ACCENTRO
REAL ESTATE AG

ANNUAL REPORT 2020

ACCENTRO
Real Estate AG

ANNUAL REPORT for the financial year
1 January to 31 December 2020

Cover: high quality condominiums at Riehmers Hofgarten,
Berlin-Kreuzberg, Großbeerenstr. 56e

ANNUAL REPORT
FOR THE FINANCIAL YEAR 1 JANUARY TO 31 DECEMBER 2020

This annual report includes the consolidated financial statements of ACCENTRO Real Estate AG and the combined management report and Group management report for the 2020 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	2020	2019
Income statement	**TEUR**	**TEUR**
Group sales	125,182	143,274
Gross profit/loss (interim result)	27,152	41,174
EBIT	34,767	39,804
EBT	24,313	32,488
Consolidated income	18,055	26,299

ACCENTRO Real Estate AG	31 Dec. 2020	31 Dec. 2019
Balance sheet ratios	**TEUR**	**TEUR**
Non-current assets	311,348	102,508
Current assets	550,640	478,250
Shareholders' equity	247,101	220,811
Equity ratio	28.7%	38.0%
Total assets	861,987	580,757
Loan to Value (LTV)*	53.2%	43.1%

* Net financial liabilities in relation to Adjusted Total 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 2020	32,437,934
Free float	12.12%
Share price high (1 January – 31 December 2020)*	EUR 11.20
Share price low (1 January – 31 December 2020)*	EUR 6.95
Closing price on 30 December 2020*	EUR 8.90
Market capitalisation on 30 December 2020*	EUR 288,697,613

* Closing prices in Xetra trading

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Condominiums Berlin-Reinickendorf,
Sommerstraße 42/Herbststraße 18

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Letter to the Shareholders

Dear Shareholders,
Dear Ladies and Gentlemen,

An exceptional year lies behind us now in which the coronavirus created an entirely new situation that was difficult to judge. It was simultaneously a time fraught with massive economic and societal challenges and restrictions for us all.
A year ago, even we, the Company's senior management, had but a limited grasp of the ramifications that the coronavirus pandemic would have for the business performance of ACCENTRO in 2020. How the German market for residential real estate would develop in this environment was anybody's guess.

One thing we can state with certainty today is that Germany's housing market demonstrated an amazing crisis resilience and its structural potential for growth. Demand for housing remained as high as ever last year, and selling prices for condominiums continued to climb.

Analogously, and despite the pandemic-related constraints, the sales figures of ACCENTRO followed a positive trend in 2020. With 420 units sold, our retail privatisation business nearly matched the robust development of the year before (previous year: 463 units). In fact, the notarised sales volume topped the prior-year figure at c. EUR 119 million (previous year: c. EUR 110 million). Especially the sales activities during the closing months of the year inspire our optimism, as ACCENTRO sold more units than during the same period in 2019, and did so at a time when lockdown rules had been tightened further. The performance was matched by prospering property portfolio sales to institutional investors such as pension funds and family offices. ACCENTRO closed deals for 320 units in a notarised sales volume of approximately EUR 40 million.

Our property acquisitions in 2020 also developed very handsomely. By purchasing roughly 3,500 units, ACCENTRO pushed its inventory beyond the mark of 5,000 units, more than doubling it, and simultaneously continued to expand its market position in fast-growing regions of Germany.

On the whole, our Company has every reason to look back at the 2020 financial year with contentment. And this even if the robust operational development of our business as outlined above is not fully reflected in the sales and earnings performance. One main reason for the shortfall was the pandemic-driven delay to the transfer of benefits and burdens, which caused some of the revenues and profits expected in the fourth quarter of 2020 to be pushed forward into 2021. The consolidated revenues added up to EUR 125.2 million last year (previous year: EUR 143.3 million), while the consolidated earnings before interest and taxes (EBIT) equalled EUR 34.8 million (previous year: EUR 39.8

million). Worth noting is that one-off expenses in the amount of EUR 6.0 million diminished the EBIT. Without it, EBIT would have totalled EUR 40.8 million and thereby set a new record for the Company.

But let us take a look into the future. The conditions for resuming our growth trajectory are excellent. And this goes not just for 2021, a year in which we expect to see a revenue and earnings growth well in the double-digit range. Revenues of EUR 170 to 200 million and EBIT of EUR 45 to 50 million are quite realistic.

Just as auspicious for the long term is the outlook for all four of ACCENTRO's core divisions. These include retailing condominiums to private owner-occupiers and buy-to-let investors, selling real estate portfolios to institutional investors, managing our proprietary real estate portfolio, and finally providing sales and property administration services to third parties.

With an anticipated property sales volume of EUR 550 million, the current privatisation portfolio of ACCENTRO is certainly well stocked. This alone constitutes a comfortable basis for our Company to continue its successful business performance in the years ahead.

The situation in Germany is characterised by sustained strong demand for dwellings. In a bid to meet this demand, ACCENTRO will keep expanding its real estate portfolio. Building up a propriety stock of rental housing plays an important role in this effort. Last year, our Company took a big first step by acquiring around 2,800 residential units, and at the same time entered another attractive growth region, as many of these are located in conurbations in eastern Germany.

For ACCENTRO, this means more than just providing much-needed accommodation. For it also increases the rental income and fuels the further appreciation of the portfolio which, in sync with our thriving sales efforts, will sustainably boost the profitability of the Company's business model. Here, ACCENTRO can rely on the know-how it gained over many years in the asset management and property management business.

As you can see, our Company is heading in the right direction and has paved the way for sustainable and profitable future growth. The view is shared not least by a major plan sponsor who subscribed the total volume of a bond that ACCENTRO issued a few weeks ago in the amount of EUR 100 million.

Thank you so much for the faith that you, too, have shown in the performance of our Company. Please stay safe and sound!

Kind regards,

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Report of the Supervisory Board

Dear Shareholders,
Dear Ladies and Gentlemen,

Throughout the 2020 financial year, the Supervisory Board of ACCENTRO Real Estate AG conscientiously fulfilled the tasks assigned to it by law and by the Company's articles of association. Both regular meetings and one-off meetings were convened. The Supervisory Board assisted the Management Board in an advisory capacity, and monitored its activities. The Supervisory Board was always included comprehensively and promptly in important decision-making processes by the Management Board, was briefed on the business performance, the plans for expanding the business and all relevant issues concerning the Company, and made the necessary decisions. In fact, the Supervisory Board was directly involved in every decision of material significance for the Company.

Personnel Changes in the Supervisory and Management Boards

The following Supervisory Board and Management Board changes took place in the course of the 2020 financial year.

Effective as of 31 March 2020, Dr. Dirk Hoffmann resigned from the Supervisory Board of ACCENTRO Real Estate AG. By order of the District Court of Berlin-Charlottenburg on 28 April 2020, Carsten Wolff was appointed as a member of the Company's Supervisory Board. However, the District Court of Berlin-Charlottenburg did not follow the proposal by the Company's Management Board and by the Company to limit the appointment of Carsten Wolff to a term ending with the Company's next annual general meeting. As a result, the appointment is open-ended and thus for the statutory maximum term. Irrespective of this, Carsten Wolff was re-elected anyway as a member of the Company's Supervisory Board by resolution of the annual general meeting on 24 June 2020.

Jacopo Mingazzini, the former sole member of the Management Board of ACCENTRO Real Estate AG, left the Company on his own accord as of 18 March 2020. On 18 March 2020, Lars Schriewer was appointed as sole member of the Management Board of ACCENTRO Real Estate AG. Effective as of 16 November 2020, the Supervisory Board of ACCENTRO Real Estate AG enlarged the Management Board and appointed Hans-Peter Kneip as Chief Financial Officer of ACCENTRO Real Estate AG.

Meetings

During the reporting period, the Supervisory Board convened five meetings, specifically on 18 and 23 March, 24 June, 3 September and 10 December 2020. Each meeting of the Supervisory Board was attended by all of its members. The members of the Management Board regularly attended the meetings of the Supervisory Board. As needed, the Supervisory Board convened without the Management Board.

A continuous exchange of views between the Supervisory Board and the Management Board was maintained even outside the meetings of the Supervisory Board. All decisions and actions requiring approval were discussed in depth, and resolutions were made on the basis of consultations. In addition, the Management Board briefed the Supervisory Board in the form of written quarterly reports on the Company's state of affairs and course of business, operational plans and other fundamental planning issues.

Conflicts of interests were neither identified nor did any materialise for members of the Management Board and of the Supervisory Board during the financial year concluded.

Under the articles of association, the Supervisory Board consists of three members. With this in mind, the Supervisory Board has formed no committees. The Supervisory Board has so far refrained specifically from forming, nor will it form, subject to legal changes, an audit committee or a nomination committee, as it considers three Supervisory Board members a sufficient number to function effectively in joint representation. Given the size of the Supervisory Board, it would moreover seem unreasonable to form committees, which must include at least two people or, for a quorum, at least three people.

All members of the Supervisory Board were involved in all of the functions performed by the Board.

Corporate Governance

The Supervisory Board deals with the corporate governance principles that the Company applies. The Supervisory Board and the Management Board share the view that the German Corporate Governance Code (DCGK) contains standards for good and responsible governance that are recognised both nationally and internationally and are conducive to the proper management and monitoring of German listed companies.

Pursuant to Art. 161, German Stock Corporation Act (AktG), the management board and supervisory board of a public company are required to issue an annual statement ("Declaration of Compliance") concerning the extent to which the company has met, and continues to meet, the recommendations issued by the Government Commission on the German Corporate Governance Code. The latest such statement, dated March 2021, refers to the Code as amended on 7 February 2017, which was published in the Federal Gazette on 24 April 2017, and to the Code as amended on 16 December 2019, which was published in the Federal Gazette on 20 March 2020. The full-length version of the Declaration is available on the Company's homepage at www.accentro.ag/en/investor-relations/corporate-governance/declaration-of-compliance.

Moreover, the Declaration of Compliance is published, together with the annual financial statements and the management report as well as other required disclosures, in the Federal Gazette, and has been filed with the company register.

The German Corporate Governance Code suggests that member of supervisory boards should not exercise any board functions or advisory tasks for significant competitors of the company and should not have a personal relationship with a significant competitor. The Supervisory Board members, Axel Harloff and Carsten Wolff do, however, exercise board functions for competitors. Axel Harloff is chairman of the supervisory board of Consus Real Estate AG, Berlin, and member of the management board of ERWE Immobilien AG, Frankfurt am Main. Carsten Wolff is CFO and thus a member of the board of directors of A.D.O. Group LTD, Tel Aviv, Israel, and a board member of Eurohaus Frankfurt AG, Berlin, which are both fully owned subsidiaries of ADLER Real Estate AG, while also being deputy chairman of the supervisory board of Westgrund AG, Berlin, as well as a member of the supervisory board of ERWE Immobilien AG, Frankfurt am Main. The Supervisory Board is convinced that the situation caused no significant conflicts of interest during the 2020 financial year covered by the report. Constant dialogue and a review of the facts and circumstances of each case act as safeguards to prevent the occurrence of significant conflicts of interest in future, too.

Individual and Consolidated Financial Statements

The Annual General Meeting elected the auditing firm Ebner Stolz GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Hamburg, as auditor for the financial year beginning 1 January and ending 31 December 2020.

The auditor reviewed the Company's annual financial statements submitted by the Management Board and the consolidated financial statements including the management report and the Group management report for the 2020 financial year, and issued an unqualified audit certificate for these.

The management report submitted the annual financial statements, the consolidated financial statements, the Group management report, the independent auditors report regarding the audits of the financial statements and the consolidated financial statements along with the Management Board's proposal for the appropriation of net income to the Supervisory Board in due time for its review. At its balance sheet meetings on 26 April and 30 April 2021, the Supervisory Board deliberated and discussed the documents underlying the financial statements and reports with the Management Board at length, focusing on issues relating to the valuation of current and non-current assets. The auditor briefed the meeting on the essential findings of the audits, and was on hand to answer additional questions raised by the Supervisory Board.

Based on its independent review of the annual financial statements, the consolidated financial statements, the management reports for the Company and the Group, and the proposal for the appropriation of net retained profits, the Supervisory Board approves the auditor's audit findings, and declares that, based on the conclusive findings of its examinations, it has no objections to raise. By resolution dated

30 April 2021, the Supervisory Board approved the annual financial statements, which is thereby adopted pursuant to Sec. 172, AktG, and the consolidated financial statements. We concur with the proposal for the appropriation of profits.

Dependency Report 2020

The Supervisory Board examined and approved the dependency report compiled by the Management Board pursuant to Sec. 312, AktG. Based on the final outcome of its examination, the Supervisory Board raised no objections to the statement by the Management Board at the end of its report pursuant to Art. 312, AktG.

The auditor, which is the auditing firm Ebner Stolz GmbH & Co. KG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, in Hamburg, raised no objections in its audit of this report, and the result of the audit is consistent with the findings of the Supervisory Board. The auditor issued an unqualified auditor's opinion in this respect:

"On completion of our review and assessment in accordance with professional standards, we confirm that:

1. the actual disclosures contained in the report are accurate, and
2. the consideration paid by the Company for the legal transactions detailed in the report was not unreasonably high."

Members of the Supervisory Board

Pursuant to Sec. 96, AktG, the Supervisory Board is composed of shareholder representatives.

The Supervisory Board would like to thank the entire staff of ACCENTRO Real Estate AG for their faithful services, their deep commitment, and their high sense of loyalty.

Berlin, 30 April 2021

Axel Harloff
Chairman of the Supervisory Board

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Corporate Governance Report

Declaration of Compliance 2021

Pursuant to § 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 text of the declaration is published on the Company's website (www.accentro.ag).

I. Code of 7 February 2017

The Management and Supervisory Boards of ACCENTRO Real Estate AG declare:
"Since issuing its last declaration of compliance on 6 March 2020, ACCENTRO Real Estate AG has complied with the recommendations of the German Corporate Governance Code as amended on 7 February 2017 and published in the Bundesanzeiger on 24 April 2017, as corrected by the announcement on 19 May 2017, with the following exceptions:

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 no such deductible for the members of the Supervisory Board is necessary to encourage them to properly perform their supervisory duties, especially since the recommendation has been dropped with the current version of the Code dated 16 December 2019 (published on 20 March 2020).

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 managerial positions, so that it has deviated in this respect from the Code recommendation to strive for an appropriate consideration of women when 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 will consist of only one person until 16 November 2020. With effect from this date, Mr Hans-Peter Kneip has been appointed Chief Financial Officer (CFO). The Supervisory and Management Boards were of the opinion that the size of the company justified a single-member Management Board.

Code Section 4.2.2 (Vertical comparison)
The Supervisory Board dutifully deals with the appropriateness of the compensation of the Management Board. In doing so, it also takes into account the company's internal wage and salary structure. However, the Supervisory Board is convinced that the formal comparison with the workforce as a whole as recommended in Code Section 4.2.2 paragraph 2 sentence 3 is not necessary to assess whether the compensation of the Management Board is appropriate. In the opinion of the Supervisory Board, a formal comparison with the group's workforce does not lead to an improved decision-making process.

Code Section 4.2.3 (Composition of the 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 Supervisory Board should have no members who exercise board functions for significant competitors. However, the former member of the Supervisory Board, Dr. Dirk Hoffmann, used to exercise board functions for competitors, the same being true for the current Supervisory Board members Axel Harloff and Carsten Wolff. Dr. Dirk Hoffmann was 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 management board of ERWE Immobilien AG, Frankfurt am Main. Carsten Wolff is a member of the board of directors (CFO) of A.D.O. Group LTD, Tel Aviv, Israel, and a board member of Eurohaus Frankfurt AG, Berlin, which are both fully owned subsidiaries of ADLER Real Estate AG, while also being a member of the supervisory board of ERWE Immobilien AG, Frankfurt am Main. However, the Company believes that the situation has caused no significant conflicts of interest.

Code Section 7.1.2 (Supervisory Board's involvement with interim reports and publication of interim reports)
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 for the semi-annual financial report in accordance with § 115 of the German Securities Trading Act (WpHG) are complied with in all cases.

II. Code of 16 December 2019

The Management Board and Supervisory Board of ACCENTRO Real Estate AG moreover declare:
"ACCENTRO Real Estate AG intends to comply in the future with the recommendations of the German Corporate Governance Code as amended on 16 December 2019 and published in the Bundesanzeiger on 20 March 2020, with the following exceptions:

Code Recommendation A.2 (ompliance management system and whistleblowing 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 Recommendation B.2 (Succession planning)
Due to the age structure of the Management Board, no long-term succession plan has been made at this time. Accordingly, there is no disclosure in the corporate governance statement.

Code Recommendation B.5 (Age limit for Management Board members)
Due to the age structure of the Management Board, no age limit has been set at this time.

Code Recommendation C.2 (Age limit for Supervisory Board members)
In the opinion of the Supervisory Board, an age limit is not necessary for the effective and successful work of the Supervisory Board. The Supervisory Board will examine to what extent this recommendation can be complied with in the future.

Code Recommendation C.12 (No board functions or advisory functions with significant competitor)
Members of the Supervisory Board should not exercise any board functions or advisory roles for significant competitors of the Company, nor should they maintain personal ties with a significant competitor. The Supervisory Board members Axel Harloff and Carsten Wolff do, however, exercise board functions for competitors. Axel Harloff is chairman of the supervisory board of Consus Real Estate AG, Berlin, and member of the management board of ERWE Immobilien AG, Frankfurt am Main. Carsten Wolff is CFO and thus a member of the board of directors of A.D.O. Group LTD, Tel Aviv, Israel, and a board member of Eurohaus Frankfurt AG, Berlin, which are both fully owned subsidiaries of ADLER Real Estate AG, while also being a member of the supervisory board of ERWE Immobilien AG, Frankfurt am Main. However, the Company believes that the situation has caused no significant conflicts of interest.

Code Recommendations D.2, D.3, D.4, D.5 and C.10 (Formation of Supervisory Board 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. Accordingly, there is no chairperson of an audit committee who has special knowledge and experience in the application of accounting principles and internal controlling procedures and who is familiar with and independent of the audit of the financial statements. As there are no Supervisory Board committees and therefore no committee chairpersons, the recommendations in section C.10 regarding the independence of committee chairpersons are deviated from.

Code Recommendation D.11 (Regular assessment by audit committee)

As there is no audit committee, it cannot regularly assess the quality of the audit; this is done by the full Supervisory Board.

Code Recommendation F.2 (Publication of financial information during the year)

ACCENTRO Real Estate AG generally publishes its in-year financial information 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 for the semi-annual financial report in accordance with § 115 of the German Securities Trading Act (WpHG) are complied with in all cases. With regard to the 2020 annual financial statements, the Company exceptionally refrains from publishing them within 90 days of the end of the financial year due to the COVID 19 pandemic, which hampered the company´s workflow as a result of the lockdown,which has been in force in Germany since early November 2020 and which has been tightened by further restriction since. The statutory requirements pursuant to Section 114 of the German Securities Trading Act (WpHG) are complied with in all cases .

Code Recommendation G.1 (Determination of the specific total remuneration)

Pursuant to the requirements of law, the Supervisory Board will in the future set a maximum total remuneration for the Management Board. A presentation of how the target remuneration is determined, as well as a breakdown for each individual member of the Management Board, including an explanation of the relative proportions of the compensation components, has not been and will not be provided. At the time of the resolution on the remuneration system, the Supervisory Board was in the final stages of negotiations on the LTI, so that a target remuneration could not yet be definitively determined. In the view of the Supervisory Board, no breakdown is necessary given the number of Management Board members (two).

Code Recommendation G.4 (Vertical comparison)

The Supervisory Board dutifully deals with the appropriateness of the compensation of the Management Board. In doing so, it also takes into account the company's internal wage and salary structure. However, the Supervisory Board is convinced that the formal comparison with the workforce as a whole as recommended in Code Recommendation G.4 is not necessary to assess whether the compensation of the Management Board is appropriate. In the opinion of the Supervisory Board, a formal comparison with the group's workforce does not lead to an improved decision-making process.

Code Recommendation G.6 (Variable remuneration)

The Management Board contracts do not provide for a long-term variable remuneration component, so that the recommendation is deviated from that the variable remuneration resulting from the achievement of long-term oriented targets should exceed the share resulting from short-term oriented targets. In the opinion of the Supervisory Board, no such arrangement is necessary as an incentive for the activities of the Management Board, as the Management Board is sufficiently motivated by the current arrangement of variable remuneration to act in the long-term interests of the Company.

Code Recommendation G.10 (Granting of shares, time of disposal)
The holding period of shares acquired upon appointment to the Management Board is linked to the term of appointment, so that in the event of a brief appointment period - as is the case here due to the respective initial appointments – the members of the Management Board can then dispose of their shares earlier than before the expiration of four years if no reappointment takes place.

No variable remuneration components were granted from the Company to the members of the Management Board in the form of shares or share-based remuneration. Because their term of appointment expires in two years, the existing Management Board members will be able to dispose of their long-term remuneration component after the expiry of slightly more than two years and three months when the LTI is launched as of 1 January 2021. The Supervisory Board does not consider a longer assessment period or a waiting period beyond the term of appointment to be suitable to additionally motivate the members of the Management Board and to provide incentives for long-term, sustainable corporate development. In the future, however, the assessment period for the LTI is to be four years and the LTI earned will accordingly only be at the free disposal of the Management Board members after a period of slightly more than four years.

Existing agreements provide for a share-based compensation between the main shareholder and the members of the Management Board, which is recognised like a stock option as remuneration expense in the Consolidated Financial Statement in accordance with IFRS 2.

Code Recommendation G.11 (Withholding or reclaiming variable remuneration)
There are no plans, either at present or in the future, for the Supervisory Board to withhold or reclaim variable remuneration in its entirety. The LTI may be adjusted by 20% for each individual performance period as well as for the entire assessment period at the discretion of the Supervisory Board from 1 January 2021. In addition, the LTI can also be adjusted on an ad hoc basis in the event of exceptional occurrences, so that in the opinion of the Supervisory Board there is no need for any further withholding or reclaiming of variable remuneration. For new contracts and in the case of contract extensions, the discretionary adjustment by the Supervisory Board of 20% is also to apply to the STI in future.

Code Recommendation G.13 (Severance payment cap)
There is no provision per se for crediting the indemnity for the non-compete waiting period towards any severance payment to be rendered. In the opinion of the Supervisory Board, such a provision is not necessary as an incentive for the activities of the Management Board. The Supervisory Board decides on a case-by-case basis whether a credit is to be made, in order to be able to meet the different objectives of severance payments and indemnities for waiting periods in each case.

Berlin, 19 March 2021, updated 11 May 2021

Management Board and Supervisory Board
ACCENTRO Real Estate AG

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ACCENTRO Real Estate AG Stock Performance

Stock Market

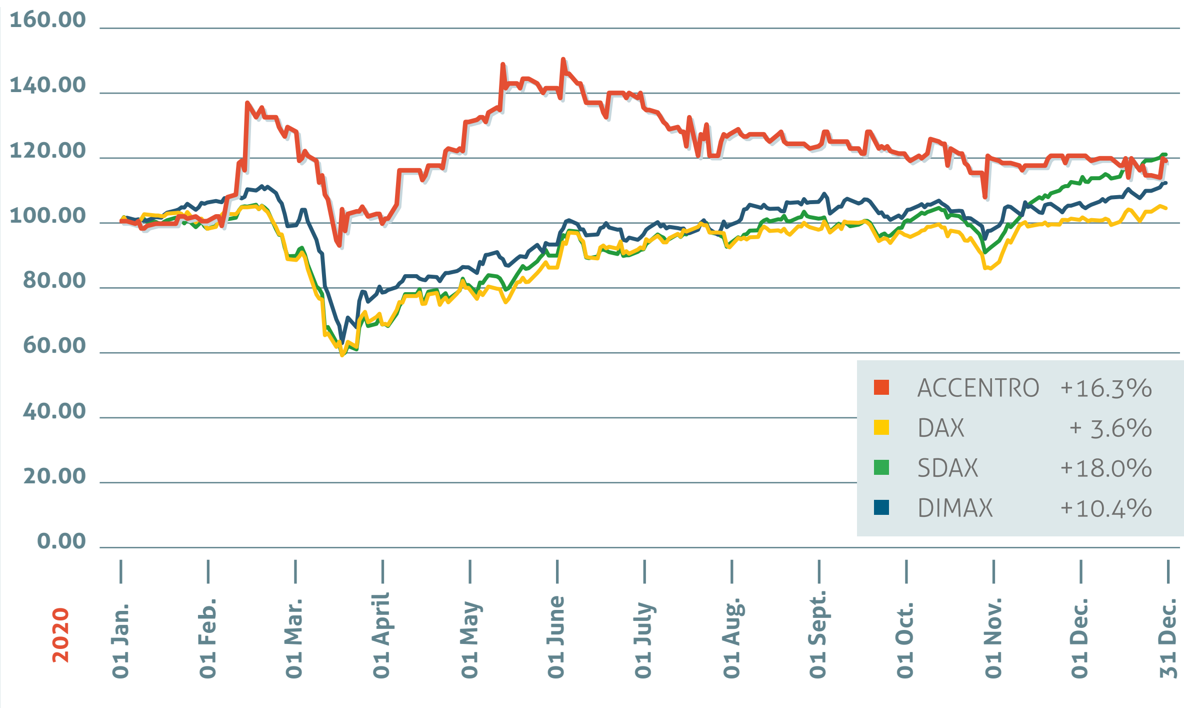
The global spread of the COVID-19 virus and the far-reaching restrictions on the economic and private environment that it prompted resulted in a significant slump on the financial markets during the first quarter of 2020. The German DAX stock index, for one, lost 25%. Markets gradually recovered during the subsequent quarters, and the DAX ultimately concluded the year with a 3.6% gain at 13,718 points, barely short of the all-time high it had achieved just days earlier.

