



ACCENTRO

REAL ESTATE AG

ANNUAL FINANCIAL
STATEMENTS **2019**

ACCENTRO
Real Estate AG

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

ACCENTRO Real Estate AG, Berlin

**COMBINED
MANAGEMENT REPORT
AND
GROUP MANAGEMENT REPORT**

for the 2019 Financial Year

Preliminary Remarks

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

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

MANAGEMENT REPORT

1 Basic Structure of the Group

1.1 Group Business Model, Objectives and Strategies

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

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

1.2 Group Structure and Control System

ACCENTRO AG is the parent company of the ACCENTRO Group. ACCENTRO AG acts as an operationally active holding company for a number of member companies in which the housing stock is concentrated, and for one service company focused on the business of housing privatisation. For companies in which it holds a controlling interest, ACCENTRO AG assumes the top-down responsibilities of corporate controlling, funding, and administration within the ACCENTRO Group. ACCENTRO AG's sphere of ownership

includes core divisions such as Legal, Accounting, Controlling, Risk Management, Funding, Purchasing, Asset Management and IT.

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

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

The ACCENTRO AG Group's in-house reporting makes no distinction by segments because the Group activities are limited exclusively to the buying and selling of residential real estate in Germany. As in previous years, this annual report therefore includes no segment reporting.

ACCENTRO AG uses the consolidated earnings before interest and taxes (EBIT) as financial performance indicator for corporate management purposes. Here, the key control variable is the sales performance of the properties, definitive factors including the number of condominium reservations placed by potential buyers, among others, and the actual selling prices realised. This variable is aggregated both as number of flats involved and as sales total. The other factors that the control system takes into account include the operating income of each sub-portfolio or of each property. In addition, control variables such as the number of new clients, viewings, and reservations serve as early indicators of the Company's performance. For the purposes of management reporting, EBIT and sales are taken as basis, since the other control variables are used for the individual management of each property and are not aggregated at the company level.

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

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

MANAGEMENT REPORT

2 Economic Report

2.1 Macro-economic Development

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

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

2.2 Developments of the German Housing Market

According to a survey on the real estate price trend in Germany that bulwiengesa AG published in January 2020, the housing market remains the driving force in the bulwiengesa Real Estate Index. The residential sub-index, which covers the most important market for ACCENTRO AG, continued to rise sharply in 2019, albeit at a slower rate than the previous year (5.5%, down from +7.0%). Across Germany, selling prices for new-build condominiums (+6.8%), attached houses (+6.8%) and plots zoned for detached homes (+7.3%) grew faster than residential rent rates for new-build (+3.6%) or existing (+2.5%) units. The real estate sector benefited from the stable labour market, the positive demographics in the cities and the accommodative monetary policy of the European Central Bank, which ensured favourable terms of financing.

Driven by an intensifying housing shortage, the low supply elasticity kept driving up real estate prices in the metropolises. According to the Federal Statistical Office, roughly 319,200 new flats were approved during the first eleven months of 2019, a year-on-year increase by 1.3% only. The building industry's orders on hand in the housing construction segment have gone up rapidly for 2020. But given the current lack of construction capacities, the number of completions is actually expected to keep declining and the construction backlog to keep expanding.

Aside from the persistent shortage of labour in the construction industry, there are legal uncertainties and macro-societal debates to consider, e. g. those concerning the rent cap, the tax on the increase in land value, rules for the preservation of fauna, flora, habitats, the conservation of energy or a modification

of the legal framework governing share deals, all of which pose challenges to the real estate industry, complicating and delaying the construction of urgently needed residential accommodation.

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

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

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

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

2.3 Business Performance

Key Events During the 2019 Financial Year

The very positive business performance of the ACCENTRO Group in the 2019 financial year evolved in a market environment that remained very favourable and that was marked by keen demand for residential property not just in Germany's metro regions. A robust boom cycle informs both the situation on the letting end of the market and the demand for condominiums generated by owner-occupiers or buy-to-let investors.

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

In last year's forecast report, we predicted modest growth in revenues based on a projected EUR 163.3 million and moderate EBIT growth in the lower double-digit percentage range. In December 2019, we revised our forecast to a predicted revenue total of just over EUR 140 million and a prospective EBIT total in excess of EUR 40 million. Among the main reasons for falling short of the sales revenues originally are

delays in the wind-down of several privatisation projects in Berlin. The transfers of benefits and burdens are now expected to take place in 2020. At EUR 40 million, the new EBIT forecast exceeds the previous year's EBIT by 21% despite the anticipated drop in sales. Definitive for the reassuring trend in EBIT, in addition to a large-scale portfolio sale in December 2019, were the positive effects from the valuation of our investment properties. With revenues of EUR 143 million and EBIT of EUR 40 million, ACCENTRO AG believes to have met its adjusted forecast for the 2019 financial year. Indeed, at EUR 26.3 million, the ACCENTRO Group achieved one of its finest annual results ever and the highest EBIT in the Company's history.

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

2.4 Earnings, Financial and Asset Position

Earnings Position

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

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

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

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

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

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

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

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

The other operating expenses in the amount of EUR 6.1 million (previous year: EUR 5.1 million) include, as they did the previous year, expenses for general advisory services, particularly in the areas of taxes, legal, and general strategic issues, among other expenses. Also recognised in this item are rental expenses for the Company's business premises, acquisition costs, as well as information, advertising and entertaining expenses. The year-on-year increase is mainly attributable to the derecognition of a sales tax receivable in connection with past property development projects. This derecognition item is offset by other operating income over the same amount.

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

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

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

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

Financial Position

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

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

A positive impact on the cash flow from operating activities is generated by rent payments and the amounts deposited in return for inventory properties sold. The operating cash flow is burdened by the sum total of operating expenditures, including the income tax payments and payments toward the expansion of the inventory real estate assets. For more details on the amount and composition of the Group's cash flows, please see the consolidated cash flow statement and the notes to the consolidated financial statements, section 5.20.

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

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

Structure of Assets and Capital

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

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

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

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

The financing schemes of ACCENTRO AG rest on several mainstays. In addition to bank loans collateralised by land charges, the Company employs capital-market-based financing arrangements in the form of corporate bonds.

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

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

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

Asset Position

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

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

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

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

The other non-current assets include essentially a non-depreciable goodwill in the amount of EUR 17.8 million, corporate investments in non-consolidated companies in the amount of EUR 9.3 million, and property, plant and equipment in the amount of EUR 1 million.

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

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

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

General Statement on the Group's Business Situation

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

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

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

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

2.5 Other Financial and Non-Financial Performance Indicators

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

To help retain employee knowledge and skills, the ACCENTRO Group puts a premium on ensuring attractive working conditions. This includes, above all, a competitive compensation system that is constantly monitored and adjusted as needed. Group employees also benefit from options for continued professional development as needed or whenever the opportunity presents itself.

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

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

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

MANAGEMENT REPORT

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

3.1 Basic Structure of the Company

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

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

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

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

3.2 Business Performance

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

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

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

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

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

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

3.3 Earnings, Financial and Asset Position

Earnings Position

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

The earnings position of ACCENTRO AG developed as follows during the 2019 financial year:

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

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

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

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

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

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

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

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

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

Financial and Net Asset Position

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

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

Total assets increased by EUR 26.6 million from EUR 311.8 million to EUR 338.3 million. The asset and financial position is definitively influenced by financial investments, debt financing via bonds, and the performance of receivables and payables vis-à-vis associates.

