DIC

ANNUAL REPORT

2016

DIC ASSET AG AT A GLANCE

Key financial figures in EUR million	2016	2015	Δ
Gross rental income	111.2	136.7	-19 %
Net rental income	94.5	120.4	-22 %
Real estate management fees	21.5	7.3	>100 %
Proceeds from sales of property	318.1	201.3	+58 %
Total income	473.8	372.4	+27 %
Profits on property disposals	23.2	14.9	+56 %
Share of the profit or loss of associates	2.3	7.7	-70 %
Funds from Operations (FFO)	47.0	49.0	-4 %
EBITDA	114.9	126.6	-9 %
EBIT	79.6	83.9	-5 %
EPRA earnings	44.1	47.6	-7 %
Adjusted profit/loss for the period	26.9	20.7	+30 %
Profit/loss for the period	-29.4	20.7	<-100 %
Cash flow from operating activities	33.9	53.0	-36 %

Balance sheet figures in EUR million	31.12.2016	31.12.2015
Loan-to-value ratio (LTV) in %*	59.9	62.6
Investment property	1,583.4	1,700.2
Net asset value	880.0	884.1
Total assets	2,395.5	2,456.1

Key figures per share in Euro	2016	2015	Δ
FFO	0.69	0.72	-4 %
EPRA earnings	0.64	0.69	-7 %
Net asset value	12.83	12.89	0 %

Key operating figures	2016	2015
Letting result in EUR million	32.1	23.7
Vacancy rate in %	11.3	11.3

* adjusted for warehousing

DEAR SHAREHOLDERS AND BUSINESS PARTNERS, EMPLOYEES AND FRIENDS OF OUR COMPANY,

Aydin Karaduman, Chief Executive Officer,
Prof. Dr. Gerhard Schmidt, Chairman of the Supervisory Board

Most of us will remember 2016 as a year of radical change and historical turning points. Surprising election results such as the Brexit vote shook deeply rooted beliefs. The European Central Bank's zero percent key rate and the first negative nominal interest rates for private investors pushed traditional economic schools of thought to the limits of predictability.

Germany's robust domestic economy, with its strong consumer spending and expansive service sector, has also shaped the real estate market. Despite rising completions, office vacancy rates fell to their lowest level since 2002. In terms of transaction activity, continuing capital inflows are noticeable in that the supply of properties suitable for institutional investors has become scarce.

In addition to the advantage of operating exclusively within the German real estate market, another of DIC Asset AG's inherent strengths is its own asset management platform. Real estate management expertise, identification of investment opportunities and value creation in the real estate sector are all entirely in our hands and – thanks to growing assets under management of currently EUR 3.5 billion – are already generating remarkable operating income.

Strong in-house asset management and investment platform

The performance of our management platform has enabled us to end financial year 2016 on a much stronger footing than we expected at the start of the year. The most important facts for the past year:

- FFO exceeded forecasts issued at the start of the year by reaching EUR 47 million.
- We increased take-up significantly by almost 45 percent, resulting in total rental space of approximately 293,500 square metres.
- By making acquisitions for the fund business totalling EUR 520 million, we purchased more than three times as much real estate as in the previous year, thus exceeding the target we raised during the year.
- Real estate management fees have almost tripled.
- We achieved attractive sales profits as part of a planned series of disposals; the prices we obtained for transactions totalling approximately EUR 201 million were 11 percent higher on average than the most recently determined market value. Furthermore, the transfer of properties into the "DIC Office Balance III" fund with a total volume of approximately EUR 270 million was recognised on our balance sheet in early 2016.

Almost EUR 1 billion refinanced

In 2016 we took the opportunity to do more than just generate good operating results based on the Company's inherent strengths. In light of increasing question marks regarding the persistently low interest rate environment and the first international and European trends towards a medium-term turnaround in rates, we made a crucial decision concerning our financial strategy. Signing a loan agreement in December to refinance almost our entire Commercial Portfolio for almost EUR 1 billion was one of the highlights of our financial year.

By refinancing the Portfolio ahead of schedule, we secured what was at the time a very low interest level over a period of seven years, thus significantly reducing costs over the long term. The almost complete repayment of existing financing resulted in non-recurring expenses of around EUR 56 million that had a negative effect on consolidated net income for 2016. The annual interest costs of our portfolio financing will now fall considerably by 170 basis points to 1.7 percent, representing a saving of up to EUR 20 million per year. We also arranged attractive principal payment conditions. From the 2017 financial year onwards, taking this step will give us access to up to EUR 40 million more in freely available funds per year, which we can use to further accelerate our growth.

Fund business on steep growth trajectory

With its special funds, DIC Asset AG has provided its business model with a high-volume success driver that generated significant growth during the year under review. Acquisitions totalling EUR 520 million exceeded acquisition targets for 2016. Given the highly competitive demand in the real estate investment market, this further illustrates our excellent network within the market.

In addition to the four funds we have already established, two new fund initiatives are currently at the practical implementation stage. We constructed the start-up portfolios for these funds during the 2016 financial year. In addition to placing these funds in the first half of 2017, we intend to issue further funds during the current financial year to enable us to serve institutional investors that have a long-term focus.

Sustainable income and stable values

Our in-house asset management and investment platform is at the core of our activities, granting us direct access to regional markets across Germany where we can leverage potential for value creation and generate stable cash flows. In doing so, we combine various sources of income with a high degree of risk diversification. We were able to increase like-for-like rental income in our managed portfolio while at the same time almost tripling fees from real estate management services within a year. The high quality of our managed real estate has been underscored on several occasions, with both disposals and property valuations reaffirming our market values.

Basis for a higher dividend

With the optimisation of our real estate portfolio, the successful continuing diversification of our sources of income driven by a growing fund business and the effects of the early refinancing of our Commercial Portfolio, we believe the financial position and earnings of our Company are on a significantly stronger footing for the years ahead. Based on the success of 2016 and the promising outlook for our company, we would like our shareholders to participate in the form of an attractive dividend, and will therefore propose the distribution of a dividend of EUR 0.40 per share at the General Shareholders' Meeting.

Your continued confidence in us, dear shareholders and business partners, gives us great encouragement that our risk-aware investment and financing policy and long-term growth targets rest on the right strategic cornerstones. We would like to take this opportunity to thank you for your trust, commitment and support. We would also like to thank our more than 180 employees who form the backbone of our nationwide asset management platform in Germany and whose immense dedication enabled us to succeed in 2016. We are facing our future challenges with resounding optimism and look forward to sharing another fascinating year in real estate for DIC Asset AG with you in 2017.

Kind regards,

Prof. Dr. Gerhard Schmidt	Aydin Karaduman
Chairman of the Supervisory Board	Chief Executive Officer

INVESTOR RELATIONS AND CAPITAL MARKETS

German equity market: Easing of interest rates and year-end rally in December

The German equity market experienced little actual movement well into the fourth quarter of 2016. Investors' fears about the global economy temporarily provided two favourable entry points for equity investors: a slump in sentiment connected with extremely low oil prices in February, and a downturn in the middle of the year in the wake of the Brexit vote.

The swift recovery that followed each event resulted in a sideways shift for the German equity market, as German indices were relatively immune from geopolitical uncertainties and experienced little momentum until late autumn. Individual securities were subject to speculative fluctuations that prompted outliers to slide back to their previous level after a short time while other previously less sought-after stocks surged. Despite outperforming the DAX until the middle of the year, real estate stocks were generally under pressure as fears of rising interest rates prompted reallocations and sector rotation amongst market players in September and October.

After the unexpected outcome of the US presidential election in November, US equity markets in particular made significant gains in expectation of an expansive monetary policy and rising consumer spending.

This euphoria then spread to European markets in December, rousing even German stock market investors from their usual balance of expectations and uncertainties. The mix of the US Federal Reserve's expected interest rate decision indicating improvements in the US economy, speculation about a 'Trump boom' in the country's economy and confirmation of the ECB's continuing loose monetary policy enabled market players to block out their existing insecurities and triggered an end-of-year rally on the DAX until the end of December. Led by a banking sector benefiting from rising interest rates and supported by a markedly weaker euro, the German blue-chip index ended the year up 6.9% at a new high of 11,481 points.

DIC Asset AG's share price mirrored the DAX's decline in February 2016 by reaching an annual low of EUR 7.28 before recovering to almost the same level as the German benchmark index. Amid fears of an interest rate hike, real estate stocks came under pressure across all markets from September onwards, as investor tension about the prospect of rising interest costs at publicly listed real estate companies grew in both the USA and continental Europe. The EPRA Developed Europe Index, in which Europe's leading real estate stocks are quoted, lost almost 15% of its value from September to November, when it reached its annual low. DIC Asset AG's share price fared considerably better over the same period, declining by around 7%. In the wake of the ECB and Fed's interest rate decisions in early December, the sector index followed the wider market and experienced a turnaround, rallying from its mid-November low to gain around 8% by the end of the year. During that period, DIC Asset AG's share price also gained around 9%, closing the year at EUR 9.10.

DIC Asset AG's market capitalisation stood at EUR 624 million on 31 December 2016, down slightly by 2.3% on the previous year (EUR 639 million). After taking the dividend reinvestment into account, the share price increased by around 2% to outperform the sector index, which declined by around 8%.

SHARE PERFORMANCE

(assuming instant reinvestment of the dividend, indexed)

BASIC DATA ON THE DIC ASSET AG SHARE

Number of shares	68,577,747 (registered shares)
Share capital in EUR	68,577,747
WKN / ISIN	A1X3XX / DE000A1X3XX4
Symbol	DIC
Free float	68.5 %
Key indices	SDAX, EPRA, DIMAX
Exchanges	Xetra, all exchanges in Germany
Deutsche Börse segment	Prime Standard
Designated Sponsors	Oddo Seydler, HSBC Trinkaus

KEY FIGURES ON THE DIC ASSET AG SHARE (1)

		2016	2015
Net asset value per share	Euro	12.83	12.89
FFO per share	Euro	0.69	0.72
FFO yield (2)	%	7.5	7.7
Dividend per share	Euro	0.40	0.37
Year-end closing price	Euro	9.10	9.32
52-week high	Euro	9.43	9.99
52-week low	Euro	7.28	7.31
Market capitalisation (2)	EUR million	624	639

(1) Xetra closing prices in each case
(2) based on the Xetra year-end closing price

BASIC DATA ON THE DIC ASSET AG BONDS

Name	DIC Asset AG bond 13/18	DIC Asset AG bond 14/19
ISIN	DE000A1TNJ22	DE000A12T648
WKN	A1TNJ2	A12T64
Abbreviation	DICB	DICC
Deutsche Börse segment	Prime Standard for corporate bonds	Prime Standard for corporate bonds
Minimum Investment amount	1,000 Euro	1,000 Euro
Coupon	5.750 %	4.625 %
Issuance volume	EUR 100 million	EUR 175 million
Maturity	09.07.2018	08.09.2019

KEY FIGURES ON THE DIC ASSET AG BONDS

	2016	2015
DIC Asset AG bond 13/18		
Year-end closing price	104.5 %	104.2 %
Yield to maturity at year-end closing price	2.69 %	3.94 %
DIC Asset AG bond 14/19		
Year-end closing price	106.0 %	104.8 %
Yield to maturity at year-end closing price	2.30 %	3.28 %

Corporate bonds on a firm footing

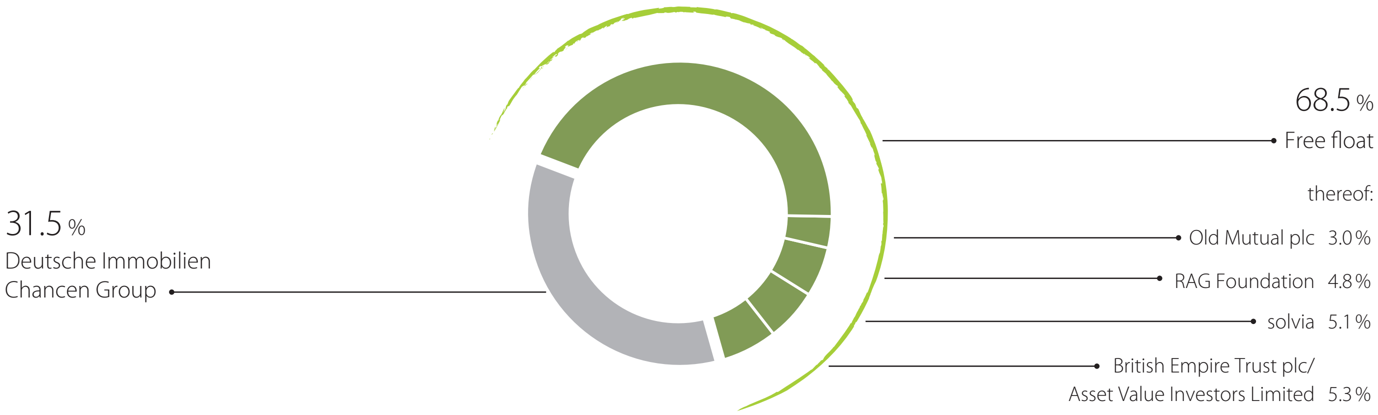
The corporate bonds issued by DIC Asset AG and most recently topped up in April 2015 have gained a firm footing in the market. Both bonds are traded in Deutsche Börse AG's Prime Standard segment. They continued to see high trading liquidity and, with the exception of one day, consistently exceeded their issue price in 2016. DIC Asset AG's 13/18 bond closed at 104.5 % on 30 December 2016. Its 14/19 bond stood at 106.0 % on 30 December 2016.

Stable shareholder structure

DIC Asset AG's shareholder group has a stable structure dominated by institutional investors. The DIC Group – the largest individual shareholder – currently holds 31.5 % of the shares. Other major investors are solvia Vermögensverwaltung (5.1 %) and the RAG Foundation (4.8 %). British Empire Trust plc / Asset Value Investors Limited notified us that it had increased its shareholding in DIC Asset AG to around 5.3 % at the end of June 2016. On 8 February 2017, our investor Old Mutual plc notified us that it had increased its shareholding to around 3.0 % at the end of January 2017. A total of 68.5 % of shares are in free float. As far as we are aware, no other shareholders hold more than 10 % of the share capital, either directly or indirectly. We publish the voting rights notifications submitted to us on our website and in the notes to the consolidated financial statements starting on page 152.

SHAREHOLDER STRUCTURE

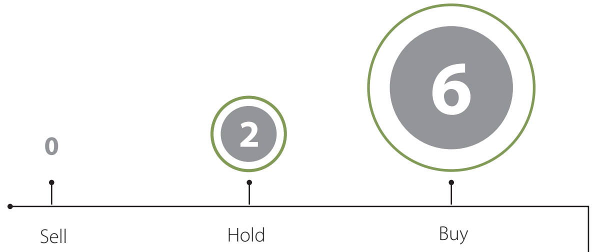
as at February 2017



Analysts have a favourable view of the DIC share

Of the eight analysts who regularly report on our share at present, six have issued a buy recommendation with upside targets of up to EUR 12.00. Two analysts recommend holding and no institution recommends selling. We attribute this high regard for our share to, among other things, our ongoing dialogue and collaboration with analysts and investors, based on our regular presence at road shows and conferences.

ANALYSTS' COVERAGE



Bank/financial institute	Analyst	Current recommendation
Baader Bank	Andre Remke	Buy
Bankhaus Lampe	Dr. Georg Kanders	Buy
Berenberg Bank	Kai Klose	Hold
DZ Bank	Karsten Oblinger	Buy
HSBC	Thomas Martin	Buy
NORD/LB	Michael Seufert	Hold
Oddo Seydler	Thomas Effler	Buy
Solventis	Ulf van Lengerich	Buy

as at February 2017

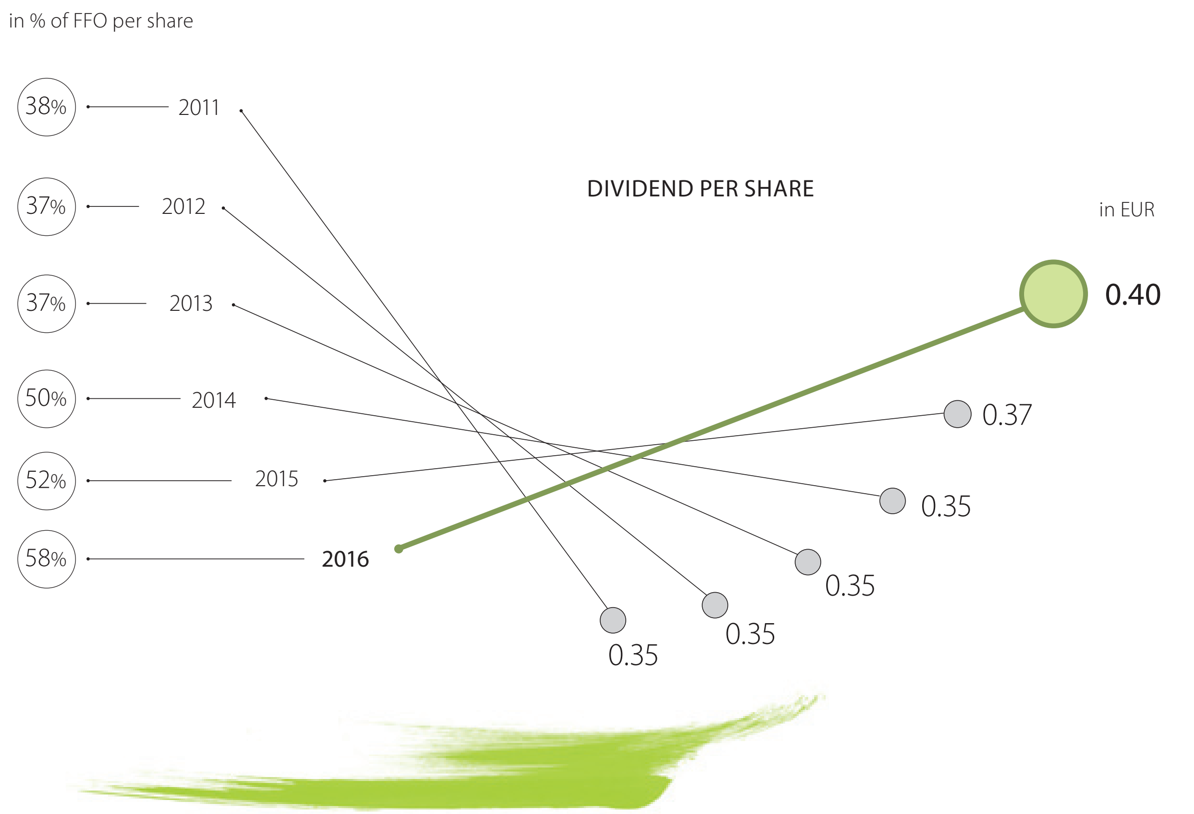
Higher dividend proposed for 2016

The success of our business model is due to attractive income from managing a highly diversified portfolio and the growth in reliable income from managing fund properties. DIC Asset AG pursues a reliable dividend policy, based primarily on the operating profit, as a key instrument of its financial strategy. The Company's current condition plus the forecast for future market development and the need for financing are additional factors.

We achieved all our operating targets in 2016 and significantly exceeded them in several cases. The successful completion of our Commercial Portfolio refinancing, strong take-up, successful real estate management, positive results from our sales activities and strong growth in our fund business have enabled us to create the right conditions for the next steps of our strategic corporate development. We want to give our shareholders an appropriate and valuable share of the Company's success. For financial year 2016, the Management Board will propose at General Shareholders' Meeting a dividend of EUR 0.40 per share.

General Shareholders' Meeting

At the Annual General Shareholders' Meeting for financial year 2015 held in Frankfurt am Main on 5 July 2016, shareholders agreed to the Management Board's proposals by a large majority in the case of all agenda items. The General Shareholders' Meeting formally approved the actions of the members of the Management Board and Supervisory Board and approved on the distribution of a dividend of EUR 0.37 per share, which was immediately paid out on 6 July 2016.



IR-ACTIVITIES 2016

1. QUARTER		
18.01.	Kepler Cheuvreux German Corporate Conference	Frankfurt
03.02.	Analysts' Update 2016	Frankfurt
01.03.	Publication of Financial Report 2015*	
10.03.	HSBC Real Estate Conference	Frankfurt
2. QUARTER		
11.04.	Roadshow	London
13.04.	Bankhaus Lampe Deutschland-Konferenz	Baden-Baden
25.–28.04.	Roadshow USA	New York/Boston
12.05.	Publication of Q1 2016 Report*	
18.05.	Roadshow	Amsterdam
25.05.	Roadshow	Zurich
02.06.	Roadshow	Paris
3. QUARTER		
05.07.	General Shareholders' Meeting	Frankfurt
03.08.	Publication of H1 2016 Report*	
19.09.	Berenberg/Goldman Sachs German Corporate Conference	Munich
20.09.	Baader Investment Conference	Munich
4. QUARTER		
06.–08.10.	EPRA Annual Conference	Paris
04.11.	Publication of Q3 2016 Report*	
15.11.	Deutsche Bank Equity Conference	Frankfurt

*with conference call

IR-CALENDAR 2017 | as at February 2017

1. QUARTER		
17.01.	16th Kepler UniCredit German Corporate Conference	Frankfurt
23.02.	Publication of Financial Report 2016*	Frankfurt
22.03.	Commerzbank German Real Estate Forum	London
23.03.	12th HSBC Real Estate Conference	Frankfurt
28.03.	Bankhaus Lampe Deutschland-Konferenz	Baden-Baden
2. QUARTER		
27.04.	Solventis Aktienforum	Frankfurt
05.05.	Publication of Q1 2017 Report*	
Mid-June	Analysts' Update 2017	Frankfurt
3. QUARTER		
11.07.	General Shareholders' Meeting	Frankfurt
03.08.	Publication of H1 2017 Report*	
18.09.	Berenberg/Goldman Sachs German Corporate Conference	Munich
19.09.	Baader Investment Conference	Munich
4. QUARTER		
03.11.	Publication of Q3 2017 Report*	

Consistent capital markets communication

Our investor relations work is based on the principles of openness, transparency and fairness to all financial market participants. We make meaningful information on our Company's performance and our strategy available on an ongoing basis. To reflect the importance we attach to furnishing this information, the Investor Relations department reports directly to the Management Board.

In addition to issuing detailed written reports, we maintain direct contact with our shareholders and with analysts, continually providing information on all important events at DIC Asset AG. In telephone conferences we consistently explain our results and answer questions immediately after releasing our annual and quarterly figures.

We presented the Company at a total of 11 road shows and investor conferences during the year under review, and also organised a separate event for our analysts.

We promptly publish all information about DIC Asset AG that is relevant for the capital markets on our website and update this information on an ongoing basis. Besides financial reports, company presentations and notifications, recordings of the teleconferences on the annual and quarterly reporting and a detailed overview of analysts' current opinions can be found there.

Involvement in associations

We are involved in the most influential and largest associations, ZIA (Zentraler Immobilien Ausschuss) and EPRA (European Public Real Estate Association), in order to represent the common interests of the real estate sector and offer information services. CFO Sonja Wärntges contributes her expertise to the EPRA Reporting & Accounting Committee and the corresponding ZIA committee. To acknowledge the increasing importance of our fund business, we joined the European Association for Investors in Non-Listed Real Estate Vehicles (INREV) in January 2015.

Sustainability as a guiding principle

For us, responsible use of resources and responsibility towards the environment means to incorporate exemplary and sustainable procedures into our business processes. Here, we follow national and international sustainability guidelines. We take environmental and social requirements into account in our business decisions and processes, favouring scope for optimisation over opportunities for short-term gains wherever possible. As a major player in the property sector, we communicate the most important information and advancements in detail in our separate Sustainability Report, which has already won several EPRA awards.

www.dic-asset.de/engl/investor-relations/publications

National and international awards

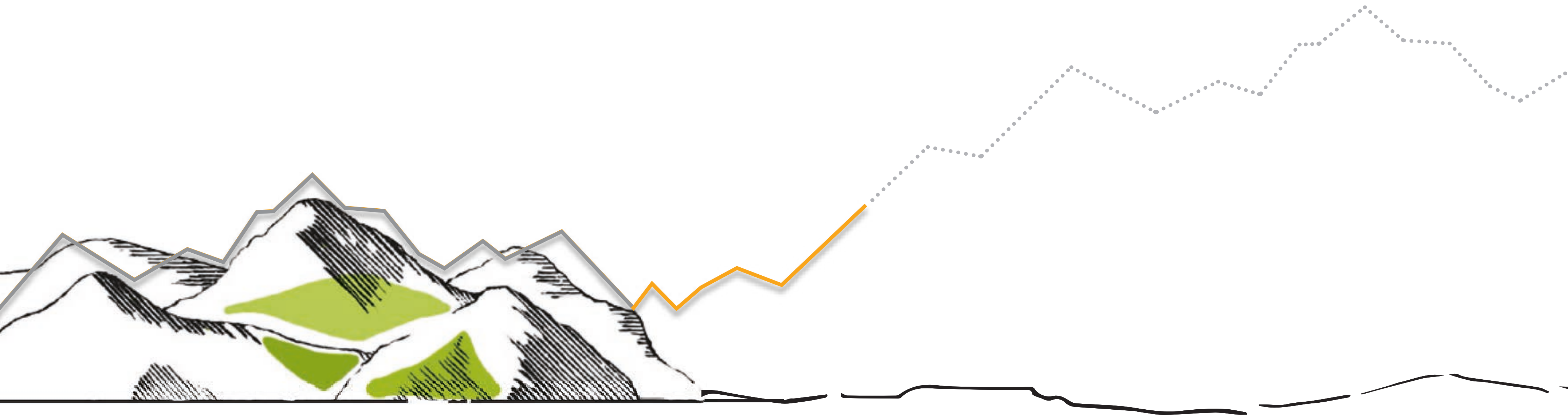
At the "German Investor Relations Awards 2016", which pay tribute to outstanding investor relations work in Germany, Peer Schlinkmann, head of the IR team at DIC Asset AG, was ranked among the top 10 IR professionals at SDAX-listed companies.

In 2016, our Annual Report won major commendations in prestigious competitions for the ninth year in succession. The international LACP jury gave the report a global gold award, ranked it among the top 30 reports in Germany and presented us with an additional accolade for special achievements in the presentation of key financial figures. Our Annual Report also received an ARC silver award to recognise it as one of the real estate investment sector's most highly-rated reports internationally.

Our sustainability reporting received an award for the third time when in September 2016 our Sustainability Report was conferred the EPRA Bronze Award once again for systematic implementation and transparent reporting in accordance with the best-practice criteria of the European Public Real Estate Association (EPRA).

Our latest sustainability report is available to download from our company's website

COMBINED MANAGEMENT REPORT



Brief profile

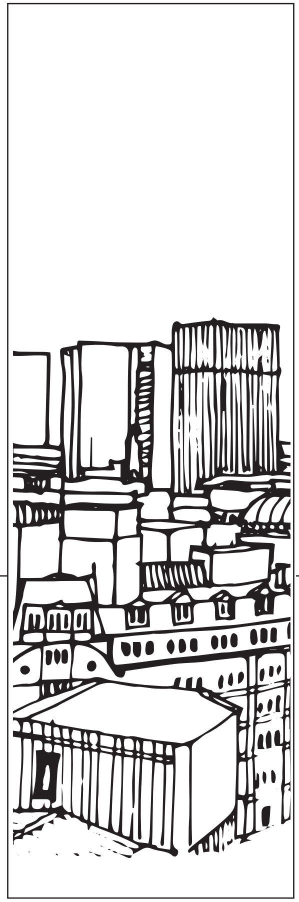
DIC Asset AG is one of Germany's largest listed commercial real estate investors and asset managers. Our portfolio under management consists of real estate assets totalling EUR 3.5 billion and is balanced nationwide with around 40 % in major office locations and 60 % in regional business centres.

Our real estate portfolio is structured in two business segments:

- The directly held "Commercial Portfolio" comprises existing properties owned by DIC Asset AG with long-term leases generating attractive rental yields.

- The "Co-Investments" segment comprises fund investments, investments in project developments and other joint venture investments.

We manage the properties across Germany using a proprietary real estate management platform with six offices located at regional hubs of the portfolio.



FUNDAMENTAL INFORMATION ABOUT THE GROUP

BRIEF PROFILE

MARKET LANDSCAPE

ASSET MANAGEMENT PLATFORM

REGIONAL SEGMENTATION AND LOCATIONS

DIVERSIFIED PORTFOLIO

INCOME AND INVESTMENT STRUCTURE

CORPORATE MANAGEMENT

OBJECTIVES AND STRATEGIES

Decentralised market landscape in Germany

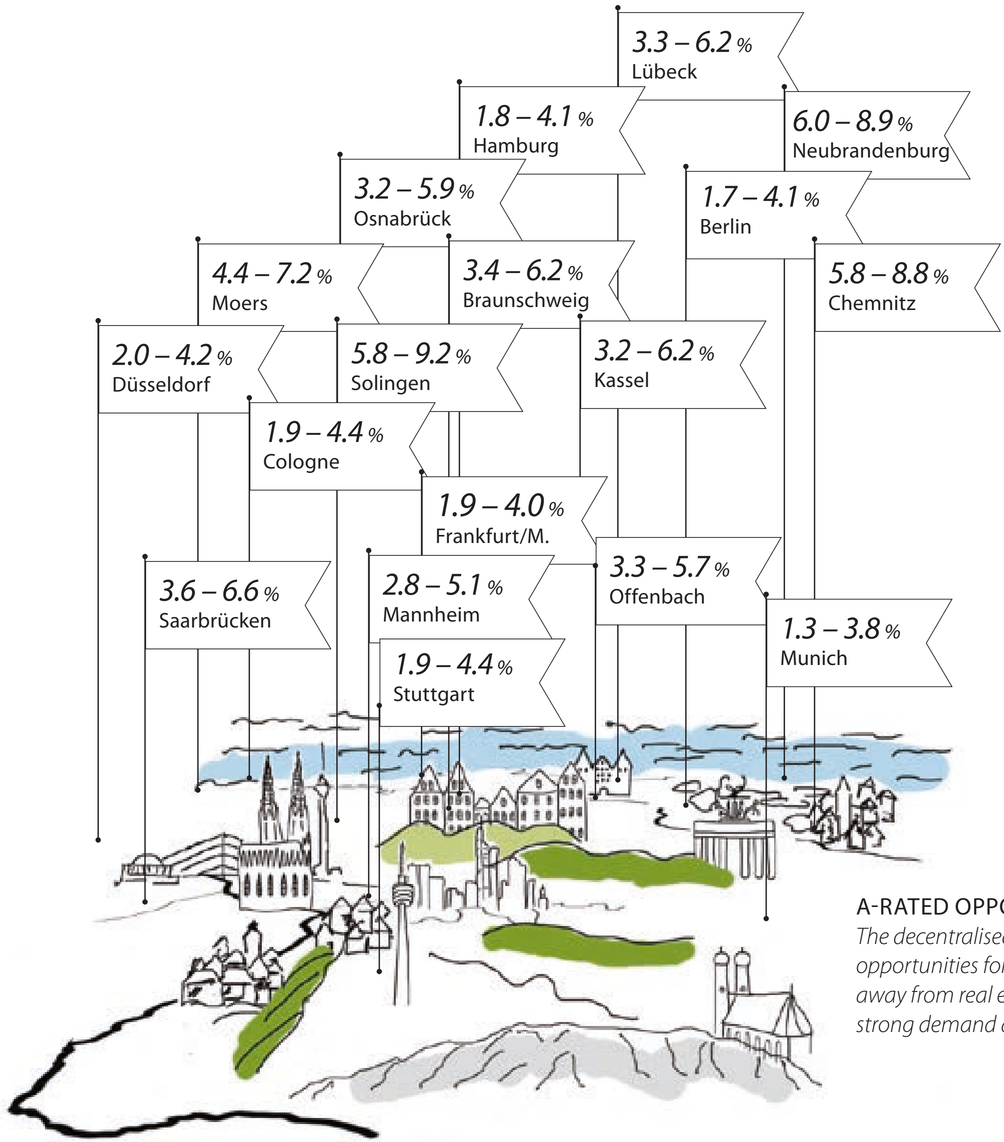
Compared to other European countries, the German commercial property market is very heterogeneous, regionally diversified and comprises many different-sized players.

This is due to the federal economic structure in Germany, which benefits from a large number of strong economic centres in the regions.

- The so-called top seven cities ("A-locations" Frankfurt, Hamburg, Berlin, Düsseldorf, Cologne, Stuttgart and Munich) are characterised by high volumes of office space, a very active level of transactions and liquid trading, strong competition and therefore a higher volatility of prices and rents.

- At the same time, there is a multitude of medium-sized cities ("B-locations"), which form the centre of economically strong regions. Competition is less fierce and transaction activity is less pronounced in these regional centres. Prices and rents, however, are relatively stable.

The transaction market for German commercial properties is diversified, liquid in the long run and therefore has a strong appeal to international investors as well.



2016 initial yield; example of core office real estate in the top seven cities and in regional centres
Sources: bulwiengesa, own research

A-RATED OPPORTUNITIES IN B-LOCATIONS
The decentralised German market also provides market opportunities for investors with regional expertise away from real estate strongholds characterised by strong demand and yield compression

Flexible asset management and investment platform

Since we have a nationwide presence with our six offices, we are able to exploit the different advantages and opportunities offered by major cities and regional centres to create attractive investment opportunities.

Our proprietary management platform enables us to use regional expertise to identify properties with an attractive risk/yield ratio and manage them sustainably. Firmly embedded in the market and with a clear focus on our portfolio priorities, our teams provide both tenants and properties with on-site support and continually identify investment opportunities for our business areas.

We invest in properties in Germany's top seven real estate strongholds and in regional economic centres with a risk-adjusted investment and management approach that takes into account the potential of both A-properties in B-locations and B-properties in A-locations.

Our diversified mix of investments is supported by almost 110 of our own employees and ensures attractive value creation potential and stable cash flows at manageable levels of risk.