The recovery after the first three months of the pandemic was due, inter alia, to the massive financial bailout packages in Germany and other countries, the progressive development of COVID-19 vaccines, the economic recovery and the positive sentiment indicators that accompanied it, the Brexit deal reached, and the outcome of the president elections in the United States. Yet the resurgence in the number of COVID-19 cases during the fourth quarter and the comprehensive measures that were reintroduced to curb the spread of the virus once again stalled the recovery of the capital markets.

ACCENTRO on the Capital Market

The stock of ACCENTRO Real Estate AG clearly outperformed the DAX and pulled almost level with the SDAX index (+18.0%) as it concluded the year with a share price of EUR 8.90 and thus scored a 16.3% gain. Accordingly, the Company's market capitalisation increased to EUR 289 million.
The ACCENTRO stock also outperformed the DIMAX German Real Estate Equity Index, which rose by 10.4% last year. Meanwhile, the positive performance of the sector index underlined the stability of the real estate sector in general and the stable business performance of the residential real estate companies in particular, even and especially during the coronavirus crisis.
But it was not just the share price of ACCENTRO Real Estate AG that did well last year. With the issuance of an unsecured bond in a volume of EUR 250 million in February 2020, the Company also scored a major success on the debt side, laying the financial foundation for its further expansion.

ACCENTRO Share Performance from 1 January to 31 December 2020



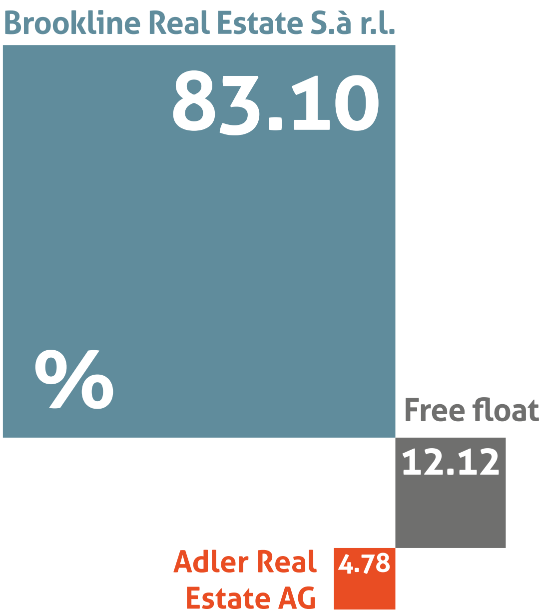
ACCENTRO share performance vs. indices

Shareholder Structure

The subscribed capital of ACCENTRO Real Estate AG equalled an unchanged total of EUR 32.44 million as of 31 December 2020. It breaks down into 32,437,934 no-par value bearer shares.

The shareholder structure experienced only marginal shifts over the course of 2020. The interest held by Brookline Real Estate S.à.r.L declined slightly to 83.10% (down from 83.31%). Adler Real Estate AG continues to own 4.78%. Accordingly, the free float now equals 12.12% (up from 11.91%).

The adjacent chart provides an overview of the shareholding structure.



Shareholder structure as of 31 December 2020
(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 2020	32,437,934
Free float	12.12%
Share price high (1 January – 31 December 2020)*	EUR 11.20
Share price low (1 January – 31 December 2020)*	EUR 6.95
Closing price on 30 December 2020*	EUR 8.90
Market capitalisation on 31 December 2020*	EUR 288.7 million

* Closing prices in Xetra trading

Investor Relations Activities

ACCENTRO attaches great importance to its investor relations efforts. A key factor in this context is the regular transparent exchange with our shareholders and other relevant capital market players. Last year, this took the form of reporting on the business performance on a quarterly basis, on the one hand. On the other hand, we regularly compared notes with our shareholders, with financial analysts, and with other interested parties in the capital market. In addition, the Management Board of ACCENTRO Real Estate AG attended several investor conferences inside and outside Germany. Our goal is to intensify our investor relations activities significantly in future. To this end, we will increase our attendance at investor conferences, and periodically host roadshows for investors at home and abroad.

Combined Management Report and Group Management Report 02

Condominiums and Single family homes,
Köln-Poll, Rolshover Kirchweg

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 currency figures quoted in this report are denominated in euros (EUR). Both individual and total figures represent the value with the smallest rounding difference. Adding the values of the individual line items may therefore 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 comprises four core divisions. They include the tenant-sensitive retailing of condominiums to private owner-occupiers and buy-to-let investors, the sale of real estate portfolios to institutional investors, the management of a proprietary real estate portfolio, and finally the provision of sales and property administration services to third parties.

In 2020, ACCENTRO AG acquired around 3,500 residential units. This brings the total portfolio size, when including units whose deeds have been notarised but whose transfers of benefits and burdens were still pending as at balance sheet date, up to around 5,2oo units.

1.2 Group Structure and Control System

ACCENTRO AG is the parent company within 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, Sales Project Management, Technical and Commercial Asset Management.

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 have so far been 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 observe 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

Germany's economy was hard hit by the ramifications of the coronavirus pandemic in 2020. According to the Federal Statistical Office (Destatis), the gross domestic product dropped by 4.9% year on year. A drastic slump in value-creation was felt clear across the board in virtually all areas of the economy. For instance, the decline amounted to 9.7% in the manufacturing industry (not including the building trade) and to 6.1% in the service business gathered in the trade, transport and hospitality sector. The building trade took exception to the trend, as its value-creation increased by 2.8% despite the coronavirus crisis – which could arguably be interpreted as an indication for the stable development of the German residential property market, which is discussed in the section below.

Demand from inside and outside Germany was also dealt a massive blow last year. Private consumer spending dropped by 6.1%. Gross fixed capital formation declined by 3.1%, with investments in new equipment in particular taking a nosedive, plunging by 12.1%. The import and export trade was also strongly affected by the coronavirus pandemic. Imports, adjusted for inflation, fell by 8.5% whereas exports actually declined by 9.4%.

According to the Federal Labour Agency, the jobless figures rose by 480,000 year on year as of December 2020. This means that the unemployment rate climbed from 5.0% to 5.9%.

2.2 Developments of the German Housing Market

The German housing market developed extremely well in the context of the coronavirus crisis in 2020. Following a pandemic-induced general lull in transactions in spring, demand among private and professional investors rebounded briskly a short while later. The keen demand is also reflected in the price trend. The residential property price index of the Association of German Mortgage Banks (vdp), which is determined on the basis of real-life transaction data, was 7.5% higher in the fourth quarter of 2020 than it had been in the prior-year quarter. According to the index, prices for owner-occupied homes rose by 8.5% year on year, whereas prices for multi-dwelling units rose by 6.8%.

During the fourth quarter of 2019, the one-year price growth for residential real estate had only amounted to 6.4%, according to the vdp. Apparently, the price dynamics actually accelerated during the coronavirus crisis. This is a clear sign that residential real estate, being perceived as "safe haven" investment, has actually gained in appeal in the wake of the crisis. The view is shared by real estate service provider CBRE, who summarised in a market analysis during the third quarter of 2020: "Residential real estate is greatly favoured among investors as a safe investment."

Residential property even contrasts with the commercial sector at the moment because of its particularly high degree of stability. Especially investments in retail real estate have dried up during the coronavirus crisis. The office real estate market, by contrast, has remained rather robust so far, while not immune to serious jitters – for instance, with respect to the growth in mobile working or the increased trend to work from home.

Another important growth factor for the residential property market is the interest rate development. The coronavirus crisis has further cemented the low-interest policy, so that a significant hike in the key lending rate is not to be expected for some years yet. Since investments in government bonds pay virtually no returns as a result, investors will maintain or intensify their focus on real estate as an alternative. In addition, lending rates in real estate financing remain on an extremely low level, making it one of the factors that drive the upward price trend.

Add to this that the supply shortage in Germany's metro regions has in no way eased despite the lately increased number of new-build completions. According to the CBRE-empirica Vacancy Index 2020, the market-active vacancy in Germany as a whole is down to 2.8%, and as low as 1.9% in the growth regions. In many of the major cities, such as Frankfurt am Main or Munich, vacancy rates of 0.2% imply virtually full occupancy. It is therefore reasonable to assume that the market will continue to be defined by pent-up demand in the years ahead.

In addition to the positive demand situation and the favourable interest rate development, the political situation needs to be considered, too. In February 2020, a rent cap went into force in Berlin that mandated the reduction of residential passing rents in many instances in the city. There is evidence for a spillover effect on new-tenancy rents, according to the vdp index, because they stagnated during the fourth quarter of 2020 when compared to the prior-year period. The average rental growth among the "Big 7" cities equalled 1.7%, while the nationwide rate was 2.8%.

With its recent rulings on 25 March 2021 and 15 April 2021, the Federal Constitutional Court declared the Act for Rent Limitation in the Housing Sector in Berlin (MietenWoG Bln), which is the law instituting the rent cap, to be unconstitutional and therefore null and void. The ruling rendered Berlin's rent cap ineffective, to be sure. But it is safe to assume that the debate on the subject of rent regulation will continue, and that demands to cap rents on the national level may be raised during the run-up to the general election scheduled for September 2021.

There is also a chance that the so-called condominium conversion ban, which is to regulate the conversion of rental flats into condominiums in strained housing markets, may pass into law even before the general election. Although the draft bill under discussion does not actually ban such conversions, they would be subject to such tight restrictions as to amount to a ban for all practical purposes. If the law is enacted, it will authorise state governments to designate areas where the condominium conversion ban will apply, an approach resembling that of the rent freeze already in effect. The ban is likely to be introduced in many of Germany's major cities.

As it is, condominium conversion bans are already in place in so-called historic district protection areas or urban conservation areas. The instrument of historic district protection is used with particular consistency in Berlin, as a result of which conversions are prohibited in many districts while modernisations are subject to approval. Boroughs like Friedrichshain-Kreuzberg also take advantage of their right of first refusal in historic district protection areas, either by acquiring multi-dwelling units in their own right or by persuading buyers to sign so-called restraining agreements. Such agreements may include provisions governing modernisation measures and rent control.

To sum up, the situation on the housing market can safely be called highly and permanently stable; indeed, residential real estate is considered one of the winners of the coronavirus crisis. Interest among investors and private buyers is very strong. The revenue situation is robust, and there have barely been any collection losses despite the pandemic. Now, as then, housing demand far exceeds available supply. That being said, further regulatory interventions on the market are to be expected. The outcome of Germany's general elections in 2021 will probably be of great significance for the housing policy of the coming years.

2.3 Business Performance

Key Events During the 2020 Financial Year

All things considered, and especially when considering the constraints and uncertainties imposed by the coronavirus pandemic, the business performance of the ACCENTRO Group during the 2020 financial year is reason for contentment. The German housing market has impressively demonstrated its crisis resilience and structural growth potential. Demand for housing remained as high as ever last year. 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.

This explains the handsome sales performance of ACCENTRO AG in 2020. With 420 units sold, our retail privatisation business nearly matched the robust development of the year before (previous year: 463 units). In fact, the notarised sales volume topped the prior-year figure at c. EUR 119 million (previous year: c. EUR 110 million).

ACCENTRO AG also successfully pushed ahead with the regional diversification of its real estate portfolio in the course of the financial year. These efforts concentrated on East German conurbations and the Rhine-Ruhr metro region.

In last year's forecast report, we predicted a growth in revenues in the lower double-digit percentage range based on a projected total of EUR 143.3 million and an EBIT figure on the prior-year level at EUR 39.8 million. With the presentation of the interim financial statement for the first quarter of 2020 and with a view to the uncertainties that COVID-19 created for the future business performance, the forecast was adjusted to project a modest increase in revenues while reaffirming the EBIT prediction. As 2020 progressed, the forecast was confirmed in conjunction with the report for the first half-year of 2020 and again for the third quarter of 2020. The eventual figures for the year under review narrowly missed the forecast with EUR 125.2 million in revenues and EUR 34.8 million in EBIT. One main reason for the deviation from the forecast was the pandemic-driven delay to the transfer of benefits and burdens, which caused some of the revenues expected in the fourth quarter of 2020 to be pushed back into 2021. The shifted revenue recognition also impacts the EBIT performance. In addition, the EBIT performance is impacted by one-off effects in the amount of EUR 6.0 million. Conversely, the valuation of the investment properties the Company acquired had a positive impact on the EBIT performance in the amount of EUR 28.4 million.

In the course of the 2020 financial year, a total of 3,482 units was acquired. These properties bolster our foundation for continued stable earnings from the privatisation business, and will simultaneously drive a sustained growth in rental income.

2.4 Earnings, Financial and Asset Position

Earnings Position

The ACCENTRO Group's key revenue and earnings figures developed as follows during the 2020 financial year:

	2020 financial year	2019 financial year
	EUR million	EUR million
Revenues	125.2	143.3
EBIT	34.8	39.8
Consolidated income	18.1	26.3

At EUR 125.2 million, the consolidated revenues fell short of the adjusted forecast value for the 2020 reporting year while also undercutting the prior-year consolidated revenues in the amount of EUR 143.3 million.

EBIT declined to EUR 34.8 million, a 13% increase year on year. Accordingly, the figure slightly trails the forecast of EUR 39.8 million that was made the previous year and reaffirmed in the course of the year under review. The positive EBIT position is characterised by capital gains from property sales in the amount of EUR 19.6 million (previous year: EUR 29.8 million) and a valuation gain from the fair value measurement of investment properties in the amount of EUR 28.4 million (previous year: EUR 11.4 million; see sub-section 5.2 in the notes to the consolidated financial statements). The volume of retailed condominiums declined slightly year on year, as the number of sold flats totalled 420 (previous year: 463 flats). Nonetheless, revenues from retail privatisation sales showed a modest increase over the prior year level at EUR 75.0 million (previous year: EUR 71.6 million). At 33.2%, the share of large-scale real estate transactions decreased (previous year: 42.6%).

The net rental income also decreased during the year under review, dropping by EUR 1.6 million. This is mainly to blame on the rent cap introduced in Berlin, the rent freeze imposed on many cities, and on the increased letting expenses.

The net service income declined to EUR 0.9 million (previous year: EUR 2.4 million). This income position was significantly influenced by the — often significant — restrictions imposed in connection with the coronavirus pandemic, which caused viewing and notarisation appointments to be postponed. Moreover, pandemic-related delays to the transfers of benefits and burdens by the land registries meant that a number of sale-and-purchase agreements that had already been notarised were not included in the revenues of the year under review.

The net income in the amount of EUR 0.1 million (previous year: EUR 1.2 million) from companies included at equity was generated by updated at-equity valuations.

During the second half of the financial year, the portfolio of investment property (IAS 40) was expanded through additional acquisitions. The corresponding fair value adjustment produced a positive result of EUR 28.4 million. For details, see sub-section 5.2 in the notes to the consolidated financial statements.

At EUR 1.7 million, the other operating income shows a modest one-year increase (previous year: EUR 1.2 million). The earnings essentially consist of the recovery of costs incurred by ACCENTRO Real Estate AG. These costs are associated with a project that was sold in 2019.

The other operating expenses in the amount of EUR 10.7 million (previous year: EUR 6.1 million) are essentially attributable to provisions set aside for warranties in connection with a project sold in 2019 and to increased advisory costs.

Just like the year before, they also include expenses incurred in areas of taxes, property transactions, legal counsel, and general strategic issues. Also recognised in this item are EDP expenses, acquisition costs, as well as information, advertising and entertaining expenses.

Total payroll and benefit costs for the reporting period experienced another significant increase by EUR 3.2 million to EUR 9.1 million (previous year: EUR 5.8 million). The increase in payroll and benefit costs is essentially explained by the expansion of the Company's workforce and the senior staff changes to its Management Board. The employer's contribution to social security institutions saw a proportionate increase, too. Payroll and benefit costs were also driven up by severance payments in the context of the Management Board changes, staff departures, as well as by provisions for management bonuses and bonus payments.

As of 31 December 2020, the Group had 74 employees on its payroll, an increase by 18 since 31 December 2019, although it should be added that not all of the newly created jobs represent full-time positions. The average job growth across all half- and full-time positions was equivalent to 11 full-time positions.

The net interest result of the 2020 financial year equalled EUR –10.5 million, down from EUR –7.4 million the previous year. Despite a significant increase in financial liabilities by EUR 99.9 million, the bond increase by EUR 150 million and a concomitant rise in interest expense by EUR 9.5 million during the 2020 financial year, the simultaneous increase in interest income by EUR 6.4 million offset the increased interest expense to some extent. The increase in interest income results from an enlarged volume of granted loans and from special interest claims in connection with short-term loans.

The earnings before taxes equalled EUR 24.3 million, thus falling 25% short of the prior-year level (EUR 32.5 million). Income tax expenses amounted to EUR 6.3 million during the reporting period and were therefore barely higher than the prior-year level (EUR 6.2 million). The tax ratio for the 2019 financial year is 25.7% (previous year: 19%). The tax rate of 25.7% for the 2020 financial year is primarily defined by trade tax effects due to the consideration of the extended trade tax exemption for the real estate companies holding real estate, by the non-recognition of deferred tax assets on loss carryforwards, and by tax income for prior years.

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	2020 financial year	2019 financial year
	EUR million	EUR million
Cash flow from operating activities	–32.7	–75.7
Cash flow from investing activities	–99.6	2.4
Cash flow from financing activities	163.7	81.0
Net change in cash and cash equivalents	31.4	7.8
Increase in cash and cash equivalents from the addition of fully consolidated companies	1.0	0.3
Change in restricted cash and cash equivalents/ adjustment of cash and cash equivalents	0.0	1.2
Cash and cash equivalents at the beginning of the period	24.2	15.5
Cash and cash equivalents at the end of the period	56.5	24.2

During the 2020 financial year, the cash flow from operating activities equalled EUR –32.7 million (previous year: EUR –75.7 million). It breaks down into cash flow from operations before divestments/reinvestments involving the inventory assets in the amount of EUR –0.8 million (previous year: EUR 4.4 million) and a net cash outflow toward the further expansion of the inventory assets in the amount of EUR -31.9 million (previous year: EUR -80.1 million). Significantly reduced investments in inventories are matched by an increase in trade receivables. In addition, the consolidated earnings are characterised to a greater extent by non-cash income than was the case the year before. Liabilities increased by EUR 11.8 million while tax payments of EUR 7.3 million impacted the cash flow from operations. For more details on the amount and composition of the cash flows, please see the consolidated cash flow statement and the notes to the consolidated financial statements, sub-section 5.22.

The cash flow from investing activities during the 2020 financial year was negative at EUR –99.6 million (previous year: EUR 2.4 million). The negative cash flow is primarily attributable to the extensive acquisitions of investment property in a total amount of EUR 65.2 million that were undertaken during the financial year. They are matched by down-payments toward the takeover of companies in the amount of EUR 11.3 million. Loans worth EUR 75.9 million were granted during the 2020 financial year, out of which amount EUR 55.5 million had been repaid by the balance sheet date. The cash-effective interest received for these loans add up to TEUR 2,098.

The positive cash flow from financing activities in the amount of EUR 163.7 million (previous year: EUR 81.0 million) is primarily attributable to cash inflows from loan financing arrangements, and to the issuance of the 2020/2023 bond in the amount of EUR 349.2 million. This is offset by payments for the redemption of financial liabilities and the 2018/2021 bond in the amount of EUR –163.9 million. There was no cash outflow from dividend payments during the financial year under review.

Asset and Capital Structure

	31.12.2020		31.12.2019	
	EUR million	**%**	**EUR million**	**%**
Assets	**862.0**	**100.0%**	**580.8**	**100.0%**
Non-current assets	311.3	36.1%	102.5	17.7%
Current assets less liquid assets	494.1	57.3%	454.1	78.1%
Cash and cash equivalents	56.5	6.6%	24.2	4.2%
Debt and equity	**862.0**	**100%**	**580.8**	**100%**
Shareholder equity	247.1	28.7%	220.8	38.0%
Non-current liabilities	402.4	46.7%	215.9	37.2%
Current liabilities	212.4	24.6%	144	24.8%

At 71.0%, the debt-to-equity ratio (debt capital/total capital) showed a one-year increase by the end of the year under review (previous year: 62.0%). This is definitively driven by the fast debt growth (EUR +254.9 million) during the financial year whereas the shareholder equity only showed a modest growth (EUR +26.3 million). As expected, the LTV climbed to 53.2% (previous year: 43.1%) due to further borrowings.

Under the IFRS regime, the loan to value (LTV) ratio is defined as the relationship of net financial indebtedness to adjusted total asset value on a consolidated basis. The net financial indebtedness is calculated by deducting cash and cash equivalents from the financial liabilities. The adjusted total asset value designates the sum total of assets, adjusted by the fair market value of the inventory properties and the resulting deferred tax liabilities.

At 6.6%, the ratio of cash and cash equivalents to total assets was slightly above the level of the prior year balance sheet date (4.2%). This is due to the fact that the amount of the cash position more than doubled since 2019, increasing by EUR 32.3 million to EUR 56.5 million while assets grew by EUR 281.2 million at the same 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 bonds.

Largely as a result of fresh borrowings and the issuance of the 2018/2021 bond for the purpose of financing property acquisitions, non-current liabilities increased by 86.4% to a total of EUR 402.4 million. Current liabilities rose by 47.5% to EUR 212.4 million. This reflects the increase in current financial liabilities based on the sales planning for the 2021 financial year.

Cash and cash equivalents amounted to EUR 56.5 million as of 31 December 2020, compared to EUR 24.2 million as of 31 December 2019. ACCENTRO AG assumes that all of the loans to be renegotiated during the 2021 financial year will be renewed on a rotating basis or repaid. Considering the cash inflow from the corporate bond placed in March 2021, ACCENTRO AG deems its financing requirements secured through the end of the 2021 financial year. No financing arrangements in foreign currencies were taken out by ACCENTRO AG.

During the 2020 financial year, the consolidated net income of EUR 18.1 million prompted a further increase in shareholder equity from EUR 220.8 million at year-end 2019 to EUR 247.1 million by 31 December 2020. However, the equity ratio declined to 28.7% (previous year: 38.0%). This results primarily from the 48.4% growth in total assets due to the financial debt taken out to pay for the extensive investments.

Asset Position

Total assets increased significantly again, this time by EUR 281.2 million (48.4%) to EUR 862.0 million (31 December 2019: EUR 580.8 million). Material changes to each balance sheet item are detailed in the summary below, and are subsequently elaborated.

	31 December 2020	31 December 2019	Change
	EUR million	EUR million	EUR million
Non-current assets	**311.3**	**102.5**	**208.8**
Owner-occupied properties and buildings	24.4	24.1	0.3
Investment properties	215.0	34.5	180.5
Non-current other receivables and other assets	25.1	14.8	10.3
Other non-current assets	46.8	29.1	17.7
Current assets	**550.6**	**478.3**	**72.3**
Inventory properties	409.5	416.6	-7.1
Trade receivables	51.8	10.6	41.2
Other current assets	89.4	51.1	38.3
Equity	**247.1**	**220.8**	**26.3**
Non-current liabilities	**402.4**	**215.9**	**186.5**
Financial liabilities and bonds	393.3	213.7	179.6
Other non-current liabilities	9.1	2.2	6.9
Current liabilities	**212.4**	**144.0**	**68.4**
Current financial liabilities and bonds	172.2	103.9	68.3
Other current liabilities and accrued expenses	40.2	40.1	0.1

The non-current assets increased by EUR 208.8 million. The increase is mainly explained by the acquisition of real estate and real estate portfolios, which increased the amount reported for the investment property item by EUR 180.5 million. For more details, see sub-section 5.2 in the notes to the consolidated financial statements.

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 mainly include a non-depreciable goodwill in the amount of EUR 17.8 million, down-payments made on business combinations in the amount of EUR 11.3 million, corporate investments in non-consolidated companies in the amount of EUR 11.9 million, down-payments made on investment property in the amount of EUR 2.8 million, and property, plant and equipment in the amount of EUR 1.8 million.

