



ACCENTRO

REAL ESTATE AG

ANNUAL FINANCIAL STATEMENTS **2020**

ACCENTRO
Real Estate AG

ANNUAL FINANCIAL STATEMENTS for the financial year
1 January to 31 December **2020**

ACCENTRO Real Estate AG, Berlin

**COMBINED
MANAGEMENT REPORT
AND
GROUP MANAGEMENT REPORT**

for the 2020 Financial Year

Preliminary Remarks

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

All 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 5,200 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	2019
	financial year	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 as- sets 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 disproportionately high amount through partial sales, and by negotiating longer loan terms. The ACCENTRO Group also signed loan agreements with more than one bank, so as to counter the associated risks.

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

Statement of Financial Position

as of 31 December 2020

Assets

	31 December 2020	31 December 2019
	EUR	EUR
A. Fixed assets		
I. Intangible assets		
Software	59,664.24	104,551.24
II. Property, plant and equipment		
1. Furniture, fixtures and equipment	973,272.00	532,644.50
2. Advance payments	150,062.76	95,969.45
	1,182,999.00	733,165.19
III. Financial investments		
1. Interests in associates	71,030,380.27	24,834,343.00
2. Equity investments	6,951,397.74	4,414,288.46
3. Securities held as fixed assets	678,137.07	596,000.00
4. Advance payments made on interests in associates	13,568,138.21	0.00
5. Lendings to companies in whom the Group holds equity interests	12,117,047.34	11,137,891.98
6. Other lendings	3,671,049.53	3,565,064.00
	108,016,150.16	44,547,587.44
B. Current assets		
I. Accounts receivable and other assets		
1. Trade receivables	90,768.76	241,413.85
2. Receivables from associates	316,272,232.55	259,079,017.28
3. Receivables from companies in which the Group holds equity interests	6,919,595.03	3,635,176.85
4. Other assets	24,870,993.65	13,743,137.91
II. Securities	285,154.82	285,154.82
III. Credit with financial institutions	14,958,111.68	16,053,741.69
	363,396,856.49	293,037,642.40
C. Accruals and deferrals	442,123.21	9,663.15
Total assets	473,038,128.86	338,328,058.18

Statement of Financial Position as of 31 December 2020 Equity and Liabilities

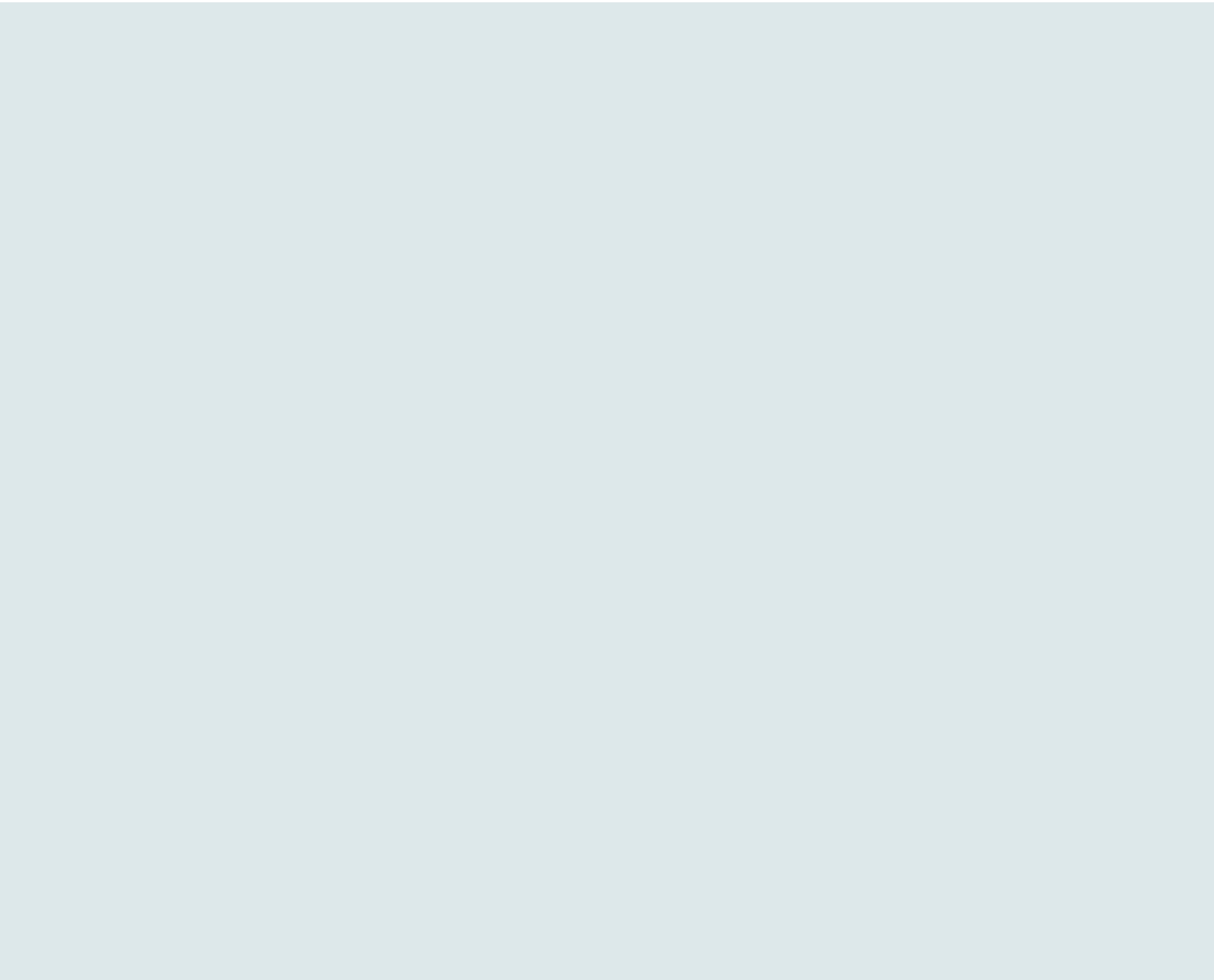
	31 December 2020	31 December 2019
	EUR	EUR
A. Shareholders' equity		
I. Subscribed capital	32,437,934.00	32,437,934.00
– Contingent capital EUR 16,218,967.00 (previous year: EUR 14,418,967.00)		
II. Capital reserves	29,631,361.63	29,631,361.63
III. Net retained profit	109,939,999.36	113,985,262.46
	172,009,294.99	176,054,558.09
B. Provisions		
1. Tax provisions	3,618,211.50	10,051,240.33
2. Other provisions	5,139,788.63	1,318,925.28
	8,758,000.13	11,370,165.61
C. Liabilities		
1. Bonds	250,000,000.00	100,000,000.00
2. Trade payables	813,485.04	1,090,983.90
3. Liabilities to associates	37,795,167.26	48,249,850.58
4. Other liabilities	3,662,181.44	1,562,500.00
	292,270,833.74	150,903,334.48
Total equity and liabilities	473,038,128.86	338,328,058.18