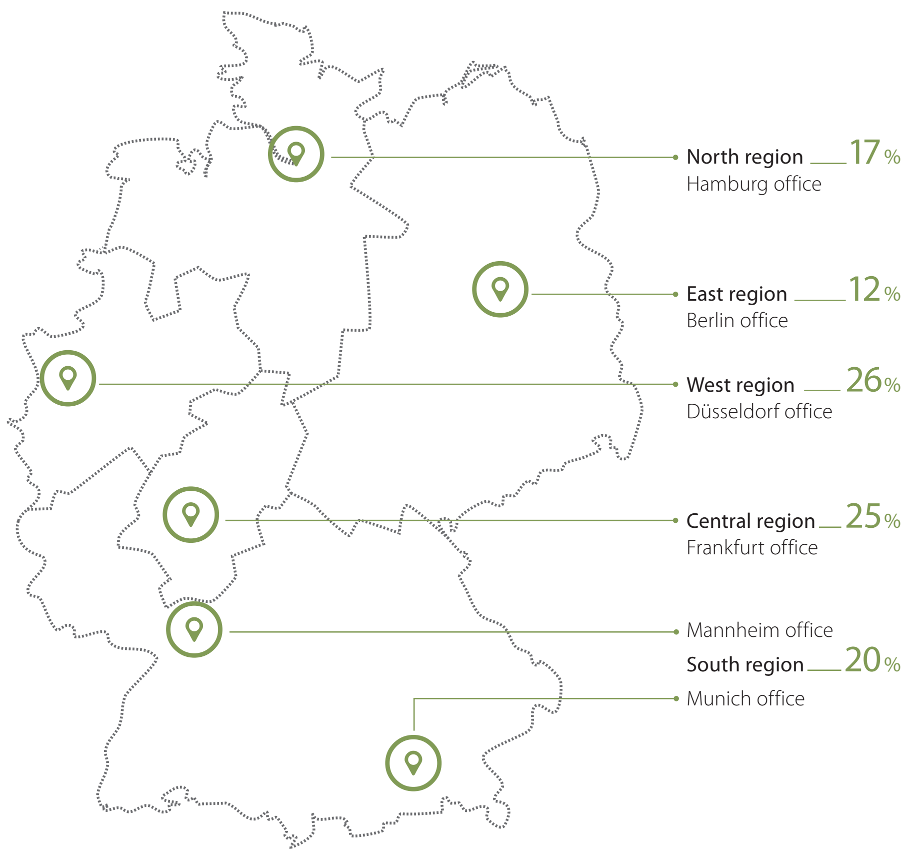
Regional segmentation and company locations

We structure our properties in Germany into five portfolio regions. The majority of our employees involved in property management work in regional management teams with offices in Hamburg (North region), Berlin (East region), Düsseldorf (West region), Mannheim and Munich (South region) and Frankfurt am Main (Central region).

The Management Board and company head office is also located in Frankfurt. Central strategic, management and administrative functions are performed here.

PORTFOLIO BY REGIONS

by market value assets under management



Diversified portfolio

Our portfolio comprises real estate assets under management totalling EUR 3.5 billion spread across around 200 properties with a rental space of 1.7 million sqm.

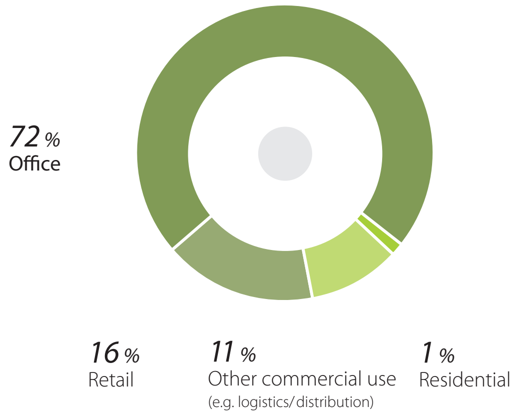
The focus is on office properties (>70 %) and retail (nearly 20 %). Approximately 40 % of properties are located in the major office locations and 60 % in the regional economic centres.

Our portfolio is widely diversified in both regional and sectoral terms to ensure favourable distribution of risk across our tenant structure. Our tenant base is characterised by a balance between small and large tenants. It comprises approximately 1,200 commercial tenancies in total with tenants from different economically strong sectors. Of these, 35 % are small and medium-sized enterprises, while more than a quarter are recruited from the public sector.

Our major tenants generally have several leases distributed across different locations and properties. The average property size is approximately EUR 17 million with four to six tenants.

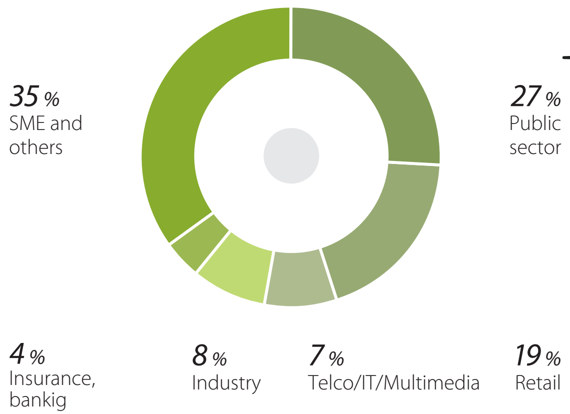
TYPES OF USE

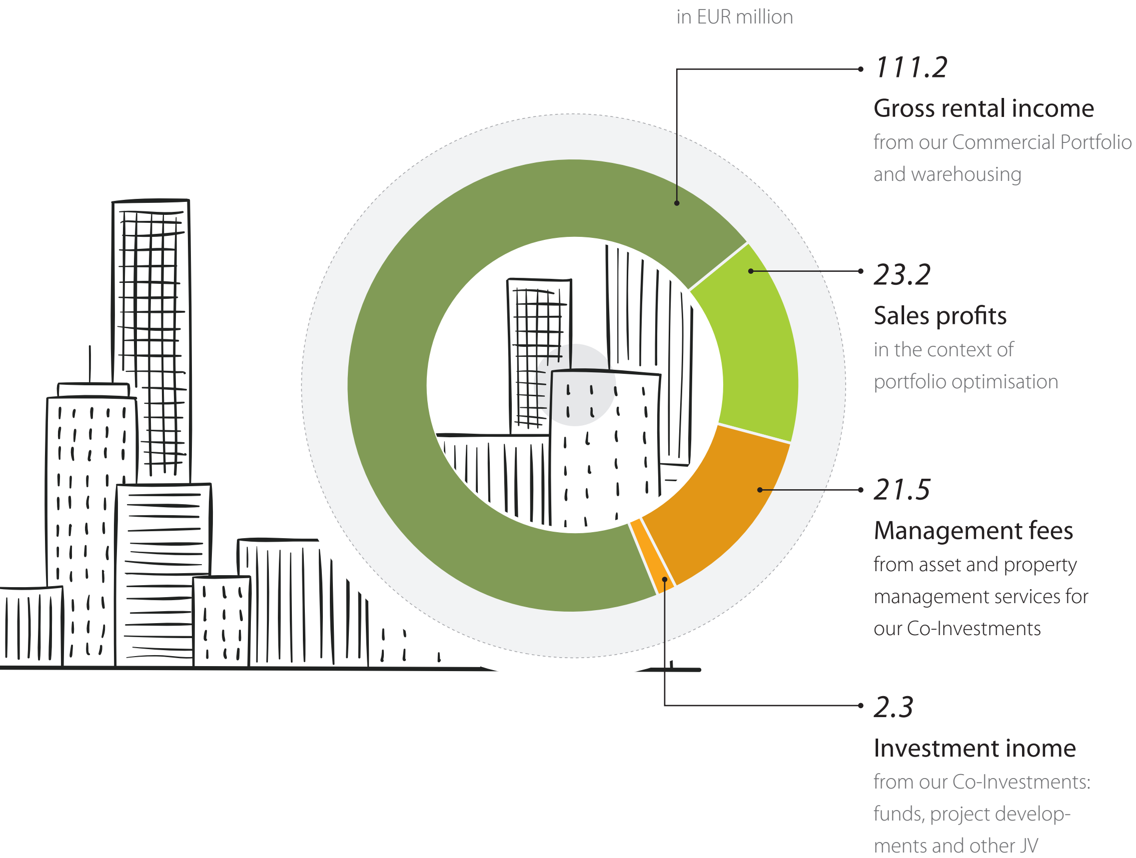
pro rata by annualised rental income



TENANT STRUCTURE

pro rata by annualised rental income

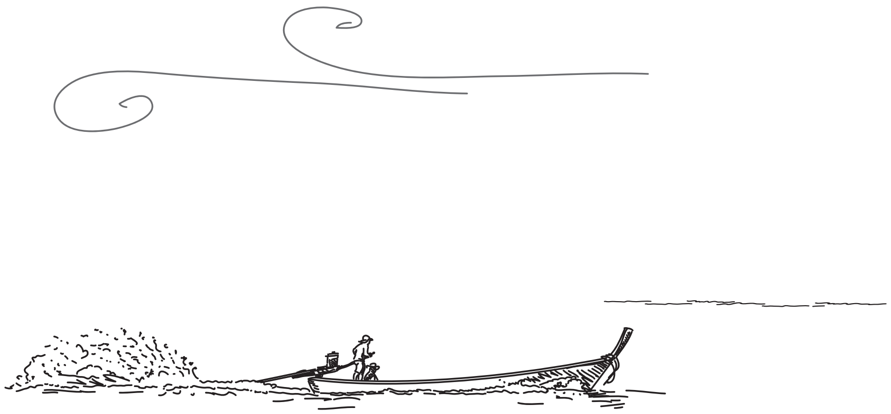




Income and investment structure

Our business model combines many sources of income. It is based on sustainable income from the management of our Commercial Portfolio as well as a steady flow of management and investment income in our Co-Investments segment.

- In our Commercial Portfolio of direct real estate investments, we earn regular rental income from currently around 142 properties that are let under attractive, long-term leases. The rental income is broadly diversified in terms of regions, sectors and tenants. This occasionally includes rental income from properties we acquire for the start-up portfolios of new funds at an early stage and temporarily account for in the Commercial Portfolio by way of "warehousing".
- We generate recurring management income from asset and property management for our Co-Investments, which primarily form part of our fund business (58 properties, largely held in funds).
- Added to this is investment income from our Co-Investments generated from minority interests mainly from the funds initiated by us and from investments in project developments, additional joint ventures and equity interests in companies.
- Sales from direct property investments, with which we optimise our portfolio structure and generate profits, round off our total income.



Corporate management

Corporate structure

As a central management holding company, DIC Asset AG brings together the functions of corporate governance: directing Group strategy (in particular investment management, portfolio management and sales strategy), corporate and real estate financing, risk management as well as the control of property management. The management holding company is also responsible for capital markets and corporate communications. Two subsidiaries carry out important core operating tasks: The fund business is responsible for fund management, refining the fund strategy and supporting fund investors. The Group's own real estate management company provides on-site support for the entire property portfolio, including DIC Asset AG's directly-held Commercial Portfolio as well as real estate in the fund business and other third-party business throughout Germany.

The Group has a total of 177 indirect and direct equity investments. The majority of these are property holding companies reflecting the Group's operating activities. All equity investments are listed in appendices 1 and 2 to the notes to the consolidated financial statements.

View over the MainTor site, the Company's headquarters in Frankfurt am Main

Corporate governance declaration and additional disclosures

The corporate governance declaration has been published on the Internet at
> www.dic-asset.de/engl/investor-relations/CG. It is also included in the section on corporate governance. Further disclosures on corporate governance, such as the composition and working practices of the Management Board and the Supervisory Board, can also be found there, as can be the report on the remuneration of the Management Board and the Supervisory Board. We explain our control system in detail in the disclosures on the internal control system in the section entitled "Report on expected developments, risks and opportunities".

Planning and control system

Our management system aims to increase enterprise value for shareholders, employees and business partners and to achieve long-term profitable growth without incurring disproportionate entrepreneurial risk.

Planning process

Our planning process combines past reference values with specific objectives for the future. The process is based on detailed planning at individual property and portfolio level (bottom-up planning). It is finalised through objectives and strategic elements (as top-down planning). Planning consists of:

- Detailed business plans for properties and portfolios including, among other things, estimated rental income, costs and capital expenditure plus gross profit.
- Targets for operational real estate management including action planning, among others with regard to letting, sales, capital expenditure and project developments.
- Planning of operational implementation, e.g. through letting and management services, estimated costs and measures to maximise income and minimise expenditure.
- Consideration of the necessary manpower and examination of financial and liquidity issues.
- Risks and specific opportunities are identified by way of risk management – first at property and portfolio level and then aggregated to Group level.

Consolidated Group planning is supplemented by strategic Group measures and the assessment of the general environment by the Management Board. It is carried out once a year and is amended during the year by subsequent forecasts in line with the expected market situation and any changes that arise in the meantime.

Company-specific leading indicators

To seize opportunities rapidly and avoid possible undesirable developments, we use leading economic and operating indicators for our business policy decisions. The principal macroeconomic leading indicators include the development of GDP and the Ifo index, unemployment trends and employment levels as well as forecasts of interest rate trends and lending. These lead to conclusions about the development of our regional markets and the real estate sector, which normally responds to macroeconomic changes with a certain time lag, and about the future general environment and costs of our financing arrangements.

Significant operational leading indicators include lease signings as well as lease expiries and terminations. These are incorporated, among other things, into the monthly reporting on our letting activities. Our tenant-focused property management and the long-term nature of leases enable us to calculate the income base very precisely per month, initiate any necessary counter-measures and draw conclusions about our short- to medium-term income development. We supplement these revenue-based indicators with regional information and company data from our offices. This information allows us to fine-tune our letting activities in particular.

Management based on key figures

The internal control system, which forms part of the risk management process and is explained in detail in the section entitled „Report on expected developments, risks and opportunities“ starting on page 60, serves as the main instrument for monitoring and managing achievement of the Company’s targets.

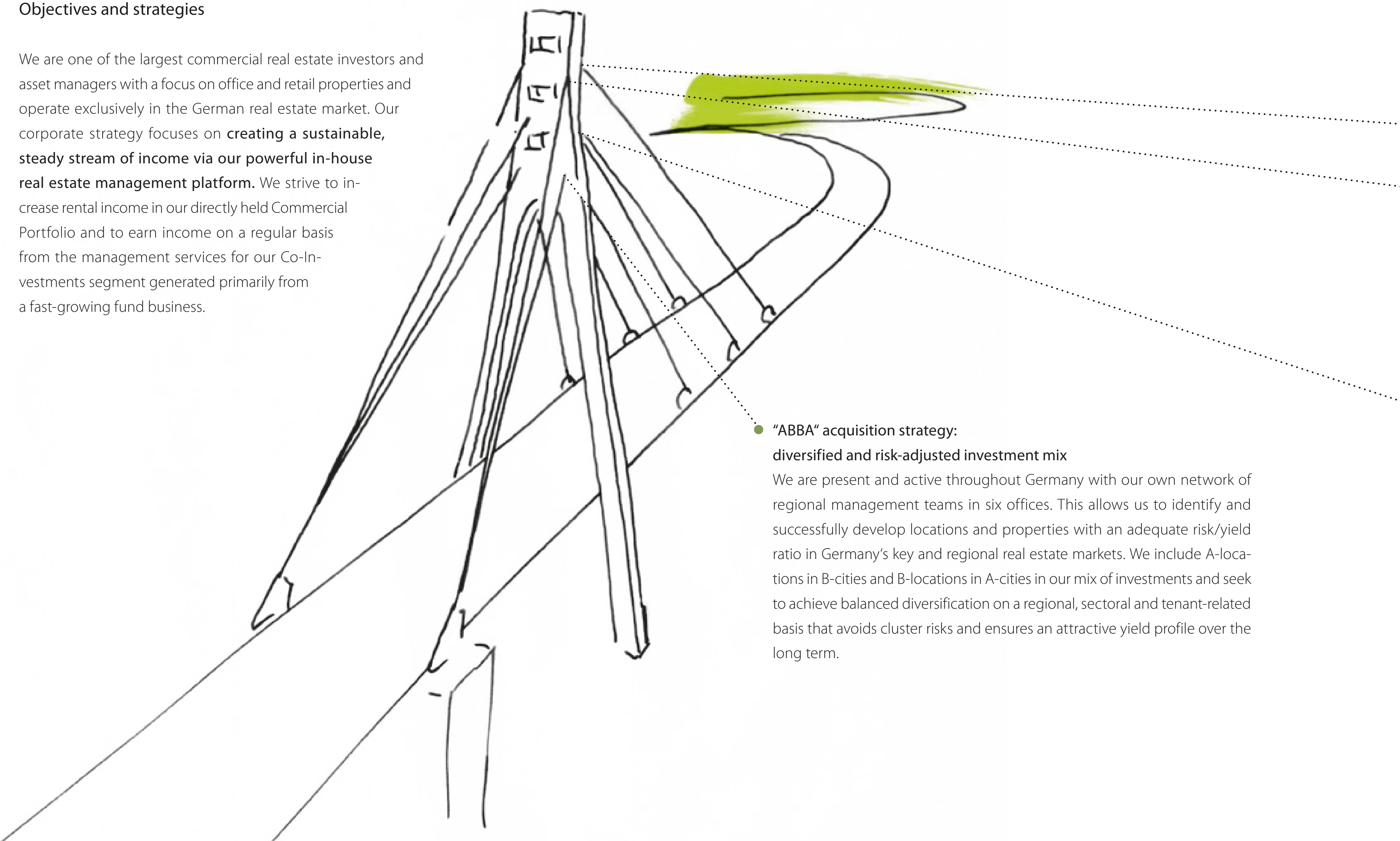
Key control variables and targets

In order to monitor the agreed targets, we use key operating figures, which are a part of regular reporting. The operating profit from real estate management **(funds from operations, FFO)** is the most significant figure from a Group perspective.

We plan and manage our operating activities by considering our portfolio from a regional perspective. In this context, we divide Germany into five portfolio regions: North (Hamburg), West (Düsseldorf), Central (Frankfurt), South (Munich/Mannheim) and East (Berlin). Segment reporting also follows the breakdown by region. We manage our segments’ operations on a uniform basis, particularly with regard to preserving value and increasing income from property management.

Objectives and strategies

We are one of the largest commercial real estate investors and asset managers with a focus on office and retail properties and operate exclusively in the German real estate market. Our corporate strategy focuses on **creating a sustainable, steady stream of income via our powerful in-house real estate management platform.** We strive to increase rental income in our directly held Commercial Portfolio and to earn income on a regular basis from the management services for our Co-Investments segment generated primarily from a fast-growing fund business.



"ABBA" acquisition strategy: diversified and risk-adjusted investment mix

We are present and active throughout Germany with our own network of regional management teams in six offices. This allows us to identify and successfully develop locations and properties with an adequate risk/yield ratio in Germany's key and regional real estate markets. We include A-locations in B-cities and B-locations in A-cities in our mix of investments and seek to achieve balanced diversification on a regional, sectoral and tenant-related basis that avoids cluster risks and ensures an attractive yield profile over the long term.

**Dynamic fund business:
increasing income from asset and property management
with growing assets under management**

To enhance our income further, we are focusing on expanding our fund business. We offer institutional fund investors our investment expertise, a broad range of real estate services and customised investment structures in Germany's key and regional real estate markets. By expanding our fund business, we are achieving recurring and increasing management and investment income and thus diversifying our sources of income.

Appreciation in real estate

Thanks to our expertise, we are able to leverage properties' appreciation potential through active letting activities and refurbishment work. Project development activities are focused on re-positioning efforts within our Commercial Portfolio aimed at value creation.

Sales are an integral component of our activities. We use them to optimise our portfolio, realise profits at the right time and release funds that improve our financial structure and capital efficiency.

Optimising financing structure

We have a good reputation with our banking and financial partners, as well as on the capital markets, which secures us access to various sources of finance. As a rule, we conclude property financing arrangements on a long-term basis.

We aim to steadily optimise our capital structure with our business activities, our steady cash flow from rental income and the further growth of our fund business. This will enable us to achieve a sustainable and viable financial structure.

ACHIEVEMENT OF STRATEGIC TARGETS IN 2016

- Successful implementation of "Strategy 2016" –
  Programme to reduce the key LTV (loan-to-value) ratio completed at the start of the financial year; LTV target of <60 % reached one year ahead of schedule

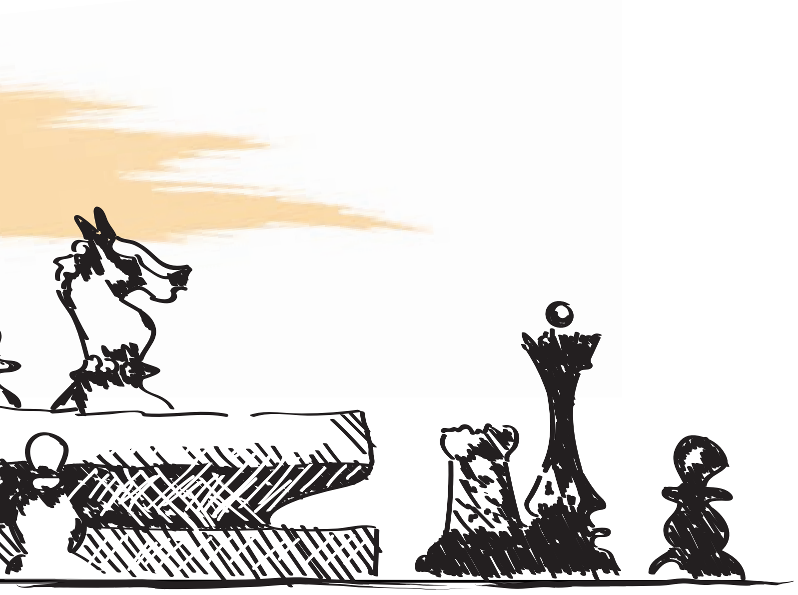
- FFO – At around EUR 47 million, this key indicator of the profitability of our real estate management business met our raised target level

- Commercial Portfolio optimised and sources of income diversified further

- Financial position and earnings on a significantly stronger footing for the years ahead

Dynamic fund business, diversified mix of investments

- Fund business on a growth trajectory; **acquisition planning exceeded** at EUR 520 million
- **Two more new funds in the pipeline;** attractive start-up portfolios created using warehousing
- **Launch of the "DIC Office Balance III" office fund;** total volume of around EUR 270 million placed in the new fund
- Additional **growth** achieved in existing funds
- **Growth in management income from the fund business**, with FFO contribution almost tripling to EUR 21.2 million



Optimising financing structure

- **Optimising financing structure**: Entire Commercial Portfolio with a volume of EUR 960 million refinanced on highly attractive terms
- Loan costs lowered by 170 basis points to 1.7 % with a term of seven years
- Increase in maturity of financial liabilities to an average of six years
- Annual repayment rate reduced from 3 % to 1 %
- Significant benefits of additional available cash flow over the medium and long term

Value creation in portfolio

- **Like-for-like rental income increased by 0.6 %**
- **Attractive sales profits from planned disposals** – Transactions with a total volume of EUR 474 million, including the "DIC Office Balance III" transaction with a volume of around EUR 270 million that was recognised in profit or loss; sales profits up 56 %, including around EUR 10 million from "DIC Office Balance III" transaction
- **Refurbishments** to increase value of Commercial Portfolio: Building work started in Frankfurt (Kaiserpassage) and Offenbach (Berliner Straße)
- **Reduction of joint ventures** and finalisation of project developments – Joint ventures significantly reduced; transfer of OperaOffices project development successfully completed; construction of last WINX subproject on MainTor site ongoing

OVERALL ASSESSMENT OF THE COURSE OF BUSINESS AND THE POSITION OF THE COMPANY

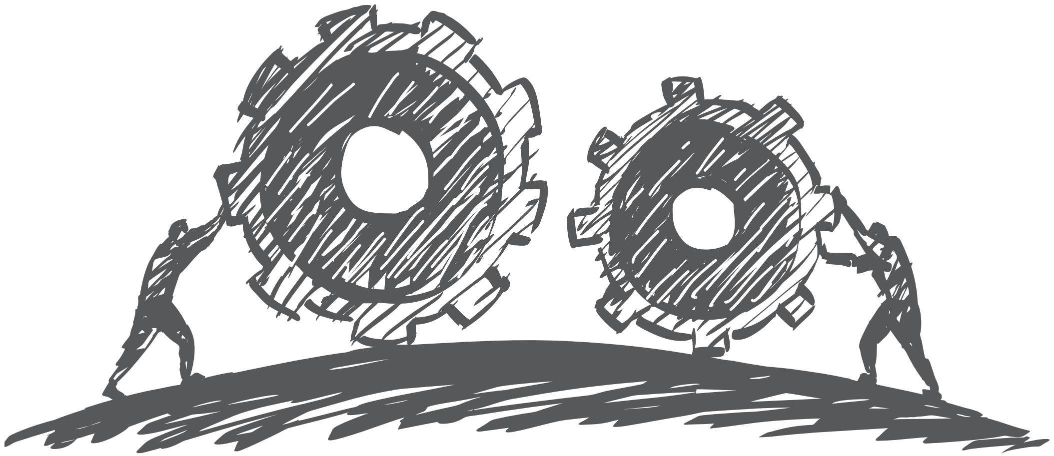
In financial year 2016, DIC Asset AG systematically implemented its strategic objectives for further expanding the fund business and increasing total income at the same time through successful management of portfolio and investment properties.

We achieved all of our forecasts for the financial year, outstripping some of them. Rental income amounted to EUR 111 million due to strong take-up, thus exceeding our original expectations and coming in at the upper end of the target range of EUR 109–111 million raised during the year. FFO totalled EUR 47 million to exceed the forecast of EUR 43–45 million set at the start of the year and reach the upper limit of the target of EUR 46–47 million raised during the year. The sales volume of EUR 108 million from the Commercial Portfolio slightly exceeded target volumes of EUR 80–100 million. We were also able to sell real estate from our Co-Investments amounting to EUR 93 million and thus continue to reduce the scope of our joint venture investments as planned. By selling properties at an average of around 11 % above the most recent market value, we were also able to generate attractive sales profits. Furthermore, the transfer of properties from the Commercial Portfolio to the new "DIC Office Balance III" funds with a volume of around EUR 244 million and from Co-Investments with a volume of around EUR 26 million took place at the start of the year. At EUR 520 million, the acquisition volume for our fund business was significantly higher than the forecast of EUR 400–450 million that we set at the start of 2016 and even exceeded the growth target raised to EUR 500 million during the year. As planned, we substantially increased recurring management fees from the fund business; in fact, they almost tripled.

By refinancing the Commercial Portfolio ahead of schedule, we significantly lowered our interest costs for the next years. As a non-recurring charge for 2016, the early repayment penalty led to a consolidated net loss (EUR -29.4 million). Adjusted for the non-recurring effects of the refinancing, consolidated profit totalled approximately EUR 27 million.

Our activities during the financial year have placed the Company on a stronger operational and strategic footing and laid the foundation for the further growth of our real estate platform during the 2017 financial year. In view of the achievement of objectives and the Company's long-term business prospects, we intend to distribute a dividend of EUR 0.40 per share – which is an increase compared with the previous year.

REPORT ON ECONOMIC POSITION



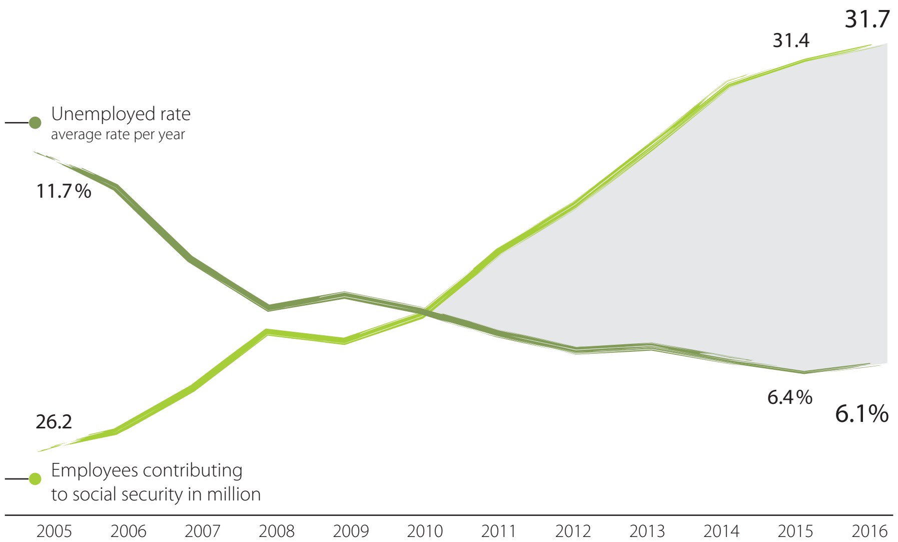
MACROECONOMIC ENVIRONMENT

Macroeconomic trends

Domestic economy fuels growth

The German economy remained on a growth trajectory in 2016 amid a difficult global economic environment. Bolstered by buoyant domestic demand, gross domestic product grew faster than anticipated, rising 1.9% according to initial Federal Statistical Office calculations. The joint forecast offered by economic research institutions in Germany in the spring predicted further growth of 1.6%, while the International Monetary Fund forecast a 1.5% increase.

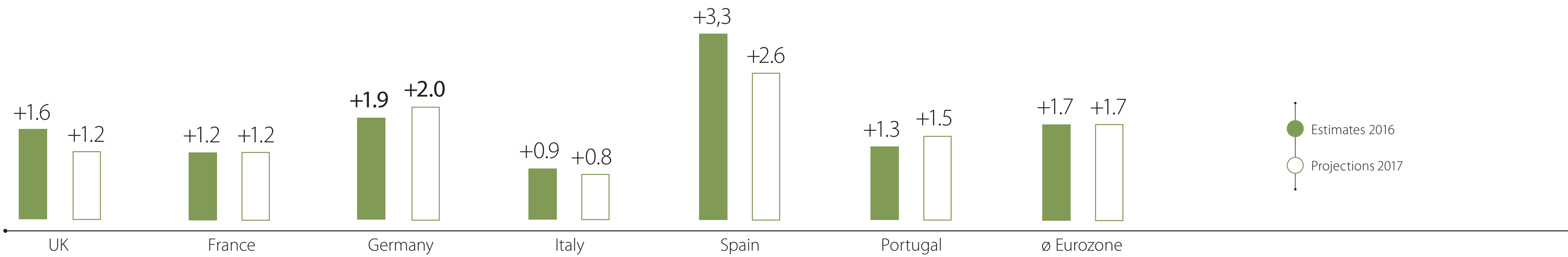
LABOUR MARKET TREND IN GERMANY



Sources: Federal Employment Agency, Federal Statistical Office

GDP GROWTH RATES IN EUROPE

in %



Source: ifw, for Germany calculations of Federal Statistical Office

The continuing moderate upturn in Germany has been driven by a stable labour market and strong consumer spending. The number of people out of work fell to a 25-year low, with the average unemployment rate dropping to 6.1 % in December 2016 – a further 0.3 percentage points lower than the previous year (6.4 %). According to reports from economic research institutes, the rise in public sector spending (+4.2 %) has been impacted by expenses associated with integrating refugees. Increased government spending in providing for refugees led to investments and recruitment in Germany, stimulating the country's economy.

Interest rates hit historic new low – and experience a turnaround

The key eurozone rate reached a new record low in 2016. The ECB lowered the interest rate to zero percent at its March meeting and decided to expand its bond-buying programme. From April onwards, the ECB pumped EUR 80 billion into the markets rather than EUR 60 billion. Banks were also forced to accept a higher negative rate for deposits with the ECB.

In light of still-unresolved problems in southern European countries, particularly the Italian banking crisis, economic experts increasingly voiced warnings as the year progressed that the ECB's bond purchases equated to public sector financing and were delaying essential structural reforms in heavily indebted countries, without which the risks for the overall financial system could not be eliminated. At the same time, a renewed rise in inflation hinted at an end to the ECB's controversial bond-buying programme, which at times pushed even Bund yields into negative territory.

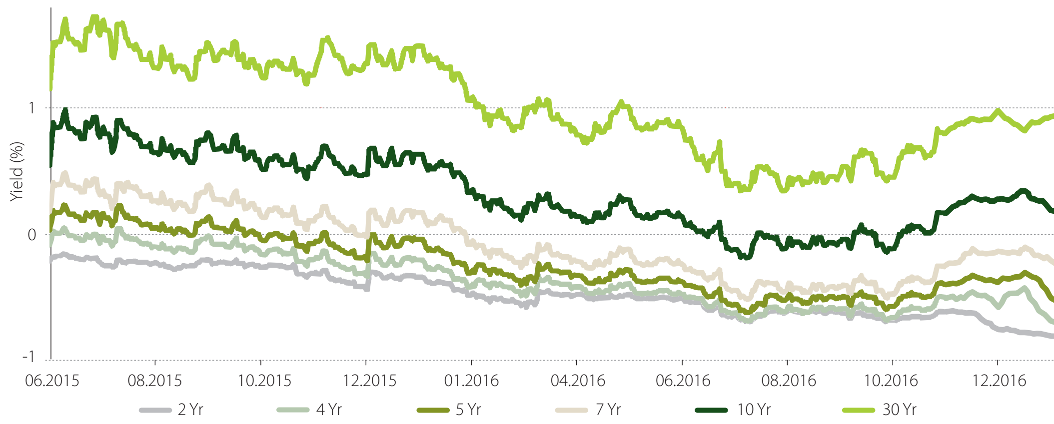
At its final meeting of the year in early December 2016, the ECB decided to initially leave its key rate at a historic low of zero percent and reduce the bond-buying programme's monthly purchases from EUR 80 billion to EUR 60 billion from April 2017 while extending the programme until December 2017. In the wake of this development, they also extended the maturity range of purchasable bonds on short-dated instruments between one and two years to prevent the increasing scarcity of acquirable securities on the bond market.

Market observers heralded the start of a turnaround in early December as yields on ten-year bonds rose to their highest level in 11 months. Within just five months, the current yield for the ten-year Bunds used as a yardstick across Europe rose from a record low of -0.21 % to +0.4 %. At their meeting on 13 December, the US Federal Reserve decided to raise interest rates for the first time in 2016 and the second time since beginning their rate turnaround at the end of 2015, thus confirming analysts' expectations that this hike in interest rates would take shape at the end of 2016.

INTEREST RATES HIT HISTORIC LOW

German government bonds: Yields (%)

In June 2016 two-year Bunds achieved their lowest ever yield at -0.74 % to date. Even 10-year Bund yields temporarily dropped into negative territory. Increasing yields were witnessed on the German bond market in the fourth quarter.



Source: Bloomberg, NORD/LB Fixed Income Research, Deutsche Bundesbank

➲ Foreign trade fails to provide much momentum

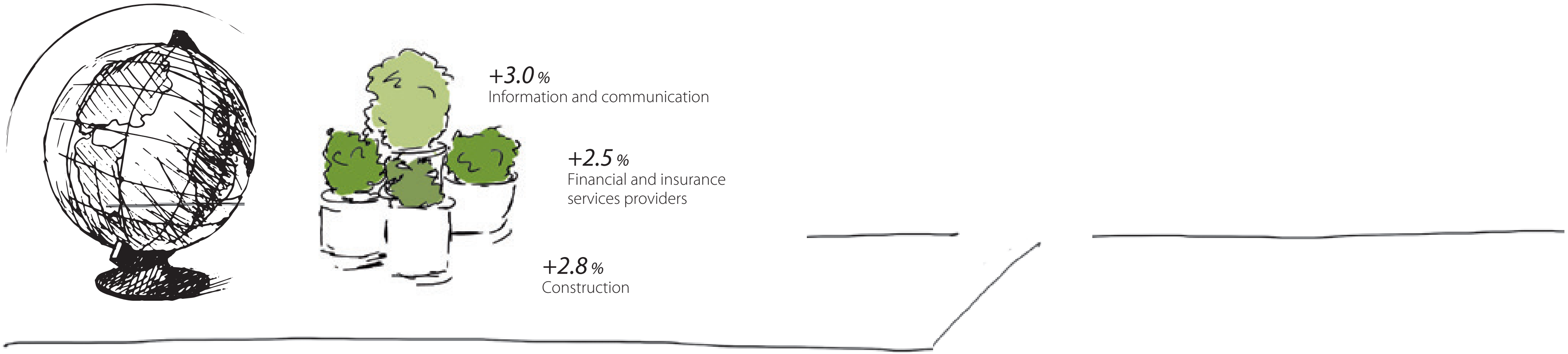
The gloomy sentiment in the global economy has been reflected in international trading volume trends. The high degree of political and economic uncertainty caused by the conflicts in Syria and Turkey and in the wake of the United Kingdom's vote to exit the EU has dampened expectations and weakened overall demand, particularly for capital goods.

