, Frankfurt am Main	100.0*
DIC OP Objekt Leverkusen GmbH, Frankfurt am Main	100.0*
DIC OP Objekt Marl GmbH, Frankfurt am Main	100.0*
DIC OP Objekt München-Grünwald GmbH, Frankfurt am Main	100.0*
DIC OP Objekt 1 GmbH, Frankfurt am Main	100.0*
DIC OP Objekt 2 GmbH, Frankfurt am Main	100.0*
DIC OP Objekt 3 GmbH, Frankfurt am Main	100.0*
DIC OP Objekt 4 GmbH, Frankfurt am Main	100.0*
DIC VP Portfolio GmbH, Frankfurt am Main	100.0*
DIC VP Objekt Köln ECR GmbH, Frankfurt am Main	100.0*
DIC VP Objekt Köln SILO GmbH, Frankfurt am Main	100.0*
DIC VP Objekt Moers GmbH, Frankfurt am Main	100.0*
DIC VP Objekt Neubrandenburg GmbH, Frankfurt am Main	100.0*
DIC VP Objekt Saalfeld GmbH, Frankfurt am Main	100.0*
DIC DP Portfolio GmbH, Frankfurt am Main	100.0*
DIC DP Wiesbaden Frankfurter Straße 46-48 GmbH, Frankfurt am Main	100.0*
DIC DP Mönchengladbach Stresemannstraße GmbH, Frankfurt am Main	100.0*
DIC DP Langenselbold Am Weiher GmbH, Frankfurt am Main	100.0*
DIC DP Objekt 1 GmbH & Co. KG, Frankfurt am Main	100.0*
DIC DP Objekt 2 GmbH, Frankfurt am Main	100.0*
DIC DP Objekt 6 GmbH, Frankfurt am Main	100.0*
DIC Objekt Bremen Grazer Straße GmbH, Frankfurt am Main	100.0*

Name and registered office of the company	Equity interest (%)
DIC 25 Portfolio GmbH, Frankfurt am Main	100.0*
DIC 25 Betriebsvorrichtungs GmbH, Frankfurt am Main	100.0*
DIC 25 Objekt Bremen GmbH, Frankfurt am Main	100.0*
DIC 25 Objekt Chemnitz GmbH, Frankfurt am Main	100.0*
DIC 26 Portfolio GmbH, Frankfurt am Main	100.0*
DIC 26 Frankfurt Taunusstraße GmbH, Frankfurt am Main	100.0*
DIC 26 Erfurt GmbH, Frankfurt am Main	100.0*
DIC 26 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*

*indirect share via DIC Asset AG

Name and registered office of the company	Equity interest (%)
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*
DIC HI Objekt 7 GmbH, Frankfurt am Main	100.0*
DIC HI Objekt 9 GmbH, Frankfurt am Main	100.0*
DIC HI Objekt 10 GmbH, Frankfurt am Main	100.0*
DIC HI Objekt 11 GmbH, Frankfurt am Main	100.0*
DIC HI Objekt 12 GmbH, Frankfurt am Main	100.0*
DIC HI Objekt 13 GmbH, Frankfurt am Main	100.0*
DIC HI Objekt 14 GmbH, Frankfurt am Main	100.0*
DIC HI Objekt 15 GmbH, Frankfurt am Main	100.0*
DIC HI Beteiligungs GmbH, Frankfurt am Main	100.0*
DIC Hamburg Portfolio GmbH, Frankfurt am Main	100.0*
DIC Hamburg Objekt Großmannstraße GmbH, Frankfurt am Main	100.0*
DIC Hamburg Objekt Marckmannstraße GmbH, Frankfurt am Main	100.0*
DIC Hamburg Objekt 1 GmbH, Frankfurt am Main	100.0*
DIC Hamburg Objekt 5 GmbH, Frankfurt am Main	100.0*
MainTor GmbH, Frankfurt am Main	70.6
DIC MainTor Primus GmbH, Frankfurt am Main	70.6
DIC MainTor Porta GmbH, Frankfurt am Main	70.6
DIC MainTor Patio GmbH, Frankfurt am Main	70.6
DIC MainTor Panorama GmbH, Frankfurt am Main	70.6
DIC MainTor Palazzi GmbH, Frankfurt am Main	70.6
DIC MainTor Zweite Beteiligungs GmbH & Co. KG, Frankfurt am Main	70.6
DIC MainTor Verwaltungs GmbH, Frankfurt am Main	70.6
DIC MainTor III GmbH, Frankfurt am Main	70.6
DIC GMG GmbH, Frankfurt am Main	50.0

Name and registered office of the company	Equity interest (%)
WACO Beteiligungs GmbH, Frankfurt am Main	50.0
DIC FF Südwest Portfolio GmbH & Co.KG, Frankfurt am Main	100.0
DIC FF Südwest Objekt München 1 Verwaltungs GmbH, Frankfurt am Main	100.0
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
DIC Services Beteiligungs GmbH, Frankfurt am Main	100.0
DIC Projekt Frankfurt 1 GmbH & Co. KG, Frankfurt am Main	100.0
Deutsche Immobilien Chancen Objekt Coburg GmbH, Frankfurt am Main	100.0
DIC Opportunity Fund GmbH, Frankfurt am Main	100.0
DIC Funding GmbH, Frankfurt am Main	100.0
DIC Zweite Beteiligungs GmbH & Co. KG, Frankfurt am Main	100.0
DIC Zweite Beteiligungsverwaltungs GmbH, Frankfurt am Main	100.0
DIC MainTor WinX GmbH, Frankfurt am Main	100.0
TTL Real Estate GmbH, Frankfurt am Main (voting rights)	50.0
TTL Real Estate Mezzanine GmbH, Frankfurt am Main	50.0
TTL Real Estate Mezzanine Investments GmbH & Co. KG, Frankfurt am Main	50.0
DIC MainTor Real Estate 2 GmbH, Frankfurt am Main	51.0
DIC MainTor Real Estate 3 GmbH & Co. KG, Frankfurt am Main	51.0
DIC MainTor Real Estate 3 Verwaltungs GmbH, Frankfurt am Main	51.0
DIC MainTor Erste Beteiligungs GmbH, Frankfurt am Main	51.0
DIC Beteiligungs GbR, Frankfurt am Main	49.9

*indirect share via DIC Asset AG

AUDITOR'S REPORT

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

Report 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, which comprise 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 2020.

Responsibility of the legal representatives

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

Responsibility of the auditor

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit of the consolidated financial statements in accordance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the carrying 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 appropriateness of accounting policies used and the reasonableness of accounting estimates made by the legal representative, 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 provide a basis for our audit 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 2020 comply in all material respects with the accounting principles set out in Section I. General information of the notes, which, with the exception of the exceptions described in the notes, are consistent with the requirements of German commercial law relating to 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 course of business and the position of the Deutsche Immobilien Chancen Group. Consequently, the financial statements may not be suitable for a purpose other than that mentioned above.

Report on the audit of the group management report
We have audited the accompanying group management report of the Deutsche Immobilien Chancen Group for the financial year from 1 January to 31 December 2020. The legal representative of Deutsche Immobilien Chancen AG & Co. Kommanditgesellschaft auf Aktien is responsible for the preparation of the group management report of the Deutsche Immobilien Chancen Group, applying the requirements of German commercial law relating to the group management report. We conducted our audit in accordance with section 317 (2) HGB and German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer relating to the audit of the group management report. Those standards require that we plan and perform the audit of the group management report to obtain reasonable assurance about whether the group 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 the statutory requirements, and whether the group management report 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 group management report, the group 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 group 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.

Engagement terms and liability
We, Rödl & Partner GmbH Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, have audited the accompanying consolidated financial statements and the group 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 Engagement Terms for German Public Auditors and Public Audit Firms" as amended on 1 January 2017 published by the Institut der Wirtschaftsprüfer. In accordance with section 9 (2) of the General Engagement Terms, 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, 23 April 2021

Rödl & Partner GmbH
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Hübschmann	Luce
Wirtschaftsprüfer	Wirtschaftsprüfer

REPORT OF THE SUPERVISORY BOARD

During the financial year, the Management Board of the general partner informed the Supervisory Board regularly and promptly through written and oral reports of all significant issues regarding corporate planning, the situation and development of the Company and the Group, including risks and risk management, as well as material transactions. The Supervisory Board gained an insight into the economic situation of the Company and the Group based on these reports and through discussions with the Management Board of the general partner and monitored the Company's management in accordance with the duties 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 for the Company.

In the 2020 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 progress in the MainTor development projects in Frankfurt am Main and Jungs Quartier Obersendling in Munich. The situation in the transaction market, the investing and leasing activities at the investees, and the options for strategic shareholdings were also discussed.

The annual financial statements of Deutsche Immobilien Chancen AG & Co. Kommanditgesellschaft auf Aktien, prepared by the Management Board of the general partner, together with the management report, and the consolidated financial statements, together with the group management report, as at 31 December 2020 were audited by Rödl & Partner GmbH Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Nuremberg, appointed as the auditor at the General Shareholders' Meeting, and an unqualified auditor's report and an unqualified report was issued for each of them. The corresponding documentation pertaining to the financial statements 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 documentation pertaining to the financial statements and reported on the main findings of its audit.

For its part, the Supervisory Board examined the annual and consolidated financial statements together with the management report and the Group management report and concurred with the findings of the auditor's audit. On completion of its examination, the Supervisory Board established that it had no cause for objections and approved the annual and consolidated financial statements prepared by the Management Board of the general partner. The annual financial statements were then adopted by the General Shareholders' Meeting. The Supervisory Board proposed to the General Shareholders' Meeting that Rödl & Partner be elected as the auditor of the annual financial statements and the consolidated financial statements for the 2021 financial year.

The Management Board prepared a report on relations with affiliates for financial year 2020. The auditor has audited this report, reported on the findings in writing and issued the following unqualified auditor's report:

"In accordance with our dutifully performed audit and assessment, we confirm that
1. the factual statements in the report are correct,
2. the payments made by the Company in connection with the legal transactions referred to in the report were not unduly high."

The Management Board's report and the auditor's report were also made available to the individual members of the Supervisory Board in good time. In April 2021, these reports were reviewed and discussed in detail. The auditor took part in the respective meeting and reported on the main findings of its audit. The Supervisory Board approved the Management Board's report on the relations with affiliates and also concurred with the findings of the audit of the report by the auditor. As a result of its own review, the Supervisory Board established that it had no reason to object to the statement made by the Management Board on relations with affiliates at the end of the report.

The Supervisory Board would like to express its sincere thanks to the Management Board of the general partner and the employees for their successful work and dedication in the past 2020 financial year.

Frankfurt am Main, April 2021

The Supervisory Board

Prof. Dr. Gerhard Schmidt
Chairman

MANAGEMENT BOARD

Thomas Grimm, 51

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Forward-looking statements

This annual report contains statements that refer to future developments. Such statements constitute assessments that have been taken in the light of the information available. Should the assumptions on which they are based not prove accurate, or should – as specified in the section entitled Risk Report – risks occur, the actual results may differ from those anticipated.

For computational reasons, rounding differences from the exact mathematical values calculated (in EUR thousand, %, etc.) may occur in tables and cross-references.