Income Statement

for the period 1 January through 31 December 2020

	1 Jan. 2020– 31 Dec. 2020	1 Jan. 2019– 31 Dec. 2019
	EUR	EUR
1. Revenues	286,271.53	291,472.44
2. Other operating income	1,601,139.24	18,802,098.57
	1,887,410.77	19,093,571.01
3. Cost of materials		
Cost of purchased services	576,570.01	194,697.08
4. Payroll and benefit costs		
a) Wages and salaries	5,438,677.25	3,623,235.74
b) Social security contributions and expenditures for pension plans (thereof toward employee retirement: EUR 23,708.92; prior year: EUR 1,726.56)	559,356.87	414,671.34
	5,998,034.12	4,037,907.08
5. Write-downs of intangible assets of the non-current assets and property, plant and equipment	229,338.55	138,661.79
6. Other operating expenses	16,484,525.33	4,149,934.34
7. Income from equity investments	35,300.04	35,300.04
8. Expenses from loss transfer agreements	305,032.99	0.00
9. Earnings from profit-shifting contracts	6,508,749.42	7,065,194.97
10. Interest income from securities	455.00	650.00
11. Other interest income and similar earnings (thereof from associates: EUR 11,546,807.64; prior year: EUR 7,787,669.28)	21,493,154.92	11,281,063.54
12. Interest and similar expenses (thereof to associates: EUR 377,144.31; prior year: EUR 420,065.18) (thereof from discounting: EUR 0.00; prior year: EUR 1,175.00)	12,444,783.52	4,674,164.53
13. Taxes on income and profit	-2,075,048.13	1,898,945.60
14. Earnings after income taxes	-4,038,166.24	22,381,469.14
15. Other taxes	7,096.86	3,896.00
16. Net loss / previous year: net income	-4,045,263.10	22,377,573.14
17. Profit carried forward from previous year	113,985,262.46	96,797,758.76
18. Dividend	0.00	-5,190,069.44
19. Net retained profit	109,939,999.36	113,985,262.46



ACCENTRO Real Estate AG, Berlin

NOTES

for the Financial Year
1 January through 31 December 2020

1 General Disclosures

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

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

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

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

The order used by the Annexes 1 and 2 to the Notes follows the item structure of the legally mandated classification scheme.

2 Disclosures on Recognition and Measurement

2.1 Recognition and Measurement Policies

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

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

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

Under advance payments on property, plant and equipment, the balance sheet lists payments advanced toward furniture, fixtures and equipment whose transfer had not yet been completed by the balance sheet date.

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

Interests in associates, equity investments and **securities held as fixed assets** are recognised at their acquisition costs. No write-downs to the lower fair values were necessary as of the balance sheet date. Impairment losses are reversed as soon as the reasons for the impairment loss cease to apply, up to the maximum amount of the original acquisition costs.

Under **advance payments made on interests in associates**, the balance sheet lists payments advanced toward the majority interest in a corporation whose transfer in rem had not yet been completed by the balance sheet date. The valuation represents a measurement at historical cost.

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

Securities held as current assets are recognised either at historical cost or fair value, whichever is lower.