While industrial companies were impacted by the decline in trade with third countries and have long been hesitant in making investments, Germany experienced a noticeable recovery, particularly in the services sector, where employment continued to rise, and in an expanding construction sector. Despite brief disruption in the aftermath of the Brexit vote, the ifo Business Climate Index rose to 111.0 points by December 2016 – its highest level since February 2012. The mood within the German economy thus improved considerably in the course of the financial year, with both assessments of the current situation and business expectations judged to be more positive than a year earlier.

BOOMING DOMESTIC ECONOMY

Increase in gross value added in selected sectors in 2016

Mostly unaffected by economic tensions, the services sector showed particularly strong growth in Germany



Source: Federal Statistical Office

Sector trends

➲ Office space market strong overall

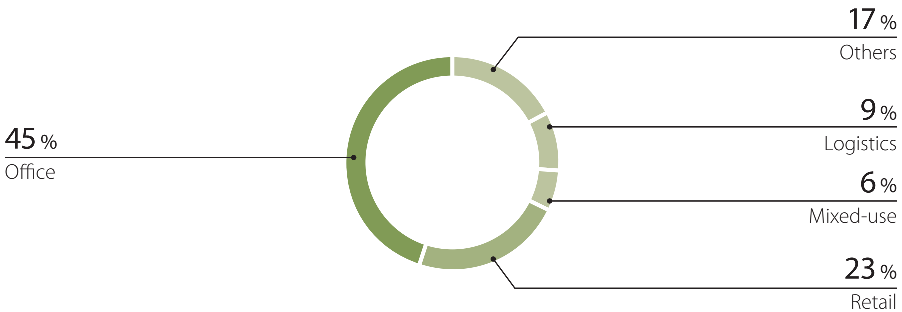
Positive general economic data led to a strong increase in take-up on the German office rental markets. Service companies in particular, which comprise the largest user group on the office markets, have expanded while at the same time optimising space. According to JLL, take-up in Germany's seven largest office locations once again exceeded the previous year's high mark by 8 % at 3.9 million sqm - the highest figure ever recorded for the top 7 locations.

Vacancies in the top seven locations continued to decline, dropping about 11 % year-on-year to 5.1 million sqm. The re-purposing of former office buildings for residential or hotel use and their resulting removal from the market also contributed to the 0.6 million sqm shortage of space year-on-year despite rising completions, as did the demolition of buildings that no longer meet current standards and new mixed-use developments. Within 12 months, aggregated vacancies in Germany's seven major real estate strongholds fell from 6.4 % to 5.5 %; in Stuttgart, the vacancy rate even dropped below 4 % to reach 3.7 %.

➲ Supply shortage limits transaction volumes

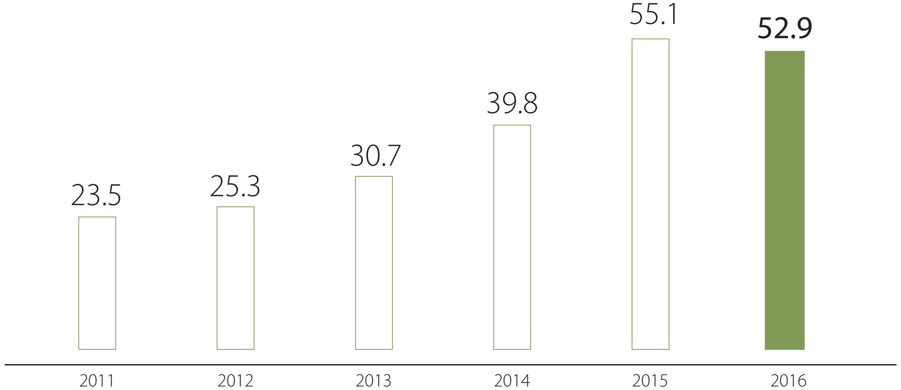
The commercial real estate investment market was characterised by a short supply of adequate properties after several record-breaking years. Take-up declined by around 4 % to EUR 52.9 billion in 2016 despite an exceptionally strong spate of high-volume transactions at the end of the year. Nevertheless, 2016 recorded the third-highest figures in the history of market statistics after the all-time high of 2007 and strong results in the previous year. JLL analysts believe that more capital could still be invested if there was a sufficient supply of properties.

PERCENTAGE OF TRANSACTION VOLUME 2016



TRANSACTION VOLUME OF GERMAN COMMERCIAL REAL ESTATE

in EUR billion



Source: JLL

The share attributable to foreign investors remains at a high level. Their activities comprise approximately 48 % (previous year: 50 %) of commercial transaction volumes, still in excess of the average for the past five years (43 %).

Office properties remain the most popular asset class at approximately EUR 24 billion (45 %), while the proportion of retail properties declined significantly from 31 % in 2015 to 23 % (EUR 12 billion) in 2016. Warehouse and logistics properties and hotels each accounted for a 9 % share, while mixed-use properties made up approximately 6 % of the total. Special purpose properties such as nursing and retirement homes were the major contributors to the residual proportion of around 8 %.

It is becoming increasingly challenging for commercial real estate investors to achieve attractive returns. This is also reflected by the observation that an increasing proportion of investment is taking place away from the established top seven locations, with interest outside these strongholds particularly focused on retail, logistics and special-purpose properties. The majority of office property investments (> 80 %) are still being made in one of the main hotspots.

Yields declined further across all asset classes due to low financing costs and a lack of investment alternatives with appropriate levels of risk. Prime yields for office properties settled in the three-percent range, as the upturn in investor demand caused this key figure to fall from an average of 4.2 % the previous year to 3.6 % in 2016 across the top seven cities. This is the sharpest drop in yields for the past ten years.

For the outlook on the economic environment and the assessment of sector trends in the 2017 financial year, please refer to our report on expected developments in the section entitled „Report on expected developments and on opportunities and risks“.

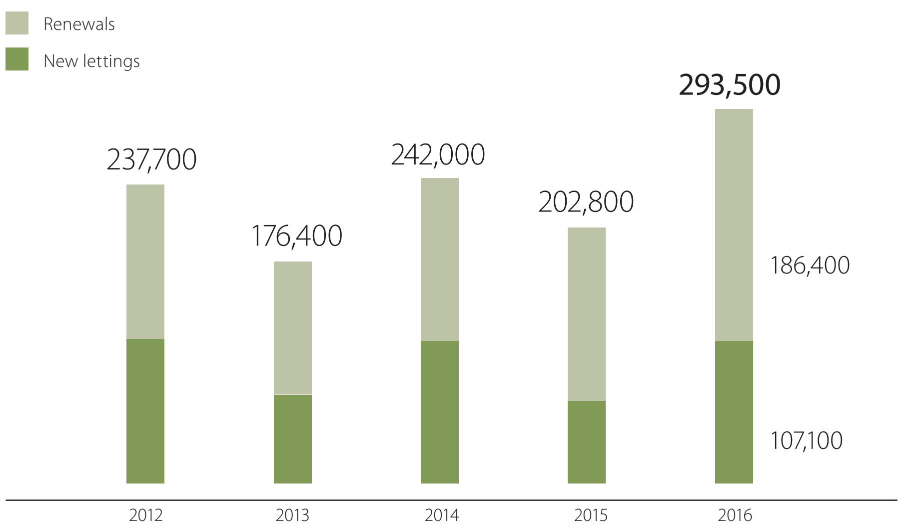
COURSE OF BUSINESS

Real estate management

➲ Strong take-up, high volume of new leases

Our real estate management team's letting activities were highly successful in 2016. The rental volume of approximately 293,500 sqm (previous year: 202,800 sqm) for the entire portfolio under management significantly exceeded expectations, generating contractually agreed annual rental income from leases of approximately EUR 32.1 million (previous year: EUR 23.7 million). While new leases made up barely a quarter of letting activity in the previous year, the proportion of leases signed by new tenants rose significantly to over 30 % in 2016, with EUR 10.4 million attributable to new leases and EUR 21.7 million to lease renewals.

LETTING VOLUME
in sqm



After reaching 32 % and 51 % in the previous years, the share of leases signed for spaces bigger than 5,000 sqm rose further to 56 % following the renewal of major leases for large spaces. Leases signed for medium-sized rental space also increased, while the share of leases signed for spaces smaller than 1,000 sqm fell from 25 % to 18 %. Of the annual rental income arising from tenancy agreements, EUR 16.0 million was attributable to the directly held Commercial Portfolio and EUR 16.1 million to our real estate assets under management in Co-Investments.

TOP 5 NEW LETTINGS

Landeshauptstadt München	Munich	24,000 sqm
DLA Piper UK LLP	Frankfurt	5,400 sqm
Angleterre Hotel GmbH & Co. KG	Hamburg	4,400 sqm
bergler industrieservices GmbH	Langenselbold	4,400 sqm
Institut für berufliche Bildung	Bochum	2,500 sqm

TOP 5 RENEWALS

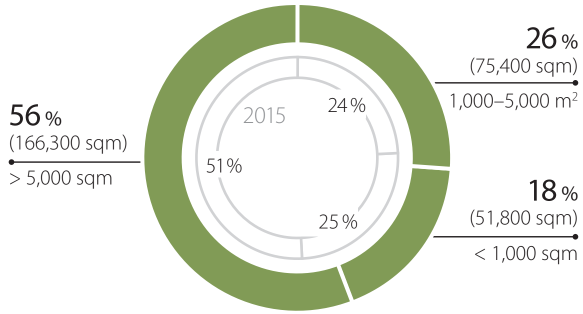
AXA Konzern AG	Wiesbaden	35,100 sqm
Deutsche Bahn AG	Nuremberg	26,500 sqm
Freie und Hansestadt Hamburg	Hamburg	14,700 sqm
Stadt Offenbach am Main	Offenbach	12,600 sqm
PIN Mail AG	Berlin	7,100 sqm

LETTING VOLUME

	in sqm		annualised in EUR million	
	2016	2015	2016	2015
Office	212,100	126,300	27.5	14.4
Retail	15,800	20,500	1.7	2.6
Further commercial	62,800	52,800	2.6	6.3
Residential	2,800	3,200	0.3	0.4
Total	293,500	202,800	32.1	23.7
Parking	2,065 units	1,791 units	1.0	0.8

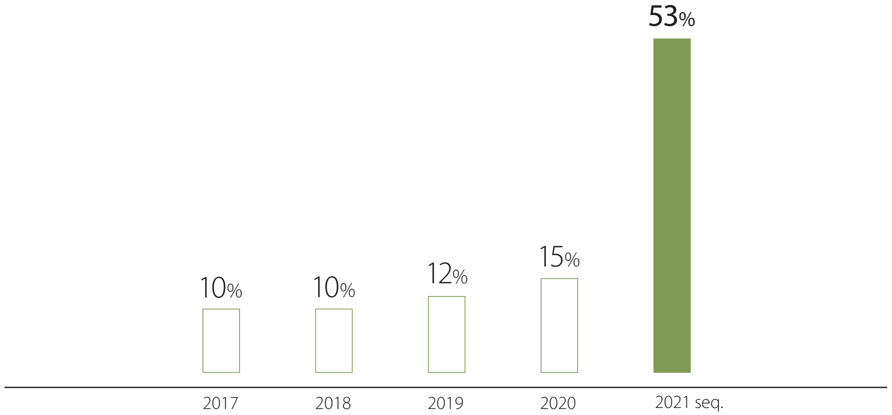
DISTRIBUTION OF LETTING RESULTS

Basis: letting volume in sqm



LEASE MATURITIES

Distribution of annual rental income



Temporary increase of vacancy from portfolio transactions fully offset

At the start of the year, properties from the Commercial Portfolio with a lower vacancy rate compared to the portfolio average were sold as part of the "DIC Office Balance III" transaction. As a result, the vacancy rate in the Commercial Portfolio temporarily rose from 11.3 % as at 31 December 2015 to over 13 %. As a result of our successful letting activities, we were able to completely offset this negative effect and achieve a vacancy rate of 11.3 % by the end of the year. The vacancy rate within the portfolio fell by 0.7 percentage points on a like-for-like basis. Annualised rental income from the properties that were part of the portfolio throughout 2016 rose slightly by 0.6 %.

More than half of leases expiring after 2021

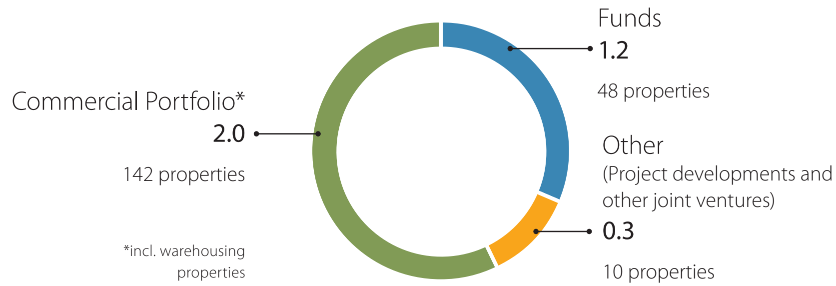
The share of the potential lease expiry volume in 2021 and thereafter is 53 %. The weighted average lease term in our Commercial Portfolio was approximately 4.3 years as at the end of 2016 (2015: 4.4 years).

Portfolio development

As at the reporting date, the real estate portfolio under management comprised 200 properties with total rental space of 1.7 million sqm. The total value of assets under management increased from EUR 3.2 billion to EUR 3.5 billion. Of this figure, approximately EUR 2.0 billion is attributable to real estate in the Commercial Portfolio (including warehousing properties) and EUR 1.5 billion to Co-Investments, of which EUR 1.2 billion comes from the fund business. With our properties, we generated annual rental income of around EUR 111 million as at the close of 2016, compared with EUR 137 million as at the close of 2015 (including the Company's share in co-investments). The pro rata market value of our properties from the Commercial Portfolio and from equity investments at year-end 2016 was EUR 2,128.2 million (2015: EUR 2,199.2 million).

STRUCTURE ASSETS UNDER MANAGEMENT

based on market value of assets under management, in EUR billion



Regional development

The regional diversification of the rental space remained virtually unchanged year-on-year. The average rental yield performed differently from region to region within a range of minus 0.1 percentage points to plus 0.3 percentage points; at portfolio level, the average yield was up slightly by 0.1 percentage points. Occupancy rates in the regions also revealed countervailing trends. The vacancy rate in the Central region was reduced substantially and by year-end was 16.7 %, compared with 22.2 % in the previous year. On the whole, the stabilising effect of the regional allocation was illustrated once again by only a minor change in the resulting overall indicators. A detailed overview can be found in the section entitled "Segment reporting" starting on page 119.

The refurbishment of the Kaiserpassage in Frankfurt includes a brighter lighting concept and a redesigned arcade. There will also be a new façade on Kaiserstraße and Taunusstraße. Wider, restructured routing is designed to attract more pedestrians and significantly improve the quality of time spent in the area.

The existing Mercure Hotel Kaiserhof will expand into levels in the Kaiserstraße building previously used as office space, while we were also able to secure another long-term tenant in ipartment, a provider of "temporary living" that will offer 71 furnished business apartments over 1,700 sqm upon completion. In addition to eight smaller shop premises, full-line food retailer tegut will occupy approximately 1,600 sqm of the retail space on the ground floor.

Repositioning in the portfolio

To unlock the appreciation potential within our portfolio, we are implementing development measures based on in-depth feasibility studies. In November 2016, we began repositioning a property on Berliner Straße in Offenbach with preliminary demolition work. Previously used as office space, the property stood largely empty after the main tenant moved out, while numerous new building projects in the surrounding area primarily focused on providing housing. The redeveloped concept therefore provides a mix of retail space and restaurants on the ground floor with hotel and residential use on the upper levels. By concluding two anchor leases, we were able to lease just over 90% of approximately 7,500 sqm of commercial rental space on a long-term basis even before the project started.

In December 2016, we began a series of modernisation and conversion measures to reposition our property at Frankfurt's Kaiserpassage arcade. We were able to let 97% of the around 9,700 sqm of modern rental space created by the new concept even before the conversion work began. This repositioning is expected to approximately double our latest rental income target estimates. The reopening of Kaiserpassage is scheduled for spring 2018.

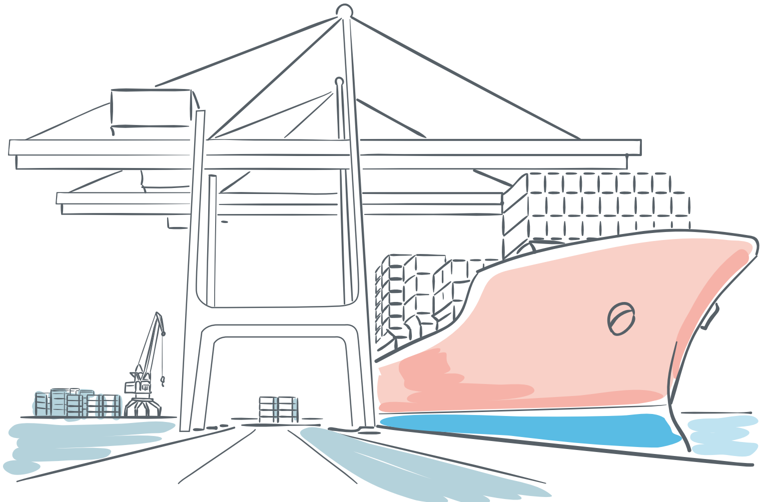
The property belongs to the "DIC Office Balance II" fund launched in July 2014, which is invested in Germany's top seven cities and in the most prosperous metropolitan regions. Within just a very short period of time after the acquisition we created a successful repurposing concept for the empty building resulting in full occupancy.

The GINN Hotel Hamburg will have more than 132 rooms over four former office levels when it opens in early summer 2017. This former warehouse located on the banks of the Elbe river also accommodates retail and office premises as well as a restaurant.

➲ "Elbspeicher" revitalisation

At the start of 2015, we had acquired the Hamburger Elbspeicher, a listed office and commercial building with a total rental space of around 10,900 sqm, for the "DIC Office Balance II" fund. This striking building, located on the banks of the Elbe near the historic fish market, had a vacancy rate of approximately 40 % at the time of the acquisition.

Within just 18 months, we developed a successful positioning concept for the property and leased 100 % of its space. Hotel operator Angleterre (GOLD INN Group) signed a long-term lease with a 20-year term, enabling us to almost double the annual rental income. The building is being partially revitalised at present and upgraded with the addition of a new lobby. The four-star GINN Hotel Hamburg will open its doors in early summer 2017.



➲ Market valuation: Stable property values

External experts regularly determine the market value of all our properties as at the end of each year. These values include property-related factors such as the occupancy rate, the amount of rental income, the terms of the leases, and the age and quality of the property. Added to this are external factors such as the development of the local environment, the market in general and the financial climate.

The impact on the valuation of the properties was EUR 1.5 million, a change of 0.1 %. Following acquisitions, sales, investments and the valuation impact, the pro rata market value of our portfolio amounted to EUR 2,128.1 million, down 3 % year-on-year (EUR 2,199.2 million). The net asset value totalled EUR 880.0 million (2015: EUR 884.1 million). The NAV per share was EUR 12.83 (2015: EUR 12.89).

The calculated market value is the estimated transaction price between the buyer and the seller under normal conditions on the date of the property's valuation. We carry our assets at amortised cost, which is why a change in their market value does not have a direct impact on the accounting. Further information on accounting for properties is provided in the section entitled "Net assets". Information on how the market value is determined is presented in the notes on page 103.

CHANGES IN MARKET VALUE in EUR million

Market value portfolio as at 31.12.2015	2,199.2
Disposals Co-Investments	-28.5
Investments	17.2
Addition Funds (including Warehousing)	292.7
Sales (including OB III)	-354.0
Valuation impact (+0.1 %)	1.5
Market value portfolio as at 31.12.2016	2,128.1

Sales on target and highly successful

During the year under review, we sold and notarised 31 properties from our various portfolio areas for a total volume of EUR 201 million – not including the "DIC Office Balance III" portfolio transaction, which was recognised in profit or loss at the beginning of January 2016. With transactions totalling around EUR 108 million for 22 properties from the Commercial Portfolio, we exceeded the upper end of the sales target range of EUR 80–100 million planned for 2016. We also sold nine properties from the Co-Investments segment with a combined volume of EUR 93 million, thus further significantly reducing our joint ventures as intended during the year under review.

On average, the properties were sold at around 11 % above the most recent market value. The sales volume for the previous year had amounted to around EUR 220 million.

For 23 of the 31 properties sold, the transfer of possession, benefits and associated risks was completed in financial year 2016.

SALES

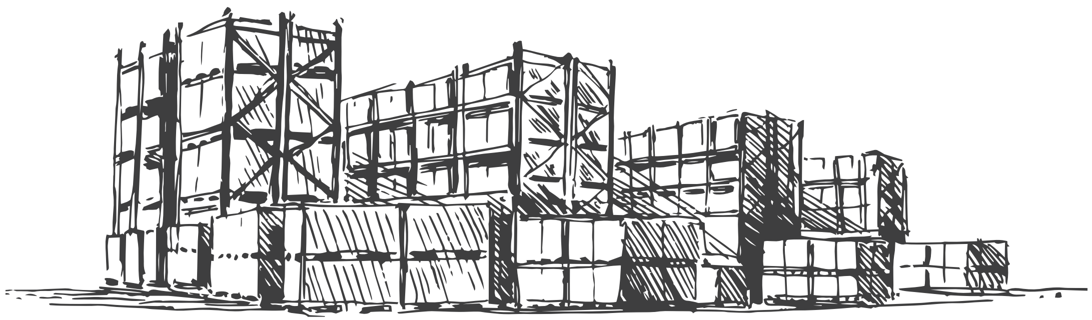
in Euro million	Signing 2016	Signing 2016/ Transfer 2016	Signing 2015/ Transfer 2016
Commercial Portfolio	108	86	3
Co-Investments	93	89	
DIC OB III transaction			270
– Commercial Portfolio			244
– Co-Investments			26
Total Commercial Portfolio	108	86	247
Total Co-Investments	93	89	26
Total	**201**	**175**	**273**

Acquisitions: growth targets exceeded

Acquisition activities during the 2016 financial year once again focused on the further expansion of our fund business. We acquired properties with a total volume of approximately EUR 520 million up until the reporting date (2015: EUR 160 million), thus surpassing the target for the financial year in a highly competitive market. At mid-year, we raised our acquisition target for the fund business from the original EUR 400–450 million to up to EUR 500 million.

Of the 12 properties we acquired, six with a total volume of EUR 165 million were purchased for our existing funds. An additional six properties with a volume of approximately EUR 355 million were acquired to form the start-up portfolios for new funds that will soon be launched. Our warehousing model enables us to meet investor demand for attractive fund products with immediate investment opportunities. For this purpose, we initially buy suitable properties for our own portfolio in order to place them in new funds after a warehousing period. We successfully completed the transfer of possession, benefits and associated risks for 11 of the total number of 12 acquisitions during the 2016 financial year.

Warehousing: *Securing attractive real estate to form the start-up portfolios for new special funds that will soon be launched. Of the acquisitions made in 2016, properties with a total volume of EUR 355 million can be made available for inclusion in new funds. During the warehousing stage, we receive the full rental income from the management of the properties.*



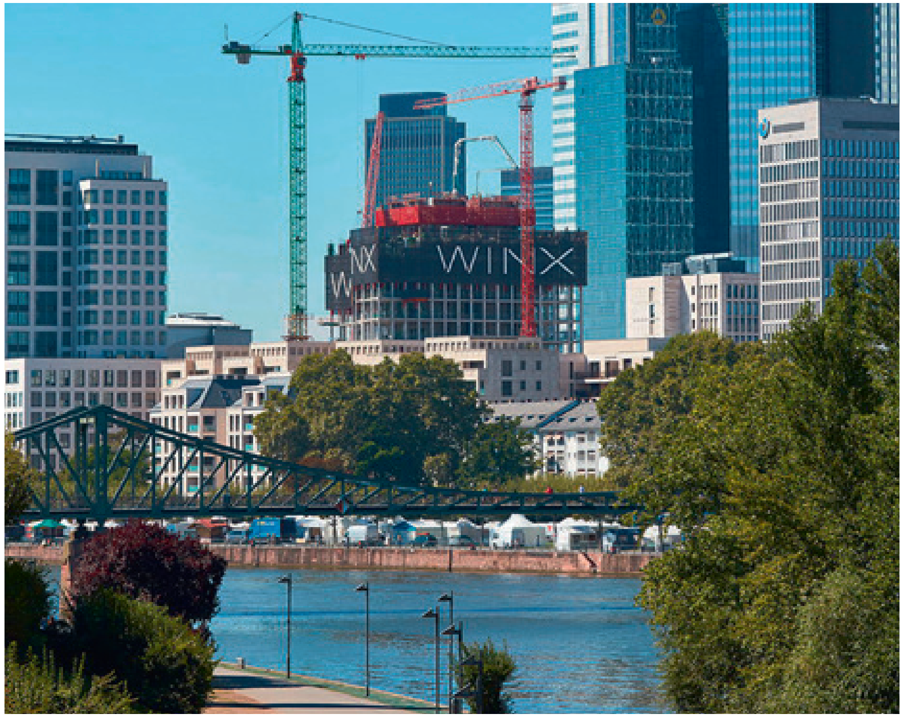
Project development

➲ "Opera Offices NEO": project development finalised as planned

In September 2016, construction of the new "Opera Offices NEO" building beside the Hamburg State Opera was completed. The transfer of transfer of possession, benefits and associated risks to the buyers and payment of the final purchase price instalment also took place in September. The project, in which DIC Asset AG held a share of 18.8% and which involved a total investment volume of around EUR 35 million, had been sold back in 2014 to a company from the financial sector as part of a forward deal even before construction began.

"Opera Offices NEO": This modern, eight-storey building was constructed based on plans drafted by the Störmer Murphy and Partners architectural firm.

The special features of this new building include a view of the Alster from the roof terrace and a rotunda which curves around an atrium, allowing the eight storeys to make effective use of the land. The property replaces old buildings constructed in different years.



➲ MainTor: letting the final construction phase

In Frankfurt am Main, all six of the MainTor district subprojects with a total project volume of around EUR 800 million were marketed to investors prior to completion. The MainTor Panorama section was completed in the second quarter. The shell construction of the "WINX" office tower – which is the final construction phase – is proceeding with completion expected in 2018. We were able to lease additional space in "WINX" during the year under review, including 5,400 sqm to international law firm DLA Piper. As a result, leases have already been signed for over 75% of more than 42,000 sqm of total space in the "WINX" Tower.

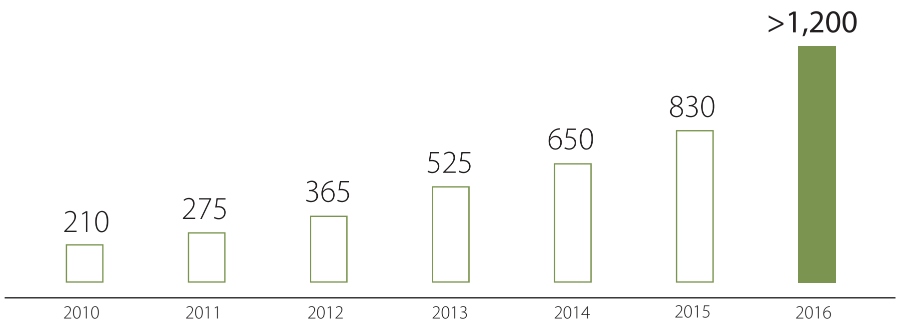




Fund business

The fund business is an attractive line of business for us, providing steady, high income. In general, we are co-invested in the four funds created since 2010 and provide the added value of our real estate management and investment expertise. Our goal is to expand our fund business considerably. Due to our acquisition activities in 2016, the total volume of the funds rose from around EUR 830 million at the prior-year reporting date to around EUR 1.2 billion as at 31 December 2016.

GROWTH OF FUND VOLUME
in EUR million, Gross funds assets



➲ “DIC Office Balance III” launched successfully

In December 2015, we had designed our fourth fund, „DIC Office Balance III“, with a start-up volume of around EUR 270 million. The transaction was recognised in profit or loss at the beginning of January 2016; the fund has since been operational. The nine properties in the start-up portfolio were chosen mainly from the holdings of DIC Asset AG and were included in the fund at a price that was around 7% above the most recently determined market value. With the placement of the fourth fund, the assets under management in the fund business exceeded the one billion threshold in early 2016.

➲ Continuous expansion through acquisitions

For our first “DIC Office Balance I” fund initiated in 2010, we had achieved full placement with a total volume of around EUR 430 million during the previous year. The other existing special funds were topped up as follows in 2016:

- Four properties were added to „DIC Office Balance II“, the office property fund created in 2014, bringing the total number of properties to ten. For a total of around EUR 138 million, office properties changed hands and were transferred to the funds we manage. In February 2016, an office and commercial building in Mannheim was transferred for around EUR 26 million after the purchase agreement was signed in December 2015. We made an additional investment of more than EUR 23 million in a commercial building in Essen during the first quarter. In the third quarter, we acquired the Office Center Plaza in Hanover with

approximately 17,700 sqm of rental space for around EUR 32 million and purchased an office property with approximately 16,700 sqm of rental space in Bonn's Bundesviertel district for around EUR 58 million.

- An office property in Heidelberg was acquired for around EUR 32 million in the second quarter for the "DIC Office Balance III" fund launched at the start of 2016.
- We purchased two properties in Essen and Krefeld for a total of around EUR 21 million in the second and third quarter for the "DIC HighStreet Balance" retail fund. This also concluded the investment phase for our first retail fund.

To facilitate the further growth of the fund business, six properties with a total volume of EUR 355 million were acquired during the fourth quarter: four properties with strong cash flow for the new retail fund currently being launched and two properties for the new office real estate fund planned.

➲ Consistently exceeding target yields

For our existing managed funds, we use active asset and property management to achieve attractive distribution yields which have consistently exceeded their fund strategy targets. The two new funds currently being launched enable us to expand our circle of investors and focus on the retail segment as a second investment priority alongside office properties.

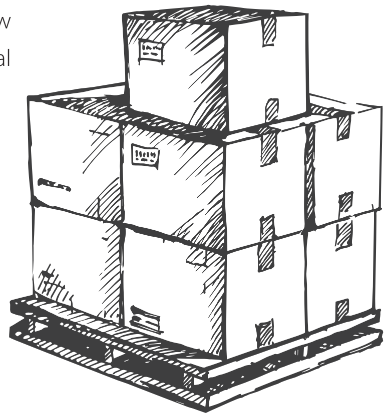
OUR FUND INITIATIVES AT A GLANCE

■ DIC Office Balance I
- Launched: 2010
- Target volume: EUR 400–450 million
- Fully placed

■ DIC Office Balance II
- Launched: 2014
- Target volume of EUR 300–350 million
- Further investments in the planning stage

■ DIC HighStreet Balance
- Launched: 2012
- Target volume of EUR 200–250 million
- Fully placed

■ DIC Office Balance III
- Launched: 2015
- Target volume of EUR 325 million
- Further investments in the planning stage

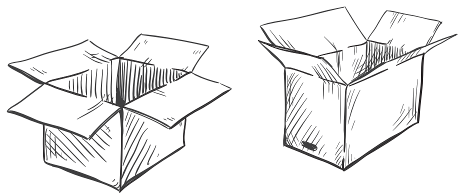


■ New retail fund being prepared

Target volume of EUR 400 million

■ New office real estate fund being prepared

Target volume of EUR 300–350 million



REFINANCING OF THE COMMERCIAL PORTFOLIO

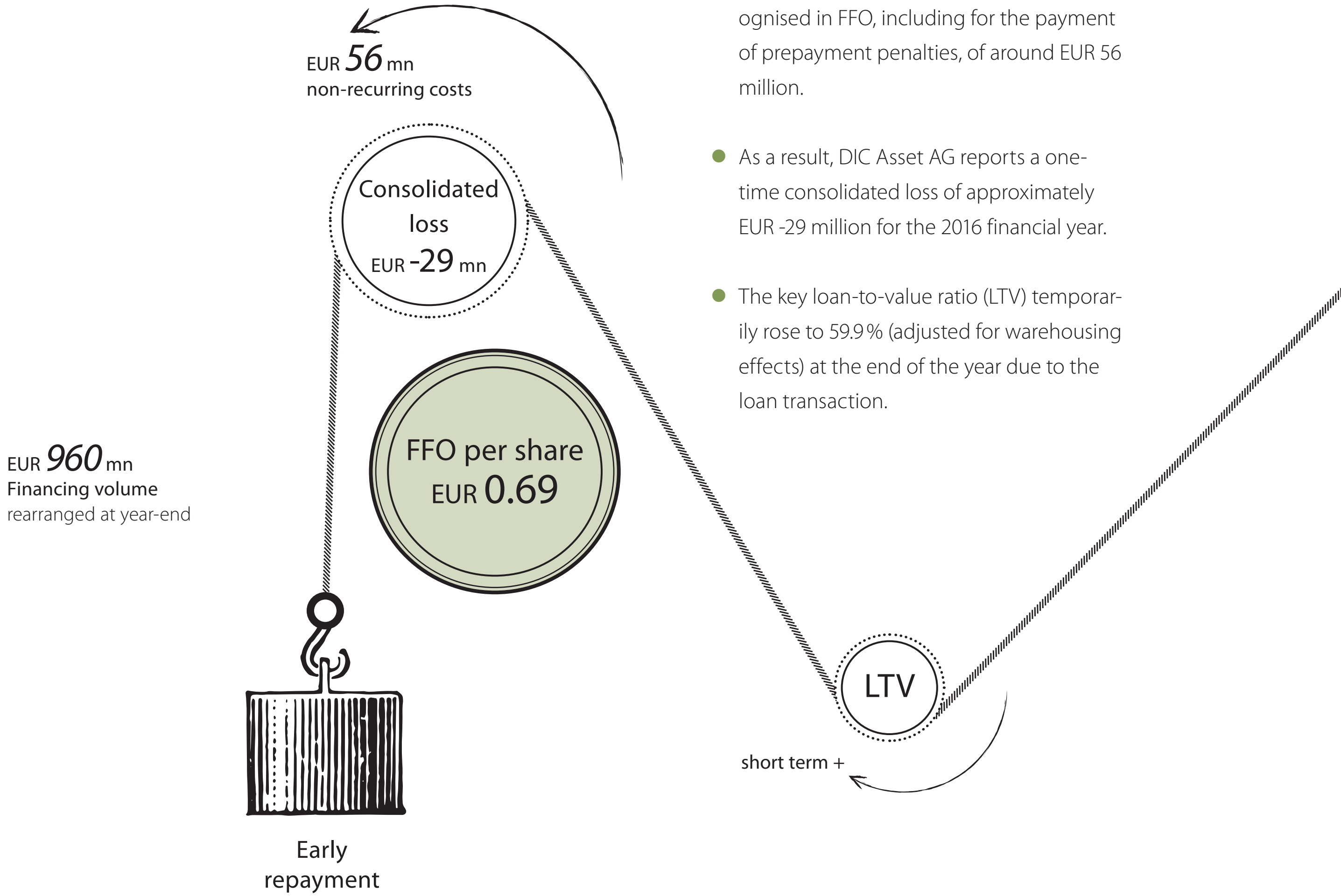
On 14 December 2016 DIC Asset AG announced the signing of a loan agreement in the amount of EUR 960 million. The loan underwritten by Deutsche Hypothekenbank as lead manager as well as Berlin Hyp AG, HSH Nordbank, Helaba and pbb Deutsche Pfandbriefbank replaces the previous financing arrangements for the Commercial Portfolio ahead of schedule.