Current assets increased by EUR 72.3 million to EUR 550.6 million (previous year: EUR 478.3 million), and represent primarily the trading portfolio properties recognised in inventories. For 213 residential units acquired for a combined purchase price of EUR 37.8 million, the transfer of benefits and burdens took place during the 2020 financial year. For another 211 residential units acquired for a purchase price of EUR 16.6 million, the sale and purchase agreements were signed in 2020, while their benefits and burdens will not be transferred and recognised until the 2021 financial year. Conversely, 629 residential units were sold (previous year: 830).

The inventory 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 2020 financial year. The recognised properties serve as collateral for financial liabilities in the amount of EUR 310.2 million (previous year: EUR 366.6 million).

The increase in current trade receivables is mainly explained by the reporting date, because purchase price receivables in the amount of EUR 36.7 million from properties sold in late 2020 were still outstanding as at balance sheet date. Some of these were repaid as agreed by 30 April 2021.

In addition to cash and cash equivalents in the amount of EUR 56.6 million (previous year: EUR 24.2 million), other current assets break down as follows for the 2020 financial year: The accounts receivable from operating costs not yet invoiced add up to EUR 7.9 million (previous year: EUR 7.0 million). Short-term loan total decreased by EUR 9.6 million to EUR 7.3 million (previous year: EUR 16.9 million). The decrease is mainly explained by the offsetting of a loan receivable against a purchase price payment for a property acquired. Income tax receivables amounted to EUR 1.7 million (previous year: EUR 0.9 million) as of the balance sheet date. Contract assets from a period-based revenue recognition in connection with the development of attic apartments are reported in the amount of EUR 0.4 million (previous year: EUR 1.2 million). The remaining accounts receivable break down into a multitude of minor amounts.

Non-current financial liabilities and bonds increased by EUR 179.6 million, primarily as a result of the bond placed in February 2020. At the same time, current financial liabilities and bonds increased by EUR 68.3 million. The current share of the financial liabilities is largely dependent on the estimate of residential unit sales in 2021. It is therefore subject to the anticipated rise in revenues. Moreover, several companies with current financial liabilities were consolidated.

General Statement on the Group's Business Situation

ACCENTRO AG succeeded in implementing its expanded corporate strategy as planned during the 2020 financial year. For one thing, it managed to enlarge the investment property portfolio significantly through additional acquisitions, increasing its value by EUR 180.5 million to a new total of EUR 215.0 million. The portfolio of inventory properties more or less maintained its prior-year level at EUR 409.5 million (previous year: EUR 416.6 million) despite large sales volumes. Meanwhile, the Company continued to expand its real estate holdings outside Berlin, and to further diversify its overall business model.

The previous year's Group management report predicted a revenue growth in the low double-digit percentage range (previous year: EUR 143.3 million) in combination with an EBIT figure on a level with the previous year (EUR 39.8 million). This forecast was missed as a result of pandemic-related delays and one-off expenses. The actual figures added up to EUR 125.2 million in revenues and EUR 34.8 million in EBIT, and included a significant valuation effect in the amount of EUR 28.4 million.

ACCENTRO AG is very content with the earnings performance, especially against the background of the pandemic-related restrictions. The prerequisites for a sustained positive financial performance of the ACCENTRO Group were put in place during the 2020 financial year through the expansion of the real estate inventory and the formation of new collaborative ventures.

Its equity ratio by the end of the financial year equalled 28.7% (previous year: 38.0%).

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 business performance of the ACCENTRO Group as a whole and of ACCENTRO AG in particular during the 2020 financial year was defined by the coronavirus pandemic. Delayed transfers of benefits and burdens as well as marketing constraints due to the lockdown restrictions seriously impacted the business performance. Nevertheless, sales figures followed a very brisk trend in a positive environment that was defined by robust demand for residential real estate, and not just in Germany's metro regions.

ACCENTRO AG missed its EBIT target during the 2020 financial year. The separate financial statement of ACCENTRO AG reports EUR –6.1 million (previous year: EUR 24.3 million) in earnings before taxes, which fell considerably short of the forecast ("slightly positive net income, well below the prior-year level"). In line with the forecast, there was a significant increase in total assets (+39.9%) to EUR 473.0 million.

The main reason for the negative income is the drop in income from profit and loss transfer agreements, the cost increase caused by the administrative build-up, and one-off expenses related to the refinancing arrangement.

The staff costs increased significantly by EUR 1.9 million (48.5%). The average number of employees increased by 2 persons, an increase by 5.6%.

Profit-transfer agreements with subsidiaries generated a net income from investments in the amount of EUR 6.2 million (previous year: EUR 7.1 million).

The net interest result improved noticeably year on year. While the 2019 financial year had returned a net interest result of EUR 6.6 million, the net interest income in the period under review totalled EUR 9.0 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 2020 financial year:

	1 Jan. 2020 – 31 Dec. 2020	1 Jan. 2019 – 31 Dec. 2019	Change
	TEUR	TEUR	TEUR
Revenues	286	291	–5
Other operating income	1,601	18,802	–17,201
Operating income	1,887	19,094	–17,206
Cost of materials	577	195	382
Payroll and benefit costs	5,998	4,038	1,960
Depreciation and amortisation of intangible assets and property, plant and equipment	229	139	91
Miscellaneous operating expenses	16,485	4,150	12,335
Net income from investments (including profit transfer)	6,239	7,100	–861
Income from securities	0	1	0
Operating income (EBIT)	**–15,162**	**17,674**	**–32,836**
Net interest income	9,048	6,607	2,441
Pre-tax profit	–6,114	24,280	–30,394
Income taxes and other taxes	2,068	1,903	165
Profit/loss for the year	–4,046	22,378	–26,423

At EUR 0.3 million, revenues barely changed year on year, and 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 decreased noticeably year on year, plunging from EUR 18.8 million to EUR 1.6 million. The earnings during the 2020 financial year essentially consist of the recovery of costs incurred by ACCENTRO Real Estate AG. These costs are associated with a project that was sold in 2019. The prior-year earnings included EUR 13.9 million in proceeds from the sale of a subsidiary and EUR 3.8 million in merger gains.

The bulk of the cost of materials in 2020 resulted from warranty expenses in connection with a project that was sold in 2019.

Total payroll and benefit costs rose to EUR 6.0 million. ACCENTRO AG employed an average of 38 staff (previous year: 36) during the 2020 financial year, apprentices and Management Board members included.

At EUR 16.5 million, the other operating expenses increased noticeably year on year (EUR 4.1 million). This increase by EUR 12.3 million is essentially attributable to provisions set aside against warranties in connection with a project sold in 2019, the costs of corporate actions, and increased advisory costs.

Net income from investments in the amount of EUR 6.2 million declined year on year (EUR 7.1 million) due to the one-year decrease in income from profit-transfer agreements.

The interest balance equalled EUR 9.0 million during the period under review (previous year: EUR 6.6 million). It is primarily characterised by an increase in interest income from a short-term loan the Company granted, which was repaid by the end of 2020. Interest expenses increased because of the new bond that was issued in 2020.

The pre-tax income figure implies a loss of EUR 6.1 million.

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. 2020		31 Dec. 2019		Change
	TEUR	%	TEUR	%	TEUR
Assets	**473,038**	**100.0%**	**338,328**	**100.0%**	**134,710**
Financial investments	94,448	20.0%	44,458	13.1%	49,990
Plant, equipment and software	1,183	0.3%	733	0.2%	450
Advance payments for financial investments	13,568	2.9%	0	0.0%	13,568
Trade receivables	91	0.0%	241	0.1%	–150
Receivables from affiliates	316,272	66.9%	259,079	76.6%	57,193
Receivables from equity investments	6,920	1.5%	3,635	1.1%	3,285
Further assets	24,871	5.3%	11,234	3.3%	13,637
Cash and cash equivalents	14,958	3.2%	16,054	4.7%	–1,096
Other assets	442	0.1%	2,894	0.9%	–2,452
Equity and liabilities	**473,038**	**100.0%**	**338,328**	**100.0%**	**134,710**
Equity	172,009	36.4%	176,055	52.0%	–4,046
Bonds/bank debt	250,000	52.8%	100,000	29.6%	150,000
Liabilities to associates	37,795	8.0%	48,250	14.3%	–10,455
Provisions	8,758	1.9%	11,370	3.4%	–2,612
Other liabilities	4,476	0.9%	2,653	0.8%	1,823

Total assets increased by EUR 134.7 million from EUR 338.8 million to EUR 473.0 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 financial investments increased by EUR 50.0 million during the 2020 financial year, rising to a sum total of EUR 94.4 million as acquisitions of companies in the context of building up a real estate portfolio for long-term ownership were completed during the year.
- The accounts receivable from associates and equity investments increased by EUR 60.5 million to EUR 323.2 million during the 2020 financial year. The increase is mainly attributable to loans that were granted to new project companies.
- Advance payments on financial investments increased to EUR 13.6 million (previous year: EUR 0.0 million) during the 2020 financial year as a result of taking over DIM Holding AG.
- The other assets increased by EUR 10.0 million to a total of EUR 24.9 million during the 2020 financial year because of the acquisition of accounts receivable from LHC Beteiligungs GmbH and loan receivables from DIM Holding AG.

The liabilities from bonds and loans increased from EUR 150 million to EUR 250 million during the 2020 financial year due to the new bond issued.

The payables to associates decreased by EUR 10.5 million to a total of EUR 37.8 million.

ACCENTRO AG complied with collateral agreements from facility agreements (covenants) and the terms of the 2018/2021 and 2020/2023 bonds. The 2018/2021 bond was fully repaid during the first quarter of 2020.

The Company was able to meet its financial obligations at all times during the 2020 financial year.

No new shares were issued in the financial year, so that the share capital and the capital reserve of ACCENTRO AG did not change during the year under review.

Moreover, the net loss for the year caused the Company's total equity to decrease by EUR 4.0 million down to EUR 172.0 million. The equity ratio (total equity/total assets) declined to 36.4% (previous year: 52.0%). No dividend for the 2019 financial year was paid out in 2020.

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, failed to develop as planned in the 2020 financial year because of pandemic-related delays and one-off expenses. In fact, these delays and expenses made it impossible to meet the forecast made for the ACCENTRO Group.

Nonetheless, we are very pleased with the earnings performance, considering the pandemic-related restrictions. It had been assumed that the 2020 financial year would return a moderately positive income, albeit well below the prior-year level. Instead, the 2020 financial year ended with a slightly negative income, and therefore missed the target. That said, the total assets grew as planned, driven in particular by the issue of a new EUR 250 million corporate bond.

The prerequisites for a sustained positive financial performance of the ACCENTRO Group were put in place during the 2020 financial year through the expansion of the real estate inventory and the formation of new collaborative ventures. We expect ACCENTRO AG's 2021 individual financial statements to show a modestly positive net income as a result of the growth in earnings within the ACCENTRO Group. The issuance of a new corporate bond over EUR 100 million in March 2020 will cause a significant increase in total assets at the level of the separate financial statements.

The Management Board is very content with the business performance of ACCENTRO Real Estate AG as the Group's holding company. Going forward, it expects to see the positive business development continue in the 2021 financial year.

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 April 2021 and concern the development of market, sector and Company. Our planning is based on the assumptions that the German economy will see moderate growth, that the regulatory framework will remain as is, and that the low-interest cycle continues. 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.

We find our assumption of moderate economic growth going forward confirmed by the assessments of leading German economic research institutes. The ifo Institute for Economic Research expects German gross domestic product to grow by 3.2% this year. The Kiel Institute for the World Economy (IfW) predicts a growth of 3.1%.

Germany's second lockdown, which has been in effect since November 2020, appears to have been effective. The number of new COVID-19 cases and the corresponding incidence dropped significantly in recent weeks. In addition, vaccine will incrementally become available in larger quantities in the coming weeks and prompt a successive rise in Germany's vaccination rate. Although the incidence in Germany has stagnated and even perked up again lately, the trend of the past few weeks suggests that 2021 as a whole will be less impacted by the pandemic than the previous year. The further development of the pandemic will depend not least on the effectiveness of efforts to curb the spread of virus mutations in Germany.

According to the Real Estate Market Outlook 2021 released by CBRE Research, the residential investment market in Germany developed rather briskly last year, despite the coronavirus pandemic, and ascended to the highest level seen in several years with a transaction total more than EUR 20 billion. The CBRE experts are optimistic with respect to 2021, and assume that the busy trading on the German residential investment market will be sustained. Their analysis focuses on institutional investors such as insurance companies, pension funds and family offices. For these, German residential real estate has assumed the character of fixed income investments because of the low vacancy and collection losses and the stable rent cash flow, according to the report. It went on to say that this asset class still shows an attractive rate of return when compared to the negative interest paid on long-term government bonds.

But in the opinion of CBRE, the reallocation of capital is paying more and more attention to the selection of target regions. The experts believe that the slowed rental income growth of standing property in metropolises will prompt a shift of investments toward the peripheral regions of the major cities and toward second-tier cities.

We share the assessment of CBRE as far as the investment behaviour of institutional investors is concerned. But we are also aware of a comparable pattern in the behaviour of private buy-to-let investors whose demand last year again was strong, and who accounted for roughly half of all units sold by ACCENTRO.

This is true even for Berlin, where the demand for housing remains just as strong in 2020 despite the temporarily effective rent cap, and where ACCENTRO AG sold nearly as many units as the year before (272, down from 274) to private investors. Analogously, the share of private investors matched the prior-year level of roughly 50%.

Considering the favourable business performance last year, when business was seriously influenced by the coronavirus pandemic, ACCENTRO AG faces 2021 with confidence. Although pandemic-related constraints are likely to be with us throughout the year, it has become much easier for us to predict the potential repercussions for our business performance than was the case a year ago, and to factor them into our corporate planning efforts accordingly. Like other market players, ACCENTRO AG assumes that the German housing market will maintain its robust performance because of its upward trend, its apparently low-level correlation with the COVID-19 pandemic, and the favourable fundamentals.

During the 2021 financial year, we assume that the ACCENTRO Group to see a significant revenue and EBIT growth year on year. In fact, we expect the revenues to range between EUR 170 and 200 million (revenues in 2020: EUR 125.2 million) and EBIT between EUR 45 and 50 million (EBIT in 2020: EUR 34.8 million). Future EBIT may also include significant valuation results. The successful bond issue of EUR 100 million in early 2021 has paved the ways for the planned enlargement of the trading portfolio and the progressive build-up of the proprietary property assets to be held for the long-term. These efforts will cause the total assets to keep growing at a double-digit percentage rate toward the mark of EUR 1.0 billion.

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 2021 financial year because these investments are grouped with the operational division. The situation is unlikely to change in the foreseeable future because ACCENTRO AG plans to keep pursuing the steady expansion of its real estate portfolio. Moreover, the Company will keep investing in the property assets held for the long term, which will be reflected in a clearly negative cash flow from investment activities.

At the level of its separate financial statements under German HGB guidance, ACCENTRO AG expects to see a modestly positive result in the 2021 financial year. The issuance of a new corporate bond over EUR 100 million in March 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 and 2021/2026 bonds will be fulfilled during the 2021 financial year.

ACCENTRO AG rapidly expanded its workforce last year and intends to keep hiring in 2021 to ensure the Company has the human resources it needs to manage the growing scope of its business. The creation of new jobs will be supplemented by employee retention programs designed to keep the staff fluctuation at a minimum.

Opportunity and Risk Report

Risk Management

The risk management system of the ACCENTRO Group is designed to safeguard the value-added 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, control, 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 in 2020.

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, to assess and to communicate them with respect to their potential ramifications to the Company's senior management
- a periodic or event-related risk inventory
- 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
- a continuous process optimisation to largely cover the business- and portfolio-relevant risks, the focus being on the eventual full coverage for all business units

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 auditing company will also act as adviser for the relaunch and re-implementation of the internal risk management system so as to provide end-to-end consultancy for the planned optimisation of the existing risk regime both from an entrepreneurial and from a legal perspective.

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

1. Definition of specifications: The Management Board defines the methodological and thematic prescriptions for the risk management system, while the Company's expectations are specified and the risk awareness enhanced in the process.
2. Risk identification and analysis: All entrepreneurial risks are fully captured, analysed in regard to causes and effects, evaluated, and classified in different risk categories. In addition, appropriate countermeasures are identified.
3. Reporting: The Management Board is regularly and promptly briefed on existing and potential 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 proactively respond to identified, analysed and rated threats on the basis of executive decisions regarding controlling measures.
5. Risk controlling: The purpose of risk controlling is the methodological and thematic planning, monitoring and controlling of the risk management system of ACCENTRO AG. Risk controlling covers all stages of the risk management process, and enables the Management Board to regularly update the methodological and thematic prescriptions for the risk management system.

Moreover, the risk management process is supposed to be optimised in regard to, or expanded to include, the following aspects:

- identification of internal accountabilities for the purpose of clearly structuring risk reports and raising a corresponding awareness among our employees in all business units
- adjustment of structural risk processes to the new requirements of the IDW PS 340 auditing standard
- possibly the implementation of a digital and automated risk management tool to ensure optimal risk control and in-house risk communication

With a view to the fast growth that ACCENTRO AG has seen in the recent past and plans to continue, the internal risk management system attains major significance. Accordingly, the threat of a possibly insufficient risk control process is actively addressed by ACCENTRO AG and will be controlled more closely in future.

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. We believe that the subsequently listed risks provide an exhaustive representation. They 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 financial 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 as well as for property asset ownership. 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 conurbations.

b) Letting Risks

Although the Company's long-term plan calls for the expansion of the proprietary property portfolio in the coming years, and though this could increase the letting risk, this represents a subordinate risk under the business model of ACCENTRO AG with its focus on privatisation sales. Not least due to the fact that vacant flats sell at higher prices than tenant-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. With the acquisition of DIM Holding AG ("Deutsche Immobilienmanagement"), one of Germany's leading property managers, in December 2020, ACCENTRO AG significantly reinforced its asset management and property management capacities. Having its own property management on the ground will make the company yet more effective in controlling and monitoring the process flows involved.

The contemplated expansion of the business model to include property asset ownership comes with its own set of risks, which ACCENTRO AG will address definitively and ahead of time. While a proprietary portfolio improves the funding framework and increases stability, it introduces the threat of collection losses. However, the aspect poses a rather negligible risk when you consider the market developments outlined above. Also auspicious, from ACCENTRO's point of view, is the combination of privatisations and property asset ownership plus the concomitant mutual benefits, such as lower financing costs due to the availability of more equity capital and collateral.

Unlike the letting of residential real estate, the commercial properties also held by ACCENTRO AG are principally exposed to a slightly higher letting risk. In order to minimise the risk of collection losses, ACCENTRO AG generally pays close attention to the quality and credit worthiness of commercial tenants and operators, and concluded primarily long-term leases. In the case of the portfolio acquisition of around 2,800 units in November 2020, ACCENTRO AG also acquired a commercial property that includes a hotel. The hotel's operator counts among the market leaders in Germany. Although collection losses are to be expected because of the COVID-19 pandemic, we are confident of the property's ability to generate stable rent revenue consistent with its value due to the financial strength of the hotel operator, on the one hand, and the great micro-environment of the hotel, on the other hand, especially when compared to similar players in the hospitality industry. The remaining lettable area of the property is occupied by a renowned German insurance company on a long-term lease.

c) Construction Risks

Going forward, the ACCENTRO Group expects risks in the area of "construction risks" 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 moreover engaged in costly major refurbishments and topping-up developments involving occupied real estate in several locations for a number of years. 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 planning consents for the projects are 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 well ahead of 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. With the acquisition of DIM Holding AG, the Company has substantially increased its capacities in the property management business already. This permits a more qualified cost-planning effort and helps to estimate the refurbishment requirements of properties at the time of their acquisition.

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. No further purchase guarantees were granted in 2020. As of the balance sheet date of 31 December 2020, the purchase guarantees granted by the Company amounted to a contractually agreed purchase price totalling EUR 17.0 million (as of 31 December 2019: EUR 44.8 million).

f) Risks Arising from Collaborative Ventures

As a result of buying into development schemes during the past two years, the Company has been exposed to a new risk situation going forward. 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. These risks are managed by the Controlling unit. In addition, each project is assigned a dedicated in-house project manager.

The integration of DIM Holding AG into the business activities of ACCENTRO AG exposes the company to parallel process and integration risks, and it should be added that DIM AG is supposed to keep operating as a self-sufficient company, according to the current business plan. At the moment, the business interdependency is based on a contractual relationship, DIM Holding AG being retained on a mandate.

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. through the issuance of 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 at the balance sheet date of 31 December 2020, the consolidated group had taken out loans and issued corporate bonds in a total amount of c. EUR 323.0 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 250 million is subject to the following covenants:

- debt-to-equity ratio (net financial debt to assets) not to exceed 65%
- debt-to-equity ratio (collateralised net financial debt to assets) not to exceed 40%
- an interest coverage ratio of 1.5 to 1 in the relation of adjusted EBITDA to net interest expense
- a restriction of the dividend to 50% 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 2020 financial year.

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 and Loan Default Risks

The risk of bad debts in connection with trading residential real estate is normally mitigated in the apartment retailing business by awaiting full payment of the selling price before handing over the property. 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.

In deviation from this arrangement, certain receivables from property sales as at balance sheet date are non-collateralised. Moreover, several non-collateralised and/or subordinated receivables were acquired in late 2020. For details, see sub-sections 5.4, 5.7 and 5.25 of the notes to the consolidated financial statements.

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) Personnel Risks

As of 31 December 2020, the number of the ACCENTRO Group's employees increased by 40% over prior-year period to a total of 74 employees (31 December 2019: 56 employees). As a result of the significant growth of its workforce at a time when the former sole member of the board left the Company, and of the concomitant staff fluctuation, ACCENTRO AG is exposed to a significant personnel risk and a knowledge loss risk. With the appointment of Lars Schriewer as new Chairman of the Management Board (CEO) as of 18 March 2020 and of Hans-Peter Kneip as Chief Financial Officer (CFO) as of 16 November 2020, a first major step was taken lower the risk and to avoid placing leadership responsibility in the hands of a single person. Moreover, the professional know-how and commitment of employees and managers represent key prerequisites for the business performance of the ACCENTRO Group. ACCENTRO AG and specifically the Management Board intends to counter this risk by creating above-average working conditions, including attractive remuneration systems, and long-term options for continued professional development within the Group. In the course of 2021, it is planned to keep expanding the workforce by roughly another 40% and thereby to achieve a balanced division of powers and a safeguard against staff loss.

k) Valuation Risks

The Group began to build up a real estate asset portfolio intended for long-term ownership. The valuation of these assets at fair value is, in addition to property-specific influences (e. g. location, vacancy), subject to macro-economic influences (e. g. the level of interest rates). A mark-down of the real estate portfolio because the property management falls short of the planned targets or valuation-relevant parameters have generally deteriorated could have a negative impact on the consolidated earnings and also lead to breaches of financial covenants.

Market-specific Risks

a) Economic Risks

So far, the ACCENTRO Group has 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. The year 2020 was defined above all by the slowing business cycle in Germany and around the world in the wake of the spreading COVID-19 virus. While demand for housing remained strong even during the pandemic, the buying and selling processes suffered delays. During the lockdown, for example, the closing of land registries created bottlenecks for notarisations and transfers of benefits and burdens. We could see a repeat of the situation this year, although the latest signs point to a gradual easing of the coronavirus crisis situation.

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. In ACCENTRO's opinion, the persistently low level of interest rates will keep fuelling demand for real estate as private 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 as well as the political manipulation of rental tones.

With its recent rulings on 25 March 2021 and 15 April 2021, the Federal Constitutional Court declared the Act for Rent Limitation in the Housing Sector in Berlin (MietenWoG Bln), i. e. the law instituting the rent cap, to be unconstitutional and therefore null and void. The ruling rendered Berlin's rent cap ineffective, of course. But it is safe to assume that the debate on the subject of rent regulation will continue, and that demands to cap residential rents on the national level may be raised during the run-up to the general election scheduled for September 2021.

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 noticeably impacted our sales performance in Berlin yet by the time this annual report was cleared for publication. With a sales total of 272 flats (previous year: 274), ACCENTRO AG nearly matched the number of flats sold to private buyers in Berlin in 2020. Out of the total, half of the units were sold to private buy-to-let investors.

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 uses its early warning indicators to analyse potentially adverse effects.

The purpose of the condominium conversion ban is to keep rental flats from being converted into condominiums on strained housing markets. It is included in the German Development Land Release Act. In November 2020, the federal cabinet approved the draft bill for the Development Land Release Act including the condominium conversion ban. The bill will now have to be passed by the German parliament and, if passed, will be in effect for an initial period ending 2025. The effect of the condominium conversion ban on the inventory assets currently held for privatisation purposes may be negligible because the majority of the flats earmarked for sale during the next few years in a currently anticipated sales volume of c. EUR 700 million have already been legally converted into condominiums. Generally speaking, however, such a condominium conversion ban would have direct ramifications for the Company's current business model, ACCENTRO therefor keeps a close eye on the legislative process while analysing the aforesaid ramifications for the current business model.

Changes in tax law, particularly the change of RETT blocker structures, will have no influence on the business model of ACCENTRO AG, according to our latest assessment. The Finance Committee of the German Bundestag recently passed the Act Amending the Real Estate Transfer Tax Act, which is now expected to become effective on 1 July 2021.

There are three scenarios in which the real estate transfer taxation is of relevance for ACCENTRO AG, as detailed below.

a. Retail sales to private and buy-to-let investors: Every sale of a property to private investors or buy-to-let investors represents a transaction subject to real estate transfer tax. The tax debt rests, however, with the respective buyer, and needs not be taken into account by ACCENTRO AG.
b. Portfolio acquisition by ACCENTRO AG and its subsidiaries: As a result of the aforementioned reform, the ratio that will trigger real estate transfer taxation of interests in a property-owning company that were acquired via a share deal will be lowered from 95% to 90% while the mandatory holding period for the minority stake remaining with the seller will be extended from five to ten years. ACCENTRO AG started as early as its 2019 financial year to structure acquisitions that took the form of a share deal accordingly, and ensured that the equity investments by co-investors were for stakes of at least 10.1%. By contrast, the minimum shareholding ratio for the application of the

group clause will not be lowered (but remain 95%). To avoid excessive taxation in the case of listed corporations, the new law will moreover stipulate that share transfers which take place on the basis of a transaction on a recognised stock exchange will not trigger real estate transfer taxation ("stock exchange clause").

c. Forward deals by ACCENTRO AG and its subsidiaries: Since forward deals tend to include risks for the company that are hard to quantify conclusively and that are mainly associable with the construction phase, the Company prefers asset deals as transaction structure for forward-deal acquisitions (a scenario relevant for the real estate transfer taxation). Sales to private or buy-to-let investors of developments that ACCENTRO AG carries out in its own right, by contrast, use forward funding by invoicing the selling price in instalments in sync with the progress of the respective project. The real estate transfer tax is borne by the respective buyer, as detailed elsewhere.

In order to mitigate risks related to the business environment, the business model of ACCENTRO AG is continuously reviewed, adapted to market conditions and expanded in a pinpoint fashion. For one thing, the Company will intensify not just its condominium sales but also its property asset ownership. At the same time, it will seek an adequate diversification of locations in the context of future acquisitions.

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.

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.

By intensifying its geographical diversification when buying real estate, the Company is reducing its dependence on the performance of individual local markets. For instance, it acquired properties in East Germany, the Rhine-Ruhr metro region and, on a smaller scale, in Berlin in 2020.

The risk concentration will be further reduced in future by stepping up the pace of the property portfolio build-up. Doing so will create a stabilising counterweight to the privatisation business. ACCENTRO's objective is to acquire real estate in secondary locations with a sound growth outlook and rental yields that overcompensate for the corresponding investments and financing costs.

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

By prematurely repaying the corporate bond with a nominal value of EUR 100 million and by placing 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 for Future Developments

Meanwhile, the ACCENTRO Group continued to expand its portfolio by acquiring new real estate during the 2020 financial year. In addition to Berlin, its assets are now spread across locations in southern and eastern Germany as well as the Rhine-Ruhr and Rhine-Main metro regions. But it is especially the Company’s strong position in Berlin that continues to present an opportunity to exploit the still exceptional dynamic of the city’s housing market. From ACCENTRO’s point of view, the continued zoning of historic district protection areas in Berlin 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 Company’s 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.

The successive expansion of the own property asset holdings as planned also represents an opportunity for ACCENTRO. Handling the asset management and property management in-house promises a sustainable appreciation of the properties and a corresponding growth in rental income. This way, ACCENTRO creates a stabilising counterweight to its privatisation business.

Collectively, 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.

In the wake of the rapidly advancing digital revolution in the real estate industry, ACCENTRO AG has, like other companies, become aware of major opportunities that digitisation has to offer. Indeed, ACCENTRO AG believes that digitisation harbours serious potential for far-reaching technological, economic and societal changes. In addition to the operational optimisation via digital process and assistance systems, new solutions for engaging customers and for customer services are continuously emerging, such as the PRORATE property rating platform that went live in December 2020. In its current beta version, the online application puts ACCENTRO clients and leads in touch with straightforward, automated property ratings, in certain instances supported by the use of artificial intelligence. The tool also serves as guide and real estate encyclopaedia, and was rolled out by Commit Services GmbH, a fully owned subsidiary of ACCENTRO AG. The purpose of the tool is to intensify the exchange with clients and, of course, to provide indispensable benefits to the targeted groups.

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 private 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 growing its revenues through geographic expansion, the successive enlargement of its proprietary portfolio 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 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, among other aspects. In particular, the financial risk management is supposed to prevent significant bad-debt losses that could jeopardise the Company's economic development. 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. Any room for improvement that is detected in the process will be subsequently implemented in 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. As planned, two internal audits were conducted during the 2020 financial year, one being a full audit review and the other a follow-up review of the audit results from 2019. In the 2021 financial year, it is planned to conduct another internal audit in addition to an audit review and optimisation of the risk management system.

The consistency of accounting processes of the subsidiaries included in the consolidated financial statements is guaranteed by central accounting coordination and execution at the parent company. The reliability of the IFRS accounting records of the consolidated companies and their consolidation in the group accounting process is principally ensured by the centralised group accounting done by the parent company. The separate IFRS accounts of the companies included in the consolidation for the group accounting process 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 Real Estate AG is a stock corporation ("Aktiengesellschaft") based in Germany and has issued voting shares that are listed on an organised market as defined by Art. 2, Sec. 7, German Securities Acquisition and Takeover Act (WpÜG), namely the Regulated Market of the Frankfurt Stock Exchange (Prime Standard).

Governing Body

The governing and representative body of ACCENTRO Real Estate AG in a legal sense is the Company's 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 Management Board members; it may moreover appoint deputy members of the Management Board who have the same rights of representing the Company in relation to third parties as the regular members of the Management Board, and it may appoint one Board member as its chairman. At the moment, the Company's Management Board consists of two persons.

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. The appointment and reappointment of members requires a corresponding resolution by the Supervisory Board that may principally be 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 18 March 2020, the Supervisory Board resolved to appoint Lars Schriewer as CEO of ACCENTRO Real Estate AG for a three-year term after Jacopo Mingazzini had left the Company. Effective as of 15 September 2020, the Supervisory Board of ACCENTRO Real Estate AG enlarged the Management Board and appointed Hans-Peter Kneip as Chief Financial Officer of ACCENTRO Real Estate AG for a term of two years and four months.

Amendment of the Articles of Association

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

Pursuant to Sections 133 and 179, AktG, in combination with Sec. 15, Sec. 3, of the Articles of Association, resolutions by the Annual General Meeting on amendments to the Articles of Association require a simple majority of the votes cast and a simple majority of the share capital represented when the resolution is adopted, unless a larger majority is prescribed by law or the Articles of Association in a given case.

Capital Structure

Share Capital
The subscribed capital (share capital) of ACCENTRO Real Estate AG amounted to EUR 32,437,934.00 as of 31 December 2020. 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
On 24 June 2020, the Annual General Meeting resolved to cancel the authorisation to issue convertible bonds, bonds with warrants and profit participation rights either with or without conversion or subscription rights in cases where the authorisation had not been used yet.

At the same time, the Management Board was authorised once more to issue until 23 June 2025, subject to the consent of the Supervisory Board, bearer convertible bonds and/or warrant bonds or profit participation rights (collectively "bonds") either with or without a limited term against cash contributions and/or contributions in kind on one or more occasions for a total nominal amount of up to EUR 250,000,000.00 and to grant the bearers or creditors of bonds conversion or option rights (also subject to conversion or subscription obligations) to no-par value bearer shares of the Company in a total pro-rata amount of the share capital of up to EUR 12,975,174.00 in accordance with the specific terms and conditions of the convertible bonds and/or warrant bonds.

Shareholders are principally entitled to subscription rights, which means that the bonds should principally be offered to the Company's shareholders for subscription first. The bonds may also be underwritten by one or more credit institutions with the obligation to offer them to the shareholders for subscription ("indirect subscription right"). If bonds are issued by a Group company, the Company should ensure that its shareholders are granted their statutory subscription rights.

However, the Management Board is authorised, subject to consent by the Supervisory Board, to exclude shareholders' subscription rights to bonds if they are issued against cash payment and the Management Board, after due examination, reaches the conclusion that the issue price is not significantly lower than the theoretical fair value of the bonds as determined by recognised actuarial methods. This arrangement applies only to bonds with a conversion and/or option right or a conversion and/or subscription obligation for shares with a pro-rata amount of the share capital not exceeding 10% of the paid-in share capital at the time at which this authorisation becomes effective or—whenever that figure is lower—is exercised. This cap of 10% of the share capital must include the pro-rata amount of the share capital attributable to shares or to which conversion and/or option rights or conversion and/or subscription obligations relate from bonds that have been issued since this authorisation was granted while excluding subscription rights based on an authorisation of the Management Board to exclude subscription rights in direct or mutatis mutandis application of Sec. 186, Art. 3, Sent. 4, AktG, or that were acquired as treasury stock during the term of this authorisation in another way than via the stock exchange or by way of an offer to all shareholders in analogous application of Sec. 186, Art. 3, Sent. 4, AktG.

The Management Board is moreover authorised, subject to the consent of the Supervisory Board, to exclude the shareholders' subscription right for fractional amounts that result from the subscription ratio.

In addition, the Management Board is authorised, subject to the consent of the Supervisory Board, to exclude the subscription rights of the shareholders so as to offer the profit participation rights for subscription to individual investors without conversion or subscription rights and without conversion or subscription obligations, provided the issue price is not significantly lower than the theoretical fair value of the profit participation rights determined by recognised actuarial methods, and provided moreover the profit participation rights are only structured in analogy to obligations, meaning they should neither establish membership-like rights nor conversion or subscription rights or conversion or subscription obligations to shares in the Company, nor grant any participation in the liquidation proceeds, and provided finally the amount distributed is not tied to the amount of the net income for the year, the net retained profits or the dividend.

Furthermore, the Management Board is authorised, subject to the consent of the Supervisory Board, to exclude the shareholders' subscription rights to the extent necessary to grant the bearers of conversion and subscription rights or conversion and subscription obligations granted by the Company or its group companies to shares of the Company the subscription rights on bonds that were issued under this authorisation to the extent they would be entitled to after exercising their conversion or subscription rights or after fulfilling any conversion or subscription obligations (protection against dilution).

Finally, the Management Board is authorised, subject to the consent of the Supervisory Board, to exclude the subscription rights of the shareholders whenever bonds are issued against contributions in kind, in particular for the acquisition of companies, equity interests and equity investments, and whenever the exclusion of the subscription rights is in the overwhelming interest of the Company while the value of the contribution in kind is proportionate to the value of the convertible bonds, the theoretical fair value determined by recognised actuarial methods being definitive.

The Management Board is authorised, subject to the consent of the Supervisory Board, to define the further details of the issuance and features of the bonds, in particular the interest rate and the type of interest, the issue price and maturity, the denomination, anti-dilution provisions, the conversion or option period as well as the conversion or option price, or to define them in agreement with the bodies of the Group companies issuing the bonds.

During the 2020 financial year, the Management Board did not take advantage of its authorisation to issue bonds.

Authorisation to Implement a 2020 Stock Option Program

The Management Board and, if Management Board members are beneficiaries, the Supervisory Board of the Company are authorised pursuant to the resolution by the annual general meeting on 24 June 2020 to grant until 23 June 2025 ("acquisition period") to members of the Company's Management Board, members of the senior management of subsidiaries as well as employees of the Company and employees of subsidiaries, a total of up to 3,243,793 options for a total of up to 3,243,793 shares in the Company with full dividend entitlement for the financial year in progress at the time the option is exercised.

The options issued on the basis of this authorisation in a maximum number of 3,243,793 are to be distributed among the different groups of beneficiaries as follows:

Present and future members of the Company's Management Board	1,297,517 options maximum
Present and future senior management members of subsidiaries	648,759 options maximum
Present and future employees of the Company	810,948 options maximum
Present and future employees of the Company's subsidiaries	486,569 options maximum

The way the share options were distributed among the four aforesaid groups resulted in a percentage breakdown of 40% to members of the Company's Management Board, of 20% to present and future senior management members of subsidiaries, of 25% to present and future employees of the Company and of 15% to present and future employees of the Company's subsidiaries.

By exercising the subscription rights, members of these groups can subscribe no-par value bearer shares in a ratio of 1 to 1. For each subscription right exercised, a subscription price is to be paid which corresponds to the average trading price of the Company's stock on the last five stock trading days before the subscription rights are granted ("subscription price"). The trading price of the Company's stock should be determined on the basis of the closing price (or a comparable price) determined in Xetra trading (or, if Xetra trading no longer exists, a successor system defined by Deutsche Börse AG) at the Frankfurt Stock Exchange.

The exact substantive structure of the subscription rights will be defined by the Management Board or, if Management Board members themselves hold the rights, by the Supervisory Board, with the details of the authorisation taken into account.

In the Notes to the Annual Financial Statements or in the Annual Report, the Management Board must report on the use of the stock option program 2020 and the options granted to the beneficiaries in this context for each financial year in accordance with relevant statutory provisions. During the 2020 financial year, the Management Board did not take advantage of its authorisation to use the stock option program 2020.

Contingent Capital

Contingent Capital 2017 (Redemption of 2017 Stock Option Program)
The Annual General Meeting resolved on 24 June 2020 to cancel the Contingent Capital 2017 for servicing the stock option plan 2017 to the extent that the Contingent Capital 2017 was not used, because the stock option plan 2017 expired on 14 May 2020.

Contingent Capital 2019 (Repayment of Bonds)
The Annual General Meeting resolved on 24 June 2020 to cancel the authorisation granted by the annual general meeting on 15 May 2018 to issue convertible bonds, warrant bonds and profit participation rights with or without conversion or subscription rights, as well as to cancel the Contingent Capital 2019 resolved by the Annual General Meeting on 14 May 2019 to the extent that the Contingent Capital 2019 was not used.

Contingent Capital 2020 (Servicing the Stock Option Program 2020)
As a result of the resolution adopted by the Annual General Meeting on 24 June 2020, the Company's share capital is conditionally increased by up to EUR 3,243,793.00 ("Contingent Capital 2020/I"). The Contingent Capital 2020/I is intended for servicing the subscription rights issued to the beneficiaries of the stock option plan 2020. Each subscription right entitles its beneficiary to the subscription of a new bearer share of the Company. The contingent capital increase will only be implemented to the extent that, in accordance with the resolution by the Annual General Meeting on 24 June 2020 concerning the authorisation to issue stock options, subscription rights were actually issued, that their bearers actually exercise their subscription rights, and that the subscription rights are serviced from contingent capital.

Contingent Capital 2020/II (Repayment of Bonds)

To service bonds, the Company's share capital was conditionally increased by up to EUR 12,975,174.00 by issuing up to 12,975,174 new no-par-value bearer shares (Contingent Capital 2020/II) based on the authorisation resolution of the Annual General Meeting on 24 June 2020. The funds raised via the contingent capital increase are used to service bonds issued on the basis of the authorisation resolution of the Annual General Meeting of 24 June 2020 under agenda item 11. lit. b).

The contingent capital increase will go ahead only to the extent that

a) the bearers of convertible and/or warrant bonds and/or participation rights with conversion or pre-emptive rights that were issued by the Company or its subordinate group companies on the basis of the authorisation resolution by the Annual General Meeting of 24 June 2020 up to and including 23 June 2025 exercise their conversion or pre-emptive rights, and that the Company decides to redeem the conversion or pre-emptive rights from this Contingent Capital 2020/II, or

b) the bearers of convertible and/or warrant bonds who are subject to conversion and/or a subscription obligations and/or the bearers of profit participation rights who are subject to conversion or subscription obligations that were issued by the Company or its subordinate group companies on the basis of the authorisation resolution by the Annual General Meeting on 24 June 2020 up to and including 23 June 2025 meet their obligation, or that the Company exercises its right to issue shares, and the Company decides to use this Contingent Capital 2020/II to issue shares toward this end.

The shares shall be issued in accordance with the requirements specified in the authorisation resolution by the Annual General Meeting on 24 June 2020 under agenda item 11, lit. b), which means specifically either (i) at least 80% of the arithmetic mean of the closing auction prices of Company shares of the same class in Xetra trading (or in a functionally comparable successor system replacing the Xetra system) at the Frankfurt Stock Exchange on the last five trading days prior to the day on which the Management Board resolves to issue the bonds or—in the case of granting a direct or indirect subscription right—at least 80% of the arithmetic mean of the closing auction prices of Company shares of the same class in Xetra trading (or in a functionally comparable successor system replacing the Xetra system) at the Frankfurt Stock Exchange during the subscription period, with the exception of those days of the subscription period that are needed to announce the conversion or option price in accordance with Art. 186, Sec. 2, Sent. 2, AktG, on time, or (ii) at least 80% of the arithmetic mean of the closing auction prices of Company shares of the same class in Xetra trading (or in a functionally comparable successor system replacing the Xetra system) at the Frankfurt Stock Exchange on the last five trading days prior to the day on which the bond bearers notify the Company of their intention to convert the bonds or to exercise their options, taking into account any adjustments pursuant to certain anti-dilution rules specified in the resolution of the aforementioned General Meeting under agenda item 11, lit. b) (v).

Authorised Capital

Authorised Capital 2020
Based on the resolution of the Annual General Meeting on 24 June 2020, the Authorised Capital 2018 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 16,218,967.00 during a period ending 23 June 2025 by issuing new no-par value bearer shares on one or more occasions against contributions in cash and/or in kind ("Authorised Capital 2020"). The shareholders are principally entitled to subscription rights. The Management Board is, however, authorised to exclude the shareholders' subscription rights wholly or in part, subject to the Supervisory Board's consent.

That said, the exclusion of the shareholders' subscription rights is permitted in the following instances only:

(i) for capital increases against cash contributions if shares in the Company are traded on a stock market (regulated market or OTC or the successors to these segments), the shares issued do not exceed 10% of the share capital and the issue price of the new shares does not significantly undercut the fair price of shares in the Company of the same class and features already traded on the stock market within the meaning of Sec. 203, Articles 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 of 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 issuance amount or 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 bearers or creditors of the bonds with warrant or conversion rights or obligations issued by the Company or its group companies subscription rights to new shares on a 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 resulting from the subscription ratio.

The Management Board has been authorised, subject to the Supervisory Board's consent, to define the further content of share rights and the other details of the capital increase and its implementation. The Management Board is authorised to specify that the new shares in accordance with Sec. 186, Art. 5, AktG, should be underwritten by a bank or a company operating pursuant to Sec. 53, Art. 1, Sent. 1 or Sec. 53b, Art. 1, Sent. 1 or Sec. 7, German Banking Act (KWG), subject to the obligation to offer them to the shareholders for subscription. The Supervisory Board is authorised to amend the Articles of Association to reflect the respective scope of the share capital increase through the Authorised Capital 2020.

During the 2020 financial year, the Management Board did not take advantage of its authorisation to increase the capital stock by drawing on the Authorised Capital 2020.

Transfer and Voting Right Restrictions

As of the balance sheet date, the shares of ACCENTRO Real Estate AG were not subject to any voting right restrictions either under applicable law or under the Articles of Association. All no-par value shares that the Company issued as of 31 December 2020 carry full voting rights and grant one vote each at the Annual General Meeting. The shares of ACCENTRO AG were not subject to any legal or statutory transfer restrictions as of the balance sheet date.

Equity Investments Exceeding 10% of the Voting Rights

On 31 December 2020, 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, interest held indirectly via the Brookline Real Estate S.à r.l., Luxembourg.

Significant Agreements of the Company that are Conditional upon a Change of Control Following a Takeover Bid

The terms of the 2020/2023 and 2021/2026 bonds include change of control provisions. In the event of an actual change of control, their creditors are entitled to demand full or partial repayment or, at the discretion of the issuer, the buyback of the bonds at 101% of the par value plus accrued interest.

The Management Board contracts of Lars Schriewer and Hans-Peter Kneip include change-of-control provisions. In the event that these contracts are terminated following a change of control, the Management Board members will receive severance payments equal to two annual salaries but limited to the remaining terms of their contracts of employment, as well as 50% of the variable remuneration accruing for these remaining terms.

MANAGEMENT REPORT

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

The Corporate Governance Statement pursuant to Sec. 289, Letter f, and Sec. 315, Letter d, HGB, is published annually on the Company's homepage and retrievable via this URL:
www.accentro.ag/en/investor-relations/corporate-governance/declaration-in-accordance-with-289f-hgb

MANAGEMENT REPORT

8 Remuneration Report

The contract of employment signed with Lars Schriewer and Hans-Peter Kneip during the 2020 financial year each have a term ending in March 2023.

The contracts do not provide for an ordinary termination during the contract term. In the event of a change of control, however, the contracts stipulate a break option.

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

Member of the Management Board receive an allowance toward health and long-term care insurance as well as toward their retirement plans and term life insurance policies. Furthermore, accident and disability insurance as well as pecuniary damage liability insurance (D&O insurance) have been taken out for the Management Board members. The Management Board is entitled to a company car. During its first year, the Management Board will be reimbursed for travel expenses to the workplace and for accommodation.

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, the company EMMALU GmbH announced its off-market acquisition of 272,851 shares in ACCENTRO AG. EMMALU GmbH is closely linked to the Company's former CEO, Jacopo Mingazzini. On 24 April 2020, Anden Beteiligungs GmbH announced its off-market acquisition of 251,572 shares in ACCENTRO AG. The company Anden Beteiligungs GmbH is closely linked to the member of the Management Board, Lars Schriewer. On 18 November 2020, Hans-Peter Kneip announced his off-market acquisition of 166,667 shares in ACCENTRO AG. The shares originated in the portfolio of ACCENTRO AG's main shareholder. Accordingly, this implies an agreement on share-based compensation between the main shareholder and the Management Board 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 714 over a term ending in March 2023, out of which total TEUR 141 had to be deferred during the 2020 financial year.

Neither pension commitments nor other retirement benefits have been granted to the Management Board members. No arrangements for benefits upon early termination have been agreed with the Management Board, except for a provision entitling the Company to release the members of the Management Board out of their duties for the remainder of the statutory notice period and in the event of dismissal, subject to the continued payment of their salaries, and except for the Management Board members' right to demand immediate disbursement of the remuneration for their residual contract periods in this case. Payments that may have to be agreed upon in the event of premature termination of Management Board activities, if any, must not exceed the value of two years' remuneration. The employment contracts also prescribe 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 they 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 affiliated companies pursuant to Sec. 312, AktG, includes the following closing statement by the Management Board:

"ACCENTRO Real Estate AG received appropriate consideration for the legal transactions listed in the Report on Relations with Associates.

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

Berlin, 30 April 2021

Lars Schriewer
Chief Executive Officer

Hans-Peter Kneip
Chief Financial Officer

Consolidated Financial Statements

03

Condominiums Riehmers Hofgarten,
Berlin-Kreuzberg, Großbeerenstraße 56e

Consolidated Balance Sheet

as of 31 December 2020*

ACCENTRO Real Estate AG	Notes	31 Dec. 2020	31 Dec. 2019
Assets		**TEUR**	**TEUR**
Non-current assets			
Goodwill	5.1.1	17,776	17,776
Owner-occupied properties and buildings	5.1.2	24,407	24,083
Plant and intangible assets		1,835	917
Investment properties		215,001	34,452
Advance payments made for investment properties	5.2	2,757	0
Advance payments on corporate mergers	5.3	11,344	0
Non-current other receivables and other assets	5.4	25,112	14,773
Equity investments	5.1.6	5,697	5,615
Equity interests accounted for using the equity method	5.1.5	6,279	3,640
Deferred tax assets	5.14	1,140	1,251
Total non-current assets		**311,348**	**102,508**
Current assets			
Inventory properties	5.5	409,505	416,573
Contract assets	5.6	407	1,252
Trade receivables	5.7	51,757	10,566
Other receivables and other current assets	5.7	30,696	24,820
Current income tax receivables		1,734	873
Cash and cash equivalents	5.8	56,541	24,167
Total current assets		**550,640**	**478,250**
Total assets		**861,987**	**580,757**

* 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 2020*

ACCENTRO Real Estate AG	Notes	31 Dec. 2020	31 Dec. 2019
Equity		**TEUR**	**TEUR**
Subscribed capital	5.9	32,438	32,438
Capital reserves	5.9	79,658	78,684
Retained earnings	5.9	124,095	107,561
Attributable to parent company shareholders		236,191	218,682
Attributable to non-controlling interest	5.1.4	10,910	2,128
Total equity		**247,101**	**220,811**
Liabilities		**TEUR**	**TEUR**
Non-current liabilities			
Provisions	5.11	46	46
Financial liabilities	5.10	148,063	114,474
Bonds	5.10	245,265	99,235
Deferred income tax liabilities	5.14	9,074	2,164
Total non-current liabilities		**402,448**	**215,919**
Current liabilities			
Provisions	5.11	1,923	882
Financial liabilities	5.10	168,760	102,368
Bonds	5.10	3,446	1,563
Advanced payments received	5.12	9,177	6,979
Current income tax liabilities	5.13	5,950	12,910
Trade payables	5.12	7,126	6,196
Other liabilities	5.12	16,055	13,130
Total current liabilities		**212,438**	**144,028**
Total equity and liabilities		**861,987**	**580,757**

* 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 2020*

ACCENTRO Real Estate AG	Notes	1 Jan. 2020–31 Dec. 2020	1 Jan. 2019–31 Dec. 2019
		TEUR	TEUR
Group sales		**125,182**	**143,274**
Revenues from sales of inventory properties	5.15	112,397	129,503
Expenses from sales of inventory properties	5.16	–92,772	–99,661
Capital gains from property sales		**19,625**	**29,841**
Letting revenues	5.15	10,351	10,261
Letting expenses	5.16	–5,496	–3,743
Net rental income		**4,854**	**6,518**
Revenues from services	5.15	2,434	3,510
Expenses from services	5.16	–1,563	–1,147
Net service income		**871**	**2,363**
Net income from companies accounted for using the equity method	**5.1.5**	**102**	**1,244**
Other operating income	5.19	1,699	1,207
Interim result		**27,152**	**41,174**
Gain or loss on fair value adjustments of investment properties		**28,367**	**11,399**
Payroll and benefit costs	5.17	–9,048	–5,835
Depreciation and amortisation of intangible assets and property, plant and equipment		–863	–731
Impairments of inventories and accounts receivable	5.18	–124	–123
Other operating expenses	5.19	–10,717	–6,079
EBIT (earnings before interest and income taxes)		**34,767**	**39,804**
Operating income from equity investments	5.1.6	36	36
Interest income	5.10	11,256	4,854
Interest expenses	5.10	–21,746	–12,207
Net interest result		**–10,490**	**–7,353**
EBT (earnings before income taxes)		**24,313**	**32,488**
Income taxes	5.20	–6,258	–6,189
Consolidated income		**18,055**	**26,299**
thereof attributable to non-controlling interests		1,488	–168
thereof attributable to shareholders of the parent company		16,567	26,467

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* 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. 2020–31 Dec. 2020	1 Jan. 2019–31 Dec. 2019
Earnings per Share (Comprehensive Income)		**EUR**	**EUR**
Basic net income per share (32,437,934 shares; prior year: 32,437,934 shares)	5.21	0.51	0.81

Consolidated Cash Flow Statement

for the Financial Year Beginning on 1 January and Ending on 31 December 2020

	ACCENTRO Real Estate AG	Notes	1 Jan. 2020–31 Dec. 2020	1 Jan. 2019–31 Dec. 2019
			TEUR	TEUR
	Consolidated income		18,055	26,299
+	Depreciation/amortisation of non-current assets		863	731
–/+	At-equity earnings / net income from investments		–102	–1,280
+/–	Increase/decrease in provisions		1,042	67
+/–	Changes in the fair value of investment property		–28,367	–11,399
+/–	Other non-cash expenses/income		5,571	–7,759
+/–	Loss/gain from disposal of non-current assets		95	0
–/+	Increase/decrease in trade receivables and other assets that are not attributable to investing or financing activities		–2,495	10,398
+/–	Increase/decrease in trade payables and other liabilities that are not attributable to investing or financing activities		11,868	–8,600
+	Cash received from distributions/ sales of shares consolidated at equity		0	1,091
+/–	Other income tax payments		–7,327	–5,152
=	**Operating cash flow before de-/reinvestments in inventory properties**	**5.22**	**–796**	**4,398**
–/+	Cash investments in inventory properties (net after assumption of debt, some without cash effect)	5.22	–31,859	–80,062
=	**Cash flow from operating activities**	**5.22**	**–32,655**	**–75,664**

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	ACCENTRO Real Estate AG	Notes	1 Jan. 2020–31 Dec. 2020	1 Jan. 2019–31 Dec. 2019
			TEUR	TEUR
+	Interest received		2,098	384
+	Payments received from the disposal of property, plant and equipment		24	0
–	Cash outflows for investments in intangible assets		–353	–60
–	Cash outflows for investments in property, plant and equipment		–1,870	–1,625
–	Advance payments made for company acquisitions		–11,344	0
+	Payments from disposals of financial assets		23	0
–	Cash outflows for investments in non-current assets		–2,612	–248
–	Cash outflows for the purchase of investment property		–65,187	0
–	Disbursements of loans granted		–75,895	–1,863
+	Repayment of loans granted		55,500	5,822
=	**Cash flow from investment activities**	**5.22**	**–99,617**	**2,411**
–	Dividend payments to shareholders		0	–5,190
+	Payments from issuing bonds and raising (financial) loans	5.22	349,218	127,511
–	Repayment of bonds and (financial) loans	5.22	–163,911	–34,171
–	Interest paid and financing costs		–21,635	–7,132
=	**Cash flow from financing activities**	**5.22**	**163,672**	**81,017**
	Net change in cash and cash equivalents		31,400	7,763
+/–	Increase/Decrease in cash and cash equivalents from investments in / disposal of fully consolidated companies		973	–297
+/–	Change in restricted cash and cash equivalents / adjustment of cash and cash equivalents		0	1,237
+	Cash and cash equivalents at the beginning of the period		24,167	15,464
=	**Cash and cash equivalents at the end of the period**	**5.22**	**56,541**	**24,167**

Consolidated Statement of Changes in Equity

for the Financial Year Beginning on 1 January and Ending on 31 December 2020*

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 2020	**32,438**	**78,684**	**107,561**	**218,683**	**2,128**	**220,811**
Total consolidated income	–	–	16,567	16,567	1,488	18,055
Changes in non-controlling interests	–	–	–	–	–	–
Dividend payments	–	–	–	–	–	–
Acquisition of subsidiaries	–	–	–33	–33	7,294	7,261
Equity change from application of IFRS 2	–	974	–	974	–	974
Purchase/sale of company shares	–	–	–	–	–	–
As of 31 December 2020	**32,438**	**79,658**	**124,095**	**236,191**	**10,910**	**247,101**

* 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 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
Equity change from application of IFRS 2	–	231	–	231	–	231
Purchase/sale 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.

Notes to the Consolidated Financial Statements

1 Basic Information

ACCENTRO Real Estate AG ("the Company") with its subsidiaries (collectively: ACCENTRO) is a listed real estate group with four main business divisions. The latter include the retailing of condominiums to private owner-occupiers and buy-to-let investors, the sale of real estate portfolios to institutional investors, the management of a proprietary real estate portfolio, and finally the provision of marketing and property administration services to third parties.

The core business of ACCENTRO consists of residential property trading within the framework of housing privatisations. In addition to its home market of Berlin, the Company focuses on auspicious metro regions such as Hamburg, Rhine-Ruhr and Leipzig. In its Privatisation & Investment division, ACCENTRO retails condominiums from its proprietary portfolio to owner-occupiers and buy-to-let investors or – bundled into portfolios – to institutional investors. This division is supplemented by the management and development of the Company's proprietary real estate stock. In its Services & Ventures division, ACCENTRO sells apartments on behalf of investors and property developers – including through equity investments within the framework of joint ventures. ACCENTRO Real Estate AG is listed on the Prime Standard of the Frankfurt Stock Exchange (WKN: A0KFKB, ISIN: DE000A0KFKB3) and has its registered office at Kantstr. 44/45 in 10625 Berlin, Germany.

As of 31 December 2020, ACCENTRO Real Estate AG acts as the operating holding company for a large 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. Sections 29, Art. 2, and 30, Art. 1, German Act on Securities Acquisition and Takeovers (WpÜG).

The consolidated financial statements were released for publication by the Management Board on 30 April 2021.

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 therefore 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 2020 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 IFRS requirements whose application is mandatory in the EU were fully met, and provide a true and fair account of the net assets, financial and earnings position 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 2019 were based, except for certain changes discussed below.

Accounting Guidance Applied for the First Time during the Financial Year

As of 1 January 2020, the Group will apply the following, either new and revised, standards and interpretations:

Standard or Interpretations	Substance of the standards or interpretations	Mandatory application as of
IFRS 3	Amendments concerning the definition of a business operation	for financial years beginning on 1 January 2020 or thereafter
IFRS 9, IAS 39, IFRS 7	Reform of the reference interest rates	for financial years beginning on 1 January 2020 or thereafter
Financial reporting framework	updating the references to the financial reporting framework	for financial years beginning on 1 January 2020 or thereafter
IAS 1 and IAS 8	Definition of material	for financial years beginning on 1 January 2020 or thereafter
IFRS 16	COVID-19-related rent concessions	for financial years beginning on 1 January 2020 or thereafter

The amendment to IFRS 3 "Business Combinations" clarifies that an integrated group of activities and assets must include at least one resource input and one substantive process that, taken together, contribute significantly enough to the generation of output to qualify as a business operation. Moreover, it clarifies that this can be a business operation even if the combination does not include all resource inputs and processes necessary to generate the respective output. First-time application of the amendments started on 1 January 2020. They had no effect on the consolidated financial statements of ACCENTRO, because a consistent distinction was already made both in the past and again in the 2020 financial year for property acquisitions that were completed as share deals. For details, see section 4 ("Estimates").

The other amendments had no material impact on the asset, financial and earnings situation of the Group either. The Group made no use of the option introduced by the "COVID-19-Related Rent Concessions" amendment to IFRS 16.

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.

Standard or Interpretations	Substance of the standards or interpretations	Mandatory application as of
Interest rate benchmark reform – Phase 2, amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	The amendments only concern the changes to financial instruments and hedging relationships required by the reform (Phase 1)	1 January 2021
Amend. IFRS 3; IAS 16; IAS 37	The amendments concern IFRS 3 "Business Combinations" (reference to the financial reporting framework); IFRS 16 "Property, Plant and Equipment" (clarification), IAS 37 "Provisions, Contingent Liabilities and Contingent Assets (clarifying the definition of settlement costs).	1 January 2022
Annual improvements project (2018-2020 cycle)	Minor amendments to IFRS 1, IFRS 9, IFRS 41 and IFRS 16	1 January 2022
Amend. IAS 1	Classification of liabilities as current or non-current; clarification that the existing right of the entity at the reporting date is decisive for the classification of liabilities as current or non-current	1 January 2023
Amend. IFRS 4	Extension of the temporary exemption from the application of IFRS 9	1 January 2023
IFRS 17 and amend. IFRS 17 (replaces IFRS 4)	"Insurance Contracts": The objective is to disclose relevant information to users and to ensure a uniform presentation and valuation of insurance contracts through consistent and principle-based accounting.	1 January 2023

The above amendments are still awaiting EU endorsement. 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 sub-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.

Interests in the subsidiary's equity that are held by other partners are recognised among the Group 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 sub-section 5.1.4. For subsidiaries in the legal form of a limited partnership with a limited company as general partner (German: GmbH & Co. KG), shares held by other shareholders are recognised as borrowed capital, as they have mandatory termination rights pursuant to the German Commercial Code (HGB).

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 nine joint ventures (previous year: seven) 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 sub-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. This information is estimated if the company in which the equity interest is held does not provide sufficient information to meet IFRS requirements.

e) Consolidated Group

As of 31 December 2020, the consolidated group was subject to the following changes since the previous year:

	Subsidiaries Number	Joint Ventures Number
As of 1 January	**35**	**7**
Acquisitions	5	1
Start-ups	1	0
Reduction of equity interest	0	1
Disposals	1	0
As of 31 December	**40**	**9**

Listed below are the companies integrated in the consolidated financial statements as of 31 December 2020 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. 2020 Interest in net assets (in %)*	31 Dec. 2019 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*	Berlin	100	100
ACCENTRO 21. Wohneigentum GmbH*	Berlin	100	100
ACCENTRO Bayern GmbH*	Berlin	100	100
ACCENTRO Wohneigentum GmbH*	Berlin	100	100
ACCENTRO GmbH*	Berlin	100	100
ACCENTRO Verwaltungs GmbH*	Berlin	100	100
ACCENTRO Sachsen GmbH*	Berlin	100	100
ESTAVIS Wohneigentum GmbH*	Berlin	100	100
Estavis 43. Wohnen GmbH & Co. KG*	Berlin	100	100
Quartier Danziger Straße 143 GmbH*	Berlin	100	100
Quartier Hasenheide GmbH*	Berlin	100	100

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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. 2020 Interest in net assets (in %)*	31 Dec. 2019 Interest in net assets (in %)*
Quartier Dietzgenstraße GmbH*	Berlin	100	100
Koppenstraße Wohneigentum GmbH	Berlin	100	100
Kantstr. 44, 45 Verwaltungsgesellschaft mbH*	Berlin	100	100
COMMIT Services GmbH	Berlin	100	–
Riehmers Dachgeschoss Grundbesitz GmbH	Berlin	100	100
Riehmers Hofgarten Grundbesitz GmbH	Berlin	100	100

* The company takes advantage of the exemption pursuant to Sec. 264 Art. 3, German Commercial Code (HGB) (preparation, disclosure and audit).

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	89.9	50.1
GeSoNa Verwaltungs GmbH & Co. Hermannstraße KG	Berlin	74.25	73.1
GeSoNa Verwaltungs GmbH	Berlin	68.3	67.3
ACCENTRO Binz GmbH	Berlin	94.9	94.9
Düsseldorfer Straße 68-69 Projektgesellschaft mbH	Berlin	94.9	94.9
Wintersteinstraße 7, 9 Liegenschaften 1 GmbH	Berlin	94.9	94.9
Wintersteinstraße 7, 9 Liegenschaften 2 GmbH	Berlin	89.9	89.9
ACCENTRO NRW GmbH (formerly: PV 4 Objektgesellschaft mbH)	Köln	89.9	–
Lekova 12 GmbH (ACCENTRO Dessau Wohnen GmbH)	Jena	89.9	–
Lekova 14 GmbH (ACCENTRO Gera Wohnen GmbH)	Jena	89.9	–
Lekova 15 GmbH (ACCENTRO Halle Wohnen GmbH)	Jena	89.9	–
Werdauer Weg 3 Immobilien Projektentwicklungs GmbH	Zossen	89.9	–
Companies Derecognised during the Financial Year			
Wissmannstraße 15. Grundbesitz GmbH (formerly: ACCENTRO 22. Wohneigentum GmbH)	Berlin	30	100

* 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. 2020 Interest in net assets (in %)*	31 Dec. 2019 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	Berlin	25	25
Düne 38 Projektentwicklungs GmbH	Berlin	44	44
SHG Basdorfer Gärten BF6 Liegenschaften GmbH	Berlin	49	49
Wissmannstraße 15. Grundbesitz GmbH	Berlin	30	100
DEUWA Real GmbH	Berlin	50	0

* For explanatory notes, see section 5.1.4

Although the shareholding in DEUWA GmbH amounts to 50%, the Company is only entitled to 30% of the voting rights. The below-quota voting right is compensated for by advance profits.

f) Changes in the Basis of Consolidation during the Reporting Period

Acquisition of ACCENTRO NRW GmbH (formerly: PV 4. Objektgesellschaft mbH)

With the notarised purchase and assignment agreement dated 25 August 2020, ACCENTRO Real Estate AG acquired an 89.9% interest in ACCENTRO NRW GmbH (formerly PV 4. Objektgesellschaft mbH) for the price of TEUR 1,846 plus incidental acquisition costs in the amount of TEUR 79. In conjunction with the transaction, ACCENTRO AG acquired a shareholder loan in the amount of TEUR 1,181.

The acquisition of ACCENTRO NRW GmbH was not categorised as business combination within the meaning of IFRS 3 because the company runs no business operation as defined by IFRS 3. Rather, the share purchase was accounted for as the acquisition of a group of assets and liabilities (aggregate assets without corporate quality). The acquisition costs were allocated to the individual identifiable assets and liabilities of the acquired company at the time of acquisition according to their relative fair values.

ACCENTRO NRW GmbH was fully consolidated in the consolidated financial statements of ACCENTRO AG in accordance with the requirements of IFRS 10. The initial consolidation is dated 30 September 2020.

The fair values of the identified assets and liabilities of ACCENTRO NRW GmbH as of the acquisition date break down as follows:

Assets and liabilities of ACCENTRO NRW GmbH	TEUR
Investment property	10,046
Trade receivables	25
Current financial assets	421
Cash and cash equivalents	72
Assets acquired	10,563
Trade payables	69
Payables to partners	1,181
Short-term debt	6,737
Current financial liabilities	444
Liabilities assumed	8,431
Net assets (100%)	2,132
Non-controlling interests	207
Acquisition costs	1,925

The real estate assets were allocated to the long-term investment properties (IAS 40).

Acquisition of Lekova 12 GmbH and Lekova 14 GmbH

With the notarial framework agreement dated 23 October 2020, ACCENTRO Real Estate AG acquired interests of 89.9% each in the companies Lekova 12 GmbH and Lekova 14 GmbH. The acquisition costs of the interest in Lekova 12 GmbH amount to TEUR 4,032 plus incidental acquisition costs in the amount of TEUR 97. ACCENTRO AG acquired a shareholder loan in the amount of TEUR 5,050 in conjunction with the transaction. The acquisition costs of the interest in Lekova 14 GmbH amount to TEUR 727 plus incidental acquisition costs in the amount of TEUR 38. In conjunction with the transaction, ACCENTRO AG acquired a shareholder loan in the amount of TEUR 2,871.

The acquisition of these companies was not categorised as business combination within the meaning of IFRS 3 because the companies run no business operations as defined by IFRS 3. Rather, the share purchases were accounted for as the acquisition of a group of assets and liabilities (aggregate assets without corporate quality). The acquisition costs were allocated to the individual identifiable assets and liabilities of the acquired companies at the time of acquisition according to their relative fair values.

Lekova 12 GmbH and Lekova 14 GmbH were fully consolidated in the consolidated financial statements of ACCENTRO AG in accordance with the requirements of IFRS 10. The initial consolidation is dated 31 December 2020.

The fair values of the identified assets and liabilities of Lekova 12 GmbH as at the acquisition date break down as follows:

Assets and liabilities of Lekova 12 GmbH	TEUR
Investment property	10,018
Trade receivables	3
Current financial assets	17
Current assets	7
Cash and cash equivalents	229
Assets acquired	10,274
Trade payables	34
Payables to partners	5,050
Current financial liabilities	42
Liabilities assumed	5,126
Net assets (100%)	5,148
Non-controlling interests	1,020
Acquisition costs	4,128

The fair values of the identified assets and liabilities of Lekova 14 GmbH as at the acquisition date break down as follows:

Assets and liabilities of Lekova 14 GmbH	TEUR
Investment property	3,399
Current financial assets	604
Cash and cash equivalents	39
Assets acquired	4,042
Payables to partners	2,871
Current financial liabilities	2
Liabilities assumed	2,873
Net assets (100%)	1,169
Non-controlling interests	404
Acquisition costs	765

The real estate assets were allocated to the long-term investment properties (IAS 40).

Acquisition of Lekova 15 GmbH

With the notarial framework agreement dated 12 November 2020, ACCENTRO Real Estate AG acquired interests of 89.9% each in the companies Lekova 15 GmbH. The acquisition costs of the interest in Lekova 15 GmbH amount to TEUR 4,394 plus incidental acquisition costs in the amount of TEUR 104. ACCENTRO AG acquired a shareholder loan in the amount of TEUR 10,993 in conjunction with the transaction.

The acquisition of the company was not categorised as business combination within the meaning of IFRS 3 because the company runs no business operation as defined by IFRS 3. Rather, the share purchase was reported as the acquisition of a group of assets and liabilities (aggregate assets without corporate quality). The acquisition costs were allocated to the individual identifiable assets and liabilities of the acquired company at the time of acquisition according to their relative fair values.

Lekova 15 GmbH was fully consolidated in the consolidated financial statements of ACCENTRO AG in accordance with the requirements of IFRS 10. The initial consolidation is dated 31 December 2020.

The fair values of the identified assets and liabilities of Lekova 15 GmbH as at the acquisition date break down as follows:

Assets and liabilities of Lekova 15 GmbH	TEUR
Investment property	17,076
Cash and cash equivalents	60
Assets acquired	17,136
Trade payables	32
Payables to partners	10,993
Current financial liabilities	1
Liabilities assumed	11,026
Net assets (100%)	6,110
Non-controlling interests	1,717
Acquisition costs	4,393

The real estate assets were allocated to the long-term investment properties (IAS 40).

Acquisition of Werdauer Weg 3 Immobilien Projektentwicklungs GmbH

With the notarial framework agreement dated 12 November 2020, ACCENTRO Real Estate AG acquired an 89.9% interest in the company Werdauer Weg 3 Immobilien Projektentwicklungs GmbH. The acquisition costs of the interest in Werdauer Weg 3 Immobilien Projektentwicklungs GmbH amount to TEUR 34,916 plus incidental acquisition costs of TEUR 58. In conjunction with the transaction, ACCENTRO AG acquired a shareholder loan in the amount of TEUR 4,857. A loan in the amount of TEUR 15,446 that had been granted to Spree Holding GmbH in 2018 and that was due for repayment was credited against the acquisition. Spree Zweite Holding GmbH was the seller of Werdauer Weg 3 Immobilien Projektentwicklungs GmbH. The acquisition of the entity contains a right of withdrawal that had not been exercised by the time the financial statements were released.

The acquisition of the company was not categorised as business combination within the meaning of IFRS 3 because the company runs no business operation as defined by IFRS 3. Rather, the share purchase was accounted for as the acquisition of a group of assets and liabilities (aggregate assets without corporate quality). The acquisition costs were allocated to the individual identifiable assets and liabilities of the acquired company at the time of acquisition according to their relative fair values.

Werdauer Weg 3 Immobilien Projektentwicklungs GmbH was fully consolidated in the consolidated financial statements of ACCENTRO AG in accordance with the requirements of IFRS 10. The initial consolidation is dated 31 December 2020.

The fair values of the identified assets and liabilities of Werdauer Weg 3 Immobilien Projektentwicklungs GmbH as at the acquisition date break down as follows:

Assets and liabilities of Werdauer Weg 3 Immobilien Projektentwicklungs GmbH	TEUR
Investment property	104,850
Trade receivables	162
Current assets	443
Cash and cash equivalents	598
Assets acquired	106,053
Trade payables	3,248
Payables to partners	4,857
Short-term debt	57,805
Current financial liabilities	1,125
Income tax liabilities	122
Liabilities assumed	67,157
Net assets (100%)	38,897
Non-controlling interests	3,922
Acquisition costs	34,974

The real estate assets were allocated to the long-term investment properties (IAS 40).

Company Formation During the Reporting Period

ACCENTRO AG formed the company COMMIT Services GmbH domiciled in Berlin via articles of incorporation dated 20 November 2020. Since the formation of the company had not been entered into the commercial register by 31 December 2020, COMMIT Services GmbH was included in the basis of consolidation as pre-incorporation company. Going forward, COMMIT Services GmbH will handle the digital business of ACCENTRO AG.

Companies Sold During the Reporting Period

ACCENTRO AG sold a 70% interest in the company Wissmanstraße 15. Grundbesitz GmbH (formerly ACCENTRO 22. Wohneigentum GmbH) for a selling price of EUR 22,500 via a notarised share purchase and transfer agreement dated 14 February 2020.

The company was full consolidated in the consolidated financial statements of ACCENTRO AG up to the date of the share sale. The selling price was settled in cash. The company was deconsolidated, and the remaining interest of 30% was recognised among the interests in associated companies.

From the Group's point of view, the sale of the interest in Wissmannstraße 15. Grundbesitz GmbH does not represent the sale of an equity interest, but rather the transfer of individual assets and liabilities against payment. The deconsolidation income is calculated based on the difference between the proceeds from the sale and the consolidated carrying amounts of the assets sold, with the existing minority interests duly taken into account.

Wissmannstraße 15. Grundbesitz GmbH	TEUR
Current assets	300
Cash and cash equivalents	25
Total assets	325
Loans of ACCENTRO AG	301
Total debt	301
Net assets (100%)	24
Retained equity interest	7
Net assets (70%)	17
Deconsolidation income	6
Sales proceeds	23

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 exclusively trades 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. Although new value chains were developed and investments in new business areas undertaken during the 2020 financial year, these do not represent reportable segments yet because some of the business activities at issue were started too close to the reporting date of 31 December 2020 to be reportable.

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 13.73+).

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. An impairment loss is recognised in the amount by which the carrying amount of a given asset exceeds its recoverable amount. The latter is equal either to an asset's fair value less costs of disposal or to the discounted net cash flows from its continuing use (value in use), whichever is higher. To appraise impairment losses, assets are grouped at the lowest level into cash-generating units whose cash flows can be identified largely independently of the rest of the company. The goodwill is tested at the level of the cash-generating unit to which it is allocated.

In case the impairment is reversed, write-ups must not exceed the amortised costs. Reversals of impairment losses are ignored when calculating the goodwill.

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 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 income 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 sales of financial assets are recognised as of their 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 in income.

The ACCENTRO Group 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 income in the Income Statement.

If some or all the reasons for an impairment cease to apply, the receivables are written up to a maximum of amortised cost and 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 historical costs 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. All of the chartered surveyors have RICS qualifications. Valuations use both the DCF method and the German income capitalisation approach.

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 the 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 measured 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 reported 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 pursuant to 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). Whenever property companies are sold, the transaction date generally coincides with the completion of the share transfer. 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 new-build attic apartments. These purchase 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 purchase 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 sale-and-purchase agreements 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 concrete business transactions are recognised as expenses at the time a brokered transaction is settled by the Group. Any commission paid before this time is reported as contract costs among the miscellaneous receivables.

2.15 Leases

a) The Group as Lessee

Lease relationships 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, lease relationships 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 statement of cash flows represents the cash flows from current operations, from the 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. In deviation thereof, properties were sold for a net selling price of TEUR 36,670 as of 31 December 2020 whose transfer of benefits and burdens took place as soon as the first instalment of the selling price was received. For details, see sub-section 5.7. An increased number of unsecured loans were granted during the 2020 financial year. These include, inter alia, loans to property developers with whom the Company plans to enter into a sales collaboration at a later point, or else loans taken over in conjunction with company acquisitions.

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 as at 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. The actual repayment rate may deviate from this, depending on the sales performance.
- IFRS 13 requires several valuation parameters to be appraised for the valuation of properties at fair value. Both the DCF method and the income capitalisation approach are applied.
- 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. To this end, the Company also mandates external valuers.
- 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).
- When measuring the fair value of share-based payment transactions, it is of the essence to determine the optimal valuation technique for a given loan first, which depends on the terms and conditions at

which it was granted. The measurement also necessitates the identification of those input factors that are best suited for consideration in the valuation procedure, including particularly the prospective maturity of the option, the volatility and the dividend yield, along with the corresponding assumptions. The Group uses a Black-Scholes model to measure the fair value of transactions settled with employees via the use of equity instruments as of the date at which these were granted. The assumptions for measuring the fair value of share-based payment transactions are discussed in the section "Shareholder Capital."

- ACCENTRO reports a large number of properties among the inventory assets because these properties are acquired and resold on short notice. Certain disclosures, such as the maturity structure of rent receivables, are occasionally estimated because exact figures are unavailable at the moment, which is quite appropriate, though, given the negligible amounts involved and the fact that collection losses are rare.

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 5.1.3 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. Credit balances in accounts for purchase prices received (within the meaning of the Estate Agents and Property Developers Ordinance, MaBV) are reported among cash and cash equivalents.
- In the case of DEUWA, ACCENTRO holds a 50% interest in the company, but only 30% of the voting rights. Moreover, the company received equity and debt capital of comparable structure. With this in mind, the engagement (TEUR 2,609) is reported collectively among the at-equity assets.
- Given the subordinate significance of property, plant and equipment (0.2% of the total assets), the Company sees no need for separate reporting.

- To the extent that the Group has rights of withdrawal, it needs to resolve whether these are likely to be used. During the 2020 financial year, this concerned the acquisition of the property at Werdauer Weg 3 in Berlin and the loans acquired together with LHC Beteiligungs GmbH. In the 2021 financial year, it will moreover concern the acquisition (interests and loan) of DIM Holding (see section 6). As at balance sheet date, the Management Board assumes that these rights will not be exercised. At the time the consolidated financial statements were compiled, the Company rated the probability of exercising its rights of withdrawal as low. If the rights of withdrawal were exercised, it would have material effects for the consolidated financial statements. If the Company were to exercise its rights of withdrawal, the respective assets and liabilities recognised in the balance sheet would have to be derecognised while a receivable from reversal would have to be recognised. In this case, the Company would have to bear the contract initiation costs and ancillary costs (see sub-section 2.2f). In addition, unsecured receivables would have to be recognised in the amount of the resurgent prices and possibly the acquired shareholder loans (see sub-section 2.2f), which could possibly increase the credit risk.

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 the Company's present 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 Kantstrasse 44/45 in Berlin that the Group has occupied since the end of 2019 as its head 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 2020	Owner-occupied plots	Owner-occupied buildings	Total
	TEUR	TEUR	TEUR
Acquisition costs			
Beginning of period	9,686	15,025	24,711
Additions	0	967	967
Disposals	0	–167	–167
Transfer items	0	0	0
End of period	9,686	15,824	25,510
Cumulative depreciation, amortisation and write-downs			
Beginning of period	0	627	627
Additions	0	481	481
Disposals	0	–4	–4
End of period	0	1,103	1,103
Depreciated book value	**9,686**	**14,721**	**24,407**

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	24,711
Cumulative depreciation, amortisation and write-downs			
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 Subsidiaries with Significant 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	−1	15	–
Kantstraße 130b/Leibnizstraße 36, 36a Immobilien Gesellschaft mbH	59	30	−71	–
Johanniterstr. 3-6 Liegenschaften GmbH	20	6	1,906	–
ACCENTRO Rhein-Ruhr GmbH	25	8	19	–
ACCENTRO 2. Sachsen GmbH	10.1	52	46	–
GeSoNa Verwaltungs GmbH	30	0	−1	–
Düsseldorfer Str. 68-69 Projekt GmbH	5.1	−7	75	–
ACCENTRO Binz GmbH	5.1	−11	15	–
Wintersteinstr. 7, 9 Liegenschaften 1 GmbH	5.1	2	49	–
Wintersteinstr. 7, 9 Liegenschaften 2 GmbH	10.1	−13	162	–
ACCENTRO NRW	10.1	140	348	–
ACCENTRO Dessau Wohnen GmbH	10.1	347	1,367	–
ACCENTRO Gera Wohnen GmbH	10.1	238	642	–
ACCENTRO Halle Wohnen GmbH	10.1	698	2,415	–
Werdauer Weg 3 Projektentwicklungs GmbH	10.1	0	3,923	–
Total		**1,488**	**10,910**	**–**
Partnerships				
Kantstraße 130b/Leibnizstraße 36, 36a GbR*	61.6	0	0	–
ESTAVIS Beteiligungs GmbH & Co. KG*	6.0	0	0	–
GeSoNa Verwaltungs GmbH & Co. Hermannstr. KG*	26.9	918	0	–
Total		**918**	**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 2020:

31 December 2020	Total
	TEUR
Total of current assets	80,375
Total of non-current assets	199,080
Total of current liabilities	−59,361
Total of non-current liabilities	−108,828
Net assets	111,267
Earnings / revenues	**3,265**
Net income / net loss	**15,215**
thereof attributable to the shareholders of ACCENTRO Real Estate AG	13,727
thereof attributable to the non-controlling interests	1,488

The net profit shares of non-controlling interests in partnerships are recognised as profit or loss in the consolidated income statement.

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:

31 December 2019	Total
	TEUR
Total of current assets	39,410
Total of non-current assets	34,506
Total of current liabilities	9,805
Total of non-current liabilities	31,845
Net assets	32,266
Earnings / revenues	**1,534**
Net income / net loss	**7,753**
thereof attributable to the shareholders of ACCENTRO Real Estate AG	7,646
thereof attributable to the non-controlling interests	106

5.1.4 Equity Interests Accounted for Using the Equity Method

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

	2020	2019
	TEUR	TEUR
Start of financial year	**3,640**	**3,518**
Additions	2,538	23
Disposals	0	–94
Shares in gains and losses*	102	193
End of financial year	**6,279**	**3,640**

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

In Q1 2020, ACCENTRO AG acquired an equity interest of 50% in the company DEUWA Real Estate GmbH for the purpose of acquiring, developing and marketing joint projects, and to thereby expand the Company's commitment on the real estate market. As of the balance sheet date, DEUWA Real Estate GmbH held interests in three property development projects. ACCENTRO acquired TEUR 1,110 worth of preferred interests. In addition, ACCENTRO paid TEUR 1,390 into the capital reserve, while incidental acquisition costs in the amount of TEUR 30 were also incurred. The pro-rata income attribution for 2020 equalled TEUR 79.

The joint ventures are financed by ACCENTRO AG, among other sponsors. 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.

ACCENTRO signed a purchase agreement for a 50% interest in the company LHC Beteiligungs GmbH for the price of EUR 1.5 million, subject to standard purchase price mechanisms. The transfer of benefits and burdens had not taken place yet at the time these consolidated financial statements were compiled. The joint venture owns several real properties.

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 2020 and 31 December 2019, appraised using the equity method:

31 December 2020	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)	Wissmannstraße 15. Grundbesitz GmbH (Joint Venture)	DEUWA Real GmbH (Joint Venture)
	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR
Earnings/revenues	0	0	0	0	268	0	3	4	133
Profit or loss for the year/ comprehensive income	–5	0	–11	–4	137	–136	207	29	56
Total of current assets	449	239	4,544	135	5,494	7,460	28,405	687	31,999
Total of non-current assets	0	0	0	0	0	0	13,937	0	0
Total of current liabilities	10	0	348	2	29	5	14,332	692	7,185
Total of non-current liabilities	0	0	4,201	130	5,318	7,340	35,000	0	22,634
Net assets of the associates	439	239	–5	4	147	115	–6,990	–5	2,316
ACCENTRO Real Estate AG's interest in net assets of the associate	44.00%	33.33%	44.00%	44.00%	44.00%	49.00%	25.00%	30.00%	n.a.
Book value of ACCENTRO Real Estate AG's interest, appraised using the equity method	283	61	4	8	65	0	3,250	0	2,609

31 December 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	0
Profit or loss for the year/ comprehensive income	671	0	–5	0	–1	–14	–110
Total of current assets	649	449	3,931	0	6,451	4,581	4,580
Total of non-current assets	0	0	0	0	0	0	49,372
Total of current liabilities	182	0	3,935	0	4,756	4,894	284
Total of non-current liabilities	0	0	0	0	0	32,666	35,000
Net assets of the associates	468	449	20	25	24	14	16,596
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

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 5.26, as far as relevant.

5.1.5 Equity Investments

Overall, ACCENTRO AG held interests of 5.1% each in 15 equity investments (previous year: 14) as of 31 December 2020. The earnings from these equity investments added up to TEUR 36 during the 2020 financial year (2019: TEUR 36). 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 equity investments 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. 2020	31 Dec. 2019
	TEUR	TEUR
Equity interest in DELTA VIVUM I	2,683	2,683
Equity interest in Magnus Relda Portfolio	1,346	1,346
Equity interest in ACCENTRO 5. Wohneigentum GmbH	562	562
Other	1,106	1,024
Total	**5,697**	**5,615**

Disclosures pursuant to Sec. 313, Art. 2, No. 4, 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%	–3,779,328.97	–1,978,462.52
DELTA VIVUM Berlin I GmbH, Berlin*	5.1%	12,443,055.12	1,681,538.65
DELTA VIVUM Berlin II GmbH, Berlin*	5.1%	–1,530,430.98	364,325.34
Phoenix Spree Gottlieb GmbH, Berlin**	5.1%	123,124.97	0.00
Phoenix Spree Mueller GmbH, Berlin**	5.1%	2,640,261.48	126,168.52
HRP Hamburg Residential S.à r.l., Luxembourg***	5.1%	–4,626,134.90	–4,090,267.25
Magnus Relda Portfolio			
Estavis 6. Wohnen GmbH, Berlin**	5.1%	6,484,573.46	2,557,323.63
Estavis 7. Wohnen GmbH, Berlin **	5.1%	–73,154.47	0.00
Estavis 8. Wohnen GmbH, Berlin**	5.1%	390,883.24	0.00
Estavis 9. Wohnen GmbH, Berlin**	5.1%	647.99	0.00
RELDA 36. Wohnen GmbH, Berlin**	5.1%	140,409.35	0.00
RELDA 38. Wohnen GmbH, Berlin**	5.1%	104,053.42	0.00
RELDA 39. Wohnen GmbH, Berlin**	5.1%	120,569.67	0.00
RELDA 45. Wohnen GmbH, Berlin**	5.1%	110,714.19	0.00

* provisional HGB figures from 2020
** HGB figures from 2020
*** HGB figures from 2019

5.2 Investment Properties

	2020	2019
	TEUR	TEUR
Carrying amount as of 1 January	**34,452**	**0**
Transfer from inventory properties at fair value	0	34,410
Additions	137	42
Acquisitions	152,045	0
Fair value increases (+)	28,367	0
Fair value decreases (–)	0	0
Disposals (–)	0	0
Carrying amount as of 31 December	**215,001**	**34,452**

ACCENTRO AG acquired properties and property portfolios worth TEUR 152,045 during the 2020 financial year. These are located in the cities of Berlin, Halle, Gera, Zwickau, Dessau and in the state of North Rhine-Westphalia, among other places. They were allocated to the investment properties (IAS 40).

The valuation as investment properties is based on IAS 40.32a, the fair value being TEUR 215,001 (previous year: TEUR 34,452). The difference in value of TEUR 28,367 (previous year: TEUR 11,399) that was determined by a valuer in this context was recognised in income.

The rental income from the investment properties added up to TEUR 1,123 thousand during the financial year. The directly attributable operating expenses of the investment portfolio amounted to TEUR 253. The acquisition of a large number of the investment properties took place at the end of the year, so that the acquisitions had no material impact on the rental income or the directly attributable operating expenses in the 2020 financial year.

Since the investment properties are not traded on an active market, they are valued using inputs based on unobservable market data (Level 3). As of 31 December 2020, ACCENTRO had its portfolio appraised by two independent valuers. 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, as well as property rates or discount interest rates and capitalisation rates.

The valuation technique and procedures were selected by the Management Board. The information provided to the valuer, and the assumptions made as well as the results of the property valuation were analysed by the asset management, the project management and by the Management Board while the resulting measurements were subsequently discussed by the Management Board and the external valuer.

Two methods were used to measure the fair value (Level 3 of the fair value measurement based on valuation models).

For the eight properties dominated by residential use and held in the "West Portfolio" (Essen and Duisburg), the nine properties of exclusively or predominantly residential use held in the "Glamour Portfolio" (Berlin) and the commercial property used as office and hotel at "Werdauer Weg" (Berlin), the fair value appraisal was performed pursuant to Sec. 194, Federal Building Code (BauGB). In this case, the market value/fair value is measured based on the price that can be achieved at the particular time referred to by the valuation in the ordinary course of business according to the prevalent legal conditions and its actual characteristics, as well as its quality and the location of the plot or any other aspect subject to the valuation, regardless of any exceptional or personal circumstances. German valuation regulations (German Real Estate Valuation Ordinance, ImmoWertV) offer several procedures to determine such a value. Since the investment properties represent assets traded for the purpose of generating income, the income capitalisation approach was used to measure their fair value/market value.

The valuation of the residential property portfolios "East II" (Dessau, Eckolstädt, Gera, Hettstedt, Weissenfels and Zwickau) and "East III" (Halle/Saale), which returned a carrying amount of c. EUR 59.4 million, was done on the basis of the discounted future net cash flows according to the DCF method. The year before, the Glamour Portfolio had been appraised at EUR 34.5 million using the DCF method. In each case, 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 as a perpetual annuity. The sum total of the cash operating surplus and the discounted potential sale value produces the gross capital value of the appraised property. The resulting figure is converted into an investment value by taking into account transaction costs incurred in an orderly business transaction.

The residential real estate of the "East II" and "East III" portfolios showed a collective area-weighted average vacancy of 45.0% and 25.7%, respectively. The valuations are based on the assumption that vacant real estate can be let at a market rent, and take appropriate maintenance and refurbishment expenses into account. If letting the properties proves impossible in the future, or is possible only at a lower rent, this could adversely impact subsequent valuations.

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

Valuation parameter	Unit	Mean		Range	
		31 Dec. 2020	31 Dec. 2019	31 Dec. 2020	31 Dec. 2019
Discount Interest Rate	%	5.14	4.11	5.00 – 5.25	4.00 – 4.20
Capitalisation rate	%	4.14	3.14	4.00 – 4.25	3.00 – 3.20
Maintenance costs	EUR/m²	7.50	9.67	7.50 – 7.50	8.50 – 11.25
Administrative overhead	EUR/unit/year	260	265	260 – 260	260 – 270
Stabilised vacancy rate	%	4.39	1.5	3.75 – 5.00	1.3 – 1.8

Valuation results	Unit	Mean		Range	
		31 Dec. 2020	31 Dec. 2019	31 Dec. 2020	31 Dec. 2019
Passing rent multiplier	Ratio	27.0	37.3	23.3 – 33.5	29.7 – 44.3
Market value per m²	EUR/m²	926	2.880	532 – 1.141	2.280 – 3.180

The discount 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.

31 December 2020	Discount Interest Rate		Market rent		Vacancy rate	
	+0.5%	–0.5%	–10%	+10%	+1%	–1%
Changes in value						
in TEUR	–2,780	2,580	–8,380	8,100	–1,050	680
in %	–4.7	4.3	–14.1	13.6	–1.8	1.1

31 December 2019	Discount Interest Rate		Market rent		Vacancy rate	
	+0.5%	–0.5%	–10%	+10%	+1%	–1%
Changes in value						
in TEUR	–5,420	7,480	–3,950	3,720	–520	520
in %	–15.8	21.7	–11.5	10.8	–1.5	1.5

Since the properties valued according to the DCF method as at the measurement date of 31 December 2020 (the "East II" and "East III" portfolios) were acquired during the reporting year, the prior-year figures do not represent an identical portfolio. As of 31 December 2020, the properties that had been valued using the DCF method as of 31 December 2019 were measured using the income capitalisation approach. Even though the two methods are both considered discounted cashflow methods in actuarial terms, their main valuation parameters are not directly comparable.

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

Valuation parameter	Unit	Mean	Range
Property yield	%	2.49	2.35 – 4.25
Remaining useful life	Years	54	40 – 61
Market rent	EUR/m²	19.72	6.50 – 23.62
Management costs	% of gross income	12.23	10.13 – 28.40

Valuation results	Unit	Mean	Range
Gross income multiplier	Ratio	26.5	15.6 – 30.6
Market value per m²	EUR/m²	5,037	1,215 – 8,663

The property yield, the expected remaining useful life of the properties, the underlying market rents and the management costs 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.

31. Dezember 2020	Property yield		Remaining useful life		Market rent		Management costs	
	+0,5%	–0,5%	–5 Jahre	+5 Jahre	–10 %	+10 %	+10%	–10%
Change in value								
in TEUR	–17,916	21,934	–5,821	5,447	–15,029	15,353	–1,979	2,304
in %	–11.3	13.8	–3.7	3.4	–9.5	9.7	–1.2	1.5

Since the properties valued under the income capitalisation approach were either acquired during the reporting year or were valued under the DCF method (see notes above) as of the prior-year measurement date, no prior-year comparative figures are available.

Important general qualitative valuation assumptions included the decision to disregard the rent cap introduced in Berlin, and the significant rent increases revealed by the potential analysis. Berlin's rent cap had been fraught with serious constitutional concerns, and it came as no surprise that the Federal Constitutional Court declared it unconstitutional and therefore null and void in its ruling on 15 April 2021, i. e. after the balance sheet date. Moreover, there was no measurable impact on prices in response to the rent cap by 31 December 2020.

Although the fair value of the property on Werdauer Weg in Berlin was measured at Level 1 of the measurement hierarchy as of 31 December 2020, it was included in the measurement of sensitivities to make the figures more informative. The measurement was performed on the basis of a valuation according to the income capitalisation method.

The fair value measurement of investment property is allocated to the following levels in accordance with the measurement hierarchy under IFRS 13:

	2020	2019
Classification of measurement methods	**TEUR**	**TEUR**
Level 1	104,847	n.a.
Level 2	n.a.	n.a.
Level 3	110,154	34,451
Total	**215,001**	**34,451**

As of 31 December 2020, ACCENTRO reported down-payments in the amount of TEUR 2,757 that were made toward investment properties. These are primarily associable with ACCENTRO AG, which made down-payments in the amount of TEUR 2,224 toward the acquisition of property companies. In addition, ACCENTRO NRW made down-payments in the amount of TEUR 533 toward the acquisition of investment properties. The properties' benefits and burdens are not planned to be transferred until 2021.

The Company entered into acquisition commitments for investment properties in the amount of TEUR 46,540. Some of the selling prices were paid during the first quarter of 2021.

5.3 Down-Payments on Business Combinations

Down-payments on business combinations include TEUR 11,344 that concern DIM Holding AG, though the rights to acquire shares in the company will not vest until the next year. The purchase price was paid on 29 December 2020. For details, please refer to section 6 "Events after the Balance Sheet Date" and sub-section 5.4 "Non-Current Other Receivables and Other Assets."

5.4 Non-Current Other Receivables and Other Assets

Gathered in this item are various loans and financial assets.

	31 Dec. 2020	31 Dec. 2019
	TEUR	**TEUR**
Non-current other receivables and assets		
Subordinated loan to the associate Belle Époque Quartier Gehrensee GmbH	12,117	11,138
Loan to the associate Gutshof Dahlewitz 1 GmbH und Gutshof Dahlewitz 2 GmbH	1,891	1,736
Loan to the associate Unternehmen Düne 38 Projektentwicklungs GmbH	1,969	886
Loan to the associate SHG Basdorfer Gärten BF6 GmbH	1,504	1,013
Loan receivables	3,956	0
Receivables from investment companies	3,674	0
Total of non-current other receivables and other assets	**25,112**	**14,773**

As of year-end 2020, lendings and loans to companies that are associates and included (at equity) in the consolidated financial statements of ACCENTRO were reported at TEUR 17,482 (previous year: TEUR 14,773).

The loan against the company Belle Époque Quartier Gehrensee GmbH in the amount of TEUR 12.117 (previous year: TEUR 11,138) bears 10% interest as a subordinated mezzanine loan. Having reviewed the project calculations and project progress reports it received, the Management Board is aware of no indications of an imminent default.

The loans are non-collateralised over their full amount. The recoverability of non-collateralised loans is definitively dependent on the project development success of the property development that was financed. Having reviewed the project calculations and project progress reports it received, the Management Board is aware of no indications of an imminent default.

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

Several loan receivables in the amount of TEUR 3,956 from DIM Holding AG were acquired that largely show a subordinated structure.

The receivables from investment companies includes a loan granted to HRP Hamburger Residential GmbH in the amount of TEUR 3,674. This loan was reclassified to non-current receivables as of 31 December 2020, because the Company assumes that the loan will not be repaid within 12 months. In the previous year, the item was reported under current assets, as it was assumed that it would be repaid in the short term in conjunction with a real estate transaction.

5.5 Inventory Properties

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

	31 Dec. 2020	31 Dec. 2019
	TEUR	TEUR
Properties	405,836	416,069
Advanced payments	3,669	504
Total	**409,505**	**416,573**

The Group continued to invest in the expansion of the trading portfolio during the 2020 financial year. Transfers of benefits and burdens included 213 residential units acquired for a price of EUR 37.8 million.

For another 211 residential units acquired for a purchase price of EUR 16.6 million, the sale and purchase agreements were signed in 2020, while their benefits and burdens will be transferred and recognised in the 2021 financial year.

At the same time, 629 residential units were sold.

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 2020 financial year. The recognised properties serve mainly as collateral for financial liabilities.

As of the balance sheet date, there are contractual obligations to purchase inventory properties in the amount of TEUR 49,058 that includes TEUR 17,000 in purchase guarantees.

Inventory properties with a carrying amount of TEUR 265,303 (previous year: TEUR 302,028) are expected to be sold at a time more than twelve months away, according to the Company's plans.

5.6 Contract Assets

The contract assets (TEUR 407; previous year: TEUR 1,252) 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.

5.7 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. 2020	31 Dec. 2019
	TEUR	TEUR
Trade receivables (gross)	51,773	10,567
Allowances	–17	–1
Trade receivables (net)	**51,757**	**10,566**
thereof non-current	0	0
thereof current	51,757	10,566

The purchase price receivables include 7 larger individual receivables (>TEUR 1,000 each) from property sales (portfolio sales) in a combined amount of TEUR 36,670. TEUR 24,878 out of these purchase price receivables were collected by 27 April 2021. Receivables in the amount of TEUR 11,793 are due by 30 April 2021, and there is no evidence for any capital depreciation. These accounts receivable are not collateralised.

The table below lists the trade receivables by maturity:

	31 Dec. 2020	31 Dec. 2019
	TEUR	TEUR
Trade receivables	51,757	10,566
thereof not value-adjusted and not overdue on the reporting date	43,788	7,132
thereof not value-adjusted and overdue on the reporting date by 30 days or less	2,802	36
thereof not value-adjusted and overdue on the reporting date by 31 to 60 days	513	2,004
thereof not value-adjusted and overdue on the reporting date by 61 to 90 days	1,429	159
thereof not value-adjusted and overdue on the reporting date by 91 to 180 days	2,839	583
thereof not value-adjusted and overdue on the reporting date by 181 to 360 days	130	170
thereof not value-adjusted and overdue on the reporting date by more than 360 days	255	482
Net value of value-adjusted trade receivables	0	1

The maturity of one purchase price receivable in the amount of TEUR 7,400 was extended to 31 January 2021 in December 2020 because it would have been overdue otherwise. The full amount of the purchase price was settled on 29 January 2021.

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:

	2020	2019
	TEUR	TEUR
As of 1 January	**1**	**994**
Change in consolidated group	15	0
Additions (impairment losses)	1	0
Reversals	0	–308
Utilisation	0	–685
As of 31 December	**17**	**1**

The miscellaneous receivables and other assets include:

	31 Dec. 2020 TEUR	31 Dec. 2019 TEUR
Loans against companies still in the acquisition process	13,975	0
Receivables from operating costs not yet invoiced	7,948	7,008
Deferred interest receivables	4,996	0
Loan for Potsdam marketing mandate	0	13,328
Loans from non-controlling shareholders	2,235	0
Receivables from investment companies	0	3,568
Miscellaneous other receivables	1,542	916
Total current assets and miscellaneous receivables	**30,696**	**24,820**

The deferred interest receivable in the amount of TEUR 4,996 is associated with a loan issued during the year under review, and was repaid on 9 February 2021. The short-term loans from non-controlling interests include a non-collateralised amount of TEUR 1,592 and are subordinated.

In December 2020, ACCENTRO took over several loan receivables in a total amount of TEUR 13,975 in conjunction with the acquisition of LHC Beteiligungs-GmbH. Loan receivables in the amount of TEUR 1,065 were already due for payment at the time of the assignment, while TEUR 12,910 become due in 2021. The loans are not collateralised and are financially associated with a share purchase. In the event that the shares are not acquired, the loan acquisition could be reversed. This will revive a claim against the seller.

The receivables from investment companies were reclassified as non-current receivables.

Loans from the Potsdam marketing mandate in the amount of TEUR 15,446 (interest included) were set off against a purchase price receivable within the framework of the acquisition of Werdauer Weg 3 Projektentwicklungsgesellschaft mbH. The loan was overdue by the time of the settlement.

Other receivables are subject to allowances in the amount of TEUR 155 (previous year: TEUR 31).

5.8 Cash and Cash Equivalents

The "Cash and cash equivalents" item represents predominantly bank balances held at call. Funds in the amount of TEUR 13,767 are subject to a restraint on disposal, mainly held in accounts for purchase prices received that are associated with estate agency agreements (MaBV).

5.9 Equity Capital

The subscribed capital (share capital) of ACCENTRO Real Estate AG amounted to EUR 32,437,934 as of 31 December 2020, unchanged year on year. 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 conditional capital at its disposal:

	Amount	No-par value shares	Purpose
	TEUR	in thousands	
Authorised Capital 2020	16,218	16,218	Capital increase against cash and/ or non-cash contributions (until 23 June 2025)
Contingent Capital 2020/I	3,243	3,243	Servicing stock option plan 2020
Contingent Capital 2020/II	12,975	12,975	Servicing bonds (convertible bonds and/or bonds with warrants/profit participation rights)

Other than that, we refer you to the Group management report for mandatory disclosures pursuant to Sec. 315a, Art. 1, HGB.

Stock Options 2018

On 3 July 2018, the company EMMALU GmbH announced its off-market acquisition of 272,851 shares in ACCENTRO Real Estate AG. EMMALU GmbH is closely linked to Jacopo Mingazzini, the Company's CEO at the time. 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 he 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 stock 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%). Jacopo Mingazzini retired from the Management Board during the 2020 financial year. This shortened the remaining vesting period, while the total payroll and benefit costs recognised in 2020 amounted to TEUR 568 (previous year: TEUR 231).

Stock Options 2020

In March 2020 and in November 2020, the main shareholder sold 518,239 shares of ACCENTRO Real Estate AG in off-market transactions to the two board members, Lars Schriewer and Hans-Peter Kneip, as well to one other senior executive of ACCENTRO Real Estate AG. For accounting purposes, these arrangements are attributed to ACCENTRO pursuant to IFRS 2 although ACCENTRO is not a contractual partner. The majority shareholder is bound to standstill agreements because he will have to redeem the shares at the originally agreed purchase price if the share price has fallen by the time these board members / this executive leave the Company. This standstill obligation qualifies as a stock option model in a total value of TEUR 714. The parameters used to measure the fair value of the options at vesting date are as follows:

Valuation model	Black Scholes model
Range of exercise prices	EUR 8.03 – 9.11
Weighted average remaining contract period	2 years
Range of option maturities	2 – 3 years
Weighted average fair values of the options	EUR 1.38
Weighted average share price at vesting date	EUR 8.12
Range of the expected volatility	33.12% – 35.23%
Dividend yield	2%
Range of the risk-free interest rate	–0.76% to –0.70%

No share options of the shares acquired in 2020 were forfeited, exercised or expired during the reporting period. The options outstanding at the end of the reporting period correspond to the shares acquired in 2020 by the incumbent board members and one senior executive. The total expense from the shares acquired in 2020 amounted to TEUR 141 during the 2020 financial year.

5.10 Financial Liabilities and Bonds

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

	31 Dec. 2020 TEUR	31 Dec. 2019 TEUR
Non-current financial liabilities		
Liabilities to banks	148,063	114,474
Bond liabilities	245,265	99,235
Total non-current financial liabilities	**393,328**	**213,709**
Current financial liabilities		
Liabilities to banks	168,760	102,368
Bond liabilities	3,446	1,563
Total current financial liabilities	**172,206**	**103,931**
Total financial liabilities	**565,534**	**317,640**

Liabilities to Banks

TEUR 148,063 (previous year: TEUR 114,474) 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 168,760 (previous year: TEUR 102,368). The increase in non-current financial liabilities by TEUR 33,589 (previous year: TEUR 37,701) is mainly due to a loan in the amount of TEUR 25,000 that was taken out in 2020. The increase in current financial liabilities by TEUR 66,392 results mainly from the takeover of a short-term loan in conjunction with the acquisition of the company Werdauer Weg 3 Projektentwicklungsgesellschaft mbH.

Bond Liabilities

On 3 February 2020, the Management Board resolved, with the Supervisory Board's approval, to submit a cash offer to the holders of one 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 bought back the units still outstanding at their face value plus accrued interest on 18 March 2020. By 31 December 2019, the carrying amount of the repaid bond had still equalled TEUR 99,235 and was measured using the effective interest method.

The current liabilities include outstanding interest as of the previous year on 2018/2021 bond in the amount of TEUR 1,563.

On 7 February 2020, ACCENTRO AG issued a new non-subordinated and non-collateralised bond over TEUR 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%. The interest is paid twice a year. The net issue proceeds are earmarked for the repayment of TEUR 100,000 bond at 3.75% (2018/2021 bond) as well as for the acquisition of additional real estate in Germany, and for general corporate purposes. The reported carrying amount of the bond of TEUR 245,265 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.

The current liabilities include outstanding interest on the bond issued in 2020 in the amount of TEUR 3,446.

Securities and Financial Covenants

Liabilities to banks are secured in a carrying amount of TEUR 310,240 (previous year: TEUR 425,038) 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 13,767 (previous year: TEUR 468) of which TEUR 13,767 are recognised among the other assets and TEUR 311 among the cash and cash equivalents.

In addition, financial liabilities worth TEUR 323,000 (previous year: TEUR 99,235) are subject to contractual covenants toward the compliance with certain financial ratios (financial covenants) that concern the bond issued in 2020 and three property financing arrangement as of 31 December 2020 as well as the 2018/2021 bond as of 31 December 2019. The financial ratios refer essentially to industry-standard covenants relating to the limitation of net debt, the limitation of collateralised liabilities and to so-called debt service cover ratio, meaning the capacity to sustain the anticipated debt service from earnings.

The bond issued in 2020 obligates the Company, inter alia, to maintain a defined maximum net debt to equity (65%) and a collateralised net debt to equity (40%) and to maintain a certain interest coverage ratio (1.5–2.0). The distribution will be limited to 50% of the IFRS consolidated net income in accordance with the bond terms. The Company is obligated by a financing arrangement of Berliner Sparkasse over EUR 23 million to maintain a debt service cover ratio of 140%, by a financing arrangement of DZ Hyp over EUR 25 million to maintain an interest coverage ratio of 120% and by a financing arrangement of Empira over EUR 25 million to maintain an LTV ratio of 68%.

Non-compliance with financial ratios may prompt termination or the mandatory deposit of additional collateral. All financial covenants were upheld during the 2020 financial year.

Interest Expenses

For liabilities toward banks, non-bank lenders and the inland revenue office, interest expenses recognised in income in an amount of TEUR 7,240 (previous year: TEUR 7,783) were incurred, while the bonds generated TEUR 14,506 (previous year: TEUR 4,424) in interest expenses recognised in income and other expenses. The interest expense was matched by TEUR 11,256 (previous year: TEUR 4,854) in interest earned.

5.11 Provisions

Provisions developed as follows during the 2019 financial year:

	1 Jan. 2020	Net cash outflow from business disposals	Utilisation	Dissolution	Addition	31 Dec. 2020
	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR
Provisions for payroll costs	398	0	276	14	706	814
Provisions for miscellaneous costs	484	0	399	11	1,036	1,110
Provisions for record-keeping obligations	46	0	0	0	0	46
Total	**928**	**0**	**675**	**25**	**1,742**	**1,970**

	1 Jan. 2019	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 concern essentially bonus and premium payments, severance payments as well as holiday accruals.

Provisions for miscellaneous costs include essentially provisions for Supervisory Board remunerations in the amount of TEUR 153 (previous year: TEUR 171), bonus payments in the amount of TEUR 276 (previous year: TEUR 240), as well as provisions for rent warranties in the amount of TEUR 588 (previous year: TEUR 0).

Other provisions with a book value of TEUR 1,923 (previous year: TEUR 882) are expected to result in a cash outflow during the coming twelve months.

The 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.

5.12 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. 2020	31 Dec. 2019
	TEUR	TEUR
Trade payables	**7,126**	**6,196**
Down-payments received	**9,177**	**6,979**
Outstanding invoices	5,638	3,760
Compensation claims of non-controlling shareholders in partnerships	7,804	6,954
Liabilities from security deposits	419	360
Sales tax liabilities	315	4
Loans by non-controlling companies to subsidiaries	0	740
Miscellaneous liabilities	1,879	1,312
Other liabilities	**16,055**	**13,130**

The down-payments received break down into operating costs not yet invoiced in the amount of TEUR 6,375 (previous year: TEUR 5,230) and down-payment for plots available for sale in the amount of TEUR 2,803 (previous year: TEUR 1,749). The provisions for outstanding invoices in the amount of TEUR 5,638 include mainly warranty obligations in the amount of TEUR 2,685 toward subsequent construction and warranty costs.

Other accounts payable in the amount of TEUR 1,879 (previous year: TEUR 1,312) include liabilities to non-controlling shareholders, liabilities toward wage/church tax, and social-security-related liabilities.

5.13 Current Income Tax Liabilities

The current income tax liabilities in the amount of TEUR 5,950 (previous year: TEUR 12,910) include corporation tax liabilities in the amount of TEUR 2,878 (previous year: TEUR 6,915) and trade tax liabilities in the amount of TEUR 3,072 (previous year: TEUR 5,995).

5.14 Deferred Taxes

The balance sheet recognises the following deferred taxes:

	31 Dec. 2020	31 Dec. 2019
	TEUR	TEUR
Deferred tax assets	1,140	1,251
Deferred tax liabilities	9,074	2,164

Deferred taxes developed as follows:

	2020	2019
	TEUR	TEUR
Deferred tax liabilities	–2,164	–1,080
Deferred tax assets	1,251	692
Balance of deferred taxes at start of financial year	**–913**	**–388**
Expense (–)/income (+) reported under tax expense	–5,703	–669
Disposals from the final consolidation of property vehicles	0	144
Miscellaneous changes	–1,318	0
Balance of deferred taxes at end of financial year	**–7,934**	**–913**

The deferred taxes break down as follows:

Differences relating to	investment properties	inventory properties	financial liabilities	losses carried forward	Other	Total
	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR
31 December 2019 (prior to closing) – deferred tax liabilities	**–1,710**	**0**	**–1,555**	**–607**	**–1,375**	**–3,872**
31 December 2019 (prior to closing) – deferred tax assets	**0**	**0**	**397**	**2,562**	**1,255**	**2,959**
31 December 2019 (closing)						**–913**
Amounts recognised under tax expense	–5,044	0	–1,228	773	–204	–5,703
Miscellaneous changes	–1,318					–1,318
31 December 2020 (prior to closing) – deferred tax liabilities	**–8,072**	**0**	**–2,015**	**0**	**–403**	**–10,490**
31 December 2020 (prior to closing) – deferred tax assets	**0**	**0**	**0**	**2,477**	**79**	**2,556**
31 December 2020 (closing)						**–7,934**

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.

5.15 Revenues

	2020 TEUR	2019 TEUR
Revenues from sales of inventory properties	112,397	129,503
Revenues from services	2,434	3,510
Rental income from inventory properties	9,149	9,709
Rental income from properties held as property, plant and equipment	79	314
Rental income from investment properties	1,123	238
Total	**125,182**	**143,274**

The drop in revenues from sales of inventory properties was significantly influenced by the — often significant — restrictions imposed in connection with the coronavirus pandemic, which hampered sales activities at times, and delayed completions in certain cases. Moreover, pandemic-related delays to the transfers of benefits and burdens by the land registries meant that a number of sale-and-purchase agreements that had already been notarised were not included in the revenues of the year under review. But generally, the trend in revenues also depends on the different marketing and price mix of the various projects.

The reduced revenues from services during the year under review are explained by the final wind-up of projects during the year under review that had contributed to the revenue performance of the previous year.

The rise in rental income from investment properties is due to the acquisition of several real estate portfolios during the year under review.

5.16 Cost of Materials

	2020 TEUR	2019 TEUR
Expenses for sales of inventory properties	92,772	99,661
Expenses from services	1,563	1,147
Management costs of inventory properties	5,096	3,451
Management costs of properties in property, plant and equipment	148	240
Management costs of investment properties	253	52
Total	**99,832**	**104,551**

The reduced revenues from sales of inventory properties precipitated inversely a drop in expenses for sales of inventory properties down to TEUR 92,772 (previous year: TEUR 99,661).

The increase in management costs for the inventory assets is attributable to prior-period expenses related to running cost settlements.

The expense from rent receivables written off and reported among the management costs amounts to TEUR 26 (previous year: TEUR 28).

5.17 Payroll and Benefit Costs

The Group employed an average of 64 people (previous year: 53) during the 2020 financial year. By the balance sheet date of 31 December 2020, around 74 employees were on the Group's payroll (previous year: 56).

Payroll and benefit costs break down as follows:

	2020	2019
	TEUR	TEUR
Salaries and other benefits	8,293	5,255
Employer contributions to statutory social insurance	754	580
Total	**9,048**	**5,835**

The rise in payroll and benefit costs to TEUR 9,048 (previous year: TEUR 5,835) results essentially from the expansion of the Company's workforce and the enlargement of the Management Board. The employer's contribution to social security institutions saw a proportionate increase, too. Payroll and benefit costs were also driven up by severance payments in the context of the Management Board changes and staff departures in the amount of TEUR 685 as well as by provisions for management bonuses and bonus payments in a total amount of c. TEUR 300.

Contributions to the statutory pension insurance scheme during the 2020 financial year added up to TEUR 370 (previous year: TEUR 280).

5.18 Impairments of Inventories and Accounts Receivable

In the year under review, impairment losses on miscellaneous receivables were recognised in the amount of TEUR 124 (previous year: TEUR 123), with allowances for rent receivables being shown in the item "Letting expenses." No allowances were recognised for inventory properties during the year under review.

5.19 Other Operating Income and Expenses

The other operating income includes the following amounts:

	2020	2019
	TEUR	TEUR
Income from the dissolution of provisions and the derecognition of liabilities	59	925
Earnings from cost allocations	360	0
Income from the dissolution of allowances	0	2
Miscellaneous other operating income	1,281	280
Total	**1,699**	**1,207**

The remaining other operating income includes TEUR 1,109 in earnings from cost allocations, which are matched by expenditures in the amount of TEUR 3,794 toward other operating expenses. The other operating expenses include the following amounts:

The other operating expenses include the following amounts:

	2020	2019
	TEUR	TEUR
Legal and professional fees	2,173	1,190
Information, advertising and entertaining expenses	1,781	1,243
Expenses for compiling and auditing the financial statements	612	447
EDP expenses	578	337
Rental expenses	213	410
Miscellaneous other operating expenses	5,360	2,452
Total	**10,717**	**6,079**

The legal and professional fees break down into advisory services concerning taxes, capital market transactions, real estate transactions, legal, and general strategic issues. The cost hike of these fees up to a total of TEUR 2,173 (previous year: TEUR 1,190) is due in particular to expenses for project consultancy (c. TEUR 500), tax consultancy (c. TEUR 190) and labour law consultancy (c. TEUR 165).

The increased information, advertising and entertaining expenses of TEUR 1,781 (previous year: TEUR 1,243) resulted primarily from an increase in advertising or marketing costs to c. TEUR 960 that ACCENTRO Real Estate GmbH incurred in connection with the placement of advertisements in online portals and print media.

The increased IT costs result from the direct costs of realigning and optimising the IT landscape.

The rise in expenses for compiling and auditing the financial statements to TEUR 612 (previous year: TEUR 447) are explained by increased expenditures for third-party service providers in the amount of c. TEUR 180.

The drop in rental expenses by TEUR 197 is due to the fact that the Company has owner-occupied its premises since February 2020.

The remaining other operating expenses in the amount of TEUR 5,360 (previous year: TEUR 2,452) include, inter alia, expenditures for things like office supplies, travel expenses, motor vehicle costs, dues and continued professional development costs plus expenses for members of the Supervisory Board. The remaining other operating expenses also include TEUR 3,794 in cost allocations from the property on Jühnsdorfer Weg, which are matched by earnings in the amount of TEUR 1,109 which are reported among the other operating expenses.

5.20 Income Taxes

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

	2020 TEUR	2019 TEUR
Current income tax expense	555	5,520
Deferred income tax expense / income	5,703	669
Total	**6,258**	**6,189**

The current income tax expense includes TEUR 1,960 in tax income for prior years (previous year: TEUR 492 in tax income).

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

	2020	2019
	TEUR	**TEUR**
Pre-tax profit	24,313	32,488
Taxes calculated based on the parent company's income tax rate (30.175%)	7,336	9,803
Trade tax effects	–2,432	508
Account balance of tax-free income/non-deductible expenses	1,095	–3,820
Value adjustment/non-recognition of deferred tax assets	1,583	138
Write-up/subsequent recognition of deferred tax assets	–118	–117
Loss carrybacks	750	0
Taxes for previous years	–1,960	–492
Other causes	4	169
Reported income tax expense	**6,258**	**6,189**

The imputed tax rate of 25.7% (previous year: 19.0%) for the 2020 financial year is primarily defined by trade tax effects due to the consideration of the extended trade tax exemption for the real estate companies holding real estate, by the non-recognition of deferred tax assets on loss carryforwards, and by tax income for prior years.

5.21 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.

	2020	2019
Consolidated income	**TEUR**	**TEUR**
Net profit before non-controlling interests – basic	16,567	26,467
Consolidated income before non-controlling interests – diluted	16,567	26,467
Number of shares	**in thousands**	**in thousands**
Unweighted number of shares outstanding	32,438	32,438
Weighted number of shares outstanding – basic	32,438	32,438
Weighted number of shares – diluted	32,438	32,438
Earnings per share (EPS)	**EUR**	**EUR**
unweighted – basic	0.51	0.82
weighted – basic	0.51	0.82
weighted – diluted	0.51	0.82

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

5.22 Cash Flow Statement

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

The net cash provided by operating activities, while having improved year on year, remained negative at TEUR –32,655 (previous year: TEUR –75,665). Significantly reduced investments in inventories are matched by an increase in trade receivables. Moreover, the consolidated earnings is more strongly defined by non-cash earnings in 2020 than the year before.

Changes of Inventory Properties	TEUR
Portfolio as of 31 December 2019	**416,573**
Net change	31,859
Non-cash change	–38,927
Portfolio as of 31 December 2020	**409,505**

The non-cash change in the development of inventory properties is attributable to several larger property sales that were derecognised in income before the full purchase price payments had been received. For details on accounts receivable, please see sub-section 5.7.

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 current operations."

The cash flow from investing activities adds up to a negative value of TEUR –99,617 (previous year: positive value of TEUR 2,411). The Company invested heavily in investment property during the financial year, which amounted to TEUR –65,187. Moreover, it granted loans totalling TEUR 75,895 (previous year: TEUR 1,863) in 2020, of which TEUR 55,500 (previous year: TEUR 5,822) were already repaid before the end of the financial year. The cash-effective interest received for these loans add up to TEUR 2,098. On top of that, advance payments for company acquisitions were made in the amount of TEUR 11,344 (previous year: TEUR 0).

The cash flow from financing activities adds up to TEUR 163,672 (previous year: TEUR 81,017) and essentially includes disbursements toward the repayment of financial liabilities and of the 2018/2021 bond in the amount of TEUR –163,911 (previous year: TEUR 34,171) and interest payments in the amount of TEUR 21,635 (previous year: TEUR 7,132). It is matched by cash inflows from loan finance and the issuance of the 2020/2023 bond in the amount of TEUR 349,218 (previous year: TEUR 127,511). There was no cash outflow for dividend payments report (previous year: TEUR 5,190).

Cash and cash equivalents increased by TEUR 973 (previous year: TEUR –297) due to the addition of five companies to the basis of consolidation of ACCENTRO Real Estate AG.

During the 2020 financial year, one fully consolidated company was sold. Cash funds dropped by TEUR 25 in this context.

In accordance with IAS 7, a reconciliation of the Group's financial liabilities from 31 December 2019 to 31 December 2020 is presented below:

Reconciliation Accounts

	31 Dec. 2019	cash-effective	not cash-effective	31 Dec. 2020
	TEUR	TEUR	TEUR	TEUR
Financial liabilities	216,842	35,945	64,036	316,823
Bonds	100,798	149,363	–1,451	248,710
Total debt from financing activities	**317,640**	**185,308**	**62,585**	**565,533**

The column "non-cash effective" mainly contains loans taken over in conjunction with share deal acquisitions (TEUR +64,542), where the property financing was acquired together with the actual property.

5.23 Other Financial Obligations, Contingencies 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 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. Purchase guarantee effective as of 31 December 2020 added up to EUR 10.1 million (previous year: EUR 44.8 million).

5.24 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 at Kantstr. 44/45 in Berlin that was 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 2020	48,154	3,210	12,841	32,103
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

5.25 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 on financial liabilities that were not measured at fair value wherever the carrying amount represents an adequate approximation of the respective fair value.

	Carrying value				Fair value
31 December 2020	**FVOCI* equity instruments**	**Financial assets at amortised costs**	**Other financial liabilities**	**Total**	**Total**
	TEUR	**TEUR**	**TEUR**	**TEUR**	**TEUR**
Assets					
Equity investments	5,697	–	–	5,697	5,697
Non-current trade receivables	–	–	–	–	–
Non-current other receivables and other assets	–	21,156	–	21,156	21,156
Trade receivables	–	51,757	–	51,757	51,757
Miscellaneous receivables and assets	–	30,533	–	30,533	30,533
Total financial assets	**5,697**	**103,446**	**–**	**109,143**	**109,143**
Equity and liabilities					
Long-term payables to banks	–	–	148,063	148,063	148,063
Bond liabilities	–	–	245,265	245,265	235,625
Short-term payables to banks and to bond holders	–	–	172,206	172,206	172,206
Trade payables	–	–	7,126	7,126	7,126
Other short-term payables	–	–	8,351	8,351	8,351
Total financial liabilities	**–**	**–**	**581,011**	**581,011**	**581,011**

* Fair Value through Other Comprehensive Income

	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

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 bonds were 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.

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)	
	2020	2019	2020	2019
	TEUR	TEUR	TEUR	TEUR
Interest income	11,256	4,854	–	–
Interest expenses	–	–	21,746	12,207
Gains or losses on impairments	147	151	–	–
Net earnings	**11,403**	**5,004**	**21,746**	**12,207**

b) Financial Risks

There is currently no evidence for serious default risks. Major accounts receivable from plot sales were largely settled between balance the sheet dates. Long-term loans granted that are not collateralised amount to EUR 25.1 million. It should be noted, however, that the funds issued were used to finance companies implementing property development projects, so that adequate values do exist in the form of the company assets.

