

# ACCENTRO

REAL ESTATE AG



ANNUAL FINANCIAL STATEMENT 2018

ACCENTRO Real Estate AG  
Berlin

COMBINED MANAGEMENT REPORT  
AND GROUP MANAGEMENT REPORT  
for the 2018 Financial Year

## ■ Preliminary Remarks

The consolidated financial statements of ACCENTRO Real Estate AG (hereinafter "ACCENTRO AG") on which this report is based have been prepared in accordance with the International Financial Reporting Standards (IFRS) the way they are to be applied in the European Union.

All monetary figures in this report are stated in Euro (EUR). Both individual and total figures represent values with the smallest rounding difference. Accordingly, adding the values of the individual line items may result in minor differences to the reported totals.

## ■ 1 Basic Structure of the Group

### 1.1 Group Business Model, Objectives and Strategies

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ACCENTRO AG is a listed property company focusing on residential real estate located in Germany. The business activities of ACCENTRO AG and its subsidiaries (hereinafter "ACCENTRO AG" or "ACCENTRO Group") are limited, geographically speaking, to real estate in Germany, particularly in economically attractive locations.

The business activities of the ACCENTRO Group include the operation and trading of residential properties and individual apartments, especially the retailing of apartments to owner-occupiers and buy-to-let investors within the framework of retail privatisations of housing portfolios. The focus here is on tenant-sensitive housing privatisations. At the same time, the ACCENTRO Group transacts block sales of residential units to institutional investors (portfolio sales) in order to exploit opportunities. The privatisation services provided by the ACCENTRO Group involve both the retailing of apartments from the proprietary property stock of the ACCENTRO Group and the delivery of privatisation services on behalf of third parties.

### 1.2 Group Structure and Control System

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ACCENTRO AG is the parent company of the ACCENTRO Group. ACCENTRO AG acts as an operationally active holding company for a number of member companies in which the housing stock is concentrated, and for one service company focused on the business of housing privatisation. For companies in which it holds a controlling interest, ACCENTRO AG assumes the top-down responsibilities of corporate controlling, funding, and administration within the ACCENTRO Group. ACCENTRO AG's sphere of ownership includes core divisions such as Legal, Accounting, Controlling, Risk Management, Funding, Purchasing, Asset Management and IT.

The ACCENTRO Group consists of several property holding companies directly managed by ACCENTRO AG in which the real estate assets of the ACCENTRO Group are held. All of the companies are consolidated in the consolidated financial statements of ACCENTRO AG, so that there are no non-consolidated subsidiaries. For a list of the individual subsidiaries and associates of ACCENTRO AG, please see the notes to the consolidated financial statements.

ACCENTRO AG holds several strategic investments in property development companies which are not controlled by ACCENTRO AG and which are therefore not included as subsidiaries in its consolidated financial statements. The pro-rata net income of these companies is reported as at-equity income in the income statement. Wherever the equity interest amounts to less than 20%, its contribution to operating income is reported as investment income.

The ACCENTRO AG Group's reporting to the Management Board makes no distinction by segments because the Group activities are limited exclusively to the buying and selling of residential real estate in Germany. Just like last year, this annual report therefore includes no segment reporting.

ACCENTRO AG uses the consolidated earnings before interest and taxes (EBIT) as financial performance indicator for corporate management purposes. Here, the key control variable is the sales performance of the properties, definitive factors including the number of condominium reservations placed by potential buyers, among others, and the actual selling prices realised. The latter is aggregated both as number of flats involved and as sales total. The other factors that the control system takes into account includes the operating income of each subportfolio

or of each property. In addition, control variables such as the number of new clients, viewings, and reservations serve as early indicators of the Company's performance. For the purposes of management reporting, EBIT and sales are taken as basis, since the other control variables are used for the individual management of each property and cannot be aggregated at company level.

Factors aggregated on the level of the parent Group include prompt and regular updates on the liquidity position. The liquidity planning for the next 12 months is conducted on a rolling basis. This centrally controlled responsibility helps to monitor the financial stability of the corporate Group. An integral part of this control is the continuous measurement of the liquidity flows on the level of each company.

Moreover, ACCENTRO AG has agreed to observe financial covenants, which are elaborated in the notes to the consolidated financial statements, in conjunction with its successful issuance of a corporate bond over EUR 100 million. For this reason, the ratios "loan to value" (LtV), "interest coverage" and the "debt-to-equity" for unsecured financing arrangements are included as control variables.\*

## ■ 2 Economic Report

### 2.1 Macro-economic Development

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The German economy grew by another 1.5% in 2018 year on year, according to a press release the Federal Statistical Office published on 15 January 2019. The growth of the gross domestic product (GDP), adjusted for inflation, which has been sustained for the past nine years, was said to have slowed down while still exceeding the ten-year average of +1.2%. The Federal Statistical Office went on to say that positive growth impulses in 2018 originated primarily inside Germany again. Private consumer spending (+1.0%) and government spending (+1.1%), although they did increase year on year, grew at a significantly slower rate than they had over the past three years.

The development of the German real estate market during the 2018 financial year benefited from the European Central Bank's accommodative monetary policy. Economic experts do not expect to see that bank's initial interest rate hike before the end of 2019, at the earliest, and the real estate sector will continue to benefit from the persistently favourable financing conditions.

### 2.2 Developments of the German Housing Market

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According to a survey on the real estate price trend in Germany that bulwiengesa AG published in January 2019, the housing market remains the driving force in the bulwiengesa Real Estate Index. The residential sub-index, which covers the most important market for ACCENTRO AG, continued to rise sharply in 2018, albeit at a slower rate than the previous year (6.8%, down from +8.3%). Prices of condominiums, terraced houses and land outpaced the rent growth everywhere in Germany, yet according to bulwiengesa the market evidence suggests in no way that the market is overheating nationwide. The real estate sector benefited from the stable labour market, the positive demographics in the cities and the accommodative monetary policy of the European Central Bank, which ensured favourable terms of financing.

Driven by an intensifying housing shortage, the low supply elasticity drove up real estate prices in the metropolises. According to the Federal Statistical Office, the construction of 274,600

\* Definition pursuant to the bond terms of the 2018/2021 bond (ISIN DE000A2G87E2)



new flats was approved during the first eleven months of 2018, a year-on-year increase by 1.3% only or 3,600 flats in absolute terms. To cover the growing demand for residential accommodation, it is estimated that 400,000 new flats would have to be completed annually. The incumbent Federal Government had actually written the completion of around 1.5 million new flats until the year 2021 into its coalition agreement, which would break down into roughly 375,000 flats completed per year.

From our point of view, the discrepancy between required and actually completed flats is explained not least by the strained capacities of building authorities because it often takes months or indeed up to a year to obtain a planning permit. Staff shortages and tightening legal requirements are also factors prolonging the permit procedure by the competent authorities. Moreover, the lack of building land, high construction costs and a short supply in skilled labour in the construction industry are delaying the construction of urgently needed housing.

Still, German residential real estate remains as popular as ever among domestic and foreign investors despite the steady price growth. The sustained demand is attributable, on the one hand, to terms of financing made attractive by the low level of interest rates and, on the other hand, to the lack of alternative investment opportunities of comparable appeal. According to a survey compiled by BNP Paribas Real Estate, nearly EUR 12.3 billion euros had been invested in largesized German residential portfolios by the end of the third quarter of 2018, which implies an increase by more than a third over prior-year period.

In Berlin, the key market for ACCENTRO AG, prices for existing attached houses climbed by 14% year on year, according to Deutsche Bank Research (DB Research). Despite this brisk rise, the price level remains low relative to other cities in Germany. For instance, the price tag of a terraced house in the metropolises of any of the West German federal states is still around 50% higher than in Berlin at the moment. That being said, prices for existing flats have gone up by more than 15% and prices for new-build flats by over 10%. According to Numbeo, Berlin (with square-metre prices outside the inner city at EUR 3,600) ranks twentieth on the list of most expensive cities in Europe. According to DB Research, the high price dynamics in Berlin are also driven by the blatant housing shortage, which in turn is explained by demographic growth, the lack of building land and a shortage of manpower in the building trade.

All of these factors are good reasons for ACCENTRO AG with its large stock of flats in Berlin to face the future with confidence.

Rather than limiting our product spectrum to Berlin, we will continue to pursue the trajectory of recent years by expanding into other German metropolises and swarm cities.

## 2.3 Business Performance

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### Key Events During the 2018 Financial Year

The clearly positive business performance of the ACCENTRO Group in the 2018 financial year evolved in a generally rather favourable market environment that was marked by keen demand for residential property, and not just in Germany's metro regions. A robust boom cycle informs both the situation on the letting end of the market and the demand for condominiums generated by owner-occupiers or buy-to-let investors.

In January 2018, ACCENTRO AG took advantage of the up-beat economic sentiment to obtain a bond in a nominal value of EUR 100 million on the capital market. The bond has a coupon rate of 3.75%. As early as the first quarter of 2018, the 2014/2019 convertible bond was

almost fully converted so that the remaining units were cancelled. This means that the most expensive financing arrangement of the ACCENTRO Group was redeemed. In October 2018, ACCENTRO AG moreover succeeded in placing a cash capital increase of 2,120,000 shares, delivering a net cash inflow of EUR 20 million.

In the prior year's forecast report, we made an EBIT prediction in the range of EUR 36 to 40 million, matched by a significant increase in revenues. As far as the revenues go, we topped the forecast. However, the performance during the 2018 financial year narrowly missed the EBIT target at EUR 32.9 million. It fell 8.6% short of the lower forecast limit of EUR 36 million. This is explained by delays that slowed certain privatisation projects. But at EUR 18.3 million, the ACCENTRO Group's annual net income maintained a high level.

By acquiring 866 units in the course of the 2018 financial year, the Company laid the ground for continued stable revenues in its privatisation business.

## 2.4 Earnings, Financial Position and Assets

### Earnings Position

The ACCENTRO Group's key revenue and earnings figures developed as follows during the 2018 financial year:

	2018 financial year	2017 financial year
	EUR million	EUR million
Revenues	205.6	147.3
EBIT	32.9	36.4
Consolidated income (in 2017, Continuing Operation)	18.3	20.3

As predicted, Group sales increased significantly during the 2018 financial year. The growth in sales amounted to EUR 58.3 million, which implies a year-on-year increase by 39.6%. But as planned, this brisk top line sales growth is not reflected in the net income from sales and thus not in EBIT either. The underlying reason for this is the transfer of the Accentro Gehrensee GmbH into a joint venture project for the further development of the premises and the creation of urgently needed residential accommodation. The real estate assets tied up in Accentro Gehrensee GmbH subgroup were contributed nearly at book value, which is why the revenue of c. EUR 42.3 million generated by the transaction had no material impact on net income. The plots sold (around 41,500 m<sup>2</sup> in Berlin-Lichtenberg) are earmarked for the development of residential buildings, and the zoning process for this purpose is currently under way. The sale and purchase agreement provides that ACCENTRO AG stays invested in the Accentro Gehrensee project with a 25% stake and a mezzanine loan, which means the Company will participate directly in future project planning achievements. Since the optimal exploitation of the building land necessitates a new local development plan, the project is not expected to be brought to a successful conclusion any time soon. When taking this one-off effect out of the equation, the sales total increased by around 10.8%, from EUR 147.3 million to EUR 163.3 million.

At EUR 32.9 million, the EBIT fell short of the forecast bracket of EUR 36 to 40 million quoted in the 2017 annual report. In the apartment retailing segment, the sales launch for real estate projects in Berlin were moved up into the 2019 financial year. This was due to delays in obtaining

planning permits and the fact that the construction industry is operating at capacity with negative ramifications for the planning of construction work and for refurbishment projects. The volume of the retained apartments has remained stable year on year with 487 flats sold (2017: 488 flats; 2016: 288 flats). At the same time, sales increased to EUR 73.0 million (previous year: EUR 64.5 million). The share of large-scale real estate transactions, by contrast, dropped from 62% of the sales to 40% when ignoring the Gehrensee project's contribution to sales.

The net rental income experienced another modest increase of EUR 0.7 million as a result of the continuous portfolio expansion. The net service income, by contrast, shows a significant increase by 141% over prior-year result to EUR 2.3 million. It was driven by the intensified activities with collaborative ventures in new apartment sales and by a commission in return for brokering a large property portfolio held by an associate company in Berlin.

The other operating income of EUR 1.7 million imply a significant drop by EUR 3.3 million year on year. The main factor here was the release of provisions amounting to EUR 0.7 million due to the elimination of litigation risks and warranty risks.

The other operating expenses in the amount of EUR 5.1 million (previous year: EUR 4.5 million) include, as they did the previous year, expenses for general advisory services, particularly in the areas of taxes, legal, and general strategic issues, among other expenses. Also recognised in this item are rental expenses for the Company's business premises, acquisition costs, as well as information, advertising and entertaining expenses. The year-on-year increase is due to one-off effects in the amount of EUR 0.5 million that were caused by the early termination of contractual relationships with service providers.

Total payroll and benefit costs for the reporting period experienced another significant year-on-year increase by EUR 1.3 million to EUR 4.6 million (previous year: EUR 3.3 million). As previously announced in the forecast report section of the 2017 annual report, this was caused by the continued expansion of the workforce, so that 12 more staff were on the payroll by 31 December 2018 than had been by year-end 2017, although not all of the jobs created represent full-time positions. Another reason for the rise in personnel expenses is the adjustment of salaries to the general situation on the labour market, which is characterised by short supply.

The net interest result of the 2018 financial year was EUR –8.9 million, after EUR –8.8 million the previous year. Despite an increase in financial liabilities and bonds by EUR 89.9 million, net interest income remained steady. This is due to the increase in interest income and the repayment of expensive financing arrangements in the course of 2018. The reference period includes one-off effects in the amount of EUR 1.2 million from the premature repayment of loans and of the 2014/2018 bond. The interest coverage ratio\* deteriorated from 4.08 to 3.89 year on year.

The earnings before taxes equalled EUR 24.0 million, thus undercutting the level of the previous financial year (EUR 27.6 million) by 13.2%. Income tax expenses amounted to EUR 5.7 million during the reporting period and were therefore significantly below the prior-year level (EUR 7.3 million). The tax ratio for the 2018 financial year equals 23.7% (previous year: 26.5%). The main reason why the actual tax rate remains below the Group tax rate is the strateg to sell real estate by way of share deals, which benefit from a lower tax regime.

For more details on the composition and amount of expenses and income, please see the notes to the consolidated financial statements, section 5.15.

\* EBITDA/net interest expense



## Financial Position

### Key Figures from the Cash Flow Statement

	2018 financial year	2017 financial year
	EUR million	EUR million
Cash flow from operating activities		
Continuing Operation	-48.4	-26.3
Discontinued Operation	-	1.1
Cash flow from investing activities		
Continuing Operation	-51.2	0.1
Discontinued Operation	-	22.5
Cash flow from financing activities		
Continuing Operation	111.4	-4.2
Discontinued Operation	-	0.0
Net change in cash and cash equivalents	11.8	-6.7
Increase in cash and cash equivalents from the addition of fully consolidated companies	2.7	0.0
Change in restricted cash and cash equivalents/adjustment of cash and cash equivalents	1.1	-1.3
Decrease in cash and cash equivalents from the disposal of fully consolidated companies (2017: Discontinued Operation )	-6.7	-0.6
Cash and cash equivalents at the beginning of the period	6.5	15.1
Cash and cash equivalents at the end of the period	15.5	6.5

During the 2018 financial year, the cash flow from operating activities equalled EUR -48.4 million (previous year: EUR -25.2 million). It breaks down into cash flow from operations in the amount of EUR -0.7 million (previous year: EUR 46.6 million) and a net cash outflow toward the further expansion of the inventory assets in the amount of EUR -47.7 million (previous year: EUR -71.8 million). The negative operating cash flow is attributable to one real estate transaction for which the purchase price of EUR 11.2 million was not yet due by the balance sheet date. Liabilities decreased by EUR 9.6 million and tax payments of EUR 8.3 million impacted the operating cash flow. In addition, the prior-year result was significantly influenced by non-cash expenses.

A positive impact on the cash flow from operating activities is generated by rent payments and the amounts deposited in return for inventory properties sold. The operating cash flow is burdened by the sum total of operating expenditures, including the income tax payments and payments toward the expansion of the inventory real estate assets. For more details on the amount and composition of the Group's cash flows, please see the consolidated cash flow statement and the notes to the consolidated financial statements, section 5.18.

The cash flow from investing activities during the 2018 financial year was negative at EUR 51.2 million (previous year: EUR 22.6 million). EUR 23.6 million were spent on an office property in Berlin that will become the future ACCENTRO Group headquarters. EUR 9.7 million were used for the acquisition of non-consolidated corporate investments while EUR 7.9 million were granted in loans to associates and another EUR 10 million in granted loans are directly connected to a certain marketing agreement. The idea behind the latter is to develop additional sales channels.

The positive cash flow from financing activities in the amount of EUR 111.4 million (2017 financial year: EUR –4.2 million) essentially reflects the issuance of a corporate bond that resulted in a cash inflow of EUR 100.0 million (gross, before the deduction of transaction costs). A cash capital increase generated the inflow of another EUR 20.0 million in fresh cash (before the deduction of transaction costs) while bank loans account for EUR 65.3 million in debt capital. EUR 62.4 million were used for payments of interest and principal while EUR 5.2 million flowed back to the shareholders of ACCENTRO AG in dividend payments.

### Structure of Assets and Capital

	31 December 2018		31 December 2017	
	EUR million	%	EUR million	%
<b>Assets</b>	<b>474.2</b>	<b>100.0%</b>	<b>347.8</b>	<b>100.0%</b>
Non-current assets	81.1	17.1%	22.2	6.4%
Current assets less liquid assets	377.6	79.6%	317.7	91.3%
Cash and cash equivalents	15.5	3.3%	7.9	2.3%
<b>Debt and equity</b>	<b>474.2</b>	<b>100%</b>	<b>347.8</b>	<b>100.0%</b>
Equity	199.1	42.0%	153.7	44.2%
Non-current liabilities	176.4	37.2%	43.4	12.5%
Current liabilities	98.7	20.8%	150.7	43.3%

The change of the principal shareholder and the concomitant takeover of ACCENTRO AG by Brookline Real Estate S.à r.l. from ADLER Real Estate AG as of 30 November 2017 triggered several change-of-control mechanisms. A number of facility agreements as well as the 2014/2019 convertible bond issued by ACCENTRO AG were subject to break options on the part of the creditors that remains effective beyond the balance sheet date of 31 December 2017, while the convertible bond was subject to an amended subscription right effective through 31 January 2018. Consequently, ACCENTRO AG reclassified the convertible bond as well as the relevant non-current liabilities as current liabilities in the consolidated accounts as of 31 December 2017 in line with applicable IFRS regulations. Yet the lenders refrained from exercising their break options. In the first quarter of 2018, the respective liabilities were reclassified as non-current liabilities again. This compromises the comparability with the prior year comparative figures.

The debt-to-equity ratio (debt capital/total capital) largely matched the prior-year level of 58.0% by the end of the reporting year (previous year: 55.8%), which is mainly explained by a more or less uniform increase in shareholders' equity (+EUR 45.4 million) relative to the trend in liabilities (+EUR 81 million). Similarly, the loan-to-value ratio (LtV)\* deteriorated in the wake of the bond issuance, rising to 50.3% year on year (2017, the previous year: 39.4%).

At 3.3%, the ratio of cash and cash equivalents to total assets was slightly above the level of the prior year balance sheet date (2.3%). This is explained by a 96.2% increase in cash and cash equivalents compared to 2017 to the amount of EUR 15.5 million, while assets grew by 36.4%.

The Group was able to meet its financial obligations at all times. A rolling cash plan enables us to recognise liquidity bottlenecks well ahead of time, and to undertake the necessary counter-measures, as the case may be.

\* Definition pursuant to the 2018/2021 bond terms: net financial liabilities/gross asset values. Because of its favourable conversion price, the 2014/2019 convertible bond was rated as equity capital.

The financing schemes of ACCENTRO AG rest on several mainstays. In addition to bank loans collateralised by land charges, the Company employs capital-market-based financing arrangements in the form of corporate bonds. On 26 January 2018, ACCENTRO AG successfully placed a corporate bond in a volume of EUR 100 million.

Due to the shifts, previously outlined in the note on comparables, between non-current and current liabilities that were caused by the change-of-control event in 2017, a direct comparison of the maturities of the accounts payable with the prior-year figures would be less than meaningful. See the notes to the consolidated financial statements for a detailed drilldown of the liabilities that ignores the accounting effects of the change of control.

The liabilities from the convertible bonds issued in foregoing years were fully repaid through conversion and early redemption of the convertible bond in the amount of EUR 12.7 million. Cash and cash equivalents amounted to EUR 15.5 million as of 31 December 2018, compared to EUR 7.9 million by 31 December 2017. ACCENTRO AG assumes that all of the loans to be renegotiated during the 2019 financial year will be renewed on a rotating basis or repaid. Considering the cash inflow from the corporate bond placed in January 2018 and the funds from the cash capital increase of October 2018, ACCENTRO AG believes that its funding needs are secured for the 2019 financial year as well. No financing arrangements in foreign currencies were taken out by ACCENTRO AG.

In addition to the consolidated net income of 2018, the conversion of the 2014/2019 convertible bond and the cash capital increase undertaken in October 2018 led to a further increase in the shareholders' equity from EUR 153.7 million at the end of 2017 up to EUR 199.1 million as of 31 December 2018. At 42.0%, the equity ratio was more or less kept level with the prior-year figure (previous year: 44.2%) despite a 36.4% increase in total assets and a reduction in equity due to the dividend payment in the amount of EUR 5.2 million in May 2018.

## Asset Position

Total assets increased significantly by EUR 126.4 million (36.4%) to EUR 474.2 million (31 December 2017: EUR 347.8 million). Material changes to each balance sheet item are detailed in the summary below, and are subsequently elaborated.

	31 December 2018	31 December 2017	Change
	EUR million	EUR million	EUR million
<b>Non-current assets</b>	<b>81.1</b>	<b>22.2</b>	<b>+58.9</b>
Owner-occupied properties and buildings	23.4	0	+23.4
Non-current other receivables and other assets	28.8	0	+28.8
Other non-current assets	28.9	22.2	+6.7
<b>Current assets</b>	<b>393.1</b>	<b>325.6</b>	<b>+67.5</b>
Inventory properties	345.2	304.0	+41.2
Trade receivables	18.6	1.2	+17.4
Other current assets	29.3	20.4	+8.9
<b>Equity</b>	<b>199.1</b>	<b>153.7</b>	<b>+45.4</b>
<b>Non-current liabilities</b>	<b>176.4</b>	<b>43.4</b>	<b>+133.0</b>
Financial liabilities	175.3	43.4	+132.9
Other non-current liabilities	1.1	1.0	+0.1
<b>Current liabilities</b>	<b>98.7</b>	<b>150.7</b>	<b>-52.0</b>
Current financial liabilities and bonds	55.9	98.9	-43.0
Other current liabilities and accrued expenses	42.8	51.8	-9.0

The non-current assets increased by EUR 58.9 million. The sum total includes EUR 23.4 million for an office building in Berlin that was acquired in the summer of 2018 and that will serve as ACCENTRO AG's new head office following structural alterations and customisation to meet the Company's needs. The Company is also in the process of procuring a planning consent for open areas on the property so as to permit their future development.

Non-current other receivables and other assets essentially comprise lendings to companies that are associated with ACCENTRO AG via equity investments or marketing agreements. Since ACCENTRO AG does not control these companies, they are not fully consolidated in the consolidated financial statements of ACCENTRO AG.

The other non-current assets include essentially a non-depreciable goodwill in the amount of EUR 17.8 million, non-current purchase price receivables in the amount of EUR 2.4 million, and corporate investments in non-consolidated companies in the amount of EUR 7.7 million.

Current assets increased by EUR 67.5 million to EUR 393.1 million (previous year: EUR 325.6 million), and represent primarily the trading portfolio properties recognised in inventories. For 866 residential units acquired for a combined purchase price of EUR 163.3 million during the 2018 financial year, the transfer of benefits and burdens took place in 2018. For another 177 residential units acquired for a purchase price of EUR 32.7 million, the sale and purchase agreements have already been signed, but the transfer of benefits and burdens will take place in 2019. At the same time, 1,615 residential units (previous year: 992 units) worth EUR 156.6 million in initial costs were sold (previous year: EUR 99.8 million), so that the inventory assets, taking into account the refurbishment measures completed in the course of the year, increased

by EUR 41.2 million. It should be borne in mind that the acquisition in the previous year and the sale of the Gehrensee portfolio of 675 apartments that was concluded in 2018 distorts the presentation of ACCENTRO's operating performance with respect to acquisitions and disposals. If you ignore the Gehrensee transaction, ACCENTRO's track record shows 600 apartments bought during the previous year and 940 apartments sold during the year under review.

The increase in current trade receivables is mainly explained by the balance sheet date, as the purchase price receivable of EUR 11.2 million from a property portfolio sold at the end of the year is not due for payment until March 2019. In addition, the disposal of a real estate portfolio in Hanover caused trade receivables to increase. The purchase price receivable for this transaction was not yet due in full by the balance sheet date, although the transfer of benefits and burdens took place at the end of 2018.

The other current assets were composed as follows during the 2018 financial year: The accounts receivable from operating costs not yet invoiced add up to EUR 8.1 million (EUR 6.0 million) while the cash position equals EUR 15.5 million (previous year: EUR 7.9 million). Short-term loans amount to EUR 2.7 million, of which EUR 2.3 million had already been returned by the time these financial statements were completed. EUR 1.1 million represent income tax receivables. The remaining accounts receivable break down into a number of minor amounts

#### **General Statement on the Group's Business Situation**

In the course of the 2018 financial year, ACCENTRO AG succeeded both in placing a bond with a nominal value of EUR 100 million and in carrying out a cash capital increase by issuing 2,120,000 new shares. Together, the two measures generated a (gross) cash inflow of EUR 120 million for ACCENTRO AG, considerably boosting the Company's financial resources and options. The simultaneous redemption of the 2014/2019 convertible bond through conversion and cancellation also improved the refinancing interest rate in the 2018 financial year.

In the previous year's Group management report, we predicted a significant increase in sales in the double-digit percentage range, and moderate growth in EBIT in the bandwidth of EUR 36 million to EUR 40 million. While achieving the sales target, at EUR 32.9 million the Company narrowly missed the EBIT forecast. The key reason for the failure to achieve the EBIT target is that originally planned sales launches had to be postponed until the 2019 financial year.

That said, the targeted year-on-year growth in sales was achieved in the 2018 financial year with a revenue total of EUR 205.6 million (previous year: EUR 151.5 million). It should be noted here that nearly EUR 43 million in sales represent the contribution of Accentro Gehrensee GmbH and its subsidiaries, which was recognised directly in equity with nearly the same amount and therefore implied no material increase in EBIT. All forecasts and analyses should therefore be based on an adjusted sales total of EUR 163.3 million that factors in the "Gehrensee effect."

Of course, we are not fully satisfied with the earnings performance as we missed the EBIT forecast. Then again, the prerequisites for a sustained positive financial performance of the ACCENTRO Group were put in place during the 2018 financial year through the continued expansion of the trading portfolio and the setup of several collaborative ventures. The outlook for 2019 is bright, we believe, because several projects were postponed from the 2018 financial year to 2019.

Despite dividend payments and a substantial increase in total assets, the equity ratio remained stable on a high level of 42.0% (prior period: 44.2%).



## 2.5 Other Financial and Non-Financial Performance Indicators

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The technical expertise and commitment of our employees and executives are material requirements for the business performance of ACCENTRO Group.

To help retain employee knowledge and skills, the ACCENTRO Group places a strong emphasis on attractive working conditions. These include in particular a competitive compensation system that is continuously monitored and adapted as required. Group employees also benefit from options for continued professional development as needed or whenever the opportunity presents itself.

An important non-financial success factor for ACCENTRO AG is the Company's reputation, particularly the reputation of its subsidiary ACCENTRO GmbH. ACCENTRO GmbH has been active in the privatisation business since 1999, and is Germany's market leader in this field today.

For some years now, ACCENTRO GmbH has concentrated on the booming market of Berlin, exploiting its highly auspicious development. By setting up its own trading portfolio outside Berlin, ACCENTRO Group will keep expanding its position as attractive and reliable partner in the area of tenant-sensitive housing privatisation. The business success of ACCENTRO Group in the privatisation business is monitored by continuously keeping count of the condominiums sold, so that the trend in sales represents yet another, non-financial performance indicator.

In a bid to widen its circle of buyers beyond the German-speaking clientele, ACCENTRO GmbH recently started an ongoing effort to expand its international footprint by engaging new groups of leads who are interested in German real estate but do not wish to buy entire portfolios.

## ■ 3 Report on the Individual Financial Statements of ACCENTRO Real Estate AG

### 3.1 Basic Structure of the Company

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ACCENTRO AG is a holding company. It controls the operations of subsidiaries that own the Group's real estate holdings outright. In addition, it is the parent company of a service provider focusing on the housing privatisation business. For companies in which it holds a controlling interest, ACCENTRO AG assumes the top-down responsibilities of corporate controlling, funding, and administration within the ACCENTRO Group. ACCENTRO AG's sphere of ownership includes core divisions such as Legal, Accounting, Controlling, Risk Management, Funding, Purchasing, Asset Management and IT.

The Company's business performance, along with its opportunities and risks, is inseparably linked to the economic development of the Group entities. To properly understand the economic development of ACCENTRO AG and its definitive influencing factors, it is therefore of the essence to consider the ACCENTRO Group as a whole. The reporting on the situation and the presentation of the opportunities and risks of the Group therefore apply essentially to ACCENTRO AG as an individual enterprise.

The separate financial statement of ACCENTRO AG underlying this report was compiled according to the regulations of the German Commercial Code (HGB) for large stock corporations and the supplementary regulations of the German Stock Corporation Act (AktG).

ACCENTRO AG is a residential property company listed on the regulated market and is also listed, inter alia, on the Frankfurt Stock Exchange.

### 3.2 Business Performance

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The continued positive business performance of the ACCENTRO Group and of ACCENTRO AG during the 2018 financial year took place in a generally very favourable market environment that, in Germany's metro regions, was marked by keen demand for residential property. ACCENTRO AG was able to take advantage of the market environment in the 2018 financial year to issue a EUR 100 million bond in January and to place a EUR 20.1 million cash capital increase in October.

ACCENTRO AG also managed to achieve its projected EBIT target due to anticipated profit transfers and certain divestitures it undertook. The separate financial statements of ACCENTRO AG show an EBIT of EUR 18.5 million, which exceeds the upper end of the EBIT forecast bracket of EUR 14 to 17 million.

Total payroll expenses increased by 43.4% or the equivalent of EUR 0.9 million. The average number of employees increased by 7 persons, an increase of 38.9%.

Profit-transfer agreements with three subsidiaries generated a net income from investments in the amount of EUR 18.6 million (previous year: EUR 15.9 million).

Compared to the previous year, the net interest result is largely unchanged, with both interest income and interest expense having substantially increased.

### 3.3 Earnings, Financial Position and Assets

#### Earnings Position

ACCENTRO AG pursues its business activities through autonomous subsidiaries. As an operating holding company, the Company performs standard management, administrative and financing functions for its Group companies. The earnings position of ACCENTRO AG is defined, on the one hand, by the contributions to operating income from equity investments, and, on the other hand, from its funding role within the Group and its expenses in this function.

The earnings position of ACCENTRO AG developed as follows during the 2018 financial year:

	1 Jan. 2018 – 31 Dec. 2018	1 Jan. 2017 – 31 Dec. 2017	Change
	TEUR	TEUR	TEUR
<b>Other operating income</b>	<b>9,264</b>	<b>12,936</b>	<b>-3,672</b>
Operating income	9,264	12,936	-3,672
Cost of materials	-645	-117	-528
Total payroll and benefit costs	-2,995	-2,088	-907
Depreciation and amortisation of intangible assets and property, plant and equipment	-95	-47	-48
Write-downs on financial investments	-5	-4,600	4,595
Miscellaneous operating expenses	-5,637	-2,970	-2,667
Net income from investments (incl. profit-shifting and loss takeover)	18,635	15,943	2,692
Income from securities	1	0	1
<b>Operating income (EBIT)</b>	<b>18,524</b>	<b>19,057</b>	<b>-533</b>
Net interest income	740	990	-250
Pre-tax profit	19,264	20,047	-783
Income taxes	-3,827	-3,337	-490
Profit/loss for the year	15,437	16,710	-1,273

The other operating income dropped from EUR 12.9 million during the same period last year down to EUR 9.3 million. The income earned during the 2018 financial year essentially breaks down in sales of subsidiaries in the amount of EUR 7.3 million, the dissolution of provisions in the amount of EUR 1.7 million, and EUR 1.2 million worth of miscellaneous other income.

The cost of materials was largely generated by expenses during the process of selling subsidiaries (EUR 0.6 million).

Total payroll and benefit costs increased by EUR 0.9 million. ACCENTRO AG employed an average of 27 people (previous year: 18) during the 2018 financial year.

The other operating expenses soared from EUR 3.0 million the previous year to EUR 5.6 million. The increase by EUR 2.6 million is mainly due to fees in the amount of EUR 1.5 million, which were generated by the bond issuance, and advisory costs of EUR 0.9 million incurred in the same context.

Net income from investments in the amount of EUR 18.6 million increased over prior year (EUR 15.9 million) due to higher income from profit-transfer agreements.

The interest balance equalled EUR 0.7 million during the period under review (previous year: EUR 1.0 million). It was mainly influenced by an increase in interest expenses by EUR 2.4 million that is explained by the placement of the EUR 100 million bond in January 2018, and by an increase in interest income by EUR 2.2 million from lendings to subsidiaries.

As the pre-tax earnings amounted to EUR 19.3 million only (previous year: EUR 20.0 million), the income tax load remained on a relatively low level at EUR 3.8 million (previous year: EUR 3.3 million) because of largely tax-exempt income from divestitures.

### Financial and Net Asset Position

The financial and assets position of ACCENTRO AG is definitively characterised by its activities as financial holding company. The following overview lists the main non-current assets, along with their year-on-year change:

	31 December 2018		31 December 2017		Change
	TEUR	%	TEUR	%	TEUR
<b>Assets</b>	<b>311,777</b>	<b>100.0</b>	<b>169,509</b>	<b>100.0</b>	<b>142,268</b>
Financial investments	45,539	14.6	19,103	11.3	26,436
Plant, equipment and software	282	0.1	101	0.1	181
Advance payments for financial investments	1,203	0.4	16,741	9.9	-15,538
Trade receivables	355	0.1	103	0.1	252
Receivables from affiliates	239,902	77.0	127,413	75.2	112,489
Receivables from equity investments	4,701	1.5	35	0.0	4,666
Loans to third parties	10,165	3.3	207	0.1	9,958
Cash and cash equivalents	6,132	2.0	1,624	1.0	4,508
Other assets	3,498	1.0	4,182	2.3	-684
<b>Liabilities</b>	<b>311,777</b>	<b>100</b>	<b>169,509</b>	<b>100</b>	<b>142,268</b>
Equity	158,800	50.9	115,677	68.2	43,123
Borrowings/bank debt	100,008	32.1	12,879	7.6	87,129
Liabilities to affiliated companies	38,978	12.5	26,152	15.4	12,826
Provisions	10,470	3.4	13,969	8.3	-3,499
Other liabilities	3,521	1.1	832	0.5	2,689

Total assets increased by EUR 142.3 million from EUR 169.5 million to EUR 311.8 million. The asset and financial position is definitively influenced by financial investments, debt financing via bonds, and the performance of receivables and payables vis-à-vis affiliates.

The development is primarily defined by the increase in receivables from affiliated companies and companies in which the Company holds an equity interest. It is caused by the application of funds from the assumption of the bond liabilities.

The accounts receivable from affiliates and equity investments doubled during the financial year, increasing by EUR 117.1 million to EUR 244.6 million. The increase breaks down as follows:

- The short-term loans to affiliates and equity investments increased by EUR 73.5 million to EUR 167.7 million.
- Intercompany receivables increased by EUR 17.7 million to EUR 71.2 million. On the one hand, the profit-shifting contracts of three companies caused the amount of EUR 18.6 million to be posted while, on the other hand, some of the costs fronted by ACCENTRO AG in the amount of EUR 1.0 million were repaid.

The liabilities from bonds and bank loans rose by EUR 87.1 million on balance during the 2018 financial year. In January 2018, ACCENTRO AG successfully placed a corporate bond in the volume of EUR 100 million at an interest rate of 3.75%. The 2014/2019 convertible bond with a par value of EUR 12.9 million was almost fully converted during the first quarter of 2018. ACCENTRO AG exercised its special termination right for the remaining non-converted units, so that the convertible bond is fully redeemed now.

The liabilities to affiliates increased by EUR 26.2 million to EUR 39.0 million. The primary reason for the increase is that two loans were taken out from two subsidiaries (EUR 13.6 million).

ACCENTRO AG complied with collateral agreements from facility agreements (covenants) and the bond terms of the 2018/2021 corporate bond placed in 2018.

The Company was able to meet its financial obligations at any time during the 2018 financial year.

The share capital and capital reserves of ACCENTRO AG increased as a result of the convertible bond conversions carried out in the year under review and a cash capital increase in October 2018. Specifically, the share capital increased by EUR 5.4 million due to the conversions and by EUR 2.1 million due to the cash capital increase. EUR 25.3 million were transferred from corporate actions to the capital reserve. Moreover, the net income caused the shareholders' equity of ACCENTRO AG to increase by EUR 15.4 million.

The distribution of a dividend in the amount of EUR 5.2 million had a converse effect. Yet the Company's shareholder equity rose to EUR 158.8 million overall. The equity ratio (shareholders' equity/total assets) decreased by 17.3% to 50.9% year-on-year (68.2%), as total assets grew by 83.9% much faster than equity did at a rate of 37.2%.

### **General Statement on the Company's Business Situation and Business Performance**

The earnings position of the ACCENTRO Group, which is definitive for the financial performance of ACCENTRO AG as its holding company, developed handsomely during the 2018 financial year even if not all of the corporate objectives were achieved.

With this in mind, we are content with the earnings performance. The 2018 financial year was expected to see an increase in total assets and an EBIT in the range of EUR 14 to 17 million. The total assets did grow swiftly, and the EBIT topped the upper end of the forecast bracket at EUR 18.5 million.



The prerequisites for a sustained positive financial performance of the ACCENTRO Group were put in place during the 2018 financial year through the continued expansion of the trading portfolio. We expect ACCENTRO AG's individual financial statements to show a positive net income on a level with the previous year. The total assets are not expected to see serious growth going forward.

## ■ 4 Forecast, Opportunity and Risk Report

### Forecast Report

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The following statements on the future business performance of ACCENTRO Group and the factors considered to be crucial in terms of the development of the market, the sector and the Company are based on the estimates made by the Management Board of ACCENTRO AG and the corporate planning decisions made in December 2018. In our planning efforts, we assume that the economic and social parameters will remain largely unchanged while the moderate economic growth, the low unemployment trend and the low-interest cycle will continue. All forecasts are subject to the risk that the developments predicted may not actually occur in terms of either their scope or their general trend. The material risks to which ACCENTRO Group believes it is exposed are explained in the opportunity and risk report.

Backed by the forecasts of academic studies, we consider our assumption to be realistic. For instance, the spring report published by the ZIA German Property Federation on 19 February 2019 sees no evidence for an imminent fundamental trend reversal despite the fact that the current cycle is now in its eleventh year. Given the persistent shortfall in supply, the ZIA expects the price upsurge on Germany's residential property market to continue in 2019 and to see massive price hikes for residential property in the conurbations in particular. At the same time, the ZIA points out that evidence of excessive pricing is manifest most notably in class A cities, their greater areas and in a number of other major cities subject to keen demand, and these pricing spikes could result in corresponding adjustments. Then again, the federation cautioned that there are no signs of a real estate bubble that would affect Germany's market as a whole. The ZIA argues that crucial aspects like inflated credit growth or runaway building activity are missing from the picture.

We share the ZIA's forecast in principle and regard the risk of a bubble as low. At the same time, the pronounced supply shortage has not gone away and will probably take many years to relieve. The risks associable with it should not be easily dismissed.

As in the 2018 financial year, the corporate strategy and operating activities of the coming years will focus on the privatisation of residential real estate, and on the creation of home-ownership options for a broad-based population cohort. In this line of business, ACCENTRO AG will focus on the privatisation of flats from its proprietary stock as well as on behalf of third parties. This is the focus of the acquisition strategy that ACCENTRO AG pursues.

In the 2019 financial year, we expect the ACCENTRO Group to achieve a modest increase in revenues compared with the previous year's level when ignoring the sale of the Gehrensee portfolio (basis: EUR 163.3 million), combined with moderate growth in earnings before interest and taxes (EBIT) in the low double-digit percentage range. Based on the completed expansion of the trading portfolio, and given the exclusive focus on privatisation activities, the earnings performance is expected to remain largely stable.

The continued expansion of the trading portfolio and the cash outflow for capital expenditures will probably push the operating cash flow back deep into the negative range during the 2019 financial year because these investments are grouped with the operational division. The cash flow was indeed negative for the operational division in 2018, as predicted by the forecast report, adding up to EUR –48.4 million. The situation is unlikely to change in the foreseeable future because ACCENTRO AG plans to keep pursuing its steady expansion of the trading portfolio.

At the level of ACCENTRO AG, annual net income for the following year is expected to match the figure of the 2018 financial year. The total assets are not expected to see any fast growth on the level of the individual financial statements in 2019.

On top of that, we assume that the financial covenants of the 2018/2021 bond will be fulfilled during the 2019 financial year.

In terms of employee retention, our plans for 2019 seek to continue the current strategy of trying to retain our employees long-term and to keep the churn rate to a minimum. As projected, the workforce increased by 12 staff, although it should be added that not all of these jobs created represent full-time positions. Five persons left the Company in the course of the 2018 financial year. As expected, the fluctuation is relatively low. The workforce is likely to keep growing at a modest pace in 2019 to stay abreast of the Company's ongoing growth.

## Opportunity and Risk Report

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### Risk Management

The ACCENTRO Group's risk management system is geared towards securing the value-add potential of the Group's commercial activities and to permit their exploitation in such a way as to generate a sustained growth in going concern value. An integral component of this system is the fact that potentially adverse developments and events are addressed in a structured manner and at an early stage, thereby allowing the Management Board to initiate counter-measures in good time before significant damage is done.

Having the function of detecting and communicating significant risk factors promptly, particularly those that are highly relevant in terms of income and liquidity and that could therefore jeopardise the Group's continued existence, the ACCENTRO Group's risk management system is integrated in the planning, reporting and controlling processes of ACCENTRO AG at an organisational level. The system is managed on a centralised basis by ACCENTRO AG, and comprises the systematic identification, analysis, assessment and monitoring of material risks by the Company's Management Board. In light of the Group's clearly defined corporate structures and business processes, the level of formalisation has so far been kept comparatively low for reasons of efficiency.

The close involvement of the Management Board in the main business transactions and projects is to ensure that emerging risks are monitored on an ongoing basis. The monthly reporting to the Management Board explicitly addresses threats to which ACCENTRO AG is exposed, and proposes ways to minimise them.

The risk management system employed by ACCENTRO AG contains the following key elements:

- a controlling and reporting system that is able to identify adverse business developments at an early stage, and to communicate them to the Company's management
- periodic or event-related risk stock-taking
- the documentation of relevant risks for the purposes of informing the Company's management on a regular or case-by-case basis
- the periodic assessment of the identified risks and the resolution of decisions on any countermeasures or the conscious acceptance of transparent risks by the Management Board of ACCENTRO AG.

In addition, the Management Board has commissioned a third-party auditing company to carry out an internal audit to assess the effectiveness of the risk management on an ongoing basis and to suggest improvements.

The key elements of the risk management system are itemised in the subsequent overview of the risk management process:

1. Definition of specifications: The Management Board defines the methodological and thematic prescriptions for the risk management system, while the Company's expectations are specified and the risk awareness enhanced in the process.
2. Risk identification and analysis: All entrepreneurial risks are fully captured, analysed in regard to causes and effects, evaluated, and classified in different risk categories. In addition, appropriate countermeasures are identified.
3. Reporting: The Management Board is regularly and promptly briefed on existing threats and possible countermeasures. Within the framework of the reporting cycles, these briefings are scheduled spontaneously, weekly, monthly or quarterly, depending on the situation at hand and the respective threat analysis.
4. Risk management: The Company will proactively respond to identified, analysed and rated threats on the basis of executive decisions regarding controlling measures.
5. Risk controlling: The purpose of risk controlling is the methodological and thematic planning, monitoring and controlling of the risk management system of ACCENTRO AG. Risk controlling covers all stages of the risk management process, and enables the Management Board to regularly update the methodological and thematic prescriptions for the risk management system.

### **Presentation of Individual Risks**

The ACCENTRO Group is exposed to a wide variety of risks which, individually or collectively, could adversely affect the net asset, financial and income situation of the Company and its continued economic performance. It needs to be remembered that the changes resulting from the composition of the various threats that were relevant for the ACCENTRO Group during the 2017 financial year remained relevant in the 2018 financial year. We believe that the subsequently listed risks ensure a rather exhaustive representation.

The main risks for our business model within the current market environment include specifically sales risks and risks arising from the property selection.

## Company-specific Risks

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### a) Risks Arising from the Property Selection

The economic success of the ACCENTRO Group depends definitively on the selection and acquisition of properties suitable for the sale of apartments to owner-occupiers and buy-to-let-investors. This involves a certain risk of incorrectly appraising, or failing to detect, any negative structural, legal, commercial and other defects a property about to be purchased may have. Moreover, assumptions made in relation to the income potential of a given property could subsequently prove to be partially or wholly incorrect. In particular, the management of the respective property could fall short of the expected results, or apartments ear-marked for sale could prove impossible to sell in the planned quantity, on the planned terms, and/or within the planned time frame, as a result of an incorrect assessment of the attractiveness of the property's location and other factors that investors deem crucial for their decision whether or not to buy.

These property-specific risks are addressed by conducting due diligences on the relevant properties. As part of the property assessment, factors such as expected renovation, maintenance and modernisation requirements and the earnings power and debt service coverage ratio are examined using standard banking benchmarks.

Especially in Germany's metro regions and in certain university cities, it is becoming noticeably more difficult to acquire real estate at reasonable prices. To cushion this effect, ACCENTRO AG is increasingly buying property outside the Berlin conurbation.

### b) Letting Risks

Generally speaking, the letting risk represents a subordinate risk for ACCENTRO AG's business model, because vacant flats sell for higher prices than occupied flats. A more material risk poses the impairment of a property as a result of poor performance by third-party service providers in the area of property management. It is a risk addressed through active asset management and property management. This includes lettings management and steps taken to ensure the competitiveness of properties within the local occupier markets. Relevant steps include specifically the constant monitoring of the service providers, proper maintenance along with refurbishments and modernisation measures necessary to preserve or enhance the attractiveness of the properties for tenants and buyers.

### c) Construction Risks

Going forward, the ACCENTRO Group expects risks in this area to increase significantly. While construction risks used to be essentially limited to straightforward refurbishments and improvements for the purpose of enhancing the marketability of its housing stock, the Company has also engaged in costly major refurbishments and topping-up developments involving occupied real estate in several locations since 2016. This sort of activity is subject to noticeably higher coordination and investment requirements.

To the extent that construction measures are required for let properties or properties acquired for privatisation or leased by the Group, there is a risk that the resulting construction costs could significantly exceed forecasts. This risk is countered through detailed construction cost planning and strict monitoring.

Uncertainties regarding whether, when and under what constraints and/or subsidiary conditions approval for the projects is granted under public construction law may contribute to the construction risks. This means that the Company relies to some extent on the discretion

exercised by certain authorities and on the adequacy of that authority's human resources. It also means that disputes with residents and neighbours may significantly delay or negatively impact the planning approval process. These circumstances may mean that planned construction measures cannot be executed for the price assumed, within the timeline planned, or not at all. That is why risk factors of this sort are thoroughly examined in the run-up to a given construction measure.

ACCENTRO AG hired employees with relevant experience to address these risks, and will continue to expand the staff capacity in this division going forward.

**d) Sales and Marketing Risks**

To the extent that the ACCENTRO Group relies on external sales partners in its apartment retailing activities, the commercial success of such sales depends to a high degree on the Group's ability to recruit qualified estate agents and to retain them long-term. This is supposed to be achieved primarily by offering attractive payment terms and by keeping a large property stock on hand.

Moreover, the business success of the ACCENTRO Group in the apartment retailing sector definitively hinges on the willingness of owner-occupiers and investors to purchase the apartments offered for sale. The willingness to buy may be influenced, on the one hand, by developments within the sphere of the respective properties, such as a deterioration of the location's social environment or structural issues, but also by general developments, such as the economic situation and employment trends, on the other hand. There is a risk that developments such as these may impair a client's willingness to buy, so that apartments earmarked for sale could prove impossible to sell in the planned quantity, on the planned terms, and/or within the planned time frame.

**e) Purchase Risks Arising from Marketing Agreements**

Within the framework of its third-party sales activities, the ACCENTRO Group entered into a number of agreements that include purchase guarantees. Under these agreements, ACCENTRO agrees to take over any property assets unsold at the end of the marketing period defined in the respective agreement at a purchase price agreed with the property developer. The possibility of having to acquire these properties at the agreed purchase price plus the real estate transfer tax due for the acquisition exposes the Company to the risk that it may not reasonably hope to realise the usual margins when reselling the properties.

**f) Risks Arising from Collaborative Ventures**

The disposal of a 75% equity interest in the Gehrensee project as of 30 June 2018 and the acquisition of equity interests in development schemes in Brandenburg an der Havel and in Blankenfelde near Berlin in the course of 2018 has created a new risk situation going forward. Additional collaborative projects are planned for 2019. Substantial funds of ACCENTRO AG are tied up in these projects that will not be released until the projects are concluded. Any delay in the completion of a given project could cause liquidity risks for ACCENTRO. To manage this risk, the Management Board of ACCENTRO AG appointed a controller who is responsible for the equity investment management. On top of that, each project is assigned a dedicated inhouse project manager.



### **g) Financing, Liquidity and Interest Rate Risks**

Within the framework of its business activities, the ACCENTRO Group is exposed to a number of financing, liquidity, and interest rate risks that are addressed by the monitoring and controlling measures outlined below.

Extensive liquidity planning instruments both in the short- and medium-term sectors are used to match ongoing business processes with the planning data on the level of the parent Group, of the business units, and of key subsidiaries. The Management Board is regularly and exhaustively briefed about the current liquidity and the latest liquidity forecast.

In relation to the existing loans for financing the properties held by the Group, the refinancing of the ongoing business activities, and the new borrowing required to acquire additional properties, there is a risk that company-specific and market-specific developments may make it harder to borrow funds and/or make such borrowing possible only on less favourable terms. If this was to create issues for the repayment of current loans, creditors could initiate coercive realisations of mortgage collateral. Such fire sales would create serious financial issues for ACCENTRO AG. This risk is addressed, for one thing, by observing and analysing the financing market. For instance, ACCENTRO AG diversifies the Group's financing risks by exploiting financing alternatives in addition to classic loan financing, e. g. by issuing corporate bonds or convertible bonds.

The success of the business activities currently pursued by the ACCENTRO Group is to a large degree influenced by the availability of financing options. A restrictive lending policy of banks over extended periods of time could negatively impact the business performance and the growth of ACCENTRO Group. In order to address this risk, the ACCENTRO Group collaborates with various banks, and closely monitors financing market trends. In addition, alternative funding options through the capital market are exploited in addition to bank financing, including the issuance of bonds, for instance.

The privatisation segment is exposed to the risk that a measure may not have been completed at maturity and that a loan rollover is either impossible altogether or possible only on unfavourable terms and/or at increased costs. This risk is countered by repaying a disproportionately high amount through partial sales, and by negotiating longer loan terms. The ACCENTRO Group also signed loan agreements with more than one bank, so as to counter the associated risks.

The consolidated Group has taken out loans and issued corporate bonds in a total amount of approximately EUR 106.3 million (previous year: EUR 21.7 million) that are subject to covenants agreed with the banks or specified in the bond terms with respect to debt service coverage ratios or debt-to-equity ratios (financial covenants). The corporate bond over EUR 100 million is subject to the following covenants:

- the debt-to-equity ratio (net financial debt to assets) must not exceed 60%
- the capital market indebtedness must not exceed 150% of the shareholders' equity before minority interests
- an interest coverage ratio of 2 to 1 in the relation of adjusted EBITDA to net interest expense
- a restriction of the dividend to 30% of the IFRS annual net income

Breaches of these covenants could trigger payments into blocked accounts or early repayment obligations on the basis of a contractually agreed escalation procedure. If certain credit terms were introduced, for instance in the event of a change of control, the corporate bond

could be prematurely called for redemption. The Group uses appropriate monitoring methods to detect any early signs of a risk that covenants might be breached, and strives to prevent the breach through adequate countermeasures. All financial covenants were upheld during the 2018 financial year.

Interest rate risks exist for the liabilities intended for prolongation or refinancing and the planned loans to finance properties. In the privatisation sector, sensitivity analyses are conducted both in the context of drafting the business plans and in line with the continuous risk monitoring, so as to be able to predict the possible ramifications of interest rate changes for the Group's economic performance. The ongoing disproportionate repayments from properties sold rarely make long fixed-interest periods a sensible proposition.

The direct impact of changes in the general interest rate level on the Company's performance through changes in cash flow pose a small risk compared to the conceivable indirect impact of changes in the general interest rate level on real estate demand (for more details on this, see the elaboration on economic risks).

#### **h) Bad Debt Risks**

The risk of bad debts in connection with trading residential real estate is reduced by delaying the property handover in the apartment retailing business until the purchase price has been paid in full. This also applies whenever properties require refurbishment work. Given the broad customer structure especially in apartment retailing, bad debt risks in regard to the purchase price payment for retailed apartments play only a secondary role in this context when considered in isolation. Portfolio transactions occasionally take the form of sales on credit. However, credit periods are granted only after ACCENTRO AG has verified the clients' solvency. Since the transfer of the title in the land register does not take place until the purchase price has been paid, the risk is limited to the reversion of the property title.

#### **i) Legal Risks**

In the context of their business activities, ACCENTRO Group companies may, in particular, become involved in legal disputes and be confronted by (potential) warranty and compensation claims without being able to enforce claims against third parties in their own right. Warranty risks arise specifically from cases in which no liability exemption was agreed in conjunction with property sales.

When selling individual apartments, ACCENTRO Group companies and their external sales partners also perform consultancy services that could lead to compensation claims from third parties.

Adequate provisions have been set aside for the legal risks to which the Group is currently exposed. We are not aware of any other legal risks at present, particularly no risks arising from legal disputes that could have a significant adverse effect on the financial position of the ACCENTRO Group

#### **j) Internal Risks**

The senior management roles of the ACCENTRO Group that supervise the business performance are staffed with a comparatively small number of employees. Any loss of these employees, especially of the sole member of the Management Board, would cause significant disruptions in the course of business.

## Market-specific Risks

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### a) Economic Risks

The ACCENTRO Group has so far generated its revenues exclusively inside Germany. Here, particularly a deterioration in national economic conditions, combined with an increase in the number of unemployed, could lead to a (steep) drop in demand for real estate investments. Moreover, the market environment in Germany is also indirectly affected by global economic trends. In 2019, the main focus will be on the lingering trade dispute between the USA and the EU, the unclear situation surrounding the UK's withdrawal from the EU and the future development of the European Union.

The development of interest levels in Germany is particularly important for domestic real estate demand. An increase in interest rates would make property investments more difficult due to rising interest payments. This scenario would also drive up the borrowing costs for the loans taken out by the companies of the ACCENTRO Group, with a corresponding negative impact on earnings.

### b) Sector Risks

Deterioration in the general conditions on the German property market could have a negative influence on the business performance of ACCENTRO Group. Softening property prices would make it harder to realise sales profits, and diminish the earnings in the privatisation sector. At the same time, additions of attractively priced properties could be limited, as potential sellers are unwilling to sell on account of the low price level.

Moreover, the development of the property sector is largely determined by the availability of finance instruments. A persistently restrictive lending policy could negatively impact the demand for real estate in general, and thus result in impairments for the inventory properties of the ACCENTRO Group, and in lower privatisation proceeds.

The demand for condominiums in Germany depends, in addition to the absolute and possibly negative demographic growth, on the trend in the number of persons per household.

### c) Legal Parameters

As the business activities of the ACCENTRO Group are regulated by the specific legal parameters that apply to property, they may be adversely affected by amendments to national and/or European legislation or the changed interpretation or application of existing legislation, including tenancy laws, public construction laws, and tax laws. These include, without being limited to, rental law, public building law, and fiscal law.

So far, ACCENTRO has focused its activities primarily on the real estate market in Berlin. It is therefore of the essence to keep a close eye on the ramifications of political decisions for our core market in Berlin, most notably the developments in the area of historic district protection and the exercise of the right of first refusal by the boroughs.

## Risk Concentrations

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The business success of the ACCENTRO Group is in some ways disproportionately dependent on a small number of projects and portfolios that account for a major share of its revenues. Aside from the client dependence that is generally associable with the fact, there is a risk that possible delays or issues arising in the context of the privatisation of this portfolio would disproportionately impact the business success of the ACCENTRO Group.

The ACCENTRO Group invests primarily in the real estate market in Berlin. Accordingly, if Berlin as real estate location was to develop a generally adverse trend, the development could definitively impair the assets, finances and earnings of the ACCENTRO Group. In its monthly report for February 2019, the Bundesbank warned against excessive pricing in the major cities, yet demand for flats in Berlin continues to grow rapidly.

Moreover, specific one-off risks keep arising in connection with construction work, especially the threats of cost overruns, project delays, payment default risks, which can arise in connection with building measure that involve portfolios acquired by the ACCENTRO Group, for instance within the framework of modernisations.

## Other Influencing Factors

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In addition to the risks identified above, there are general influences that are unforeseeable, and that can therefore not be preempted. These include political changes, social influences, and force major such as natural disasters or terrorist attacks. These factors could have adverse effects on the economic environment, and could thus indirectly impair the future business performance of the ACCENTRO Group.

## Assessment of the Overall Risk

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A new financing structure was created during the reporting period by issuing a corporate bond with a nominal value of EUR 100 million and by prematurely redeeming the 2014/2019 convertible bond. Doing so has noticeably improved the risk situation of the ACCENTRO Group in regard to financing. With a view to the persistently auspicious market environment and the great marketing outlook, there are currently no signs of material risks to the ACCENTRO Group, and specifically no risks to the Group's going concern status.

## Opportunities Created by Future Developments

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Meanwhile, the ACCENTRO Group continued to expand its trading portfolio by acquiring new property during the 2018 financial year. The portfolio now extends across Germany and include cities in Bavaria, the metro regions Hamburg and Leipzig, as well as the cities or campus towns of Cologne, Rostock and Berlin. Especially its strong position in Berlin gives ACCENTRO AG a great chance to keep exploiting the extraordinary dynamic of Berlin's housing market. In the course of the 2018 financial year, we expanded our footprint in Leipzig and in the Rhine-Ruhr region, opening local branch offices. In fact, we set up a subsidiary for the Rhine-Ruhr region, ACCENTRO Rhein-Ruhr GmbH, which already transacted its first property acquisition. The extensive geographic footprint of its privatisation segment makes ACCENTRO AG a fast-growing and reliable sales partner in its collaboration with business partners.

The sales activities are to be expanded in the new-build residential segment. To this end, it is planned to enter into new collaborative ventures with mid-market property developers for whom ACCENTRO would handle the apartment sales.

Its subsidiary ACCENTRO GmbH has a leading position in Germany's privatisation sector. This presents an opportunity for ACCENTRO AG, too, as it permits the Group to expand faster than the competition and simultaneously to have easier access to new properties earmarked for privatisation. The robust market position in connection with the demonstrable track record in apartment retailing also implies the chance to acquire new third-party contracts for privatisation services.

Taken together, the above factors form the basis for a successful implementation of the corporate strategy, and will keep facilitating fundraising efforts both on the capital markets and among banks in the future.

### Overall Assessment

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In light of the anticipated development of Germany's housing demand and the generally auspicious parameters of the country's residential property market, the Company continues to see a growing business potential in future. This assessment is backed by the lively interest of owner-occupiers and buy-to-let investors in properties, particularly in condominiums, that are acquired either as buy-to-let investment or (in the case of owner-occupiers) as an integral component of a private pension plan. The latter aspect, by the way, is bound to gain in significance, and substantially so.

The ACCENTRO Group intends to keep boosting its revenues through geographic expansion and commitments in joint ventures paired with the expansion of collaborative activities in the area of new-build construction projects. On the basis of a stable business performance and viable cost income ratios, the Company expects to see its income and financial position to stabilise on a sustained high level.

## ■ 5 Internal Control System and Risk Management in Regard to the Group Accounting Process

The financial risk management of the ACCENTRO Group is geared towards managing and limiting the financial risks arising from operating activities. In particular, this is intended to counter significant bad debt losses that could jeopardise the Company's economic development. Another objective of financial risk management is to ensure optimised Group financing. The availability of sufficient funds for the Company is monitored by a rolling liquidity control.

The appropriateness of the risk early warning system implemented by the Group is examined by the auditor in the course of the annual audit of ACCENTRO AG's external financial reporting. Potential improvements identified as a result are subsequently incorporated into the system.

To ensure the regularity of financial reporting in its consolidated financial statements, the Group management reports and the quarterly reports, ACCENTRO AG has integrated preventative and monitoring controls for the Company's accounting processes in its internal control system (IKS). These measures include the separation of functions, pre-defined approval principles and computer processes for the processing of accounting data. The key organisational measures are a component of the IKS handbook, which sets out the Company's core business processes. If necessary, special areas of accounting are covered by bringing in external consultants.

Starting in the 2016 financial year, an internal audit system was implemented on the Group level of ACCENTRO AG to improve the efficiency of the business processes. It assists the various departments of ACCENTRO AG in achieving their objectives by using a systematic and target-oriented approach to measure the efficiency of the risk management, the controls, and the managing and monitoring processes, and to help with efforts to enhance them. At the same time, it supports the Management Board of ACCENTRO AG in its control and supervisory functions. Two internal audits were carried out during the 2018 financial year, and another two internal audits are being prepared for the 2019 financial year.

The consistency of accounting processes of the subsidiaries included in the consolidated financial statements is guaranteed by central coordination and execution of the accounting at the parent Company. The reliability of the IFRS accounting records of the consolidated companies and their consolidation in the Group accounting process is principally ensured by the centralised Group accounting done by the parent Company. The separate IFRS accounts of the companies included in the consolidation for the Group accounting process is reviewed by various experts at the parent Company before being reconciled with the Group's financial statements.

## ■ 6 Disclosures Pursuant to Sections 289a, 315a, German Commercial Code (HGB)

ACCENTRO AG is a stock corporation (Aktiengesellschaft) based in Germany and has issued voting shares that are listed on an organised market as defined by Sec. 2 Art. 7, German Securities Acquisition and Takeover Act (WpÜG), namely the Regulated Market of the Frankfurt Stock Exchange (Prime Standard).

### Managing Body

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The legal managing and representative body of ACCENTRO Real Estate AG is its Management Board. The composition of the Management Board and the appointment of its members are based on Articles 76, 84 and 85, German Stock Corporation Act (AktG), in conjunction with sec. 6 of the Company's Articles of Association. In accordance with these provisions, the Management Board is composed of one or several members. The Supervisory Board determines the number of members of the Management Board. The Supervisory Board may appoint up to five Management Board members and specify a Management Board member to act as chairman. At the moment, the Company's Management Board consists of a single member.

In accordance with Section 84, AktG, the members of the Management Board are appointed by the Supervisory Board for a maximum term of five years. They may be reappointed or their term be extended for a maximum of five years in each case. At the moment, the contract signed with the sole member of the Management Board specifies a term of three years. The appointment and reappointment of members requires a corresponding resolution by the Supervisory Board that principally has to be passed pursuant to the provisions of Section 84, AktG. The Supervisory Board may revoke the appointment of a Management Board member prior to the expiration of his or her term for good cause.

On 8 February 2018, the Supervisory Board resolved to appoint Jacopo Mingazzini as CEO of ACCENTRO Real Estate AG for another three years.



## Amendment of the Articles of Association

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In accordance with Section 179, AktG, any amendment to the Articles of Association requires a resolution by the Annual General Meeting. This does not apply to amendments and additions to the Articles of Association that relate solely to their wording, the responsibility for which has been transferred to the Supervisory Board in accordance with Sec. 11, Art. 2, of the Articles of Association.

In accordance with Sec. 133 and 179, AktG, in conjunction with Sec. 13, Art. 3, of the Articles of Association, resolutions by the Annual General Meeting on amendments to the Articles of Association require a simple majority of the votes cast and a simple majority of the share capital represented when the resolution is adopted, unless a larger majority is prescribed by law or the Articles of Association in a given case.

## Capital Structure

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### Share Capital

The issued capital (share capital) of ACCENTRO AG amounted to EUR 32,431,047.00 as of 31 December 2018. It was composed of 32,431,047 no-par value bearer shares. There are no different stock classes. At the start of the 2018 financial year, the share capital amounted to EUR 24,924,903.00 and increased during the reporting period when the conversion rights from a convertible bond and ACCENTRO AG moved ahead with its cash capital increase.

### Direct or Indirect Interests in the Company's Share Capital that Exceed 10% of its Voting Rights

On 30 November 2017, Brookline Real Estate S.à r.l. made a public announcement that it had taken control of ACCENTRO Real Estate AG pursuant to Sec. 35, Art. 1, i.c.w. Sec. 29, Art. 2, and Sec. 30, Art. 1, German Act on Securities Acquisition and Takeovers (WpÜG). At the time ACCENTRO AG released its latest voting rights notification, Brookline Real Estate S.à r.l. held more than 75% of the company stock.

### Authorisation to Issue Bonds

In accordance with the resolution by the Annual General Meeting of 15 May 2018, the Management Board is also authorised, subject to the Supervisory Board's consent, to issue convertible bonds and/or warrant bonds or participation rights with or without conversion or subscription rights (also referred to collectively below as "bonds") over a total nominal amount of up to EUR 200,000,000.00 and with maturities of 20 years or less on one or more occasions up to and including 14 May 2023.

The bearers of bonds mentioned in the foregoing sentence can be granted conversion or subscription rights for up to 25,000,000 bearer shares of the Company with a proportionate share of the share capital in a total amount of EUR 25,000,000.00 or less. The conversion and subscription rights may be serviced from conditional capital resolved by the Annual General Meeting on 15 May 2018 or to be resolved by future Annual General Meetings from existing or future authorised capital and/or from a cash capital increase and/or from existing shares and/or may provide for a cash settlement instead of the delivery of shares. Whenever bonds are issued, shareholders are entitled to a statutory subscription right unless the subscription right is excluded in accordance with the provisions below.

The Management Board is authorised, subject to the Supervisory Board's consent, to exclude shareholders' statutory subscription rights in the following cases:

- I. for fractional amounts arising from pre-emptive rights;
- II. to offer convertible and/or warrant bonds and/or participation rights with conversion or pre-emptive rights for subscription to individual investors, provided that, in accordance with Sec. 186, Art. 3, Sent. 4, AktG, mutatis mutandis, the shares issued on account of these bonds do not exceed 10% of the existing share capital at the time this authorisation comes into effect or at the time of the resolution to exercise this authorisation, and provided further that the issue price of the bonds is not significantly less than the hypothetical fair value of the bonds as calculated in line with recognised actuarial methods. The amount of 10% of the share capital must include the amount relating to shares issued or disposed of on the basis of a different corresponding authorisation with pre-emption rights ruled out under direct or mutatis mutandis application of Sec. 186, Art. 3, Sent. 4, AktG, if such inclusion is required by law;
- III. to offer subscription to individual investors provided that the issue price is not significantly less than the theoretical fair value of the profit participation certificates as calculated in line with recognised financial methods and provided that the profit participation certificates only have the characteristics of a debenture, i. e. if they do not constitute any shareholder rights in the Company, nor any conversion or pre-emption rights, do not grant any entitlement to the liquidation proceeds and if the amount of the interest yield is not based on the net profit for the period, balance sheet profit or dividend;
- IV. to the extent that this is necessary, to grant bearers of conversion or pre-emption rights granted by the Company or companies in the Group to shares of the company pre-emption rights to bonds issued under this authorisation in the amount they would be entitled to after exercising their conversion or pre-emption rights or after satisfying any conversion obligation (dilution protection), or
- V. if bonds are issued in exchange for non-cash contributions, particularly for the acquisition of companies, parts of companies and investments in companies, industrial property rights, such as patents, brands or licenses to these, or other product rights or other non-cash contributions or bonds, convertible bonds and other financial instruments, and the disapplication of subscription rights is mainly in the interests of the Company.

The Management Board is also responsible, with the approval of the Supervisory Board, for determining the further details of the issue and features of the bonds, including in particular the term, issue and exercise periods, termination, issue price, interest rate, denomination, adjustment of the subscription price and grounds for a conversion obligation.

#### **Authorisation to Implement a 2017 Stock Option Program**

Moreover, the Management Board was authorised through a resolution passed by the Annual General Meeting on 15 May 2017 to issue on one or more occasions before 14 May 2020 up to 1,800,000 options to current or new members of the board and the top tier management, which options entitle their bearers, subject to the options terms, to acquire new no-par value bearer shares in ACCENTRO Real Estate AG (2017 stock option program). To the extent that options are to be issued to members of the Company's Management Board, only the Supervisory Board is entitled to issue the options. The options issued under the 2017 stock option program can only be exercised within 10 years of the date on which they may be exercised for the first time.

The Management Board of ACCENTRO Real Estate AG is authorised, assuming the Supervisory Board's consent—and the Supervisory Board alone being authorised if the Management Board itself is concerned—to specify the structural details of the 2017 stock option program. These include specifically:

- I. defining the number of options issued to individual or groups of beneficiaries,
- II. regulating the handling of options in special cases (e. g. maternity/paternity leave or parental leave of a beneficiary),
- III. regulating other expiration reasons, exceptions to the expiration reasons, as well as the specific expiration rules,
- IV. adjusting the share subscription/dilution protection in the context of corporate actions and conversion of ACCENTRO Real Estate AG,
- V. specific issues concerning the departure of the beneficiary,
- VI. retirement or demise of the beneficiary, etc.,
- VII. the Company's possibilities for terminating the options, and
- VIII. the proprietary investment of the beneficiary in subscribed shares.

In the notes to the annual financial statements or in the annual report, the Management Board must report on the utilization of the 2017 stock option program and the options granted to the beneficiaries in this context for each financial year in accordance with relevant statutory provisions. During the 2018 financial year, the Management Board did not take advantage of its authorisation to use the 2017 stock option program.

## **Contingent Capital**

### **Contingent Capital 2014 (Redemption of Convertible Bonds)**

Further exercise of the conversion rights by bearers of convertible bonds initially reduced the Contingent Capital 2014 through the issuance of 5,393,031 no-par value shares down to EUR 4,894,395.00 during the 2018 financial year.

Having received the Supervisory Board's consent on 16 February 2018, the Management Board cancelled all outstanding units of the 2014/2019 convertible bond as of 27 March 2018.

Shortly thereafter, on 15 May 2018, the Annual General Meeting resolved to cancel the remaining Contingent Capital 2014. The authorisation resolution of 27 February 2013 to issue convertible bonds and/or bonds with warrants and/or participation rights with conversion or subscription rights had expired on 26 February 2018. There were no outstanding conversion or subscription rights that had to be redeemed using this contingent capital.

### **Contingent Capital 2017 (Redemption of 2017 Stock Option Program)**

To deliver on its stock option program, whose options are granted until 14 May 2020 based on the authorisation by the Annual General Meeting of 15 May 2017, the Company's share capital was increased by up to EUR 1,800,000.00 through the issuance of up to 1,800,000 new no-par-value bearer shares (Contingent Capital 2017). The Contingent Capital increase will go ahead only if bearers of the issued options exercise their right to subscribe shares of the Company, and if the Company draws on the Contingent Capital 2017 to settle these options.

## Authorised Capital

### Authorised Capital 2018

By resolution of the Annual General Meeting on 15 May 2018, the Authorised Capital 2015 was cancelled and replaced by new authorised capital, which authorises the Management Board, subject to the Supervisory Board's consent, to increase the share capital of the Company by a total of up to EUR 15,158,967.00 during a period ending 14 May 2023 by issuing new no-par value bearer shares on one or more occasions against contributions in cash and/or in kind (Authorised Capital 2018). While shareholders principally have a subscription right, it can be excluded in whole or in part with the Supervisory Board's consent. That said, the exclusion of the shareholders' subscription rights is permitted in the following instances only:

- I. for capital increases against cash contributions if shares in the Company are traded on a stock market (regulated market or OTC or the successors to these segments), the shares issued do not exceed 10% of the share capital and the issue price of the new shares does not significantly undercut the market price of shares in the Company of the same class and features already traded on the stock market within the meaning of Sec. 203, Art. 1 and 2, and Sec. 186, Art. 3, Sent. 4, AktG. The amount of 10% of the share capital must include the amount relating to shares issued or disposed during the effective period of this authorisation and until it is exercised on the basis of different corresponding authorisations with pre-emptive rights ruled out under direct or implicit application of Sec. 186, Art. 3, Sent. 4, AktG, if such inclusion is required by law. For the purposes of this authorisation, the issue price for the purchase of new shares by an intermediary with the simultaneous obligation of such intermediary to offer the new shares for purchase by one or more third parties designated by the Company is deemed to be the amount that must be paid by the third party or third parties;
- II. for capital increases against non-cash contributions, particularly for the acquisition of companies, parts of companies and investments in companies, industrial property rights, such as patents, brands or licenses to these, or other product rights or other non-cash contributions, including debenture bonds, convertible bonds and other financial instruments;
- III. to the extent required in order to grant holders or creditors of the debenture bonds with warrant or conversion rights or obligations issued by the Company or its Group companies subscription rights to new shares on the scale to which they would be entitled to these after exercising their option or conversion privileges or after having fulfilled their warrant or conversion obligations; or
- IV. for fractional amounts arising from subscription ratios.

The Management Board has also been authorised, with the Supervisory Board's consent, to determine the further content of share rights and the other details of the capital increase and its implementation, and to determine that the new shares in accordance with Sec. 186, Art. 5, AktG, must be assumed by a bank or a company operating pursuant to Sec. 53, Art. 1, Sent. 1 or Sec. 53b, Art. 1, Sent. 1 or Art. 7, German Banking Act (KWG), with the obligation of offering them for subscription by shareholders.

The Supervisory Board was authorised to amend the Articles of Association to reflect the respective scope of the share capital increase through the Authorised Capital 2018.

## Transfer and Voting Right Restrictions

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The shares of ACCENTRO Real Estate AG are not subject to any voting right restrictions in accordance with statutory provisions or the Articles of Association as of the balance sheet date. All shares issued as of 31 December 2018 carry full voting rights and each grant the holder one vote at the Annual General Meeting.

## Share Buyback for Issuance of Employee Shares

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With its notice of 20 November 2018 pursuant to Sec. 5, Art. 1, Letter a), Market Abuse Regulation (MAR), i.c.w. Sec. 2, Art. 1, Commission Delegated Regulation, the Company announced the start of a stock buyback program for the purpose of issuing free employee shares.

As part of this buyback program, the Company acquired 9,700 no-par value shares in the period from 26 November 2018 through 17 January 2019. The buy-backs were carried out via XETRA trading on the Frankfurt Stock Exchange under the management of a bank. The average purchase price was EUR 9.5862 per no-par-value share. Overall, the total consideration spent on shares amounted to EUR 92,986.14 (before transaction costs).

## Impacts of Potential Takeover Bids

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The Company is subject to the following significant agreements that include provisions governing a change of control as could be brought about, for instance, by a takeover bid:

### Financing Agreements

The ACCENTRO Group signed financing agreements that include change-of-control provisions, which could come into play in the event of a successful takeover bid. These provisions stipulate that the borrower is obliged to notify the lender whenever a change of control has transpired. The lender may cite the change of control as good cause for terminating the credit relationship. By the reporting date, loans in an aggregate volume of EUR 86,961,000 were subject to change-of-control provisions. On occasion of the change of control that occurred on 30 November 2017, ACCENTRO Real Estate AG notified the relevant lenders about the fact. None of the lenders have exercised their break option.

### Convertible Bond

In addition to financing agreements, the corporate bond 2018/2021 with an outstanding nominal value of EUR 100 million as at balance sheet date that was issued by ACCENTRO AG contains a change-of-control provision. Bondholders wishing to intervene have the option to demand early repayment of the bond at the price of 101% plus interest accrued on the principal amount.

ACCENTRO AG has not concluded any agreement that provides for the compensation of members of the Management Board or employees in the event of a takeover bid.

## ■ 7 Corporate Governance Statement Pursuant to Sections 289f, 315d, German Commercial Code (HGB)

The Corporate Governance Statement pursuant to Sections 289f, 315d German Commercial Code (HGB) is published annually on the Company's homepage, and may be accessed via this hyperlink:

[www.accentro.ag/en/investor-relations/corporate-governance/declaration-in-accordance-with-289f-hgb](http://www.accentro.ag/en/investor-relations/corporate-governance/declaration-in-accordance-with-289f-hgb)

## ■ 8 Remuneration Report

The service contract with CEO Jacopo Mingazzini effective during the 2018 financial year was signed for a three-year term. The contract was adjusted in March 2018.

The contract of Jacopo Mingazzini does not provide for an ordinary termination during the contract term. In the event of a change of control, however, the contract stipulates a break option.

The remuneration paid to the CEO consists of a fixed annual basic remuneration and a variable bonus to be jointly defined by Management Board and Supervisory Board.

In addition, the CEO is granted a health insurance allowance, while an accident and disability insurance has also been taken out for him. The CEO moreover has the use of a company car, and ACCENTRO AG has taken out D&O and accident insurance policies on his behalf.

The following remuneration component as part of a long-term incentive plan was agreed between the main shareholder and the Management Board: On 3 July 2018, EMMALU GmbH announced its off-market acquisition of 272,851 shares in ACCENTRO AG. The company EMMALU GmbH is closely linked to ACCENTRO's CEO, Jacopo Mingazzini. The shares originated in the portfolio of ACCENTRO's main shareholder. Accordingly, this implies a transaction between the main shareholder and the CEO of ACCENTRO AG which is to be measured in accordance with IFRS 2 like a stock option at its fair value at the time it is granted and recognised as remuneration expense in the consolidated financial statements of ACCENTRO AG throughout the lifetime of the option. The expense from this stock option compensation amounts to c. TEUR 1,200 over a term of 3 years, out of which total TEUR 135 had to be deferred in the 2018 financial year.

The CEO has been granted neither pension commitments nor other retirement benefits. No arrangements for benefits upon early termination have been agreed with the CEO, except for a provision entitling the Company to release the CEO out of his duties during the statutory notice period and in the event of dismissal, subject to the continued payment of salary, and except for the CEO's right to demand immediate disbursement of the remuneration for the residual term in this case. The CEO's employment contract also prescribes a subsequent restraint on competition.

In addition to the reimbursement of their expenses, the members of the Supervisory Board receive a fixed annual remuneration for each full financial year they have served on the Supervisory Board.



For a detailed account of the total remuneration of the Management Board and Supervisory Board members and the individual compensation paid to the Management Board members, see the notes to the consolidated financial statements and the Corporate Governance Report.

## ■ 9 Closing Statement of the Management Board on the Dependency Report

The report on relations with affiliated companies pursuant to Sec. 312, AktG, includes the following closing statement by the Management Board:

“ACCENTRO Real Estate AG received appropriate consideration for the legal transactions listed in the report on relations with affiliated companies. ACCENTRO Real Estate AG has not been disadvantaged by measures taken or omitted at the instigation of, or in the interest of, the controlling company or any company affiliated with it.

This assessment is based on the circumstances known to us at the time of the reportable events.”

Berlin, 14 March 2019

Jacopo Mingazzini  
Management Board

## Statement of Financial Position as of 31 December 2018

### Assets

	31 December 2018	31 December 2017
	EUR	EUR
<b>A. Fixed assets</b>		
I. Intangible assets		
Software	94,137.24	17,138.24
II. Property, plant and equipment		
Furniture, fixtures and equipment	187,486.50	101,220.00
III. Financial investments		
1. Investments in affiliates	27,195,398.38	18,977,689.34
2. Equity investments	4,400,389.37	99,181.14
3. Securities held as fixed assets	326,000.00	26,000.00
4. Advance payments made on interests in affiliates	1,202,507.58	16,741,496.20
5. Lendings to companies in whom the Group holds an equity interest	10,158,736.62	0.00
6. Other lendings	3,459,342.61	0.00
	<b>46,742,374.56</b>	<b>35,844,366.68</b>
	<b>47,023,998.30</b>	<b>35,962,724.92</b>
<b>B. Current assets</b>		
I. Accounts receivable and other assets		
1. Trade receivables	355,055.71	103,175.23
2. Receivables from affiliates	239,901,783.31	127,413,186.26
3. Receivables from companies in which the Group holds an equity interest	4,700,750.89	35,300.00
4. Other assets	13,602,678.35	3,919,913.95
II. Securities	60,959.34	60,959.34
III. Credit with financial institutions	6,132,075.23	1,624,167.54
	<b>264,753,302.83</b>	<b>133,156,702.32</b>
<b>C. Accruals and deferrals</b>	<b>0.00</b>	<b>389,707.73</b>
<b>Total assets</b>	<b>311,777,301.13</b>	<b>169,509,134.97</b>

## Statement of Financial Position as of 31 December 2018

### Liabilities

	31 December 2018	31 December 2017
	EUR	EUR
<b>A. Shareholders' equity</b>		
I. Subscribed capital	32,437,934.00	24,924,903.00
./. Par value of treasury shares	-6,887.00	0.00
Capital issued – Contingent capital: 4,894,395.00 EUR (prior year: 12,087,426.00 EUR)	32,431,047.00	24,924,903.00
II. Capital reserves	29,571,264.07	4,236,812.78
III. Net retained profits	96,797,758.76	86,515,224.10
	<b>158,800,069.83</b>	<b>115,676,939.88</b>
<b>B. Provisions</b>		
1. Tax provisions	8,449,325.59	10,270,672.20
2. Other provisions	2,020,494.21	3,698,236.03
	<b>10,469,819.80</b>	<b>13,968,908.23</b>
<b>C. Liabilities</b>		
1. Bonds	100,000,000.00	12,875,816.40
2. Liabilities to banks	8,069.12	3,449.17
3. Trade payables	1,877,160.60	826,916.54
4. Liabilities to affiliated companies	38,977,823.71	26,151,737.09
5. Other liabilities	1,644,358.07	5,367.66
	<b>142,507,411.50</b>	<b>39,863,286.86</b>
<b>Total liabilities</b>	<b>311,777,301.13</b>	<b>169,509,134.97</b>



## Income Statement for the period 1 January through 31 December 2018

	1 Jan. 2018– 31 Dec. 2018	1 Jan. 2017– 31 Dec. 2017
	EUR	EUR
1. Other operating income	9,263,914.58	12,936,383.15
	<b>9,263,914.58</b>	<b>12,936,383.15</b>
2. Cost of materials		
a) Cost of raw materials, consumables and supplies and purchased merchandise	25,914.30	12,495.00
b) Cost of purchased services	618,921.68	104,216.69
	<b>644,835.98</b>	<b>116,711.69</b>
3. Total payroll and benefit costs		
a) Wages and salaries	2,704,995.83	1,897,433.39
b) Social security contributions and expenditures for pension plans (thereof toward employee retirement: 1,264.92 EUR; prior year: 240.00 EUR)	289,847.73	190,543.13
	<b>2,994,843.56</b>	<b>2,087,976.52</b>
4. Write-downs of intangible assets of the non-current assets and property, plant and equipment	94,601.39	47,366.58
5. Other operating expenses	5,636,505.41	2,970,187.23
6. Income from equity investments	35,300.04	35,300.00
7. Earnings from profit-shifting contracts	18,599,566.58	15,907,331.50
8. Interest income from securities	650.00	0.00
9. Other interest income and similar earnings: (thereof from affiliate: 4,943,110.05 EUR; prior year: 2,688,019.68 EUR)	5,314,983.55	3,141,227.20
10. Write-downs of financial assets	4,999.20	4,600,095.90
11. Interest and similar expenses: (thereof to affiliates: 271,270.94 EUR; Vorjahr: 460,898.50 EUR) (thereof from discounting: 168.00 EUR; prior year: 142.00 EUR)	4,574,614.49	2,150,914.51
12. Taxes on income and profit	3,825,095.28	3,335,588.03
<b>13. Earnings after taxes</b>	<b>15,438,919.44</b>	<b>16,711,401.39</b>
14. Other taxes	2,336.00	1,606.00
<b>15. Net income</b>	<b>15,436,583.44</b>	<b>16,709,795.39</b>
16. Profit carried forward from previous year	86,515,224.10	73,536,122.96
17. Dividend	-5,154,048.78	-3,730,694.25
<b>18. Net retained profits</b>	<b>96,797,758.76</b>	<b>86,515,224.10</b>





ACCENTRO Real Estate AG  
Berlin

NOTES

for the Financial Year

1 January through 31 December 2018

## ■ 1 General Details

ACCENTRO Real Estate AG is a company with registered office in Berlin, Germany, and listed in the commercial register of the District Court of Charlottenburg under HRB 103691 B.

The annual financial statements of ACCENTRO Real Estate AG were compiled in accordance with the provisions of the German Commercial Code (HGB). Compliance with these regulations was supplemented by the requirement to comply with the provisions of the German Stock Corporation Act (AktG).

For the compilation of the income statement, the nature of expense method was chosen.

Pursuant to Sec. 267, Art. 3, Sent. 2 i. c. w. Sec. 264d, HGB, (listed company), the Company is considered a large stock corporation.

The order used by annexes 1 and 2 to the notes follows the item structure of the statutory classification scheme.

## ■ 2 Disclosures on Recognition and Measurement

### 2.1 Recognition and Measurement Policies

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**Intangible assets** acquired for consideration were measured at acquisition cost and, if subject to wear and tear, written down via scheduled straight-line depreciation.

**Property, plant and equipment** are stated at acquisition or manufacturing costs and, to the extent that they are depreciable, written down via scheduled depreciation over an ordinary useful life of 3 to 13 years in the case of furniture, fixtures and equipment.

The Company uses the straight-line method to calculate the scheduled depreciation based on the ordinary useful lives. Write-downs are generally determined on the basis of the tax depreciation tables and calculated pro rata temporis.

If the acquisition or manufacturing costs exceed EUR 250.00 without exceeding EUR 800.00, the assets are capitalised in annual compound items that collectively are of minor significance and written down via scheduled amortisation over a five-year period. Once such assets are fully depreciated, they are recognised as disposals in the statement of changes in fixed assets. The compound tax item method is also applied in the commercial balance sheet to simplify matters.

The **financial investments** were recognised and measured as follows:

**Interests in affiliates and equity investments** are recognised at their historic costs. No depreciations to the lower fair values were necessary as of the balance sheet date. Impairment losses are reversed as soon as the reasons for the impairment loss cease to apply, up to the maximum amount of the original acquisition costs.

Under **advance payments made on interests in affiliates**, the balance sheet lists payments advanced toward the majority interest in a corporation whose transfer in rem had not yet been completed by the balance sheet date.

**Accounts receivable and other assets** are recognised at their face value. Known risks are taken into account through one-off allowances.

**Bank credit** is recognised at face value.

**Accruals and deferrals** were formed for expenditures or earnings that precede the balance sheet date but are economically attributable to the period after the balance sheet date. Accruals and deferrals are recognised at their face value. The accruals and deferrals were dissolved in instalments over their respective terms.

**Tax reserves** essentially concern the taxes to be paid in the ongoing year and in the previous year. Their presentation depends on the anticipated use.

**Other provisions** take all identifiable balance-sheet risks that must be reported and uncertain liabilities into account. They are set aside in the amount of their settlement value that is required according to a prudent commercial assessment. Future increases in prices and costs should also be taken into account. Provisions with a remaining term of more than one year are discounted at the average market interest rate as quoted by the Deutsche Bundesbank for the past seven financial years, depending on their remaining term.

**Liabilities** are recognised at their settlement value.

## 2.2 Statement of Gross Changes in Fixed Assets

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The performance of the fixed assets aggregated in the statement of financial position are presented in annex 1 to the notes.

## 2.3 Depreciation and Impairment Losses for the Financial Year

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The depreciation of fixed assets for the financial year is shown in the statement of changes in fixed assets (annex 1 to the notes).

No unscheduled impairments took place during the 2018 financial year.

## 2.4 Intercompany Receivables and Liabilities/ Receivables and Lendings to Companies in which the Company Holds an Equity Interest

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Receivables due from affiliated companies relate essentially to payments made by ACCENTRO Real Estate AG for trade payables of subsidiaries and loans to finance the purchase prices of real estate acquired for privatisation purposes.

The loan to companies in which the Group holds an equity interest concerns the company Accentro Gehrensee GmbH. The loan is expected to reach maturity in 2026, although it should be added that its repayment is subordinated to other loans and therefore not due for repayment by any fixed date.

The other lending concerns a subordinated loan to a company in which ACCENTRO AG holds an equity interest of 5.1%.

Receivables from affiliates with remaining terms of more than one year add up to EUR 165,263,634.04 (prior year: EUR 70,806,665.20).

Receivables from companies in which equity interests are held include loan receivables from companies in which ACCENTRO holds equity interests of 5.1%. The loans have terms of more than one year and less than five years.

Liabilities to affiliates represent primarily cash the Company received for the subsidiaries within the cash pooling framework.

## **2.5 Other Assets/Other Lendings**

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During the year under review, a loan over the amount of EUR 10 million was granted to a collaboration partner toward the acquisition of properties earmarked for future apartment retailing by a subsidiary of ACCENTRO AG. The loan has a term of three years and bears 7.5% in interest; it is posted with the other assets. As of the balance sheet date, the loan amounted to EUR 10,139,583.33, interest included. The loan is secured by a pledge of shares and an unrestricted advance assignment of claims arising from shareholder loans and must be repaid by October 2021 at the latest.

Overall, the other assets include receivables from loans in the amount of EUR 10,165,312.49 (previous year: EUR 206,895.49). Receivables with remaining terms of more than one year add up to EUR 10,042,030.00 (prior year: EUR 25,000.00). Moreover, there are receivables in the amount of EUR 2,397,647.34 from the sale of one subsidiary and the sale of an associated shareholder loan in the same context. The amount was repaid in January 2019.

## **2.6 Prepayments and Accrued Income**

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The prepaid expenses item reported the previous year for the deferred discount on the convertible bond issued on 5 March 2014 was reversed after the conversions were exercised and the bond repaid during the financial year.

## **2.7 Changes in Capital Reserves**

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During the 2018 financial year, EUR 18,020,000.00 were transferred into the capital reserves within the framework of the cash capital increase while another EUR 7,374,548.71 were transferred there after conversion rights had been exercised.

The repurchase of company shares reduced the capital reserves by EUR 60,097.42.

## 2.8 Disclosures and Notes on Provisions

The item "Other provisions" includes the following types of provisions:

	EUR
Provisions for outstanding invoices	953,414.24
Provisions for financial statements and audit	417,204.00
Provisions for payroll costs	463,923.80
thereof for bonuses and emoluments:	390,000.00
Other provisions	185,952.17

The provisions for warranties and the provisions for other obligations that had been reported for the previous year were released to income during the 2018 financial year.

## 2.9 Bonds

On 5 March 2014, the Company issued 6,000,000 convertible bonds with a par value of EUR 2.50 each (2014/2019 convertible bond). The original par value of the bearer bonds was TEUR 15,000. The convertible bond drew an interest of 6.25% and would originally have matured on 27 March 2019. In January and February 2018, following the conversion of the bulk of the convertible bond, ACCENTRO AG announced the early termination of the 2014/2019 convertible bond, which was recognised among the bonds during the previous financial year, in accordance with the bond terms because of the insignificance of the nominal amount still outstanding. The outstanding partial amount of TEUR 107 was repaid in full on 27 March 2018, net of the accrued interest.

On 23 January 2018, ACCENTRO Real Estate AG successfully concluded placement of the three-year 2018/2021 corporate bond. The aggregate par value that was placed totals EUR 100 million. The corporate bond has an annual interest rate of 3.75%. The interest is paid semi-annually. The net issue proceeds will primarily be used to finance the acquisition of new real estate assets.

The bonds recognised in the balance sheet are not convertible as of 31 December 2018 (convertible the previous year: EUR 12,875,816.40).

## 2.10 Contingent Liabilities from Off-Balance Sheet Liabilities pursuant to Sec. 251, HGB

In addition to the liabilities posted in the balance sheet, the following contingent liabilities should be noted:

Contingent liabilities pursuant to Sec. 251, HGB	
	EUR
from guarantees in favour of affiliates	27,271,250.00
prior year	26,738,000.00
from letters of comfort in favour of affiliates	63,450,000.00
prior year	74,996,704.00

The guarantees in favour of affiliates in the amount of EUR 27,271,250.00 are matched by loan proceeds in the amount of EUR 40,939,283.00 from subsidiaries. Considering these loan proceeds and the economic situation of the respective subsidiary, ACCENTRO Real Estate AG does not expect the guarantees to be used.

ACCENTRO Real Estate AG has moreover issued unrestricted letters of comfort to two commercial banks for loans granted to subsidiaries. In addition, an unrestricted comfort letter was issued to a bank for two loans granted to subsidiaries. In each case, it is unlikely to be used because the companies concerned have so far fully met their obligations, and because the loans are also secured by mortgages.

For one subsidiary, ACCENTRO Real Estate AG issued a letter of comfort each over the amount of EUR 10.3 million to the seller of several properties acquired by said subsidiary in order to secure the purchase price.

Within the framework of a marketing agreement, ACCENTRO Real Estate AG issued a letter of comfort on behalf of a subsidiary over a maximum amount of EUR 17.4 million for the purpose of securing the liabilities associable with the purchase guarantee.

On top of that, the partnership interests that ACCENTRO Real Estate AG holds in two of its subsidiaries were pledged to Deutsche Pfandbriefbank within the framework of a financing arrangement.

Moreover, ACCENTRO Real Estate AG vouches under Sec. 264, Art. 3, No. 3, HGB, for liabilities that 16 of its companies entered into.

The liability of ACCENTRO Real Estate AG towards a buyer of a Group company for the risk arising from a lawsuit has lapsed because the disputes were settled. The Company incurred no costs in this context.

### 2.11 Off-Balance-Sheet Transactions pursuant to Sec. 285, No. 3, HGB

In addition to the liabilities posted in the balance sheet, the following off-balance sheet transactions in the form of leasing agreements were concluded to avoid immediate outflows of liquidity:

	thereof up to 1 year	> 1 year
	EUR	EUR
Leasing agreements	72,183.18	80,600.86
Prior year	54,985.94	72,763.81



## 2.12 Other Off-Balance Sheet Financial Obligations

In addition to the liabilities recognised in the balance sheet, there are other financial obligations amounting to EUR 491,156.03.

Specifically, the liabilities break down into the following items:

	thereof up to 1 year	> 1-6 years
	EUR	EUR
Lease Agreements	209,023.20	97,303.68
Prior year	207,397.74	157,800.96
Advisory agreements	184,829.15	0.00
Prior year	178,901.16	178,901.06
<b>Total</b>	<b>393,852.35</b>	<b>97,303.68</b>
Prior year	386,298.90	336,702.12

## 2.13 Other Operating Income

The other operating income primarily concerns income from the disposal of financial investments (EUR 7,267,713.30) and from the reversal of provisions (EUR 1,810,195.76).

## 2.14 Prior-Period Income and Expenses

Other operating income includes prior-period income in the amount of EUR 1,887,372.93. This income is essentially attributable to the reversal of provisions and to the derecognition of liabilities.

Other operating income includes prior-period income in the amount of EUR 216,199.55. These expenses were mainly caused by the derecognition of irrecoverable receivables.

## 2.15 Earnings from Profit-Shifting Contracts

Income from the following companies with whom profit and loss transfer agreements were concluded in previous years, breaks down as follows:

	EUR
ACCENTRO Wohneigentum GmbH	15,236,599.96
ESTAVIS Wohneigentum GmbH	437,365.54
ACCENTRO GmbH	2,925,601.08

The companies are exempt from the requirement to disclose their annual financial statements for the 2018 financial year.

## 2.16 Taxes on Income and Profit

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The expenses for income taxes include the taxes directly payable on income and profits.

As temporary differences do not exist, no deferred taxes are recognised.

## 2.17 Proposal for the Appropriation of Net Income

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The year's net income amounts to EUR 15,436,583.44 and is expected to be allocated to the net retained profits in the same amount. A portion of the net retained profits of EUR 96,797,758.76 is to be distributed as a dividend of EUR 0.16 per share.

The net retained profits remaining after that are to be carried forward to new account.

# ■ 3 Other Required Disclosures

## 3.1 Members of the Management Board and the Supervisory Board

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During the financial year concluded, the **Management Board** was staffed by:

### **Jacopo Mingazzini**

- Practised profession: Real estate economist

The following persons sat on the **Supervisory Board**:

### **Axel Harloff** (Chairman)

- Practised profession: Merchant
- Other positions in comparable domestic and foreign supervisory bodies
  - Chairman of the supervisory board of CONSUS Real Estate AG, Berlin
  - Member of the management board of ERWE Immobilien AG (formerly Deutsche Technologie Beteiligungen AG), Frankfurt am Main

### **Dr. Dirk Hoffmann** (Deputy Chairman)

- Practised profession: Lawyer
- Other positions in comparable domestic and foreign supervisory bodies
  - Chairman of the supervisory board ADLER Real Estate AG, Berlin
  - Chairman of the supervisory board of SQUADRA Immobilien GmbH & Co. KGaA, Frankfurt am Main
  - Chairman of the supervisory board of WESTGRUND AG, Berlin

### **Natig Ganiyev, London**

- Practised profession: Managing Director of Vestigo Capital Advisors LLP, London
- Other positions in comparable domestic and foreign supervisory bodies
  - Director of Brookline Capital GP Limited, Guernsey
  - Board Member of Malta Montenegro Wind Power JV Ltd, Ta' Xbiex, Malta

### 3.2 Remunerations of Management Board and Supervisory Board Members

The remuneration paid to the one member of the Management Board amounted to EUR 619,850.32 in the year under review and breaks down into a fixed remuneration of EUR 339,850.32 (fixed salary of EUR 315,000.00, ancillary wage costs of EUR 10,383.84 and non-cash remuneration of EUR 14,466.48), a special bonus for 2017 (EUR 100,000.00) and the 2017 bonus in the amount of EUR 180,000.00 that became due for payment.

The remuneration paid to members of the Management Board in the year under review is shown below in comparison to the remuneration recognised under expenses:

	Expenses	Disbursement
	EUR	EUR
Fixed salary	315,000.00	315,000.00
Ancillary wage costs	10,383.84	10,383.84
2018 bonus	240,000.00	0.00
2017 bonus	100,000.00	280,000.00
Remuneration in kind	14,466.48	14,466.48
<b>Total</b>	<b>679,850.32</b>	<b>619,850.32</b>

The total remuneration paid to the Supervisory Board during the 2018 financial year added up to EUR 163,243.49. For detailed information, see item 8 "Remuneration Report" in the Company's management report.

### 3.3 Advances and Loans Granted to Members of the Management Board and the Supervisory Board

Neither loans nor advances were granted to any member of the Management Board and the Supervisory Board during the reporting period.

### 3.4 Disclosures on the Equity Interest in other Companies where the Equity Interest Serves the Purpose of Establishing a Permanent Relationship

Pursuant to Sec. 285, Art. 1, Sent. 1, No. 11, HGB, the reporting covers the companies listed below:

Serial no.	Company name and registered office	over	indirect	direct	Shareholders' equity	Profit/loss for the year
			%	%	EUR	EUR
1	ACCENTRO GmbH, Berlin			100.0	210,309.62	0.00
2	ACCENTRO Verwaltungs GmbH, Berlin			100.0	28,349.29	1,540.17
3	ACCENTRO Wohneigentum GmbH, Berlin			100.0	519,504.10	0.00
4	ACCENTRO 2. Wohneigentum GmbH, Berlin			100.0	8,608,472.00	2,913,854.82
5	ACCENTRO 5. Wohneigentum GmbH, Berlin			100.0	-1,420,803.40	0.00
6	ACCENTRO 6. Wohneigentum GmbH, Berlin			100.0	-204,159.81	0.00
7	Accentro Sachsen GmbH (formerly ACCENTRO 8. Wohneigentum GmbH, Berlin)			100.0	408,056.47	775,278.66
8	ACCENTRO 11. Wohneigentum GmbH, Berlin			100.0	12,245.47	0.00
9	Riehmers Hofgarten Grundbesitz GmbH, Berlin (formerly ACCENTRO 13. Wohneigentum GmbH)			100.0	12,245.47	0.00
10	Quartier Hasenheide GmbH, Berlin			100.0	23,739.55	0.00
11	Riehmers Dachgeschoss Grundbesitz GmbH, Berlin			100.0	25,000.00	0.00
12	Johanniterstr. 3-6 Liegenschaften GmbH, Berlin			80.0	3,804,456.47	261,627.78
13	Kantstraße 44, 45 Verwaltungsgesellschaft mbH, Berlin			100.0	25,000.00	0.00
14	Kantstraße 130b/Leibnitzstraße 36, 36a GbR, Berlin	15	38.4		189,758.91	-67,003.21
15	Kantstraße 130b/Leibnitzstraße 36, 36a Immobilien Gesellschaft mbH, Berlin	20	40.8		-145,232.82	-638.44
16	Koppenstraße Wohneigentum GmbH, Berlin	3	100.0		211,349.21	315,137.69
17	MBG 2. Sachsen Wohnen GmbH, Berlin			100.0	-391,504.14	0.00
18	ESTAVIS 43. Wohnen GmbH & Co. KG, Berlin			100.0	1,853,000.17	15,040.48
19	ESTAVIS Beteiligungs GmbH & Co. KG, Berlin			94.0	5,431,739.22	-12,010.02
20	ESTAVIS Wohneigentum GmbH, Berlin			94.0	2,929,301.10	0.00
21	Phoenix F1 Neubrandenburgstrasse GmbH, Erlangen			100.0	10,567,000.72	324,465.54
22	Uhlandstraße 79 Immobilien GmbH, Berlin			50.0+1	170,533.96	67,420.43
23	ACCENTRO 16. Wohneigentum GmbH, Berlin			100.0	25,000.00	0.00
24	ACCENTRO 17. Wohneigentum GmbH, Berlin			100.0	23,532.48	-1,467.52
25	ACCENTRO 18. Wohneigentum GmbH, Berlin			100.0	23,331.28	-1,668.72
26	ACCENTRO 19. Wohneigentum GmbH, Berlin			100.0	23,331.28	-1,668.72
27	ACCENTRO 2. Sachsen GmbH, Berlin			49.9	-8,202.99	-33,202.99
28	ACCENTRO Rhein-Ruhr GmbH, Oberhausen			75.0	24,745.35	-254.65
29	GeSoNa Verwaltungs GmbH & Co. Hermannstraße KG, Berlin	8	69.8		776,147.70*	138,040.21*

Serial no.	Company name and registered office	over	indirect	direct	Shareholders' equity	Profit/loss for the year
			%	%	EUR	EUR
30	GeSoNa Verwaltungs GmbH, Berlin	8	64.21		16,850.11	10,858.59
31	Havelländer Rosenensemble GmbH, Berlin			44.0	232,878	222,105
32	Gutshof Dahlewitz 1 GmbH, Berlin			44.0	n/a	n/a
33	Gutshof Dahlewitz 2 GmbH, Berlin			44.0	n/a	n/a
34	Belle Époque Quartier Gehrensee GmbH, Schönefeld (formerly Accentro Gehrensee GmbH, Berlin)			25.0	n/a	n/a

\* HGB figures from 2017

All other companies are owned outright by ACCENTRO AG.

In January 2018, 75% of the company shares in the subgroup Accentro Gehrensee GmbH that were reported the previous year, were sold to a Berlin-based property developer. The company was renamed Belle Époque Quartier Gehrensee GmbH. The project is now continued as a joint venture.

The minority stake in the company Phoenix F1 Neubrandenburgstrasse 1 GmbH was bought back during the 2018 financial year.

### 3.5 Disclosures on the Existence of an Equity Interest in the Company of which the Company was Notified pursuant to Sec. 21, Art. 1, 1a, WpHG

According to the the voting rights notification from 30 November 2017, Brookline Real Estate S.à r.l. held more than 75% of the ACCENTRO Real Estate AG stock. No control agreement was signed between Brookline Real Estate S.à r.l. and ACCENTRO Real Estate AG.

### 3.6 Group Affiliation

ACCENTRO Real Estate AG is the parent Company of the companies listed in Item 3.4, above. The consolidated financial statements of the Group of companies was compiled in accordance with IFRS as of 31 December 2017. The consolidated financial statements are published in the Federal Gazette.

### 3.7 Average Number of Staff Employed during the Financial Year

The employee categories listed below were employed by the Company as of 31 December 2018:

Employee categories	Number
Employees	30
thereof:	
full-time employees	27
part-time employees	3

The total number of staff employed during the financial year is 25 on average.

### 3.8. Other Disclosure Requirements pursuant to the Stock Corporation Act

#### 3.8.1 Disclosures on the Class of Shares

As of 31 December 2018, the share capital amounted to EUR 32,437,934.00, up from EUR 24,924,903.00 as of the prior year balance sheet date.

The share capital breaks down as follows:

32,437,934 units in common shares at a face value of EUR 1.00 each. The shares are bearer shares. The share capital changed as follows:

	EUR
As of 31 December 2017	24,924,903.00
Capital increase through exercise of conversion rights	5,393,031.00
Cash capital increase from authorised capital	2,120,000.00
As of 31 December 2018	32,437,934.00
thereof nominal amount of own shares	6,887.00

In the financial year 2018, 6,887 shares were acquired.

#### 3.8.2 Disclosures on the Authorised and Contingent Capital

As of 31 December 2018, the issued capital (share capital) of ACCENTRO Real Estate AG amounted to EUR 32,437,934.00. It was composed of 32,437,934 no-par value bearer shares. There are no different stock classes. At the start of the 2018 financial year, the share capital amounted to EUR 24,924,903.00 and increased by EUR 5,393,031.00 during the reporting period when the conversion rights from a convertible bond issued by ACCENTRO Real Estate AG were exercised and grew by another EUR 2,120,000.00 after the cash capital increase.

ACCENTRO AG has the following authorised and contingent capital at its disposal:

	Amount	No-par value shares	Purpose
	TEUR	in thousands	
Contingent Capital 2014	–	–	Expired on 26 February 2018
Contingent Capital 2017	1,800	1,800	Servicing the stock option plan (currently inactive)
Authorisation to issue bonds*	200,000	25,000	Issuance of convertible bonds and/or bonds with warrants/ participation rights
Authorised Capital 2018*	15,159	15,159	Capital increase against cash and non-cash contributions (until 14 May 2023)

\* Subject to approval by the Supervisory Board

Other than that, we refer you to the Group Management Report for mandatory disclosures pursuant to Sec. 315a, Art. 1, German Commercial Code (HGB).

### 3.8.3 Declaration on the Corporate Governance Code

The Declaration was issued pursuant to Sec. 285, Art. 1, No. 16, HGB, i. c. w. Sec. 161, AktG, in March 2019, and was made permanently accessible to the shareholders on the homepage of ACCENTRO Real Estate AG ([www.accentro.ag](http://www.accentro.ag)).

### 3.9 Supplementary Report

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A merger agreement concluded with the company Phoenix F1 Neubrandenburgstrasse GmbH in November 2018 was entered in the commercial register in January 2019 and thereby became effective. ACCENTRO AG expects to derive TEUR 3,812 in profits from the merger.

### 3.10 Auditor's Fee

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For details on the auditor's fee, please see the notes to the consolidated financial statements in accordance with Sec. 285, No. 17, HGB.

## ■ 4 Appendices to the Annex

Annex 1 – Statement of Changes in Non-current Assets

Annex 2 – Schedule of Liabilities

Berlin, 14 March 2019

Management Board of ACCENTRO Real Estate AG



Jacopo Mingazzini  
CEO



## ■ Statement of Changes in Non-current Assets from 1 January to 31 December 2018

	Acquisition or manufacturing costs				31 Dec. 2018
	1 Jan. 2018	Additions	Disposals	Transfer items	
	EUR	EUR	EUR	EUR	EUR
<b>I. Intangible assets</b>					
Concessions acquired for consideration, industrial property rights and similar rights and values, as well as licenses to these rights and values	197,131.57	114,291.37	65,074.89	0.00	246,348.05
<b>II. Property, plant and equipment</b>					
Furniture, fixtures and equipment	416,610.69	144,939.02	21,650.17	0.00	539,899.54
<b>III. Financial investments</b>					
Investments in affiliates	28,079,972.22	1,655,473.07	8,426,402.47	10,388,638.44	31,697,681.26
Equity investments	99,181.14	3,060,180.80	0.00	1,246,026.63	4,405,388.57
Securities held as fixed assets	26,000.00	300,000.00	0.00	0.00	326,000.00
Advance payments made on interests in affiliates	16,741,496.20	1,202,507.58	5,106,831.13	-11,634,665.07	1,202,507.58
Lendings to companies in which the Groups holds an equity interest	0.00	10,158,736.62	0.00	0.00	10,158,736.62
Other lendings	0.00	3,459,342.61	0.00	0.00	3,459,342.61
	<b>44,946,649.56</b>	<b>19,836,240.68</b>	<b>13,533,233.60</b>	<b>0.00</b>	<b>51,249,656.64</b>
	45,560,391.82	20,095,471.07	13,619,958.66	0.00	<b>52,035,904.23</b>

Write-downs				Depreciated book value	
1 Jan. 2018	Additions	Disposals	31 Dec. 2018	31 Dec. 2018	1 Jan. 2018
EUR	EUR	EUR	EUR	EUR	EUR
179,993.33	36,442.37	64,224.89	152,210.81	94,137.24	17,138.24
315,390.69	58,159.02	21,136.67	352,413.04	187,486.50	101,220.00
9,102,282.88	0.00	4,600,000.00	4,502,282.88	27,195,398.38	18,977,689.34
0.00	4,999.20	0.00	4,999.20	4,400,389.37	99,181.14
0.00	0.00	0.00	0.00	326,000.00	26,000.00
0.00	0.00	0.00	0.00	1,202,507.58	16,741,496.20
0.00	0.00	0.00	0.00	10,158,736.62	0.00
0.00	0.00	0.00	0.00	3,459,342.61	0.00
<b>9,102,282.88</b>	<b>4,999.20</b>	<b>4,600,000.00</b>	<b>4,507,282.08</b>	<b>46,742,374.56</b>	<b>35,844,366.68</b>
9,597,666.90	99,600.59	4,685,361.56	5,011,905.93	47,023,998.30	35,962,724.92



■ Schedule of Liabilities as of 31 December 2018

	Total	with a maturity		
		of up to one year	of more than one year and up to five years	of more than five years
	EUR	EUR	EUR	EUR
1. Bonds	100,000,000.00	0.00	100,000,000.00	0.00
prior year	12,875,816.40	548.90	12,875,267.50	0.00
2. Liabilities to banks	8,069.12	8,069.12	0.00	0.00
prior year	3,449.17	3,449.17	0.00	0.00
3. Trade payables	38,977,823.71	25,427,045.54	13,550,778.17	0.00
prior year	26,151,737.09	26,151,737.09	0.00	0.00
4. Liabilities to affiliated companies	1,644,358.07	1,644,358.07	0.00	0.00
prior year	5,367.66	5,367.66	0.00	0.00
5. Other liabilities	5,367.66	5,367.66	0.00	0.00
prior year	184,210.54	184,210.54	0.00	0.00
	<b>142,507,411.50</b>	<b>28,956,633.33</b>	<b>113,550,778.17</b>	<b>0.00</b>
prior year	39,863,286.86	26,988,019.36	12,875,267.50	0.00

## ■ Auditor's Report

[Note: This is a convenience translation of the German original. Solely the original text in German language is authoritative.]

### Report on the Audit of the Annual Financial Statements and of the Management Report

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#### Audit Opinions

We have audited the annual financial statements of **ACCENTRO Real Estate Aktiengesellschaft, Berlin**, (following: the "Company") which comprise the balance sheet as of December 31, 2018, and the statement of profit and loss for the financial year from January 1 to December 31, 2018 and notes to the financial statements, including the presentation of the recognition and measurement policies. In addition, we have audited the Management Report which is combined with the Group Management Report (following: "Management Report") of ACCENTRO Real Estate Aktiengesellschaft, Berlin, for the financial year from January 1 to December 31, 2018. In accordance with the German legal requirements we have not audited the content of the corporate governance statement published in accordance with section 289f HGB, which is referred to Chapter 6 of the Management Report.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law applicable to business corporations and give a true and fair view of the assets, liabilities and financial position of the Company as at December 31, 2018 and of its financial performance for the financial year from January 1 to December 31, 2018 in compliance with German Legally Required Accounting Principles, and
- the accompanying Management Report as a whole provides an appropriate view of the Company's position. In all material respects, this Management Report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the Management Report does not cover the content of the corporate governance statement published on the ACCENTRO Real Estate AG website in accordance with section 289f HGB, which is referred to in Chapter 6 of the Management Report.

Pursuant to § 322 Abs. 3 Satz 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements and of the Management Report.

#### Basis for the Audit Opinions

We conducted our audit of the annual financial statements and of the Management Report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management Report" section of our auditor's report. We are independent of the Company in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of

the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the annual financial statements and on the Management Report.

### **Key Audit Matters in the Audit of the Annual Financial Statements**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual financial statements for the financial year from January 1 to December 31, 2018. These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our audit opinion thereon, we do not provide a separate opinion on these matters.

In the following, we describe what we consider to be the key audit matters:

Valuation of shares in affiliated companies and receivables from affiliated companies

#### **a) The risk to the financial statements**

As of December 31, 2018, ACCENTRO Real Estate Aktiengesellschaft accounted for shares in affiliated companies in the amount of kEUR 27,195 and receivables due from affiliated companies in the amount of kEUR 239,902. Shares in affiliated companies are accounted for at amortized cost and receivables from affiliated companies are measured by the lower of nominal or fair value.

The company's disclosures on the valuation and measurement of shares in and receivables due from affiliated companies are in the chapters "2.1. Accounting policies", "2.2. statement of changes in fixed assets" and "2.3. Intragroup receivables and liabilities" in the Notes and in the section "Reporting on the individual financial statements of ACCENTRO Real Estate AG" of the Management Report.

To account for shares in and corresponding receivables due from affiliated companies, ACCENTRO Real Estate Aktiengesellschaft first analyses whether the respective book value of the equity of the subsidiary covers the book value of the individual shares in and the receivables due from the subsidiary. If this is not the case, an analysis is carried out to determine whether there is an impairment risk using the company's planning. In view of the positive business development of the operating subsidiaries, a discounted cashflow method based valuation according to IDW RS HFA 10 was not performed. Non-operating subsidiaries are tested for impairment on the basis of a net asset value calculation.

The risk for the annual financial statements lies in an inappropriate valuation of shares in and receivables due from affiliated companies, in particular in an overvaluation. In our opinion, the risk of material misstatements in the context of our audit is of particular significance due to the necessary individual assessment of the recoverability as well as the high carrying amounts of individual shares or receivables in the group.

#### **b) Auditor's response and conclusions**

The examination of the impairment test for shares in affiliated companies and receivables due from affiliated companies is mainly performed on a case-by-case basis. To assess the recoverability of the exposure resulting from operating subsidiaries, we use the sales planning prepared by the Management Board and analyze, whether the expected positive contribution margins from the sale of inventory properties plus the reported equity are sufficient to repay the exposure. For non-operating subsidiaries, we assess the appropriateness of the valuation based on a net asset value calculation prepared by management.

On the basis of the documents submitted to us and analyses performed by us, we have no findings that would speak against the valuation and measurement performed by the Company. The valuations performed are in line with our expectations.

### **Other Information**

Management is responsible for the other information. The other information comprises:

- the corporate governance statement published on the website of ACCENTRO Real Estate AG, Berlin, which is referred to in Chapter 6 of the Management Report
- the Corporate Governance Report in accordance with No. 3.10 of the German Corporate Governance Code

Our audit opinions on the financial statements and on the Management Report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the financial statements, with the Management Report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **Responsibilities of Management and the Supervisory Board for the Annual Financial Statements and the Management Report**

Management is responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law applicable to business corporations, and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles. In addition, the management is responsible for such internal control as they, in accordance with German Legally Required Accounting Principles, have determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, the executive directors are responsible for assessing the Company's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

Furthermore, management is responsible for the preparation of the Management Report that, as a whole, provides an appropriate view of the Company's position and is, in all material respects, consistent with the annual financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the management is responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a Management Report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the Management Report.



The supervisory board is responsible for overseeing the Company's financial reporting process for the preparation of the annual financial statements and of the Management Report.

### **Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management Report**

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the Management Report as a whole provides an appropriate view of the Company's position and, in all material respects, is consistent with the annual financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our [audit] opinions on the annual financial statements and on the Management Report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements and this Management Report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual financial statements and of the Management Report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit of the annual financial statements and of arrangements and measures (systems) relevant to the audit of the Management Report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems of the Company.
- Evaluate the appropriateness of accounting policies used by management and the reasonableness of estimates made by management and related disclosures.
- Conclude on the appropriateness of the managements use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the annual financial statements and in the Management Report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to be able to continue as a going concern.

## ■ Auditor's Report

- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles.
- Evaluate the consistency of the Management Report with the annual financial statements, its conformity with German law, and the view of the Company's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the Management Report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used management as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the annual financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

### Other Legal and Regulatory Requirements

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#### **Further Information pursuant to Article 10 of the EU Audit Regulation**

We were elected as auditor by the annual general meeting on May 15, 2018. We were engaged by the supervisory board on January 28, 2019. We have been the auditor of the ACCENTRO Real Estate Aktiengesellschaft, Berlin, without interruption since the short fiscal year 2014.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

## German Public Auditor Responsible for the Engagement

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The German Public Auditor responsible for the engagement is Florian Riedl.

Hamburg, March 14, 2019

Ebner Stolz GmbH & Co. KG

Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft

Dirk Schützenmeister  
Wirtschaftsprüfer  
(German Public Auditor)

Florian Riedl  
Wirtschaftsprüfer  
(German Public Auditor)

## ■ Credits

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### Management Board

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Jacopo Mingazzini

### Chairman of the Supervisory Board

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Axel Harloff, Hamburg

### Contact

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### Concept, Editing, Layout

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www.goldmund-kommunikation.de

### Photo

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Cover: ACCENTRO AG



**ACCENTRO**

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