Transaction details

- The term of the new EUR 960 million financing agreement is seven years.
- The interest rate for bank loans in the Commercial Portfolio falls by 170 basis points to around 1.7 % compared to the previous terms.
- The scheduled repayment rate decreases significantly from around 3 % to 1 % per annum.

Non-recurring effect on earnings and balance sheet for 2016

The extremely favourable terms and high long-term savings of the new financing were decisive factors in accepting a non-recurring special charge to annual earnings.

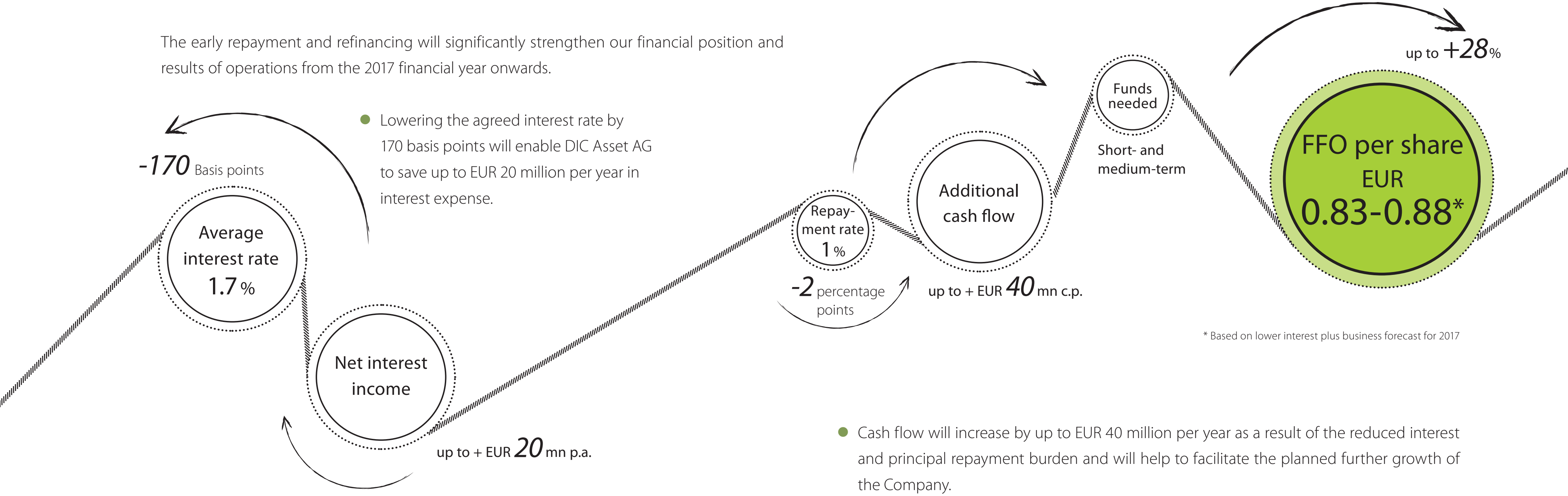


- The premature repayment of old loans triggered non-recurring expenses not recognised in FFO, including for the payment of prepayment penalties, of around EUR 56 million.
- As a result, DIC Asset AG reports a one-time consolidated loss of approximately EUR -29 million for the 2016 financial year.
- The key loan-to-value ratio (LTV) temporarily rose to 59.9 % (adjusted for warehousing effects) at the end of the year due to the loan transaction.

Effects on 2017 and subsequent years

The early repayment and refinancing will significantly strengthen our financial position and results of operations from the 2017 financial year onwards.

- Lowering the agreed interest rate by 170 basis points will enable DIC Asset AG to save up to EUR 20 million per year in interest expense.



* Based on lower interest plus business forecast for 2017

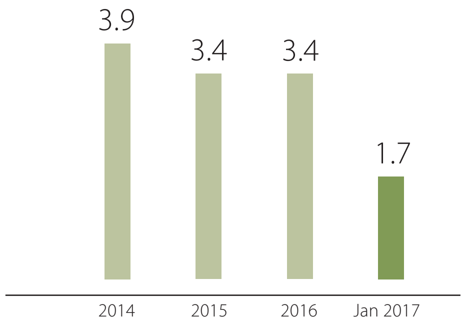
- Cash flow will increase by up to EUR 40 million per year as a result of the reduced interest and principal repayment burden and will help to facilitate the planned further growth of the Company.

- By securing long-term financing, the average term of financial liabilities will extend to around six years.

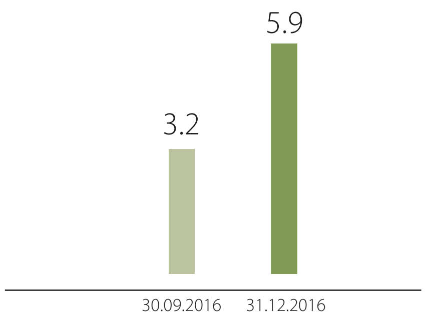
- FFO – a key indicator for the success of operational real estate management – will grow significantly.

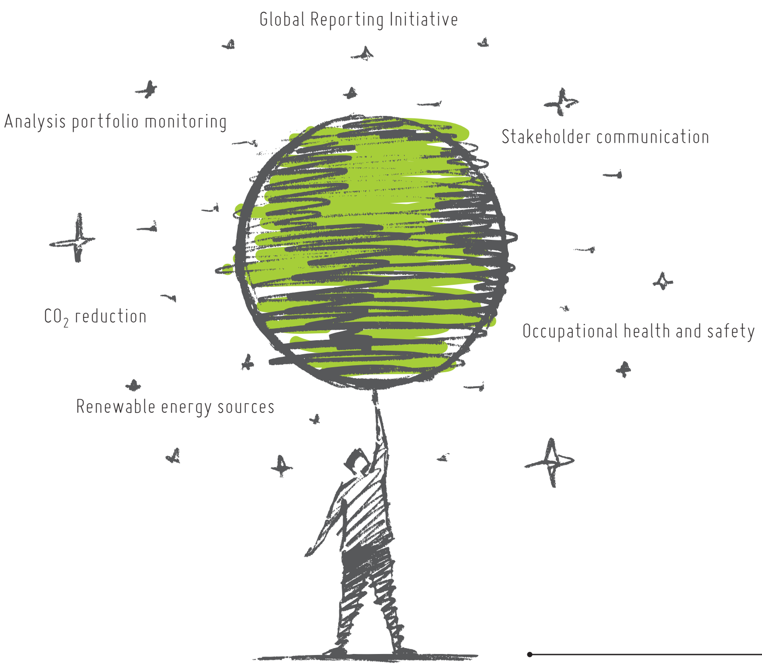
This new financing agreement also unlocks a high degree of flexibility for the future optimisation of the portfolio.

AVERAGE INTEREST RATE
in %, based on bank liabilities



AVERAGE DEBT MATURITY
in years





SUSTAINABILITY

Our real estate portfolio under management provides space for our tenants to engage in their business activities with staff and customers. The combined use of these properties leads to the consumption of energy resources, the release of carbon dioxide and the production of waste. This affects our environment now and will also affect it in the future.

As a real estate company that is one of Germany's largest property holders, we are in a position of responsibility that requires us to take a long-term approach in the management of our assets and in dealings with our tenants, business partners, employees and residents. With our long-term investment horizon, we focus on using resources and protecting the environment in a manner that is sustainable in the long run. This minimises risks, promotes existing business and opens up new business opportunities for us. We take environmental and social requirements into account in our business decisions and processes, and, wherever possible, forego short-term gains in favour of fundamental opportunities for optimisation.

Milestones in five years of sustainability

- Integration of sustainability in the future business strategy
- Appointment of sustainability officers at Management Board and divisional level
- Launch and gradual enhancement of sustainability reporting and continual implementation of the latest Global Reporting Initiative reporting standards
- Expansion of communication with tenants and service providers with the aim of implementing aspects of sustainability in operating processes. Implementation of an extensive survey of our stakeholders in 2016 aimed at identifying the most important sustainability topics for DIC Asset AG
- Bundling of the entire mains electricity supply from 100% renewable energy sources for DIC Asset AG's real estate portfolio and – since 2014 – for our own offices
- Implementation of sustainability measures in operating processes, e.g. inclusion of sustainability aspects in new facility management service agreements put out to tender and signed
- Continued compilation of energy (electricity, heating) and water consumption data and calculation of the CO_2 contribution in a growing analysis portfolio (currently around 71% of the Commercial Portfolio)
- Reduction of carbon dioxide emissions – as regards our Commercial Portfolio and our own consumption of energy – by more than 23% since 2013.
- Expansion of the occupational health and protection strategy. Introduction of fire safety and first aid training for staff
- Regular involvement in various sustainability initiatives and participation in sustainability surveys, including annual participation in the Carbon Disclosure Project

Stand-alone sustainability report

DIC Asset AG has been continuously reporting on its sustainability activities since 2009. Since March 2011 this has taken the form of a stand-alone sustainability report, to give adequate scope to the growing importance of sustainability within our company.

Our sustainability reporting received an award for the third time when in September 2016 our Sustainability Report was conferred the EPRA Bronze Award once again for systematic implementation and transparent reporting in accordance with the best-practice criteria of the European Public Real Estate Association (EPRA).

Our latest report is always available to download from our company's website at
www.dic-asset.de/engl/company/sustainability

EMPLOYEES

Our success as a company is based on the knowledge, skills and dedication of our employees. We can only achieve our ambitious goals if we have qualified and motivated employees who represent our company externally with success and conviction. We therefore value and promote entrepreneurial thinking and action, the ability to act on one's own initiative, flexibility and specialist knowledge.

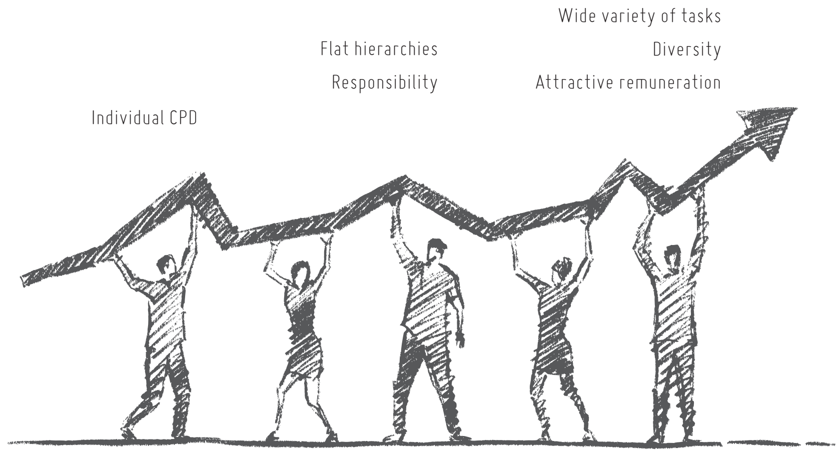
Workforce changes

Systematic personnel development is crucial to our long-term corporate development strategy. The aim of personal development is to support and promote our employees and improve their skills, and to secure their long-term loyalty. We ensure that talents are discovered, nurtured and challenged. We therefore support our employees in achieving their personal goals in terms of their professional development and advancement, and we invest in the development of professional expertise and skills. For instance, we offer general training and CPD training on specific topics, availing ourselves of both internal and external teachers as well as CPD providers.

Personnel development and advancement is an essential part of the role of our managers. We support our managers in this regard and provide them with tools, for example through training sessions and/or one-on-one coaching.

Employer brand

Attracting new staff to our company is also one of the most important tasks of Human Resources. In order to appeal to talented and highly qualified candidates, we work to position DIC Asset AG as an attractive employer. We offer flat hierarchies, the opportunity to assume responsibility at an early stage and extensive powers to take decisions independently. In June 2016, we once again participated in the real estate careers forum organised by Immobilien Zeitung in Frankfurt.



The Company promotes diversity. As at 31 December 2016, 57 % of all positions were staffed by women. The Company also offers its employees part-time models to enable flexible working hours.

Training of junior employees, nurturing students

School children and students are given an insight into various areas of our company through school internships (lasting up to 14 days) and student internships (lasting two to six months). We offer university graduates the opportunity to embark upon a 12- or 18-month training programme following their studies, during which career starters are trained for positions of responsibility. Since 2015, we have also been certified for training real estate professionals. We also provide students with support for their Bachelor's or Master's theses. We view all these programmes as important ways of acquiring new and well-qualified junior employees for our company.

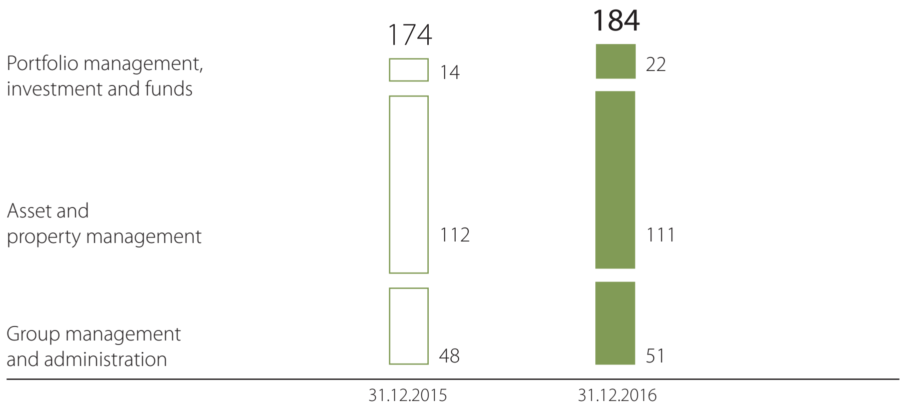
Compensation

Our salaries consist of a basic income, supplementary benefits and performance-related components. We base our salaries on industry standards and those of our competitors. The performance-related component is based on achieving individual goals as well as strategic and operating targets, which are set annually together with supervisors. In 2016, a total of EUR 13.9 million was spent on employees. This figure includes performance-related remuneration of EUR 1.5 million, corresponding to a share of approximately 11 %. Social security taxes, pension contributions and other additional benefits amounted to a total of EUR 1.9 million.

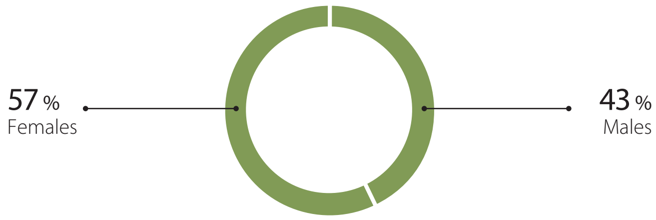
Adding new staff in fund and asset management

Since early 2016, DIC Asset AG has been focusing its strategic direction on further dynamically expanding its real estate assets under management and the fund business, among others. For this purpose, we increased capacities primarily in the fund and asset management business during the financial year. The number of employees increased by a total of 10 in comparison with the end of 2015. The workforce comprised 184 employees as at 31 December 2016.

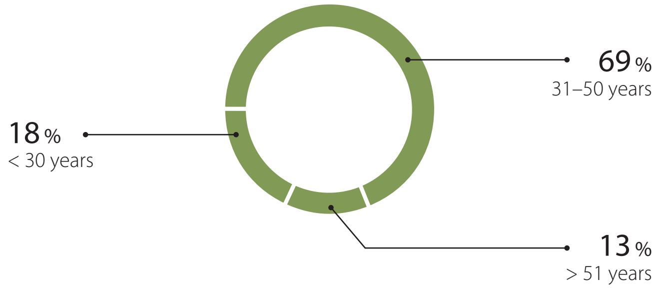
NUMBER OF EMPLOYEES



PROPORTION FEMALE/MALE EMPLOYEES



AGE STRUCTURE



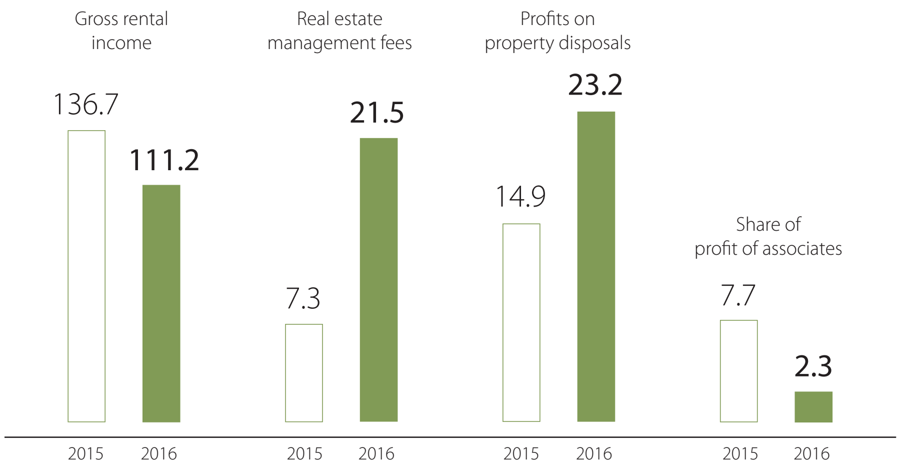
FINANCIAL INFORMATION

REVENUE AND RESULTS OF OPERATIONS

- Corporate strategy successfully realigned – all targets raised during the year met
- FFO of EUR 47.0 million at upper limit of annual target
- Gross rental income of EUR 111.2 million at upper end of expected target range
- Real estate management fees almost tripled to EUR 21.5 million (up EUR 14.2 million)
- Strong sales profits of EUR 23.2 million (+56%)
- Adjusted consolidated profit of EUR 26.9 million before non-recurring effect from refinancing

RENTAL AND OTHER INCOME

in EUR million



In 2016, DIC Asset AG exceeded its expectations and achieved the business targets raised during the year. Among the key factors were the encouraging rental income trend, favourable sales and the significant growth in management fees primarily caused by the successful placement and operational launch of the „DIC Office Balance III" fund in January 2016. FFO, for which a target corridor of EUR 43–45 million had been forecasted at the start of the financial year, performed better than expected at EUR 47.0 million thanks to the successful management of portfolio assets, declining only slightly despite the effects from the effective sales made in 2015 and 2016 (previous year: EUR 49.0 million).

➲ Rental income exceeds expectations

Gross rental income declined from EUR 136.7 million to EUR 111.2 million due to high sales volumes in previous years, with net rental income also falling from EUR 120.5 million to EUR 94.5 million. Successful asset management enabled like-for-like rental income to increase by 0.6%. The rental business and additional rental income from properties acquired as part of the warehousing process for a planned new fund also helped to lift rental income above the target range originally expected for 2016. Furthermore, some expected sales from the Commercial Portfolio were transferred later than expected, as a result of which the Company continued to receive rental income from these properties for longer than originally forecasted.

➲ Attractive sales profits from expected sales volumes

In 2016, our sales from the Commercial Portfolio enabled us to achieve net proceeds of EUR 318.1 million (previous year: EUR 201.3 million), with the "DIC Office Balance III" transaction at the start of 2016 making a significant contribution of approximately EUR 234 million and a sales profit of EUR around 10 million. Overall, sales profits totalled EUR 23.2 million (previous year: EUR 14.9 million).

OVERVIEW OF INCOME

in EUR million	2016	2015	
Gross rental income	111.2	136.7	-19 %
Real estate management fees	21.5	7.3	>100 %
Proceeds from sales	318.1	201.3	+58 %
Other	23.0	27.1	-15 %
Total income	473.8	372.4	+27 %

Significant rise in real estate management fees

Real estate management fees increased by EUR 14.2 million overall compared to the previous year to EUR 21.5 million, thus almost tripling within a year. Proceeds from services for the special funds amounted to EUR 18.8 million (up EUR 13.2 million). Services provided to third parties contributed another EUR 2.7 million (previous year: EUR 0.8 million) to the significant rise in real estate management fees.

Cost structure reflects growth trajectory

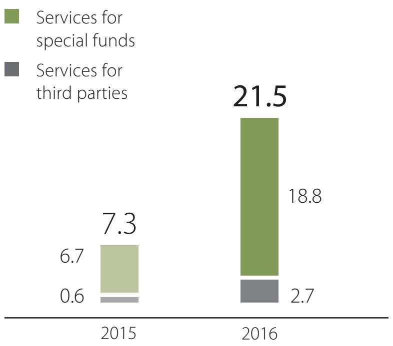
Our operational costs grew in line with expectations due to the recruitment of new staff in the fund business and real estate management. Personnel expenses rose by EUR 1.2 million to EUR 16.1 million, partly as a result of costs incurred by implementing new structures. Administration costs increased by EUR 2.0 million to EUR 10.8 million primarily due to non-recurring expenses in the form of recruiting, legal and consulting costs of structuring strategic business activities and providing a foundation for further corporate growth. In the 2016 financial year, the operating cost ratio (the ratio of personnel and administrative expenses to gross rental income, adjusted for real estate management fees excluding set-up fees) fell to 11.7 %, down from 12.1 % the previous year.

Net interest income systematically optimised

We were able to optimise our finance costs further during the year under review. Firstly, the refinancing completed on attractive terms in previous years and loan repayments after disposals enabled us to improve net interest income adjusted for the non-recurring effect by EUR 13.1 million in financial year 2016 compared to the previous year.

REAL ESTATE MANAGEMENT FEES

in EUR million



OPERATING COSTS

in EUR million

NET INTEREST INCOME

in EUR million	2016	2015	Δ
Interest income	9.4	10.5	-10 %
Interest expenses	-56.1	-70.3	-20 %
Non-recurring refinancing expense	-56.3	–	–
Net interest income	-103.0	-59.8	72 %

Secondly, we took the opportunity to significantly reduce future interest and principal payments and accepted a non-recurring charge to net interest income as a result. The early repayment of old loans totalling approximately EUR 960 million carried out at the end of 2016, which enabled us to significantly lower finance costs for the coming years and secure higher cash flow, led to non-recurring expenses of EUR -56.3 million in 2016 for charges such as prepayment penalties.

In light of these extraordinary refinancing activities, the Company recorded an improved adjusted net interest income of EUR -46.7 million in 2016, after EUR -59.8 million the previous year. For the average interest rate, please see our notes on pages 54.

➲ FFO exceeds target

After extensive disposals totalling EUR 49.0 million still being initiated in the previous year, in 2016 a range of EUR 43–45 million was expected for FFO (funds from operations), which represents income from portfolio management. Due to the success of the Company's portfolio management efforts during the year, this FFO forecast was raised in the second half of the year, and FFO reached the upper end of this revised target range with EUR 47.0 million at the end of the year.

RECONCILIATION TO FFO

in EUR million	2016	2015	Δ
Net rental income	94.6	120.5	-21%
Administrative expenses	-10.7	-8.8	+22%
Personnel expenses	-16.1	-14.9	+8%
Other operating income/expenses	0.2	0.1	+100%
Real estate management fees	21.5	7.3	>100%
Share of the profit or loss of associates without project developments and sales	5.4	3.9	+38%
Net interest income	-47.9	-59.0	-19%
Funds from operations	47.0	49.0	-4%

At 42%, the FFO margin (FFO in relation to gross rental income) increased by around six percentage points compared with 2015 due to a change in finance costs. The FFO per share was EUR 0.69 in 2016 after EUR 0.72 in the previous year. As a result of the successful early refinancing of the Commercial Portfolio of approximately EUR 960 million, a significantly higher FFO margin is expected from 2017 onwards.

➲ Share of the profit of associates decreased in line with expectations

The share of the profit or loss of associates (Co-Investments) declined as expected in 2016, with one reason being the continued, successful reduction of joint ventures in 2016. Furthermore, the previous year's figure of EUR 7.7 million mainly reflected the completion of project developments with a contribution to earnings of EUR 4.8 million. In 2016, the share of the profit of associates of EUR 2.3 million was primarily made up of fund investments (EUR 2.4 million), the share of the profit from the equity investment in WCM and the planned decline in profits from the sale from the joint venture portfolios. The slight decline of EUR 0.3 million in fund investments is attributable to a reduction in our proportionate investment carried out by DIC Asset AG in the spring of 2016.

➲ Adjusted consolidated profit increased considerably

At EUR 26.9 million, the adjusted consolidated profit was up EUR 6.2 million compared with the previous year (EUR 20.7 million), resulting mainly from higher profits on property disposals. The effect from refinancing the old loans in the Commercial Portfolio in December 2016 had a non-recurring effect of EUR -56.3 million on consolidated profit/loss. Earnings per share amounted to EUR -0.41 after EUR 0.30 in the previous year. Without the non-recurring effects of the early refinancing, adjusted earnings per share are EUR 0.39.

➲ Segment results

The definition of our segments follows internal reporting and management by region using key operating figures. No information on sales, earnings or balance sheet items is provided. Information on the segments can be found from page 119.

FINANCIAL POSITION

- Refinancing of entire Commercial Portfolio successfully completed
- Average interest rate reduced to 1.7 percentage points
- Significant profit and liquidity benefits from 2017 onwards
- Results in non-recurring effect of EUR -56.3 million
- 87 % of financing either at fixed interest rates or interest-rate hedged

➲ Broad financing spectrum

With the help of our financial management, we ensure that we are able to guarantee the liquidity of DIC Asset AG and its equity investments at all times. We also strive to achieve the greatest possible stability vis-à-vis external influences and, at the same time, to maintain the degree of flexibility that guarantees our company's development.

We meet our financing requirements both through traditional bank financing and the capital markets. We have a large number of business relationships with various partner banks. We arrange loans at customary market conditions and review them continuously to see whether there is scope for optimisation.

➲ Long-term focus and security in our planning

To make our financing structure as stable as possible, as a rule, we conclude our financing on a long-term basis, mainly over 5–8 years. Bank financing was renegotiated at the end of the year. We refinanced our Commercial Portfolio ahead of schedule with significantly improved terms over seven years. Our current financing is carried out on a non-recourse basis, which prevents unlimited enforcement against the Group. We achieve more stability and security in our planning by hedging the vast majority of our financing against fluctuations in interest rates.

➲ Refinancing of EUR 960 million completed ahead of schedule

On 14 December 2016 DIC Asset AG announced the signing of a loan agreement in the amount of EUR 960 million. The loan provided by Deutsche Hypothekenbank as lead manager as well as Berlin Hyp AG, HSH Nordbank, Helaba and pbb Deutsche Pfandbriefbank replaces the previous financing arrangements for the Commercial Portfolio ahead of schedule. As a result, our previous old financing was almost completely repaid in January 2017, and existing loan conditions and interest rate hedging agreements relating to the refinanced old loans were dissolved. The conclusion of this transaction will significantly reinforce the future financial position and results of operations of DIC Asset AG. We recorded a non-recurring effect recognised through profit or loss of EUR -56.3 million at the end of the financial year as a result of this transaction. This effect comprises the termination of hedges and the resulting reporting of derivative financial instrument repayment amounts recognised through profit or loss and compensation payments for the early repayment of loans.

Including the financing activities for our Co-Investments, we realised financing volume of approximately EUR 1,301 million in 2016, following a financing volume of some EUR 670 million that had been rearranged the previous year.

In addition to financing amounting to around EUR 1,246 million for the Commercial Portfolio, approximately EUR 55 million was arranged for acquisitions for our funds in 2016.

CASH FLOW-AFFECTING FINANCING ACTIVITIES IN THE COMMERCIAL PORTFOLIO IN 2016

in EUR million	
New loans	**286**
Repayment of loans	**110**
Commercial Portfolio refinancing (cash-flow affecting in 2017)	**960**

At EUR 1,566.8 million, the financial debt shown on the balance sheet as at 31 December 2016 was down EUR 7.0 million year-on-year following refinancing and repayments. The large majority (77 %) of the financial debt consists of bank loans, whereas a portion of 17 % is attributable to funds from our bonds. Loan repayments made in 2016 totalled EUR 109.6 million, of which EUR 75.0 million were unscheduled repayments following sales.

➲ Sharp rise in remaining maturities as a result of refinancing

The refinancing of the Commercial Portfolio at the end of the financial year has considerably extended the average maturity of financial debt. The average remaining maturity of liabilities including the bonds – adjusted for warehousing – was 5.9 years at the end of December, up from 4.3 years in the previous year. About one third of all financing has a maturity of more than five years.

➲ Refinancing in 2017

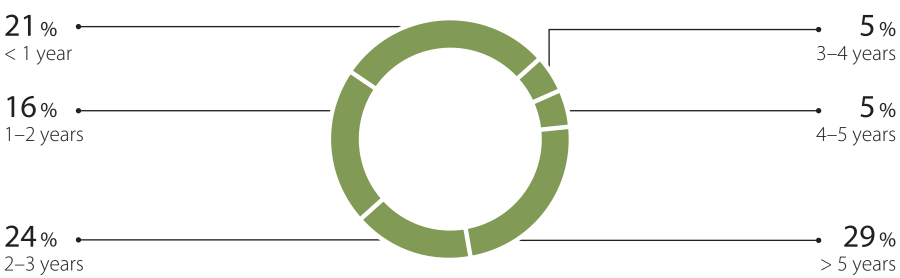
No refinancing is pending for the Commercial Portfolio in 2017.

➲ Hedging against interest rate fluctuations

At around 87 %, the vast majority of financial debt is hedged against fluctuations in interest rates – either by means of fixed-rate loans or via derivative interest hedging instruments. This gives us long-term certainty in our planning and keeps interest rate risks low. Generally, possible changes in interest rates do not impact the income statement but the equity reported in the balance sheet. Just under 13 % of our financial liabilities – primarily short-term in nature – are agreed at variable rates and not fully hedged against interest rate risks.

DEBT MATURITIES

as at 31.12.2016



➲ Average interest rate lowered significantly by Commercial Portfolio refinancing

The average interest rate across all liabilities to banks was 3.4 % as at 31 December 2016 and therefore at the level of the previous year's reporting date (3.4 %). The refinancing of the Commercial Portfolio lowered our average interest rate across all liabilities to banks to 1.7 % from 2017 onwards.

The interest cover ratio (ICR), i.e. the ratio of net rental income to interest payments, adjusted for the non-recurring effect from refinancing, increased slightly from 171 % to 173 %. Here, the refinancing will also result in a substantial improvement of the interest cover ratio in 2017.

➲ Financing obligations met in full

We complied with all financing obligations, including financial covenants, throughout the year and as at the reporting date. DIC Asset AG has agreed a customary level of credit with financial covenants (loan agreement clauses imposing financial ratios). If the Company fails to comply with these clauses, banks could modify their credit terms or demand the repayment of some loans at short notice. Essentially, the following covenants apply:

- DSCR (debt service coverage ratio): specifies the percentage of expected interest plus repayment (principal repayment) covered by rental income.
- LTV (loan-to-value): is a ratio expressing the loan amount as a percentage of a property's market value.

➲ No off-balance sheet financing

There are no significant off-balance sheet forms of financing. The consolidated financial statements report all forms of financing used by the Company. Additional details such as terms, the fair value of loans or information on derivative financial instruments is provided in the notes from page 112.

➲ Comfortable liquidity situation

Liquidity forecast has the utmost priority for us as part of financial management, not least against the backdrop of conditions for the granting of loans which remain stringent. We therefore endeavour to be independent of additional financing for ongoing operations. For this purpose, we carry out annual liquidity planning as part of our budgeting process, which is then continuously updated through weekly liquidity status reports. The consistency of our cash flow enables us to make a detailed liquidity forecast against which we can align our cash deployment and requirements with great precision.

During 2016, DIC Asset AG was at all times able to meet its payment obligations. As at 31 December 2016, available liquidity amounted to around EUR 148.2 million. The Company also has unused bank credit lines and guarantee facilities in the amount of EUR 42.1 million at its disposal.

➲ Cash flow shaped by investments and sales to optimise the Commercial Portfolio

The cash outflow for the financial year was primarily characterised by strategic investments in both the fund business and the equity interest in WCM Beteiligungs- und Grundbesitz-AG. The positive cash flow from operating and financing activities was more than offset by the cash outflow from investing activities, leading to an overall cash outflow of EUR -52.2 million (previous year: cash inflow of EUR 107.2 million).

As expected, cash generated from operations was EUR 28.2 million lower than the previous year, primarily as a result of expected lower inflows from rental income. Cash generated from operations therefore totalled EUR 89.7 million (previous year: EUR 117.9 million). After taking into account interest and taxes, cash flow from operating activities amounted to EUR 33.9 million (previous year: EUR 53.0 million). In particular, considerably lower interest payments (EUR -11.5 million) due to lower residual amounts caused by unscheduled repayments arising from sales made during the current and previous financial year helped to offset lower rental income.

In 2016, cash flow from investing activities was dominated by strategic investments in our fund business amounting to EUR 272.9 million as well as the acquisition of our equity interest in WCM Beteiligungs- und Grundbesitz-AG. Our sales during the financial year generated cash inflows of EUR 80.9 million. Overall, we recorded a negative cash flow from investing activities of EUR -239.0 million (2015: EUR +169.3 million). Cash outflows for portfolio investments were lower than in the previous year due to the significantly reduced portfolio at EUR -8.2 million (2015: EUR -10.4 million).

The cash flow from financing activities in 2016 was dominated by new loans taken up for financing the strategic investments in the fund business and the repayment of loans as a result of our successful sales activities. Cash flow from financing activities amounted to EUR +152.9 million compared with EUR -115.2 million in the previous year. In total, we repaid loans of EUR 109.6 million, while we raised EUR 285.8 million in new loans. A total of EUR 25.3 million in dividend payments was distributed to the shareholders in the financial year (previous year: EUR 24.0 million).

Cash and cash equivalents decreased year-on-year by EUR 52.2 million to EUR 152.4 million.