A high-end new-build commercial property for mixed use (office, hotel) in an attractive and central location in Berlin that was acquired toward the end of the 2020 financial year will start generating commercial rents in a substantial amount in 2021. The bulk of the rent receivables will come from a renowned blue-chip insurance company that occupies its premises on a long-term lease. The hotel section of the building was also rented on a long-term lease, namely by the Novum Hotel Group, which is considered one of the most successful operator chains in the urban hospitality segment. Due to the effects of the coronavirus pandemic, it is safe to assume that the urban hospitality sector may also be suffering certain temporary set-backs. The Company believes that this new high-end property combined with the tenant's professional operator management will ensure a quick recovery and a profitable operation.

Interest rate risks are negligible at the moment because our financing arrangements were largely concluded at fixed interest rates. The projects pursued by the group of companies are generally implemented in the short and medium term, and are financed at maturities that match the time to completion. Since the ECB and other major central banks maintain their low interest rate policies, there is no indication that the Company's current project and financing structures are exposed to a serious interest rate risk. Possible latent inflation risks would have to be considered in the event of a swift economic recovery following a successful vaccination campaign and containment of the virus spread. But even then, the ECB would be unlikely to contemplate serious interest rate hikes.

Dedicated financial risk management is intended to minimise the negative effects of the aforesaid 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.

The Group reported the following non-collateralised loans and large individual receivables as at 31 December 2020:

	Total	thereof non-collateralised
	TEUR	TEUR
Non-current receivables and assets	25,112	25,112
Current receivables and assets	30,696	30,696

Although other non-collateralised receivables (e. g. trade receivables) do exist, they do not show comparable risk concentrations.

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 2020					
	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	565,534	589,085	183,447	394,688	741	10,209

	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

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 168,760 for the 2021 financial year. Short-term cash outflows in a total amount of TEUR 183,447 are anticipated in 2021, with interest payments and scheduled repayments taken into account.

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 sub-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 at balance sheet date.

The ACCENTRO Group kept cash and cash equivalents in the amount of TEUR 56,541 (previous period: TEUR 24,167) on hand as of the balance sheet date to cover its cash outflows, although it should be added that TEUR 13,767 (previous year: TEUR 468) are subject to restraints on disposal. An additional TEUR 51,757 (previous year: TEUR 10,566) in trade receivables and an estimated TEUR 121,382 (previous year: 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 6,375 (previous year: TEUR 5,230) not yet settled are matched by short-term receivables in the amount of TEUR 7,948 (previous year: TEUR 7,008) for operating costs not yet settled.

Financial Covenants

The Group has credit agreements and corporate bonds totalling c. EUR 323.00 million (previous year: EUR 99.2 million) that require compliance with certain financial covenants (e. g. net debt-to-equity ratio, coverage ratio, debt service ratios, debt rules, 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 sections 5.10 and 5.26 of the notes to the consolidated financial statements.

5.26 Related-Party Transactions

One subsidiary of ACCENTRO Group (ESTAVIS Wohneigentum GmbH) is a fully liable partner of the Wohneigentum Berlin GbR joint venture. Its status as a partner of unlimited liability is not considered a risk, given the net assets, financial and earnings position of the company.

As of 31 December 2020, ACCENTRO had open accounts receivables from DELTA VIVUM Berlin I GmbH in the amount of TEUR 9. On top of that, the Group had accounts receivable from Düne 38 Projektentwicklungs-GmbH in the amount of TEUR 21 and from Gutshof Dahlewitz 1 GmbH in the amount of TEUR 57.

Jacopo Mingazzini provided advisory services in conjunction with the transfer of his former position to his successor along with general advisory services after the end of his employment, and received a fee in the amount of TEUR 25 for his efforts.

The composition of the Management Board of ACCENTRO AG was as follows during the 2020 financial year:

- Lars Schriewer (Chief Executive Officer since 18 March 2020)
- Hans-Peter Kneip (Chief Financial Officer since 16 November 2020)
- Jacopo Mingazzini (sole Member of the Management Board until 18 March 2020)

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

				2020				2019
	Fixed	Variable	Equity-based	Total	Fixed	Variable	Equity-based	Total
	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR
Jacopo Mingazzini	78	750	834	1.662	335	240	231	845
Lars Schriewer	338	158	89	584	0	0	0	0
Hans-Peter Kneip	51	19	9	79	0	0	0	0
Total	**467**	**927**	**932**	**2.326**	**335**	**240**	**231**	**845**

Collectively, the total remuneration of the Management Board amounted to TEUR 2,326 for the 2020 financial year (previous year: TEUR 845). This remuneration includes, in addition to the paid-out fixed remuneration plus benefits in kind worth TEUR 467, the bonus claimed for the previous year in the amount of TEUR 240 plus severance claims in the amount of TEUR 510. The financial statements recognise a provision for bonus (TEUR 177) as expense. The bonus for the 2020 financial year was not yet due for payment during the year under review. Likewise, the share-based remuneration was not due for payment during the year under review. For detail on share-based compensation, see the elaborations in sub-section 8.9 "Shareholder Equity."

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

	2020	2019
	Fixed	Fixed
	TEUR	TEUR
Axel Harloff (Chairman)	60	60
Dr. Dirk Hoffmann (Deputy Chairman until 31 March 2020)	11	45
Carsten Wolff (Deputy Chairman since 28 April 2020)	34	0
Natig Ganiyev	30	30
Total	**135**	**135**

6 Events After the Reporting Date

ACCENTRO acquired DIM Holding AG with financial effect as of 1 January 2021. The provisional selling price is c. EUR 15.3 million, of which shares account for c. EUR 11.3 million and a shareholder loan for EUR 4.0 million. The purpose of the acquisition is to push forward with the development into a residential investor and property asset holder in addition to the existing core business of housing privatisations. Thus, the acquisition will seriously boost ACCENTRO's goodwill and create other intangible assets. The intangible assets will, subject to a purchase price allocation, concentrate mainly on the client base and order backlog. The sale-and-purchase agreement leaves ACCENTRO the option to back out of the deal if the seller fails to fulfil the contractually defined performance obligations. No such withdrawal had been declared by the time the consolidated financial statements were compiled.

On 23 March 2021, ACCENTRO AG successfully concluded the placement of another corporate bond. The unsecured bond in a nominal value of EUR 100 million was fully subscribed by a major pension fund. It has a five-year maturity until 23 March 2026, and bears 4.125% in annual interest. The net issue proceeds of the new bond are to be used to support the further growth of ACCENTRO, to refinance the acquisitions made last year, and for general corporate purposes.

In its ruling dated 15 April 2021, the Federal Constitutional Court declared Berlin's rent cap incompatible with the German constitution. The ruling came too late to discuss its ramifications in these consolidated financial statements. It bears repeating, however, that the residential real estate that ACCENTRO owns in Berlin represents mainly inventory properties that are valued at their acquisition or production costs. Residential real estate measured at fair value are recognised at c. EUR 39.0 million. The fair value pricing of these properties reflected the rent cap only temporarily. A significant effect from a revaluation can therefore be ruled out. All things considered, the extra rent payments to be invoiced now, after the repeal of the rent cap, add up to c. TEUR 160.

Meanwhile, it cannot be ruled out that the ongoing coronavirus pandemic will cause further delays in sales and their settlement. That being said, the asset class of residential real estate has clearly demonstrated its crisis resilience and is sure to keep attracting keen interest among buyers and investors.

7 Other Disclosures

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

	2020 TEUR	2019 TEUR
Audits of financial statements	338*	280
Other assurance services	81	5
Tax advisory services	0	0
Other services	40	25
Total	**459**	**310**

* Out of the total of professional fees and expenses for auditor services, TEUR 13 represent the previous year.

The declaration concerning the Corporate Governance Code in accordance with Sec. 161, AktG, was issued in March 2021 and made permanently available to the shareholders on the homepage of ACCENTRO Real Estate AG (www.accentro.ag).

Berlin, April 2021

Lars Schriewer
Chief Executive Officer

Hans-Peter Kneip
Chief Financial Officer

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, 30 April 2021

Lars Schriewer
Chief Executive Officer

Hans-Peter Kneip
Chief Financial Officer

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

Preliminary Remark

The auditor's report reproduced below also includes a note on the audit of the electronic reproduc-tions of the financial statements and the management report prepared for the purpose of disclosure in accordance with Section 317 (3b) of the German Commercial Code (ESEF note). The subject of the ex-amination on which the ESEF note is based (ESEF documents to be examined) is not attached. The checked ESEF documents can be viewed or retrieved from the Federal Gazette (Bundesanzeiger).

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), comprising the consolidated statement of financial position as at 31 December 2020, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the fiscal year from 1 January to 31 December 2020, and the notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of Accentro Real Estate Aktiengesellschaft for the fiscal year from 1 January to 31 December 2020. In accordance with the German legal requirements we did not audit the contents of the Group's Corporate Governance Statement published on the Group's website, to which reference is made in Section 7 of the group management report.

In our opinion, based on the findings of our audit,

- the attached consolidated financial statements comply in all material respects with IFRSs, as adopted by the EU, and the additional requirements of German law pursuant to Section 315e (1) HGB and, in accordance with these requirements, give a true and fair view of the Group's net assets and financial position as at 31 December 2020, and of its results of operations for the fiscal year from 1 January to 31 December 2020, and

– the attached group management report as a whole presents an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial sta tements, complies with German legal requirements and suitably presents the opportunities and risks of future development. Our audit opinion on the management report does not cover the content of the non-audited information referred to above.

Pursuant to Section 322 (3) Sentence 1 HGB, we declare that our audit has not led to any reservations with regard 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 the group management report in accordance with Section 317 HGB, the EU Audit Regulation (No. 537/2014; hereinafter "EU-AR"), and in compliance with German Generally Accepted Standards promulgated by the Institut der Wirtschaftspruefer (IDW). Our responsibility according to these regulations and standards is described in further detail in the "Responsibility of the Auditor for the Audit of the Consolidated Financial Statements and the Group Management Report" section of our auditor's report. We are independent of the group entities in compliance with the provisions of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in compliance with these requirements. In addition, in accordance with Article 10 (2) lit. f) EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) 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 judgement, were of most significance in our audit of the consolidated financial statements for the fiscal year from 1 January to 31 December 2020. 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.

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

1. Revenue recognition from the sale of inventory properties

2. Recognition and valuation of investment property

Ref 1) Revenue recognition from the sale of inventory properties

a) Financial Statement Risk

For the fiscal year 2020, the Group recorded revenues from the sale of investment properties in the amount of EUR 112.4 million, representing 89.8% of total revenues. These revenues are generated through the individual privatization of residential units and through so-called real estate portfolio sales. The individual privatization of residential units is also carried out in part for residential units still to be built from the expansion of attic floors. The audit risk of these sales channels is to be assessed differently. Whereas in the case of individual privatization, revenue recognition is largely based on standardized purchase agreements and accounting decisions that involve little discretion or complexity, in the case of real estate portfolio sales, due to their higher degree of complexity with regard to revenue recognition, a case-by-case assessment must generally be made on the basis of the respective sale agreement. However, if attic apartments that have not yet been built or have only been partially built are sold as part of the individual privatization, IFRS 15.35 requires the recognition of revenue over time.

The Company's disclosures on the recognition of revenue are contained in Notes 2.13, 5.5 and 5.15 to the consolidated financial statements and in sections 2.3 "Development of business" and 2.4 "Results of operations, financial position and net assets" of the group management report.

When disposing of larger real estate portfolios, the Executive Board makes use of tax, legal and accounting expertise provided by expert third parties. Depending on the form of the contract, the sale may be subject to ancillary agreements, may be structured as an asset or share deal and/or the economic ownership of the real estate portfolio may be transferred prior to receipt of a purchase price, whereby the Executive Board is significantly involved in the formulation of the contract.

In the case of individual privatizations of portfolio properties, the transfer of benefits and encumbrances of the property and thus the realization of the proceeds usually takes place upon receipt of the purchase price by the Company or in a notary's escrow account, but may also be subject to the fulfilment of further conditions.

In the case of individual privatizations in connection with the construction of new attic apartments, revenue is recognized on a time-apportioned basis using the cost-to-cost method in accordance with IFRS 15.35.c.

The risk for the consolidated financial statements is that revenue will not be recognized in the reporting year or will not be recognized in the period to which it relates. Taking into account the significant value contribution of each real estate portfolio sale and the large number of individual privatizations of portfolio properties close to the reporting date, the risk of material errors in the recognition of revenue from these sales transactions is of particular significance in the context of our audit.

b) Audit Approach and Conclusions

The assessment of revenue recognition for real estate portfolios is mainly carried out on a case-by-case basis through a critical appraisal of the contractual arrangements. In the 2020 financial year, seven disposals were made as so-called portfolio sales. We assessed all portfolio purchase agreements on a case-by-case basis, in particular with regard to their appropriate revenue recognition. The Company's assessment of the contractual arrangements, which included obtaining legal advice from third parties, is sufficiently documented and substantiated to justify the recognition of revenue on the sale of real estate portfolios.

For revenue recognition from individual privatizations, we have recorded the process within the Group to ensure the completeness and accuracy of revenue recognition and assessed its appropriateness. For the controls identified in the process, we performed appropriate functional tests to assess their effectiveness. For property sales from individual privatizations, we assured ourselves of the correct revenue recognition in the reporting year by inspecting the purchase agreements and verifying the receipt of payments in an extensive sample. In reviewing the relatively minor period-based revenue recognition from the sale of attic apartments not yet handed over, we satisfied ourselves of the appropriateness of the project costing and assessed the assumptions used.

Our audit procedures did not give rise to any material objections against the recognition of revenue in the reporting year.

Ref 2) Recognition and valuation of investment property

a) Financial Statement Risk

– As of the reporting date, the Group reported investment property with a total carrying amount of EUR 215,0 million. Accentro Real Estate Aktiengesellschaft measures these properties at fair value in accordance with IAS 40 in conjunction with IFRS 13. In the past fiscal year, increases in fair value amounting to EUR 28.4 million were recognized in profit or loss in the consolidated financial statements. The Company's disclosures on investment property are included in sections 2.f, 2.8, 4, and 5.2 of the notes to the consolidated financial statements and in sections 2.3 "Development of business" and 2.4 "Results of operations, financial position and net assets" of the group management report. The fair value of investment property is determined on the basis of appraisals by external experts using current market data and internationally recognized valuation methods. Income capitalization and discounted cash flow methods are used.

From our point of view, the valuation of investment property was of particular importance, as it made a significant contribution to earnings in the reporting year and the recognition and measurement of this item, which is significant in terms of amount, is based to a large extent on estimates and assumptions. Even minor changes in the parameters relevant to measurement can lead to significant changes in the resulting fair values. In addition, IAS 40 and IFRS 13 require a large number of disclosures in the notes, the completeness and adequacy of which must be ensured.

b) Audit Approach and Conclusions

Our audit procedures included in particular the assessment of the valuation procedure with regard to conformity with IAS 40 in conjunction with IFRS 13, the accuracy and completeness of the data used for the real estate portfolios, and the appropriateness of the parameters relevant to the valuation, such as discount and capitalization rates, sustainable rental income, and vacancy rates. We satisfied ourselves of the accuracy and completeness of the property and tenant portfolios used on a sample basis. We also used external market data, among other things, to assess the valuation-relevant parameters used. For a deliberate risk-oriented selection of properties, we engaged an external expert to perform a property valuation as a control calculation. We discussed specific issues with the appraisers, the employees responsible for the properties and the Executive Board in writing, by telephone and in personal meetings. We satisfied ourselves of the qualifications and objectivity of the external appraisers engaged by Accentro Real Estate Aktiengesellschaft. We also assessed the adequacy of the related notes to the consolidated financial statements. Knowing that even relatively small changes in the parameters relevant to the valuation can have a material impact on the amount of investment property, we also assessed the sensitivity analyses performed by the external appraiser and the impact of possible fluctuations in these parameters.

Accentro Real Estate Aktiengesellschaft has implemented an appropriate set of rules suitable for determining fair values in accordance with IAS 40 and IFRS 13. In our opinion, the estimates made by the management on which the accounting is based are adequately documented and justified and allow for an appropriate presentation in the consolidated financial statements. The disclosures made in the notes to the consolidated financial statements in accordance with IAS 40 and IFRS 13 are complete and appropriate.

Other Information

The management and the Supervisory Board are responsible for the other information. Other information obtained at the date of this auditor’s report includes:

- the Group Corporate Governance Statement published on the website of ACCENTRO Real Estate Aktiengesellschaft, to which reference is made in Section 7 of the Group Management Report,
- the assurance pursuant to Section 297 (2) Sentence 4 HGB on the consolidated financial statements and the assurance pursuant to Section 297 (2) Sentence 4 in conjunction with Section 315 (1) Sentence 5 HGB on the Group Management Report,
- the Report of the Supervisory Board,
- the other parts of the annual report, but not the consolidated financial statements, the content of the audited information in the group management report and our associated auditor's report.

The Supervisory Board is responsible for the Supervisory Board Report. The management and the Supervisory Board are responsible for the declaration on the German Governance Code pursuant to Section 161 of the German Stock Corporation Act, which forms part of the Group’s Corporate Governance Statement referred to in Section 7 of the group management report. The management is responsible for the other information.

Our audit opinions on the consolidated financial statements and the group management report do not cover the other information and, accordingly, we do not express an opinion or any other form of assurance conclusion on it.

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

Responsibility of the management and the Supervisory Board for the consolidated financial statements and the group management report

The 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 Section 315e (1) HGB, and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the net assets, financial position and financial performance of the Group. In addition, the management is responsible for such internal control as it 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, the 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, it is also 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, the 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, the management is also responsible for such arrangements and measures (systems) as it has considered necessary to enable the preparation of a group management report that is in accordance with 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 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 the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation as well as 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 be 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 skepticism throughout the audit.

We also:

- identify and evaluate the risk 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 in response to these 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 for 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 the management and the reasonableness of the estimates made by the management and related disclosures.
- conclude on the appropriateness of the use of the going concern basis of accounting by the management 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 inappropriate, 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 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 net assets, 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 Section 315e (1) HGB.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit 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 German law, and the view of the Group's position it provides.
- perform audit procedures on the prospective information presented by the management in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant used by management as a basis for the prospective information, and evaluate the proper derivation of prospective information from these assumptions. We do not express a separate audit opinion on the prospective information 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 reporting period and are therefore the key audit matters. We describe these matters in the auditor's report, unless law or regulation precludes public disclosure about the matter.

Other Legal and Regulatory Requirements

Report on the audit of the electronic reproductions of the consolidated financial statements and of the group management report created for disclosure purposes in accordance with Section 317 (3b) HGB

Audit opinion

Pursuant to Section 317 (3b) HGB, we conducted an audit to obtain reasonable assurance on whether the reproductions of the consolidated financial statements and of the group management report contained in the attached file "Accentro_KA.zip" and created for disclosure purposes (also referred to hereinafter as the "ESEF documents") satisfy the requirements of Section 328 (1) HGB relating to the electronic reporting format ("ESEF format") in all material respects. In compliance with the German legal requirements, this audit covers only the conversion of the information in the consolidated financial statements and the group management report into the ESEF format, and therefore neither the information contained in these reproductions nor other information contained in the above-mentioned file.

In our opinion, the reproductions of the consolidated financial statements and of the group management report contained in the above-mentioned file and created for disclosure purposes meet the requirements of Section 328 (1) HGB relating to the electronic reporting format in all material respects. Beyond this opinion and our audit opinions on the attached consolidated financial statements and the attached group management report for the financial year from 1 January to 31 December 2020 contained in the preceding "Report on the audit of the consolidated financial statements and the group management report", we do not issue any opinion whatsoever on the information contained in these reproductions or on the other information contained in the above-mentioned file.

Basis for the audit opinion

We conducted our audit of the reproductions of the consolidated financial statements and of the group management report contained in the attached file mentioned above in accordance with Section 317 (3b) HGB and the draft IDW auditing standard: Audit of the electronic reproductions of financial statements and management reports created for disclosure purposes in accordance with Section 317 (3b) HGB (IDW EPS 410).

Our responsibilities under those requirements are further described in the section entitled "Responsibility of the auditor of the financial statements for auditing the ESEF documents". Our audit practice has applied the requirements for quality assurance systems set out in the IDW quality assurance standard: Requirements for quality assurance in auditing practice (IDW QS 1).

Responsibility of the legal representatives and the Supervisory Board for the ESEF documents
The management of the company is responsible for the preparation of the ESEF documents with the electronic reproductions of the consolidated financial statements and of the group management report pursuant to Section 328 (1) sentence 4 no. 1 HGB and for the tagging of the consolidated financial statements pursuant to Section 328 (1) sentence 4 no. 2 HGB.

In addition, the management of the company is responsible for such internal control as it has determined necessary to enable the creation of ESEF documents that are free from material violations, whether due to fraud or error, of the requirements of Section 328 (1) HGB relating to the electronic reporting format. Furthermore, the management of the company is responsible for submitting to the operator of the German Federal Gazette the ESEF documents together with the auditor's report and the accompanying audited consolidated financial statements and the audited group management report as well as other documents to be disclosed.

The Supervisory Board is responsible for overseeing the creation of the ESEF documents as part of the financial reporting process.

Responsibility of the auditor of the consolidated financial statements for auditing the ESEF documents
Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material violations, whether due to fraud or error, of the requirements of Section 328 (1) HGB. We exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material violations of the requirements of Section 328 (1) HGB, 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 opinion;
- obtain an understanding of internal control relevant to the audit of the ESEF documents in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these controls;
- assess the technical validity of the ESEF documents, i.e. whether the file containing the ESEF documents meets the requirements of Delegated Regulation (EU) 2019/815, as amended as at the balance sheet date, relating to the technical specification for this file;
- assess whether the ESEF documents enable the audited consolidated financial statements and the audited group management report to be reproduced in XHTML with the same contents;
- assess whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) enables an appropriate and complete machine-readable XBRL copy of the XHTML reproduction to be made.

Further information pursuant to Article 10 EU Audit Regulation

We were elected as the group auditor by the Annual General Meeting on 24 June 2020. We were engaged by the Supervisory Board on 30 November 2020. We have been the group auditor of ACCENTRO Real Estate AG, Berlin, without interruption since the 2014 short fiscal year.

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

German Public Auditor Responsible for the Engagement

The German Public Auditor responsible for the engagement is Glenn Friedrich.

Hamburg, April 30, 2021

Ebner Stolz GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft

Florian Riedl	Glenn Friedrich
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

Further Information

04

Top floor apartments, Berlin-Steglitz, Feuerbachstr.

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

Carsten Wolff (Deputy Chairman)

- Member of the Supervisory Board since 1 April 2020
- Merchant
- Other mandates in comparable domestic and foreign supervisory bodies:
  - Deputy Chairman of the Supervisory Board of Westgrund AG, Berlin
  - Member of the Supervisory Board of ERWE Immobilien AG, Frankfurt am Main
  - Member of the board of directors as CFO of the A.D.O. Group LTD, Yigal Alon 94 B Tel Aviv, Israel
  - Member of the board of directors of Eurohaus Frankfurt AG, 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:
  - Member of the Supervisory Board of Malta Montenegro Wind Power JV Ltd, Malta

Management Board

Lars Schriewer

- Appointed for an initial 3-year period on 18 March 2020
- Served as senior vice president of the SSN Group prior to his transfer to ACCENTRO Real Estate AG. Held senior positions with Westgrund AG (S-DAX) and Vivacon AG (M-Dax) for several years.

Hans-Peter Kneip

- Appointed for an initial 2.3-year period on 16 November 2020
- Prior to joining the board, he headed the Corporate Finance, Treasury and Controlling units of LEG Immobilien AG and was simultaneously member of the executive management. Previously headed the corporate finance unit of GSW Immobilien AG, now Deutsche Wohnen SE.

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

2021

31 May 2021	Release of Interim Statement as of 31 March 2021
10 June 2021	Quirin Champions 2021 Investor Conference, Frankfurt/Main
22 June 2021	Annual General Meeting, Berlin
10 August 2021	Release of Interim Report as of 30 June 2021
7 September 2021	ZKK – Zürcher Kapitalmarkt Konferenz
21 October 2021	European Large & MidCap Event, Paris
9 November 2021	Release of Interim Statement as of 30 September 2021

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

FURTHER INFORMATION
Credits

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ACCENTRO
REAL ESTATE AG

Management Board

Lars Schriewer, Hans-Peter Kneip

Chairman of the Supervisory Board

Axel Harloff, Hamburg

Contact

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www.racken.de

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Photos

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All others incl. visualisations: ACCENTRO AG

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