Bank credit is recognised at face value.

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

Tax provisions are essentially set aside for taxes concerning the year in progress and the previous year. Their presentation depends on the anticipated use.

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

Liabilities are recognised at their settlement value.

2.2 Statement of Gross Changes in Fixed Assets

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

2.3 Depreciation and Impairment Losses for the Financial Year

The depreciation of fixed assets for the financial year is shown in the Statement of Changes in Fixed Assets (Annex 1 to the Notes).

No material unscheduled impairments were charged during the 2020 financial year.

2.4 Intercompany Receivables and Liabilities / Loans to Companies in whom the Company Holds Equity Interests

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

The loan to a company in whom the Group holds an equity interest concerns the company Belle Époque Quartier Gehrensee GmbH. The loan is expected to mature in 2026, although it should be added that its repayment is subordinated to other loans and therefore not due for repayment by any fixed date.

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

Accounts receivable from associates in the amount of EUR 212,658,496.27 (prior year: EUR 174,485,789.44) principally have a more than one year to maturity. That being said, early repayment of these receivable is possible at any time, e. g. whenever a given property is sold, and absent any reinvestment opportunities.

Accounts receivable from companies in whom the Company is invested include loan receivables from companies in which ACCENTRO holds equity interests of 44% and 49%, respectively. The loans have terms of more than one year and less than five years.

Liabilities to associates represent primarily funds the Company received for the subsidiaries within the cash pooling framework, as well as loans granted.

2.5 Other Assets

Several loans totalling EUR 13,974,617.89 were taken over in conjunction with the acquisition of a project company whose shares will be transferred to ACCENTRO AG as planned in 2021. These loans will become due for repayment within one year. In addition, the other assets include loan receivables in the amount of EUR 3,955,980.06 that, while subordinated, will become due shortly. One receivable for accrued interest that was reported in the amount of EUR 4,996,010.99 as at balance sheet date was repaid during the first quarter of 2021.

Moreover, there are other receivables with remaining terms of more than one year that add up to EUR 26,998.24 (previous year: EUR 55,341.17).

2.6 Prepayments and Accrued Income

The prepayments and accrued income cover a variety of prepaid expenses that will not be recognised as expense until the next financial year. A premium of EUR 425,000.00 (previous year: EUR 0.00) from the 2020/2023 bond was reported as at 31 December 2020.

2.7 Changes in tal Reserves/Treasury Shares

No treasury shares were acquired during the reporting year, and no transfers made to the capital reserve.

2.8 Disclosures and Notes on Provisions

During the 2020 reporting year, ACCENTRO AG set aside provisions in a total amount of EUR 8,758,000.13 against the eventualities detailed below.

These items include tax provisions in a total amount of EUR 3,618,211.50 along with other types of provisions. The other provisions add up to EUR 5,139,788.63.

	EUR
Total provisions	8,758,000.13
Tax provisions	3,618,211.50
thereof provisions for corporate income taxes	1,973,077.37
thereof Provision for trade tax	1,645,134.13
Other provisions	5,139,788.63
thereof provisions for financial statements and audit	481,697.07
thereof provisions for payroll costs	704,000.00
thereof provisions for miscellaneous costs	1,033,960.63
thereof provisions for outstanding invoices	2,882,706.93
thereof provisions for record-keeping obligations	37,424.00

The provision for outstanding invoices was essentially set aside for anticipated follow-up costs of a property sales transacted the previous year.

2.9 Bonds

On 7 February 2020, ACCENTRO Real Estate AG concluded the placement of its three-year 2020/2023 corporate bond, which is non-subordinated and unsecured. The aggregate par value that was placed totals EUR 250 million. The corporate bond is issued at 99.745 % of its nominal value and at a coupon rate of 3.625 % p.a. The interest is paid twice a year. The net issue proceeds were used for the premature repayment of EUR 100 million bonds that would have been due for repayment in 2021, as well as for the acquisition of new real estate in Germany, and for general corporate purposes. The old bond was repaid with a premium, resulting in a one-off expense of TEUR 2,913 with the refinancing included.

2.10 Contingent Liabilities pursuant to Sec. 251, HGB, and Collateral

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

Contingent liabilities pursuant to Sec. 251, HGB

	EUR
from guarantees in favour of associates	19,321,250.00
Previous year	19,621,250.00
from letters of comfort in favour of associates	70,300.000.00
Previous year	78,854,725.00

Considering these loan proceeds and the economic situation of the respective subsidiary, ACCENTRO Real Estate AG does not expect the guarantees to be used.

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

Within the framework of several marketing agreements, ACCENTRO Real Estate AG issued letters of comfort on behalf of a subsidiary over a maximum amount of EUR 16.8 million for the purpose of securing the liabilities associable with purchase guarantees. For detailed figures, see the section "Forecast, Opportunity and Risk Report" in the Management Report.

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

Moreover, ACCENTRO Real Estate AG vouches under Sec. 264, Art. 3, No. 2, HGB, for liabilities that 18 of its companies entered into.

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

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

	thereof up to 1 year	> 1 year
	EUR	EUR
Leasing agreements	85,983.97	56,047.15
Previous year	97,196.95	99,136.87

2.12 Other Off-Balance Sheet Financial Obligations

In addition to the liabilities recognised in the balance sheet, there are other financial obligations amounting to EUR 3,309,162.21.

Specifically, the liabilities break down into the following items:

	thereof up to 1 year	> 1-6 years
	EUR	EUR
Lease	597,141.45	1,971,253.59
Previous year	597,141.45	2,568,395.04
Advisory agreements	143,625.72	0.00
Previous year	143,625.72	0.00
Total	740,767.17	1,971,253.59
Previous year	740,767.17	2,568,395.04

2.13 Revenues

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

2.14 Other Operating Income

Other operating income essentially breaks down into income from the cost allocation of construction services for third parties (EUR 1,108,765.35), services invoiced (EUR 360,846.42), income from offsetting benefits in kind (EUR 72,382.89), and from the reversal of provisions (EUR 46,125.92).

2.15 Prior-Period Income and Expenses

The other operating income includes prior-period income in the amount of EUR 46,125.92 from the reversal of provisions.

2.16 Income from Profit-Transfer Agreements

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

	EUR
ACCENTRO Wohneigentum GmbH	6,508,749.42
ESTAVIS Wohneigentum GmbH	35,300.04

Expenses from the following companies with whom profit-transfer agreements were concluded in previous years, concern the following companies:

	EUR
ACCENTRO GmbH	305,302.99

The companies are exempt from the requirement to disclose their annual financial statements for the 2020 financial year.

2.17 Taxes on Income and Profit

The expenses for income taxes include the taxes directly payable on income and profits. The tax income is mainly explained by a loss carryback and amended tax assessments.

As temporary differences do not exist, no deferred taxes are recognised. No deferred tax assets on losses carried forward were recognised.

2.18 Proposal for the Appropriation of Net Income

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

3 Other Required Disclosures

3.1 Members of the Management Board and the Supervisory Board

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

Jacopo Mingazzini (until 18 March 2020)

- Practised profession: Real estate economist

Lars Schriewer (as of 18 March 2020)

- Practised profession: Business economist

Hans-Peter Kneip (as of 16 November 2020)

- Practised profession: Certified business administrator

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

Axel Harloff (Chairman)

- Practised profession: Certified business administrator
- Other positions in comparable domestic and foreign supervisory bodies:
 - Chairman of the supervisory board of CONSUS Real Estate AG, Berlin
 - Member of the management board of ERWE Immobilien AG, Frankfurt am Main

Carsten Wolff (Deputy Chairman since 28 April 2020)

- Practised profession: Merchant
- Other positions in comparable domestic and foreign supervisory bodies:
 - Member of the management board as CFO of A.D.O. Group LTD, Yigal Alon 94 B Tel Aviv, Israel
 - Member of the supervisory board of ERWE Immobilien AG, Frankfurt am Main
 - Deputy Chairman of the supervisory board of Westgrund AG, Berlin

Dr. Dirk Hoffmann (Deputy Chairman until 1 April 2020)

- Practised profession: Lawyer
- Other positions in comparable domestic and foreign supervisory bodies:
 - none

Natig Ganiyev, London

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

3.2 Remunerations of Management Board and Supervisory Board Members

The remuneration paid to Management Board members amounted to EUR 1,216,753.48 in the year under review and breaks down into fixed remunerations in the amount of EUR 466,753.48 (fixed remunerations of EUR 426,646.46 and ancillary wage costs of EUR 40,107.02) as well as the bonus due for 2019 in the amount of EUR 240,000.00 and the severance payment in the amount of EUR 510,000.00 for the retired member of the board. On the whole, a total expense of EUR 1,162,370 was recognised.

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

	Expenses	Disbursement
Schriewer	EUR	EUR
Fixed salary	315,054	315,054
Ancillary wage costs	22,481	22,481
2020 bonus	167,123	157,924
2019 bonus	–	–
Severance payment	–	–
Total	504,658	495,459

	Expenses	Disbursement
Kneip	EUR	EUR
Fixed salary	40,625	40,625
Ancillary wage costs	10,371	10,371
2020 bonus	18,493	18,852
2019 bonus	–	–
Severance payment	–	–
Total	69,489	69,849

	Expenses	Disbursement
Mingazzini	EUR	EUR
Fixed salary	70,968	70,968
Ancillary wage costs	7,255	7,255
2020 bonus	–	0
2019 bonus	–	240,000
Severance payment	510,000	510,000
Total	588,222	828,222

The total remuneration paid to the Supervisory Board during the 2020 financial year added up to EUR 135,000.00. For detailed figures, see Item 8 "Remuneration Report" in the Company's Management Report.

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

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

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

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

Serial no.	Company name and registered office	via	indirect	direct	Shareholders' equity	Profit / loss for the year
			%	%		
1	ACCENTRO 2. Wohneigentum GmbH, Berlin			100.0	12,597,196.39	860,096.56
2	ACCENTRO 6. Wohneigentum GmbH, Berlin			100.0	-1,623,888.28	-941,266.39
3	ACCENTRO 11. Wohneigentum GmbH, Berlin			100.0	-2,354,340.45	-608,433.09
4	ACCENTRO 16. Wohneigentum GmbH, Berlin			100.0	1,313,669.49	1,080,307.18
5	ACCENTRO 17. Wohneigentum GmbH, Berlin			100.0	-716,656.51	-572,416.07
6	ACCENTRO 20. Wohneigentum GmbH, Berlin			100.0	6,725.08	-17,441.38
7	ACCENTRO 21. Wohneigentum GmbH, Berlin			100.0	-11,509.39	-35,531.2
8	Wissmannstr. 15 Grundbesitz GmbH			30.0	-13,406.80	-37,428.61
9	ACCENTRO Bayern GmbH (formerly Accentro 19. Wohneigentum GmbH), Berlin			100.0	-906,837.27	-319,440.11
10	ACCENTRO Wohneigentum GmbH, Berlin			100.0	519,504.10	0.00
11	ACCENTRO GmbH, Berlin			100.0	220,861.44	10,635.72
12	ACCENTRO Verwaltungs GmbH, Berlin			100.0	30,199.42	549.23
13	ACCENTRO SACHSEN GMBH, BERLIN			100.0	23,96543.33	943,663.36
14	ESTAVIS 43. Wohnen GmbH & Co. KG, Berlin			100.0	1,873,393.08	-361.02
15	Quartier Danziger Straße 143 GmbH, Berlin			100.0	-322,196.53	-145,513.75
16	Quartier Hasenheide GmbH, Berlin			100.0	585,673.2	694,730.38
17	Quartier Dietzgenstraße GmbH, Berlin			100.0	-69,056.42	-92,289.2
18	Koppenstraße Wohneigentum GmbH, Berlin	10	100.0		763,989.69	427,786.48
19	Kantstr. 44, 45 Verwaltungsgesellschaft mbH, Berlin			100.0	-2,534,258.63	-1,096,396.46
20	Riehmers Dachgeschoss Grundbesitz GmbH, Berlin			100.0	-169,847.42	-122,999.78

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Serial no.	Company name and registered office	via	indirect	direct	Shareholders' equity	Profit / loss for the year
			%	%		
21	Riehmers Hofgarten Grundbesitz GmbH, Berlin			100.0	-4,813,218.75	-2,421,416.53
22	COMMIT Services GmbH			100.0	-3,354.61	-3,354.61
24	Accentro Dessau Wohnen GmbH			89.9	-53,880.22	-30,138.82
25	Accentro Gera Wohnen GmbH			89.9	-13,711.01	-23,616.57
26	Accentro Halle Wohnen GmbH			89.9	-18,383.79	-19,843.9
27	Werdauer 3 Immobilien Projektentwicklungs GmbH			89.9	-7,545,385.27	-6,059.93
28	Accentro NRW GmbH			89.9	55,696.02	17,360.92
29	ESTAVIS Wohneigentum GmbH, Berlin			94.0	-2,928,269.29	-1,031.81
30	Uhlandstr. 79 Immobilien GmbH, Berlin			50.0+1	50,426.68	-1,712.68
31	ESTAVIS Beteiligungs GmbH & Co. KG, Berlin			94.0	5,426,256.19	-1,987.75
32	ACCENTRO Binz GmbH, Berlin			94.9	-664,735.26	-253,541.06
33	ACCENTRO Rhein Ruhr GmbH, Oberhausen			75.0	22,217.64	-7,947.42
34	ACCENTRO 2. Sachsen GmbH, Berlin			89.9	443,183.64	548,213.92
35	GeSoNa Verwaltungs GmbH & Co. KG Hermannstraße KG, Berlin	3	74.25		1,443,167.78	1,127,902.10
36	GeSoNa Verwaltungs GmbH, Berlin	3	89.84		10,251.37	0.00
37	Düsseldorfer Straße 68–69 Projektgesellschaft mbH, Berlin			94.9	123,380.77	177,139.11
38	Wintersteinstraße 7, 9 Liegenschaften 1 GmbH, Berlin			94.9	223,621.13	270,244.76
39	Wintersteinstraße 7, 9 Liegenschaften 2 GmbH, Berlin			89.9	-237,682.64	-113,893.14
40	Johanniterstr. 3–6 Liegenschaften GmbH, Berlin			80.0	4,227,739.03	136,049.91
41	Kantstraße 130b/Leibnizstraße 36, 36a GbR, Berlin	35	38.4		139,969.46	-47,927.65
42	Kantstraße 130b/Leibnizstraße 36, 36a Immobilien Gesellschaft mbH, Berlin	22	40.8		-130,962.28	50,817.14
43	GUTSHOF DAHLEWITZ1 GMBH, BERLIN*			44.0	7,957.64	-10,862.42
44	Gutshof Dahlewitz 2 GmbH, Berlin			44.0	3,776.52	-4,262.63
45	Belle Époque Quartier Gehrensee GmbH, Berlin**			25.0	-2,021,994.68	-971,301.14
46	SHG Basdorfer Gärten BF6 Liegenschaften GmbH, Berlin*			49.0	-347,469.21	-372,469.21
47	Düne 38 Projektentwicklungs GmbH, Berlin*			44.0	13,045.83	2,289.17

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Serial no.	Company name and registered office	via	indirect	direct	Shareholders' equity	Profit / loss for the year
			%	%		
48	DEUWA Real GmbH			50	k,A	4,564.17
49	Urbanstraße 5 Projekt GmbH, Berlin**	10	44.0		467,473.26	671,110.04
50	Jühnsdorfer Weg Immobilien GmbH (formerly Accentro 5. Wohneigentum GmbH, Berlin)*			5.1%	-3,779,328.97	-1,978,462.52
51	DELTA VIVUM Berlin I GmbH, Berlin*			5.1%	12,443,055.12	1,681,538.65
52	DELTA VIVUM Berlin II GmbH, Berlin*			5.1%	-1,530,430.98	364,325.34
53	Phoenix Spree Gottlieb GmbH, Berlin**			5.1%	123,124.97	0.00
54	Phoenix Spree Mueller GmbH, Berlin**			5.1%	2,766,430.00	-126,168.52
55	HRP Hamburg Residential S.a.r.l., Luxembourg (2019 figures)			5.1%	-4,626,134.90	-4,090,267.25
56	Estavis 6. Wohnen GmbH, Berlin**			5.1%	3,927,249.83	3,695,126.96
57	Estavis 7. Wohnen GmbH, Berlin**			5.1%	-73,154.47	0.00
58	Estavis 8. Wohnen GmbH, Berlin**			5.1%	390,883.24	166,536.15
59	Estavis 9. Wohnen GmbH, Berlin**			5.1%	647.99	0.00
60	RELDA 36. Wohnen GmbH, Berlin**			5.1%	140,409.35	58,149.69
61	RELDA 38. Wohnen GmbH, Berlin**			5.1%	104,083.42	0.00
62	RELDA 39. Wohnen GmbH, Berlin**			5.1%	120,569.67	10,286.27
63	RELDA 45. Wohnen GmbH, Berlin**			5.1%	110,714.19	0.00

* Provisional HGB figures from 2020

** Figures from 2019

The list of shareholdings above shows the direct equity investments of ACCENTRO Real Estate AG in accordance with Sec. 285, Sent. 1, No. 11, HGB.

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

According to the voting rights notification dated 3 August 2020, the shareholding ratio of Brookline Real Estate S.à r.l equalled more than 75% of the ACCENTRO Real Estate AG stock. No control agreement was signed between Brookline Real Estate S.à r.l and ACCENTRO Real Estate AG.

3.6 Group Affiliation

ACCENTRO Real Estate AG is the parent Company of the companies listed in sub-section 3.4, above. The consolidated financial statements of the group of companies was compiled in accordance with IFRS as of 31 December 2020. The consolidated financial statements are published in the Federal Gazette.

3.7 Average Number of Staff Employed during the Financial Year

The employee categories listed below were employed by the Company as of 31 December 2020:

Employee categories	Number
Employees	55
thereof:	
full-time employees	47
part-time employees	8

The total number of staff employed during the financial year is 50 on average.

3.8 Other Disclosure Requirements pursuant to the Stock Corporation Act

3.8.1 Disclosures on the Class of Shares

As of 31 December 2020, the share capital amounted to EUR 32,437,934.00, unchanged since the prior year balance sheet date.

The share capital breaks down as follows:

32,437,934 units in common shares at a face value of EUR 1.00 each. The shares are bearer shares.

3.8.2 Disclosures on the Authorised and Contingent 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 Company 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 contributions in cash and/or in kind (until 23 June 2025)
Conditional Capital 2020/I	3,243	3,243	Servicing stock option plan 2020
Conditional Capital 2020/II	12,975	12,975	Servicing bonds (convertible bonds and/or warrant bonds or profit participation rights)

Other than that, see the Group Management Report for mandatory disclosures pursuant to Sec. 315a, Art. 1, HGB.

3.8.3 Declaration on the Corporate Governance Code

The Declaration was issued pursuant to Sec. 285, Sent. 1, No. 16, HGB, i. c. w. Sec. 161, AktG, most recently in March 2021, and was made permanently accessible to the shareholders on the homepage of ACCENTRO Real Estate AG (www.accentro.ag). In accordance with the Corporate Governance Code as amended on 16 December 2019 and published in the Federal Gazette on 20 March 2020, the Company's new Declaration of Compliance divides into two parts, with the retrospective declaration referencing the Code of 2017, and the forward-looking declaration referencing the current Code version.

3.9 Supplementary Report

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 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 as at balance sheet date.

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. The ramifications for the separate financial statement are not expected to be material.

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.

3.10 Auditor's Fee

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

4 Appendices to the Notes

Annex 1 – Statement of Changes in Fixed Assets

Annex 2 – Schedule of Liabilities

Berlin, 30 April 2021

Lars Schriewer
Management Board (CEO)

Hans-Peter Kneip
Management Board (CFO)

Statement of Changes in Fixed Assets

for the period from 1 January to 31 December 2020

	Acquisition or manufacturing costs				31 Dec. 2020
	1 Jan. 2020	Additions	Disposals	Reclassifications	
	EUR	EUR	EUR	EUR	EUR
I. Intangible assets					
Software	302,865.51	17,880.18	106,556.86	0.00	214,188.83
II. Property, plant and equipment					
Furniture, fixtures and equipment	958,449.89	626,823.37	310,018.20	0.00	1,275,255.06
Advance payments	95,969.45	150,062.76	95,969.45	0.00	150,062.76
	1,054,419.34	776,886.13	405,987.65	0.00	1,425,317.82
III. Financial investments					
Interests in associates	29,336,625.88	46,221,037.27	17,500.00	-7,500.00	75,532,663.15
Equity investments	4,419,287.66	2,529,609.28	0.00	7,500.00	6,956,396.94
Securities held as fixed assets	596,000.00	82,137.07	0.00	0.00	678,137.07
Advance payments made on interests in associates	0.00	13,568,138.21	0.00	0.00	13,568,138.21
Lendings to companies in which the Company holds an equity interests	11,137,891.98	979,155.36	0.00	0.00	12,117,047.34
Other lendings	3,565,064.00	131,975.16	25,989.63	0.00	3,671,049.53
	49,054,869.52	63,512,052.35	43,489.63	0.00	112,523,432.24
	50,412,154.37	64,306,818.66	556,034.14	0.00	114,162,938.89

	Write-downs			Depreciated book value		
	1 Jan. 2020	Additions	Disposals	31 Dec. 2020	31 Dec. 2020	1 Jan. 2020
	EUR	EUR	EUR	EUR	EUR	EUR
	198,314.27	62,639.18	106,428.86	154,524.59	59,664.24	104,551.24
	425,805.39	166,699.37	290,521.70	301,983.06	973,272.00	532,644.50
	0.00	0.00	0.00	0.00	150,062.76	95,969.45
	425,805.39	166,699.37	290,521.70	301,983.06	1,123,334.76	628,613.95
	4,502,282.88	0.00	0.00	4,502,282.88	71,030,380.27	24,834,343.00
	4,999.20	0.00	0.00	4,999.20	6,951,397.74	4,414,288.46
	0.00	0.00	0.00	0.00	678,137.07	596,000.00
	0.00	0.00	0.00	0.00	13,568,138.21	0.00
	0.00	0.00	0.00	0.00	12,117,047.34	11,137,891.98
	0.00	0.00	0.00	0.00	3,671,049.53	3,565,064.00
	4,507,282.08	0.00	0.00	4,507,282.08	108,016,150.16	44,547,587.44
	5,131,401.74	229,338.55	396,950.56	4,963,789.73	109,199,149.16	45,280,752.63

Schedule of Liabilities

as of 31 December 2020

	Total	with a maturity		
		of up to one year	of more than one year and up to five years	of more than five years
	EUR	EUR	EUR	EUR
1. Bonds	250,000,000.00	0.00	250,000,000.00	0.00
prior year	100,000,000.00	0.00	100,000,000.00	0.00
2. Liabilities to banks	0.00	0.00	0.00	0.00
prior year	0.00	0.00	0.00	0.00
3. Trade payables	813,485.04	813,485.04	0.00	0.00
prior year	1,090,983.90	1,090,983.90	0.00	0.00
4. Liabilities to associates	37,795,167.26	15,321,596.03	22,473,571.23	0.00
prior year	48,249,850.58	15,772,860.27	32,476,990.31	0.00
5. Other liabilities	3,662,181.44	3,662,181.44	0.00	0.00
prior year	1,562,500.00	1,562,500.00	0.00	0.00
	292,270,833.74	19,797,262.51	272,473,571.23	0.00
prior year	150,903,334.48	18,426,344.17	132,476,990.31	0.00

Responsibility Statement

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

Berlin, 30 April 2021

Lars Schriewer
Management Board (CEO)

Hans-Peter Kneip
Management Board (CFO)

Independent 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 reproductions 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 examination 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 Annual Financial Statements and of the Management Report

Audit Opinions

We have audited the annual financial statements of ACCENTRO Real Estate Aktiengesellschaft, Berlin, (following: the "company"), comprising the balance sheet as of December 31, 2020, and the statement of profit and loss for the fiscal year from January 1 to December 31, 2020 and notes to the financial statements, including a summary of significant accounting policies. In addition, we have audited the management report which is combined with the group management report (following: "management report") of ACCENTRO Real Estate Aktiengesellschaft, Berlin, for the fiscal year from January 1 to December 31, 2020. In accordance with the German legal requirements we did not audit the contents of the corporate governance statement published on the company's website, to which reference is made in Section 7 of the management report.

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

- the attached annual financial statements comply in all material respects, with the requirements of German commercial law applicable to business corporations and give a true and fair view of the company's net assets and financial position as at December 31, 2020 and of its results of operations for the fiscal year from 1 January to 31 December 2020, and
- the attached management report as a whole presents an appropriate view of the company's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and 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 annual financial statements and of the management report.

Basis for the Audit Opinions

We conducted our audit of the annual financial statements and the 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 Wirtschaftsprüfer (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 Annual Financial Statements and the Management Report" section of our auditor's report. We are independent of the company's 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 annual financial statements and on the management report.

Key Audit Matters in the Audit of the Annual Financial Statements

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the annual 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 annual financial statements as a whole and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

We present the matters that we consider key audit matters below:

Valuation of shares in affiliated companies and receivables from affiliated companies

(a) The risk to the financial statements

As of December 31, 2020, ACCENTRO Real Estate Aktiengesellschaft accounted shares in affiliated companies in the amount of TEUR 71,030 (previous year: TEUR 24,834) and receivables from affiliated companies in the amount of TEUR 316,272 (previous year: TEUR 259,079). Shares in affiliated companies are accounted at amortized cost and receivables from affiliated companies at the lower of nominal value or fair value at the reporting date.

The company's disclosures on the valuation of investments and receivables are included in the chapters "2.1 Accounting and Valuation Principles," "2.2 Gross Fixed Assets Schedule," and "2.4 Intercompany Receivables and Liabilities" in the notes to the financial statements, as well as in the section "Reporting on the ACCENTRO Real Estate AG Separate Financial Statements" of the management report.

To measure the financial assets and the corresponding receivables from affiliated companies, ACCENTRO Real Estate Aktiengesellschaft first analyses whether the respective carrying amount of the subsidiary's equity exceeds the carrying amount of the individual shares and the receivables from the subsidiary. If this is not the case, an analysis is performed with reference to corporate planning to determine whether an impairment risk exists. In view of the positive business development of the operating companies, an income capitalization approach based on IDW RS HFA 10 is not used. For non-operating subsidiaries, a valuation based on a net asset value calculation is used.

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

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

(b) Auditor's response and conclusions

The impairment test for shares in affiliated companies and receivables from affiliated companies is mainly performed on a case-by-case basis. To test the recoverability of the exposure to operating subsidiaries, we use the sales planning prepared by the Board of Management and analyse whether the expected positive contribution margins from the sale of investment properties plus the equity reported in the balance sheet are sufficient to repay the exposure. In this context, we also assessed the real estate appraisals prepared by Jones Lang Lasalle SE, Frankfurt, for real estate portfolios held by subsidiaries. For non-operating subsidiaries, we verified the appropriateness of the valuation prepared by the Executive Board and based on a net asset value calculation.

On the basis of the documents and analyses presented to us, we have no findings that speak against the accounting treatment applied by the company. The valuations performed are in line with our expectations.

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 company Corporate Governance Statement published on the website of ACCENTRO Real Estate Aktiengesellschaft, to which reference is made in Section 7 of the management report,
- the assurance pursuant to Section 264 (2) sentence 3 HGB on the annual financial statements and the assurance pursuant to Section 289 (1) sentence 5 HGB on the management report,
- the report of the Supervisory Board,
- the Corporate Governance Report published on the website of ACCENTRO Real Estate AG in accordance with No. 3.10 of the German Corporate Governance Code,
- the remaining parts of the annual report, with the exception of the audited financial statements and management report and our 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 company's Corporate Governance Statement referred to in Section 7 of the management report. The management is responsible for the other information.

Our audit opinions on the annual financial statements and the 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 annual financial statements, with the management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

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

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

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

In preparing the annual financial statements, the management is responsible for assessing the company'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 company or to cease operations, or there is no realistic alternative but to do so.

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

The supervisory board is responsible for overseeing the company's financial reporting process for the preparation of the annual financial statements and of the management report.

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

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the management report as a whole provides an appropriate view of the company's position and, in all material respects, is consistent with the annual financial statements and the knowledge obtained in the audit, complies with German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the annual financial statements and the 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 annual financial statements and this 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 annual financial statements and of the 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 annual financial statements and of arrangements and measures (systems) relevant for the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.
- 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 company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the annual financial statements and in the management report or, if such disclosures are 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 company to cease to continue as a going concern

- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the net assets, financial position and financial performance of the company in compliance with German Legally Required Accounting Principles.
- Evaluate the consistency of the management report with the annual financial statements, its conformity with German law, and the view of the company's position it provides.
- Perform audit procedures on the prospective information presented by the management in the 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 annual 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 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 annual financial statements and of the management report contained in the attached file "Accentro_JA.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 annual financial statements and the 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 annual financial statements and of the 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 annual financial statements and the attached management report for the fiscal year from 1 January to 31 December 2020 contained in the preceding "Report on the audit of the annual financial statements and the 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 annual financial statements and of the 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 annual financial statements and of the management report pursuant to Section 328 (1) sentence 4 no. 1 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 attached audited annual financial statements and the audited 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 annual 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 annual financial statements and the audited management report to be reproduced in XHTML with the same contents.

Other disclosures pursuant to Article 10 EU Audit Regulation

We were elected as the company 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 Company 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
Wirtschaftsprüfer
[German Public Auditor]

Glenn Friedrich
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