CASH FLOW

in EUR million	**2016**	2015
Consolidated profit/loss	**-29.4**	20.7
Cash flow from operating activities	**33.9**	53.0
Cash flow from investing activities	**-239.0**	169.3
Cash flow from financing activities	**152.9**	-115.2
Net changes in cash and cash equivalents	**-52.2**	107.2
Cash and cash equivalents as at 31 December	**152.4**	204.6

NET ASSETS

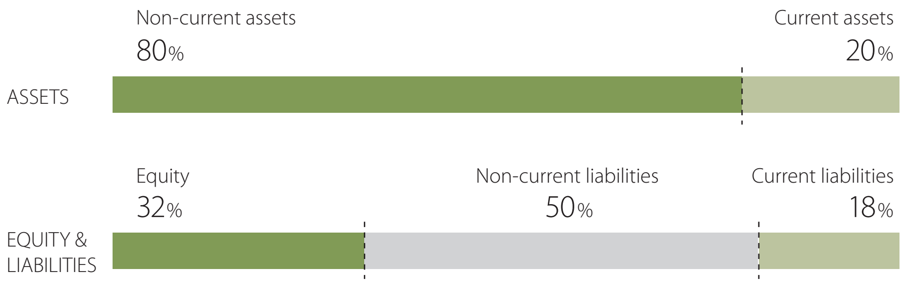
- Real estate assets total around EUR 1,583.4 million
- Loan-to-value ratio (LTV ratio) adjusted for warehousing effects reduced to 59.9 %
- Net asset value stable at EUR 880.0 million
- Reported equity reduced by EUR 35.1 million due to refinancing

During the financial year, net assets were primarily impacted by the transfer of assets and corresponding liabilities to the „DIC Office Balance III" office fund operationally launched at the start of the year, investment in real estate for new fund products and the successful refinancing of the Commercial Portfolio at the end of the year. Net assets also reflected the sales from the Commercial Portfolio and Co-Investments, which we made to optimise our portfolio structures, and the related repayment of loans. Real estate assets in the Commercial Portfolio decreased by 7 %. The net asset value was comparable to that of the previous year and amounted to EUR 880.0 million as at the reporting date.

Measurement at cost

Our properties are carried at amortised cost. The carrying amounts are reviewed annually in the course of IFRS impairment testing to establish whether impairment losses must be recognised. These are compared against the value in use, which reflects the value of a property under its intended use. In 2016, impairment testing did not result in any impairment charges to real estate assets.

BALANCE SHEET STRUCTURE



Total assets down slightly

As at 31 December 2016, total assets were EUR 2,395.5 million, approximately EUR 60.5 million (2 %) below the previous year-end figure. Investment property (our existing properties in the Commercial Portfolio) was carried at EUR 1,583.4 million at the end of 2016 compared with EUR 1,700.2 million in the previous year. The decline of EUR 116.7 million (-7 %) is mainly due to disposals through sales.

Investments in associates grew by 89 % from EUR 92.7 million to EUR 175.5 million, primarily as a result of the acquisition of the equity interest in WCM Beteiligungs- und Grundbesitz-AG. The share of the profit of associates and additional investments in our fund business also contributed to this increase. We made acquisitions for the fund business totalling approximately EUR 520 million during the financial year, of which approximately EUR 273 million was shown on the balance sheet in non-current assets held for sale. This was offset by the reduction of our equity interest in the "DIC HighStreet Balance" fund in the second quarter of this year. Due to repayments made, loans to related parties in non-current assets fell by EUR 11.8 million while the corresponding receivables in current assets declined by EUR 1.6 million. These loans mainly consist of loans granted for equity contributions for refinancing and bridge financing for project developments.

As a result, while non-current assets decreased slightly by 3 % or EUR 52.9 million to EUR 1,908.6 million as at the 2016 reporting date (2015: EUR 1,961.5 million), current assets remained virtually unchanged (-2 %). The real estate acquired for our new fund products led to a slight increase of EUR 42.6 million in non-current assets held for sale on the reporting date, while cash and cash equivalents fell by EUR 52.2 million.

➲ Non-recurring effect of refinancing reduces equity

Equity fell by EUR 35.1 million (-4 %) to EUR 757.0 million due to the non-recurring effect recognised in profit or loss arising from the early repayment of almost all of the Commercial Portfolio's liabilities to banks totalling EUR 56.3 million. The hedging of loans terminated as at 31 December 2016 was cancelled on the reporting date, leading to a corresponding reversal of the hedging reserve recognised in profit or loss as at 31 December 2016. As a result, retained earnings fell by EUR 53.6 million compared to the previous year.

The reported equity ratio fell slightly by 0.7 percentage points to 31.6 % compared with the previous year (32.3 %). We reduced the loan-to-value ratio (LTV ratio), adjusted for the temporary effects of the non-current assets and liabilities held for sale for our new fund products, by 2.7 percentage points from 62.6 % to 59.9 %.

BALANCE SHEET OVERVIEW

in EUR million	31.12.2016	31.12.2015
Total assets	2,395.5	2,456.1
Total non-current assets	1,908.6	1,961.6
Total current assets	486.9	494.5
Equity	757.0	792.1
Non-current loans and borrowings	1,181.4	1,300.5
Current loans and borrowings	268.9	35.5
Other liabilities	188.2	328.0
Total liabilities	1,638.5	1,664.0
Reported equity ratio	31.6 %	32.3 %
Loan to value*	59.9 %	62.6 %

* The ratio of total financial debt, corporate bonds and liabilities to related parties minus cash in banks on the one hand and the fair value of investment property, equity investments and receivables from related parties on the other hand. Adjusted in 2016 for the non-sustainable effects from warehousing

➲ Net asset value stable at around EUR 880 million

The net asset value (NAV) is equal to the value of all tangible and intangible assets less liabilities. The NAV was EUR 880.0 million at the end of 2016, and the NAV per share amounted to EUR 12.83 compared with EUR 12.89 in the previous year. The NNNAV (see notes p. 103) per share totalled EUR 11.97 (2015: EUR 12.14).

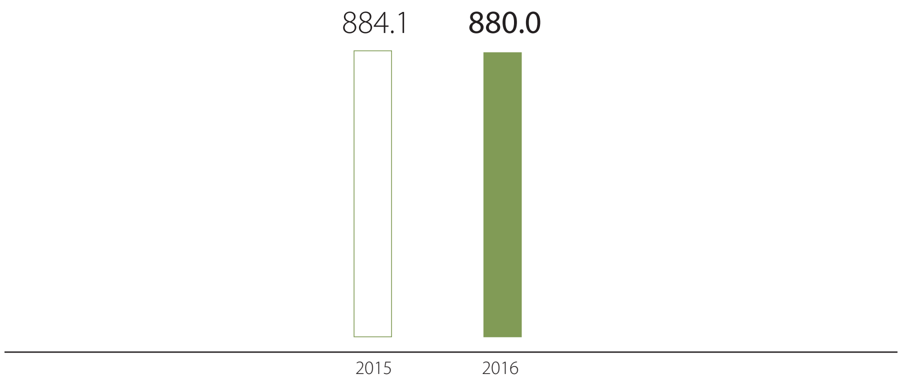
NET ASSET VALUE

in EUR million	31.12.2016	31.12.2015
Real estate market value*	1,948.3	2,007.1
Investments market value*	191.1	96.6
+/- other assets/liabilities*	307.4	354.2
Net loan liabilities	-1,566.8	-1,573.8
Net asset value (NAV)	880.0	884.1
Number of shares (thousand)	68,578	68,578
NAV per share in EUR	12.83	12.89
NNNAV per share in EUR	11.97	12.14

* incl. non-controlling interests

NET ASSET VALUE

in EUR million



Other disclosures

Impact of accounting policies and accounting changes on the presentation of the economic position

In 2016, no options were newly exercised, no grooming transactions were carried out and no changes were made to discretionary decisions which – if treated differently – would have had a material impact on the presentation of the net assets, financial position and results of operations in the financial year.

Non-financial key performance indicators

Non-financial key performance indicators play a major role in the long-term success of DIC Asset AG. These assets are not quantifiable and therefore cannot be reported in the balance sheet. These are assets which constitute clear competitive advantages and are due to the long-standing nature of the Company's operations, the expertise developed as well as an extensive network within the market. These include amongst other things:

- Sustainability-related financial and non-financial key performance indicators (we report on these in detail in our sustainability report, which is available to download from our website)
- Motivated and dedicated employees and managers
- Competitive and organisational advantages from our real estate management platform throughout Germany
- Long-term relationships with highly satisfied tenants
- Established, trusting cooperation with service providers
- Anchoring sustainability as a key component of the business model
- Trust-based partnerships with strategic financial and capital partners
- Cooperation and continual exchange with analysts, the capital market, media and the public

Certain leased, rented or hired assets (operating leases) are not included in the balance sheet. This does not relate to any DIC Asset AG properties and has no material impact on net assets. More detailed information can be found in the notes on page 121.

The DIC brand is one of the intangible assets not recognised in the balance sheet. During the reporting year, we used the brand consistently in our corporate image and enhanced it further through a variety of public relations activities.

REPORT ON POST-BALANCE SHEET DATE EVENTS

The transfer of possession, benefits and associated risks for one property from the Commercial Portfolio notarised in November 2016 took place in early February 2017.

Furthermore, notarisation for one property from the Commercial Portfolio took place in January 2017. The transfer of possession, benefits and associated risks is expected for the end of March 2017.

Cash payments and settlements in respect of the refinancing arranged end of 2016 took place in January 2017

REPORT ON EXPECTED DEVELOPMENTS, RISKS AND OPPORTUNITIES

REPORT ON RISKS AND OPPORTUNITIES

THE RISK MANAGEMENT SYSTEM OF DIC ASSET AG

In a dynamic environment, it is a fundamental entrepreneurial duty to recognise and exploit opportunities early on. DIC Asset AG's risk management system enables the Company to identify developments that could endanger its continued existence early on so that it may take effective countermeasures. It also allows the Company to leverage existing opportunities, unlock new profit potential and manage risks in a controlled manner to grow the Company's value. Balancing the ratio of opportunities to risks keeps the potential adverse effects on the Company's business success to a minimum.

The governing bodies of the Group have stipulated basic rules for risk exposure, including allowing specific business risks to be taken as long as the associated opportunities are expected to increase the Company's value. This reflects our efforts to grow on a sustainable basis, to increase enterprise value and accordingly control, spread and reduce any risks which may arise. The management of risks and opportunities is therefore a fundamental component of corporate governance.

In the interests of its tenants, employees and investors, the risk management system protects the Company from critical situations and secures its continued existence in the long term.

The risk management system (RMS) extends throughout all areas of the Company and its subsidiaries, and is binding on all employees. Risks are defined as strategic and operational factors, events and actions that materially affect the Company's existence and business situation. External factors also analysed include the competitive environment, demographic developments and other factors that could prevent the Company from attaining its goals. The RMS covers strategic decisions by the Management Board as well as day-to-day business. The internal control and monitoring system is an integral component of the risk management system. It minimises operational and financial risks and monitors processes, and it ensures compliance with laws and regulations including the appropriateness of financial reporting.

Structure of the risk management system

> Risk early warning system

DIC Asset AG's early warning system aims to record, quantify and communicate all relevant risks and their causes. This ensures that necessary countermeasures can be initiated early on. The respective specialist departments are responsible for identifying, reporting, assessing and controlling risks. For example, real estate data are recorded at property level by the asset and property management teams. These data are aggregated, supplemented, checked and summarised by the central Controlling function and then reported to management. In accordance with section 317 (4) HGB, the risk early warning system is reviewed and assessed annually by the auditor as part of the audit of the financial statements in terms of its compliance with the requirements of German stock corporation law.

> Risk identification

As part of risk controlling, the identification of risk is the first step in the risk management process and forms the basis for managing risks in an adequate and effective manner. Risks are identified and systematised in accordance with the integration concept as part of general business processes. To do so, we use instruments such as corporate and scenario analyses among others to analyse strategic risks and detailed check lists for routine reviews.

> Risk analysis and communication

Our employees are required to manage risks and opportunities conscientiously and responsibly and in line with their competencies. Responsibilities are defined for all relevant risks in accordance with the hierarchy. An identified risk is assessed as to its probability of occurrence and the extent of potential financial loss is calculated. The next step involves a decision by the responsible divisional managers, if necessary together with the Management Board, regarding appropriate risk management. Appropriate response measures are devised on the basis of this, and their success is monitored regularly. Longer-term risks are integrated in the strategic planning process.

Risks are analysed and then aggregated according to their potential cumulative effects. This allows us to determine the overall exposure for the DIC Asset Group. In order to provide information regarding identified risks and key events within the market environment, risk management is incorporated as an integral part into our regular planning, reporting and management routines. The Management Board, the Supervisory Board and any other decision-making bodies are regularly informed at quarterly intervals, or on an ad hoc basis for serious issues that arise suddenly. This ensures that the Management Board and the Supervisory Board are promptly and comprehensively informed of material risks.

> Opportunity management

The systematic identification and communication of opportunities is also an integral component of the risk management system. Opportunities are events or developments which may have a positive effect on the course of business. In principle, we strive to achieve a balance between opportunities and risks.

> Risk management and control

The process of analysis and forecasting allows us to initiate appropriate measures for coping with risk and also for exploiting in a targeted manner any opportunities that arise. For example, we reduce the risk from interest rate fluctuations through matching hedging transactions. In connection with long-term project developments, a systematic and comprehensive project management with standardised project milestones, preliminary acceptances, the awarding of contracts for individual trades and general contractors and clearly determined approval processes help us minimise project risks.

> Risk management documentation

The existing guidelines, procedures, instruments, risk areas and responsibilities are documented in writing and are expanded continually. Documentation summarises the key elements of the control cycle introduced as part of the risk management system.

INTERNAL CONTROL SYSTEM

General

The internal control system (ICS) and the risk management system relevant for DIC Asset AG's financial reporting process comprise guidelines, procedures and measures. Their key aims are to ensure that business is handled securely and efficiently, financial reporting is reliable and appropriate, and laws, directives and the relevant legal provisions are complied with. The internal control system consists of two areas: control and monitoring. In organisational terms, Corporate Finance, Controlling and Accounting are responsible for control.

The monitoring measures consist of elements incorporated into the process and external independent elements. The integrated measures include manual controls such as the "dual control principle", which is applied universally, and technical controls, essentially by software-based checking mechanisms. In addition, qualified employees with the appropriate powers (managing directors of portfolio companies or second-tier management, for instance) as well as specialised Group departments such as Controlling or Legal perform monitoring and control functions as part of the various processes.

External, cross-process checks of the internal monitoring system are carried out primarily by the Management Board and the Supervisory Board (by the Audit Committee in particular here) as well as by the auditors as part of the audit of the annual financial statements.

Use of IT

We manage and monitor our relevant IT systems centrally. In addition to the physical infrastructure, the system environment is of particular importance. Both are protected against failure through suitable mechanisms to always guarantee a high degree of availability of all mission-critical systems and components.

IT disaster recovery planning also takes into account external service providers and their contingency plans. In this regard service level agreements (SLAs) are formulated and reconciled with the most important IT service providers. This also includes coordinating DIC Asset AG's requirements for IT contingency plans with the services and resources offered by external service providers.

We regularly check that the programmes and interfaces we use are running properly and utilise the results of this monitoring for continuous improvement of our processes.

Our entire IT system has a multi-level concept to protect against unauthorised access and malware such as viruses and trojans. DIC Asset AG's internal network is secured against external access through firewalls. Access to the Company's internal systems is actively monitored using an intrusion detection system (IDS).

Ensuring that the financial reporting is appropriate and reliable

The checks to ensure that financial reporting is appropriate and reliable include analysing the issues and changes using specific key data, using check lists to ensure that the information is complete and that the procedures are uniform. Accounting transactions in the single-entity financial statements of DIC Asset AG and its subsidiaries are recorded in the ERP system tailored specially to the requirements of real estate companies. This is supplemented by a payment software package closely tied in with the ERP system that ensures that payment transactions are correct and are duly entered. The consolidated financial statements are prepared by creating standardised reporting packages comprising the respective single-entity financial statements and additional information and processing them with consolidation software.

The regulations, control activities and measures prescribed by the internal control system ensure that transactions are recorded promptly and completely in compliance with statutory and internal provisions, and that assets and liabilities as well as expenses and income are recognised, measured and reported accurately in the consolidated financial statements. The accounting documents provide a reliable and comprehensible basis of information.

The International Financial Reporting Standards (IFRSs) are supplemented by sector standards such as the EPRA recommendations and applied by DIC Asset AG as uniform accounting policies throughout the Group. The financial reporting provisions regulate in detail the formal requirements for the consolidated financial statements, such as determining the basis of consolidation and the content of the reports to be prepared by the individual entities. Internal regulations governing intra-Group settlement practice, for instance, have also been defined.

At Group level, control primarily comprises the analysis and, if necessary, adjustment of the single-entity financial statements included, taking into account the findings and recommendations of the auditors. The consolidation of all financial statements is conducted at the headquarters in Frankfurt am Main. Impairment tests carried out centrally, particularly the annual review of the market value of all properties carried out externally by independent surveyors, ensure that the measurement criteria are applied uniformly and on a standardised basis. The data required for disclosures in the management report and the notes are also aggregated and adapted at Group level.

Caveats

Even tried-and-tested, established systems such as DIC Asset AG's internal control and risk management systems cannot exclude errors and violations entirely, meaning that absolute security with regard to the accurate, complete and prompt recording of data in the Group's financial reporting cannot always be fully guaranteed. Non-recurring, non-routine transactions or those which are urgent may entail a certain potential for risk. Risks may also arise from the scope for discretion that employees have in recognising and measuring assets and liabilities. A certain control risk also arises from the use of service providers to process data. Financial reporting-related risks arising from financial instruments are explained in the notes.

INDIVIDUAL RISKS AND OPPORTUNITIES

External environment

- Economy as a whole
- Real estate sector
- Regulatory and political changes
- Legal

Finances

- Interest rates
- Financing and liquidity
- Valuation

Strategy

- Portfolio management
- Funds
- Project developments

Operations

- Acquisition and sales planning
- Letting
- Property and location
- Personnel
- IT

External environment

> Economy as a whole

Economic changes may have a positive or a negative effect on our business and on the financial position and results of operations of the Company. Short-term opportunities and risks relate primarily to the share of rental income generated from new rental agreements and from lease renewals. Risks are also posed by the loss of rental income resulting from tenants becoming insolvent.

In 2017, we once again expect Germany to experience moderate economic growth that is likely to be somewhat weaker than 2016, primarily due to calendar effects. Employment growth is expected to continue, albeit with reduced momentum. Private consumer spending remains the primary growth driver for the German economy, even though increasing inflation – triggered by rising energy prices in particular – is impacting real income development. Bolstered by brisk residential and public sector building activity, the construction industry will also continue to expand at a reduced rate.

Nevertheless, this positive domestic climate faces a number of uncertainties. Although the recent brightening of the global economic situation – helped by rising oil and commodities prices – is expected to have a positive effect on German exports, it is impossible to predict the direction in which Brexit negotiations will proceed and whether this will have adverse effects on the economy in the EU and United Kingdom. The political landscape in Europe also remains extremely uncertain, with key elections due in France, the Netherlands and Germany this year that could reinforce emerging disintegration trends. Internationally, resurgent protectionist tendencies could undermine the global economy.

To minimise risks, we focus on long-term leases to top-quality tenants, on spreading rental income across a large number of different tenants and on investing in economically strong regions.

We consider it unlikely that the economy will suffer a marked deterioration in the next twelve months. The negative financial impact on our business of such a deterioration would be slightly to moderately serious. Overall, the risk/opportunities profile resulting from factors in the economic environment remains unchanged for us compared with the previous year. Our portfolio is highly diversified, in particular through a high proportion of agreements with public sector tenants and a large number of tenancy agreements with SMEs.

> Real estate sector

The real estate sector is considered one of the most diverse industries in a modern economy. In addition to property management, the sector includes construction and the activities associated with real estate assets and their financing. Each phase of the "planning, construction, financing, operation, management" life cycle and buying and selling real estate all involve both risks and opportunities.

In the rental market, surplus supply or fixtures and fittings that no longer meet current standards can lead to price pressures, a loss of margin and vacancies. A shortage of suitable space, by contrast, can lead to high demand from users and rising prices for the quality sought.

By subjecting properties to intensive examination before we buy, we endeavour to reduce the risks resulting from difficulties in letting properties subsequently and a lack of flexibility in their use. At the same time, we are interested in identifying opportunities that we can exploit through our efficient asset and property management organisation, which can handle even challenging real estate management tasks.

Due to stable underlying economic data, the German commercial real estate market has become an attractive investment market, even among foreign investors. Combined with favourable financing conditions and unattractive investment alternatives, this has led to an increasing shortage of property with attractive returns, particularly in A-locations. In 2016, prime yields on office properties in these locations fell below 4% for the first time.

Although the continuing decline in yields may impact our transaction planning in the long term, the risk would not result in any material financial damage, at least in the medium term, as our business plans are long-term and flexible. On the selling side, it also results in attractive exit options for us.

Our company is widely networked to minimise risks. As an active investor and asset manager with a local presence, we are well placed to become aware of possible sales in our relevant markets at an early stage. Furthermore, our market penetration throughout Germany and our in-depth knowledge also of B-locations enables us to seize opportunities in the regions, thereby compensating for a potential lack of supply at A-locations. Rental yields from A-locations within B-cities are currently significantly higher than rental yields from A locations in A-cities. This means we can continue to find attractive investment opportunities here via our broad regional network.

We expect the rental market to remain stable in 2017. Completions are coming to market with high pre-letting rates and, given the strong demand amid declining supply, this is not expected to lead to an oversupply of attractive space and properties and a corresponding drop in prices. In the transaction market, we see opportunities rather than risks on the selling side in 2017 due to continuing strong momentum and demand, and adequate opportunities on the buying side due to our broad local network.

With regard to the risks resulting from a downward trend in the sector, we currently assume a low probability of this occuring. This would have a slightly to moderately serious financial impact.

> Regulatory and political changes

Risks as well as opportunities may arise from changes to general conditions or regulations. While such changes usually require a certain amount of lead time to allow sufficient scope to adjust, they can sometimes be made rapidly in exceptional situations such as the financial crisis, thus complicating the adjustment process.

Parliamentary elections to the Bundestag will take place in Germany in 2017. A possible shift in the balance of political power combined with increasing social polarisation and the global fear of a potential trend towards greater protectionism could have a negative effect on the German economy.

Compared to other countries in Europe, Germany has previously proven itself to be an economy with a strong degree of regulatory, social and political stability and thus offers less potential for sudden, unmoderated measures and regulatory interventions without a broad social and economic consensus.

For financial year 2017, we consider risks or opportunities arising from sudden changes unlikely. We also believe that the possible financial repercussions are minor.

> Legal

DIC Asset AG is exposed to the risk that third parties will assert claims or file actions for a possible breach of their rights within the framework of normal business operations. We therefore carefully check all material acts carried out by the Company in order to identify and avoid potential conflicts. Risks may also arise from non-compliance with contractual obligations.

At present, ongoing litigation relate almost exclusively to legal proceedings initiated by the Company to collect outstanding rent. We recognised provisions for these legal costs and recognised bad-debt allowances as required.

There are currently no material pending or foreseeable legal disputes which could constitute a considerable risk. In our view, current litigation will result in more opportunities than risks. Sufficient provisions have been recognised in this context. Overall, we consider the legal risk and its financial implications to be low. Further information about legal risks can be found in the notes.

Finances

> Interest rates

Interest rate risk arises from fluctuations in interest rates caused by market developments (market interest rate volatility) and from the Company's own exposure to interest rates (open fixed rate positions, maturities expiring etc.). They may impair DIC Asset AG's profitability, liquidity and financial position as well as its opportunities for expansion.

To hedge against interest rate fluctuations we used derivative financial instruments. As at 31 December 2016, 87 % (previous year: 89 %) of our financing volume was hedged against interest rate changes. Due to the hedging, an increase in interest rates of 100 basis points would only reduce our cash flow by EUR 0.1 million. Interest rate changes had implications through financial instruments until 31 December 2016, affecting mainly the balance sheet and reducing equity. As at 31 December 2016, the average interest rate across all liabilities to banks amounted to 3.4 % (previous year: 3.4 %). Further information about interest rate risks can be found in the notes.

The current, historically low level of interest rates entails opportunities for obtaining financing on favourable terms and for long-term improvements in our financing structure. We are therefore involved in regular negotiations with financing institutions. If we succeed in renewing financing earlier than scheduled or in agreeing attractive terms, we benefit primarily from lower costs and a reduction in our financing risks.

In December 2016, we made the most of this opportunity and refinanced our Commercial Portfolio by concluding a loan agreement totalling EUR 960 million with a term of 7 years. This transaction enabled us to lower our financing costs by 170 basis points to around 1.7 % and increase the average term of our financial debt to 5.9 years. The resulting high level of security in our business planning has significantly lowered the interest rate risk for the Company.

We expect interest rates to rise slightly while remaining low in 2017, which will continue to benefit real estate investment markets. Thanks to the substantial level of hedging, a stronger increase in interest rates would have a slightly to moderately negative impact on our finances.

> Financing and liquidity

The close relationship between the financial sector and the real economy is particularly evident in the property industry. Among other things, this is attributable to the fact that construction projects, repairs, modernisation and purchasing properties are usually very capital-intensive activities requiring borrowing to finance.

The aftermath of the last financial crisis resulted in some real estate financiers discontinuing new business or basing their credit requirements on more restrictive risk parameters. However, due to the ongoing expansive monetary policy pursued by the ECB – and the liquidity associated with this – and the favourable refinancing conditions, funds in the real estate markets are currently at a high level and the willingness of banks and other financing partners to provide financing has risen again. New, alternative lenders have entered the market, subjecting the traditional financing providers to greater margin competition. To ensure a viable and sustainably stable financing structure, we therefore only agree loans and derivative financial instruments with banks with which we can build on a reliable and long-term partnership and which have excellent credit ratings or are members of a guarantee fund.

On 14 December 2016 DIC Asset AG announced the signing of a loan agreement in the amount of EUR 960 million. The loan provided by Deutsche Hypothekenbank as lead manager as well as Berlin Hyp AG, HSH Nordbank, Helaba and pbb Deutsche Pfandbriefbank replaces the previous financing arrangements for the Commercial Portfolio ahead of schedule. As a result, our previous old financing was almost completely repaid in January 2017, and existing loan conditions and interest rate hedging agreements relating to the refinanced old loans were dissolved. The conclusion of this transaction will significantly reinforce the future financial position and results of operations of DIC Asset AG.

The real estate portfolio of DIC Asset AG is financed on a property or portfolio basis. Financial risks do not therefore have a direct or unlimited impact on the Group as a whole (non-recourse financing).

DIC Asset AG has agreed a customary level of credit with financial covenants (loan agreement clauses imposing financial ratios). If the Company fails to comply with these clauses, banks could modify their credit terms or demand the repayment of some loans at short notice, which would have negative financial implications. Essentially, the following covenants apply:

– DSCR (debt service coverage ratio): specifies the percentage of expected interest plus repayment (principal repayment) covered by rental income.

– LTV (loan-to-value): is a ratio expressing the loan amount as a percentage of a property's market value.

No shares in DIC Asset AG serve as collateral or parameters for any of our loan agreements, and therefore the share price is irrelevant both with regard to termination and margins. Compliance with credit clauses is monitored continuously and proactively through risk management in the Corporate Finance division; all covenants were complied with. Deviations from defined threshold values identified through ongoing sensitivity analyses are presented to the Management Board without delay, and the type and scope of the countermeasures to be taken are determined. The conclusion of affordable long-term financing has been a material condition for the investment decision for all new acquisitions.

The liquidity risk consists of the risk that, due to insufficient availability of funds, the Company is unable to meet existing or future payment obligations or has to accept unfavourable financing terms in order to meet cash shortfalls. In the Group, this risk is managed centrally on the basis of multi-year financial plans and monthly rolling liquidity planning of long-term credit lines and liquid funds to ensure the solvency and financial flexibility of the Group at all times. Cash is passed on to Group companies as required under cash pooling arrangements. DIC Asset AG's financing and liquidity requirements for its operations are secured for the long term and are based on the cash flow from our properties and investments, which can be planned long-term. Liquidity is mainly held in the form of call and term deposits. The Company also has bank credit lines and guarantee facilities in the amount of EUR 42.2 million at its disposal. Further information about financing and liquidity risks can be found in the notes.

Financing opportunities arise from new means of financing such as our corporate bonds or new forms of mezzanine financing, which enables counterparty credit risk to be diversified to the benefit of all those involved.

Overall, we consider the probability and impact of financing and liquidity risks to be low.

> Valuation

The market value of our real estate assets is calculated annually by independent external valuers in accordance with international guidelines. This value is subject to fluctuations, which may be influenced by external factors such as the economic situation, interest rate, rent and property-related factors such as occupancy rate and the state of the property.

Changes in market values can have repercussions on the valuation of fixed assets, the balance sheet structure as a whole and financing conditions. To minimise risk, we pursue a well-balanced diversification of our portfolio, aiming to increase the value of our properties primarily through consistent tenant-focused real estate management and intensive letting activities as well as through selective sales.

Sensitivity calculations were carried out as at the balance sheet date in order to quantify possible valuation risks. The sensitivity analysis shows, by way of example, how market values react to changes in the discount rate and capitalisation rate. If the discount rate increases by 25 basis points, for example, market values will drop by EUR 27.5 million. If the capitalisation rate increases at the same time by 25 basis points, the drop will increase to EUR 72.5 million. Since our financial statements are prepared using the cost model (IAS 40.56), variations in market value do not have a direct effect on the balance sheet or the income statement. Impairments are only recognised if the carrying amounts exceed the fair values and values in use of the properties.

Sensitivity analysis:
Change in the market value of properties in the Commercial Portfolio (excluding warehousing)

Scenarios for change in discounting rate	Scenarios for change in capitalisation rate: +0.25 %	0 %	-0.25 %
+0.25 %	-72.5 EUR million	-27.5 EUR million	+22.2 EUR million
0 %	-37.6 EUR million	+/-0.0	+59.3 EUR million
-0.25 %	+/-0.0	+45.1 EUR million	+97.7 EUR million

Given that economic growth is expected to be moderate and the commercial real estate sector is likely to remain steady – a situation to which we can make an active contribution in relation to our portfolio with our own asset and property management services – we expect the probability of falling market values to be low to moderate in 2017. The impact of this would be moderate.

Opportunities which may arise as a result of a property increasing in value because of measures we have undertaken are exploited and realised selectively through sales.

Strategy

> Portfolio management

Active portfolio management is a key component of our corporate development. We constantly monitor the risks associated with the sale or purchase of real estate and, where required, recognise provisions.

We continuously examine and develop options for expanding our real estate portfolio. If we succeed in leveraging unexpected growth opportunities, this could allow us to increase revenues and income. We use real estate sales from the portfolio to lessen the concentration risk in the sectoral and regional portfolio structure, realise profits and reduce debt, thereby lowering the financial risks.

In the case of purchases, opportunities and risks arise mainly from income and costs deviating from budget, a fact which generally only becomes apparent in the medium to long term. In the case of property sales, the seller usually provides certain guarantees, for example with regard to legal and technical issues. As a result, there is a risk that claims may be asserted against the seller after the sale for breach of warranty obligations. There is also the risk in transactions that the planned figures may not be achieved due to sudden changes in the macroeconomic environment or property-specific issues.

We reduce risks prior to sales and purchases by means of extensive due diligence in conjunction with external experts as required. Furthermore, we prepare risk-oriented business plans, which are continually adjusted to cost and income trends. Continuous property management increases the likelihood of positive performance.

On the basis of current and planned transaction activities for the next twelve months, we consider risks from portfolio management to be unlikely and the financial implications to be low for 2017.

> Funds

DIC Asset AG designs funds and investment structures for institutional investors. It invests between 4.6% and 10% in the funds as a co-investor, thereby achieving regular investment income. In addition, the fund business generates regular income from asset and property management and from management fees on transactions.

Opportunities and risks arise in the fund business with regard to the expected income, which primarily depends on the volume of funds managed and the transaction activities. The fund volume can be impacted in particular if transaction activities deviate from those forecast. Lower rental income as well as a negative trend in market values can also weigh on income.

Another risk could be that our reputation as a provider of institutional fund products suffers, which may jeopardise the launch of new funds. In order to boost investor confidence, we have a significant equity stake in each fund to ensure we share a common interest with our investors.

Risks relating to investment income arise especially in connection with rental income from the fund properties, which may be negatively impacted by bankruptcies and significant rental defaults. We minimise these risks with our own effective property management, which manages the fund properties (see "Operational risks - letting").

Since 2010, DIC has launched a total of four funds: the "DIC HighStreet Balance" retail fund, the two "DIC Office Balance I" and "DIC Office Balance II" office funds and – with effect from 1 January 2016 – the "DIC Office Balance III" office fund. During the 2016 financial year, acquisitions increased the fund volume to the current figure of about EUR 1.2 billion. Preparations are currently underway to launch a retail fund and an office fund expected to become operational in 2017.

Thanks to our expertise and good customer relationships and based on the current and planned fund activities in 2017, we consider the probability of occurrence and the financial scope of the risks from the fund business to be low.

> Project developments

DIC Asset AG has invested in project developments in the past few years as a co-investor and possesses real estate with potential for development. To further reduce project development risks, we will focus more intensively on repositioning within our Commercial Portfolio in future.

In order to maximise the potential from opportunities and minimise risks, we did not start our existing project developments until suitable tenants had been found. We entered into long-term financing arrangements at an early stage and implemented a tight system of project and cost controls. By involving partners in the projects and through contractual agreements, we achieved an appropriate sharing of risk.

Successful project developments can unlock extraordinary income potential. Since project developments are mostly long-term undertakings, risks arise above all from unexpected planning permission issues, an unexpected increase in construction costs, unexpected delays, and in connection with letting and selling property. Delays and an increase in costs would, above all, reduce the planned profit on the project. In order to guard against this risk, general contractors are engaged or individual trade contracts are combined into packages, projects are managed with professional and respected engineering firms and attempts are made to spread the risk.

The project development risk was reduced considerably in financial year 2016. The "Opera Offices NEO" in project development in Hamburg was successfully concluded in 2016 with the transfer of possession, benefits and associated risks to buyer Berenberg Bank in September 2016.

As a result, we are currently involved in just one major project development, the MainTor project in Frankfurt.

	Total volume	Share of DIC Asset AG
MainTor Frankfurt	approx. EUR 800 million	40.0%

All six construction phases of the "MainTor" project have been sold and marketed in advance. The "Panorama" subproject was completed in 2016, meaning that five of the six construction phases have now been completed and transferred to their final investors. The shell construction of the final "WINX Tower" construction phase was completed at the turn of the year 2016 to 2017, with the entire MainTor district expected to become operational by 2018. In October 2016, we signed a long-term lease for the top six levels of the WINX Tower with law firm DLA Piper, representing approximately 5,400qm of office space in total. This means the office tower is more than 75% occupied more than a year before completion, bringing the occupancy rate for the entire MainTor site to more than 90%.

As financing matching the project term has been agreed for all the project developments currently being implemented, the residual risks in the project developments lie predominantly in the construction activities of those phases still in planning and construction and in letting the remaining spaces of the project developments.

On the basis of current and planned project development work for the next twelve months, we consider these risks and any potential financial implications to be low to medium for 2017.

Operations

> Acquisition and sales planning

Our planning for 2017 also contains income and profits resulting from acquisitions and sales. Should we exceed or fail to meet the projected transaction volumes, this could change our earnings forecast positively or negatively. Aside from the risks and opportunities that may arise outside the Company on the transaction market (cf. Risks in the external environment, "Real estate sector"), we consider it unlikely that we will have to deviate substantially from our planning for 2017. The opportunities for exceeding the minimum targets set predominate here thanks to the Company's flexibility. The possible financial implications would be low to moderate.

> Letting

Opportunities from letting arise primarily from stabilising and increasing income. We strive to do this by letting to tenants with good credit ratings and through intensive property management. When deciding on acquisitions, we subject properties, the market, locations and tenants to an intensive analysis. As a general principle, we aim to secure long-term tenancies and take measures in good time to extend tenancy agreements and find new tenants. We optimise our opportunities for letting by regularly monitoring and improving the structural quality of our properties.

Letting risks involve the non-payment of rent and profitability risks due to less profitable new leases or lease renewals. Counterparty credit risk resulting from outstanding rental payments is taken into account by way of bad debt allowances. We also try to avoid being dependent on major tenants. In 2016, around 42% of total rental income was attributable to the ten largest tenants. These tenants are all renowned tenants with mostly excellent credit standing, primarily from the public sector, the telecommunications industry and the retail sector. With the exception of the tenants Metro AG, the Free and Hanseatic City of Hamburg and the State Government of Hesse no tenant accounts for more than 5% of total letting volume.

In financial year 2017, tenancy agreements with a volume of EUR 10.7 million may end, while leases generating income of EUR 11.5 million will be extended periodically without a fixed end date. We assume that, as previously, the overwhelming majority of expiring agreements can be extended, or the space becoming vacant can be let to new tenants. If, for example, 10% of the rental space to become vacant in 2017 is not re-let, this would result in a maximum loss of income of approx. EUR 1.1 million when assuming an annualised rent total of approx. EUR 10.7 million.

Thanks to our effective real estate management platform, we maintain focused on our tenants in the regional segments and seek to achieve long-term tenant loyalty. Overall, we consider the letting risks in our portfolio to be low and their possible implications to be low to moderate. Opportunities arise from a further reduction in vacancies, particularly if economic and employment growth gather momentum in the course of 2017.

> Property and location

Location opportunities and risks arise from an erroneous assessment of the property's location and any change to the infrastructure at the micro-location or the regional structures of the macro-location. We therefore examine the position and location intensively before making any investment and acquisition decisions. In operational business, our professional asset management contributes to identifying changes in the environment in good time and reacting appropriately by repositioning or selling the properties, for instance.

Property risks are risks resulting from the possession and operation of a property. In addition to wear and tear, these include all risks resulting from the wearing out or partial destruction of the property. Furthermore, risks may arise from inherited problems, harmful substances or breaches of construction law requirements. As a landlord, we try to reduce the risks of property depreciation by contractually obliging the tenant to use the property within the generally accepted scope and to contribute to its maintenance or repair. Through our professional asset management, we also exclude virtually all risks from inadequate property management, failures in maintenance and inefficient cost management.

We consider the probability of such location- and property-related opportunities and risks to be low overall and view their possible financial impact as low.

> Personnel

Competent, committed and motivated employees are a great opportunity for the successful development of DIC Asset AG. This is why we strive to be perceived as an attractive employer. We focus above all on systematic human resources marketing, the practical promotion of young talent, targeted professional training to develop skills, the analysis of performance and potential with the aim of opening up attractive prospects for personal development and supporting staff with particular potential. Key positions are regularly analysed with regard to anticipated succession planning and appropriate internal candidates are prepared for these roles. Further elements include target-group oriented support and advice and attractive incentive systems.

Risks arise, most notably, from high-performers leaving the Company and from attracting suitable new employees. Given the measures we have taken, we consider substantial adverse effects and personnel-related risks to be unlikely and their financial implications to be low.

> IT

A loss of the database or an extended failure of the systems used in the regions or at head office could lead to our operations being considerably disrupted. We have protected ourselves against IT risks though our own network, modern hard and software solutions and appropriate measures against attacks. All data are backed up daily in an external data centre. We have developed data recovery and continuity plans to be able to rectify disruptions quickly. Detailed rules on access rights ensure that employees can only access the systems and documents they need for their work. We use a new IT platform, which has replaced isolated systems with integrated software and has increased efficiency and security in controlling real estate management. In the course of relocating the Frankfurt branch and Group head office to the "MainTor Primus" office tower in April 2014, IT equipment and interfaces were assessed and modernised and brought up-to-date where required.

During the financial year the internal data centre was relocated to an external provider, further reducing the risk of IT failure.

As a result of the precautions and security measures taken, we consider the probability of IT risks occurring to be low overall, and their potential consequences to be low to medium.

OVERALL ASSESSMENT OF THE RISK AND OPPORTUNITY POSITION

As part of our risk management activities, the individual risks and opportunities are summarised in a general risk overview by the Finance and Controlling function.

We do not anticipate that any of the individual risks listed in this report – taking account of the probability of their occurrence and the potential financial impact – or the aggregate overall risk could directly jeopardise the Company's future development.

Overall, we considerably improved the risk situation compared with the previous year in the course of the 2016 financial year. The following factors made a particular contribution here:

- Project development risks: The successful completion of the "Opera Offices NEO" project development in Hamburg in 2016 means DIC Asset AG is now involved in just one major project development. In the high-volume "MainTor" project development, the transfer of possession, benefits and associated risks of two additional subprojects in 2016 means five of the six construction phases have now been transferred to their final investors; the final "WINX" subproject is progressing on schedule and is expected to be completed in mid 2018.

- Strategic risks: With successful completion of the major project developments now in sight and joint ventures in the Co-Investment segment being gradually reduced through sales, the focus of the corporate strategy is continuing to shift towards lower-risk lines of business. Our powerful real estate management platform enables us to focus on active management of the directly held Commercial Portfolio as well as the rapidly growing fund business.

- Financing risks: We have reduced our financing risks in the medium term as a result of the refinancing of our Commercial Portfolio in December 2016 and the resulting significant reduction in financing costs, the increased maturity of our financial debt and increased future cash flows from lower levels of debt servicing.

- Tenant credit risk: The conclusion of numerous agreements with new and existing tenants significantly strengthened our tenant base and led to positive like-for-like rental income in 2016.

As a result, DIC Asset AG's overall risk profile has improved compared with the previous year.

Nevertheless, uncertainty is growing around the world. The global political landscape has changed as a result of the Brexit referendum, US presidential election and failed constitutional reform in Italy, and the potential effects on both the global economy and Germany cannot yet be predicted. Important upcoming elections within the EU are giving rise to additional uncertainty which could lead to increasing political and economic disintegration across Europe.

The resulting developments and their potential repercussions may have significant consequences for the German economy, its businesses and the real estate sector. However, due to their complexity, these effects cannot be predicted or calculated at present.

REPORT ON EXPECTED DEVELOPMENTS

Achievement of objectives for 2016

We achieved all and exceeded most of the forecasts for our key performance indicators set at the start of the year, prompting us to lift several individual forecasts during the year.

Successful letting activities enabled us to exceed our rental income forecast during the 2016 financial year. In July 2016, DIC Asset AG acquired real estate with a total volume of EUR 220 million for a planned retail fund. DIC Asset AG is managing the fund on an interim basis until its operational launch, thus making an additional contribution to earnings. In addition, the transfer of possession, benefits and associated risks for sales from the Commercial Portfolio took place later than planned, meaning that the Company continued to receive rental income for longer than originally forecast.

Gross rental income totalled approximately EUR 111 million at the end of 2016, placing it at the upper end of the forecast range we had increased to EUR 109–111 million in September 2016. Rental income of around EUR 100 million was expected at the start of 2016.

Funds from operations (FFO) subsequently amounted to EUR 47.0 million for the 2016 financial year, in the middle of the forecast range also increased from EUR 43–45 million to EUR 46–47 million in September 2016.

Our powerful, nationwide real estate management platform in Germany enables us to recognise and seize opportunities on the real estate markets at any time. By making acquisitions totalling around EUR 520 million, we also surpassed the forecasts we increased from EUR 400–450 million to EUR 500 million in August. This means that the fund business is continuing on a strong growth trajectory as originally forecast.

With a sales volume of approximately EUR 108 million from the Commercial Portfolio we also surpassed our forecasted range of EUR 80–100 million. We were also able to sell real estate from our Co-Investments amounting to EUR 93 million and thus continue to reduce our joint venture investments as planned. On average, the sales prices were about 11 % higher than the most recently determined market value.

Overall assessment for 2017

Overall, we expect the environment for DIC Asset AG to remain stable in financial year 2017.

In 2017, we plan to further optimise our Commercial Portfolio, considerably expand the fund business again and improve profitability through asset and property management associated with this.

We intend to optimise our directly held Commercial Portfolio through active asset management and selective transactions in 2017. In addition to targeted sales that take full advantage of the prevailing market environment, additional acquisitions should further reinforce the diversification, stability and profitability of the portfolio.

In the fund business, our plan is to grow our assets under management substantially once again. This should enable us to make significant earnings contributions to DIC Asset AG's future business performance.

The overall result in 2017 will be influenced by sales of properties from the entire portfolio under management, current income from the Commercial Portfolio and further growth in the fund business.

Macroeconomic environment in 2017

Our report on expected developments concerning the macroeconomic environment is based on the analysis of primary data from early indicators. We have also analysed a series of publications by relevant economic research institutes and organisations. The main sources are the Federal Statistical Office, the CESifo Group and the German Institute for Economic Research. The following statements reflect the mid-range of our expectations.

The German economy remained on a growth trajectory in 2016 amid a difficult global economic environment. Bolstered by a stable labour market and strong consumer spending, gross domestic product was 1.9 % higher than the previous year (2015: 1.7 %).

The mood within the German economy has improved considerably in the course of the financial year, with both assessments of the current situation and business expectations judged to be more positive than a year earlier. Despite brief disruption in the aftermath of the Brexit vote, the ifo Business Climate Index rose to 111.0 points by December 2016 – its highest level since February 2012. The construction industry in particular deemed the current business outlook to be the strongest it has seen since reunification.

The German economy can continue to expect a favourable environment. Employment growth is expected to continue, albeit with reduced momentum. Public and private consumer spending remain the German economy's primary growth drivers, despite the threat posed by rising inflation to the development of real income. The expansionary monetary policy being pursued continues to provide favourable financing conditions for new investments in companies and construction.

A variety of uncertainties with regard to the economic outlook will remain, however. The aftermath of the financial crisis – high debts and a need for consolidation – is still making its presence felt. The continuing geopolitical tensions have also intensified the risk of a downturn. The future direction of US economic policy remains unclear after the presidential election in November 2016, with potential risks for international trade. With important elections imminent in France, the Netherlands and Germany, the political landscape in Europe remains precarious, while the Brexit vote and ongoing refugee problem has become an endurance test for the EU with an uncertain outcome.

In 2017, we expect Germany to experience moderate economic growth of 1.4% that is likely to be somewhat weaker than 2016 (1.9%), primarily due to calendar effects.

Assessment of sector trends

To assess the situation in the sector, we draw on analyses published by highly regarded estate agents, most notably CBRE, Colliers, and JLL, in addition to the indicators from our own business.

The office rental market ended 2016 up 9% at an average of 3.9 million sqm across Germany's seven real estate strongholds. This is an historic high that exceeded the five-year average by 24%. Despite completions being up almost 30% on the previous year at approximately 1.1 million sqm, vacancies continued to fall at the top seven locations, with a vacancy rate of 5.5% dropping below the 6% mark for the first time. In addition to successful letting activities, the re-purposing of an increasing amount of office space for residential or hotel use also contributed to this trend. High demand and a shortage of space caused both prime and average rents to rise.

Estate agents' analysts expect the office rental market to decline slightly overall in 2017 due to the scarcity of space. At around 1 million sqm, the completion volume will be slightly lower than in 2016, with available spaces increasing marginally. The aggregate vacancy rate in the top 7 cities should continue to fall in 2017. Another increase in prime rents is expected due to the persistently high demand for the few available premium sites in the centres of the top 7 cities.

After six successive increases, the German commercial real estate investment market failed to experience growth for the first time in 2016. The transaction volume totalled around EUR 52.9 billion in 2016, around 4% lower than in 2015. However, decrease fall is primarily attributable to a lack of adequate supply.

Due to stable underlying economic data, the German commercial real estate market remains extremely attractive, even among foreign investors. Combined with favourable financing conditions and unattractive investment alternatives, this has led to a shortage of property with attractive returns. In 2016, prime yields on office properties in A locations were 3.6%, falling below 4% for the first time.

Despite increasing criticism of the ECB's continuing low interest policy, financing conditions are also likely to remain favourable. At the same time, institutional investors such as insurance companies and pension funds are looking for suitable investments that will enable them to achieve their target returns. This is supplemented by the fact that foreign investors can benefit from the persistent weakness of the euro.

Thanks to the persistently robust environment, the transaction volume in 2017 should remain at a similarly high level as in 2016. Given that yields are falling across all asset classes, we therefore expect the focus to increasingly shift to locations outside the major cities and away from core properties towards more management-intensive properties.

Expected trend in the key performance indicators of DIC Asset AG

➲ Growth in assets under management

We expect significant growth in assets under management in 2017. In the fund business we are planning the operational launch of a retail fund by transferring retail properties worth more than EUR 200 million that we currently manage on an interim basis. We expect to launch an additional office fund in 2017. Overall, we expect an investment volume of approximately EUR 500 million across all divisions, as in 2016. Most of the purchasing volume will serve to support the further growth of our fund business.

➲ Further optimisation of the Commercial Portfolio

Given that the investment market remains buoyant and interest rates are still low, we can see good opportunities for marketing our properties successfully when a suitable occasion arises. In addition to realising attractive profits on sales, our sales endeavours in 2017 will also focus on the further optimisation of the Commercial Portfolio with targeted sales totalling approximately EUR 200 million.

➲ Expected revenue and results of operations in 2017

Based on planned take-up, sales completed in 2016 and transaction activities planned for 2017, we expect rental income from the Commercial Portfolio in the range of EUR 98–103 million after EUR 111 million in 2016. Our operating expenses will increase slightly as a result of the continuing expansion of our real estate management platform, particularly to manage and support the growth of the fund business. After successfully refinancing our Commercial Portfolio, we expect our operating profit for 2017 to improve significantly year-on-year, with FFO of EUR 57–60 million (around EUR 0.83–0.88 per share).

➲ Expected financial position in 2017

At present, we do not need any additional external financing for our planned business operations. It is expected that portfolio investments, the dividend distribution for the 2016 financial year and the cash inflow from sales will represent the most significant factors influencing liquidity from operating activities in 2017. Our liquidity base enables us to support and carry out acquisitions to grow the fund business as a co-investor. In such cases, additional funds may be borrowed in consultation with the other fund investors. To the extent foreseeable, all liquidity requirements and obligations arising from financing will be met.

If the underlying assumptions are not fulfilled or other extraordinary developments occur, our forecast may differ materially from actual results.

Material assumptions for the business forecast

Our forecast is based on the following material assumptions:

- The German economy and employment market will remain robust
- The rental market will remain stable
- There will be no major escalations of geopolitical tensions and not global protectionism in economic policy
- There will be no material escalation of the sovereign debt crisis in the eurozone
- There will be no resurgence of the banking crisis in the eurozone
- Brexit will have no dramatic effects on the economies in the eurozone
- Central banks will adhere to their policy of “cheap money”
- Banks will not tighten the requirements of their lending policies to such an extent that they restrict transaction activity
- No unforeseen regulatory changes will come into effect
- Rental defaults caused by bankruptcies will remain low
- Construction of our project developments will progress without any major problems

OTHER DISCLOSURES

ANNUAL FINANCIAL STATEMENTS OF DIC ASSET AG

Net assets, financial position and results of operations

DIC Asset AG is the holding and management company of the Group. Its operational real estate activities are essentially organised via the property companies.

DIC Asset AG's net assets and results of operations are therefore influenced primarily by its involvement in its investees. The sustained value of its investments is based on the net assets and financial position of the property companies and is secured, in particular, by their real estate assets. DIC Asset AG prepares its annual financial statements in accordance with the HGB.

The net assets, financial position and results of operations of DIC Asset AG in 2016 were mainly determined by our fund business, which made a significant contribution to investment income during the year under review. Transactions in the Company's investees also generated investment income at the DIC Asset AG level. The non-recurring effects of the refinancing of almost all loans in the Commercial Portfolio at the end of the year had an offsetting effect on the investment income within the investees. Nevertheless, we once again increased our investment income by EUR 6.0 million (20%) to EUR 35.3 million compared to the previous year.

At EUR 10.4 million, sales revenue and other income were down compared with the previous year (2015: EUR 13.9 million). They mainly relate to revenue from consulting and other services provided to subsidiaries. The previous year's figure was primarily impacted by gains from the sale of financial assets. In 2016, gains from the sale of financial assets were lower, resulting in a decrease in the earnings before interest, taxes and investment income to EUR -10.3 million (2015: EUR -7.3 million). Interest expenses in connection with our bonds amounted to EUR 13.8 million, up slightly on the previous year (EUR 13.1 million). This slight increase was due to the topping up of the bonds issued in 2014 by EUR 50 million in 2015.

The positive interest balance vis-à-vis subsidiaries and investees and income from long-term loans totalled EUR 11.3 million during the year under review (previous year: EUR 32.2 million). This decline from the previous year is primarily attributable to a lower balance from loans, receivables from and liabilities to subsidiaries as well as adjusted financing terms. Net income for the year again rose by a total of EUR 1.6 million (+6%) to EUR 27.9 million. We thus continued to grow and had a successful 2016 financial year. Overall, we view DIC Asset AG's business situation as positive.

Investments in and loans to affiliated companies, investees, loans to investees and other loans totalled EUR 610.8 million as at the reporting date, a rise of EUR 39.6 million (+6.9%). This was primarily due to an increase in investments in affiliated companies.

Receivables from affiliated companies and investees rose by EUR 18.1 million (+3%) to EUR 597.5 million. The corresponding liabilities also rose substantially to EUR 148.3 million. Overall, our commitment to related entities, consisting of financial assets as well as receivables from and liabilities to affiliated companies and investees as at the reporting date of 31 December 2016, rose by EUR 11.4 million, from EUR 1,048.6 million to EUR 1,060.0 million (+1.1%).

The Company's equity remained essentially stable at EUR 845.5 million (+0.3%). Total assets increased by EUR 48.8 million to EUR 1,283.8 million (+4.0%), which resulted in the reported equity ratio falling to 65.9% (2015: 68.3%).

For information on DIC Asset AG's opportunities and risks, see the Group's report of opportunities and risks. These opportunities and risks affect DIC Asset AG indirectly.

Forecast for the single-entity financial statements of DIC Asset AG

For 2016, we had forecast net income for the year on a par with 2015. We marginally exceeded this target, generating net income for the financial year of EUR 27.9 million.

Subject to stable economic development, the Group meeting its acquisition and sales targets and continual growth in the fund business, and in light of the significantly more favourable financing terms resulting from the refinancing of the Commercial Portfolio in 2016, we are forecasting net income for 2017 at the same level as the previous year. We expect to continue our consistent dividend policy in the coming year. For further information, please refer to the Group's report on expected developments (page 72).

RELATED PARTY DISCLOSURES

The Management Board has prepared a separate report on relationships to affiliates in accordance with § 312 of the German Stock Corporation Act (AktG). The report ends with the following declaration:

"We hereby declare that according to the facts known to us at the time in which the legal transactions were conducted, our company received or paid a commensurate consideration in each transaction. We took no actions at the behest of or on behalf of the controlling company."

Information on related parties in accordance with the provisions of IAS 24 can be found in the Notes to the consolidated financial statements. Information on the remuneration of the Supervisory Board and Management Board is provided in the Remuneration Report.

DISCLOSURES AND EXPLANATIONS REQUIRED UNDER TAKEOVER LAW

The following disclosures provided pursuant to sections 289 (4) and 315 (4) HGB reflect the situation existing at the end of the reporting period. The following explanation of these disclosures also meets the requirements for an explanatory report in accordance with section 176 (1) sentence 1 AktG.

Composition of subscribed capital

The subscribed capital in the amount of EUR 68,577,747.00 consists of 68,577,747 registered no-par value ordinary shares. There are no other classes of shares. Pursuant to section 67 (2) AktG, only those shareholders who are registered as such in the share register are deemed to be shareholders. All shares convey the same rights and obligations. Each no-par value share grants the holder one vote at the General Shareholders' Meeting. This excludes any treasury shares held by the Company itself. The Company will have no rights based on these shares. The voting right begins when the statutory minimum deposit has been made on the shares. The individual rights and obligations tied to the shares arise from the provisions of the AktG, in particular sections 12, 53a et seq., 118 et seq. and 186.

Restrictions affecting voting rights and the transfer of shares

An agreement to pool voting rights is in place between the shareholders of DIC Opportunity Fund GmbH, DIC Beteiligungsgesellschaft bürgerlichen Rechts and DIC Opportunistic GmbH.

Direct and indirect shareholdings exceeding 10 % of voting rights

Please refer to the notes to the consolidated financial statements with regard to direct and indirect shareholdings in DIC Asset AG which exceed 10 % of the voting rights.

Statutory requirements and provisions of the Articles of Association on the appointment and dismissal of members of the Management Board and on amendments to the Articles of Association

The appointment and dismissal of members of the Management Board is based on sections 84, 85 AktG and article 7 of the Articles of Association. Pursuant to article 7 (1) of the Articles of Association, the Management Board consists of at least one person. The Articles of Association do not contain any special arrangements for the appointment or dismissal of individual members or all members of the Management Board. The Supervisory Board has the power to appoint and dismiss Management Board members. It appoints members of the Management Board for a maximum term of office of five years. Members may be reappointed or their term may be extended for a maximum of five years in each case subject to section 84 (1) sentence 3 AktG.

Amendments to the Articles of Association are made in accordance with sections 119 (1) no. 5, 179, 133 AktG as well as articles 9 (6) and 14 of the Articles of Association. The Articles of Association does not impose further requirements for amendments to the Articles of Association. Unless required otherwise by law, the resolutions of the General Shareholders' Meeting shall be passed with a simple majority of the votes cast. In the event that the law stipulates a capital majority in addition to the majority vote, resolutions shall be passed with a simple majority of the share capital represented at the time the resolution is passed. The Supervisory Board is authorised to make amendments to the Articles of Association that concern only their wording.

Powers of the Management Board to issue and buy back shares

The powers of the Company's Management Board to issue and buy back shares are all based on resolutions to that effect made by the General Shareholders' Meeting, the essential content of which is shown below. Further details are specified in the respective authorising resolution.

> Authorization to purchase own shares

By virtue of the resolution adopted by the ordinary General Shareholders' Meeting of 5 July 2016, the Management Board is authorised, with the prior approval of the Supervisory Board, to acquire own shares until 4 July 2021 representing up to 10% of the lower of the Company's share capital at the date of the resolution or at the date the authorisation is exercised. At no time may the acquired shares together with other treasury shares in the possession of the Company or allocated to it under sections 71a et seq. AktG represent more than 10% of the share capital. The authorisation may not be used for the purpose of trading treasury shares. The authorisation may be exercised in whole or in part, once or repeatedly, for one or more than one purpose, by the Company or by companies dependent on it or majority-owned by it, or by third parties acting on their behalf or on behalf of the Company.

At the Management Board's discretion, and with the prior approval of the Supervisory Board, shares may be acquired through the stock exchange or based on a public offering directed to all shareholders or a public invitation to all shareholders to submit offers to sell.

The volume of the public offering directed to all shareholders or the public invitation to all shareholders to submit offers to sell may be restricted. Insofar as the volume of the offered shares exceeds the planned repurchase volume in the case of a public offering or a public invitation to submit offers to sell, the acquisition can take place proportionate to the shares subscribed to or offered in each case; to this extent, the shareholders' right to offer their shares proportionate to the percentage of shares that they hold is disapplied. A preferential acceptance of smaller numbers up to 100 offered shares per shareholder can be stipulated, as can commercial rounding to avoid arithmetic fractions of shares. To this extent, any further right of the shareholders to tender shares is disapplied. The public offering directed to all shareholders or the public invitation to all shareholders to submit offers to sell may stipulate further conditions.

The Management Board is authorised, with the prior approval of the Supervisory Board, to use the treasury shares acquired on the basis of this authorisation for any legal purpose, in particular the following:

(i) The shares may be redeemed, and such redemption or its execution shall not require another resolution of the General Shareholders' Meeting. They may also be redeemed in a simplified procedure without reducing capital by adjusting the pro-rata share of the remaining no-par value shares in the Company's share capital. If they are redeemed in a simplified procedure, the Management Board is authorised to adjust the number of no-par value shares in the Articles of Association.

(ii) The shares may also be sold in a way other than through the stock exchange or based on an offering directed to all shareholders if the purchase price payable in cash is not significantly lower than the stock market price of equivalent shares already listed. The number of shares sold in this manner disapplying pre-emptive rights may not exceed 10% of the share capital, neither at the time this authorisation becomes effective nor at the time it is exercised. Other shares that are issued or sold during the term of this authorisation while disapplying pre-emptive rights in direct or corresponding application of section 186 (3) sentence 4 AktG are to be counted toward this upper limit of 10% of the share capital. Shares that are issued to service option rights and/or conversion rights or conversion obligations from bonds with warrants and/or convertible bonds and/or profit participation rights are also to be counted towards this limit if such bonds or profit participation rights are issued during the term of this authorisation while disapplying pre-emptive rights in corresponding application of section 186 (3) sentence 4 AktG.

(iii) The shares may be sold in return for contributions in kind, in particular in connection with business combinations, for the purpose of acquiring companies, parts of companies, equity interests in companies or other assets, or claims for acquiring other assets including receivables in respect of the Company.

(iv) The shares may be used to implement a scrip dividend in which shares of the Company are used (including partially and alternatively) to fulfil shareholder dividend claims.

(v) The shares may be used to fulfil subscription and exchange rights on the basis of the exercise of conversion and/or option rights or the fulfilment of conversion obligations arising from convertible bonds and/or bonds with warrants issued by the Company or one of its Group companies wholly owned by DIC Asset AG either directly or indirectly.

As at 31 December 2016, the Company held no treasury shares. It has not made use of the authorisation described above.

> Authorised capital

The Management Board has been authorised by a resolution adopted at the ordinary General Shareholders' Meeting on 2 July 2015 to increase the Company's share capital with the approval of the Supervisory Board by a total of up to EUR 34,288,873.00 until 1 July 2020 by issuing new no-par value registered shares once or repeatedly in return for cash contributions and/or contributions in kind (authorised capital). As a rule, the shareholders shall be granted a pre-emptive right. The shares may also be taken over within the meaning of section 186 (5) sentence 1 AktG by one or more credit institutes or companies determined by the Management Board with the obligation of offering them to the shareholders for purchase (indirect pre-emptive right). However, the Management Board is authorised with the approval of the Supervisory Board to disapply the pre-emptive rights of shareholders

- to exclude fractional amounts from shareholders' pre-emptive rights;

- if the new shares are issued in return for a cash contribution and the issue price of the new shares does not fall substantially below the stock market price of essentially equivalent shares already listed. The number of shares issued in this manner disapplying pre-emptive rights may not exceed 10% of the share capital, neither at the time this authorisation becomes effective nor at the time it is exercised. Other shares that are issued or sold during the term of this authorisation while disapplying pre-emptive rights in direct or corresponding application of section 186 (3) sentence 4 AktG are to be counted toward this upper limit of 10% of the share capital. Shares that are issued to service option rights and/or conversion rights or conversion obligations from bonds with warrants and/or convertible bonds and/or profit participation rights are also to be counted towards this limit if such bonds or profit participation rights are issued during the term of this authorisation while disapplying pre-emptive rights in corresponding application of section 186 (3) sentence 4 AktG.

- if the capital increase is carried out in return for a contribution in kind, in particular for the purpose of acquiring companies, parts of companies, equity interests in companies or other assets associated with an intended acquisition, or in connection with business combinations;

- to the extent it is necessary to grant pre-emptive rights for new shares to the holders or creditors of bonds with warrants and/or convertible bonds with option and/or conversion rights and/or conversion obligations that were or will be issued by the Company or companies in which the Company holds a direct or indirect 100% interest in the volume to which they would be entitled as shareholders after exercising the option rights and/or conversion rights or fulfilling the conversion obligations;

and only to the extent that the shares issued in return for cash contributions or contributions in kind during the term of this authorisation on the basis of either this authorisation or other authorised capital and disapplying shareholders' pre-emptive rights do not exceed 20% of the share capital altogether, neither at the time this authorisation becomes effective nor at the time it is exercised. Own shares that are sold during the term of this authorisation while disapplying pre-emptive rights and new shares that are to be issued on the basis of bonds with warrants and/or convertible bonds and/or profit participation rights issued during the term of this authorisation while disapplying pre-emptive rights are counted towards the 20% limit mentioned above.

The Management Board has not made use of the authorisation described above.

> Contingent capital

By virtue of the resolution adopted at the ordinary General Shareholders' Meeting of 2 July 2015, the Management Board is authorised, with the approval of the Supervisory Board, to issue bearer convertible bonds or bonds with warrants (together, "bonds") with or without specification of maturities on one or more occasions until 1 July 2020 in a total nominal amount of up to EUR 450,000,000.00, and to grant to holders and/or creditors of bonds conversion or option rights (which may include a conversion obligation) to no-par value registered shares in the Company representing a proportionate amount of the share capital of up to EUR 34,288,873.00 in total, subject to the terms of the convertible bonds and/or bonds with warrants (together also "bond terms"). The bonds may only be issued in return for cash payment. In principle, the shareholders are granted a pre-emptive right. The bonds may also be taken over within the meaning of section 186 (5) sentence 1 AktG by one or more credit institutes or companies determined by the Management Board with the obligation of offering them to the shareholders for purchase (indirect pre-emptive right).

However, the Management Board is authorised with the approval of the Supervisory Board to disapply the shareholders' pre-emptive rights to bonds

- for fractional amounts resulting from the subscription ratio;

- if upon due review the Management Board concludes that the issue price of the bonds is not substantially lower than the theoretical market value of the bonds determined in accordance with generally accepted methods of financial mathematics. This authorisation to disapply pre-emptive rights does not, however, apply to bonds with a conversion or option right (including those with a conversion obligation) to shares, the total amount of which does not exceed 10% of the lower of the share capital existing at the time this authorisation becomes effective or at the time it is exercised. Shares that were issued or sold during the term of this authorisation while disapplying pre-emptive rights in direct or corresponding application of section 186 (3) sentence 4 AktG are to be counted toward this upper limit of 10% of the share capital. Shares that are issued to service option rights and/or conversion rights or conversion obligations from convertible bonds and/or bonds with warrants are also to be counted towards this limit if such bonds are issued based on a different authorisation during the term of this authorisation while disapplying pre-emptive rights in corresponding application of section 186 (3) sentence 4 AktG;

– to the extent it is necessary to grant pre-emptive rights for bonds to the holders or creditors of bonds with warrants and/or convertible bonds with option and/or conversion rights and/or conversion obligations that were or will be issued by the Company or companies in which the Company holds a direct or indirect 100% interest in the volume to which they would be entitled as shareholders after exercising the option rights and/or conversion rights or fulfilling the conversion obligations;

and only if the sum of the new shares that are to be issued by the Company due to such bonds and due to options with warrants and/or convertible bonds and/or profit participation rights issued based on a different authorisation during the term of this authorisation while disapplying pre-emptive rights, represents an arithmetical share of no more than 20% of the total share capital, neither at the time this authorisation becomes effective nor at the time it is exercised. Own shares that are sold during the term of this authorisation while disapplying pre-emptive rights and shares that are issued from authorised capital during the term of this authorisation while disapplying pre-emptive rights are counted towards the 20% limit mentioned above. The bond issues may be divided into several notes.

If convertible bonds are issued, the holders and/or creditors are granted the right to convert their notes into no-par value registered shares of the Company in accordance with the detailed convertible bond terms to be determined by the Management Board. The conversion ratio is determined by dividing a bond note's nominal amount or price that is below its nominal amount by the conversion price specified for a no-par value registered share of the Company. The terms may provide for a variable conversion ratio. The conversion ratio may be rounded up or down to the nearest whole number; furthermore, an additional payment in cash may be determined. There may also be a provision that fractions can be combined and/or settled in cash.

If bonds with warrants are issued, one or more warrants entitling the holder and/or creditor to purchase no-par value registered shares in the Company in accordance with the option terms to be specified by the Management Board shall be attached to each bond note. The option terms may provide for satisfying the exercise price either in part or as a whole by transferring bond notes and making an additional cash payment if required. There may also be a provision that fractions can be combined and/or settled in cash.

The terms of the convertible bond may also provide for a conversion obligation on maturity (or at an earlier date). The terms of the convertible bonds and/or bonds with warrants may provide for the Company's right and/or that of the Group company issuing the bond to grant new shares or treasury shares of the Company or the shares of another listed company to the holders and/or creditors of the bonds instead of paying all or a portion of the cash amount due. The terms of the convertible bonds and/or bonds with warrants may also stipulate that the Company or the Group company issuing the bond may choose to grant treasury shares of the Company or shares of another listed company when options are converted or exercised. Furthermore, it may be stipulated that the Company and/or the Group company issuing the bond may settle its obligation by making a cash payment and/or granting shares of the Company.

To service conversion or option rights and/or conversion or option obligations under bonds that will be issued until 1 July 2020 based on an authorisation by the General Shareholders' Meeting on 2 July 2015, the Company's share capital was contingently increased, by virtue of the resolution adopted at the ordinary General Shareholders' Meeting on 2 July 2015, by up to EUR 34,288,873.00 by issuing up to 34,288,873 registered shares (contingent capital 2015).

The Management Board has not made use of the authorisation described above to issue convertible bonds and/or bonds with warrants.

Material agreements subject to a change of control upon a takeover bid

DIC Asset AG has entered into the following material agreements that contain change of control clauses.

DIC Asset AG is a partner to several joint ventures with Morgan Stanley Real Estate Funds (MSREF). The respective joint venture partner is granted the right in the case of a change of control to acquire the interests of DIC Asset AG in the respective real estate investment at the current market value. In particular, there is change of control if Deutsche Immobilien Chancen AG & Co. KGaA no longer directly or indirectly holds at least 30% of the shares and voting rights in DIC Asset AG.

The terms of issue of the 2013 corporate bond (ISIN DE000A1TNJ22) issued by the Company with a volume of EUR 100 million (matures July 2018) as well as the 2014 corporate bond (ISIN

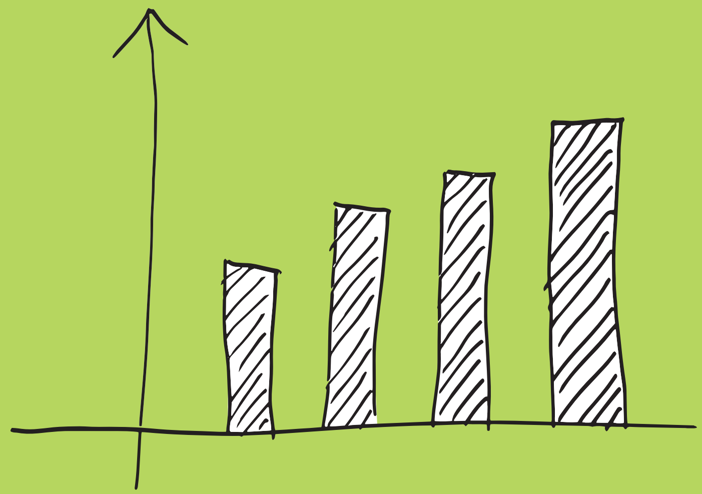
DE000A12T648) issued by the Company with a volume of EUR 175 million (matures September 2019) provide for early redemption at the choice of the creditor in the event of a change of control. According to the terms, every creditor has the right, but not the obligation, to demand full or partial repayment from DIC Asset AG or, at the choice of DIC Asset AG, the purchase of its bonds by DIC Asset AG (or at its request by a third party). However, the exercise of the option by a creditor will only take effect for the respective corporate bond if in each case creditors of at least 20% of the total nominal amount have exercised the option in respect of the bonds still outstanding at this time. A change of control pursuant to the terms of the issue occurs where it becomes known to DIC Asset AG that (i) a person or group of persons acting in concert pursuant to section 2 (5) of the Wertpapiererwerbs- und Übernahmegesetz (WpÜG – German Securities Acquisition and Takeover Act) has become the legal or economic owner of more than 50% of the voting rights in DIC Asset AG; or (ii) a person has achieved actual control over DIC Asset AG under the terms of a control agreement with DIC Asset AG pursuant to section 291 AktG.

Compensation arrangements agreed with members of the Management Board or employees in the event of a takeover bid

In the event of a change of control, one member of the Management Board has the right to terminate his director's contract for cause. A change of control occurs if a shareholder holds at least the majority of the voting rights represented at the General Shareholders' Meeting and, at the time of the conclusion of the director's contract, that shareholder did not already hold and/or control more than 20% of the share capital of the Company, or if the Company in certain cases enters into an intercompany agreement as a dependent company or is integrated into or merged with another company. When exercising his right to terminate, one Management Board member is entitled to receive an additional payment of half his total annual benefits in the financial year which ended at least 18 months before the change of control.

Other disclosures

The other disclosures required under sections 289 (4), 315 (4) HGB refer to circumstances that do not apply to DIC Asset AG. There are no shareholders with special rights conferring control rights nor are there any controls of the voting right of employees holding shares in the Company's capital.



CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
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CONSOLIDATED INCOME STATEMENT for the period from 1 January to 31 December

in EUR thousand	Note	2016	2015
Total income		473,794	372,387
Total expenses		-396,464	-296,116
Gross rental income	1	111,168	136,678
Ground rents		-1,240	-1,250
Service charge income on principal basis	2	22,479	26,459
Service charge expenses on principal basis	2	-23,704	-27,749
Other property-related expenses	3	-14,159	-13,688
Net rental income		94,544	120,450
Administrative expenses	4	-10,760	-8,848
Personnel expenses	5	-16,056	-14,893
Depreciation and amortisation	6	-35,233	-42,686
Real estate management fees	7	21,540	7,257
Other operating income	8	467	741
Other operating expenses	8	-360	-668
Net other income		107	73
Net proceeds from disposal of investment property	9	318,140	201,252
Carrying amount of investment property disposed	9	-294,952	-186,335
Profit on disposal of investment property		23,188	14,917
Net operating profit before financing activities		77,330	76,270
Share of the profit or loss of associates	10	2,314	7,675
Interest income	11	9,352	10,468
Interest expense	11	-112,391	-70,265
Profit/loss before tax		-23,395	24,148
Current income tax expense	12	-2,321	-9,786
Deferred tax income/expense	12	-3,670	6,354
Profit/loss for the period		-29,386	20,716
Attributable to equity holders of the parent		-28,214	20,414
Attributable to non-controlling interest		-1,172	302
Basic (=diluted) earnings per share (EUR)	13	-0.41	0.30

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME for the period from 1 January to 31 December

in EUR thousand	2016	2015
Profit/loss for the period	-29,386	20,716
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Gain/losses on measurement of available-for-sale financial instruments	-456	3.527
Fair value measurement of hedging instruments*		
Cash flow hedges	20,327	17,055
Cash flow hedges of associates	99	-21
Other comprehensive income	19,970	20,561
Comprehensive income	-9,416	41,277
Attributable to equity holders of the parent	-8,244	40,975
Attributable to non-controlling interest	-1,172	302

* after tax

CONSOLIDATED BALANCE SHEET

Assets in EUR thousand	Note	**31.12.2016**	31.12.2015
Investment property	14	**1,583,432**	1,700,151
Office furniture and equipment	15	**582**	579
Investments in associates	16	**175,491**	92,677
Loans to related parties	17	**98,402**	110,222
Other investments	18	**23,664**	33,397
Intangible assets	19	**658**	1,003
Deferred tax assets	12	**26,403**	23,515
Total non-current assets		**1,908,632**	1,961,544
Receivables from sale of investment property		**3,872**	1,249
Trade receivables	20	**3,679**	7,062
Receivables from related parties	21	**8,625**	10,271
Income tax receivables	22	**12,109**	8,629
Other receivables	23	**8,381**	6,393
Other current assets	24	**5,337**	6,455
Cash and cash equivalents	25	**152,414**	204,590
		194,417	244,649
Non-current assets held for sale	26	**292,499**	249,876
Total current assets		**486,916**	494,525
Total assets		**2,395,548**	2,456,069

Equity and liabilities in EUR thousand	Note	31.12.2016	31.12.2015
EQUITY			
Issued capital	27	68,578	68,578
Share premium	27	732,846	732,846
Hedging reserve	27	-206	-20,632
Reserves for available-for-sale financial instruments	27	3,162	3,618
Retained earnings	27	-50,925	2,663
Total shareholders' equity		753,455	787,073
Non-controlling interest		3,518	5,010
Total equity		756,973	792,083
LIABILITIES			
Corporate bonds	28	272,121	270,871
Non-current interest-bearing loans and borrowings	28	909,328	1,029,606
Provisions	30	0	10
Deferred tax liabilities	12	15,653	14,735
Derivatives	29	113	26,955
Total non-current liabilities		1,197,215	1,342,177
Current interest-bearing loans and borrowings	28	268,916	35,521
Trade payables	31	1,408	827
Liabilities to related parties	21	12,024	3,271
Derivatives	29	21,579	0
Provisions	30	10	500
Income tax payable	32	2,088	6,290
Other liabilities	33	18,878	26,361
		324,903	72,770
Liabilities related to non-current assets held for sale	26	116,457	249,039
Total current liabilities		441,360	321,809
Total liabilities		1,638,575	1,663,986
Total equity and liabilities		2,395,548	2,456,069

CONSOLIDATED STATEMENT OF CASH FLOWS for the period from 1 January to 31 December

in EUR thousand	2016	2015
OPERATING ACTIVITIES		
Net operating profit before interest and taxes paid	21,043	81,344
Realised gains/losses on disposals of investment property	-23,188	-14,917
Depreciation and amortisation	35,233	42,686
Changes in receivables, payables and provisions	6,926	14,110
Other non-cash transactions	49,648	-5,360
Cash generated from operations	89,662	117,863
Interest paid	-52,552	-64,139
Interest received	3,155	3,331
Income taxes paid/received	-6,317	-4,039
Cash flow from operating activities	33,948	53,015
INVESTING ACTIVITIES		
Proceeds from disposal of investment property	80,931	205,607
Acquisition of investment property	-272,926	0
Capital expenditure on investment properties	-8,154	-10,446
Acquisition/disposal of other investments	-63,981	-27,499
Loans to other entities	24,736	1,857
Acquisition/disposal of office furniture and equipment, software	342	-209
Cash flow from investing activities	-239,052	169,310
FINANCING ACTIVITIES		
Proceeds from the issue of corporate bonds	0	51,500
Proceeds from other borrowings	285,841	141,415
Repayment of borrowings	-109,639	-282,639
Tenant deposits	2,100	0
Payment of transaction costs	0	-1,430
Dividends paid	-25,374	-24,002
Cash flows from financing activities	152,928	-115,156
Net changes in cash and cash equivalents	-52,176	107,169
Cash and cash equivalents as at 1 January	204,590	97,421
Cash and cash equivalents as at 31 December	152,414	204,590

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in EUR thousand	Issued capital	Share premium	Hedging reserve	Reserve for available-for-sale financial instruments	Retained earnings	Total shareholders' equity	Non-controlling interest	Total
Balance at 31 December 2014	68,578	732,846	-37,667	91	6,252	770,100	4,744	**774,844**
Profit/loss for the period					20,414	20,414	302	**20,716**
Other comprehensive income								
Gains/losses on cash flow hedges*			17,055			17,055		**17,055**
Gains/losses on cash flow hedges from associates*			-21			-21		**-21**
Gains/losses on measurement of available-for-sale financial instruments				3,527		3,527		**3,527**
Comprehensive income			17,034	3,527	20,414	40,975	302	**41,277**
Dividend payments for 2014					-24,002	-24,002		**-24,002**
Repayment of non-controlling interest						0	-36	**-36**
Balance at 31 December 2015	68,578	732,846	-20,632	3,618	2,663	787,073	5,010	**792,083**
Profit/loss for the period					-28,214	-28,214	-1,172	**-29,386**
Other comprehensive income								
Gains/losses on cash flow hedges*			20,327			20,327		**20,327**
Gains/losses on cash flow hedges from associates*			99			99		**99**
Gains/losses on measurement of available-for-sale financial instruments				-456		-456		**-456**
Comprehensive income			20,426	-456	-28,214	-8,244	-1,172	**-9,416**
Dividend payments for 2015					-25,374	-25,374		**-25,374**
Repayment of non-controlling interest							-320	**-320**
Balance at 31 December 2016	68,578	732,846	-206	3,162	-50,925	753,455	3,518	**756,973**

* Net of deferred taxes

NOTES TO THE 2016 CONSOLIDATED FINANCIAL STATEMENTS

INFORMATION ON THE COMPANY

DIC Asset AG (the "Company") and its subsidiaries ("DIC Asset" or the "Group") invest directly or indirectly in German commercial real estate and operate in the area of portfolio, asset and property management.

The Company's shares are listed in the Prime Standard segment of the Frankfurt Stock Exchange and the stock exchanges in Munich, Düsseldorf, Berlin-Bremen, Hamburg, Stuttgart and Hanover.

DIC Asset AG, which is entered in the commercial register of the Local Court of Frankfurt am Main (HRB 57679), has its registered office in Frankfurt am Main, Neue Mainzer Strasse 20 – MainTor.

These consolidated financial statements were released for publication by the Management Board on 21 February 2017 and approved by the Supervisory Board.

SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The consolidated financial statements for the 2016 financial year were prepared in accordance with the International Financial Reporting Standards applicable as at 31 December 2016 (including the interpretations of the IFRS IC), as adopted by the EU, and in accordance with the regulations to be applied under section 315a (1) HGB.

The consolidated financial statements were prepared on the basis of historical costs. This does not apply to certain items, such as derivative financial instruments, which were recognised at fair value on the balance sheet date.

The accounting policies applied and the disclosures in the notes to the consolidated financial statements for financial year 2016 are based in principle on the same accounting policies applied in the consolidated financial statements in financial year 2015. The effects of any changes made are described in the explanations of the standards to be applied for the first time.

The annual financial statements for the companies included in the consolidated financial statements were prepared using uniform accounting policies. As a rule, the same accounting policies are applied at the level of the associates of DIC Asset AG. The single-entity financial statements of the consolidated companies were prepared as at the reporting date of the consolidated financial statements (31 December 2016).

The consolidated financial statements are prepared in euros, the parent company's functional currency. All amounts are shown in thousands of euros (EUR thousand) unless otherwise stated. For computational reasons, rounding differences from the exact mathematical values calculated (in EUR thousand, %, etc.) may occur in tables and cross-references.

Structure of the balance sheet and the income statement

The consolidated balance sheet is prepared in accordance with IAS 1 (Presentation of Financial Statements) using a current/non-current classification. Under this method, assets to be realised within twelve months of the reporting date and liabilities due within one year of the reporting date are generally reported as current assets/liabilities.

The income statement was prepared following the best practices recommendations of the European Public Real Estate Association (EPRA).

New standards and interpretations

a) New and revised standards and interpretations required to be applied for the first time in the financial year

The Group applied the following new and revised standards and interpretations as at 1 January 2016:

> IFRS 11: Joint Arrangements
"Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)" amends IFRS 11 such that the acquirer of interests in a joint operation that constitutes a business as defined in IFRS 3 must apply all principles contained in IFRS 3 and other IFRSs related to accounting for business combinations as long as they do not contradict the guidance of IFRS 11.

The amendments must be applied to the acquisition of interests in an existing joint operation and to the acquisition of interests in a joint operation on its formation unless the formation of the joint operation coincides with the formation of the business.

The amendments are effective for annual periods beginning on or after 1 January 2016; earlier application is permitted. They were endorsed by the EU on 24 November 2015.

> IAS 16 Property, Plant and Equipment / IAS 38 Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation
The requirements of IAS 16 have been amended to clarify that a depreciation method that is based on future revenue is not appropriate. This is because revenue reflects the generation of expected economic benefits and not their consumption.

The requirements of IAS 38 have been amended to introduce a rebuttable presumption that a revenue-based amortisation method is inappropriate for the same reasons as in IAS 16.

Guidance has been introduced into both standards to explain that expected future reductions in selling prices could be indicative of a higher rate of consumption of the future economic benefits embodied in an asset.

The amendments are effective for annual periods beginning on or after 1 January 2016; earlier application is permitted. The EU endorsed the amendments on 2 December 2015.

> Disclosure Initiative (Amendments to IAS 1 – Presentation of Financial Statements)
The objective of the clarifications is to remove unimportant information from IFRS financial statements while at the same time promoting the presentation of relevant information. In addition, useful information should not be obscured by aggregating relevant and irrelevant information or by aggregating material items with different characteristics. The amendments further clarify that, when determining the order of the notes, entities must consider the effects on understandability and comparability of the financial statements.

The amendments are effective for annual periods beginning on or after 1 January 2016; earlier application is permitted. They were endorsed by the EU on 18 December 2015.

> Equity Method in Separate Financial Statements (Amendments to IAS 27 – Separate Financial Statements)
The amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements according to IFRSs. The choices now permitted are recognition at amortised cost, as available for sale financial instruments or using the equity method.

The amendments are effective for annual periods beginning on or after 1 January 2016; earlier application is permitted. The EU endorsed the amendments on 23 December 2015.

> IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investments in Associates and Joint Ventures
These amendments clarify the application of the consolidation exception in cases where the parent company meets the definition of an investment entity.

The amendments are effective for annual periods beginning on or after 1 January 2016. They were endorsed by the EU on 22 September 2016.

> Annual Improvements to IFRSs (2010–2012 Cycle and 2012–2014 Cycle)
The IASB has published the annual improvements to IFRSs of the 2010–2012 Cycle, comprising clarifications on the following standards and issues:

- IFRS 2: Definition of vesting conditions and market conditions
- IFRS 3: Accounting for contingent consideration in connection with business combinations
- IFRS 8: Disclosures on combining segments and requirement of a reconciliation statement for segment assets

- IFRS 13: Continued waiver of discounting the fair value measurement of short-term receivables and payables possible if the impact is immaterial
- IAS 16 and IAS 38: Revaluation method – calculation of cumulative depreciation and amortisation at the date of any revaluation
- IAS 24: Extension of the definition of related parties that provide key management personnel services (management entities)

The amendments are effective in the EU for annual periods beginning on or after 1 February 2015, although earlier application is permitted. The EU endorsed the amendments on 17 December 2014.

The IASB has published the annual improvements to IFRSs of the 2012–2014 Cycle, comprising clarifications on the following standards and issues:

- IFRS 5: Guidance for reclassification to held for distribution or vice versa
- IFRS 7: Guidance to clarify whether a servicing contract is continuing involvement in a transferred asset
- IAS 19: Discount rate: regional market issue
- IAS 34: Disclosure of information "elsewhere in the interim report"

The amendments are effective for annual periods beginning on or after 1 January 2016; earlier application is permitted. The EU endorsed the 2012-2014 Cycle on 15 December 2015.

No changes in accounting resulted for the Group from the first-time application of the standards listed above.

b) Standards and interpretations not applied (published, but not yet required to be applied or, in some cases, not yet adopted by the EU)

The International Accounting Standards Board (IASB) and the IFRS Interpretations Committee (IFRS IC) have adopted additional standards and interpretations which are not yet required to be applied in financial year 2016, or which have not yet been adopted by the EU.

> IFRS 9 Financial Instruments
IFRS 9 relates to the classification and measurement of financial instruments as well as the reporting of derivatives and hedges and will replace IAS 39 Financial Instruments. It will not replace the requirements in IAS 39 for portfolio fair value hedge accounting for interest rate risk. A separate macro hedge accounting project will pursue this issue.

The standard will be effective for reporting periods beginning on or after 1 January 2018 at the earliest. They were endorsed by the EU on 29 November 2016.

> IFRS 15 Revenue from Contracts with Customers
The IASB issued IFRS 15 Revenue from Contracts with Customers in May 2014. It gives rise to new rules on when and to what extent revenue is recognised. IFRS 15 supersedes the previous revenue recognition requirements, comprising IAS 18 and IAS 11 as well as various interpretations of the standards, and provides new rules on several aspects. The standard is expected to be effective for annual periods beginning on or after 1 January 2018. They were endorsed by the EU on 29 October 2016.

> IFRS 16 Leases
The IASB issued IFRS 16, the new standard for accounting for leases, on 13 January 2016. Its aim is to enable lessees to report all leases on the balance sheet in a uniform way. There are no actual changes for lessors.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Earlier application is permitted, provided that the requirements of IFRS 15 "Revenue from Contracts with Customers" are applied simultaneously. Endorsement by the EU is expected for the first half of 2017.

> IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses
The IASB issued amendments to IAS 12 Income Taxes on 19 January 2016. This provides clarification that losses on debt instruments measured at fair value lead to the recognition of deferred tax assets for unrealised losses if the tax value of the asset matches its cost. Deferred taxes on items recognised in other comprehensive income are therefore also recognised in other comprehensive income.

The standard is effective for annual periods beginning on or after 1 January 2017. Endorsement by the EU is expected for the first half of 2017.

> IAS 7 Disclosure Initiative
The IASB issued amendments to IAS 7 Statement of Cash Flows on 29 January 2016. These are intended to improve information about an entity's financing activities and liquidity.

The standard is effective for annual periods beginning on or after 1 January 2017. Endorsement by the EU is expected for the first half of 2017.

>IFRS 2 Share-based Payment
The IASB issued amendments to IFRS 2 Share-based Payment on 20 June 2016. These amendments concern the classification and measurement of share-based payment transactions. They clarify and/or newly regulate the accounting for cash-settled share-based payment transactions that include a performance condition, the classification of share-based payment transactions with net settlement features, and the accounting for modifications of share-based payment transactions from cash-settled to equity-settled payments.

The amendments will be effective for annual periods beginning on or after 1 January 2018. Earlier application is permitted. Retrospective application is only allowed if this is possible without the use of hindsight. Endorsement by the EU is expected for the second half of 2017.

> IAS 40 Investment Property
The IASB issued an amendment to IAS 40 Investment Property on 8 December 2016. This amendment concerns the classification of property under construction or development and clarifies in which cases the classification of a property as ‘investment property" begins or ends if the property is still under construction or development.

The amendment is effective from 1 January 2018. Earlier application is permitted. Endorsement by the EU is expected for the second half of 2017.

> Annual Improvements to IFRSs: 2014-2016 Cycle
The IASB has published the annual improvements to IFRSs of the 2014–2016 Cycle, comprising clarifications on the following standards and issues:

- IFRS 1 First-time Adoption of IFRSs: Deletion of short-term exemptions for first-time adopters
- IFRS 12 Disclosure of Interests in Other Entities: Clarification that the disclosure requirements also apply to an entity's interests that fall within the scope of IFRS 5
- IAS 28 Investments in Associates and Joint Ventures: Clarification that the election to measure at fair value through profit or loss an investment in an associate or joint venture is available for each investment on an investment-by-investment basis upon initial recognition.

The amendments to IFRS 12 are effective from 1 January 2017, the amendments to IFRS 1 and IAS 28 are effective from 1 January 2018. Earlier application is permitted. The EU endorsed the 2014–2016 Cycle on 8 December 2016.

The impact of first-time application of the above-mentioned standards and interpretations on the consolidated financial statements of DIC Asset AG is currently being assessed. As a result, it is not currently possible to provide any reliable statements about possible changes.

Accounting policies

Gross rental income and real estate management fees
Rental income from operating leases for investment property is recognised on a straight-line basis over the lease term in the income statement in accordance with IAS 17.50 and reported as revenue on the basis of its operational nature. Both revenue and income from property management are recognised over the lease term, net of sales allowances, as long as the payments are contractually specified or can be reliably determined and settlement of the related claims is likely.

Proceeds from the sale of investment property
Income from sales (e.g. investment property) is generally recognised at the time of risk transfer, i.e. at the time of the transfer of possession, benefits and burdens, less discounts and rebates.

Investment property
Properties which are held or developed to earn rentals and/or for capital appreciation, are classified as investment property. Investment property is measured at cost including service charges upon acquisition. The cost model in accordance with IAS 40.56 is applied for subsequent measurements. Investment property is measured in accordance with IAS 16 rules, i.e. at cost less depreciation and impairment losses as well as reversals of impairment losses.

Where they can be assigned directly to the construction or production of a qualifying asset, borrowing costs are capitalised over the period during which all work is substantially completed in order to prepare the qualifying asset for its intended use or sale. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. Otherwise, borrowing costs are recognised as expenses when incurred.

Land is not depreciated. Buildings are depreciated on a straight-line basis over their useful lives and tested for impairment annually as well as at other times if there is an indication of possible impairment.

The following useful lives are assumed when depreciating buildings:

in years	Useful life
Residential buildings	60
Office and commercial buildings, hotels	50
Department and retail stores, shopping arcades and supermarkets	40
Car parks, underground parking facilities	40

The Company's real property is treated as a financial investment, since property trading itself is not considered to be part of its business activities. Due to the measurement at depreciated cost, the fair value of investment property is to be disclosed in the notes (see note 14). The valuation is carried out by independent experts and in accordance with international valuation standards (IVS). In particular, the fair value is established on the basis of discounted future surpluses in accordance with the discounted cash flow method or, if available, on the basis of proposed sales contracts, comparative or market prices. The fair value is a net value, i.e. transaction costs that could be incurred in an actual acquisition are deducted.

Office furniture and equipment
Property, plant and equipment is carried at depreciated cost. Borrowing costs are not recognised as part of costs. As a rule, property, plant and equipment is depreciated on a straight-line basis. The useful life of property, plant and equipment is normally between three and 13 years.

Intangible assets
Intangible assets with a finite useful life are carried at amortised cost and amortised over their useful lives. They are tested for impairment if events or changes in circumstances indicate that the carrying amount is no longer recoverable.

Business software is amortised over three to five years. The useful life of concessions and other rights is generally ten years. There are no intangible assets with indefinite useful lives.

Investments in associates
An associate is an entity over which the Group can exercise significant influence, but not control, and in which it usually holds a share of the voting rights between 20% and 50%. Significant influence is the power to participate in the financial and operating policy decisions of the investee. At the same time, neither control nor joint control is exercised over decision-making processes.

Investments in associates are accounted for using the equity method. They are initially recognised at cost in the consolidated balance sheet and adjusted in subsequent years to reflect changes in the Group's share of profit or loss of the associate and the associate's other comprehensive income after acquisition. An associate's losses which exceed the Group's share in this associate are not recognised. They are only recognised if the Group has entered into legal or de facto obligations to assume the loss or if the Group makes payments on behalf of the associate.

The profit/loss, assets and liabilities of associates are accounted for in these financial statements using the equity method unless the shares are classified as held for sale. In that case, they are accounted for in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

At each reporting date, the Group reviews whether there are indications that an impairment loss must be recognised for investments in associates. Here the difference between the carrying amount and the recoverable amount must be recognised as an impairment and allocated accordingly to share of the profit or loss of associates.

Receivables and other assets
Receivables and other assets, except for derivative financial instruments, are carried at amortised cost.

If there is any doubt as to whether receivables are recoverable, they are recognised at their lower recoverable amount. In addition to required specific valuation allowances, collective specific valuation allowances are recognised for identifiable risks arising from the general credit risk. In the case of trade receivables, it is assumed that the nominal amount less valuation allowances corresponds to the fair value.

Cash and cash equivalents
The cash and cash equivalents item includes cash, cash in banks and term deposits available within three months.

Non-current assets held for sale

Non-current assets held for sale and the associated liabilities are measured in accordance with IFRS 5 and reported as current. Assets are considered "held for sale" if they are available for immediate sale in their current condition, if it is highly probable that their sale will take place within twelve months of the reporting date and if management has agreed to the sale. This item can comprise individual non-current assets or groups of assets held for sale (disposal groups). Liabilities sold along with the assets in a single transaction are reported as "liabilities associated with assets held for sale" separately from the other liabilities in the balance sheet in accordance with IFRS 5.38.

These are measured at the lower of the carrying amount or fair value less costs to sell. Following classification in this group, non-current assets held for sale are no longer depreciated. The interest and expenses associated with the liabilities of this group continue to be recognised in accordance with IFRS 5.25.

Provisions

Provisions take into account all obligations recognisable at the reporting date that are based on past events and for which the amount or maturity is uncertain. Provisions are recognised only on the basis of a legal or de facto obligation to a third party, the fulfilment of which makes an outflow of funds probable, to the extent that a reliable estimate can be made of the amount of the obligation.

Provisions are recognised at the present value of the expected expense and are not offset against reimbursement rights.

Share-based payment

Share price-related remuneration paid in the Group is accounted for pursuant to IFRS 2 Share-based Payment. The phantom stock options comprise share-based payment transactions to be settled in cash which are measured at fair value at each reporting date. The remuneration expense, including the pro-rata service rendered during the lock-up period, is accrued ratably and recognised in profit or loss until vesting.

Liabilities

Financial liabilities predominantly comprise bonds and liabilities to credit institutions, trade payables and derivative financial instruments with negative fair values.

With the exception of derivative financial instruments, liabilities are recognised at amortised cost, applying the effective interest method. When determining the carrying amount, the Group only takes account of transaction costs directly attributable to the acquisition or issue of financial instruments if the financial instruments are not recognised at fair value through profit or loss.

Liabilities are classified as current if they are due within twelve months of the reporting date.

Deferred tax income/expense

Deferred taxes are recognised on temporary differences between carrying amounts in accordance with IFRSs and their tax base and on tax loss carryforwards. As a rule, the differences established are always recognised if they lead to deferred tax liabilities. Deferred tax assets are taken into account if it is probable that the corresponding tax benefits can also be realised in subsequent years. If, however, as part of a transaction that does not constitute a business combination, temporary differences arise from the initial recognition of an asset or liability that does not affect accounting or taxable profit or loss at the time of the transaction, no deferred tax is recognised either at the time the asset or liability is recognised initially or subsequently.

Deferred tax assets and deferred tax liabilities are offset if the entity has a legally enforceable right to set off current tax assets against current tax liabilities and the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend to settle current tax liabilities and assets on a net basis.

Deferred taxes are calculated on the basis of the tax rates that are enacted or substantially enacted. As a rule, changes to deferred taxes in the balance sheet lead to deferred tax expense or income, unless they relate to items that are recognised directly in equity or in other comprehensive income, in which case the taxes are also recognised in equity or in other comprehensive income.

Current income taxes

Current tax assets and liabilities for the current period are measured in the amount expected to be refunded by the taxation authority or paid to the taxation authority. The tax rates and tax laws applicable on the reporting date are used to calculate the amount.

Insofar as is evident, sufficient tax provisions have been recognised for tax liabilities. This process was based on a number of factors such as interpretations, commentaries and legal precedent relating to the tax legislation in question as well as past experience.

Derivative financial instruments

DIC Asset AG uses derivative financial instruments in the form of interest rate swaps and caps solely as part of its hedging of interest rate risks.

Derivative financial instruments are shown as an asset or liability and measured at fair value. This is calculated by discounting expected future cash flows over the remaining term of the contract based on current yield curves. They are initially accounted for on their date of origin.

If the requisite criteria are met, they are recognised as cash flow hedges. When the transaction is entered into, the Group documents the hedging relationship between the hedging instrument and the hedged item, the objective of risk management and the underlying strategy. In addition, an assessment of whether the derivatives used in the hedging relationship effectively compensate for changes in the fair value or the cash flows of the hedged items is documented at the beginning of the hedge and continuously thereafter. This means that changes in the fair value of the hedge must offset the fair value of the hedged item in a range of 80 % to 125 %, both prospectively and retrospectively.

As a rule, the effective part of changes in the fair value of derivatives, which are destined to hedge payment streams of fixed obligations and constitute qualifying hedges (IAS 39.88), is recognised in other comprehensive income outside profit or loss; by contrast, the ineffective part of changes in fair value is recognised directly in profit or loss. Amounts recognised in other comprehensive income are recognised as income or expense in the period in which the hedged item affects profit or loss.

When a hedging instrument expires, is sold or the hedge no longer fulfils the criteria for hedge accounting, the accumulated profit or loss remains in equity and is only reported in profit or loss when the underlying transaction occurs. If the future transaction is no longer expected to occur, the accumulated gains or losses recognised directly in equity must be reclassified to profit or loss immediately.

Changes in the reserve for cash flow hedges in equity are presented in the statement of changes in equity and in the statement of comprehensive income.

Derivatives which do not meet the criteria for hedge accounting are classified as Financial Assets Held for Trading (FAHfT) or as Financial Liabilities Held for Trading (FLHfT) in accordance with the IAS 39 measurement categories. Changes to fair values are recognised in profit or loss.

Leases

Determining whether an arrangement contains a lease is based on the substance of the arrangement at the time it is made and requires an assessment of whether fulfilment of the arrangement is dependent on the use of a specific asset or specific assets and whether the arrangement conveys a right to use the asset. A reassessment can only be made in accordance with IFRIC 4.

> The Group as lessor

Leases where a material portion of the rewards and risks incidental to owning the leased property remain with the lessor are classified as operating leases (IAS 17.8). In accordance with IAS 17.52, initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the rental income. Contingent rents are recognised as income in the period in which they are generated.

Leases where the lessee bears the material risks and the rewards incidental to the leased property are classified as finance leases. The Group does not enter into this type of leases.

> The Group as lessee

Leased assets where not essentially all the rewards and risks incidental to ownership are transferred to the lessee, such as vehicle leasing for example, are classified as operating leases. Lease payments for operating leases are recognised as expense on a straight-line basis over the term of the lease in accordance with IAS 17.33.

Currency translation

The functional currency of all consolidated subsidiaries and joint ventures is the euro. There are not balance sheet items in a foreign currency.

Earnings per share

The basic earnings per share are calculated by dividing the share of the profit for the period attributable to the shareholders of DIC Asset AG by the weighted average of the number of shares outstanding during the year. Shares newly issued or repurchased during a period are taken into consideration on a pro rata basis for the period in which they are outstanding. A dilutive effect may result in the future from existing authorised capital.

Accounting estimates and assumptions

To a certain degree, preparation of the consolidated financial statements requires discretionary decisions and estimates, which have an impact on the recognition, measurement and presentation of assets and liabilities, income and expenses, as well as the contingent assets and contingent liabilities.

The principal areas affected by assumptions and estimates are:

- the determination of the useful lives of fixed assets,
- the calculation of discounted cash flows as well as the discounting and capitalisation rates used in impairment tests,
- the calculation of the fair values and present values of minimum lease payments
- the recognition and measurement of provisions,
- the recoverability of receivables,
- the future usability of tax loss carryforwards.

All assumptions and the underlying estimates are constantly re-evaluated. They are based on past experiences and other factors including expectations with regard to future events.

In future periods, actual values may deviate from the assumptions and estimates made and lead to considerable adjustments to the carrying amounts of the respective assets and liabilities.

Consolidation

Subsidiaries

The consolidated financial statements include the financial statements of the parent company and the companies that it controls. The Company has control if it has power over an investee, is exposed to variable returns from its involvement with the investee and has the ability to affect the amount of the returns as a result of its power.

An investee is consolidated from the point in time when the Company obtains control over the subsidiary until the point in time that it ceases to have control. In this context, the profit or loss of subsidiaries acquired or sold during the year is recognised in the consolidated income statement and in other comprehensive income from the actual date of acquisition to the actual date of disposal.

The Group reassesses whether or not the Company controls an investee if facts and circumstances indicate that one or more of the aforementioned three control criteria have changed.

If the Company does not hold the majority of the voting rights, it still controls the investee if its voting rights give it the practical ability to direct the relevant activities of the investee unilaterally. When assessing whether its voting rights are sufficient to exercise control, the Company considers all facts and circumstances, including:

- the size of the Company's holding of voting rights relative to the size and distribution of holdings of the other vote holders,
- potential voting rights held by the Company, other vote holders or other parties,
- Rights arising from other contractual arrangements, and
- any additional facts and circumstances that indicate the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

The acquisition method is used to account for acquired subsidiaries as long as they constitute a business within the meaning of IFRS 3. The acquisition cost comprises the fair value of all assets transferred, of the equity instruments issued and of the liabilities that arose or were assumed at the time of the transaction. In accordance with IFRS 3 Business Combinations, the carrying amounts of the parent company's investments are offset against its shares in the remeasured equity of the subsidiaries at the time of acquisition. In this process, assets and liabilities are recognised at fair value.

If the Group loses control over a subsidiary, the remaining share is remeasured at fair value and the resulting difference is recognised in profit or loss. Furthermore, all amounts relating to this company reported in other comprehensive income are reclassified to the income statement.

All intragroup assets, liabilities, equity, income, expenses and cash flows in connection with transactions between Group entities are eliminated in full as part of the consolidation. Where consolidation adjustments are recognised in profit or loss, the income tax effects are taken into account and deferred taxes are recognised.

No discretion is required to determine control because the Group holds a large majority of the voting rights in all instances (see Chapter Overview).

As at 31 December 2016, a total of 164 (2015: 169) subsidiaries were included in the consolidated financial statements in addition to DIC Asset AG (see appendix 1 to the notes, p. 150 et seq.). There are no material non-controlling interests in the Group.

In the past financial year, DIC Asset AG has not made any acquisitions that are required to be classified as a business combination in accordance with IFRS 3.

Twelve companies were merged and 17 companies were newly formed in the course of optimising the Group's structure. Equity interests in 10 companies were reduced; these are no longer included in consolidation.

Associates

An investment in an associate is accounted for using the equity method from the time that the criteria for an associate are met. Any amount by which the cost of acquiring the share exceeds the share acquired in the fair values of the identifiable assets, liabilities and contingent liabilities is reported as goodwill. Goodwill is a component of the carrying amount of the investment and is not tested separately for impairment.

The Group discontinues the use of the equity method from the time at which its investment no longer constitutes an associate or the investment must be classified as held for sale in accordance with IFRS 5. When using the equity method is discontinued, profits or losses previously reported in other comprehensive income by the associate are reclassified to the income statement.

If a Group company enters into a business relationship with one of the Group's associates, profits and losses from this transaction are eliminated in proportion to the Group's interest in the associate. For strategic reasons, DIC Asset holds shares in 13 (2015: 13) companies which are accounted for using the equity method in the consolidated financial statements as associates in accordance with IAS 28.13 (see appendix 2 of the notes on p. 152 et seq.).

Please refer to note 16 "Investments in associates" regarding the discretion to be applied in determining companies to be included using the equity method.

Other investments

On first recognition, other investments are classified as "available-for-sale assets". As a rule, assets available for sale are carried in the balance sheet at their fair value. Changes in the market value are recorded in other comprehensive income as long as there is no impairment.

EPRA earnings

EPRA stands for European Public Real Estate Association, the association of listed real estate companies in Europe. EPRA has issued recommendations on how real estate companies should calculate and adjust their earnings to ensure they are comparable and exclude exceptional factors and non-recurring effects.

"EPRA earnings" measures the sustainable and continuing performance of the real estate portfolio. The financial years 2015 and 2016 showed the following EPRA earnings:

in EUR thousand	2016	2015
IRFS profit	-28,214	20,414
EPRA adjustments		
Market value change or depreciation of investment property	34,826	42,259
Profit/loss on disposal of investment property	-23,188	-14,917
Tax on disposal of investment property	3,669	2,361
Amortisation of intangible assets	407	426
Changes in the fair value of financial instruments and other	-1,030	1,193
Non-recurring effect of refinancing	56,331	0
Deferred taxes in connection with EPRA adjustments	-527	-693
Contributions from Co-Investments (project development and sales)	3,003	-3,772
Non-controlling interests	-1,172	302
EPRA earnings	44,105	47,573
EPRA earnings per share	0.64	0.69

INCOME STATEMENT DISCLOSURES

1. Gross rental income

For details of the regional allocation of gross rental income, we refer to the segment reporting starting on page 119.

Disposals of property in 2015 and 2016 reduced gross rental income by EUR 26,286 thousand and EUR 1,196 thousand, respectively.

A large number of new leases were concluded in financial year 2016 as a result of our intensive letting activities, offsetting the termination of other leases. The new leases generated pro rata rental income of EUR 4,960 thousand. Rental income of EUR 5,912 thousand was lost due to the termination of leases. Additions of EUR 2,879 thousand result from acquisitions.

2. Service charge income and expenses on principal basis

The costs recognised include apportionable current expenses incurred by the Group under section 1 of the Betriebskostenverordnung (German Regulation on Operating Costs) based on its ownership of the land or its use of the building, annexes, facilities, etc. in accordance with their intended purpose as well as the ancillary leasing costs to be borne by the tenants under the terms of their contract. These are typically understood to mean costs for water, power, heating and property tax, for example, as well as the necessary maintenance and inspection costs.

The shortfall between income and expenses from service charges amounting to EUR 1,225 thousand (2015: EUR 1,290 thousand) is mainly the result of costs that cannot be passed on to tenants on account of the exemption clauses written into their leases.

With the exception of two properties, rental income was generated in the case of all investment property. These properties account for directly attributable operating expenses of EUR 80 thousand (2015: EUR 61 thousand).

3. Other property-related expenses

Other property-related expenses include property management costs that cannot be passed on to tenants as operating costs because they are already covered in the rent charged. These include costs to rectify structural defects caused by wear and tear to the buildings or ageing, in particular the replacement of fire protection technology, as well as administrative and ancillary costs resulting from vacant space.

4. Administrative expenses

Compared with the previous year administrative expenses are made up as follows:

in EUR thousand	2016	2015
Legal and consulting costs	3,058	2,002
Rental and ancillary costs	1,716	1,393
Marketing/investor relations	1,165	781
Ancillary financing costs	639	368
Vehicle costs	567	574
Recruitment and other personnel costs	548	320
Insurance/contributions and levies	514	435
Auditing costs	504	594
IT costs	419	374
Input tax	413	531
Supervisory Board remuneration (incl. Supervisory Board tax)	411	239
External services	210	271
Other	596	966
Total	10,760	8,848

In the financial year the Company granted remuneration totalling EUR 395 thousand to members of the Supervisory Board. Supervisory Board members were also reimbursed travel expenses totalling EUR 9 thousand. Further details, especially disclosures in accordance with section 314 (1) no. 6 letter a HGB, are provided in the corporate governance section of the remuneration report, which is an integral part of the management report.

The following fees were incurred for the services supplied by the auditors of the financial statements Rödl & Partner GmbH, Wirtschaftsprüfungsgesellschaft, Steuerberatungsgesellschaft, Nuremberg, in financial years 2016 and 2015:

in EUR thousand	2016	2015
Audits/reviews of financial statements	494	527
Other services	10	67
Total	504	594

The fees for audits and reviews of the financial statements relate to the audit of the consolidated financial statements and the financial statements of DIC Asset AG and its affiliates required by law and the review of interim financial statements in accordance with IFRSs.

5. Personnel expenses

Personnel expenses include the wages and salaries of employees of DIC Asset AG and DIC Onsite GmbH and DIC Fund Balance GmbH amounting to EUR 14,079 thousand (2015: EUR 13,083 thousand) as well as the related social security contributions of EUR 1,977 thousand (EUR 1,810 thousand). Of this figure, EUR 897 thousand (2015: EUR 831 thousand) is attributable to contributions to the statutory pension fund. At EUR 16,056 thousand, personnel expenses are higher than in the previous year (2015: EUR 14,893 thousand). The increase is mainly due to the strategic establishment of new structures in connection with the fund business and our asset management platform.

The average number of employees rose from 160 in 2015 to 168 in 2016. Averaged over the year, DIC Asset AG had 63 employees, while DIC Onsite GmbH had 104 employees and DIC Fund Balance GmbH had 1 employee.

Details on the Management Board's remuneration in accordance with section 314 (1) no. 6 letter (a) sentences 5 to 9 of the HGB are reproduced in the corporate governance section of the remuneration report, which is an integral part of the management report.

6. Depreciation and amortisation

Depreciation and amortisation of EUR 35,233 thousand (2015: EUR 42,686 thousand) primarily concerns the recognised properties and, to a lesser extent, office furniture and equipment and intangible fixed assets. This item was affected by the sales in 2015 and 2016 as well as by the investments in real estate assets.

7. Real estate management fees

The income relates to asset and property management, accounting and administration, leasing and disposition fees charged by DIC Asset AG and DIC Onsite GmbH to the following non-consolidated companies:

in EUR thousand	2016	2015
DIC Office Balance I	2,504	2,595
DIC HighStreet Balance	1,412	1,509
DIC Office Balance II	2,051	1,477
DIC Office Balance III	12,812	0
DIC MSREF FF Südwest Portfolio GmbH	1,189	332
DIC MSREF HMDD Portfolio GmbH	271	412
DIC MSREF HT Portfolio GmbH	154	127
DIC MainTor GmbH	207	256
Deutsche Immobilien Chancen AG & Co. KGaA and subsidiaries	348	126
Deutsche Immobilien Chancen Beteiligungs AG	0	42
German Estate Group GmbH & Co. KG	582	374
Customers of DIC Onsite GmbH	10	7
Total	21,540	7,257

With the exception of DIC Onsite GmbH's customers, the transactions concerned related parties as defined by IAS 24.9.

8. Other operating income and expenses

Other operating income mainly includes income from non-monetary benefits of EUR 318 thousand (2015: EUR 301 thousand) resulting from the use of company cars, and income from of liability remunerations of EUR 119 thousand (2015: EUR 7 thousand).

Other operating expenses mainly comprise costs for prior-year costs to sell amounting to EUR 203 thousand (2015: EUR 129 thousand).

9. Profit on disposal of investment property

Thanks to the strong performance of the transaction market and strategic sales in connection with the portfolio streamlining, the Group generated profits from the disposal of investment property in the amount of EUR 23,188 thousand (2015: EUR 14,917 thousand). This corresponds to a return on sales of 7 % (2015: 7 %).

Costs to sell of EUR 16,154 thousand (2015: EUR 8,289 thousand) were deducted from the sales proceeds of EUR 334,294 thousand (2015: EUR 209,541 thousand).

10. Share of the profit or loss of associates

This item relates to the investor's share of the investee's profit or loss to be recognised in the investor's profit or loss using the equity method of accounting and amounts to EUR 2,314 thousand (2015: EUR 7,675 thousand).

In 2016, the share of the profit or loss of associates is dominated by earnings contributions from the existing "DIC Office Balance I", "DIC Office Balance II", "DIC Office Balance III" and "DIC HighStreet Balance" funds, the share of the profit from the WCM investment and the planned declining profits from the letting and sale of property from joint venture portfolios. The previous year was also characterised by earnings contributions from project developments.

11. Interest income and expense

The expense arising from the repayment of processing fees incurred in connection with financial liabilities amounted to EUR 12,537 thousand in the financial year (2015: EUR 4,225 thousand). The increase is mainly due to the non-recurring effect from the refinancing at the end of the financial year.

Effective interest expense of EUR 15,493 thousand (2015: EUR 14,604 thousand) results from the corporate bonds.

Due to the refinancing the existing hedges were almost completely discontinued. This led a reversal of the hedging reserve through profit or loss in the financial year in the amount of EUR -20,502 thousand (2015: EUR -1,119 thousand).

12. Income tax

in EUR thousand	2016	2015
Current taxes	-2,321	-9,786
Deferred tax income/expense	-3,670	6,354
Total	-5,991	-3,432

Current income taxes relate exclusively to taxable profits of consolidated subsidiaries and DIC Asset AG. Current tax expense is composed primarily of corporation tax including solidarity surcharge amounting to EUR 1,268 thousand (2015: EUR 6,727 thousand) and trade tax amounting to EUR 1,053 (2015: EUR 2,535 thousand).

The deferred taxes result from temporary differences between tax base and IFRS balance sheet values and from existing tax loss carryforwards.

Whether or not deferred tax assets are recoverable is determined based on management's assessment regarding the recoverability of deferred tax assets. This depends on the generation of future taxable profits during the periods in which temporary differences are reversed and tax loss carryforwards can be utilised. DIC Asset AG assumes that, based on the forecast for each portfolio, the future taxable income will be sufficient to be able in all likelihood to realise the recognised deferred tax assets. The current assessment with regard to the recoverability of deferred tax assets may change, making higher or lower valuation adjustments necessary.

No deferred tax assets were recognised on corporation tax loss carryforwards amounting to EUR 75 million (2015: EUR 36 million) and on trade tax loss carryforwards amounting to EUR 102 million (2015: EUR 60 million).

Deferred taxes are measured on the basis of the tax rates that apply or are likely to apply at the date they are realised. The calculation of domestic deferred taxes is based on the corporation tax rate of 15 %, the solidarity surcharge of 5.5 % and the Company-specific trade tax rates (usually 16.10 %).

Deferred tax expense/income compares with the previous year as follows:

in EUR thousand	2016	2015
Tax loss carryforwards	4,594	-2,266
Real estate valuation	-4,602	8,706
Derivatives	-3,281	-29
Recognition of "rent-free periods"	-60	9
Bond issuance	-21	-21
Other adjustments	-300	-46
Total	-3,670	+6,354

Deferred tax assets and liabilities can be classified as follows:

in EUR thousand	31.12.2016		31.12.2015	
	Assets	Liabilities	Assets	Liabilities
Loss carryforwards	20,791	0	16,196	0
Property	5,242	14,113	2,638	11,891
Derivatives	18	215	4,336	325
Capital transactions	343	1,071	343	1,810
Other	9	254	1	618
Total	26,403	15,653	23,515	14,735

Deferred taxes on the items included in other comprehensive income amount to EUR 39 thousand (2015: EUR 4,079 thousand), of which EUR 18 thousand (2015: EUR 4,118 thousand) is attributable to the movements in the Group's cash flow hedges and EUR 21 thousand (2015: EUR -39 thousand) to those of associates.

No deferred taxes were recognised on temporary differences in connection with shares in subsidiaries (outside basis differences) totalling EUR 11.0 million (2015: EUR 9.2 million) and on temporary differences in connection with associated companies totalling EUR 1.0 million (2015: EUR 0.6 million).

The difference between anticipated tax expense and actual tax expense can be reconciled as follows:

in EUR thousand	2016	2015
Consolidated profit before tax	-23,395	24,148
Applicable statutory tax rate (in %)	31,925	31,925
Anticipated tax expense	-7,469	7,709
Increase or decrease in the tax liability through:		
Trade tax reduction and differing tax rates	-6,440	-6,245
Non-deductible expenses	5,454	4,823
Effects of associates	-739	-2,450
Effects of unrecognised tax losses	14,277	-1,128
Taxes for previous periods	557	588
Other effects	351	135
Current total tax expense	5,991	3,432

The anticipated tax rate was determined on the basis of the tax rates applicable in Germany in 2016 and 2015. A tax rate of 31.925 % was used for the calculation. This is composed of a nominal corporation tax rate incl. solidarity surcharge of 15.825 % plus a nominal trade tax rate of 16.10 %. The trade tax rate is based on the assessment rate for Frankfurt am Main of 460 %.

13. Earnings per share, net asset value (NAV) and NAV per share

In accordance with IAS 33.12, earnings per share are calculated from consolidated profit/loss for the period excluding non-controlling interests and the number of the shares outstanding on an annual average.

in EUR thousand	2016	2015
Consolidated profit/loss after non-controlling interests	-28,214,271.44	20,413,528.69
Average number of shares issued	68,577,747	68,577,747
Basic earnings per share	-0.41*	0.30

* Adjusted for the non-recurring effect from refinancing after taxes in the amount of EUR 56,331 thousand, basic earnings per share are EUR 0.39.

For 2016, the Management Board will propose a dividend in the amount of EUR 27,431 thousand (EUR 0.40 per share). Of this figure, an amount of EUR 5,761 thousand will be subject to capital gains tax, which is estimated to be EUR 1,519 thousand. In accordance with IAS 10, the dividend is not recognised as a liability in these consolidated financial statements.

Following the recommendation of the European Public Real Estate Association (EPRA), the net asset value (NAV) as at 31 December 2016 and 31 December 2015 is calculated as follows:

in EUR thousand	31.12.2016	31.12.2015
Carrying amount of properties	1,583,432	1,700,151
Property in accordance with IFRS 5	292,499	227,794
Fair value adjustment	72,334	79,197
Fair value of properties*	1,948,265	2,007,142
Carrying amount of Co-Investments	175,491	92,677
Fair value adjustment	15,634	3,899
Fair value of Co-Investments	191,125	96,576
+/- other assets/liabilities	312,670	361,289
Net loan liabilities at carrying amount	-1,450,365	-1,335,998
Net loan liabilities in accordance with IFRS 5	-116,458	-237,775
Non-controlling interests	-5,278	-7,085
NAV	879,959	884,148
Deferred taxes on fair value adjustments	-13,920	-13,150
NNAV	866,039	870,998
Fair value of derivatives	-21,692	-22,854
Fair value adjustment of net loan liabilities	-23,338	-15,684
NNNAV	821,009	832,460
NAV/share	12.83	12.89
NNAV/share	12.63	12.70
NNNAV/share	11.97	12.14

* incl. non-controlling interests and IFRS 5 properties

BALANCE SHEET DISCLOSURES

14. Investment property

in EUR thousand	2016	2015
Cost		
As at 1 January	1,900,053	2,368,680
Additions resulting from acquisitions	0	0
Additions from investment in expansion	6,154	11,200
Classification as "held for sale"	-81,535	-269,273
Disposals	-21,409	-210,554
As at 31 December	1,803,263	1,900,053
Depreciation		
As at 1 January	199,902	224,741
Additions	34,353	42,049
Classification as "held for sale"	-12,588	-41,355
Disposals	-1,836	-25,533
As at 31 December	219,831	199,902
Carrying amount on 1 January	1,700,151	2,143,939
Carrying amount on 31 December	1,583,432	1,700,151
Fair value*	1,948,265	2,007,142

* incl. non-controlling interests and IFRS 5 property

Details of and information about the levels of the fair value hierarchy in accordance with IAS 40.79 in conjunction with IFRS 13.93 (a), (b) and 13.97 of the Group's investment property as at 31 December 2016 are presented below:

in EUR thousand	Fair value 31.12.2016	Quoted prices in active markets for identical assets (level 1)	Material other observable inputs (level 2)	Material unobservable inputs (level 3)
Commercial real estate in Germany	1,948,265			1,948,265

Valuation techniques applied to level 3

The fair values calculated (net value after deducting transaction costs) are based entirely on the findings of the independent valuers contracted for this purpose, Cushman & Wakefield and ENA Experts, who have undertaken a valuation in accordance with internationally recognised standards. Valuation parameters that are as close to the market as possible should be used as inputs. Despite taking account of some observable market inputs, which correspond to level 2, the fair values must ultimately be assigned to level 3.

The calculation of market values is based on a calculation of their present values (discounted cash flow method). This is generally based on a cash flow period of ten years, at the end of which the property is assumed to be sold. The discount rate recognised for the valuation comprises a risk-free rate, which can be derived from the average current yield on long-term, fixed income federal bonds and a property-specific risk premium, which reflects the restricted fungibility of real estate investments in relation to more fungible forms of investment such as equities or bonds. The average current yield recognised was 0.23 % to 2.16 %, (2015: 0.46 % to 2.53 %). The property-specific risk premium was between 2.09 % and 5.84 % (2015: between 3.22 % and 5.54 %). The average discount rate was 4.25 % to 8.0 % (2015: 5.75 % to 6.25 %).

The interest rate recognised for the capitalisation of the terminal value corresponds to the observable interest rate in the current real estate capital market plus a property-specific risk premium. The capitalisation rates recognised vary between 4.5 % and 7.25 % (2015: 5.00 % and 8.50 %) depending on the quality, location and structure of the properties.

When investment property is tested for impairment in accordance with IAS 36, the carrying amounts of the properties – with the exception of properties classified as non-current assets held for sale – are compared with the properties' values in use deduced from market values. The comparison uses gross market values, i.e. not including the transaction costs that may arise if the properties are actually sold. In addition, parameters specific to the Company were used to calculate the reference values. These parameters take account of the value in use of the properties in the context of their use for business purposes. In this respect, the important factors are, in particular, the retention of the property in the Group, the forecast cash flows arising as a result and the reduction in management costs compared with the standard valuation due to the assets being managed in-house. An appropriate asset-specific capitalisation rate is also calculated in accordance with the criteria of IAS 36 A17.

In addition to the sensitivity analysis for the fair values already presented in the report on opportunities and risks (page 67 in the management report), we performed a sensitivity calculation for the properties' values in use so as to be able to assess effects of potential interest rate volatilities more accurately. This produced the following result:

Change in the value in use of properties (excluding warehousing)

Scenarios: changes of discount rate / Scenarios: changes of capitalisation rate	+0.25 %	0 %	-0.25 %
+0.25 %	-106.0 EUR million	-43.1 EUR million	+26.0 EUR million
0 %	-63.8 EUR million	+/-0.0	+71.0 EUR million
-0.25 %	-18.8 EUR million	+43.9 EUR million	+116.9 EUR million

Were the capitalisation and discount rates to increase by 25 basis points due to the macroeconomic or business situation, the value in use would fall by EUR 106.0 million. If the interest rates were to fall by the same amount, the value in use would rise by EUR 116.9 million.

As at 31 December 2016, acquisition costs included borrowing costs of EUR 686 thousand (2015: EUR 539 thousand). In financial year 2016, borrowing costs of EUR 157 thousand (2015: EUR 166 thousand) were capitalised in connection with ongoing construction work on the "Trio Offenbach" project. The rate of borrowing costs was 2.17 % (2015: 2.94 %).

There are no restrictions on the disposal of investment property in the Group and no contractual obligations to purchase, construct or develop investment property.

Current contractual arrangements result in financial obligations vis-à-vis our tenants of EUR 5.5 million for 2017 and 2018. Obligations from purchase agreements amount to EUR 0.3 million (2015: EUR 0.6 million).

15. Office furniture and equipment

in EUR thousand	2016	2015
Cost		
As at 1 January	1,819	1,686
Additions	233	133
Disposals	0	0
As at 31 December	2,052	1,819
Depreciation		
As at 1 January	1,240	1,082
Additions	230	158
Disposals	0	0
As at 31 December	1,470	1,240
Carrying amount on 1 January	579	604
Carrying amount on 31 December	582	579

16. Investments in associates

The associates as at 31 December 2016 are listed in the following table. The equity investments and/or voting rights in the companies listed below are held directly by the Group.

in EUR thousand	31.12.2016		31.12.2015	
Interest in:	Share of voting rights	Carrying amount	Share of voting rights	Carrying amount
DIC Office Balance I (fund)	12.5 %	22,171	12.5 %	22,301
DIC Office Balance II (fund)	0.0 %	8,783	0.0 %	5,817
DIC Office Balance III (fund)	0.0 %	7,933		
DIC HighStreet Balance (fund)	0.0 %	6,771	12.5 %	24,650
DIC MainTor Zweite Beteiligungs GmbH & Co. KG	40.0 %	23,955	40.0 %	26,009
DIC MSREF HT Portfolio GmbH	20.0 %	4,918	20.0 %	4,759
DIC MSREF FF Südwest Portfolio GmbH	20.0 %	6,108	20.0 %	5,323
DIC MSREF HMDD Portfolio GmbH	20.0 %	2,910	20.0 %	3,634
WCM Beteiligungs- und Grundbesitz-AG*	24.7 %	91,754		
Other		188		184
		175,491		92,677

* Fair value as at 31 December 2016: EUR 84,903.

in EUR thousand	DIC MainTor Zweite Beteiligungs GmbH & Co. KG**	DIC Office Balance I	DIC HighStreet Balance	DIC Office Balance II	DIC Office Balance III	WCM *	Other associates	Total 2016	Total 2015
Assets	436,770	426,162	231,462	257,933	191,025	660,332	138,751	2,342,435	1,427,430
Liabilities	406,292	201,677	96,179	109,971	509	346,800	66,863	1,228,291	854,334
Net Assets	30,478	224,485	135,283	147,962	190,516	313,532	71,888	1,114,144	573,098
Income	13,042	27,907	11,986	3,436	11,597	39,012	37,933	144,913	120,817
Expenses	10,592	14,190	5,544	2,693	1,125	22,084	34,689	88,205	86,278
Profit for the year	2,450	13,717	6,442	743	10,472	16,928	3,244	56,708	34,539
Other comprehensive income/expenses	12						470	482	50
Comprehensive income	2,462	13,717	6,442	743	10,472	16,928	3,714	57,190	34,588

* as at 30.09.2016
** Annual results according to the HGB

DIC Asset AG holds a 10.0% interest in the capital of the "DIC Office Balance I" fund, a 6.0% interest in "DIC Office Balance II", a 5.0% interest in "DIC HighStreet Balance" and a 4.6% in "DIC Office Balance III". The Group also provides asset and property management services.

Significant associates as defined in IFRS 12.2 are DIC MainTor Zweite Beteiligungs GmbH & Co.KG, DIC Office Balance I, DIC Office Balance II, DIC Office Balance III, DIC HighStreet Balance and WCM Beteiligungs- und Grundbesitz-AG.

Although the Group holds a 4.6%, 5.0%, 6.0% or 10% interest in the capital of various fund property entities and thus indirectly in the fund, it exerts a significant influence on the company due to the chairmanship and the regulations regarding voting rights in the Investment Committee and through the contractual right to conduct the funds' asset and property management.

The financial information concerning the Group's significant associates is summarised below. The summary financial information corresponds to the contributions in the Company's financial statements prepared in accordance with IFRSs (adjusted by the Group for the purpose of accounting using the equity method).

17. Loans to related parties

The loans to related parties concern the long-term loans to the related parties listed below. Please refer to the disclosures in the section entitled "Legal transactions with related parties" for a description of the terms.

in EUR thousand	IAS 24.9	2016	2015
DIC Opportunistic GmbH	b (ii)	34,434	44,679
Deutsche Immobilien Chancen AG & Co. KGaA	b (ii)	28,568	29,504
DIC MainTor GmbH	b (ii)	12,975	14,166
DIC MainTor Zweite Beteiligungs GmbH & Co. KG	b (ii)	20,131	18,771
DIC MSREF HMDD Portfolio GmbH	b (ii)	2,294	3,102
Total		98,402	110,222

18. Other investments

Other investments concern the investment in DIC Opportunistic GmbH, which was carried at its fair value of EUR 23,664 thousand (2015: 24,120 thousand) as at the reporting date. In the previous year, this item also included the investment in WCM Beteiligungs- und Grundbesitz AG in the amount of EUR 9,277 thousand, which was reclassified to investments in associates in the reporting year.

19. Intangible assets

in EUR thousand	2016	2015
Cost		
As at 1 January	2,849	2,640
Additions	82	209
Disposals	0	0
As at 31 December	2,931	2,849
Amortisation		
As at 1 January	1,846	1,367
Additions	427	479
Disposals	0	0
As at 31 December	2,273	1,846
Carrying amount on 1 January	1,003	1,273
Carrying amount on 31 December	658	1,003

20. Trade receivables

These are primarily receivables from rents as well as from service charges. All receivables are due within one year.

At the reporting date, trade receivables were impaired in the amount of EUR 1,206 thousand (2015: EUR 1,116 thousand).

There have been the following changes to impairment charges on receivables:

in EUR thousand	2016	2015
As at 1 January	1,116	1,262
Additions	777	1,003
Use	-362	-505
Reversal	-325	-644
As at 31 December	1,206	1,116

Receivables amounting to EUR 362 thousand (2015: EUR 505 thousand) were written off in the financial year.

At the reporting date, there were no receivables that were past due but not impaired.

21. Receivables from and liabilities to related parties

The receivables result predominantly from the granting of loans. An average interest rate of 4.5% to 7.25% p.a. applies to the loans. Detailed disclosures on relations with entities and individuals classified as related parties are shown in the corresponding section entitled "Related party disclosures".

The value shown in the balance sheet relates to:

in EUR thousand		31.12.2016		31.12.2015	
	IAS 24.9	Receivables	Liabilities	Receivables	Liabilities
DIC MSREF HT Portfolio GmbH	b (ii)	1,652		1,669	
DIC MSREF FF Südwest GmbH	b (ii)	1,384	791	2,241	791
DIC MSREF HMDD Portfolio GmbH	b (ii)		272	703	7
DIC MainTor GmbH	b (ii)		5,727	1,965	1,151
DIC Opportunistic GmbH	b (ii)	3,446	533	2,912	484
DIC MainTor Zweite Beteiligungs GmbH & Co. KG	b (ii)		3,476		
Deutsche Immobilien Chancen Beteiligungs AG	b (ii)	58	58	661	83
Deutsche Immobilien Chancen AG & Co. KGaA	b (ii)	1,329	354	97	126
GEG Real Estate Management GmbH	b (ii)	233	130		
DIC MainTor III GmbH	b (ii)		657		620
DIC Office Balance II (fund)	b (ii)	404			
DIC Office Balance III (fund)	b (ii)	19			
DIC Starwood Immobilien GmbH	b (ii)	89			
Other	b (ii)	11	26	23	9
Total		8,625	12,024	10,271	3,271

22. Income tax receivable

The figure reported relates to creditable taxes and recoverable corporation and trade tax.

23. Other receivables

in EUR thousand	2016	2015
Deposits	3,373	3,619
"Rent-free period" receivables	1,670	1,290
Value added tax	1,550	873
Receivables from insurance compensations	335	529
Receivables from unbilled services	1,005	0
Other	448	82
	8,381	6,393

24. Other assets

In addition to the restricted funds of EUR 3,000 thousand (2015: EUR 5,100 thousand) deposited with DZ Bank to service liabilities from derivatives, this item takes into account prepaid ground rents of EUR 1,223 thousand (2015: EUR 1,235 thousand) and other prepaid costs, such as insurance premiums. The amount appropriated depends on the market value of the hedged swap.

25. Cash and cash equivalents

Of the existing cash and cash equivalents, EUR 4,212 thousand is subject to short-term restrictions on disposal beyond the end of the reporting period.

26. Non-current assets held for sale

The four properties acquired for the strategic growth of the fund business in 2016 were shown as a disposal group, including other assets and corresponding liabilities, in the balance sheet under non-current assets held for sale and non-current liabilities related to non-current assets held for sale.

Furthermore, the sale of three properties also from the Commercial Portfolio was notarised in late 2016. Possession, benefits and associated risks of this property will be transferred in 2017. These properties were also reclassified to non-current assets held for sale. These properties are expected to be disposed in the first half of 2017.

Profits of EUR 9,756 thousand arose in 2016 in connection with non-current assets held for sale from the previous year (2015: EUR 355).

27 Equity

a. Issued capital

The issued capital of the parent company DIC Asset AG amounts to EUR 68,578 thousand at the reporting date, and 68,577,747 registered no-par value ordinary shares, each representing an interest in the share capital of EUR 1.00, were issued as at the reporting date. There are no other classes of shares. All shares convey the same rights and obligations. Each no-par value share grants the holder one vote at the General Shareholders' Meeting.

b. Authorised capital

The Management Board has been authorised by a resolution adopted at the ordinary General Shareholders' Meeting on 2 July 2015 to increase the Company's share capital with the approval of the Supervisory Board by a total of up to EUR 34,288,873.00 until 1 July 2020 by issuing new no-par value registered shares once or repeatedly in return for cash contributions and/or contributions in kind (authorised capital). As a rule, the shareholders shall be granted a pre-emptive right. The shares may also be taken over within the meaning of section 186 (5) sentence 1 AktG by one or more credit institutes or companies determined by the Management Board with the obligation of offering them to the shareholders for purchase (indirect pre-emptive right). However, the Management Board is authorised with the approval of the Supervisory Board to disapply the pre-emptive rights of shareholders

- to exclude fractional amounts from shareholders' pre-emptive rights;

- if the new shares are issued in return for a cash contribution and the issue price of the new shares does not fall substantially below the stock market price of essentially equivalent shares already listed. The number of shares issued in this manner disapplying pre-emptive rights may not exceed 10% of the share capital, neither at the time this authorisation becomes effective nor at the time it is exercised. Other shares that are issued or sold during the term of this authorisation while disapplying pre-emptive rights in direct or corresponding application of section 186 (3) sentence 4 AktG are to be counted toward this upper limit of 10% of the share capital. Shares that are issued to service option rights and/or conversion rights or conversion obligations from bonds with warrants and/or convertible bonds and/or profit participation rights are also to be counted towards this limit if such bonds or profit participation rights are issued during the term of this authorisation while disapplying pre-emptive rights in corresponding application of section 186 (3) sentence 4 AktG;

- if the capital increase is carried out in return for a contribution in kind, in particular for the purpose of acquiring companies, parts of companies, equity interests in companies or other assets associated with an intended acquisition, or in connection with business combinations;

- to the extent it is necessary to grant pre-emptive rights for new shares to the holders or creditors of bonds with warrants and/or convertible bonds with option and/or conversion rights and/or conversion obligations that were or will be issued by the Company or companies in which the Company holds a direct or indirect 100% interest in the volume to which they would be entitled as shareholders after exercising the option rights and/or conversion rights or fulfilling the conversion obligations;

and only to the extent that the shares issued in return for cash contributions or contributions in kind during the term of this authorisation on the basis of either this authorisation or other authorised capital and disapplying shareholders' pre-emptive rights do not exceed 20% of the share capital altogether, neither at the time this authorisation becomes effective nor at the time it is exercised. Own shares that are sold during the term of this authorisation while disapplying pre-emptive rights and new shares that are to be issued on the basis of bonds with warrants and/or convertible bonds and/or profit participation rights issued during the term of this authorisation while disapplying pre-emptive rights are counted towards the 20% limit mentioned above.

The Management Board has not made use of the authorisation described above.

c. Contingent capital

By virtue of the resolution adopted at the ordinary General Shareholders' Meeting of 2 July 2015, the Management Board is authorised, with the approval of the Supervisory Board, to issue registered or bearer convertible bonds or bonds with warrants (together, "bonds") with or without limitation of maturities on one or more occasions until 1 July 2020 in a total nominal amount of up to EUR 450,000,000.00, and to grant to holders and/or creditors of bonds conversion or option rights (which may include a conversion obligation) to no-par value registered shares in the Company representing a proportionate amount of the share capital of up to EUR 34,288,873.00 in total, subject to the terms of the convertible bonds and/or bonds with warrants (together also "bond terms"). The bonds may only be issued in return for cash payment. In principle, the shareholders are granted a pre-emptive right. The bonds may also be taken over within the meaning of section 186 (5) sentence 1 AktG by one or more credit institutes or companies determined by the Management Board with the obligation of offering them to the shareholders for purchase (indirect pre-emptive right). However, the Management Board is authorised with the approval of the Supervisory Board to disapply the shareholders' pre-emptive rights to bonds

- for fractional amounts resulting from the subscription ratio;

- if upon due review the Management Board concludes that the issue price of the bonds is not substantially lower than the theoretical market value of the bonds determined in accordance with generally accepted methods of financial mathematics. This authorisation to disapply pre-emptive rights does not, however, apply to bonds with a conversion or option right (including those with a conversion obligation) to shares, the total amount of which does not exceed 10% of the lower of the share capital existing at the time this authorisation becomes effective or at the time it is exercised. Shares that were issued or sold during the term of this authorisation while disapplying pre-emptive rights in direct or corresponding application of section 186 (3) sentence 4 AktG are to be counted toward this upper limit of 10% of the share capital. Shares that are issued to service option rights and/or conversion rights or conversion obligations from convertible bonds and/or bonds with warrants are also to be counted towards this limit if such bonds are issued based on a different authorisation during the term of this authorisation while disapplying pre-emptive rights in corresponding application of section 186 (3) sentence 4 AktG;

- to the extent it is necessary to grant pre-emptive rights for bonds to the holders or creditors of bonds with warrants and/or convertible bonds with option and/or conversion rights and/or conversion obligations that were or will be issued by the Company or companies in which the Company holds a direct or indirect 100% interest in the volume to which they would be entitled as shareholders after exercising the option rights and/or conversion rights or fulfilling the conversion obligations;

and only if the sum of the new shares that are to be issued by the Company due to such bonds and due to options with warrants and/or convertible bonds and/or profit participation rights issued based on a different authorisation during the term of this authorisation while disapplying pre-emptive rights, represents an arithmetical share of no more than 20% of the total share capital, neither at the time this authorisation becomes effective nor at the time it is exercised. