ACCENTRO

REAL ESTATE AG

ANNUAL REPORT 2019

ACCENTRO
Real Estate AG

ANNUAL REPORT for the financial year
1 January to 31 December **2019**

Cover: visualisation of condominiums
Berlin-Mitte, Torstr.

ANNUAL REPORT FOR THE FINANCIAL YEAR 1 JANUARY TO 31 DECEMBER 2019

This annual report includes the consolidated financial statements of ACCENTRO Real Estate AG and the combined management report and Group management report for the 2019 financial year.

This translation of the original German version has been prepared for the convenience of our English-speaking shareholders.
The German version is authoritative.

The above-mentioned versions of the annual report are available as download at www.accentro.ag or may be requested free of charge by writing to:
ACCENTRO Real Estate AG, Kantstr. 44/45, 10625 Berlin, Germany

Overview Key Financial Data

ACCENTRO Real Estate AG	2019	2018
Income statement	**TEUR**	**TEUR**
Group sales	143,274	205,609
Group sales (2018: consolidated revenues for Continuing Operation without Gehrensee revenues)	143,274	163,189
Gross profit/loss (interim result)	41,174	43,162
EBIT	39,804	32,864
EBT	32,488	23,975
Consolidated income	26,299	18,301
Interest coverage ratio (ICR)*	5.41	3.68

* EBIT in relation to balance of interest expense and interest income

ACCENTRO Real Estate AG	31 Dec. 2019	31 Dec. 2018
Balance sheet ratios	**TEUR**	**TEUR**
Non-current assets	102,508	81,109
Current assets	478,250	393,096
Shareholders' equity	220,811	199,104
Equity ratio	38.0%	44.2%
Total assets	580,757	474,205
Loan to Cost (LtC)*	55.9%	50.3%

* Net financial debt divided by gross assets

ACCENTRO Real Estate AG	
Company shares	
Stock market segment	Prime Standard
ISIN	DE000A0KFKB3
German Securities Code Number (WKN)	A0KFKB
Number of shares as of 31 December 2019	32,437,934
Free float	11.91%
Share price high (1 January – 31 December 2019)*	EUR 9.78
Share price low (1 January – 31 December 2019)*	EUR 6.70
Closing price on 30 December 2019*	EUR 7.65
Market capitalisation on 30 December 2019*	EUR 248,150,195

* Closing prices in Xetra trading

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Property Riehmers Hofgarten Berlin-Kreuzberg, Großbeerenstr. 56e

REPORTS
Letter to the Shareholders

Dear Shareholders,
Dear Ladies and Gentlemen,

At this time, we proudly look back on a very successful 2019 financial year. At c. EUR 40 million, the funds from operations (EBIT) are the highest in the Company's history.

But even beyond the figures, there is plenty of cause for optimism:

- At the start of this year, we relocated to our new head office in Berlin-Charlottenburg with our entire workforce, which has grown to roughly 60 staff. It is an investment that pays off in several ways.
- Our expansion across Germany is making good progress and we plan to step up the pace.
- In early 2020, we successfully repaid our existing bond and replaced it with a much bigger one. This goes to show how much faith the capital market puts in us today.

The extra financial leverage puts us in a position to take the next big step in our ongoing expansion. The first assets have already been acquired, and others will follow soon.

We expect our current assets to experience another steep increase before the end of 2020, and our key operating performance indicators to keep showing upward growth.

There is one bitter pill to swallow: We are seeing a flurry of government interventions at the moment – mainly in Berlin, but increasingly on the national level as well. We need to keep a close eye on these developments in order to adjust our roadmap accordingly.

However, since the fundamentals, especially the level of interest rates and the demographic growth, ensure that the market environment remains favourable, we believe the medium-term outlook is auspicious and look forward to the times ahead.

The Management Board

Jacopo Mingazzini
CEO

REPORTS

Report of the Supervisory Board

Dear Shareholders,
Dear Ladies and Gentlemen,

During financial year 2019, the Supervisory Board of ACCENTRO Real Estate AG conscientiously and continuously performed its duties as required by law and the Articles of Association. There were regular meetings as well as individual discussions. The Supervisory Board was also available to advise the Management Board outside the meetings and monitored its activities. It was always involved comprehensively and at an early stage by the Management Board in important decisions, informed itself about the course of business, plans for business expansion and all relevant issues affecting the Company and adopted the necessary resolutions. The Supervisory Board was directly involved in all decisions of fundamental importance to the Company.

Personnel Changes in the Supervisory and Management Boards

There were no personnel changes in the Supervisory Board in the 2019 financial year. Axel Harloff, Dr Dirk Hoffmann and Natig Ganiyev were re-elected for a term of five years by resolution of the shareholders in general meeting on 14 May 2019. Mr Axel Harloff was re-elected Chairman of the Supervisory Board at the Supervisory Board meeting on 14 May 2019.

There were also no personnel changes in the Management Board of ACCENTRO Real Estate AG in financial year 2019. Mr Jacopo Mingazzini has been the sole member of the Management Board of the Company since 1 September 2014.

Meetings

The Management Board reports to the Supervisory Board at regular joint meetings.

The Supervisory Board held four meetings in the reporting period, on 14 March, 14 May, 5 September and 3 December 2019. Outside of these regular Supervisory Board meetings, there was also a constant exchange of views between the Management and Supervisory Boards. All decisions and measures requiring approval were discussed in detail, and resolutions were adopted on the basis of the deliberations and the resulting proposed resolution of the Management Board. The Supervisory Board has thus fulfilled the duties incumbent upon it according to the law and the Articles of Association. No member of the Supervisory Board attended less than half of the meetings. Conflicts of interest on the part of members of the Management and Supervisory Boards were neither reported nor occurred in the past financial year.

In addition, the Management Board informed the Supervisory Board in written quarterly reports about the course and situation of the Company as well as about the business policy pursued and other fundamental questions of corporate planning.

In accordance with the Articles of Association, the Supervisory Board consists of three members. In this light, the Supervisory Board has not formed any committees. All members of the Supervisory Board have dealt with the entirety of the tasks of the Supervisory Board within the framework of their activities.

Corporate Governance

The Supervisory and Management Boards of ACCENTRO Real Estate AG are jointly of the opinion that the German Corporate Governance Code (GCGC) contains nationally and internationally recognised standards for good and responsible corporate governance that serve to manage and monitor German listed companies.

Pursuant to Sec. 161 of the German Corporation Act (AktG), the management and supervisory boards of a listed company are required to issue an annual declaration on the extent to which the recommendations of the "Government Commission on the German Corporate Governance Code" have been and are being complied with. The declaration refers to the Code in its version dated 7 February 2017, which was published in the Federal Gazette (Bundesanzeiger) on 24 April 2017. The text of the declaration is published on the Company's website (www.accentro.ag) and in this annual report.

In addition, the declaration of compliance together with the annual financial statements and management report as well as the other documents requiring disclosure have been published in the Bundesanzeiger and submitted to the company register.

Individual and Consolidated Financial Statements

The Supervisory Board proposes that Ebner Stolz GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Hamburg, be appointed as auditor for the financial year from 1 January to 31 December 2019.

The annual financial statements of the Company and the consolidated financial statements, including the management report and consolidated management report, for the 2019 financial year presented by the Management Board have been audited by the appointed auditor and given an unqualified auditor's opinion.

The Management Board submitted the annual financial statements and the management report, the consolidated financial statements and the consolidated management report, as well as the auditor's reports on the audit of the annual financial statements and the consolidated financial statements and the Management Board's proposal for the appropriation of net income to the Supervisory Board in due time for the audit. At its balance sheet meeting on 18 March 2020, the Supervisory Board discussed in detail with the Management Board the documents relating to the annual financial statements and the reports, in particular questions concerning the valuation of current and non-current assets.

At this meeting, the auditor reported on the main results of the audit and was available to the Supervisory Board to provide additional information. On the basis of its own audit of the annual financial statements, the consolidated financial statements, the management reports for the Company and the Group, the Supervisory Board agrees with the results of the audit by the auditor and notes that no objections are to be raised according to the conclusive findings of its audit. By resolution of 18 March 2020, the Supervisory Board approved the annual financial statements, which are thus adopted pursuant to Sec. 172 of the Corporation Act, and the consolidated financial statements.

Dependency Report 2019

The Supervisory Board has examined and approved the report on relations with affiliated companies prepared by the Management Board pursuant to Sec. 312 of the Corporation Act. According to the conclusive findings of its audit, the Supervisory Board raised no objections to the declaration of the Management Board at the end of its report pursuant to Sec. 312 of the Corporation Act.

The auditor, Ebner Stolz GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Hamburg, raised no objections in their audit of this report; the results of the audit are in line with the findings of the Supervisory Board. The auditor has issued an unqualified auditor’s opinion:

“Having duly audited and assessed the report in accordance with our professional duties, we confirm that:

1. the factual statements in the report are accurate;
2. the performances rendered by the companies in the legal transactions listed in the report were not unreasonably high.”

Members of the Supervisory Board

The Supervisory Board is composed of shareholder representatives pursuant to Sec. 96 of the Corporation Act.

The Supervisory Board would like to thank the Management Board and all employees of ACCENTRO Real Estate AG for their performance, their high level of commitment and their loyalty.

Berlin, 18 March 2020

Axel Harloff
Chairman of the Supervisory Board

REPORTS
Corporate Governance Report

Declaration of Compliance 2020

Pursuant to Sec. 161 of the German Corporation Act (AktG), the management and supervisory boards of a listed company are required to issue an annual declaration on the extent to which the recommendations of the "Government Commission on the German Corporate Governance Code" have been and are being complied with. The declaration below refers to the Code in its version dated 7 February 2017, which was published in the Bundesanzeiger on 24 April 2017. The text of the declaration is published on the Company's website (www.accentro.ag).

The Management and Supervisory Boards of ACCENTRO Real Estate AG declare:
"ACCENTRO Real Estate AG has complied with the recommendations of the German Corporate Governance Code as amended since the last declaration of conformity was issued in March 2019 with the following exceptions and intends to continue to comply with the Code's recommendations in the coming financial year with the following exceptions:

Code Section 2.3.3 (Transmission on the Internet)
The Company did not broadcast the 2019 general shareholders' meeting and does not intend to broadcast the 2020 general shareholders' meeting via state-of-the-art communication media.

Code Section 3.8 (D&O insurance)
The D&O insurance policy concluded as a group contract currently does not provide for a deductible for the members of the Supervisory Board. The Company is of the opinion that such a deductible is not necessary for the members of the Supervisory Board to encourage them to properly perform their supervisory duties.

Code Section 4.1.3 (Compliance management and whistleblower system)
The Management Board is currently refraining from setting up a compliance management system and whistleblower system. In view of the manageable corporate structures and business processes as well as flat hierarchies, the need for a compliance management and whistleblower system has so far been comparatively low. The close involvement of the Management Board in the main business transactions and projects as well as business routines ensures ongoing monitoring of any risks of potential legal violations within the Company. Regular exchange takes place between employees and the Management Board, and an internal culture of trust is fostered.

Code Section 4.1.5 (Diversity)

The Management Board of ACCENTRO Real Estate AG pursues the goal of promoting women and has set itself the goal of recruiting additional women for management positions. However, the Management Board is of the opinion that the aspect of diversity, which includes consideration of women, should not be the sole decisive criterion for filling management positions. In the interests of the Company, leadership and management skills as well as professional competence in the respective business areas and areas of responsibility and acquired professional experience are of primary importance.

Code Section 4.2.1 (Composition of the Management Board)

At variance with Section 4.2.1 of the Code, the Management Board of ACCENTRO Real Estate AG currently consists of only one person. The Supervisory and Management Boards are of the opinion that the size of the Company justifies this. Nevertheless, the Management and Supervisory Boards regularly review whether the development of the business makes it necessary to expand the Management Board.

Code Section 4.2.3 (Remuneration)

The total remuneration of the Management Board currently comprises fixed and variable components, but no remuneration components with a long-term incentive effect or association with risk. In addition, the recommendation that the variable components of the total remuneration should take into account any negative development of the Company has not been and will not be complied with. In the opinion of the Supervisory Board, neither of these is necessary to ensure the loyalty of the Management Board and its commitment to the Company. No maximum compensation limits or a severance payment cap for departing Management Board members have been agreed at present, as the Supervisory Board does not consider this necessary.

Code Section 5.1.2 (Composition of the Management Board, age limit and succession planning)

Due to the age structure of the Management Board, no age limit has been set and no long-term succession plan has been made at this time.

The Supervisory and Management Boards expressly welcome all efforts to counteract gender discrimination and any other form of discrimination and to appropriately promote diversity. When appointing members of the Management Board, the Supervisory Board attaches exclusive importance to the competence, qualifications and experience of the persons in question; other characteristics such as gender or national affiliation were and are therefore of no significance for this decision.

Code Sections 5.3.1, 5.3.2 and 5.3.3 (Committees)

The Supervisory Board has so far refrained from setting up committees (e.g. an audit committee or a nomination committee) and will continue to do so in the future, because the Supervisory Board believes that, given the number of three members, it is possible to work efficiently even if all members are represented, and the formation of committees, which must comprise at least two persons, or a quorum of at least three, does not seem appropriate for a Supervisory Board of this size.

Code Section 5.4.1 (Composition of the Supervisory Board)

At present, the Company does not comply with the Code's recommendation on the formulation of concrete objectives for the composition of the Supervisory Board and a competence profile for the entire body and the publication thereof in the Corporate Governance Report, which in particular includes adequate participation of women. The legal requirements for meeting a specified minimum participation rate for women will be complied with in the coming elections to the Supervisory Board. In the opinion of the Supervisory Board, neither the age limit nor the limitation on the length of service are necessary for the effective and successful work of the Supervisory Board. The Supervisory Board will examine to what extent these recommendations can be complied with in the future.

Code Section 5.4.2 (Composition of the Supervisory Board)

The current Supervisory Board member Dr. Dirk Hoffmann is Chairman of the Supervisory Board of Adler Real Estate AG, Berlin (until the end of February 2020), Chairman of the Supervisory Board of Westgrund AG, Berlin, and Chairman of the Supervisory Board of Squadra Immobilien GmbH & Co. KG. Axel Harloff is Chairman of the Supervisory Board of Consus Real Estate AG, Berlin and Member of the Board of Management of ERWE Immobilien AG, Frankfurt am Main. Mr Natig Ganiyev is a member of the Supervisory Board of Malta Montenegro Wind Power JV Ltd, Malta.

The Supervisory Board should not include any members who hold board positions with major competitors. This could have been the case with Mr Hoffmann and Mr Harloff. However, no material conflicts of interest arose.

Code Section 7.1.2 (Supervisory Board's involvement with interim reports and publication of interim reports)

Currently, quarterly reports are not discussed with the Supervisory Board prior to publication. The Management Board informs the Supervisory Board in writing on a quarterly basis about the situation of the Company and the course of business.

ACCENTRO Real Estate AG generally publishes its interim reports 45 days after the end of the reporting period. In exceptional cases, there may be a slight delay due to special organisational procedures. The legal requirements in accordance with Sec. 115 of the German Securities Trading Act (WpHG) are complied with in all cases."

Berlin, 6 March 2020
Management Board and Supervisory Board
ACCENTRO Real Estate AG

REPORTS
ACCENTRO Real Estate AG Stock Performance

The German Stock Index (DAX) ended 2019 with a growth of around 25%, the best year-end result in seven years.

The European Central Bank, having suspended its bond purchases at the end of 2018, relaxed its monetary policy again in 2019 due to weaker economic signals, and thus triggered another boom cycle on the stock market. However, the ongoing trade row between the US and China, and concerns over the prospect of a "no-deal" withdrawal of the UK from the EU caused jitters on the capital markets in 2019 as in previous years.

ACCENTRO's stock, just like the stock of Berlin-based property asset holders, suffered from the turbulent mood on Berlin's real estate market, particularly in June 2019. Real estate investors responded nervously to the intensifying discussions on the subject of expropriating major Berlin-based real estate companies, and of plans to introduce a rent cap for the next five years.

However, the ACCENTRO share price recovered slowly and gained 6.25% during the second half year of 2019.

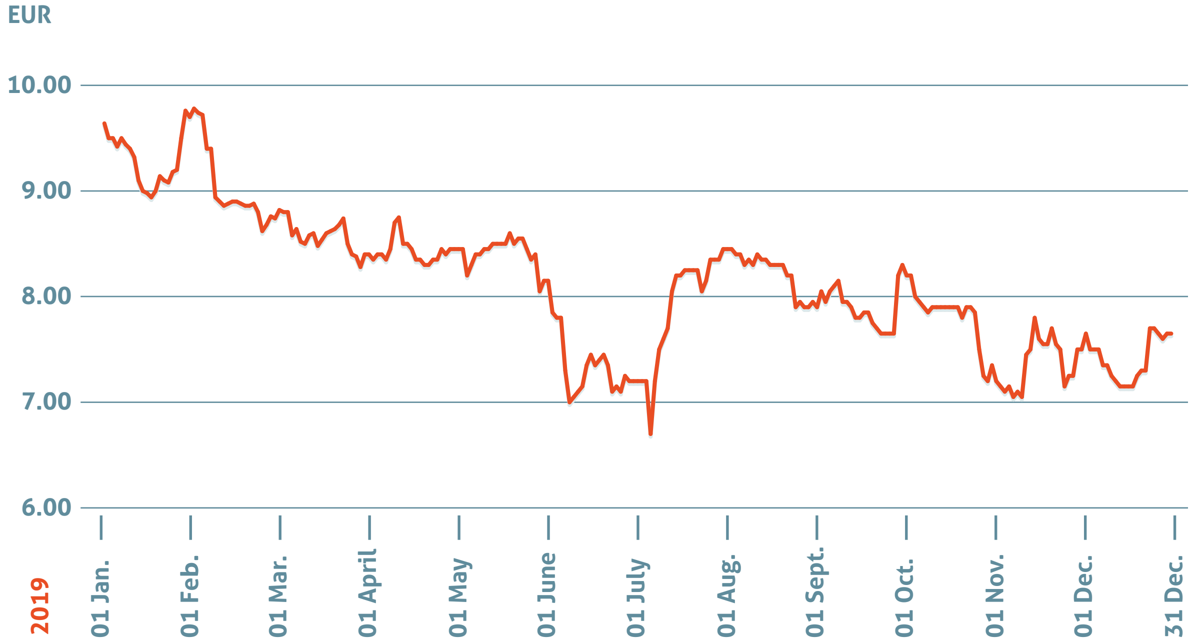
ACCENTRO Share Price Performance from 1 January to 31 December 2019

The ACCENTRO share price equalled EUR 9.68 on the first trading day of 2019 (Xetra), decreased by 20.97% over the course of the year and closed at EUR 7.65 on 30 December 2019, the last trading day of the 2019 financial year.

The average daily trading volume (Xetra) of the ACCENTRO stock was 2,262 units during the 2019 financial year. Overall, 0.57 million shares of ACCENTRO Real Estate AG were traded in the Xetra trading system between 2 January 2019 and 30 December 2019. The comparatively low trading volume is mainly explained by the Company's relatively small free float of 11.91%.

Due to the softened share price, the market capitalisation of ACCENTRO AG decreased by EUR 65.9 million during the 2019 financial year, declining from EUR 314.0 million to EUR 248.1 million.

ACCENTRO Share Price Development from 1 January to 31 December 2019



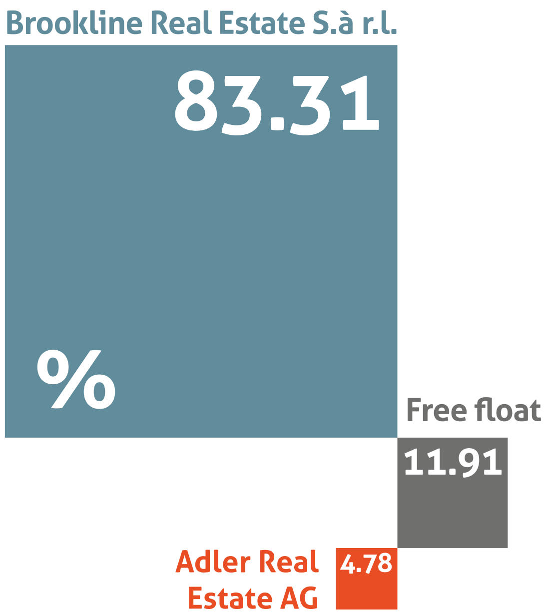
ACCENTRO share price development during the financial year 2019

Shareholder Structure

By the end of the 2019 financial year, the subscribed capital of ACCENTRO Real Estate AG totalled EUR 32.44 million. It represents 32,437,934 no-par value bearer shares and experienced no change during the 2019 financial year.

As of 31 December 2019, a total of 83.31% of the ACCENTRO AG stock was held by Brookline Real Estate S.à r.l., while ADLER Real Estate AG owned 4.78% and the free float accounted for 11.91%.

The adjacent chart provides an overview of the shareholding structure.



Shareholder structure as of 31 December 2019
(figures based on shareholder disclosures)

ACCENTRO Shares at a Glance

Company shares	
Stock market segment	Prime Standard
ISIN	DE000A0KFKB3
German Securities Code Number (WKN)	A0KFKB
Number of shares as of 31 December 2019	32,437,934
Free float	11.91%
Share price high (1 January – 31 December 2019)*	EUR 9.78
Share price low (1 January – 31 December 2019)*	EUR 6.70
Closing price on 30 December 2019*	EUR 7.65
Market capitalisation on 30 December 2019*	EUR 248,150,195

* Closing prices in Xetra trading

Investor Relations Activities

Special priority was given to regular disclosures and the dialogue with the capital market during the 2019 financial year. In that same 2019 financial year now concluded, ACCENTRO Real Estate AG attended the following financial analyst events:

▪ 19/20 February 2019	13th ODDO BHF German Conference, Frankfurt am Main
▪ 12 June 2019	Quirin Champions 2019 investor conference, Frankfurt am Main
▪ 03 September 2019	SRC Forum Financials & Real Estate 2019, Frankfurt am Main
▪ 23-26 September 2019	Baader Investment Conference 2019, Munich

The corporate development of ACCENTRO Real Estate AG is continuously monitored by analysts. The latest analyst assessments returned the following ratings for the ACCENTRO stock:

▪ 18 Dec. 2019	Baader Helvea Equity Research	stock rating: "Buy"	upside target: EUR 10.00
▪ 22 Nov. 2019	Kepler Cheuvreux	stock rating: "Buy"	upside target: EUR 10.50
▪ 13 Nov. 2019	ODDO BHF	stock rating: "Hold"	upside target: EUR 8.00
▪ 11 Nov. 2019	Quirin Privatbank	stock rating: "Buy"	upside target: EUR 10.50
▪ 07 Nov. 2019	SRC Research	stock rating: "Buy"	upside target: EUR 10.00

Combined Management Report and Group Management Report 02

Condominiums Berlin-Zehlendorf,
Clayallee 228-234

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 quoted in Euro (EUR). Both individual and total figures represent the value with the smallest rounding difference. Adding the values of the individual line items may result in minor differences compared to the reported totals.

MANAGEMENT REPORT

1 Basic Structure of the Group

1.1 Group Business Model, Objectives and Strategies

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 exclusively limited, geographically speaking, to real estate in economically attractive locations in Germany.

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

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 and their changes in value, if any, are recognised as at-equity earnings 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 in-house reporting makes no distinction by segments because the Group activities are limited exclusively to the buying and selling of residential real estate in Germany. As in previous years, 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. This variable is aggregated both as number of flats involved and as sales total. The other factors that the control system takes into account include the operating income of each sub-portfolio 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 are not aggregated at the 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.

In 2020, ACCENTRO AG moreover agreed to fulfil financial covenants, which are elaborated in the notes to the consolidated financial statements, in conjunction with its successful issuance of a new corporate bond over EUR 250 million.

MANAGEMENT REPORT
2 Economic Report

2.1 Macro-economic Development

According to the Federal Statistical Office (Destatis), the German economy grew by another 0.6% year on year in 2019. However, the growth of the gross domestic product (GDP), adjusted for inflation, which has been sustained for the past ten years, was said to have continued to slow down and to have dropped below the ten-year average of +1.3%. According to the Federal Statistical Office, growth in 2019 was driven mainly by consumption. Private consumer spending (+1.6%) and government consumption spending (+2.5%) grew faster than over the past two years.

The development of the German real estate market during the 2019 financial year benefited once more from the European Central Bank's accommodative monetary policy. An interest hike that had been anticipated at the beginning of the year failed to materialise during the 2019 financial year. In January 2020, the European Central Bank announced that it would maintain its highly accommodative monetary policy long-term, so that the real estate sector will continue to benefit from persistently favourable terms of financing.

2.2 Developments of the German Housing Market

According to a survey on the real estate price trend in Germany that bulwiengesa AG published in January 2020, 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 2019, albeit at a slower rate than the previous year (5.5%, down from +7.0%). Across Germany, selling prices for new-build condominiums (+6.8%), attached houses (+6.8%) and plots zoned for detached homes (+7.3%) grew faster than residential rent rates for new-build (+3.6%) or existing (+2.5%) units. 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 kept driving up real estate prices in the metropolises. According to the Federal Statistical Office, roughly 319,200 new flats were approved during the first eleven months of 2019, a year-on-year increase by 1.3% only. The building industry's orders on hand in the housing construction segment have gone up rapidly for 2020. But given the current lack of construction capacities, the number of completions is actually expected to keep declining and the construction backlog to keep expanding.

Aside from the persistent shortage of labour in the construction industry, there are legal uncertainties and macro-societal debates to consider, e. g. those concerning the rent cap, the tax on the increase in land value, rules for the preservation of fauna, flora, habitats, the conservation of energy or a modification of the legal framework governing share deals, all of which pose challenges to the real estate industry, complicating and delaying the construction of urgently needed residential accommodation.

Still, German residential real estate remains as popular as ever among private and institutional investors inside and outside Germany despite the steady price growth. The sustained demand is attributable, on the one hand, to the attractive terms of financing and, on the other hand, to the lack of alternative investment opportunities of comparable appeal. According to a survey done by BNP Paribas Real Estate on the German residential investment market in 2019, c. EUR 19.5 billion were spent on larger-scale residential portfolios of 30 or more residential units in Germany, the second-highest year-end total in 15 years.

Rent control measures like the rent cap in Berlin or the rent freeze in major German cities or even the debate revolving around the option to expropriate certain housing companies have not scared off investors, or at least not domestic ones. German buyers invested EUR 17.8 billion nationwide in 2019, a one-year increase by 41%, while foreign investors accounted for merely 8.5% of the investment total anymore.

According to BNP Paribas Real Estate, Germany's "Big Seven" cities (Berlin, Cologne, Düsseldorf, Frankfurt, Hamburg, Munich and Stuttgart) registered a revenue growth of 25%. Sales in Berlin – the most important market for ACCENTRO AG – reported a sales total of EUR 4.2 billion or roughly 50% of the total revenues generated by big-ticket housing sales in Germany's seven Class A cities.

ACCENTRO AG intends to keep moving forward with its expansion plans in fiscal 2020, and to enlarge its property holdings nationwide. With its current inventory both in metropolises and in swarm cities marked by high growth upside, ACCENTRO AG is facing the new year with a bright outlook.

2.3 Business Performance

Key Events During the 2019 Financial Year

The very positive business performance of the ACCENTRO Group in the 2019 financial year evolved in a market environment that remained very favourable and that was marked by keen demand for residential property 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.

As announced, we continued to push forward with our regional diversification in the course of the financial year by picking up a larger real estate portfolio in Upper Bavaria and real estate holdings in the Rhine-Main region.

In last year's forecast report, we predicted modest growth in revenues based on a projected EUR 163.3 million and moderate EBIT growth in the lower double-digit percentage range. In December 2019, we revised our forecast to a predicted revenue total of just over EUR 140 million and a prospective EBIT total in excess of EUR 40 million. Among the main reasons for falling short of the sales revenues originally are delays in the wind-down of several privatisation projects in Berlin. The transfers of benefits and burdens are now expected to take place in 2020. At EUR 40 million, the new EBIT forecast exceeds the previous year's EBIT by 21% despite the anticipated drop in sales. Definitive for the reassuring trend in EBIT, in addition to a large-scale portfolio sale in December 2019, were the positive effects from the valuation of our investment properties. With revenues of EUR 143 million and EBIT of EUR 40 million, ACCENTRO AG believes to have met its adjusted forecast for the 2019 financial year. Indeed, at EUR 26.3 million, the ACCENTRO Group achieved one of its finest annual results ever and the highest EBIT in the Company's history.

By acquiring 812 units in the course of the 2019 financial year, the Company laid the ground for continued stable revenues in its privatisation business.

2.4 Earnings, Financial and Asset Position

Earnings Position

The ACCENTRO Group's key revenue and earnings figures developed as follows during the 2019 financial year:

	2019 financial year	2018 financial year
	EUR million	EUR million
Revenues	143.3	205.6
EBIT	39.8	32.9
Consolidated income	26.3	18.3

At EUR 143.3 million, consolidated sales cleared the adjusted forecast target while predictably falling short of the sales total of the 2018 financial year, which was driven by one-off events.

EBIT climbed to EUR 39.8 million, a 21% increase year on year. The Group therefore exceeded its moderate growth forecast of a lower double-digit percentage growth that was made last year. The growth was boosted not least by a positive difference in value over EUR 11.4 million from the transfer of properties from inventories to investment properties (see 5.2 in the notes to the consolidated financial statements) and a large-scale portfolio sale in December 2019. The volume of retailed apartments declined year on year, with 325 flats sold in 2019 (previous year: 487 flats; 2017: 488 flats). Nonetheless, revenues from apartment retail sales remained largely constant at EUR 71.6 million (previous year: EUR 73.0 million). The share of large-scale real estate transactions remained more or less stable at 42.6% (previous year: 40%).

As in the previous year, the net rental income experienced another modest increase by EUR 0.4 million as a result of the continuous portfolio expansion. At first glance, the net service income seems to have remained stable at EUR 2.4 million (previous year: EUR 2.3 million). However, the prior-year figure included a commission for brokering a large real estate portfolio in an investment company in Berlin, whereas the relevant revenue in 2019 represents purely net commission income generated in the new-build property segment and commissions for sales brokered on behalf of collaboration partners in the existing-property segment.

Net income in the amount of EUR 1.2 million (previous year EUR 0.0 million) from companies included at equity represents pro-rata profits from the sale of the projects Havelländer Rosenpark (EUR 0.9 million) and Urbanstraße 5 (EUR 0.4 million) as well as pro-rata net income updating at-equity valuations in the amount of EUR –0.2 million.

Based on a potential analysis and the resulting business strategy for some of its properties, the Group decided to reclassify these and transferred them from inventories (IAS 2) to investment properties (IAS 40) during the 2019 financial year. The corresponding fair value adjustment produced a positive result of EUR 11.4 million. For details, see note 5.2 in the notes to the consolidated financial statements.

At EUR 1.2 million, the other operating income experienced further drop by EUR 1.7 million year on year. Key factor here was the derecognition of liabilities in the amount of EUR 0.9 million in connection with VAT issues concerning property developers. Analogously, a receivable over the same amount was also derecognised, thereby increasing the other operating expenses.

The other operating expenses in the amount of EUR 6.1 million (previous year: EUR 5.1 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 mainly attributable to the derecognition of a sales tax receivable in connection with past property development projects. This derecognition item is offset by other operating income over the same amount.

Total payroll and benefit costs for the reporting period experienced another significant increase by EUR 1.2 million to EUR 5.8 million (previous year: EUR 4.6 million). As previously announced in the forecast report section of the 2018 annual report, this was caused by the continued expansion of the workforce, so that 5 more staff were on the payroll by 31 December 2019 than had been by year-end 2018, although not all of the jobs created represent full-time positions. The average job growth across all half- and full-time positions was equivalent to 9 full-time positions.

The net interest result of the 2019 financial year equalled EUR –7.4 million, down from EUR –8.9 million the previous year. Despite a significant increase in financial liabilities by EUR 85.7 million and a rise in interest expense by EUR 2.3 million during the 2019 financial year, the simultaneous increase in interest income by EUR 3.9 million more than balanced the expense. The increase in interest income results from a enlarged volume of granted loans and from special interest claims in connection with short-term loans.

The earnings before taxes equalled EUR 32.5 million, thus exceeding the prior year level (EUR 24.0 million) by 35.5%. Income tax expenses amounted to EUR 6.2 million during the reporting period and were thus only slightly below the prior-year level (EUR 5.7 million). The tax ratio for the 2019 financial year is 19.0% (previous year: 23.7%). The main reason why the actual tax rate is lower than the Group tax rate is the strategy 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.

Financial Position

Key Figures from the Cash Flow Statement	2019 financial year	2018 financial year
	EUR million	EUR million
Cash flow from operating activities	–75.7	–48.4
Cash flow from investing activities	2.4	–51.2
Cash flow from financing activities	81.0	111.4
Net change in cash and cash equivalents	7.8	11.8
Increase in cash and cash equivalents from the addition of fully consolidated companies	0.2	2.7
Change in restricted cash and cash equivalents/ adjustment of cash and cash equivalents	1.2	1.1
Decrease in cash and cash equivalents from the disposal of fully consolidated companies	–0.5	–6.7
Cash and cash equivalents at the beginning of the period	15.5	6.5
Cash and cash equivalents at the end of the period	24.2	15.5

During the 2019 financial year, the cash flow from operating activities equalled EUR –75.7 million (previous year: EUR –48.4 million). It breaks down into cash flow from operations in the amount of EUR 4.4 million (previous year: EUR –0.6 million) and a net cash outflow toward the further expansion of the inventory assets in the amount of EUR –80.1 million (previous year: EUR –47.7 million). The operating cash flow includes cash inflows in the amount of EUR 1.1 million (previous year: EUR 0.1 million) from dividends and proceeds from the sale of corporate investments accounted for using the equity method. Liabilities decreased by EUR 8.6 million while tax payments of EUR 5.2 million impacted the operating cash flow.

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 5.20.

The cash flow from investing activities during the 2019 financial year was positive at EUR 2.4 million (previous year: EUR –51.2 million). The positive cash flow was mainly generated by the repayment of EUR 5.8 million in loans granted, the sum being offset by cash outflows in the amount of EUR 1.9 million for new loans granted and by investments in property, plant and equipment in the amount of EUR 1.6 million. The investments in property, plant and equipment concerned primarily the interior fit-out and restructuring works in the new head office on Kantstr. that the Company relocated to in early 2020.

The positive cash flow from financing activities in the amount of EUR 81.0 million (previous year: EUR 111.4 million) is primarily attributable to borrowings from banks in the amount of EUR 127.5 million, which were offset by payments of interest and principal in the amount of EUR 34.2 million. EUR 5.2 million, the same as the year before, was paid out as dividend to ACCENTRO AG shareholders.

Structure of Assets and Capital

	31.12.2019		31.12.2018	
	EUR million	%	EUR million	%
Assets	**580.8**	**100.0%**	**474.2**	**100.0%**
Non-current assets	102.5	17.7%	81.1	17.1%
Current assets less liquid assets	454.1	78.1%	377.6	79.6%
Cash and cash equivalents	24.2	4.2%	15.5	3.3%
Debt and equity	**580.8**	**100%**	**474.2**	**100%**
Equity	220.8	38.0%	199.1	42.0%
Non-current liabilities	215.9	37.2%	176.4	37.2%
Current liabilities	144.0	24.8%	98.7	20.8%

At 62.0%, the debt-to-equity ratio (debt capital/total capital) showed a modest year-on-year increase by the end of the year under review (previous year: 58.0%), which is mainly explained by a largely uniform increase in shareholders' equity (EUR +21.7 million) and an increase in liabilities (EUR +84.8 million). Further borrowings caused the LtC (net financial indebtedness/gross asset value) to rise to 55.9% (previous year: 50.3%) as expected.

At 4.2%, the ratio of cash and cash equivalents to total assets was slightly above the level of the prior year balance sheet date (3.3%). This is explained by a 56,1% increase in cash and cash equivalents compared to EUR 24.2 million in 2018, while assets grew by 22.5% during the same period of time.

The Group was able to meet its financial obligations at all times. Rolling liquidity planning makes it possible to detect potential liquidity bottlenecks early on and to seize countermeasures to deflect them if necessary.

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.

Largely as a result of fresh borrowing to finance property acquisitions, non-current liabilities increased from 22.4% to a total of EUR 215.9 million. Current liabilities rose by 45.9% to EUR 144.0 million. The figure reflects the increase in current financial liabilities based on the sales planning for the 2020 financial year, supplemented by planned premature loan repayments from funds raised through the bond issue in February 2020.

Cash and cash equivalents amounted to EUR 24.2 million as of 31 December 2019, compared to EUR 15.5 million as of 31 December 2018. ACCENTRO AG assumes that all of the loans to be renegotiated during the 2020 financial year will be renewed on a rotating basis or repaid. Considering the cash inflow from the corporate bond placed in February 2020, ACCENTRO Real Estate AG deems its financing requirements secured through the end of the 2020 financial year. No financing arrangements in foreign currencies were taken out by ACCENTRO AG.

In 2019, the consolidated net income of EUR 26.3 million prompted a further increase in shareholders' equity from EUR 199.1 million at year-end 2018 to EUR 220.8 million by 31 December 2019. At 38.0%, the equity ratio was largely kept on a high level (previous year: 42.0%) despite a 22.5% increase in total assets and a reduction in equity due to the dividend payment in the amount of EUR 5.2 million in May 2019.

Asset Position

Total assets increased significantly again, this time by EUR 106.6 million (22.5%) to EUR 580.8 million (31 December 2018: EUR 474.2 million). It was the first time ever that the total assets of ACCENTRO AG crossed the mark of half a billion euros. Material changes to each balance sheet item are detailed in the summary below, and are subsequently elaborated.

	31 December 2019	31 December 2018	Change
	EUR million	EUR million	EUR million
Non-current assets	**102.5**	**81.1**	**+21.4**
Owner-occupied properties and buildings	24.1	23.4	+0.7
Investment properties	34.5	0.0	+34.5
Non-current other receivables and other assets	14.8	28.8	−14.0
Other non-current assets	29.1	28.9	+0.2
Current assets	**478.3**	**393.1**	**+85.2**
Inventory properties	416.6	345.2	+71.4
Trade receivables	10.6	18.6	−8.0
Other current assets	51.1	29.3	+21.8
Equity	**220.8**	**199.1**	**+21.7**
Non-current liabilities	**215.9**	**176.4**	**+39.5**
Financial liabilities and bonds	213.7	175.3	+38.4
Other non-current liabilities	2.2	1.1	+1.1
Current liabilities	**144.0**	**98.7**	**+45.3**
Current financial liabilities and bonds	103.9	55.9	+48.0
Other current liabilities and accrued expenses	40.1	42.8	−2.7

The non-current assets increased by EUR 21.4 million. The main reason for this was the reclassification of a portfolio of real estate in Berlin, which was originally recognised under inventories, to non-current assets and its recognition as investment properties. For more details, see note 5.2 in the notes to the consolidated financial statements. Conversely, other receivables and other assets, as well as trade receivables, were reclassified as current because these are expected to be collected during the first half of the 2020 financial year.

Non-current other receivables and other assets essentially comprise lendings to companies that are associated with ACCENTRO AG via equity investments. 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, corporate investments in non-consolidated companies in the amount of EUR 9.3 million, and property, plant and equipment in the amount of EUR 1 million.

Current assets increased by EUR 85.2 million to EUR 478.3 million (previous year: EUR 393.1 million), and represent primarily the trading portfolio properties recognised in inventories. For 812 residential units acquired for a combined purchase price of EUR 164.8 million, the transfer of benefits and burdens took place during the 2019 financial year. For another 84 residential units acquired for a purchase price of EUR 13.0 million, the sale and purchase agreements were signed in 2019, while their benefits and burdens will be transferred and recognised in the 2020 financial year. At the same time, 830 residential units (previous year: 1,615) worth EUR 95.5 million (previous year: EUR 156.6 million) in acquisition costs were sold, so that the inventory assets, taking into account the refurbishment measures completed in the course of the year and down-payments recently made, increased by EUR 71.4 million.

The decrease in current trade receivables is mainly explained by the balance sheet date as such, because the purchase price receivable of EUR 11.2 million from a property portfolio sold at the end of 2018 was only paid in March 2019, as agreed.

In addition to cash and cash equivalents in the amount of EUR 24.2 million (previous year: EUR 15.5 million), other current assets break down as follows for the 2019 financial year: The accounts receivable from operating costs not yet invoiced add up to EUR 7.0 million (EUR 8.1 million). Short-term loans rose to EUR 16.9 million (previous year: EUR 2.7 million). The increase was mainly caused by the reclassification from non-current assets due to their debt maturity structure. Income tax receivables amounted to EUR 0.9 million (previous year: EUR 1.1 million) as of the balance sheet date. For the first time, the 2019 financial statements include contract assets from a period-based revenue recognition in connection with the development of attic apartments in the amount of EUR 1.2 million. The remaining accounts receivable break down into a multitude of minor amounts.

General Statement on the Group's Business Situation
ACCENTRO AG succeeded in enlarging its stock of inventory properties by another EUR 71.3 million worth of assets during the 2019 financial year. With its consistently expanded inventory, ACCENTRO takes a confident view of the future. This assessment is based specifically on the continuous expansion of ACCENTRO's property holdings outside Berlin.

The Group Management Report of the previous year predicted a slight increase in revenues and a moderate, low double-digit percentage growth in EBIT. In December 2019, we revised the forecast, predicting a higher EBIT figure and a lower revenue total. The actual figures added up to EUR 143.3 million in revenues and EUR 39.8 million in EBIT, and included a first-time valuation effect in the amount of EUR 11.4 million. At EUR 39.8 million, it was the highest EBIT total in the Company's history.

Considering that the EBIT forecast was achieved, ACCENTRO AG is fully satisfied with the earnings performance. Then again, the prerequisites for a sustained positive financial performance of the ACCENTRO Group were put in place during the 2019 financial year through the continued expansion of the trading portfolio and the set-up of several collaborative ventures.

Despite dividend payments and a substantial increase in total assets, the equity ratio remained stable on a high level of 38.0% (prior period: 42.0%).

2.5 Other Financial and Non-Financial Performance Indicators

The professional know-how and commitment of employees and managers represent key prerequisites for the business performance of the ACCENTRO Group.

To help retain employee knowledge and skills, the ACCENTRO Group puts a premium on ensuring attractive working conditions. This includes, above all, a competitive compensation system that is constantly monitored and adjusted as needed. 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 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 the 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.

MANAGEMENT REPORT

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

3.1 Basic Structure of the Company

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

The very positive business performance of the ACCENTRO Group and of ACCENTRO AG during the 2019 financial year unfolded in a market environment that remained very favourable and that was marked by keen demand for residential property not just in Germany's metro regions.

ACCENTRO AG managed to top its EBIT target considerably due to anticipated profit transfers and certain divestitures it undertook. The separate financial statement of ACCENTRO AG reports EUR 24.3 million (previous year: EUR 19.3 million) in earnings before taxes, which clearly exceeds the forecast (net income on a level with the previous year). In line with the forecast, there was no significant increase in total assets (+8.5%).

Primary reasons for the growth in net income include the increase in other operating income and the improvement in net interest income, while net income from investments declined significantly.

Once again, total payroll expenses went up by a hefty 34.8% or EUR 1.0 million in absolute figures. The average number of employees increased by 8 persons, an increase of 33.3%.

Profit-transfer agreements with three subsidiaries generated a net income from investments in the amount of EUR 7.1 million (previous year: EUR 18.6 million).

The net interest result improved noticeably year on year. While the 2018 financial year had returned a net interest result of EUR 0.7 million, the net interest income in the period under review totalled EUR 6.6 million.

3.3 Earnings, Financial and Asset Position

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 2019 financial year:

	1 Jan. 2019 – 31 Dec. 2019	1 Jan. 2018 – 31 Dec. 2018	Change
	TEUR	TEUR	TEUR
Revenues	291	0	+291
Other operating income	18,802	9,264	+9,538
Operating income	19,094	9,264	+9,830
Cost of materials	–195	–645	+450
Payroll and benefit costs	–4,038	–2,995	–1,043
Depreciation and amortisation of intangible assets and property, plant and equipment	–139	–95	–44
Write-downs on financial investments	0	–5	+5
Miscellaneous operating expenses	–4,150	–5,637	+1,487
Net income from investments (including profit-shifting)	7,100	18,635	–11,534
Income from securities	1	1	0
Operating income (EBIT)	**17,674**	**18,524**	**–849**
Net interest income	6,607	740	+5,867
Pre-tax profit	24,280	19,264	+5,017
Income taxes and other taxes	–1,903	–3,827	+1,923
Profit/loss for the year	22,378	15,437	+6,940

Revenues of EUR 0.3 million (previous year: EUR 0.0 million) break down into fees for project management tasks and technical supervision of joint sales projects in cooperation with third-party project partners.

The other operating income grew substantially year on year, rising from EUR 9.3 million to EUR 18.8 million. The income earned during the 2019 financial year essentially breaks down into sales of subsidiaries in the amount of EUR 13.9 million. a merger gain in the amount of EUR 3.8 million, the dissolution of provisions in the amount of EUR 0.9 million, and EUR 1.2 million worth of miscellaneous other income.

The cost of materials in 2019 is largely attributable to an extra land transfer tax payment that become due after the legal form of a limited partnership was changed to that of a private limited company in 2014. The Group objects to the tax calculation by the inland revenue authority and is contesting it.

Total payroll and benefit costs increased by EUR 1.0 million. ACCENTRO AG employed an average of 36 people (previous year: 27) during the 2019 financial year, apprentices and management board included.

At EUR 4.2 million, the other operating expenses dropped noticeably year on year (EUR 5.6 million). The cost reduction by EUR 1.5 million is mainly explained by the absence of fees that were incurred in the same context during the 2018 financial year in connection with the bond issuance and advisory costs.

Net income from investments in the amount of EUR 7.1 million dropped sharply year on year (EUR 18.6 million) due to the decrease in income from profit-transfer agreements.

The interest balance equalled EUR 6.6 million during the period under review (previous year: EUR 0.7 million). It is largely characterised by an increase in interest income by EUR 6.0 million while the interest expense remained more or less stable. The increase results from an enlarged volume of granted loans and from special interest claims in connection with short-term loans.

As the pre-tax earnings amounted to EUR 24.3 million only (previous year: EUR 19.3 million), the income tax load was on a relatively low level at EUR 1.9 million (previous year: EUR 3.8 million) because of largely tax-exempt income from divestitures and merger gain.

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 Dec. 2019		31 Dec. 2018		Change
	TEUR	%	TEUR	%	TEUR
Assets	**338,328**	100.0	**311,777**	100.0	**+26,551**
Financial investments	44,458	13.2	45,539	14.6	–991
Plant, equipment and software	733	0.2	282	0.1	+355
Advance payments for financial investments	0	0	1,203	0.4	–1,203
Trade receivables	241	0.1	355	0.1	–114
Receivables from affiliates	259,079	76.6	239,902	77.0	+19,177
Receivables from equity investments	3,635	1.1	4,701	1.5	–1,066
Loans to third parties	11,234	3.3	10,165	3.3	+1,069
Cash and cash equivalents	16,054	4.7	6,132	2.0	+9,922
Other assets	2,894	0.8	3,498	1.0	–694
Equity and liabilities	**338,328**	**100.0**	**311,777**	**100.0**	**+26,551**
Equity	176,055	52.0	158,800	50.9	+17,255
Bonds/bank debt	100,000	29.6	100,008	32.1	–8
Liabilities to associates	48,250	14.3	38,978	12.5	+9,272
Provisions	11,370	3.4	10,470	3.4	+900
Other liabilities	2,653	0.8	3,521	1.1	–868

Total assets increased by EUR 26.6 million from EUR 311.8 million to EUR 338.3 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 associates.

The development is primarily defined by the increase in receivables from associates and an increased cash position.

The accounts receivable from associates and equity investments increased by EUR 18.1 million to EUR 262.7 million during the financial year. The increase breaks down as follows:

- Loans to associates and equity investments increased by EUR 172.5 million to EUR 181.3 million. The increase is mainly attributable to loans that were granted to new project companies.
- Intercompany receivables increased by EUR 8.9 million to EUR 80.1 million. On the one hand, the profit-shifting contracts of three companies caused the amount of EUR 7.1 million to be posted while, on the other hand, ACCENTRO AG fronted EUR 1.8 million in costs.

On balance, the liabilities from bonds and bank loans experienced only negligible changes during the 2019 financial year. One single bond liability remained by year-end, amounting to EUR 100 million.

The payables to associates increased by EUR 9.3 million to a total of EUR 48.3 million. The primary reason for the increase is that two loans were taken out from two subsidiaries (EUR 20.2 million) while liabilities were simultaneously reduced by EUR 10.9 million because the companies were merged.

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 all times during the 2019 financial year.

The share capital and the additional paid-in capital of ACCENTRO AG increased slightly after shares were issued to employees of ACCENTRO AG in the course of the year under review. Some of the shares issued were held by ACCENTRO AG at the end of 2018, thereby reducing the share capital and the capital reserves. In addition, the share capital of ACCENTRO AG increased by EUR 22.4 million as a result of the Company's net income.

The distribution of a dividend in the amount of EUR 5.2 million had a converse effect. The Company's shareholder equity rose to EUR 176.1 million. The equity ratio (shareholder equity/total assets) went up by 1.1% year on year to 52.0% (previous year: 50.9%).

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 positively during the 2019 financial year, and the stated objectives were achieved.

Against this background, we are very satisfied with the earnings performance. While total assets had been expected to remain unchanged and earnings to match the prior-year level in the 2019 financial year, both predictions were exceeded.

The prerequisites for a sustained positive financial performance of the ACCENTRO Group were put in place during the 2019 financial year through the continued expansion of the trading portfolio. We expect ACCENTRO AG's separate financial statements to show a modestly positive net income well below the prior-year level. The year 2019 was characterised by a merger gain and companies sold, events that are not expected to repeat themselves in 2020. On the contrary, the separate financial statement of ACCENTRO AG will be significantly encumbered by the costs of the bond issuance in February 2020. The issuance of a new EUR 250 million bond in February 2020, paired with the redemption of the EUR 100 million bond, is expected to cause a significant increase in total assets.

MANAGEMENT REPORT

4 Forecast, Opportunity and Risk Report

Forecast Report

The following statements on the Group's future business performance and the relevant factors considered decisive, are based on the corporate planning from December 2019 and concern the development of market, sector and company. In our planning efforts, we assume that the economic and social parameters will remain largely unchanged and be characterised by slow economic growth, low unemployment and a continuation of the low-interest cycle. In principle, forecasts are exposed to the obvious risk that actual developments may deviate both in trend and scope from the predictions made. The material risks to which the ACCENTRO Group is exposed are detailed in the Opportunity and Risk Report.

Backed by the forecasts of scientific surveys, we consider our assumption to be realistic. For one thing, the Federal Ministry for Economic Affairs and Energy wrote in its monthly report for February 2020: "The German economy continues to go through a slow economic cycle. [...] Early indicators continue to point to moderate employment growth and only minor changes in unemployment. [...] In the meantime, however, risks from the international trade environment have increased due to the spread of the Corona virus. It is too early at this time to appraise the associated economic impact on China and its trading partners."

At the time of this writing, the corona virus is spreading rapidly and is gradually paralysing public life. ACCENTRO has so far not received any cancellations of condominium purchases or a noticeable slackening in the number of requests for purchase information. In fact, the acquisition of real estate could actually gain in significance as a safe form of investment. However, the constraints currently imposed on everyday life could cause transactions to be considerably delayed so that our forecasts may not be met.

The ZIA German Property Federation suggested in its Spring Report 2020, published on 11 February 2020, that demand for new-build construction will decline due to a lower migration inflow from outside Germany, which in turn will curb the demand for housing. Given the persistently low level of interest, the ZIA believes that the price growth on Germany's residential real estate market will continue and that specifically conurbations will see further price hikes.

Although we agree with the core statements of the ZIA forecast, we do not expect the outlined trend to impact the business model of ACCENTRO in any way. The persistently low level of interest rates, the increasing tendency among banks to charge even private investors and savings accounts with negative interest rates will cause the search for investment alternatives to intensify. We assume that an even higher number of investors than now will invest in real estate to escape the negative interest rate environment for classic savings products.

As in the 2019 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 homeownership 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 2020 financial year, we expect the ACCENTRO Group to see a lower double-digit percentage growth in revenues year on year, combined with EBIT on a level with the previous year. 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 further expansion of the trading portfolio as planned in the wake of the successful bond issuance in 2020 will cause total assets to grow significantly in the upper double-digit percentage range.

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 2020 financial year because these investments are grouped with the operational division. The cash flow was indeed negative for the operational division in 2019, as predicted by the Forecast Report, adding up to EUR –75.7 million. The situation is unlikely to change in the foreseeable future because ACCENTRO AG plans to keep pursuing the steady expansion of its trading portfolio.

At the level of its separate financial statements under German HGB guidance, ACCENTRO AG expects to see a modestly positive result in the 2020 financial year, albeit well below the prior-year level. The issuance of a new corporate bond over EUR 250 million in February 2020 will cause a significant increase in total assets at the level of the separate financial statements.

On top of that, we assume that the financial covenants of the 2020/2023 bond will be fulfilled during the 2020 financial year. The 2018/2021 corporate bond was fully repaid during the 2020 financial year.

In terms of employee retention, our plans for 2020 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 nominal total of 9 jobs, although it should be added that not all of the new jobs represent full-time positions. Five persons left the Company in the course of the 2019 financial year. As expected, the fluctuation is relatively low. The workforce is likely to keep growing at a modest pace in 2020 to stay abreast of the Company's ongoing growth.

Opportunity and Risk Report

Risk Management

The risk management system of the ACCENTRO Group is designed to safeguard the value-add potential of the Group's business activities, and to permit their exploitation in a manner that will translate into sustainable growth of the Group's goodwill. It is an integral part of this system to engage potentially unfavourable developments and events in a structured approach that enables the Management Board to take countermeasures in good time before material damage is caused.

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. Given the manageable corporate structures and business processes, the degree of formalisation has so far been kept comparatively low for the sake of efficiency.

The close involvement of the Management Board in the main business transactions and projects ensures 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 deployed by the ACCENTRO Group includes 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 senior management;
- a periodic or event-related risk inventory;
- the documentation of relevant risks for regular or event-related information for the senior management;
- 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 about extant 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 Group will actively respond to identified, analysed and rated threats on the basis of executive decisions regarding controlling measures.
5. 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 multitude of different risks which, individually or collectively, could adversely affect its net assets, financial and earnings position, and its future economic development. 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 2018 financial year remained relevant in the 2019 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, risks arising from the property selection, and risks emerging from the regulatory environment.

Company-specific Risks

a) Risks Arising from the Property Selection

The economic success of the ACCENTRO Group is definitively dependent on the selection and acquisition of real estate suitable for apartment retailing to owner-occupiers and buy-to-let investors. This comes with the risk of misjudging or overlooking the structural, legal, economic and other encumbrances that may compromise the properties selected for purchase. On top of that, assumptions made with respect to the earnings potential of a given property could subsequently prove to have been partially or entirely incorrect. In particular, the management of the respective property could fall short of the expected results, or apartments earmarked 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 subjecting the respective properties to due diligences. Within the framework of the property appraisals, the refurbishment, maintenance and modernisation requirements to be expected are identified while the capitalised earnings value and the debt serviceability in general are examined in accordance with applicable bank standards.

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 our lettings management and steps taken to ensure the competitiveness of properties within the local occupier markets. These 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 limited essentially 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 the building-law planning consents for the projects is granted may also create 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 could bring about a situation in which planned building works prove impossible to complete at the assumed costs or within the planned time frame or to be completed 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

Insofar as the ACCENTRO Group relies on third-party sales partners to handle its housing privatisation sales, business success depends to a large extent on the Group's ability to find and retain qualified estate agents long-term. This is supposed to be achieved primarily by offering attractive payment terms and by keeping a large property stock on hand.

In the field of housing privatisation sales, the business success of the ACCENTRO Group is also definitively influenced by the willingness of owner-occupiers and buy-to-let investors to buy the flats 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 such developments could impact the willingness to buy to the extent that flats available for sale prove impossible to sell on the intended scale, on the planned terms and/or within the intended 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 assumes the obligation 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. With regard to the guarantees that ACCENTRO entered into as of 31 December 2019, an extension of the sales phase was agreed with the seller. The project is now expected to conclude with the sale of all remaining units by mid-year 2020. As of the balance sheet date, active purchase guarantees added up to EUR 44.8 million.

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 several development schemes in the course of 2018 created a new risk situation going forward. There were other collaborative ventures pursued in 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 AG. To manage this risk, the Management Board of ACCENTRO AG appointed a controller who is responsible for the equity investment management. In addition, each project is assigned a dedicated manager by ACCENTRO who closely monitors the project.

g) Financing, Liquidity and Interest Rate Risks

In the course of its business activities, the Group of ACCENTRO AG is exposed to a number of financing, liquidity and interest rate risks that are addressed via the supervisory and control measures described 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 can make it harder to borrow funds and/or can make such borrowing possible only on less favourable terms. If this were 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 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 current business activity of the ACCENTRO Group is to a large degree influenced by the availability of financing options. If banks were to adopt a restrictive lending policy over extended periods of time, it could adversely affect the business performance and growth of the 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 disproportionally 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.

As of the balance sheet date of 31 December 2019, the consolidated group had taken out loans and issued corporate bonds in a total amount of c. EUR 99.2 million (previous year: EUR 106.3 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 was subject to the following covenants:

- debt-to-equity ratio (net financial debt to assets) not to exceed 60%
- capital market indebtedness not to 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, there is a chance that the corporate bond would be prematurely called for redemption. The use of appropriate monitoring methods is supposed to detect early signs of a risk that covenants might be breached, and to allow time to seize adequate countermeasures to prevent any such breach. All financial covenants were upheld during the 2019 financial year.

ACCENTRO raised fresh growth capital in February 2020 by issuing a new bond over EUR 250 million. In the same context, the financial covenants were also restructured to take sufficient account of ACCENTRO's future growth course. This concerns specifically the loan-to-value (LtV) ratio based on a total asset value approach, the interest coverage ratio, and the limitation of secured financial liabilities in relation to the total asset value.

Interest rate risks exist for debt coming up for rollover financing or refinancing as well as for loans the company plans to take out 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 mitigated by delaying the property handover in the apartment retailing business until the purchase price has been paid in full. The same goes for necessary refurbishment measures in properties. Due to the Company's broadly diversified customer structure, especially in apartment retailing, bad debt risks in relation to purchase price payments for the retailed apartments are negligible 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

Within the framework of their business activities, the ACCENTRO Group member companies could become embroiled in legal disputes and face (potential) warranty and damage claims without being in a position to assert counterclaims against third parties. Warranty risks arise specifically in those cases in which no exclusion of liability has been agreed for property sales.

In connection with the sale of individual apartments, the companies of the ACCENTRO Group and their third-party sales partners also provide advisory services that could trigger third-party claims for damages.

Adequate provisions have been set aside to meet all currently existing legal risks. There are currently no other legal risks, particularly no risks from legal disputes, that could have a significant impact 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

a) Economic Risks

The ACCENTRO Group has so far generated its revenues exclusively in 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 indirectly influenced by international economic developments, too. In 2020, the focus will mainly be on the slowing global economy in the context of the spreading COVID-19 pandemic.

Of particular importance for the real estate demand in Germany is the national trend in interest rates. An increase in the interest rate level would hamper real estate investments because of the prospect of a growing interest load. In addition, the borrowing costs of the loans taken out by ACCENTRO Group member companies would increase, which in turn would have negative effects on earnings. ACCENTRO believes that the current low level of interest rates, which will remain in place in the near future, coupled with a robust domestic labour market and the fact that negative interest is passed on to savers, will continue to fuel demand for real estate as investment.

b) Sector Risks

A deterioration of the parameters on the German real estate market could adversely affect the business performance of the 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, access to affordable real estate could be compromised if potential sellers refrain from selling because of the deteriorated price level.

Moreover, the development of the property sector is decisively influenced by the availability of financing 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 and Regulatory Risks

Since the business activities of the ACCENTRO Group are governed by certain legal parameters for real estate, they could be affected by changes in national and/or European legal standards, as well as by changes in the interpretation or application of existing legal standards. Relevant regulations include landlord-tenant law, public construction law, and tax 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, the exercise of the right of first refusal by the boroughs and the political manipulation of rental tones. Two regulatory instruments for the purpose of rent control are already in force, one being the "rent freeze" ("Mietpreisbremse"), the other the "rent cap" ("Mietendeckel"). The ACCENTRO AG expects the enforcement of these instruments to have minor consequences for its own rental income. But rent freeze and rent cap could make it harder in future to privatise residential property at economically attractive prices, though it should be added that these rent control tools had not significantly impacted our sales performance yet by the time this annual report was cleared for publication. It should also be added that the advantage of getting to exploit potentially eroding cost prices will not fully compensate for the adverse trend in selling prices, which means that, in sum, the margins earned might be slimmer. The Management Board is employing its early warning indicators to analyse potentially adverse effects.

On 18 August 2019, the Christian Democrat / Social Democrat coalition committee of the German Parliament resolved the "reduction of the conversion of rental flats into condominiums." The Federal Ministry of the Interior, Building and Community is currently working on a draft bill that would impose a comprehensive condominium conversion ban. Such a condominium conversion ban would have direct ramifications for the Company's current business model, which is why ACCENTRO is closely following the legislative process while analysing said ramifications for the current business model.

Risk Concentrations

To a certain extent, the business success of the ACCENTRO Group depends disproportionately on a small number of projects and inventories that account for a significant 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 of Berlin. Accordingly, if Berlin as real estate location were to develop a generally adverse trend, the development could definitively impair the assets, finances and earnings of the ACCENTRO Group. This goes above all for regulatory measures affecting the market in Berlin, such as the rent cap decreed by the Senate of Berlin in early 2020.

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 measures that involve portfolios acquired by the ACCENTRO Group, for instance in the context of modernisations.

Other Influencing Factors

In addition to the risks outlined above, there are general influences that are unforeseeable and therefore hard to control. These include, without being limited to, political changes, social influences and risk factors such as pandemics, natural disasters or terrorist attacks. Such influences could adversely affect the economic situation and indirectly impair the further economic performance of the ACCENTRO Group.

Assessment of the Overall Risk

With the premature redemption of the corporate bond with a nominal value of EUR 100 million and the placement of a new three-year bond over EUR 250 million in February 2020, ACCENTRO successfully continued to expand its capital market-based financing. Doing so has noticeably improved the risk situation of the ACCENTRO Group in regard to financing. Owing to the persistently favourable market environment and the bright marketing prospects, ACCENTRO Group as a going concern is exposed to no discernible risks at this time. For our own planning purposes, it is therefore assumed that we will continue to operate successfully on the market. That being said, the increasing number of government interventions on the market have increased the risk profile over that of the past years.

Opportunities Created for Future Developments

Meanwhile, the ACCENTRO Group continued to expand its trading portfolio by acquiring new real estate during the 2019 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, and even the holiday islands on the Baltic seaboard. Especially its strong position in Berlin continues to present an opportunity for ACCENTRO AG to exploit the still exceptional dynamic of Berlin's housing market. From ACCENTRO's point of view, the continued zoning of historic district protection areas in Berlin, paired with the rent cap, presents opportunities along with the threats. Investors with a short-term horizon could be forced by the poor rental upside potential to divest themselves of their real estate holdings. ACCENTRO expects real estate prices to deteriorate in historic district protection areas, a situation that could translate into buying opportunities.

The sales activities are to be expanded in the new-build residential segment. To this end, the expansion of collaborative ventures with mid-market developers is to be intensified.

The Gehrensee project, in which we are involved via the Belle-Époque joint venture, represents a significant project in housing policy terms because of the large number of residential units it will deliver, and presents an opportunity for ACCENTRO to earn a high share of the project profits. As the construction project progresses, ACCENTRO will start generating income even ahead of the project completion.

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 future.

Overall Assessment

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 investments or (in the case of owner-occupiers) as components of private pension plans. 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.

MANAGEMENT REPORT

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

The financial risk management of the ACCENTRO Group focuses on controlling and limiting the financial risks arising from its operating activities. The underlying idea is essentially to counteract significant bad-debt losses that could jeopardise the economic development of the Company. Another objective of financial risk management is to ensure optimised Group financing. A permanently adequate provision of the Company with financial resources is monitored by a continuous supervision of its rolling cash plan.

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 safeguard the adequacy of the financial reporting in the consolidated financial statements, the Group Management Report and the quarterly reports, ACCENTRO AG has integrated preventive and monitoring control measures for accounting and accounting-related business processes into its internal control system (ICS). Such measures include, without being limited to, a segregation of functions, predefined approval principles and systems-based procedures for processing accounting-related data. Essential organisational measures are detailed in an ICS manual that specifies the core business processes of the Company. If necessary, third-party advisers are brought in to address special aspects of financial accounting processes.

To improve the effectiveness of its business processes, the Group of ACCENTRO AG has implemented an internal audit system managed by a third-party service provider. 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 2019 financial year, and another two internal audits are currently in preparation for the 2020 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 that is done by the parent Company. The separate IFRS accounts of the companies included in the consolidation for the Group accounting process are reviewed by various experts at the parent Company before being reconciled with the Group's financial statements.

MANAGEMENT REPORT

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

The legal managing and representative body of ACCENTRO AG is the Management Board. The composition of the Management Board and the appointment of its members are based on Sections 76, 84 and 85, AktG, in conjunction with Sec. 6 of the Company's Articles of Association. According to these, the Management Board is composed of one or several members. The number of board members is defined by the Supervisory Board. The Supervisory Board may appoint up to five members and appoint one of these members as chairman of the board. At the moment, the Company's Management Board consists of just one person.

In accordance with Sec. 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 to be principally passed pursuant to the provisions of Sec. 84, AktG. The Supervisory Board may revoke the appointment of a member of the Management Board for good cause before the end of his or her term of office.

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

Amendment of the Articles of Association

In accordance with Sec. 179, AktG, any amendment to the Articles of Association requires a resolution by the 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, Articles of Association.

Pursuant to Sections 133 and 179, AktG, in combination with Sec. 15, 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.

The Company's Articles of Association so far in effect were revised in their entirety by resolution of the Annual General Meeting on 14 May 2019.

Capital Structure

Share Capital
The subscribed capital (share capital) of ACCENTRO Real Estate AG amounted to EUR 32,437,934.00 as of 31 December 2019. It breaks down into 32,437,934 no-par value bearer shares. The Group does not issue different classes of shares.

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 contingent 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, with the approval of the Supervisory Board, to deny the statutory subscription right to shareholders 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 preemptive 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 2019 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)

On 14 May 2019, 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.

Contingent Capital 2019

The share capital is conditionally increased by up to EUR 14,418,967.00 by issuing up to 14,418,967 new no-par value bearer shares carrying dividend rights from the beginning of the financial year in which they are issued (Contingent Capital 2019). The funds raised via the contingent capital increase are used to service debenture bonds issued on the basis of the authorisation resolution of the Annual General Meeting of 15 May 2018 under agenda item 8.

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). With part amounts drawn down, only EUR 13,038,967 are left of the Authorised Capital 2018. While shareholders principally have a subscription right, it can be excluded in whole or in part with the Supervisory Board's approval. 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.

During the 2019 financial year, the Management Board did not take advantage of its authorisation to increase the capital stock by drawing on the Authorised Capital 2018.

Transfer and Voting Right Restrictions

As of the balance sheet date, the shares of ACCENTRO AG are not subject to any voting right restrictions neither under applicable law nor under the Articles of Association. All no-par value shares that the Company issued as of 31 December 2019 carry full voting rights and grant one vote each at the Annual General Meeting.

Share Buyback for Issuance of Employee Shares

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).

Equity Investments Exceeding 10% of the Voting Rights

On 31 December 2019, the following direct and indirect interest in the capital of ACCENTRO Real Estate AG exceeded the threshold of 10.00% of voting rights:

Natig Ganiyev, holding an interest of 83.31% via the Brookline Real Estate S.à r.l., Luxembourg.

Impacts of Potential Takeover Bids

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 be triggered 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 TEUR 161,782 were subject to change-of-control provisions.

Convertible Bond
In addition to financing agreements, the corporate bond 2018/2021 with an outstanding nominal value of EUR 100 million as of the balance sheet date that was issued by ACCENTRO AG contains a change-of-control provision. Bondholders wishing to intervene have the option to demand premature 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.

MANAGEMENT REPORT

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

The Corporate Governance Statement pursuant to Sections 289f, 315, HGB, is published annually on the Company's homepage and retrievable via this hyperlink:
www.accentro.ag/en/investor-relations/corporate-governance/declaration-of-compliance

MANAGEMENT REPORT
8 Remuneration Report

The service contract with CEO Jacopo Mingazzini effective during the 2019 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 AG'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 three years, out of which total TEUR 400 had to be deferred during the 2019 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 out-of-pocket expenses, the members of the Supervisory Board receive a fixed annual remuneration for each full financial year served on the Supervisory Board.

The total remuneration and the individual remuneration of the members of the executive bodies are listed in the notes to the consolidated financial statements and in the Corporate Governance Report.

MANAGEMENT REPORT

9 Closing Statement of the Management Board on the Dependency Report

The report on relations with associates 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 associates. ACCENTRO Real Estate AG has not been disadvantaged by measures taken or omitted at the instigation or in the interest of the controlling company or an associate.

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

Berlin, 18 March 2020

Jacopo Mingazzini
Management Board

Consolidated Financial Statements

03

Condominiums Schöneiche near Berlin
Käthe-Kollwitz-Str.

Consolidated Balance Sheet

as of 31 December 2019*

ACCENTRO Real Estate AG	Notes	31 Dec. 2019	31 Dec. 2018
Assets		**TEUR**	**TEUR**
Non-current assets			
Goodwill	5.1.1	17,776	17,776
Owner-occupied properties and buildings	5.1.2	24,083	23,366
Plant, equipment, EDP software and rights of use		917	355
Investment properties	5.2	34,452	0
Non-current trade receivables	5.3	0	2,357
Non-current other receivables and other assets	5.1.3	14,773	28,814
Equity investments	5.1.6	5,615	4,231
Equity interests accounted for using the equity method	5.1.5	3,640	3,518
Deferred tax assets	5.12	1,251	692
Total non-current assets		**102,508**	**81,109**
Current assets			
Inventory properties	5.3	416,573	345,241
Contract assets	5.4	1,252	0
Trade receivables	5.5	10,566	18,607
Other receivables and other current assets	5.5	24,820	12,709
Current income tax receivables		873	1,074
Cash and cash equivalents	5.6	24,167	15,464
Total current assets		**478,250**	**393,096**
Total assets		**580,757**	**474,205**

* Adding the values of the individual line items may result in minor differences compared to the sum totals posted.

Consolidated Balance Sheet

as of 31 December 2019*

ACCENTRO Real Estate AG	Notes	31 Dec. 2019	31 Dec. 2018
Equity		**TEUR**	**TEUR**
Subscribed capital	5.7	32,438	32,431
Capital reserves	5.7	78,684	78,433
Retained earnings	5.7	107,561	86,284
Attributable to parent company shareholders		218,682	197,149
Attributable to non-controlling interest	5.1.4	2,128	1,956
Total equity		**220,811**	**199,104**

Liabilities		**TEUR**	**TEUR**
Non-current liabilities			
Provisions	5.9	46	18
Financial liabilities	5.8	114,474	76,773
Bonds	5.8	99,235	98,561
Deferred income tax liabilities	5.12	2,164	1,080
Total non-current liabilities		**215,919**	**176,431**
Current liabilities			
Provisions	5.9	882	843
Financial liabilities	5.8	102,368	54,357
Bonds	5.8	1,563	1,563
Advanced payments received	5.10	6,979	7,033
Current income tax liabilities	5.11	12,910	13,261
Trade payables	5.10	6,196	4,816
Other liabilities	5.10	13,130	16,798
Total current liabilities		**144,028**	**98,669**
Total equity and liabilities		**580,757**	**474,205**

* Adding the values of the individual line items may result in minor differences compared to the sum totals posted.

Consolidated Income Statement

for the Financial Year Beginning on 1 January and Ending on 31 December 2019*

ACCENTRO Real Estate AG	Notes	1 Jan. 2019–31 Dec. 2019	1 Jan. 2018–31 Dec. 2018
		TEUR	TEUR
Group sales		**143,274**	**205,609**
Revenues from sales of inventory properties	5.13	129,503	194,009
Expenses from sales of inventory properties	5.14	–99,661	–160,924
Capital gains from property sales		**29,841**	**33,085**
Letting revenues	5.13	10,261	8,806
Letting expenses	5.14	–3,743	–2,676
Net rental income		**6,518**	**6,130**
Revenues from services	5.13	3,510	2,794
Expenses from services	5.14	–1,147	–511
Net service income		**2,363**	**2,282**
Net income from companies accounted for using the equity method	**5.1.5**	**1,244**	**2**
Other operating income	5.17	1,207	1,663
Interim result		**41,174**	**43,162**
Gain or loss on fair value adjustments of investment properties		**11,399**	**0**
Payroll and benefit costs	5.15	–5,835	–4,613
Depreciation and amortisation of intangible assets and property, plant and equipment		–731	–349
Impairments of inventories and accounts receivable	5.16	–123	–205
Other operating expenses	5.17	–6,079	–5,131
EBIT (earnings before interest and income taxes)		**39,804**	**32,864**
Income from equity investments	5.1.6	36	36
Interest income		4,854	944
Interest expenses		–12,207	–9,869
Net interest result		**–7,353**	**–8,924**
EBT (earnings before income taxes)		**32,488**	**23,975**
Income taxes	5.18	–6,189	–5,675
Consolidated income		**26,299**	**18,301**
thereof attributable to non-controlling interests		–168	103
thereof attributable to shareholders of the parent company		26,467	18,197

Continued on page 67

* Adding the values of the individual line items may result in minor differences compared to the sum totals posted.

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ACCENTRO Real Estate AG	Notes	1 Jan. 2019– 31 Dec. 2019	1 Jan. 2018– 31 Dec. 2018
Earnings per Share (Comprehensive Income)		EUR	EUR
unweighted			
Basic net income per share (32,431,047 shares; prior year: 32,431,047 shares)	5.19	0.81	0.56
weighted			
Basic net income per share (32,431,047 shares; prior year: 30,711,986 shares)	5.19	0.81	0.60
Diluted net income per share (32,431,047 shares; prior year: 30,711,986 shares)	5.19	0.81	0.60

Consolidated Cash Flow Statement

for the Financial Year Beginning on 1 January and Ending on 31 December 2019

	ACCENTRO Real Estate AG	Notes	1 Jan. 2019–31 Dec. 2019	1 Jan. 2018–31 Dec. 2018
			TEUR	TEUR
	Consolidated income		26,299	18,301
+	Depreciation/amortisation of non-current assets		731	349
–/+	At-equity earnings / net income from investments		–1,280	–38
+/–	Increase/decrease in provisions		67	–1,428
+/–	Changes in the fair value of investment property		–11,399	0
+/–	Other non-cash expenses/income		–7,759	18,149
–/+	Increase/decrease in trade receivables and other assets that are not attributable to investing or financing activities		10,398	–18,131
+/–	Increase/decrease in trade payables and other liabilities that are not attributable to investing or financing activities		–8,600	–9,638
+	Cash received from distributions/ sales of shares consolidated at equity		1,091	86
+/–	Other income tax payments		–5,152	–8,299
=	**Operating cash flow before de-/reinvestments in inventory properties**	**5.20**	**4,397**	**–649**
–/+	Cash investments in inventory properties (net after assumption of debt, some without cash effect)	5.20	–80,062	–47,697
=	**Cash flow from operating activities**	**5.20**	**–75,665**	**–48,346**
+	Interest received		384	0
–	Cash outflows for investments in intangible assets		–60	–121
–	Cash outflows for investments in property, plant and equipment		–1,625	–23,612
–	Cash outflows for investments in non-current assets		–248	–9,689
–	Disbursements of loans granted		–1,863	–17,867
+	Repayment of loans granted		5,822	0
=	**Cash flow from investment activities**	**5.20**	**2,411**	**–51,290**

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	ACCENTRO Real Estate AG	Notes	1 Jan. 2019– 31 Dec. 2019	1 Jan. 2018– 31 Dec. 2018
			TEUR	TEUR
+	Payments made by shareholders		0	19,426
–	Dividend payments to shareholders		–5,190	–5,154
+	Payments from issuing bonds and raising (financial) loans	5.20	127,511	164,056
–	Repayment of bonds and (financial) loans	5.20	–34,171	–62,447
–	Interest paid		–7,132	–4,470
=	**Cash flow from financing activities**	**5.20**	**81,017**	**111,410**
	Net change in cash and cash equivalents		7,763	11,774
+/–	Increase/Decrease in cash and cash equivalents from investments in / disposal of fully consolidated companies		–297	–3,943
+/–	Change in restricted cash and cash equivalents / adjustment of cash and cash equivalents		1,237	1,091
+	Cash and cash equivalents at the beginning of the period		15,464	6,541
=	**Cash and cash equivalents at the end of the period**	**5.20**	**24,167**	**15,464**

Consolidated Statement of Changes in Equity

for the Financial Year Beginning on 1 January and Ending on 31 December 2019*

ACCENTRO Real Estate AG	Subscribed capital	Capital reserve	Retained earnings	Attributable to parent company shareholders	Non-controlling interests	Total
	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR
As of 1 January 2019	**32,431**	**78,433**	**86,284**	**197,148**	**1,956**	**199,104**
Total consolidated income	–	–	26,467	26,467	–168	26,299
Changes in non-controlling interests	–	–	–	–	341	341
Dividend payments	–	–	–5,190	–5,190	–	–5,190
Subsequent costs of 2018 cash capital increase	–	–41	–	–41	–	–41
Stock option compensation	–	231	–	231	–	231
Purchase of company shares	7	60	–	67	–	67
As of 31 December 2019	**32,438**	**78,684**	**107,561**	**218,683**	**2,128**	**220,811**

* Adding the values of the individual line items may result in minor differences compared to the sum totals posted.

Consolidated Statement of Changes in Equity

for the Financial Year Beginning on 1 January and Ending on 31 December 2018

ACCENTRO Real Estate AG	Sub-scribed capital	Capital reserve	Retained earnings	Attribut-able to parent company share-holders	Non-con-trolling interests	Total
	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR
As of 1 January 2018	**24,925**	**53,462**	**73,576**	**151,963**	**1,734**	**153,696**
Total consolidated income	–	–	18,197	18,197	103	18,301
Changes in non-controlling interests	–	–	–		118	118
Share purchases without change of status	–	–	–334	–334	–	–334
Convertible bonds converted	5,393	7,375	–	12,768	–	12,768
Dividend payments	–	–	–5,154	–5,154	–	–5,154
Cash capital increase	2,120	17,522	–	19,642	–	19,642
Stock option compensation	–	135	–	135	–	135
Repurchase of company shares	–7	–60	–	–67	–	–67
As of 31 December 2018	**32,431**	**78,433**	**86,284**	**197,148**	**1,956**	**199,104**

* Adding the values of the individual line items may result in minor differences compared to the sum totals posted.

Notes to the Consolidated Financial Statements

1 Basic Information

ACCENTRO Real Estate AG, together with its subsidiaries, is a listed real estate group whose core business consists in the trading of residential real estate within the framework of housing privatisations. Since December 2019, the Company's registered office has been Kantstr. 44/45 in 10625 Berlin, Germany. Its shares are admitted for trading to the Regulated Market (Prime Standard) of the Frankfurt Stock Exchange.

As of 31 December 2019, ACCENTRO Real Estate AG acts as the operating holding company for a number of property vehicles.

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).

The Management Board is expected to release these consolidated financial statements for publication after the Supervisory Board meeting on 18 March 2020.

All amounts posted in the balance sheet, income statement, statement of changes in equity, and cash flow statement, as well as in the notes and tabular overviews, are quoted in thousands of euros (TEUR), unless otherwise noted. The functional currency is the euro (EUR); there are no significant foreign currency transactions. Both individual and total figures represent the value with the smallest rounding difference. Adding the values of the individual line items may result in minor differences compared to the reported totals.

2 Significant Accounting Policies

Outlined below are significant accounting policies underlying these financial statements.

2.1 Principles

The consolidated financial statements for the 2019 financial year of ACCENTRO Real Estate AG were prepared in accordance with the international accounting standards in the form of the International Financial Reporting Standards (IFRS) adopted and published by the International Accounting Standards Board (IASB) as required in the European Union for capital market-oriented companies.

The requirements of the IFRS whose application is mandatory in the EU were met in full, and provide a true and fair account of the net assets, financial position and results of operations of the ACCENTRO Group.

Individual items in the balance sheet have been combined to enhance the clarity of presentation. These items are elaborated in the notes.

The financial years of the parent company, its subsidiaries, and its associates coincide with the respective calendar years. The financial statements of the subsidiaries are uniformly compiled according to the same accounting policies.

The income statement is compiled in accordance with the nature of expense method and includes industry-standard drilldowns.

It was decided not to include a statement of comprehensive income because there are no other effects recognised directly in equity that should be posted with the other comprehensive income.

The accounting methods employed in the consolidated financial statements are the same as those on which the consolidated financial statements as of 31 December 2018 were based, except for certain changes as explained below.

Accounting Guidance Applied for the First Time during the Financial Year

IFRS 16 – Leases

The new accounting standard IFRS 16 "Leases" was applied for the first time by the ACCENTRO Group as of 1 January 2019. IFRS 16 specifies an accounting model that requires lessees to recognise all rights to use the underlying assets ("right-of-use assets") and liabilities arising from lease agreements in their balance sheets. For lessors, the accounting model does not differ significantly from that specified in IAS 17 "Leases," i.e. lessors continue to classify leases as finance leases or operating leases. The ACCENTRO Group has continued to classify the leases it entered into as lessor (in particular the letting of residential accommodation) as operating leases.

Assets and liabilities are reported on the basis of their economic content among the items "property, plant and equipment" and "accounts payable" already recognised in the balance sheet.

Within the ACCENTRO Group, IFRS 16 was applied for the first time according to the modified retrospective method. This means that the ACCENTRO Group measures the lease liabilities arising from operating leases with a remaining term of more than twelve months by recognising the cash value of the remaining lease payments while taking into account the incremental borrowing rate of 3.75% as of 1 January 2019. The capitalised right of use was recognised as of 1 January 2019 in the same amount as the lease liability, so that the initial recognition of all leases had no effect on equity. The Group takes advantage of a simplification provision in IFRS 16 and presents neither leases with remaining terms of less than 12 months nor low-value leasing agreements with a transaction price of less than EUR 5,000.

In the context of its transition to IFRS 16, the Group decided to apply the relief provision permitting it to assess at its discretion which transactions represent leases. The Group applies IFRS 16 solely to agreements that had previously been identified as leases. Agreements not identified as leases under IAS 17 and IFRIC 4 were not reviewed for the purpose of determining whether they qualify as leases under IFRS 16. This means that the definition of a lease in accordance with IFRS 16 was only applied to agreements concluded or amended on or after 1 January 2019.

The Group enters into lease agreements particularly for office accommodation, motor vehicles and technical equipment. When recognising leasing liabilities, the ACCENTRO Group took renewal options and break options into account whenever it was reasonably safe to assume that these options would be exercised in future. The ACCENTRO Group principally recognises non-leasing components such as service deliverables separately from lease payments.

As a result of applying IFRS 16, the total assets as of 1 January 2019 increased only insignificantly by around EUR 170,000 due to the addition of assets for rights to use leased assets and lease liabilities.

The depreciation expense recognised in income equals TEUR 81 for the 2019 financial year.

Based on the cumulative minimum lease payments as of 31 December 2018, the opening balance sheet value of the lease liabilities as of 1 January 2019 is reconciled as follows:

	TEUR
Cumulative minimum lease payments as of 31 December 2018	503
Application simplification for short-term and low-value leases	–332
Gross lease liabilities as of 1 January 2019	171
Discounting	1
Present value of lease liabilities as of 1 January 2019	**170**

The expense from short-term leases and leases with low-value assets amounted to TEUR 377 during the 2019 financial year.

The Group rents out its investment properties, and has classified these leases as operating leases.

During the time of transition to IFRS 16, the Group is not yet required to make adjustments for leases in which it is the lessor, excepting subleases.

The Group applied IFRS 15 "Revenue from Contracts with Customers" in order to distribute the contractually agreed remuneration among the various leasing and non-leasing components.

The first-time application of IFRS 16 had no material effect on ACCENTRO's accounting in its role as lessor.

Amendments to IAS 28 – "Non-Current Investments in Associates and Joint Ventures"

The introduction of IAS 28.14A clarified that the application of IFRS 9, including its impairment provisions, to the long-term and equity-replacing financing of associates and joint ventures that are not accounted for using the equity method should be done before any pro-rata loss equal to or exceeding the carrying amount of the investment is recognised, and before the impairment provisions under IAS 28.38 are applied. In its consolidated financial statements, ACCENTRO recognises loans that are affected by this clarification. That said, the clarification had no effect as of 1 January 2019.

Amendments to IFRS 9 – "Financial Instruments"

The amendments to IFRS 9 "Financial Assets with a Negative Prepayment Penalty" and to IAS 19 "Plan Amendment, Curtailment or Settlement," the amendments to the "Annual Improvement Projects 2015-2017" and IFRIC 23 "Accounting for Uncertainties in Income Taxes" had no ramifications for the Group.

New Standards and Interpretations not yet Mandatory

The following new or amended standards or interpretations have already been adopted by the IASB but are not yet mandatory or have not yet been transcribed into European law. The ACCENTRO Group refrained from applying any of these rules and regulations prematurely.

- IFRS 17 "Insurance Contracts": application mandatory for financial years beginning on 1 January 2021 or thereafter
- Amendments to IFRS 10 and IAS 28 ("Sale or contribution of assets between an Investor and its associate or joint venture"): first-time adoption postponed indefinitely
- Amendments to IFRS 3 ("Definition of a Business Operation"): application mandatory for financial years beginning on 1 January 2020 or thereafter
- Amendments to IAS 1 and IAS 8 ("Definition of Material"): application mandatory for financial years beginning on 1 January 2020 or thereafter
- Financial reporting framework (reference to the financial reporting framework in the IFRS standards): mandatory for financial years beginning on or after 1 January 2020
- Amendments to IFRS 9, IAS 39 and IFRS 7 ("Interest Rate Benchmark Reform"): application mandatory for financial years beginning on 1 January 2020 or thereafter

With regard to IFRS 17, as well as to the amendments to IFRS 10 and IAS 28, IAS 1 and IAS 8, IFRS 3 and the framework, an EU endorsement is still pending at this time. But it is safe to say that its application is unlikely to require any major adjustments to the Group's accounting.

2.2 Consolidation

a) Principles for Determining the Entities to be Included in Consolidation

The consolidated financial statements present the parent Company, ACCENTRO Real Estate AG, and the subsidiaries that it controls and that are included in the basis of consolidation as one economic entity (IFRS 10).

A controlling interest in a subsidiary is given whenever ACCENTRO Real Estate AG benefits from variable returns from its commitment in the company or is entitled to such returns, and has the power to control the returns through its decision-making authority over the company. Whether or not ACCENTRO Real Estate AG has decision-making authority over a given company is determined on the basis of that company's relevant activities and the influencing competencies of ACCENTRO Real Estate AG. The assessment considers voting rights as well as other contractual rights to control relevant activities, provided no economic or other obstacles stand in the way of exercising the existing rights. Decision-making authority based on voting rights is vested in ACCENTRO Real Estate AG if the latter holds, due to equity instruments or contractual agreements, more than 50% of the voting rights and if this share of the voting rights comes with robust decision-making authority in regard to the relevant activities. Subsidiaries are fully consolidated as of the date on which the Group acquires a controlling interest in the respective company. They are subject to final consolidation whenever the control ceases.

Subsidiaries also principally include structured entities that are controlled by ACCENTRO Real Estate AG. Structured entities are entities where the assessment of control is dominated by factors other than voting rights or similar rights. There are currently two structured entities that the Group factually controls without having a voting rights majority. These represent property vehicles whose privatisation process and financing arrangements were supervised and controlled by the ACCENTRO Group, so that the ACCENTRO Group participated definitively in variable returns.

b) Subsidiaries

The Consolidated Financial Statements include all subsidiaries of ACCENTRO Real Estate AG. For a schedule of all companies included, see section 2.2e. All the subsidiaries were fully consolidated and are included in the consolidated financial statements of ACCENTRO Real Estate AG.

Acquired companies are recognised using the purchase method pursuant to IFRS 3 whenever the acquired company represents a business operation. In case the acquired company does not represent a business operation, it is consolidated pursuant to IFRS 10 as an acquisition of assets and liabilities. The decisive criterion for the qualification of an acquired company as a business operation is generally the question of whether human resources will be taken over.

Interests in the subsidiary's equity that are held by other partners are recognised among the Group's equity as shares without controlling influence, unless they represent shares in consolidated trading partnerships held by third-party shareholders. Non-controlling ownership interests in subsidiaries and the resulting profits or losses as well as the summarised financial information of subsidiaries with significant but non-controlling interests are disclosed in section 5.1.4.

The recognition and measurement methods of subsidiaries are applied uniformly throughout the Group while expenses, income, liabilities and capital are consolidated.

c) Joint Ventures

Joint arrangements (IFRS 11) are based on contractual agreements between two or more parties, and serve in turn as basis for a business activity that is subject to joint control by these parties. Joint control is established whenever the parties need to cooperate in order to control the relevant activities of the joint arrangement, and whenever decisions require the unanimous consent of the participating parties. In a joint arrangement taking the form of a joint venture, the parties that exercise joint control have rights to the net assets of the arrangement and obligations for the liabilities thereof.

The consolidated financial statements of ACCENTRO Real Estate AG include seven joint ventures (previous year: six) which are recognised using the equity method pursuant to IAS 28.

d) Associates

Associates are entities over which ACCENTRO Real Estate AG has significant but not controlling influence, be it directly or indirectly through subsidiaries. The term "significant influence" refers to the power to participate in the financial and operating policy decisions of another entity without controlling it. Significant influence principally exists if ACCENTRO Real Estate AG in its role as investor holds at least 20% of the entity's voting rights, be it directly or indirectly through subsidiaries.

Investments in associates and joint ventures that are of significance for the Group's assets, financial and earnings position are taken into account in the consolidated financial statements using the equity method. Disclosures on the risks associated with the interests that ACCENTRO Real Estate AG holds in joint ventures and associates are posted along with summarised financial information on these entities in section 5.1.5. The summarised financial information for joint ventures and associates that are, on an individual basis, immaterial are presented in aggregate form.

ACCENTRO Real Estate AG invests in joint ventures or associates primarily for operational reasons. The idea is often to acquire a stake in a housing privatisation process. Given the analogy to the company's primary operating activities, the result from at-equity investments is allocated to the cash flow from operations while the at-equity earnings are included in EBIT.

In conjunction with the at-equity consolidation, the recognition and measurement methods are adapted to uniform group accounting and valuation methods. This includes, inter alia, the capitalisation of borrowing costs for project developments tied up in associates and the classification of real estate as investment properties in accordance with IAS 40.

e) Consolidated Group

In the time since 31 December 2018, the consolidated group was subject to the following changes:

	Subsidiaries	Joint Ventures
	Number	Number
As of 1 January	**30**	**6**
Acquisitions	4	2
Start-ups	5	0
Mergers/amalgamations/deletions	1	0
Disposals	3	1
As of 31 December	**35**	**7**

During the 2019 financial year, the interests in three subsidiaries were sold, these being ACCENTRO 18. Wohneigentum GmbH, ACCENTRO 5. Wohneigentum GmbH, and MBG 2. Sachsen GmbH. Inversely, the company ACCENTRO Binz GmbH was acquired during Q1 2019 while the companies Düsseldorfer Straße 68-69 Projektgesellschaft mbH, Wintersteinstraße 7, 9 Liegenschaften 1 GmbH, and Wintersteinstraße 9 Liegenschaften 2 GmbH were acquired during Q2 2019. Another five new subsidiaries were formed during Q2 and Q4 2019.

One of the six joint ventures, Havelländer Rosenensemble GmbH, was sold while another Phoenix F1 Neubrandenburgstrasse GmbH, was merged. In addition, another two joint ventures were acquired.

Listed below are the companies integrated in the Group in addition to ACCENTRO Real Estate AG.

List of Equity Interests in Subsidiaries in Which Either ACCENTRO Real Estate AG or One of Its Subsidiaries Holds a Majority of the Capital Shares

Company	Domicile	31 Dec. 2019 Interest in net assets (in %)*	31 Dec. 2018 Interest in net assets (in %)*
ACCENTRO 2. Wohneigentum GmbH**	Berlin	100	100
ACCENTRO 6. Wohneigentum GmbH	Berlin	100	100
ACCENTRO 11. Wohneigentum GmbH**	Berlin	100	100
ACCENTRO 16. Wohneigentum GmbH**	Berlin	100	100
ACCENTRO 17. Wohneigentum GmbH**	Berlin	100	100
ACCENTRO 20. Wohneigentum GmbH (set up in Q4 2019)	Berlin	100	–
ACCENTRO 21. Wohneigentum GmbH (set up in Q4 2019)	Berlin	100	–
ACCENTRO 22. Wohneigentum GmbH (set up in Q4 2019)	Berlin	100	–
ACCENTRO Bayern GmbH** (formerly ACCENTRO 19. Wohneigentum GmbH)	Berlin	100	100
ACCENTRO Wohneigentum GmbH**	Berlin	100	100
ACCENTRO GmbH**	Berlin	100	100
ACCENTRO Verwaltungs GmbH**	Berlin	100	100
ACCENTRO Sachsen GmbH** (formerly ACCENTRO 8. Wohneigentum GmbH)	Berlin	100	100
ESTAVIS Wohneigentum GmbH**	Berlin	100	100
Estavis 43. Wohnen GmbH & Co. KG	Berlin	100	100
Quartier Danziger Straße 143 GmbH (set up in Q2 2019)	Berlin	100	–
Quartier Hasenheide GmbH**	Berlin	100	100
Quartier Dietzgenstraße GmbH** (set up in Q2 2019)	Berlin	100	–
Koppenstraße Wohneigentum GmbH**	Berlin	100	100
Kantstr. 44, 45 Verwaltungsgesellschaft mbH**	Berlin	100	100
Riehmers Dachgeschoss Grundbesitz GmbH**	Berlin	100	100
Riehmers Hofgarten Grundbesitz GmbH**	Berlin	100	100

* The disclosures in this table comply with the provisions of the German Commercial Code (HGB).
** The company takes advantage of the exemption pursuant to Sec. 264 Art. 3, German Commercial Code (HGB) (preparation, disclosure and audit).

List of Equity Interests in Subsidiaries in Which Either ACCENTRO Real Estate AG or One of Its Subsidiaries Holds a Majority of the Capital Shares

Company	Domicile	31 Dec. 2019 Interest in net assets (in %)*	31 Dec. 2018 Interest in net assets (in %)*
Subsidiaries with Non-Controlling Interests			
Uhlandstraße 79 Immobilien GmbH	Berlin	50% + 1 vote	50% + 1 vote
ESTAVIS Beteiligungs GmbH & Co. KG	Berlin	94	94
Kantstraße 130b/Leibnizstraße 36, 36a GbR	Berlin	38.4	38.4
Kantstraße 130b/Leibnizstraße 36, 36a Immobilien Gesellschaft mbH	Berlin	40.8	40.8
Johanniterstr. 3-6 Liegenschaften GmbH	Berlin	80	80
ACCENTRO Rhein-Ruhr GmbH**	Oberhausen	75	75
ACCENTRO 2. Sachsen GmbH**	Berlin	50.1	49.9
GeSoNa Verwaltungs GmbH & Co. Hermannstraße KG	Berlin	73.1	69.8
GeSoNa Verwaltungs GmbH	Berlin	67.3	64.2
ACCENTRO Binz GmbH** (acquired in Q1 2019)	Berlin	94.9	–
Düsseldorfer Straße 68-69 Projektgesellschaft mbH** (acquired in Q2 2019)	Berlin	89.9	–
Wintersteinstraße 7, 9 Liegenschaften 1 GmbH** (acquired in Q2 2019)	Berlin	94.9	–
Wintersteinstraße 7, 9 Liegenschaften 2 GmbH** (acquired in Q2 2019)	Berlin	89.9	–
Companies Derecognised during the Financial Year			
ACCENTRO 18. Wohneigentum GmbH	Berlin	–	100
ACCENTRO 5. Wohneigentum GmbH	Berlin	–	100
MBG 2. Sachsen GmbH	Berlin	–	100

* The disclosures in this table comply with the provisions of the German Commercial Code (HGB).
** The company takes advantage of the exemption pursuant to Sec. 264 Art. 3, German Commercial Code (HGB) (preparation, disclosure and audit).

List of Equity Interests Accounted for Using the Equity Method

Company	Domicile	31 Dec. 2019 Interest in net assets (in %)*	31 Dec. 2018 Interest in net assets (in %)*
Wohneigentum Berlin GbR (Joint Venture)	Berlin	33.33	33.33
Urbanstraße 5 Projekt GmbH (Joint Venture)	Berlin	44	44
Gutshof Dahlewitz 1 GmbH (Joint Venture)	Berlin	44	44
Gutshof Dahlewitz 2 GmbH (Joint Venture)	Berlin	44	44
Belle Époque Quartier Gehrensee GmbH (formerly ACCENTRO Gehrensee GmbH, Joint Venture)	Berlin	25	25
Düne 38 Projektentwicklungs GmbH (acquired in Q4 2019)	Berlin	44	–
SHG Basdorfer Gärten BF6 Liegenschaften GmbH (acquired in Q4 2019)	Berlin	49	–

* For explanatory notes, see section 5.1.5

2.3 Segment Reporting

The internal reporting to the ACCENTRO Real Estate AG Management Board, which is the highest management body as defined by IFRS (management approach) includes no drilldowns by regions or segments. The Group trades solely with real estate located in Germany. Therefore, no geographical segmentation has been undertaken. Although individual sales could generate the equivalent of 10% of the sales proceeds of a financial year with a single customer, this would not constitute a dependence within the meaning of IFRS 8.

2.4 Fair Value

Under IFRS 13, fair value is defined as the price at which an asset could be exchanged within the framework of an arm's-length transaction between knowledgeable, willing and independent market participants under current market conditions at the measurement date. The fair value may be determined using either the market-based approach, the cost-based approach, or the income-based approach. The fair value measurement maximises the use of definitive observable market-based inputs while minimising the use of unobservable inputs.

The measurement hierarchy divides into the following levels of inputs:

- Level 1: Quoted (unadjusted) prices on active markets for identical assets and liabilities, assuming the entity has access to these active markets at the measurement date (IFRS 13 – Appendix A, IFRS 13.76)
- Level 2: Directly or indirectly observable inputs not included within Level 1 (IFRS 13 – Appendix A, IFRS 13.81)
- Level 3: Unobservable inputs (IFRS 13 – Appendix A, IFRS 13.86)

If the various inputs are categorised into different levels of the fair value hierarchy, they are broken up into significant and insignificant inputs in the first step of the measurement process. Next, the fair value measurement is categorised in its entirety on the level of the lowest level input that is deemed significant to the entire measurement (IFRS 13.73ff.).

2.5 Impairment of Assets

The goodwill is reviewed at least once a year, and moreover whenever events or indicators suggest a possible impairment. Owner-occupied properties and buildings, other plant and equipment and intangible assets that are subject to depreciation or amortisation are tested for impairments whenever events or indicators suggest that their carrying value may not be recoverable. Impairment losses are recognised in the amount by which the carrying value of an asset exceeds its recoverable amount. The latter corresponds to the higher amount, derived from the fair value of the asset less the costs of disposal, and the discounted net cash flow from its continued use (value in use). In order to determine impairment, assets are combined at the lowest level to form cash-generating units for which cash flows can be identified largely independently from the rest of the company. Goodwill impairment is determined at the level of the cash generating unit to which the respective goodwill is allocated.

If the reasons for impairment no longer apply, impairment losses can be reversed up to a maximum of the amortised cost of the respective asset. Goodwill impairment losses may not be reversed.

2.6 Owner-Occupied Properties and Buildings

Plots and buildings are recognised at cost value or production costs less accumulated depreciation and accumulated impairment losses. Subsequent acquisition costs are recognised whenever economic benefits associated with property, plant or equipment are likely to accrue for the Group in the future. Scheduled straight-line depreciation is based on the estimated useful lives of the assets. The useful life of the office building is assumed to be 33 years. Depreciation is recognised in the consolidated income statement. The carrying amounts of property, plant and equipment are checked for impairment whenever there is an indication that the carrying amount of an asset may exceed its recoverable amount.

2.7 Financial Instruments

2.7.1 Financial Assets

Acquisitions and dispositions of financial assets are aggregated as of the settlement date. These are recognised at their fair value at the time added while taking directly attributable transaction costs into account, unless they are recognised in income at fair value. The ACCENTRO Group currently only recognises loans and receivables that are measured at cost. Changes in the fair value of any financial assets carried at fair value (in particular investments) are recognised directly in equity with no effect on net income. Dividends, on the other hand, are recognised at profit or loss.

ACCENTRO uses the so-called simplified impairment model in accordance with IFRS 9.5.5.15 and always calculates the impairment loss in the amount of the expected credit losses over the entire lifetime, taking into account collateral (e.g. in the case of sold real estate assets the outstanding land register transfer). As soon as it becomes apparent that a rental claim is uncollectable, the full amount will be derecognised in the income statement.

If the reasons for an impairment cease to apply, either in full or in part, the impairment is reversed up to a maximum of the amortised cost of the receivable and the amount of the reversal is recognised in income.

2.7.2 Financial Liabilities

On first-time recognition, financial liabilities other than derivatives are recognised at fair value less transaction costs. In subsequent periods, they are carried at amortised cost. Any differences between the amount disbursed (net transaction costs) and the settlement amount are recognised in income over the term of the respective liability in accordance with the effective interest method.

Financial liabilities are classified as current if the Group does not have an unconditional right to defer settlement of the liability by at least twelve months beyond the balance sheet date.

For the purpose of calculating the fair value, the expected future cash flow is discounted on the basis of a maturity-matched market interest rate. The individual attributes of the financial instruments being measured are taken into account using standard credit and liquidity spreads.

2.8 Investment Properties

In accordance with IAS 40, investment properties include any real estate that is held for the purpose of generating rental income and/or with a view to capital appreciation. The distinction between investment properties and inventory properties is made on the basis of set criteria using a decision matrix. Decision-making elements in this context include essentially the financing structure, possible (new-build) development potential, a short-term intention to sell and CAPEX requirements, while an overall assessment takes account of each factor. Investment property reporting is subject to the option either to use the cost model which recognises acquisition or production costs less scheduled depreciation and less necessary impairment losses, if any, or to use the measurement at fair value through profit or loss in accordance with the fair value model. Investment properties are recognised in accordance with the fair value model in the financial statements of the ACCENTRO Group. The fair value is determined by an independent surveyor using accepted valuation techniques while checking for, and taking account of, property development opportunities in the process.

2.9 Inventory Properties

The inventories of the ACCENTRO Group consist of real estate acquired for the purpose of reselling it. Initial recognition is measured at the acquisition costs or construction costs, as the case may be. In subsequent measurements, inventory properties are carried at their acquisition value or production costs and net realisable value, whichever is lower. The acquisition costs include the purchase price of the properties plus the directly attributable ancillary costs, such as estate agent fees, real estate transfer tax, notarial charges and the costs of the land registration. Refurbishment costs that result in a material improvement in the marketability of the properties are capitalised. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated sales costs going forward. In the context of share deal transactions, the acquisition costs are determined individually by adding the other net assets to the purchase price.

From time to time, the condominium retailing business necessitates a breakdown of the acquisition costs incurred by each flat during the property retailing process. The breakdown of the acquisition costs determines the gross profit resulting from the disposal of a given flat. The purchase price is broken down on the basis of the anticipated relative retail prices, the expectation being that the breakdown will show a constant margin for the flats. Accordingly, if a residential complex is acquired at a total consideration, the flats with the highest expected selling price in absolute terms are allocated the relatively highest share of the acquisition costs.

2.10 Cash and Cash Equivalents

Cash and cash equivalents are recorded at historical cost. For the purposes of the cash flow statement, cash and cash equivalents include cash on hand, demand deposits at banks and other short-term, highly liquid financial investments with a remaining term of three months or less at the time of their acquisition. Earmarked funds, e. g. purchase price portions that may only be used to repay loan obligations, are not included in cash and cash equivalents but are recognised under other receivables and other current assets.

2.11 Provisions

Provisions are recognised if the Company has a current legal or constructive obligation based on events in the past, if settlement of the obligation is likely to require an outflow of resources, and if the amount of the obligation can be accurately estimated. If the Company expects reimbursement of a deferred amount (for instance, due to an insurance policy), it recognises the reimbursement right as a separate asset, provided the reimbursement is virtually certain in the event of a claim under the obligation.

The Company recognises a provision for unprofitable business if the expected benefit from the contractual claim is less than the unavoidable costs of meeting the contractual obligation.

Provisions are measured at the probable outflow of resources. The measurement of non-current provisions includes discounting using a risk-adequate interest rate.

2.12 Deferred Taxes

Deferred income taxes are recognised using the liability method for temporary differences between the tax base of assets and liabilities and their IFRS carrying amounts in the balance sheet and for unused tax loss carryforwards. Deferred income taxes are generally determined using the statutory tax rate applicable on the balance sheet date for the respective date of reversal.

Deferred tax assets are recognised to the extent that future taxable profits are likely to be generated in future against which temporary differences or a loss carryforward can be offset.

Any changes in deferred taxes are principally recorded in the Income Statement. Exceptions to this include the addition in equity of deferred tax items as part of the purchase price allocation of company acquisitions and deferred tax items in connection with changes in value recognised as other comprehensive income, which are also recognised under "Other comprehensive income."

2.13 Revenue Recognition

Given the nature of the business model, privatisations that are not or only to an economically insignificant degree subject to a building obligation usually involve a single performance obligation under IFRS 15. Revenue from privatisation includes the amount invoiced for the sale of real estate held as inventory assets and is recognised upon transfer of control. This is generally the case when possession, benefits, duties and risks associated with the properties are transferred (e. g. public safety requirements). In the case of the sale of special purpose entities, this date is generally the date on which the transfer of the shares in the respective entity is completed. In some cases, obligations to carry out subsequent renovation or improvement work are negotiated as part of a given sale. Such cases involve a separable performance obligation, which is not realised until it has been fulfilled.

In 2019, the ACCENTRO Group stepped up its efforts to develop and sell attic apartments. These sales contracts with significant construction obligations generally involve a single performance obligation. Revenue is recognised in accordance with IFRS 15.35 c) on a period-by-period basis whenever sales agreements for the individual residential units were concluded with customers. To determine the stage of completion, the ACCENTRO Group applies the cost-to-cost method. The Group has also the right to invoice advance payments to customers on the basis of payment schedules, which in turn are based on the regulations of the Estate Agents and Property Developers Ordinance (MaBV) and are governed by so-called milestones. Whenever the progressing construction work has cleared a performance-based milestone, the customer is invoiced for the corresponding milestone payment. For all services provided up to a given milestone, a contract asset is capitalised. If the milestone payment exceeds the revenues previously recognised using the cost-to-cost method, the Group recognises a contractual liability in the amount of the payment balance. The sales contracts include no significant financing component, as the period between revenue recognition under the cost-to-cost method and the respective milestone payment is always less than one year. Residential units for which no sale and purchase agreement (SPA) has been signed are recognised as inventory properties in accordance with IAS 2 until such a SPA has been signed.

Revenues from lease agreements are recognised on an accrual basis in accordance with the terms of the underlying agreements. Rent revenues are recognised among the revenues. Service charges invoiced to tenants are generally offset against the corresponding expenses, as the recoverable expenses are deemed to have been incurred in the tenants' interest.

The Company recognises interest income pro rata temporis, taking account of the remaining debt and the effective interest rate over the remaining term.

2.14 Brokerage Commission

Commissions for brokering an actual business contract are recognised by the Group as an expense whenever the brokered transaction has been fulfilled. Any commission paid before this time is reported contract costs among the miscellaneous receivables.

2.15 Leases

a) The Group as Lessee

Leases in which the ACCENTRO Group acts as lessee are recognised in accordance with IFRS 16 (recognition of a right of use and a lease liability). Generally speaking, leases play only a secondary role for the ACCENTRO Group.

b) The Group as Lessor

The Group acts as lessor in conjunction with property lettings. The leasing agreements represent operating leases. Rental income from operating leases is recognised on a straight-line basis over the term of the respective lease.

2.16 Residual Interests and Dividend Distributions

In its consolidated financial statements, ACCENTRO Real Estate AG includes subsidiaries in the legal form of partnerships even if third parties hold minority interests in them. In accordance with IAS 32, the shareholder positions of these minorities must be recognised as liabilities in the consolidated financial statements due to their statutory, mandatory termination right. At the time such a liability arises, it is measured at the present value of the shareholder's compensation claim. As a rule, the amount is identical to the shareholder's deposit. The liability is subsequently carried forward with the result allocation taken into account. Any change in the liability, insofar as it is not based on deposits and withdrawals, is recognised in the income statement. If the rollover results in an imputed claim against the shareholder, it is suspended until the rollover returns a debt to the shareholder once more.

In the case of corporations within the Group, liabilities for distributions to shareholders are only reported in the period in which the Annual General Meeting passed the corresponding resolution on the appropriation of profits.

2.17 Cash Flow Statement

The cash flow statement shows the development of the Group's cash flows during the financial year. The consolidated financial statement uses the indirect method for a breakdown of the cash flow, with non-cash items deducted and cash items added to the consolidated income. The cash flow statement represents the cash flows from operating activities, from investing activities, and from financing activities.

3 Capital and Financial Risk Management

Using capital management, ACCENTRO Real Estate AG pursues the objective to sustainably strengthen the Group's liquidity and equity base, to raise funds for the Group's equity-financed growth, and to generate an adequate return on the capital employed. As the refinancing situation remains relatively favourable, the ACCENTRO Group uses debt as much as possible to finance acquisition volumes in the context of its property activities, always taking account of the relevant tax implications. The Group's accounting equity serves as a passive management criterion. The active control variables are revenues and EBIT.

Once a quarter, and ahead of large-scale transactions, the risk management department reviews the Group's capital structure. The review takes the cost of capital and the risk associated with each capital class duly into account. In order to satisfy the banking industry standards of the external capital requirements, the accounting ratios are regularly updated. This also includes property-specific debt service ratios, loan-to-value figures and, where applicable, contractually agreed balance sheet and income ratios.

The financial risk management (on this subject, see also the elaborations in the Group Management Report) includes the control and limitation of financial risks from business activities. Particularly relevant here is the liquidity risk (the avoidance of disruptions in solvency) and the default risk (the risk of loss if a contracting party fails to meet its contractual obligations).

The responsibility for managing the liquidity risks lies with the Management Board, which has set up an adequate system for managing short-, medium- and long-term financing and liquidity requirements. The Group manages liquidity risks by securing adequate cash and cash equivalents, credit lines with banks and other facilities, as well as by constantly monitoring forecast and actual cash flows within the framework of the supervision of the rolling cash plan, and by coordinating the maturity profiles of financial assets and liabilities.

In order to avoid risks of default, the Group only enters into sales relationships with parties of sound creditworthiness. In order to further limit default risk, ownership of sold properties is generally not transferred to the buyer until the purchase price has been paid into an escrow account.

4 Estimates and Accounting Decisions at the Company's Discretion

When preparing the consolidated financial statements, the Company uses forward-looking estimates and assumptions based on the conditions prevailing by the balance sheet date. The estimates thus obtained may deviate from the actual events going forward.

The following estimates serve as basis for the recognition, measurement and disclosure of balance sheet items:

- When classifying financial liabilities as current or non-current, the latest corporate planning is used to analyse which liabilities are expected to be repaid within the next twelve months and should therefore be reported as current liabilities.
- IFRS 13 requires several valuation parameters to be appraised for the valuation of properties at fair value.
- In estimating the net selling prices of properties held for trading, the calculation of realistic selling prices is subject to considerable uncertainty. Selling prices are estimated on the basis of the assessed attractiveness of micro-environments and the anticipated trend in purchasing power. The range of sales prices obviously depends on the location of a given trading property. The adequacy of a certain price and thus of the amount posted in the balance sheet are periodically reviewed and adjusted as needed.
- Within the framework of the recognition of provisions, there is a range of estimates of possible future charges to the Group.
- Within the framework of the period-related revenue recognition for construction services, the expected total costs need to be appraised in order to determine the progress of the work according to the cost-to-cost method.
- Current and deferred taxes are necessarily recognised on the basis of estimates. Since the proper interpretation of complex tax issues is far from clear, differences between actual results and the assumptions or the future changes in the estimates may lead to changes in tax results in future periods.
- To the extent that ACCENTRO invests in companies whose accounts were not yet finalised by the balance sheet date or unavailable for a more detailed insight, the best possible estimate is made to ensure uniform recognition and measurement methods.
- The same goes for the assessment of whether loans to associates are classified as a financial instrument to be separately recognised in accordance with IFRS 9 due to their structure (expected loss model), or whether they follow the rules for assets accounted for using the equity method in accordance with IAS 28.38 (incurred loss model).

Concerning the financial reporting and valuation rules, ACCENTRO Real Estate AG made the following discretionary decisions concerning the basis of its accounts presentation:

- Whenever real estate packages are added or sold, it is up to the Company to decide whether this involves the acquisition or disposal, respectively, of a business operation.
- The acquisition of real estate portfolios necessitates a decision as to whether they are to be sold in the ordinary course of business or, alternatively, whether the investments are to be held to earn rental income and/or for the purpose of capital appreciation, which would qualify them as investment properties under IAS 40.7.
- The initial recognition of financial instruments (IFRS 9) calls for a decision as to which of the three measurement categories they are to be allocated to: recognised in income at fair value, recognised in equity at fair value (OCI) or recognised at amortised cost.
- The companies Kantstraße 130b / Leibnizstraße 36, 36a GbR and Kantstraße 130b / Leibnizstraße 36, 36a Immobilien Gesellschaft mbH are itemised as Group subsidiaries under 5.1.4 although the Group only holds minority stakes of 38.4% and 40.8%, respectively, because the Group controls the key operating decisions and definitively participates in the returns through financing arrangements and marketing agreements.
- IFRS 5.32.c does not regularly apply to inventories acquired by way of a share deal, as the intention to resell is not tied to the legal structure but to the underlying portfolio of inventory properties.
- The quality of restraints on disposal must be assessed with regard to their effect on the classification as cash and cash equivalents. If restraints on disposal on the part of the banks restrict the free disposition of funds, they are removed from the cash and cash equivalents in the balance sheet and/or in the cash flow statement.

Whenever errors in the accounting estimates and in the fair value measurements become apparent during the periods following the balance sheet date, the provisions of IAS 8 apply. Accordingly, material omissions or misstatements are retroactively corrected for all prior reporting periods affected up to the current period's financial statement whenever they could impact the economic decisions that the recipients of the statements may have made on the basis of the financial statement.

5 Supplementary Notes to the Individual Items of the Financial Statements

5.1 Statement of Changes in Non-current Assets

5.1.1 Goodwill

The Company's goodwill was created by company acquisitions in the trading business during the 2007 and 2008 financial years, laying the ground for today's privatisation business. During the financial years 2017, 2018 and 2019, ACCENTRO AG generated a substantial positive income from its trading business (= consolidated income) and intends to achieve equally high profit contributions in the years to come to ensure that the intrinsic value of the goodwill is supported by the Group's economic development. In addition, an expert valuation was carried out for the majority of real estate assets, whose findings revealed considerable hidden reserves and translated the existing privatisation potential into more specific figures.

5.1.2 Owner-Occupied Properties and Buildings

Two properties are recognised as property, plant and equipment in accordance with IAS 16 and valued at initial cost including incidental costs for notary fees and real estate transfer tax. This concerns specifically the office building located at Kantstr. 44/45 in Berlin that the Group has occupied since late 2019 as its principal office. The scheduled depreciation is measured for a period of 33 years using the straight-line method.

The acquisition costs, with the incidental acquisition costs taken into account, are allocated to the acquired plots and buildings as follows according to their appraised fair values:

31 December 2019	Owner-occupied plots	Owner-occupied buildings	Total
	TEUR	TEUR	TEUR
Acquisition costs			
Beginning of period	9,686	13,854	23,540
Additions	0	1,120	1,120
Disposals	0	0	0
Transfer items	0	50	50
End of period	9,686	15,024	24,710
Accumulated amortisation			
Beginning of period	0	173	173
Additions	0	454	454
Disposals	0	0	0
End of period	0	627	627
Depreciated book value	**9,686**	**14,397**	**24,084**

5.1.3 Non-current Trade Receivables, Other Receivables and Other Assets

Gathered in this item are various loans and financial assets. As of year-end 2019, these represented exclusively loans to companies that are associates and included at equity in the consolidated financial statements of ACCENTRO in the amount of TEUR 14,773.

	31 Dec. 2019 TEUR	31 Dec. 2018 TEUR
Non-current trade receivables		
Purchase price receivables	0	2,357
Non-current other receivables and assets		
Subordinated loan to the associate Belle Époque Quartier Gehrensee GmbH	11,138	10,159
Loan and deferred interest receivables from a sales order in Potsdam	0	10,140
Subordinated loan to HRP Hamburg Residential GmbH	0	3,345
Loan to the associate Havelländer Rosenensemble	0	3,120
Loan to the associates Dahlewitz Projektgesellschaften Gutshof Dahlewitz 1 GmbH and Gutshof Dahlewitz 2 GmbH	1,736	1,581
Equity interest (5.1%) in HRP Hamburg Residental GmbH	0	496
Loan to the associate Düne 38 Projektentwicklungs GmbH	886	0
Loan to the associate SHG Basdorfer Gärten BF6 GmbH	1,013	0
Total of non-current other receivables and other assets	**14,773**	**28,814**

The purchase price receivable from the sale of an inventory property yet to be developed, which was reported as a non-current receivable in the previous year and which is due by March 2020 at the least, has been reclassified as current receivable (previous year: TEUR 2,357). The receivable is secured by the assignment of future purchase price claims unless these have already been granted as collateral to other lenders with seniority. The loan and the deferred interest receivable from the Potsdam sales mandate in the amount of TEUR 10,140 was reclassified as current receivable, as were the receivables from the 5.1% equity interest in HRP Hamburg Residential GmbH, because the underlying properties were sold or are to be sold in the course of the 2020 financial year. The two subordinated loan receivables from the associate Havelländer Rosenensemble GmbH (previous year: TEUR 3,120) were repaid during the third quarter of 2019.

Recognised among the other receivables is a junior mezzanine loan to the associate Belle Époque Quartier Gehrensee GmbH over TEUR 11,138 at an interest rate of 10%. In the course of the 2019 financial year, loans were disbursed to the associates Düne 38 Projektentwicklungs GmbH in the amount of TEUR 873 and SHG Basdorfer Gärten BF 6 GmbH in the amount of TEUR 990.

In accordance with IAS 28.38, the loans are included in the subsequent at-equity valuation due to their equity-replacing structure, although a separate balance sheet disclosure is retained.

5.1.4 Subsidiaries with Substantial but Non-Controlling Interests

The table below contains detailed information on subsidiaries of ACCENTRO Real Estate AG in which third parties hold significant but non-controlling interests:

Name	Capital share of the non-controlling interests in % (voting interest, in %)	Consolidated income representing non-controlling interests	Book value of the non-controlling interests as of 31 Dec. 2019	Dividends paid out to the non-controlling interests during the reporting period
	%	TEUR	TEUR	TEUR
Corporations				
Uhlandstraße 79 Immobilien GmbH	50 +1 vote	162	13	–
Kantstraße 130b/Leibnizstraße 36, 36a Immobilien Gesellschaft mbH	59.2	–23	–101	–
Johanniterstr. 3-6 Liegenschaften GmbH	20	61	1,900	–
ACCENTRO Rhein-Ruhr GmbH	25	5	11	–
ACCENTRO 2. Sachsen GmbH	49.9	–39	–28	–
GeSoNa Verwaltungs GmbH	32.9	0	3	–
Düsseldorfer Str. 68-69 Projekt GmbH	5.1	–2	82	–
ACCENTRO Binz GmbH	5.1	–6	26	–
Wintersteinstr.7, 9 Liegenschaften 1 GmbH	5.1	–1	47	–
Wintersteinstr.7, 9 Liegenschaften 2 GmbH	10.1	–1	175	–
Total		**168**	**2,128**	**–**
Partnerships				
Kantstraße 130b/Leibnizstraße 36, 36a GbR*	61.6	0	0	–
GeSoNa Verwaltungs GmbH & Co. Hermannstr. KG	26.9	0	0	–

* recognised among the financial liabilities

Listed below are the summarised financial details of subsidiaries in which ACCENTRO Real Estate AG held substantial but non-controlling interests as of 31 December 2019 and as of 31 December 2018:

31.12.2019	Johanniterstr. 3-6 Liegenschaften GmbH	ACCENTRO 2. Sachsen GmbH	GeSoNa Verwaltungs GmbH & Co. Hermannstr. KG	ACCENTRO Rhein-Ruhr GmbH
	TEUR	TEUR	TEUR	TEUR
Total of current assets	25,707	3,993	2,363	7,347
Total of non-current assets	0	31	34,475	0
Total of current liabilities	474	844	2,459	6,028
Total of non-current liabilities	10,265	3,238	17,068	1,274
Earnings/revenues	**514**	**121**	**737**	**162**
Net income / net loss	**307**	**80**	**7,345**	**21**
thereof attributable to the shareholders of ACCENTRO Real Estate AG	245	40	7,345	16
thereof attributable to the non-controlling interests	61	40	0	5

Financial information on companies in which non-controlling interests are held is explained as of 31 December 2019, provided that the proportionate equity attributable to the other pro-rata interests is greater than TEUR 200, the balance sheet total of the respective company is greater than TEUR 1,000 or the pro-rata profit/loss for the year is greater than TEUR 50. The net profit shares of non-controlling interests in partnerships are recognised as profit or loss in the consolidated income statement.

31.12.2018	Johanniterstr. 3-6 Liegenschaften GmbH	ACCENTRO 2. Sachsen GmbH	GeSoNa Verwaltungs GmbH & Co. Hermannstr. KG
	TEUR	TEUR	TEUR
Total of current assets	25,617	3,778	24,775
Total of non-current assets	0	1	23
Total of current liabilities	672	566	2,041
Total of non-current liabilities	10,283	3,191	12,792
Earnings / revenues	**631**	**0**	**0**
Net income / net loss	**328**	**–3**	**0**
thereof attributable to the shareholders of ACCENTRO Real Estate AG	262	–1	0
thereof attributable to the non-controlling interests	66	–2	0

5.1.5 Equity Interests Accounted for Using the Equity Method

Equity interests accounted for using the equity method developed as follows:

	2019 TEUR	2018 TEUR
Start of financial year	**3,518**	**264**
Additions	23	3,261
Disposals	–94	–5
Shares in gains and losses*	193	–2
End of financial year	**3,640**	**3,518**

* The net income from companies included in the consolidated financial statements at equity also includes income from the sale of shares.

During Q2 and Q4 2019, ACCENTRO AG acquired equity interests of 44% and 49%, respectively, each in two companies (Düne 38 Projektentwicklungs GmbH for TEUR 6 and SHG Basdorfer Gärten BF6 Liegenschaften GmbH for TEUR 13) for the purpose of acquiring, developing and marketing joint projects, and to thereby expand the Group's commitment on the real estate market.

The joint ventures are financed by ACCENTRO AG, among other sponsors; see section 5.1.3. The business purpose of the joint ventures is normally the project planning and completion of residential real estate. ACCENTRO is committed in these joint ventures in order to generate value-added through housing privatisations in addition to the successful project completion in a general sense. In this context, ACCENTRO reviews the IFRS-compliant classification of the property development under IAS 2 as inventory asset (possibly associated with partial realisation of profits under IFRS 15.35) or the recognition under IAS 40 as "income producing property" in the context of maintaining uniform Group recognition and measurement methods. In this case, the recognition is based on the acquisition and production costs. If a property development is classified as inventory asset, the borrowing costs are capitalised in line with industry standards. Expenses and income are consolidated in the pro-rata amount financed by ACCENTRO and recognised in income.

The section below lists the summarised financial information for the associates and joint ventures of significance for ACCENTRO Real Estate AG along with a reconciliation to the book value of the interest held by ACCENTRO Real Estate AG as of 31 December 2019 and 31 December 2018, appraised using the equity method:

31.12.2019	Urbanstraße 5 Projekt GmbH (Joint Venture)	Wohneigentum Berlin GbR (Joint Venture)	Gutshof Dahlewitz 1 GmbH (Joint Venture)	Gutshof Dahlewitz 2 GmbH (Joint Venture)	Düne 38 Projektentwicklungs GmbH (Joint Venture)	SHG Basdorfer Gärten BF6 Liegenschaften GmbH (Joint Venture)	Belle Époque Quartier Gehrensee GmbH (Joint Venture)
	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR
Earnings/revenues	4,326	0	0	0	0	0	69
Profit or loss for the year/ comprehensive income	671	0	–5	0	–1	–14	–88
Total of current assets	649	449	3,931	0	6,451	4,581	3,394
Total of non-current assets	0	0	0	0	0	0	0
Total of current liabilities	182	0	3,935	0	4,756	4,894	1,073
Total of non-current liabilities	0	0	0	0	0	32,666	2,503
Net assets of the associates	468	449	20	25	24	14	–182
ACCENTRO Real Estate AG's interest in net assets of the associate	49.82%	33.33%	44.00%	44.00%	44.00%	49.00%	25.00%
Book value of ACCENTRO Real Estate AG's interest, appraised using the equity method	295	61	11	11	6	6	3,250

31.12.2018	Urbanstraße 5 Projekt GmbH (Joint Venture)	Wohneigentum Berlin GbR (Joint Venture)	Gutshof Dahlewitz 1 GmbH (Joint Venture)	Gutshof Dahlewitz 2 GmbH (Joint Venture)	Havelländer Rosenensemble GmbH (Joint Venture)	Belle Époque Quartier Gehrensee GmbH (Joint Venture)
	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR
Earnings/revenues	69	0	0	0	288	244
Profit or loss for the year/ comprehensive income	–88	0	0	0	222	0
Total of current assets	3,394	449	0	0	12,862	49,372
Total of non-current assets	0	0	0	0	0	0
Total of current liabilities	1,073	0	0	0	208	109
Total of non-current liabilities	2,503	0	0	0	12,420	32,666
Net assets of the associates	–182	449	0	0	233	16,706
ACCENTRO Real Estate AG's interest in the net assets of associate	44.00%	33.33%	44.00%	44.00%	44.00%	25.00%
Book value of ACCENTRO Real Estate AG's interest, appraised using the equity method	0	156	11	11	89	3,250

For the risks and constraints to which ACCENTRO Real Estate AG is exposed by each of the associates and joint ventures, please see the elaborations in section 5.24, as far as relevant.

5.1.6 Equity Investments

All things considered, ACCENTRO held interests of 5.1% each in 14 equity investments as of 31 December 2019. The earnings from these equity investments added up to TEUR 36 during the 2019 financial year. No changes in the fair value of the equity investments to be recognised in other comprehensive income were realised during the financial year because the acquisitions made during the year have not yet experienced any significant increase or loss in value. The equity investments were undertaken with the view of developing new housing privatisation opportunities.

	31 Dec. 2019	31 Dec. 2018
	TEUR	TEUR
Delta Vivum Berlin I interest	2,683	2,683
Magnus Relda Portfolio interest	685	1,121
ACCENTRO 5. Wohneigentum GmbH interest	562	0
Other	1,685	427
Total	**5,615**	**4,231**

Disclosures pursuant to Sec. 313, Art. 2, No. 41, HGB, i. c. w. Sec. 315e, Art. 1, HGB

Company name and registered office	direct %	Equity (in EUR)	Net profit (in EUR)
ACCENTRO 5. Wohneigentum GmbH, Berlin*	5.1%	–1,845,069.71	–354,381.67
DELTA VIVUM Berlin I GmbH, Berlin*	5.1%	10,761,516.47	1,458,725.39
DELTA VIVUM Berlin II GmbH, Berlin*	5.1%	–1,894,756.32	227,417.27
Phoenix Spree Gottlieb GmbH, Berlin**	5.1%	123,124.97	0.00
Phoenix Spree Mueller GmbH, Berlin**	5.1%	2,766,430.00	0.00
HRP Hamburg Residential S.à r.l., Luxembourg***	5.1%	3,461,233.24	–1,538,766.76
Magnus Relda Portfolio			
Estavis 6. Wohnen GmbH, Berlin**	5.1%	232,122.87	0.00
Estavis 7. Wohnen GmbH, Berlin **	5.1%	–73,154.47	0.00
Estavis 8. Wohnen GmbH, Berlin**	5.1%	224,347.09	0.00
Estavis 9. Wohnen GmbH, Berlin**	5.1%	232,122.87	0.00
RELDA 36. Wohnen GmbH, Berlin**	5.1%	82,259.66	0.00
RELDA 38. Wohnen GmbH, Berlin**	5.1%	104,083.42	0.00
RELDA 39. Wohnen GmbH, Berlin**	5.1%	110,283.40	0.00
RELDA 45. Wohnen GmbH, Berlin**	5.1%	110,714.19	0.00

* provisional HGB figures from 2019
** HGB figures from 2018
*** HGB figures from 2017

5.2 Investment Properties

	2019
	TEUR
1 January	**0**
Transfer from inventory properties at fair value	34 ,410
Additions	42
31 December	**34 ,452**

During the 2019 financial year, ACCENTRO transferred properties in sought-after locations in Berlin with an original carrying amount of TEUR 23,011 from inventories (IAS 2) to investment properties (IAS 40). Investment properties were appraised in accordance with IAS 40.32a at a fair value of TEUR 34,410 while the value balance of TEUR 11,399 determined by a surveyor on this occasion was recognised as income.

As a result of a potential analysis done on the basis of a decision matrix in 2019, the properties will not be resold or privatised within the normal business cycle, contrary to the original reason for acquiring them. Instead, the plan is now to exploit existing development reserves through infill densification and new-build developments. The background to this is not least that the real estate assets are held in a closed-end real estate fund and that a long-term development of this type is easier to integrate into the Group's structure under corporate law.

The rental income from the investment properties added up to TEUR 931 thousand during the financial year. The directly attributable operating expenses of the investment portfolio amounted to TEUR 194.

ACCENTRO had its portfolio of 168 residential units and 3 commercial units with a total area of 11,946 m², most of them centrally located in Berlin, appraised by an independent valuer as of 30 September 2019. The valuers have relevant professional qualifications and the experience it takes to carry out such a valuation. The valuations are based on:

- information provided by the company, e. g. passing rents, maintenance and administrative costs, the current vacancy rate, planned capital expenditures, and
- assumptions made by the valuer based on market data and the valuer's professional qualifications, e. g. future market rents, typical maintenance and administrative costs, structural vacancy rates or discount interest and capitalisation rates.

The information provided to the valuer, and the assumptions made as well as the results of the property valuation were analysed by ACCENTRO AG's asset and project management and the Management Board.

The fair value (level 3 fair value measurement, based on valuation models) of individual properties or individual property portfolios is determined on the basis of discounted future cash flows using the DCF method. As a rule, the underlying detailed planning period is ten years. For the end of this period, a potential discounted sale value (terminal value) is predicted for the appraised property. It reflects the price most likely to be paid in an arm's length transaction by the end of the detailed planning period. In this context, the discounted net cash flows received for the tenth year are capitalised at the so-called capitalisation rate (exit rate) as a perpetual annuity.

The total of the cash operating surplus and the discounted potential sale value produces the gross capital value of the subject property. The resulting figure is converted into an investment value by taking into account transaction costs incurred in an orderly business transaction.

The overview below shows material assumptions and results used to determine the fair value of investment properties within the valuation framework in accordance with the DCF method:

Valuation parameter	Unit	Mean	Bandwidth
Discount interest rate	%	4.11	4 – 4.2
Capitalisation rate	%	3.14	3 – 3.2
Maintenance costs	EUR/m²	9.67	8.50 – 11.25
Administrative overhead	EUR/rental unit/year	265	260 – 270
Stabilised vacancy rate	%	1.5	1.3 – 1.8

Valuation results	Unit	Mean	Bandwidth
Actual rent multiplier		37.3	29.7 – 44.3
Market value per m²	EUR/m²	2,880	2,280 – 3,180

The selected interest rate, the underlying market rents and the stabilised vacancy rates were identified as key value drivers subject to market influences. Potential fluctuations of these parameters have effects that are shown below in isolation from each other. Reciprocal effects of these parameters are conceivable but not quantifiable due to the complexity of their relationships.

	Discount Interest Rate		Market rent		Vacancy rate	
	+0.5%	–0.5%	+10%	–10%	+1%	–1%
Changes in value						
in TEUR	–5,420	7,480	3,720	–3,950	520	–520
in %	–15.8	21.7	10.8	–11.5	1.5	–1.5

Essential qualitative valuation assumptions included the decision to disregard the rent cap just enacted in Berlin, and the significant rent increases revealed by the potential analysis. The rent cap was not passed by Berlin's House of Representatives until after the balance sheet date, and remains fraught with constitutional caveats for the time being. Moreover, there was no measurable impact on prices in response to the rent cap by 31 December 2019. The potential analysis focuses on the structure of the housing stock more than on anything else.

5.3 Inventory Properties

The Company's inventory properties include available-for-sale properties and down-payments for such properties. The item breaks down as follows:

	31 Dec. 2019	31 Dec. 2018
	TEUR	TEUR
Properties	416,069	340,167
Advanced payments	504	5,073
Total	**416,573**	**345,241**

The Group continued to invest in the expansion of the trading portfolio during the 2019 financial year. Benefits and burdens of 812 residential units that we acquired at a price of EUR 164.2 million were transferred, and it should be added that the prices were in parts paid through the non-cash assumption of debt within the framework of share purchase agreements (share deals).

For another 84 residential units acquired for a purchase price of EUR 13 million, the sale and purchase agreements were signed in 2019, while their benefits and burdens will be transferred and recognised in the 2020 financial year. At the same time, 830 residential units worth EUR 95.5 million in initial costs were sold, so that the inventory assets, taking into account the refurbishment measures completed in the course of the year and down-payments recently made, increased by EUR 71.3 million. In addition, TEUR 23,011 worth of inventory properties were impaired during the 2019 financial year by their reclassification as investment properties.

Inventory properties with a carrying value of TEUR 302,028 (previous year: TEUR 203,560) are expected to be sold after more than twelve months, according to corporate planning.

The properties are measured at initial costs plus subsequent expenditures to restore their marketability. There was no income from reversals of impairments for properties held as inventory assets during the 2019 financial year. The recognised properties serve as collateral for financial liabilities in the amount of EUR 366.6 million (previous year: EUR 256.1 million).

5.4 Contract Assets

The contract assets (TEUR 1,252; previous year: TEUR 0) result entirely from the period-by-period revenue recognition of loft apartments under construction and represent exclusively current assets. Given their low amounts, it was decided not to detail these separately.

5.5 Trade Receivables, Other Receivables and Other Assets

Trade receivables represent purchase price receivables and rent receivables. The development of trade receivables is shown in the following table:

	31 Dec. 2019 TEUR	31 Dec. 2018 TEUR
Trade receivables (gross)	10,567	21,958
Allowances	–1	–994
Trade receivables (net)	**10,566**	**20,964**
thereof non-current	0	2,357
thereof current	10,566	18,607

The table below lists the trade receivables by maturity:

	31 Dec. 2019 TEUR	31 Dec. 2018 TEUR
Trade receivables	10,566	20,964
thereof not value-adjusted and not overdue on the reporting date	7,132	17,805
thereof not value-adjusted and overdue on the reporting date by 30 days or less	36	424
thereof not value-adjusted and overdue on the reporting date by 31 to 60 days	2,004	1,316
thereof not value-adjusted and overdue on the reporting date by 61 to 90 days	159	350
thereof not value-adjusted and overdue on the reporting date by 91 to 180 days	583	248
thereof not value-adjusted and overdue on the reporting date by 181 to 360 days	170	257
thereof not value-adjusted and overdue on the reporting date by more than 360 days	482	565
Net value of value-adjusted trade receivables	1	994

The default risk for receivables from tenants and buyers of residential units is rated as low.

One-off allowance on trade receivables developed as follows:

	2019 TEUR	2018 TEUR
As of 1 January	**994**	**96**
Change in consolidated group	0	4
Additions (impairment losses)	0	926
Reversals	–308	0
Utilisation	–685	–31
As of 31 December	**1**	**994**

During the previous year, allowances were allocated as a precautionary measure for a rent claim from the letting of a property as migrant shelter. A settlement made it possible to dissolve the allowances in the amount of TEUR 240.

The miscellaneous receivables and other assets include:

	31 Dec. 2019 TEUR	31 Dec. 2018 TEUR
Loan and deferred interest receivables in conjunction with the sales mandate in Potsdam	13,328	0
Receivables from operating costs not yet invoiced	7,008	8,064
Receivables from investment companies	3,568	409
Restricted cash in banks	157	175
Down-payments on property, plant and equipment	138	0
Loan receivables from former associates sold together with the companies	63	2,323
Sales tax receivables	0	975
Miscellaneous other receivables	558	763
Total current assets and miscellaneous receivables	**24,820**	**12,709**

The receivables from the Potsdam sales mandate were due for payment on short notice following the realignment of the project company, with the deadline subsequently extended until October 2019. In addition to the nominal amount, the receivable shown also includes interest receivables accrued by the balance sheet date. The loan is secured by the assignment of shares in the company and is due to be repaid shortly in April 2020. VAT receivables were offset by liabilities over the same amount. Both receivables and liabilities were derecognised as other income and other expenses, respectively, in the course of the year.

Moreover, there are receivables in the amount of TEUR 63 from the sale of two subsidiaries and the related sale of the shareholder loans. The other loan receivables from the previous year were paid back.

Other receivables are subject to allowances in the amount of TEUR 31 (previous year: TEUR 31).

5.6 Cash and Cash Equivalents

The “Cash and cash equivalents” item represents predominantly bank balances held at call.

5.7 Equity Capital

The subscribed capital (share capital) of ACCENTRO Real Estate AG amounted to EUR 32,437,934 as of 31 December 2019. It breaks down into 32,437,934 no-par value bearer shares. The Group does not issue different classes of shares.

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

	Amount	No-par value shares	Purpose
	TEUR	in thousands	
Contingent Capital 2017	1,800	1,800	Servicing the stock option plan (so far inactive)
Authorisation to issue convertible bonds*	200,000	25,000	Issuance of convertible bonds and/or bonds with warrants/ participation rights
Authorised Capital 2018 as of 31 December*	13,039	13,039	Capital increase against cash and non-cash contributions (until 14 May 2023), originally TEUR 15,159
Contingent Capital 2019	14,419	14,419	Issuance of convertible bonds and/or bonds with warrants/ participation rights

* 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, HGB.

5.8 Financial Liabilities and Bonds

The table below lists the Group's current and non-current financial liabilities as well as its bonds:

	31 Dec. 19	31 Dec. 18
	TEUR	TEUR
Non-current financial liabilities		
Liabilities to banks	114,474	76,773
Bond liabilities	99,235	98,561
Total non-current financial liabilities	**213,709**	**175,334**
Current financial liabilities		
Liabilities to banks	102,368	54,357
Bond liabilities	1,563	1,563
Total current financial liabilities	**103,931**	**55,920**
Total financial liabilities	**317,640**	**231,253**

Liabilities to Banks

TEUR 114,474 (previous year: TEUR 76,773) of the carrying amount of non-current financial liabilities to banks relate to loan amounts with a remaining term of more than one and less than five years. Current financial liabilities amount to TEUR 102,368 (previous year: TEUR 54,357). The rise in current financial liabilities by TEUR 48,011 is primarily explained by the fact that inventory properties were earmarked for sale in the 2020 financial year by the Company's sales planning, and that this implies prepayment of the associated loan debt, and by the short-term bridge-over financing of a property in the amount of TEUR 23,000.

Bond Liabilities

On 23 January 2018, ACCENTRO Real Estate AG had successfully concluded placement of a three-year corporate bond. The aggregate par value placed equalled EUR 100 million. The corporate bond has an annual interest rate of 3.75%. The interest is paid semi-annually. The net issue proceeds were primarily used to finance the acquisition of new real estate assets. The reported carrying amount of the bond of TEUR 99,235 represents the issue proceeds, net of the transaction costs that accrued over the term of the bond and that are calculated using the effective interest method. One bond is recognised as non-current, because the decision to call and redeem the bond was not taken until the new bond was successfully placed in 2020 and therefore failed to have any effect on the 2019 balance sheet presentation.

The current liabilities include outstanding interest on bonds in the amount of TEUR 1,563.

Securities and Financial Covenants

Liabilities to banks are secured in a carrying amount of TEUR 425.038 (previous year: TEUR 256,184) by the real estate portfolio for whose financing they were taken out, and by the rent and sales receivables associable with these properties. This real estate portfolio consists of properties from the inventory assets, investment properties and owner-occupied properties and buildings. There are also restricted accounts in the amount of TEUR 468 (prior period: TEUR 2,280) of which TEUR 157 are recognised among the other assets and TEUR 311 among the cash and cash equivalents.

In addition, financial liabilities worth TEUR 99,235 (previous year: TEUR 106,286) are subject to contractual covenants regarding the compliance with certain financial ratios (financial covenants) that concerned just one bond as of 31 December 2019. The financial ratios refer essentially to industry-standard covenants relating to the limitation of net debt and to so-called debt service cover ratios, meaning the capacity to sustain the anticipated debt service from rents collected. Moreover, the Group member companies are obliged to repay the relevant loans prematurely whenever apartments are sold.

The bond issued in 2018 obligates the Group, inter alia, to maintain an interest coverage ratio (section 11.3 of the bond terms) of 2.0 maximum and to maintain a set equity ratio, so that the Group's ability to pay dividends may be compromised.

Non-compliance with financial ratios may prompt termination or the mandatory deposit of additional collateral. All financial covenants were upheld during the 2019 financial year.

Note 11 of the terms and conditions of the new bond issued in 2020 contains financial covenants such as a debt-to-equity ratio, limits on secured liabilities and interest coverage ratios, the calculation being partly based on a principle called "total asset value."

Interest Expenses

For payables to banks, non-bank lenders and the inland revenue office, interest expenses recognised in income in an amount of TEUR 7,783 (previous year: TEUR 5,028) were incurred, while the bonds generated TEUR 4,424 (previous year: TEUR 4,841) in interest expenses recognised in income and other expenses. The interest expense was matched by TEUR 4,854 (previous year: TEUR 944) in interest earned.

5.9 Provisions

Provisions developed as follows during the 2019 financial year:

	31 Dec. 2018	Net cash outflow from business disposals	Utilisa-tion	Dissolu-tion	Addition	31 Dec. 2019
	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR
Provisions for payroll costs	390	0	390	0	398	398
Provisions for miscellaneous costs	452	192	254	6	484	484
Provisions for record-keeping obligations	18	0	0	0	28	46
Total	**860**	**192**	**644**	**6**	**909**	**928**

The provisions for payroll costs that existed as of 31 December 2019 concern essentially bonus and premium payments as well as holiday accruals.

Provisions for miscellaneous costs include essentially provisions for Supervisory Board remunerations in the amount of TEUR 171 (previous year: TEUR 177).

Other provisions with a carrying amount of TEUR 882 (previous year: TEUR 843) are expected to result in a cash outflow during the coming twelve months.

Other provisions are measured at the amount that would reasonably be required to settle the obligation as of the balance sheet date or, in an arm's length transfer, on the date of the transfer. Risks and uncertainties are taken into account by applying adequate appraisal methods while also considering probabilities of occurrence.

During the 2018 financial year, the provisions developed as follows:

	31 Dec. 2017	Utilisation	Dissolution	Addition	31 Dec. 2018
	TEUR	TEUR	TEUR	TEUR	TEUR
Provisions for warranty obligations	1,140	0	1,140	0	0
Provisions for payroll costs	222	221	0	389	390
Provisions for miscellaneous costs	908	167	698	409	452
Provisions for record-keeping obligations		0	0	0	18
Total	**2,288**	**388**	**1,838**	**798**	**860**

5.10 Trade Payables, Down-Payments Received, and Other Liabilities

The representation below shows the development of trade payables, down-payments received and other liabilities:

	31 Dec. 2019	31 Dec. 2018
	TEUR	TEUR
Trade payables	**6,196**	**4,816**
Down-payments received	**6,979**	**7,033**
Outstanding invoices	3,760	9,373
Compensation claims of non-controlling shareholders in partnerships	6,954	4,568
Liabilities pursuant to Sec. 13b, UStG	4	975
Loans by non-controlling companies to subsidiaries	740	797
Liabilities from security deposits	360	365
Miscellaneous liabilities	1,312	720
Other liabilities	**13,130**	**16,798**

The down-payments received break down into operating costs not yet invoiced in the amount of TEUR 5,230 (previous year: TEUR 6,597) and down-payments for plots available for sale in the amount of TEUR 1,749 (previous year: TEUR 436).

The decline in liabilities pursuant to Sec. 13b, Turnover Tax Act (UStG), results from the derecognition of liabilities with an effect on income. Based on current developments and findings, ACCENTRO Real Estate AG no longer assumes that any claims will be asserted. Analogously, the corresponding accounts receivable were also derecognised.

Other liabilities amounting to TEUR 1,312 (previous year: TEUR 720) include additional receivables from the inland revenue office, costs for the annual financial statements and rents and deposits for buildings occupied.

5.11 Current Income Tax Liabilities

The current income tax liabilities in the amount of TEUR 12,910 (previous year: TEUR 13,261) include corporation tax liabilities in the amount of TEUR 6,915 (previous year: TEUR 6,673) and trade tax liabilities in the amount of TEUR 5,995 (previous year: TEUR 6,588).

5.12 Deferred Taxes

The balance sheet recognises the following deferred taxes:

	31 Dec. 2019	31 Dec. 2018
	TEUR	TEUR
Deferred tax assets	1,251	692
Deferred tax liabilities	2,164	1,080

Deferred taxes developed as follows:

	2019	2018
	TEUR	TEUR
Deferred tax liabilities	–1,080	–969
Deferred tax assets	692	193
Balance of deferred taxes at start of financial year	**–388**	**–776**
Expense (–)/income (+) reported under tax expense	–669	186
Disposals from the final consolidation of property vehicles	144	202
Balance of deferred taxes at end of financial year	**–913**	**–388**

The deferred taxes break down as follows:

Differences relating to	investment properties	inventory properties	financial liabilities	losses carried forward	Total
	TEUR	TEUR	TEUR	TEUR	TEUR
31 December 2018 (prior to closing) – deferred tax liabilities		**–642**	**–981**	**–169**	**–1,792**
31 December 2018 (prior to closing) – deferred tax assets		**0**	**63**	**1,341**	**1,404**
31 December 2018 (closing)					**–388**
Amounts recognised under tax expense	–1,710	0	–110	1,151	–669
Disposals through final consolidation of property vehicles		642	–130	–368	144
31 December 2019 (prior to closing) – deferred tax liabilities	**–1,710**	**0**	**–1,555**	**–607**	**–3,872**
31 December 2019 (prior to closing) – deferred tax assets		**0**	**397**	**2,562**	**2,959**
31 December 2019 (closing)					**–1,708**

The deferred tax liabilities result essentially from deviations between tax valuations and IFRS-based valuations of financial liabilities (effective interest method) and from the valuation of investment properties.

Deferred tax assets from tax loss carryforwards are recognised at the amount at which the associated tax benefits are likely to be consumed by future taxable profits.

5.13 Revenues

	2019 TEUR	2018 TEUR
Revenues from sales of inventory properties	129,503	194,009
Revenues from services	3,510	2,794
Rental income from inventory properties	9,709	8,684
Rental income from properties held as property, plant and equipment	314	122
Rental income from investment properties	238	0
Total	**143,274**	**205,609**

The high revenues of the previous year were caused by the one-off deconsolidation of a large real estate portfolio at book value. The rental income increased by TEUR 1,455. This is explained by the ongoing successful expansion of the trading portfolio by adding inventory properties.

5.14 Cost of Materials

	2019 TEUR	2018 TEUR
Expenses for sales of inventory properties	99,661	160,924
Expenses from services	1,147	511
Management costs of inventory properties	3,451	2,667
Management costs of properties in property, plant and equipment	240	9
Management costs of investment properties	52	0
Total	**104,551**	**164,111**

The management costs of the properties developed in line with the development of the portfolio size of the respective property holdings.

5.15 Payroll and Benefit Costs

The Group employed an average of 53 people (previous year: 45) during the 2019 financial year.

Payroll and benefit costs break down as follows:

	2019 TEUR	2018 TEUR
Salaries and other benefits	5,255	4,112
Employer contributions to statutory social insurance	580	501
Total	**5,835**	**4,613**

The rise in payroll and benefit costs by TEUR 1,222 since the 2018 financial year is due, on the one hand, to the increased workforce and, on the other hand, to participation in the employee profit-sharing plan.

Contributions to the statutory pension insurance scheme during the 2019 financial year added up to TEUR 280 (previous year: TEUR 217).

5.16 Impairments of Inventories and Accounts Receivable

In the year under review, impairment losses of TEUR 31 were recognized on miscellaneous receivables in the amount of TEUR 123 (previous year: TEUR 205), with allowances for rent receivables being shown in the item “Letting expenses.” No allowances were recognised for inventory properties during the year under review.

5.17 Other Operating Income and Expenses

The other operating income includes the following amounts:

	2019 TEUR	2018 TEUR
Income from the dissolution of provisions and the derecognition of liabilities	925	796
Income from the dissolution of allowances	2	31
Miscellaneous other operating income	280	835
Total	**1,207**	**1,663**

The other operating expenses include the following amounts:

	2019 TEUR	2018 TEUR
Legal and professional fees	1,190	1,127
Information, advertising and entertaining expenses	1,243	1,313
Expenses for compiling and auditing the financial statements	337	408
EDP expenses	447	472
Rental expenses	410	282
Miscellaneous other operating expenses	2,452	1,529
Total	**6,079**	**5,131**

The advisory costs for general advisory services in the amount of TEUR 1,190 (previous year: TEUR 1,127) break down mainly into tax advisory services, capital market transactions, property transactions, legal counsel and general consultancy on general strategic issues.

The remaining other operating expenses in the amount of TEUR 2,452 (previous year: TEUR 1,529) include, inter alia, expenditures for things like office supplies, travel expenses, motor vehicle costs, dues and continued professional development costs in a total amount of TEUR 1,177 plus expenses for members of the Supervisory Board in the amount of TEUR 162.

There is also a one-off effect due to the derecognition of a receivable in connection with the new VAT treatment (Sec. 13b, UStG) in the amount of TEUR 975.

5.18 Income Taxes

The tax expense reported in the income statement includes current and deferred income taxes:

	2019 TEUR	2018 TEUR
Current income tax expense	5,520	5,861
Deferred income tax expense / income	669	–186
Total	**6,189**	**5,675**

The current income tax income includes TEUR 492 for prior years (previous year: TEUR 206).

The reported tax expense differs from the theoretical amount calculated by applying the Group's average income tax rate to its earnings before taxes:

Tax Reconciliation

	2019	2018
	TEUR	TEUR
Pre-tax profit	32,488	23,975
Taxes calculated based on the parent company's income tax rate (30.175%)	9,803	7,234
Trade tax effects	508	364
Account balance of tax-free income/non-deductible expenses	–3,820	–2,411
Value adjustment/non-recognition of deferred tax assets	138	616
Write-up/subsequent recognition of deferred tax assets	–117	–337
Taxes for previous years	–492	206
Other causes	169	3
Reported income tax expense	**6,189**	**5,675**

The imputed tax rate of 19.0% (previous year: 23.7%) for the 2019 financial year is largely dictated by the sale of property holding companies in the legal form of limited liability companies (GmbH), which, as corporations, are largely not subject to income taxation upon disposal.

5.19 Earnings per Share

Basic earnings per share are calculated as the quotient of the profit attributable to the shareholders of the parent company and the average number of shares issued during the financial year, excluding treasury shares held by the company.

	2019	2018
Consolidated income	**TEUR**	**TEUR**
Net profit before minority interests – basic	26,299	18,301
Interest expenses on convertible bonds	0	2
Consolidated income before minority interests – diluted	26,299	18,303
Number of shares	**in thousands**	**in thousands**
Unweighted number of shares outstanding	32,438	32,431
Weighted number of shares outstanding – basic	32,438	30,712
Weighted number of shares – diluted	32,438	30,711
Earnings per share (EPS)	**EUR**	**EUR**
unweighted – basic	0.81	0.56
weighted – basic	0.81	0.60
weighted – diluted	0.81	0.60

Thus, the diluted net income is identical to the basic net income.

5.20 Cash Flow Statement

The cash flow statement distinguishes between cash flows from operating activities, from investing activities, and from financing activities. The cash flow from operating activities is measured using the indirect method.

The cash flow from operating activities calculated using this method is negative at TEUR –75,665 (previous year: negative at TEUR –48,432). The cash flow from operating activities was primarily defined by the continued set-up of the trading portfolio according to plan. Due to investments in the trading portfolio and disposals, changes in inventory assets amounted to TEUR 71,332 (previous year: TEUR 41,214), with TEUR 80,062 representing an actual cash outflow during the year under review. The main non-cash changes in inventory assets that occurred during the financial year relate to the acquisition of property companies (share deal) where the liabilities taken over together with the acquired company reduce the purchase price to be paid and therefore the cash outflow, and to the non-cash reclassification of properties.

Changes of Inventory Properties	TEUR
Portfolio as of 31 December 2018	**345,241**
Net change	80,062
Non-cash change	–8,730
Portfolio as of 31 December 2019	**416,573**

The cash inflow from companies valued at-equity is recognised under cash flow from operations. The existing investments in associates have a very close operational link to the business activities of ACCENTRO AG, which is why dividends from companies valued at-equity and proceeds from the sale of such companies are recognised under cash flow from operating operations.

The cash flow from investment activities in 2019 adds up to TEUR 2,411 (previous year: TEUR –51,290). Out of this amount, TEUR 1,625 relate to investments in property, plant and equipment. In addition, TEUR 1,863 (previous year: TEUR 17,867) were granted in loans to companies in which the Group holds equity interests.

The cash flow from financing activities adds up to TEUR 81,017 (previous year: TEUR 111,410) and essentially includes disbursements toward the repayment of financial liabilities in the amount of TEUR 34,171 (previous year: TEUR 62,447) and interest payments in the amount of TEUR 7,132 (previous year: TEUR 4,470). It is matched by cash inflows from loan finance in the amount of TEUR 127,511 (previous year: TEUR 164,056). During the 2019 financial year, no funds were raised via cash capital increases (previous year: TEUR 19,426); whereas the cash outflow for dividend payments amounted to TEUR 5,190 (previous year: TEUR 5,154).

Cash and cash equivalents increased by TEUR 241 due to the addition of three companies to the basis of consolidation of ACCENTRO Real Estate AG.

During the 2019 financial year, three fully consolidated companies were sold. Cash funds dropped by TEUR 538 in this context.

In accordance with IAS 7, a reconciliation of the Group's financial liabilities from 31 December 2018 to 31 December 2019 is presented below:

Reconciliation Accounts

	31 Dec. 2018	cash-effective	not cash-effective	31 Dec. 2019
	TEUR	TEUR	TEUR	TEUR
Financial liabilities	131,129	93,340	–7,627	216,842
Bonds	100,124	–1,563	2,237	100,798
Total debt from financing activities	**231,253**	**91,777**	**–5,390**	**317,640**

The "not cash-effective" column mainly shows non-cash interest effects from the application of the effective interest method and from share deal sales in which the property financing was also sold.

5.21 Other Financial Obligations and Contingent Liabilities

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. Purchase guarantee effective as of 31 December 2019 added up to EUR 44.8 million.

In addition, there are obligations from purchase agreements involving the acquisition of multi-unit dwellings in Berlin, Potsdam and Cologne-Bonn, among other places, in the amount of TEUR 12,978. The agreements are expected to be executed before mid-year 2020.

Group member companies are liable, in their role as partners, for the debt of the Berlin-based company Wohneigentum Berlin GbR in the amount of TEUR 150 (previous year: TEUR 150).

5.22 Minimum Lease Payments from Operating Leasing Agreements

Claims to minimum lease payments from long-term operating leasing agreements are a standard aspect of letting commercial real estate. The leases signed for residential real estate, by contrast, generally have a statutory notice period of three months. They include no other claims to minimum lease payments. In the property acquired as ACCENTRO's principal office in 2018, all lease agreements with incumbent tenants were either terminated or not renewed.

Operating leasing disclosures under IFRS 16.90b

		up to 1 year	1 to 5 years	more than 5 years
	TEUR	TEUR	TEUR	TEUR
Total of the future minimum lease payments due to non-cancellable operating lease contracts as lessor as of 31 December 2019	3,248	3,248	0	0
Total of the future minimum lease payments due to non-cancellable operating lease contracts as lessor as of 31 December 2018	2,936	2,936	0	0

5.23 Additional Information on Financial Instruments

a) Classes and Measurement Categories

The table below shows the carrying amounts and fair values of financial assets and financial liabilities. It includes no fair value details on those financial assets and financial liabilities that were not measured at fair value wherever the carrying amount represents an adequate approximation of the respective fair value.

	Book value				Fair value
31 December 2019	**FVOCI* equity instru-ments**	**Financial assets at amortised costs**	**Other financial liabilities**	**Total**	**Total**
	TEUR	**TEUR**	**TEUR**	**TEUR**	**TEUR**
Assets					
Equity investments	5,615	–	–	5,615	5,615
Non-current trade receivables	–	–	–	–	–
Non-current other receivables and other assets	–	14,773	–	14,773	14,773
Trade receivables	–	10,566	–	10,566	10,566
Miscellaneous receivables and assets	–	24,756	–	24,756	24,756
Total financial assets	**5,615**	**50,095**	**–**	**55,710**	**55,710**
Equity and liabilities					
Long-term payables to banks	–	–	114,474	114,474	114,474
Bond liabilities	–	–	99,235	99,235	101,010
Short-term payables to banks and to bond holders	–	–	103,930	103,930	103,930
Trade payables	–	–	6,196	6,196	6,196
Other short-term payables	–	–	5,977	5,977	5,977
Total financial liabilities	**–**	**–**	**329,812**	**329,812**	**329,812**

* Fair Value through Other Comprehensive Income

	Book value				Fair value
31 December 2018	**FVOCI* equity instru-ments**	**Financial assets at amortised costs**	**Other financial liabilities**	**Total**	**Total**
	TEUR	**TEUR**	**TEUR**	**TEUR**	**TEUR**
Assets					
Equity investments	4,231	–	–	4,231	4,231
Non-current trade receivables	–	2,357	–	2,357	2,357
Non-current other receivables and other assets	–	28,814	–	28,814	28,814
Trade receivables	–	18,607	–	18,607	18,607
Miscellaneous receivables and assets	–	10,660	–	10,660	10,660
Total financial assets	**4,231**	**60,438**	**–**	**64,669**	**64,669**
Equity and liabilities					
Long-term payables to banks	–	–	76,773	76,773	76,773
Bond liabilities	–	–	98,561	98,561	100,160
Short-term payables to banks and to bond holders	–	–	55,920	55,920	55,920
Trade payables	–	–	4,816	4,816	4,816
Other short-term payables	–	–	4,984	4,984	4,984
Total financial liabilities	**–**	**–**	**241,054**	**241,054**	**241,054**

* Fair Value through Other Comprehensive Income

Trade receivables and other receivables have maturities of short-term character. Accordingly, their book values equalled their fair value by the balance sheet date. The same applies, mutatis mutandis, to the trade payables and the other current liabilities. The ACCENTRO Group's non-current and current payables vis-à-vis banks were measured at fair value on initial recognition, minus the transaction costs, the fair values always equalling the acquisition costs. The accounts payable of recently acquired companies vis-à-vis banks were measured at fair value on initial recognition.

Going forward, the book value of all long-term and short-term payables vis-à-vis banks as of the balance sheet date equals the amount that application of the effective interest method would return as amortised costs. Taking into account the swift repayment of loans inherent in the business model, the fair value more or less matches the amortised cost in subsequent periods.

The bond without conversion rights was measured at fair value less transaction costs on initial recognition, the value matching the initial costs including transaction costs, and thereafter at amortised costs using the effective interest method as of the balance sheet date. The previous year, bonds with conversion rights were measured at fair value on initial recognition, with a market-consistent comparative interest rate taken into account, less transaction costs. This present value represents the debt component of the bonds, which is posted in the bond liabilities. Their book value represents a revaluation using the effective interest method.

With the exception of the bond classified as tier 3 bond under IFRS 13, the fair values of the financial assets and liabilities were measured by discounting financial surpluses or cash outflows. The fair value of the bond was obtained from the market price at the Frankfurt Stock Exchange.

The net earnings by measurement categories under IFRS 9 break down as follows:

	Financial Assets measured at Amortized Cost (aac)		Financial Liabilities measured at Amortized Cost (flac)	
	2019	2018	2019	2018
	TEUR	TEUR	TEUR	TEUR
Interest income	4,854	944	–	–
Interest expenses	–	–	12,207	9,869
Gains or losses on impairments	151	205	–	–
Net earnings	**5,004**	**1,149**	**12,207**	**9,869**

b) Financial Risks

The Group's business activities expose it to a variety of risks. These include specifically liquidity risks. Wherever relevant, variable-rate loans are only concluded on a minor scale while fixed-rate loans are generally repaid before the end of the fixed-interest period in line with the business model. There are no material default risks or interest rate risks. Dedicated financial risk management is intended to minimise the negative effects of these risks on the Group's net asset, financial and earnings situation and cash flows. For a description of the risk management system, please see section 4 in the Group management report.

Liquidity Risk

The following tables show the undiscounted, contractually agreed interest and principal payments of the financial liabilities within the scope of IFRS 7:

	31 December 2019					
	Book value	Total cash outflow	Cash outflow up to 1 year	Cash outflow 1 to 3 years	Cash outflow 3 to 5 years	Cash outflow after 5 years
	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR
Cash outflow for financial liabilities and bond	317 ,639	329 ,426	109 ,869	192 ,152	16 ,471	10 ,934

	31 December 2018					
	Book value	Total cash outflow	Cash outflow up to 1 year	Cash outflow 1 to 3 years	Cash outflow 3 to 5 years	Cash outflow after 5 years
	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR
Cash outflow for financial liabilities and bond	231 ,253	245 ,378	60 ,397	172 ,748	1 ,595	10 ,598

The interest rates at the respective balance sheet date were used to determine interest payments for interest-bearing loans with variable interest rates in future reporting periods. At the moment, the ACCENTRO Group is not exposed to significant interest rate risks.

The share of repayments from retail property sales itemised among the current financial liabilities amounts to TEUR 71,114 for the 2020 financial year. Short-term cash outflows in a total amount of TEUR 109,869 are anticipated in 2020, with interest payments and scheduled repayments taken into account.

The ACCENTRO Group kept cash and cash equivalents of TEUR 24,167 (previous period: TEUR 15,464) on hand as of the balance sheet data to cover its cash outflows. An additional TEUR 10,566 in trade receivables and an estimated TEUR 114,040 worth of inventory properties can be liquidated within one year. In addition, short-term payables from operating costs in the amount of TEUR 5,230 not yet settled are matched by short-term receivables in the amount of TEUR 7,008 for operating costs not yet settled.

Financial Covenants

The Group has credit agreements and corporate bonds totalling c. EUR 99.2 million (previous year: EUR 106.3 million) that require compliance with certain financial covenants (e. g. debt service coverage ratios, debt ratios, change of control). Breaches of these requirements could trigger early repayment obligations on the basis of a contractually agreed escalation procedure. To deflect possible breaches of contract, the Group uses appropriate regular monitoring to detect any early signs of a risk that covenants might be breached, and to prevent such a breach through adequate countermeasures as early as possible.

The main existing financial covenants are presented in section 5.8 of the notes to the consolidated financial statements.

The ACCENTRO Group's is currently not exposed to any material bad debt risks as a result of its original business model. However, several long-term loans were granted to associates and investment companies, some of which are subordinated and not fully collateralised (see section 5.1.3). As a rule, ACCENTRO provides privatisation or advisory services to borrowers and is thus involved in the operational management of the companies and knows how to assess default risks at an early stage. ACCENTRO deems the default risks very low as of the balance sheet date.

5.24 Related-Party Transactions

One subsidiary of ACCENTRO Group (ESTAVIS Wohneigentum GmbH) is a fully liable partner of the Wohneigentum Berlin GbR joint venture.

The Management Board of ACCENTRO Real Estate AG received the following compensation and benefits:

				2019				2018
	Fixed	Variable	Equity-based	Total	Fixed	Variable	Equity-based	Total
	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR
Jacopo Mingazzini	355	240	231	845	330	280	134	744

Collectively, the total remuneration disbursed to the CEO amounted to TEUR 845 for the 2019 financial year. This remuneration includes, in addition to the paid-out fixed remuneration plus non-cash remuneration in the amount of TEUR 355, the bonus claimed for the previous year in the amount of TEUR 240. The financial statements recognise a provision for bonus (TEUR 240) as expense. The bonus for the 2019 financial year was not yet due for payment during the year under review.

On 3 July 2018, EMMALU GmbH announced its off-market acquisition of 272,851 shares in ACCENTRO Real Estate 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 Real Estate AG. For financial reporting purposes, however, these facts and circumstances should be attributed to ACCENTRO pursuant to IFRS 2 even though ACCENTRO is not a contractual partner here. The majority shareholder is bound to a standstill agreement because the majority shareholder will have to redeem the shares at the originally agreed purchase price if the share price were to fall. For accounting purposes, this standstill obligation qualifies the transaction as a share option model in a total value of TEUR 1,200 (parameters used: strike price: EUR 7.33; maturity: 3-years; volatility: 43.87%; dividend yield: 2%; risk-free interest rate: –0.54%). The resulting expenses amounted to TEUR 231 in the 2019 financial year.

The Member of the Supervisory Board were exclusively paid fixed remunerations for the financial years shown:

	2019 Fixed TEUR	2018 Fixed TEUR
Axel Harloff (Chairman)	60	60
Dr. Dirk Hoffmann (Deputy Chairman)	45	45
Natig Ganiyev	30	30
Total	**135**	**135**

6 Events After the Reporting Date

On 6 January 2020, ACCENTRO Real Estate AG moved into its new offices at Kantstr. 44/45 in Berlin with its entire workforce. ACCENTRO Real Estate AG now occupies a modern proprietary office scheme that includes floor space reserves for further growth.

On 3 February 2020, the Management Board resolved, with the Supervisory Board's approval, to submit a cash offer to the holders of one debenture bond over TEUR 100,000 at 3.75% that will mature in 2021 to buy back the outstanding 2018/2021 bond. Bond holders representing 89.8% of the total nominal amount accepted the offer. In addition, ACCENTRO AG intends to buy back the units still outstanding at their face value plus accrued interest.

On 7 February 2020, ACCENTRO AG successfully issued a new unsubordinated and unsecured debenture bond over EUR 250,000 with a three-year maturity as part of a private placement to qualifying investors. It was issued at 99.745% of its face value at a coupon rate of 3.625%.

At the time of this writing, the corona virus is spreading rapidly and is gradually paralysing public life in Germany. So far, ACCENTRO has received no cancellations of condominium purchases or noticed a noticeable slackening in the number of requests for purchase information. The acquisition of real estate could actually gain in significance as a safe form of investment. However, the constraints currently imposed on everyday life could cause transactions to be considerably delayed so that our forecasts may not be met.

Indeed, it cannot be ruled out that sales and their settlement could be subject to delays at the moment. In the medium term, though, the asset class "real estate" is likely to experience a further increase in buyer/investor interest because it is seen as being more crisis-proof than other investment assets. This makes it rather unlikely that the threat of heavy business losses will be significantly increased for ACCENTRO by the rampant pandemic.

7 Other Disclosures

The auditor was paid the following remuneration for services provided to the ACCENTRO Group:

	2019	2018
	TEUR	TEUR
Audits of financial statements	280*	274
Other assurance services	5	0
Tax advisory services	0	0
Other services	25	277**
Total	**310**	**551**

* Out of the total of professional fees and expenses for auditor services, TEUR 11 represent the previous year.
** The item "Other services/previous year" includes an insurance premium of TEUR 229 that was passed on in connection with the issuance of a comfort letter.

The declaration on the Corporate Governance Code in accordance with Sec. 161, AktG, was issued in March 2020 and made permanently available to the shareholders on the homepage of ACCENTRO Real Estate AG (www.accentro.ag).

Berlin, 18 March 2020

Jacopo Mingazzini
Management Board

CONSOLIDATED FINANCIAL STATEMENTS

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position, and profit or loss of the Group, while the Group management report includes a fair review of the development and performance of the Group's business and state of affairs, together with a description of the principal opportunities and risks associated with the Group's prospective development going forward.

Berlin, 18 March 2020

Jacopo Mingazzini
Management Board

CONSOLIDATED FINANCIAL STATEMENTS

Group Auditor's Report

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

To the ACCENTRO Real Estate Aktiengesellschaft, Berlin

Report on the Audit of the Consolidated Financial Statements and of the Group Management Report

Audit Opinions

We have audited the consolidated financial statements of ACCENTRO Real Estate Aktiengesellschaft, Berlin, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as of December 31, 2019, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from January 1 to December 31, 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In addition, we have audited the Group Management Report which is combined with the management report (following: "Group Management Report") of ACCENTRO Real Estate Aktiengesellschaft, Berlin, for the financial year from January 1 to December 31, 2019. In accordance with the German legal requirements we have not audited the content of the corporate governance statement published on the companies website in accordance with section 315d HGB, which is referred to in section 7 in the Group Management Report.

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

– the accompanying consolidated financial statements comply, in all material respects, with the International Financial reporting Standards (IFRSs) as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as of December 31, 2019, and of its financial performance for the financial year from January 1 to December 31, 2019, and
– the accompanying Group Management Report as a whole provides an appropriate view of the Group's position. In all material respects, this Group Management Report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the Group Management Report does not extend to the above-mentioned components of the group management report which have not been audited in substance.

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 consolidated financial statements and of the Group Management Report.

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the Group Management Report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW). Our responsibilities under those requirements are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the Group Management Report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from January 1 to December 31, 2019. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

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

1. **Revenue recognition from the sales of inventory properties**
2. **Recognition and measurement of inventory properties**

on 1) Revenue recognition from the sale of inventory properties

a) Risk for the consolidated financial statements

For the fiscal year 2019, the ACCENTRO Real Estate AG Group reports revenues from the sale of inventory properties in the amount of EUR 129,5 million., which account for 90.4% of total revenues. Those revenues are generated by way of individual privatization and so-called real estate portfolio sales. The individual privatisation of residential units is also partly carried out for residential units still to be built from the conversion of attic apartments. The audit risk of these distribution channels must be assessed differently. While for individual privatization the revenue recognition is mostly based on standardized purchase contracts and less judgmental and less complex accounting decisions, real estate portfolio sales generally require a case-by-case assessment based on the respective sale and purchase agreement due to their higher level of complexity in terms of revenue recognition. On the other hand, if attic apartments that have not yet been built or are only partially built are sold as part of the individual privatisation process, IFRS 15.35 requires profits to be realised over time.

The information provided by the company for the recognition of revenue is reported in the Notes to the Consolidated Financial Statements "2.13", "5.4" and "5.13" as well as in sections 2.3 "Business Development" and 2.4 "Earnings, Financial and Net Asset Position" of the Group Management Report. Management makes use of tax, legal and accounting expertise by third party experts for the sale of larger real estate portfolios. Depending on the terms of the contract, a sale may be subject to collateral agreements, be designed by way of an asset or share deal and / or the beneficial ownership of the real estate portfolio may be transferred before receipt of a purchase price, whereby management is significantly involved in the drafting of the contract.

In the case of individual privatizations, the transfer of benefits and burdens of the property and thus the revenue recognition usually takes place upon receipt of the purchase price by the group or on a notary trust account but may also depend on the fulfilment of further requirements.

In the case of individual privatisations in connection with the construction of new attic apartments, sales revenues are realised in accordance with IFRS 15.35 c) over time using the cost-to-cost method.

The risk for the consolidated financial statements lies in the fact that revenue was not realized in the reporting year or was not recognized in the correct period. Taking into account the substantial impact of each real estate portfolio sale and the large number of privatization sales in temporal proximity to year end, the risk of significant errors in the revenue recognition from these sales transactions is of particular relevance for our audit.

b) Auditor's response and conclusions

The examination of the revenue recognition of sales of real estate portfolios takes place on a case-by-case basis through critical appraisal of the contract. In 2019 seven sales were completed as so-called portfolio sales. By way of a case-by-case examination, we assessed all portfolio purchase agreements, in particular with regard to proper revenue recognition. The Group's appraisal of the contractual arrangements by obtaining legal advice from knowledgeable third parties is sufficiently documented and justified to substantiate the revenue recognition of real estate portfolio sales in the financial statements.

For revenue recognition from individual privatizations, we have obtained an understanding of the processes implemented in the Group to ensure the completeness and accuracy of revenue recognition and assessed the internal controls for appropriateness. We conducted appropriate tests to assess the effectiveness of the controls identified during the process. For property sales from individual privatizations, we examined the purchase agreements and verified the incoming payments in an extensive random sample to ensure that sales were correctly recognized in the reporting year. When auditing the in comparison relatively minor period-based revenue recognition from the sale of attic apartments that have not yet been handed over, we have convinced ourselves of the appropriateness of the project costing and assessed the assumptions used.

Our audit did not lead to any material reservations relating to the recognition of revenues.

on 2) Recognition and measurement of inventory properties

a) Risk for the consolidated financial statements

As of 31 December 2019, the Group reported EUR 416.6 million in inventory properties as material assets. The share of the balance sheet total amounts to around 71,7%. Properties acquired for the purpose of short-term privatization and sale are reported as inventory properties. In most cases, the transfer of benefits and burdens and thus control of the inventory properties is linked to the payment of the purchase price, in some cases also to the fulfilment of further conditions. In addition to the purchase price, the ancillary acquisition costs, typically real estate transfer tax, notary fees and brokerage commissions, are to be recognised in full and correctly at the time of acquisition. The costs of the construction and maintenance measures carried out to make the property ready for sale are recognised as subsequent acquisition costs. The acquisition costs are to be allocated to the individual residential units of the acquired inventory properties in accordance with the expected sales prices and in an appropriate procedure in such a way that a largely consistent realisation of margins is ensured upon their sale. When individual residential units are sold, the proportionate acquisition costs allocated to these units are to be fully derecognised from the inventory properties. On the basis of the expected selling prices, an assessment must be made as of the balance sheet date as to whether there are any impairment risks on disposal which must be taken into account by write-downs.

The Company's disclosures on the balance sheet presentation of inventory properties are contained in Notes "2.9" and "5.3" to the consolidated financial statements and in section "2.4 Results of operations, financial position and net assets" of the Group Management Report.

Due to the material absolute and relative amount, the correct recognition and measurement of inventory properties is of particular importance for the consolidated financial statements and thus for our audit.

b) Auditor's response and conclusions

We have obtained an understanding of the processes implemented in the Group to ensure the completeness and accuracy of the recognition and the measurement of the inventory properties, the appropriate allocation of acquisition costs to the acquired residential units and the correct derecognition of the carrying amounts or residential units upon sale and subsequently assessed their appropriateness. We have performed tests to evaluate the effectiveness of the controls identified in the process. For the material purchases of inventory properties in the year under review, we have verified the transfer of ownership and the determination of acquisition costs on the basis of the purchase agreements and the supporting documents for the ancillary acquisition costs. For the material sales in the year under review, we have fully tested the derecognition of the related inventory values and for the remaining sales in samples and on the basis of a margin analysis. In the case of the inventory properties that have already been held by the group for a longer time, we have verified that no material impairment risks exist based on the sales and margins realized and planned.

In our opinion, the processes implemented in the Group to ensure proper recognition and measurement of inventory properties are appropriate. Our audit did not lead to any reservations relating to the recognition and measurement of inventory properties.

Other Information

Management and the Supervisory Board are responsible for the other information. The other information obtained as of the date of this audit opinion includes:

- the corporate governance statement published on the website of ACCENTRO Real Estate AG, Berlin, which is referred to in Chapter 7 of the Group Management Report
- the confirmation pursuant to § 297 Abs. 2 Satz 4 HGB regarding the consolidated financial statements and the confirmation pursuant to § 297 Abs. 2 Satz 4 in connection with § 315 Abs. 1 Satz 5 HGB regarding the group management report.
- the report of the supervisory board
- the Corporate Governance Report in accordance with No. 3.10 of the German Corporate Governance Code.
- the remaining parts of the annual report, with the exception of the audited consolidated financial statements and Group Management Report and our auditor's report.

The Supervisory Board is responsible for the report of the Supervisory Board. The legal representatives and the Supervisory Board are responsible for the declaration pursuant to Section 161 AktG on the German Corporate Governance Code, which is part of the Group's corporate governance declaration referred to in Section 7 of the Group Management Report. The legal representatives are also responsible for other information.

Our audit opinions on the consolidated financial statements and on the Group 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 consolidated financial statements, with the Group 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 Consolidated Financial Statements and the Group Management Report

Management is responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, management is responsible for such internal control as management has determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern. It also has the responsibility for disclosing, as applicable, matters related to going concern. In addition, management is responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, management is responsible for the preparation of the Group Management Report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, management is responsible for such arrangements and actions (systems) as they have considered necessary to enable the preparation of a Group 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 Group Management Report.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the Group Management Report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the Group Management Report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by management and the reasonableness of estimates made by management and related disclosures.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the Group Management Report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the Group Management Report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- Evaluate the consistency of the Group Management Report with the consolidated financial statements, its conformity with law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by management in the Group Management Report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by 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 consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other Legal and Regulatory Requirements

Further Information pursuant to Article 10 of the EU Audit Regulation
We were elected as group auditor by the annual general meeting on May 14, 2019. We were engaged by the supervisory board on November 26, 2019. We have been the group auditor of 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

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

Hamburg, March 18, 2020

Ebner Stolz GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft

Dirk Schützenmeister
Wirtschaftsprüfer
[German Public Auditor]

Florian Riedl
Wirtschaftsprüfer
[German Public Auditor]

Further Information

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Condominiums Usedom Ahlbeck, Heimstr.

FURTHER INFORMATION
Directors and Officers

Supervisory Board

Axel Harloff (Chairman)
- Member of the Supervisory Board since 1 September 2014
- Merchant
- Other mandates 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, Frankfurt am Main

Dr. Dirk Hoffmann (Deputy Chairman)
- Member of the Supervisory Board since 1 September 2014
- Attorney at law
- Other mandates in comparable domestic and foreign supervisory bodies:
  – Chairman of the Supervisory Board of ADLER Real Estate AG, Berlin (by end of February 2020)
  – Chairman of the Supervisory Board of SQUADRA Immobilien GmbH & Co. KGaA, Frankfurt am Main
  – Chairman of the Supervisory Board of WESTGRUND Aktiengesellschaft, Berlin

Natig Ganiyev
- Member of the Supervisory Board since 1 December 2017
- Managing Director of Vestigo Capital Advisors LLP, London
- Other mandates in comparable domestic and foreign supervisory bodies:
  – Director Brookline Capital GP Limited, Guernsey
  – Member of the Supervisory Board of Malta Montenegro Wind Power JV Ltd, Malta

Management Board

Jacopo Mingazzini
- Initial appointment: 16 March 2012
- Current appointment ends: 15 March 2021
- Real estate economist

FURTHER INFORMATION

Forward-looking Statements

This annual report contains specific forward-looking statements. A forward-looking statement is any statement that does not relate to historical facts and events. This applies, in particular, to statements relating to future financial earning capacity, plans and expectations with respect to the business and management of ACCENTRO Real Estate AG, growth, profitability and the general economic and regulatory conditions and other factors to which ACCENTRO is exposed.

Forward-looking statements are based on current estimates and assumptions made by the company to the best of its knowledge. Such forward-looking statements are based on assumptions and are subject to risks, uncertainties and other factors that may cause the actual results including the net asset, financial and earnings situation of ACCENTRO to differ materially from or disappoint expectations expressed or implied by these statements. The operating activities of ACCENTRO are subject to a number of risks and uncertainties that may also cause a forward-looking statement, estimate or prediction to become inaccurate.

FURTHER INFORMATION
Financial Calendar

2020

■ 14 May 2020	Quarterly Statement for the period 1 January through 31 March 2020
■ 25 May 2020	Annual General Meeting, Berlin
■ 13 August 2020	Half-Year Financial Report 2020
■ 12 November 2020	Quarterly Statement for the period 1 January through 30 September 2020

All dates are provisional. Please check our website www.accentro.ag for confirmation.

FURTHER INFORMATION
Credits

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Home: www.accentro.ag

ACCENTRO
REAL ESTATE AG

Management Board

Jacopo Mingazzini

Chairman of the Supervisory Board

Axel Harloff, Hamburg

Contact

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Layout Design

racken GmbH, Berlin
www.racken.de

Concept, Editing, Layout

Goldmund Kommunikation, Berlin
www.goldmund-kommunikation.de

Photos

Management Board: Die Hoffotografen
All others incl. visualisations: ACCENTRO AG

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