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

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

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

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

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

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

The Company was able to meet its financial obligations at all times during the 2019 financial year.

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

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

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

The earnings position of the ACCENTRO Group, which is definitive for the financial performance of ACCENTRO AG as its holding company, developed positively during the 2019 financial year, and the stated objectives were achieved.

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

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

MANAGEMENT REPORT**4 Forecast, Opportunity and Risk Report****Forecast Report**

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

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

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

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

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

higher number of investors than now will invest in real estate to escape the negative interest rate environment for classic savings products.

As in the 2019 financial year, the corporate strategy and operating activities of the coming years will focus on the privatisation of residential real estate, and on the creation of homeownership options for a broad-based population cohort. In this line of business, ACCENTRO AG will focus on the privatisation of flats from its proprietary stock as well as on behalf of third parties. This is the focus of the acquisition strategy that ACCENTRO AG pursues.

In the 2020 financial year, we expect the ACCENTRO Group to see a lower double-digit percentage growth in revenues year on year, combined with EBIT on a level with the previous year. Based on the completed expansion of the trading portfolio, and given the exclusive focus on privatisation activities, the earnings performance is expected to remain largely stable. The further expansion of the trading portfolio as planned in the wake of the successful bond issuance in 2020 will cause total assets to grow significantly in the upper double-digit percentage range.

The continued expansion of the trading portfolio and the cash outflow for capital expenditures will probably push the operating cash flow back deep into the negative range during the 2020 financial year because these investments are grouped with the operational division. The cash flow was indeed negative for the operational division in 2019, as predicted by the Forecast Report, adding up to EUR -75.7 million. The situation is unlikely to change in the foreseeable future because ACCENTRO AG plans to keep pursuing the steady expansion of its trading portfolio.

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

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

In terms of employee retention, our plans for 2020 seek to continue the current strategy of trying to retain our employees long-term and to keep the churn rate to a minimum. As projected, the workforce increased by nominal total of 9 jobs, although it should be added that not all of the new jobs represent full-time positions. Five persons left the Company in the course of the 2019 financial year. As expected, the fluctuation is relatively low. The workforce is likely to keep growing at a modest pace in 2020 to stay abreast of the Company's ongoing growth.

Opportunity and Risk Report

Risk Management

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

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

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

The risk management system deployed by the ACCENTRO Group includes the following key elements:

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

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

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

1. Definition of specifications: The Management Board defines the methodological and thematic prescriptions for the risk management system, while the Company's expectations are specified and the risk awareness enhanced in the process.

2. Risk identification and analysis: All entrepreneurial risks are fully captured, analysed in regard to causes and effects, evaluated, and classified in different risk categories. In addition, appropriate countermeasures are identified.
3. Reporting: The Management Board is regularly and promptly briefed about extant threats and possible countermeasures. Within the framework of the reporting cycles, these briefings are scheduled spontaneously, weekly, monthly or quarterly, depending on the situation at hand and the respective threat analysis.
4. Risk management: The Group will actively respond to identified, analysed and rated threats on the basis of executive decisions regarding controlling measures.
5. Monitoring and controlling of the risk management system of ACCENTRO AG. Risk controlling covers all stages of the risk management process, and enables the Management Board to regularly update the methodological and thematic prescriptions for the risk management system.

Presentation of Individual Risks

The ACCENTRO Group is exposed to a multitude of different risks which, individually or collectively, could adversely affect its net assets, financial and earnings position, and its future economic development. It needs to be remembered that the changes resulting from the composition of the various threats that were relevant for the ACCENTRO Group during the 2018 financial year remained relevant in the 2019 financial year. We believe that the subsequently listed risks ensure a rather exhaustive representation.

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

Company-specific Risks

a) Risks Arising from the Property Selection

The economic success of the ACCENTRO Group is definitively dependent on the selection and acquisition of real estate suitable for apartment retailing to owner-occupiers and buy-to-let investors. This comes with the risk of misjudging or overlooking the structural, legal, economic and other encumbrances that may compromise the properties selected for purchase. On top of that, assumptions made with respect to the earnings potential of a given property could subsequently prove to have been partially or entirely incorrect. In particular, the management of the respective property could fall short of the expected results, or apartments earmarked for sale could prove impossible to sell in the planned quantity, on the planned terms, and/or within the planned time frame, as a result of an incorrect assessment of the attractiveness of the property's location and other factors that investors deem crucial for their decision whether or not to buy.

These property-specific risks are addressed by subjecting the respective properties to due diligences. Within the framework of the property appraisals, the refurbishment, maintenance and modernisation requirements to be expected are identified while the capitalised earnings value and the debt serviceability in general are examined in accordance with applicable bank standards.

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

b) Letting Risks

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

c) Construction Risks

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

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

Uncertainties regarding whether, when and under what constraints and/or subsidiary conditions the building-law planning consents for the projects is granted may also create construction risks. This means that the Company relies to some extent on the discretion exercised by certain authorities and on the adequacy of that authority's human resources. It also means that disputes with residents and neighbours may significantly delay or negatively impact the planning approval process. These circumstances could bring about a situation in which planned building works prove impossible to complete at the assumed costs or within the planned time frame or to be completed at all. That is why risk factors of this sort are thoroughly examined in the run-up to a given construction measure.

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

d) Sales and Marketing Risks

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

In the field of housing privatisation sales, the business success of the ACCENTRO Group is also definitively influenced by the willingness of owner-occupiers and buy-to-let investors to buy the flats offered for sale. The willingness to buy may be influenced, on the one hand, by developments within the sphere of the respective properties, such as a deterioration of the location's social environment or structural issues, but also by general developments, such as the economic situation and employment trends, on the other hand. There is a risk that such developments could impact the willingness to buy to the extent that flats available for sale prove impossible to sell on the intended scale, on the planned terms and/or within the intended time frame.

e) Purchase Risks Arising from Marketing Agreements

Within the framework of its third-party sales activities, the ACCENTRO Group entered into a number of agreements that include purchase guarantees. Under these agreements, ACCENTRO assumes the obligation to take over any property assets unsold at the end of the marketing period defined in the respective agreement at a purchase price agreed with the property developer. The possibility of having to acquire these properties at the agreed purchase price plus the real estate transfer tax due for the acquisition exposes the Company to the risk that it may not reasonably hope to realise the usual margins when reselling the properties. With regard to the guarantees that ACCENTRO entered into as of 31 December 2019, an extension of the sales phase was agreed with the seller. The project is now expected to conclude with the sale of all remaining units by mid-year 2020. As of the balance sheet date, active purchase guarantees added up to EUR 44.8 million.

f) Risks Arising from Collaborative Ventures

The disposal of a 75% equity interest in the Gehrensee project as of 30 June 2018 and the acquisition of equity interests in several development schemes in the course of 2018 created a new risk situation going forward. There were other collaborative ventures pursued in 2019. Substantial funds of ACCENTRO AG are tied up in these projects that will not be released until the projects are concluded. Any delay in the completion of a given project could cause liquidity risks for ACCENTRO AG. To manage this risk, the Management Board of ACCENTRO AG appointed a controller who is responsible for the equity investment management. In addition, each project is assigned a dedicated manager by ACCENTRO who closely monitors the project.

g) Financing, Liquidity and Interest Rate Risks

In the course of its business activities, the Group of ACCENTRO AG is exposed to a number of financing, liquidity and interest rate risks that are addressed via the supervisory and control measures described below.

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

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

The current business activity of the ACCENTRO Group is to a large degree influenced by the availability of financing options. If banks were to adopt a restrictive lending policy over extended periods of time, it could adversely affect the business performance and growth of the ACCENTRO Group. In order to address this risk, the ACCENTRO Group collaborates with various banks, and closely monitors financing market trends. In addition, alternative funding options through the capital market are exploited in addition to bank financing, including the issuance of bonds, for instance.

The privatisation segment is exposed to the risk that a measure may not have been completed at maturity and that a loan rollover is either impossible altogether or possible only on unfavourable terms and/or at increased costs. This risk is countered by repaying a 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 of the balance sheet date of 31 December 2019, the consolidated group had taken out loans and issued corporate bonds in a total amount of c. EUR 99.2 million (previous year: EUR 106.3 million) that are subject to covenants agreed with the banks or specified in the bond terms with respect to debt service coverage ratios or debt-to-equity ratios (financial covenants). The corporate bond over EUR 100 million was subject to the following covenants:

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

Breaches of these covenants could trigger payments into blocked accounts or early repayment obligations on the basis of a contractually agreed escalation procedure. If certain credit terms were introduced, for instance in the event of a change of control, there is a chance that the corporate bond would be prematurely called for redemption. The use of appropriate monitoring methods is supposed to detect

early signs of a risk that covenants might be breached, and to allow time to seize adequate countermeasures to prevent any such breach. All financial covenants were upheld during the 2019 financial year.

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

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

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

h) Bad Debt Risks

The risk of bad debts in connection with trading residential real estate is mitigated by delaying the property handover in the apartment retailing business until the purchase price has been paid in full. The same goes for necessary refurbishment measures in properties. Due to the Company's broadly diversified customer structure, especially in apartment retailing, bad debt risks in relation to purchase price payments for the retailed apartments are negligible when considered in isolation. Portfolio transactions occasionally take the form of sales on credit. However, credit periods are granted only after ACCENTRO AG has verified the clients' solvency. Since the transfer of the title in the land register does not take place until the purchase price has been paid, the risk is limited to the reversion of the property title.

i) Legal Risks

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

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

Adequate provisions have been set aside to meet all currently existing legal risks. There are currently no other legal risks, particularly no risks from legal disputes, that could have a significant impact on the financial position of the ACCENTRO Group.

j) Internal Risks

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

Market-specific Risks

a) Economic Risks

The ACCENTRO Group has so far generated its revenues exclusively in Germany. Here, particularly a deterioration in national economic conditions, combined with an increase in the number of unemployed, could lead to a (steep) drop in demand for real estate investments. Moreover, the market environment in Germany is indirectly influenced by international economic developments, too. In 2020, the focus will mainly be on the slowing global economy in the context of the spreading COVID-19 pandemic.

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

b) Sector Risks

A deterioration of the parameters on the German real estate market could adversely affect the business performance of the ACCENTRO Group. Softening property prices would make it harder to realise sales profits, and diminish the earnings in the privatisation sector. At the same time, access to affordable real estate could be compromised if potential sellers refrain from selling because of the deteriorated price level.

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

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

c) Legal Parameters and Regulatory Risks

Since the business activities of the ACCENTRO Group are governed by certain legal parameters for real estate, they could be affected by changes in national and/or European legal standards, as well as by changes in the interpretation or application of existing legal standards. Relevant regulations include landlord-tenant law, public construction law, and tax law.

So far, ACCENTRO has focused its activities primarily on the real estate market in Berlin. It is therefore of the essence to keep a close eye on the ramifications of political decisions for our core market in Berlin, most notably the developments in the area of historic district protection, the exercise of the right of first refusal by the boroughs and the political manipulation of rental tones. Two regulatory instruments for the purpose of rent control are already in force, one being the "rent freeze" ("Mietpreisbremse"), the other the "rent cap" ("Mietendeckel"). The ACCENTRO AG expects the enforcement of these instruments to have minor consequences for its own rental income. But rent freeze and rent cap could make it harder in future to privatise residential property at economically attractive prices, though it should be added that these rent control tools had not significantly impacted our sales performance yet by the time this annual report was cleared for publication. It should also be added that the advantage of getting to exploit potentially eroding cost prices will not fully compensate for the adverse trend in selling prices, which means that, in sum, the margins earned might be slimmer. The Management Board is employing its early warning indicators to analyse potentially adverse effects.

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

Risk Concentrations

To a certain extent, the business success of the ACCENTRO Group depends disproportionately on a small number of projects and inventories that account for a significant share of its revenues. Aside from the client dependence that is generally associable with the fact, there is a risk that possible delays or issues arising in the context of the privatisation of this portfolio would disproportionately impact the business success of the ACCENTRO Group.

The ACCENTRO Group invests primarily in the real estate market of Berlin. Accordingly, if Berlin as real estate location were to develop a generally adverse trend, the development could definitively impair the assets, finances and earnings of the ACCENTRO Group. This goes above all for regulatory measures affecting the market in Berlin, such as the rent cap decreed by the Senate of Berlin in early 2020.

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

Other Influencing Factors

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

Assessment of the Overall Risk

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

Opportunities Created for Future Developments

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

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

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

Its subsidiary ACCENTRO GmbH has a leading position in Germany's privatisation sector. This presents an opportunity for ACCENTRO AG, too, as it permits the Group to expand faster than the competition and simultaneously to have easier access to new properties earmarked for privatisation. The robust market

position in connection with the demonstrable track record in apartment retailing also implies the chance to acquire new third-party contracts for privatisation services.

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

Overall Assessment

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

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

MANAGEMENT REPORT

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

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

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

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

To improve the effectiveness of its business processes, the Group of ACCENTRO AG has implemented an internal audit system managed by a third-party service provider. It assists the various departments of ACCENTRO AG in achieving their objectives by using a systematic and target-oriented approach to measure the efficiency of the risk management, the controls, and the managing and monitoring processes, and to help with efforts to enhance them. At the same time, it supports the Management Board of ACCENTRO AG in its control and supervisory functions. Two internal audits were carried out during the 2019 financial year, and another two internal audits are currently in preparation for the 2020 financial year.

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

MANAGEMENT REPORT

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

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

Managing Body

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

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

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

Amendment of the Articles of Association

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

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

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

Capital Structure

Share Capital

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

Authorisation to Issue Bonds

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

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

The Management Board is authorised, with the approval of the Supervisory Board, to deny the statutory subscription right to shareholders in the following cases:

- I. for fractional amounts arising from pre-emptive rights;
- II. to offer convertible and/or warrant bonds and/or participation rights with conversion or pre-emptive rights for subscription to individual investors, provided that, in accordance with Sec. 186, Art. 3, Sent. 4, AktG, mutatis mutandis, the shares issued on account of these bonds do not exceed 10% of the existing share capital at the time this authorisation comes into effect or at the time of the resolution to exercise this authorisation, and provided further that the issue price of the bonds is not significantly less than the hypothetical fair value of the bonds as calculated in line with recognised actuarial methods. The amount of 10% of the share capital must include the amount

relating to shares issued or disposed of on the basis of a different corresponding authorisation with pre-emption rights ruled out under direct or mutatis mutandis application of Sec. 186, Art. 3, Sent. 4, AktG, if such inclusion is required by law;

- III. to offer subscription to individual investors provided that the issue price is not significantly less than the theoretical fair value of the profit participation certificates as calculated in line with recognised financial methods and provided that the profit participation certificates only have the characteristics of a debenture, i. e. if they do not constitute any shareholder rights in the Company, nor any conversion or pre-emption rights, do not grant any entitlement to the liquidation proceeds and if the amount of the interest yield is not based on the net profit for the period, balance sheet profit or dividend;
- IV. to the extent that this is necessary, to grant bearers of conversion or pre-emption rights granted by the Company or companies in the Group to shares of the company pre-emption rights to bonds issued under this authorisation in the amount they would be entitled to after exercising their conversion or pre-emption rights or after satisfying any conversion obligation (dilution protection), or
- V. if bonds are issued in exchange for non-cash contributions, particularly for the acquisition of companies, parts of companies and investments in companies, industrial property rights, such as patents, brands or licenses to these, or other product rights or other non-cash contributions or bonds, convertible bonds and other financial instruments, and the disapplication of subscription rights is mainly in the interests of the Company.

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

Authorisation to Implement a 2017 Stock Option Program

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

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

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

In the notes to the annual financial statements or in the annual report, the Management Board must report on the utilization of the 2017 stock option program and the options granted to the beneficiaries in this context for each financial year in accordance with relevant statutory provisions. During the 2019 financial year, the Management Board did not take advantage of its authorisation to use the 2017 stock option program.

Contingent Capital

Contingent Capital 2014 (Redemption of Convertible Bonds)

On 14 May 2019, the Annual General Meeting resolved to cancel the remaining Contingent Capital 2014. The authorisation resolution of 27 February 2013 to issue convertible bonds and/or bonds with warrants and/or participation rights with conversion or subscription rights had expired on 26 February 2018. There were no outstanding conversion or subscription rights that had to be redeemed using this contingent capital.

Contingent Capital 2017 (Redemption of 2017 Stock Option Program)

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

Contingent Capital 2019

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

Authorised Capital

Authorised Capital 2018

By resolution of the Annual General Meeting on 15 May 2018, the Authorised Capital 2015 was cancelled and replaced by new authorised capital, which authorises the Management Board, subject to the Supervisory Board's consent, to increase the share capital of the Company by a total of up to EUR 15,158,967.00 during a period ending 14 May 2023 by issuing new no-par value bearer shares on one or more occasions against contributions in cash and/or in kind (Authorised Capital 2018). With part amounts drawn down, only EUR 13,038,967 are left of the Authorised Capital 2018. While shareholders principally have a subscription right, it can be excluded in whole or in part with the Supervisory Board's approval. That said, the exclusion of the shareholders' subscription rights is permitted in the following instances only:

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

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

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

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

Transfer and Voting Right Restrictions

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

Share Buyback for Issuance of Employee Shares

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

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

Equity Investments Exceeding 10% of the Voting Rights

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

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

Impacts of Potential Takeover Bids

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

Financing Agreements

The ACCENTRO Group signed financing agreements that include change-of-control provisions, which could be triggered in the event of a successful takeover bid. These provisions stipulate that the borrower is obliged to notify the lender whenever a change of control has transpired. The lender may cite the change of control as good cause for terminating the credit relationship. By the reporting date, loans in an aggregate volume of TEUR 161,782 were subject to change-of-control provisions.

Convertible Bond

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

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

MANAGEMENT REPORT

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

The Corporate Governance Statement pursuant to Sections 289f, 315, HGB, is published annually on the Company's homepage and retrievable via this hyperlink:

www.accentro.ag/en/investor-relations/corporate-governance/declaration-of-compliance

MANAGEMENT REPORT

8 Remuneration Report

The service contract with CEO Jacopo Mingazzini effective during the 2019 financial year was signed for a three-year term. The contract was adjusted in March 2018.

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

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

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

The following remuneration component as part of a long-term incentive plan was agreed between the main shareholder and the Management Board: On 3 July 2018, EMMALU GmbH announced its off-market acquisition of 272,851 shares in ACCENTRO AG. The company EMMALU GmbH is closely linked to ACCENTRO's CEO, Jacopo Mingazzini. The shares originated in the portfolio of ACCENTRO AG's main shareholder. Accordingly, this implies a transaction between the main shareholder and the CEO of ACCENTRO AG which is to be measured in accordance with IFRS 2 like a stock option at its fair value at the time it is granted and recognised as remuneration expense in the consolidated financial statements of ACCENTRO AG throughout the lifetime of the option. The expense from this stock option compensation amounts to c. TEUR 1,200 over a term of three years, out of which total TEUR 400 had to be deferred during the 2019 financial year.

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

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

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

MANAGEMENT REPORT

9 Closing Statement of the Management Board on the Dependency Report

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

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

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

Berlin, 18 March 2020

Jacopo Mingazzini
Management Board

Statement of Financial Position

as of 31 December 2019

Assets

	31 December 2019	31 December 2018
	EUR	EUR
A. Fixed assets		
I. Intangible assets		
Software	104,551.24	94,137.24
II. Property, plant and equipment		
1. Furniture, fixtures and equipment	532,644.50	187,486.50
2. Advance payments	95,969.45	0.00
	733,165.19	281,623.74
III. Financial investments		
1. Interests in associates	24,834,343.00	27,195,398.38
2. Equity investments	4,414,288.46	4,400,389.37
3. Securities held as fixed assets	596,000.00	326,000.00
4. Advance payments made on interests in associates	0.00	1,202,507.58
5. Lendings to companies in whom the Group holds equity interests	11,137,891.98	10,158,736.62
6. Other lendings	3,565,064.00	3,459,342.61
	45,280,752.63	47,023,998.30
B. Current assets		
I. Accounts receivable and other assets		
1. Trade receivables	241,413.85	355,055.71
2. Receivables from associates	259,079,017.28	239,901,783.31
3. Receivables from companies in which the Group holds equity interests	3,635,176.85	4,700,750.89
4. Other assets	13,743,137.91	13,602,678.35
II. Securities	285,154.82	60,959.34
III. Credit with financial institutions	16,053,741.69	6,132,075.23
	293,037,642.40	264,753,302.83
C. Accruals and deferrals	9,663.15	0.00
Total assets	338,328,058.18	311,777,301.13

Statement of Financial Position as of 31 December 2019 Equity and Liabilities

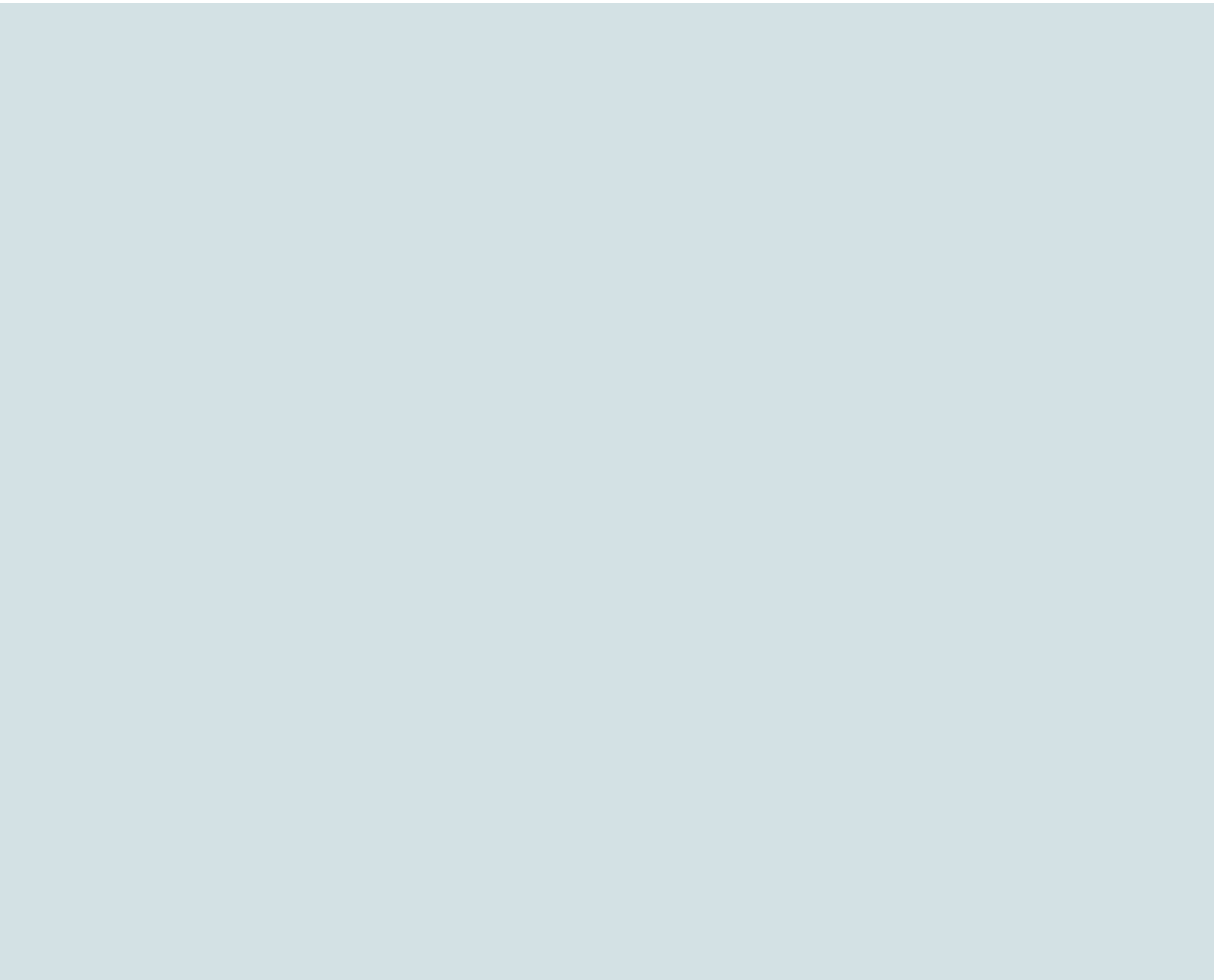
	31 December 2019	31 December 2018
	EUR	EUR
A. Shareholders' equity		
I. Subscribed capital	32,437,934.00	32,437,934.00
./. Par value of treasury shares	0.00	-6,887.00
Capital issued – Contingent capital: EUR 14,418,967.00 (prior year: EUR 4,894,395.00)	32,437,934.00	32,431,047.00
II. Capital reserves	29,631,361.63	29,571,264.07
III. Net retained profit	113,985,262.46	96,797,758.76
	176,054,558.09	158,800,069.83
B. Provisions		
1. Tax provisions	10,051,240.33	8,449,325.59
2. Other provisions	1,318,925.28	2,020,494.21
	11,370,165.61	10,469,819.80
C. Liabilities		
1. Bonds	100,000,000.00	100,000,000.00
2. Liabilities to banks	0.00	8,069.12
3. Trade payables	1,090,983.90	1,877,160.60
4. Liabilities to associates	48,249,850.58	38,977,823.71
5. Other liabilities	1,562,500.00	1,644,358.07
	150,903,334.48	142,507,411.50
Total equity and liabilities	338,328,058.18	311,777,301.13



Income Statement

for the period 1 January through 31 December 2019

	1 Jan. 2019– 31 Dec. 2019	1 Jan. 2018– 31 Dec. 2018
	EUR	EUR
1. Revenues	291,472.44	0.00
2. Other operating income	18,802,098.57	9,263,914.58
	19,093,571.01	9,263,914.58
3. Cost of materials		
a) Cost of raw materials, consumables, supplies and purchased merchandise	0.00	25,914.30
b) Cost of purchased services	194,697.08	618,921.68
	194,697.08	644,835.98
4. Payroll and benefit costs		
a) Wages and salaries	3,623,235.74	2,704,995.83
b) Social security contributions and expenditures for pension plans (thereof toward employee retirement: EUR 1,726.56; prior year: EUR 1,264.92)	414,671.34	289,847.73
	4,037,907.08	2,994,843.56
5. Write-downs of intangible assets of the non-current assets and property, plant and equipment	138,661.79	94,601.39
6. Other operating expenses	4,149,934.34	5,636,505.41
7. Income from equity investments	35,300.04	35,300.04
8. Earnings from profit-shifting contracts	7,065,194.97	18,599,566.58
9. Interest income from securities	650.00	650.00
10. Other interest income and similar earnings (thereof from associates: EUR 7,787,669.28; prior year: EUR 4,943,110.05)	11,281,063.54	5,314,983.55
11. Write-downs of financial assets	0.00	4,999.20
12. Interest and similar expenses (thereof to associates: EUR 420,065.18; prior year: EUR 271,270.94) (thereof from discounting: EUR 1,175.00; prior year: EUR 168.00)	4,674,164.53	4,574,614.49
13. Taxes on income and profit	1,898,945.60	3,825,095.28
14. Earnings after income taxes	22,381,469.14	15,438,919.44
15. Other taxes	3,896.00	2,336.00
16. Net income	22,377,573.14	15,436,583.44
17. Profit carried forward from previous year	96,797,758.76	86,515,224.10
18. Dividend	-5,190,069.44	-5,154,048.78
19. Net retained profit	113,985,262.46	96,797,758.76



ACCENTRO Real Estate AG, Berlin

NOTES

for the Financial Year
1 January through 31 December 2019

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

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

2 Disclosures on Recognition and Measurement

2.1 Recognition and Measurement Policies

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.

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

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 and **equity investments** 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.

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

Bank credit is recognised at face value.

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

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

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

Liabilities are recognised at their settlement value.

2.2 Statement of Gross Changes in Fixed Assets

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 unscheduled impairments took place during the 2019 financial year.

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

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

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

Receivables from associates with remaining terms of more than one year add up to EUR 174,485,789.44 (prior year: EUR 165,263,634.04).

Receivables 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 cash the Company received for the subsidiaries within the cash pooling framework.

2.5 Other Assets / Other Lendings

During the previous year, a loan over the amount of EUR 10 million was granted to a collaboration partner toward the acquisition of properties earmarked for the apartment retailing by a subsidiary of ACCENTRO AG. The assets are now to be sold via another sales channel in the near future, and the loan is to be repaid from the sales proceeds. The due date for the loan, originally in October, was pushed back to the end of December 2019. The loan bears a risk-adequate interest and is recognised among the other assets. As of the balance sheet date, the loan, which is collateralised with partnership interests, amounted to EUR 11,207,441.98 (previous year: EUR 10,139,583.33), interest included.

Overall, the other assets include receivables from loans in the amount of EUR 11,233,804.81 (previous year: EUR 10,165,312.49). Receivables with remaining terms of more than one year add up to EUR 55,341.17 (prior year: EUR 10,042,030.00).

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.

2.7 Changes in Capital Reserves

The Company shares acquired during the previous year and in the year under review were transferred to the capital reserve in the amount of EUR 83,286.12 as part of the issuance of employee shares.

2.8 Disclosures and Notes on Provisions

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

	EUR
Provisions for outstanding invoices	63,832.38
Provisions for financial statements and audit	437,235.50
Provisions for payroll costs	609,277.23
thereof for bonuses and emoluments	490,000.00
Other provisions	208,580.17

A provision for outstanding invoices reported in the previous year was released to income in the 2019 financial year due to a change in the VAT treatment that is based on a decision of the European Court of Justice. The provision amounted to EUR 882,894.66.

2.9 Bonds

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

The bond recognised in the balance sheet as of 31 December 2019 is not convertible (convertible the previous year: EUR 0.00).

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

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

Contingent liabilities pursuant to Sec. 251, HGB

	EUR
from guarantees in favour of associates	19,621,250.00
prior year	27,271,250.00
from letters of comfort in favour of associates	78,854,725.00
prior year	63,450,000.00

The guarantees in favour of associates in the amount of EUR 19,621,250.00 are matched by loan proceeds in the amount of EUR 34,088,512.00 from subsidiaries. Considering these loan proceeds and the economic situation of the respective subsidiary, ACCENTRO Real Estate AG does not expect the guarantees to be used.

ACCENTRO Real Estate AG has moreover issued unrestricted letters of comfort to 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 24.7 million for the purpose of securing the liabilities associable with purchase guarantees. For detailed figures, see section 4 e) of the 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. 3, HGB, for liabilities that 19 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	97,196.95	99,136.87
Prior year	72,183.18	80,600.86

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	2,568,395.04
Prior year	209,023.20	97,303.68
Advisory agreements	143,625.72	0.00
Prior year	184,829.15	0.00
Total	740,767.17	2,568,395.04
Prior year	393,852.35	97,303.68

The year-on-year increase in financial obligations from lease agreements reflects the Company's own removal to its new head office and the associated signing of a long-term lease with an affiliated group company.

2.13 Revenues

Revenues of EUR 0.3 million (previous year: EUR 0.00 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

The other operating income primarily concerns income from the disposal of financial investments (EUR 13,922,373.76), income from the merger of Phoenix F1 Neubrandenburgstrasse GmbH with ACCENTRO Real Estate AG (EUR 3,812,100.27), and from the reversal of provisions (EUR 921,850.62).

2.15 Prior-Period Income and Expenses

Other operating income includes prior-period income in the amount of EUR 1,049,744.56. This income is essentially attributable to the reversal of provisions and to the derecognition of liabilities.

Other operating expenses include prior-period expenses in the amount of EUR 1,007,106.68. In the amount of EUR 882,787.63, these expenses represent the derecognition of a receivable due to a change in VAT treatment based on a decision of the European Court of Justice and the derecognition of other irrecoverable receivables.

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	4,482,233.55
ESTAVIS Wohneigentum GmbH	211,795.73
ACCENTRO GmbH	2,371,165.69

The companies are exempt from the requirement to disclose their annual financial statements for the 2019 financial year.

2.17 Taxes on Income and Profit

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

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

2.18 Proposal for the Appropriation of Net Income

The year's net income amounts to EUR 22,377,573.14 and is expected to be allocated to the net retained profit in the same amount. A portion of the net retained profit of EUR 113,985,262.46 is to be distributed as a dividend of EUR 0.16 per share.

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

3 Other Required Disclosures

3.1 Members of the Management Board and the Supervisory Board

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

Jacopo Mingazzini

- Practised profession: Real estate economist

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

Axel Harloff (Chairman)

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

Dr. Dirk Hoffmann (Deputy Chairman)

- Practised profession: Lawyer
- Other positions in comparable domestic and foreign supervisory bodies:
 - Chairman of the supervisory board of ADLER Real Estate AG, Berlin (until the end of February 2020)
 - Chairman of the supervisory board of SQUADRA Immobilien GmbH & Co. KGaA, Frankfurt am Main
 - Chairman of the supervisory board of WESTGRUND AG, Berlin

Natig Ganiyev, London

- Practised profession: Managing Director of Vestigo Capital Advisors LLP, London
- Other positions in comparable domestic and foreign supervisory bodies:
 - Director of Brookline Capital GP Limited, Guernsey
 - 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 the one member of the Management Board amounted to EUR 594,850.32 in the year under review and breaks down into a fixed remuneration of EUR 354,850.32 (fixed remuneration of EUR 330,000.00, ancillary wage costs of EUR 10,383.84, and non-cash remuneration of EUR 14,466.48), and the 2018 bonus in the amount of EUR 240,000.00 that became due for payment.

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

	Expenses	Disbursement
	EUR	EUR
Fixed salary	330,000.00	330,000.00
Ancillary wage costs	10,383.84	10,383.84
2019 bonus	240,000.00	0.00
2018 bonus	0.00	240,000.00
Remuneration in cash	14,466.48	14,466.48
Total	594,850.32	594,850.32

The total remuneration paid to the Supervisory Board during the 2019 financial year added up to EUR 135,000. For detailed figures, see Item 8 "Remuneration Report" in the 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, Art. 1, 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	11,737,099.83	3,128,627.83
2	ACCENTRO 6. Wohneigentum GmbH, Berlin			100.0	-682,621.89	-430,041.49
3	ACCENTRO 11. Wohneigentum GmbH, Berlin			100.0	-1,745,907.36	-1,744,502.98
4	ACCENTRO 16. Wohneigentum GmbH, Berlin			100.0	233,362.31	220,237.22
5	ACCENTRO 17. Wohneigentum GmbH, Berlin			100.0	-144,240.44	-167,772.92
6	ACCENTRO 20. Wohneigentum GmbH, Berlin			100.0	24,166.46	-833.54
7	ACCENTRO 21. Wohneigentum GmbH, Berlin			100.0	24,021.81	-978.19
8	ACCENTRO 22. Wohneigentum GmbH, Berlin			100.0	24,021.81	-978.19
9	ACCENTRO Bayern GmbH (formerly ACCENTRO 19. Wohneigentum GmbH), Berlin			100.0	-587,357.16	-610,688.44
10	ACCENTRO Wohneigentum GmbH, Berlin			100.0	519,504.10	0.00
11	ACCENTRO GmbH, Berlin			100.0	210,309.62	0.00
12	ACCENTRO Verwaltungs GmbH, Berlin			100.0	29,650.19	1,300.90
13	Accentro Sachsen GmbH, Berlin			100.0	1,452,879.97	1,044,823.50
14	ESTAVIS 43. Wohnen GmbH & Co. KG, Berlin			100.0	1,873,754.10	20,753.93
15	Quartier Danziger Straße 143 GmbH, Berlin			100.0	-176,682.78	-201,682.78
16	Quartier Hasenheide GmbH, Berlin			100.0	-109,057.18	285,864.69
17	Quartier Dietzgenstraße GmbH, Berlin			100.0	23,232.78	-1,767.22
18	Koppenstraße Wohneigentum GmbH, Berlin	10	100.0		336,203.21	124,854.00
19	Kantstr. 44, 45 Verwaltungsgesellschaft mbH, Berlin			100.0	-1,437,862.17	-1,079,286.27
20	Riehmers Dachgeschoss Grundbesitz GmbH, Berlin			100.0	-46,847.64	-62,335.99
21	Riehmers Hofgarten Grundbesitz GmbH, Berlin			100.0	-2,391,802.22	-1,061,571.16
22	ESTAVIS Wohneigentum GmbH, Berlin			94.0	2,929,301.10	0.00
23	Uhlandstr. 79 GmbH, Berlin			50.0+1	52,139.36	-68,394.60
24	ESTAVIS Beteiligungs GmbH & Co. KG, Berlin			94.0	5,428,243.94	-3,495.28
25	ACCENTRO Binz GmbH, Berlin			94.9	-411,194.20	-168,063.86
26	ACCENTRO Rhein Ruhr GmbH, Oberhausen			75.0	30,165.06	5,419.71
27	ACCENTRO 2. Sachsen GmbH, Berlin			50.1	-105,030.28	-96,827.29

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Serial no.	Company name and registered office	via	indirect	direct	Shareholders' equity	Profit / loss for the year
			%	%		
28	GeSoNa Verwaltungs GmbH & Co. KG Hermannstraße KG, Berlin	3	73.12		1,145,816.40	1,145,816.40
29	GeSoNa Verwaltungs GmbH, Berlin	3	67.27		10,251.37	10,251.37
30	Düsseldorfer Straße 68-69 Projektgesellschaft mbH, Berlin			94.9	-53,758.34	-67,632.57
31	Wintersteinstraße 7, 9 Liegenschaften 1 GmbH, Berlin			94.9	-46,623.63	8,631.59
32	Wintersteinstraße 7, 9 Liegenschaften 2 GmbH, Berlin			89.9	-123,789.50	-63,900.51
33	Johanniterstr. 3-6 Liegenschaften GmbH, Berlin			80.0	4,141,689.12	337,232.65
34	Kantstraße 130b/Leibnizstraße 36, 36a GbR, Berlin	35	38.4		187,897.11	-1,861.80
35	Kantstraße 130b/Leibnizstraße 36, 36a Immobilien Gesellschaft mbH, Berlin	22	40.8		-181,779.42	-36,546.60
36	Gutshof Dahlewitz1 GmbH, Berlin*			44.0	24,989.79	-10.21
37	Gutshof Dahlewitz 2 GmbH, Berlin			44.0	n.a.	n.a.
38	Belle Époque Quartier Gehrensee GmbH, Berlin**			25.0	-2,021,994.68	-971,301.14
39	SHG Basdorfer Gärten BF6 Liegenschaften GmbH, Berlin*			49.0	-347,469.21	-372,469.21
40	Düne 38 Projektentwicklungs GmbH, Berlin*			44.0	-112,797.92	-137,797.92
41	Urbanstraße 5 Projekt GmbH, Berlin*	10	44.0		467,473.26	671,110.04
42	Accentro 5. Wohneigentum GmbH, Berlin*			5.1%	-1,845,069.71	-354,381.67
43	DELTA VIVUM Berlin I GmbH, Berlin*			5.1%	10,761,516.47	1,458,725.39
44	DELTA VIVUM Berlin II GmbH, Berlin*			5.1%	-1,894,756.32	227,417.27
45	Phoenix Spree Gottlieb GmbH, Berlin**			5.1%	123,124.97	0.00
46	Phoenix Spree Mueller GmbH, Berlin**			5.1%	2,766,430.00	0.00
47	HRP Hamburg Residential S.à r.l., Luxembourg (figures 2017)			5.1%	3,461,233.24	-1,538,766.76
48	Estavis 6. Wohnen GmbH, Berlin**			5.1%	232,122.87	0.00
49	Estavis 7. Wohnen GmbH, Berlin**			5.1%	-73,154.47	0.00
50	Estavis 8. Wohnen GmbH, Berlin**			5.1%	224,347.09	0.00
51	Estavis 9. Wohnen GmbH, Berlin**			5.1%	232,122.87	0.00
52	RELDA 36. Wohnen GmbH, Berlin**			5.1%	82,259.66	0.00
53	RELDA 38. Wohnen GmbH, Berlin**			5.1%	104,083.42	0.00
54	RELDA 39. Wohnen GmbH, Berlin**			5.1%	110,283.40	0.00
55	RELDA 45. Wohnen GmbH, Berlin**			5.1%	110,714.19	0.00

* Provisional HGB figures from 2019

** Figures from 2018

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

During the 2019 financial year, the interests in three subsidiaries and one equity investments were sold. One subsidiary was merged with the ACCENTRO Real Estate AG during the reporting period.

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 30 November 2017, 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 item 3.4, above. The consolidated financial statements of the group of companies was compiled in accordance with IFRS as of 31 December 2019. 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 2019:

Employee categories	Number
Employees	36
thereof:	
full-time employees	32
part-time employees	4

The total number of staff employed during the financial year is 33 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 2019, 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 2019. 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 contingent capital at its disposal:

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

* Subject to approval by the Supervisory Board

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

3.8.3 Declaration on the Corporate Governance Code

The Declaration was issued pursuant to Sec. 285, Art. 1, No. 16, HGB, i. c. w. Sec. 161, AktG, in March 2020, and was made permanently accessible to the shareholders on the homepage of ACCENTRO Real Estate AG (www.accentro.ag).

3.9 Supplementary Report

On 3 February 2020, the Management Board resolved, with the Supervisory Board's approval, to submit a cash offer to the holders of the 2018/2021 bond that will mature in 2021 to buy back the outstanding nominal amount of the bond. The total amount of the buyback offer is c. EUR 89.8 million (equal to 89.8% of the outstanding total nominal amount of the 2018/2021 bond). ACCENTRO accepts the entire buyback offer at a buyback price equal to 103,243%. The buyback offer was completed in February 2020.

Following the implementation of the buyback offer, ACCENTRO intends moreover to buy back the remaining debenture bonds of the 2018/2021 bond prematurely at their nominal amount plus accrued interest.

On 7 February 2020, ACCENTRO AG successfully placed EUR 250 million worth of new non-subordinated and unsecured debenture bonds with a maturity of three years. The new bond is issued at 99.745% of its nominal value and at a coupon rate of 3.625% p.a. The net issue proceeds are earmarked for the premature repayment of EUR 100 million worth of debenture bonds that will mature in 2021, for funding the acquisition of additional real estate in Germany, and for general corporate purposes.

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

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

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.

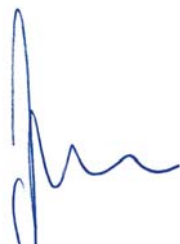
4 Appendices to the Notes

Annex 1 – Statement of Changes in Fixed Assets

Annex 2 – Schedule of Liabilities

Berlin, 18 March 2020

Management Board of ACCENTRO Real Estate AG



Jacopo Mingazzini
CEO

Statement of Changes in Fixed Assets

for the period from 1 January to 31 December 2019

	1 Jan. 2019	Acquisition or manufacturing costs			31 Dec. 2019
		Additions	Disposals	Reclassifications	
	EUR	EUR	EUR	EUR	EUR
I. Intangible assets					
Software	246,348.05	56,517.46	0.00	0.00	302,865.51
II. Property, plant and equipment					
Furniture, fixtures and equipment	539,899.54	437,718.33	19,167.98	0.00	958,449.89
Advance payments	0.00	95,969.45	0.00	0.00	95,969.45
	539,899.54	533,687.78	19,167.98	0.00	1,054,419.34
III. Financial investments					
Interests in associates	31,697,681.26	3,246,533.24	6,807,023.45	1,199,434.83	29,336,625.88
Equity investments	4,405,388.57	23,858.86	11,336.77	1,377.00	4,419,287.66
Securities held as fixed assets	326,000.00	270,000.00	0.00	0.00	596,000.00
Advance payments made on interests in associates	1,202,507.58	0.00	1,695.75	-1,200,811.83	0.00
Lendings to companies in which the Company holds an equity interests	10,158,736.62	979,155.36	0.00	0.00	11,137,891.98
Other lendings	3,459,342.61	131,711.02	25,989.63	0.00	3,565,064.00
	51,249,656.64	4,651,258.48	6,846,045.60	0.00	49,054,869.52
	52,035,904.23	5,241,463.72	6,865,213.58	0.00	50,412,154.37

	Write-downs			Depreciated book value		
	1 Jan. 2019	Additions	Disposals	31 Dec. 2019	31 Dec. 2019	1 Jan. 2019
	EUR	EUR	EUR	EUR	EUR	EUR
	152,210.81	46,103.46	0.00	198,314.27	104,551.24	94,137.24
	352,413.04	92,558.33	19,165.98	425,805.39	532,644.50	187,486.50
	0.00	0.00	0.00	0.00	95,969.45	0.00
	352,413.04	92,558.33	19,165.98	425,805.39	628,613.95	187,486.50
	4,502,282.88	0.00	0.00	4,502,282.88	24,834,343.00	27,195,398.38
	4,999.20	0.00	0.00	4,999.20	4,414,288.46	4,400,389.37
	0.00	0.00	0.00	0.00	596,000.00	326,000.00
	0.00	0.00	0.00	0.00	0.00	1,202,507.58
	0.00	0.00	0.00	0.00	11,137,891.98	10,158,736.62
	0.00	0.00	0.00	0.00	3,565,064.00	3,459,342.61
	4,507,282.08	0.00	0.00	4,507,282.08	44,547,587.44	46,742,374.56
	5,011,905.93	138,661.79	19,165.98	5,131,401.74	45,280,752.63	47,023,998.30

Schedule of Liabilities

as of 31 December 2019

	Total	with a maturity		
		of up to one year	of more than one year and up to five years	of more than five years
	EUR	EUR	EUR	EUR
1. Bonds	100,000,000.00	0.00	100,000,000.00	0.00
prior year	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	8,069.12	8,069.12	0.00	0.00
3. Trade payables	1,090,983.90	1,090,983.90	0.00	0.00
prior year	1,877,160.60	1,877,160.60	0.00	0.00
4. Liabilities to associates	48,249,850.58	15,772,860.27	32,476,990.31	0.00
prior year	38,977,823.71	25,427,045.54	13,550,778.17	0.00
5. Other liabilities	1,562,500.00	1,562,500.00	0.00	0.00
prior year	1,644,358.07	1,644,358.07	0.00	0.00
	150,903,334.48	118,426,344.17	32,476,990.31	0.00
prior year	142,507,411.50	28,956,633.33	113,550,778.17	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, 18 March 2020

Jacopo Mingazzini
Management Board

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

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") which comprise the balance sheet as of December 31, 2019, and the statement of profit and loss for the financial year from January 1 to December 31, 2019 and notes to the financial statements, including the presentation of the recognition and measurement policies. In addition, we have audited the Management Report which is combined with the Group Management Report (following: "Management Report") of ACCENTRO Real Estate Aktiengesellschaft, Berlin, for the financial year from January 1 to December 31, 2019. In accordance with the German legal requirements we have not audited the content of the corporate governance statement published on the website of the company in accordance with section 289f HGB, which is referred to in Chapter 7 of the Management Report.

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

- the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law applicable to business corporations and give a true and fair view of the assets, liabilities and financial position of the Company as at December 31, 2019 and of its financial performance for the financial year from January 1 to December 31, 2019 in compliance with German Legally Required Accounting Principles, and
- the accompanying Management Report as a whole provides an appropriate view of the Company's position. In all material respects, this Management Report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the Management Report does not cover the content of the corporate governance statement published on the ACCENTRO Real Estate AG website in accordance with section 289f HGB.

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

Basis for the Audit Opinions

We conducted our audit of the annual financial statements and of the Management Report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities

under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management Report" section of our auditor's report. We are independent of the Company in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the annual financial statements and on the Management Report.

Key Audit Matters in the Audit of the Annual Financial Statements

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

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

Valuation of shares in affiliated companies and receivables from affiliated companies

(a) The risk to the financial statements

As of December 31, 2019, ACCENTRO Real Estate Aktiengesellschaft accounted for shares in affiliated companies in the amount of kEUR 24,834 and receivables due from affiliated companies in the amount of kEUR 259,079. Shares in affiliated companies are accounted for at amortized cost and receivables from affiliated companies are measured by the lower of nominal or fair value.

The company's disclosures on the valuation and measurement of shares in and receivables due from affiliated companies are in the chapters "2.1. Accounting policies", "2.2. statement of changes in non-current assets" and "2.4. Intragroup receivables and liabilities" in the Notes and in the section "Reporting on the statutory financial statements of ACCENTRO Real Estate AG" of the Management Report.

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

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

(b) Auditor's response and conclusions

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

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

Other Information

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

- the report of the supervisory board,
- the corporate governance statement published on the website of ACCENTRO Real Estate AG, Berlin, which is referred to in Chapter 7 of the Management Report,
- the Corporate Governance Report in accordance with No. 3.10 of the German Corporate Governance Code,
- the confirmation pursuant to § 264 (2) sentence 3 HGB regarding the financial statements and the confirmation pursuant to § 289 (1) sentence 5 HGB regarding the management report,
- 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 report of the Supervisory Board. The legal representatives and the Supervisory Board are responsible for the Group's corporate governance declaration published on the companies website and referred to in Section 7 of the Group Management Report, as well as for the Corporate Governance Report in accordance with No. 3.10 of the German Corporate Governance Code. The legal representatives are also responsible for other information.

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

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

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

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

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the annual financial statements and of the Management Report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit of the annual financial statements and of arrangements and measures (systems) relevant to the audit of the Management Report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems of the Company.
- Evaluate the appropriateness of accounting policies used by management and the reasonableness of estimates made by management and related disclosures.
- Conclude on the appropriateness of the managements use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the annual financial statements and in the Management Report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles.
- Evaluate the consistency of the Management Report with the annual financial statements, its conformity with German law, and the view of the Company's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the Management Report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used management as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

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

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

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

Other Legal and Regulatory Requirements

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as auditor by the annual general meeting on May 14, 2019. We were engaged by the supervisory board on November 26, 2019. We have been the auditor of the ACCENTRO Real Estate Aktiengesellschaft, Berlin, without interruption since the short fiscal year 2014.

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

German Public Auditor Responsible for the Engagement

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

Hamburg, March 18, 2020

Ebner Stolz GmbH & Co. KG
Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft

Dirk Schützenmeister	Florian Riedl
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

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Chairman of the Supervisory Board

Axel Harloff, Hamburg

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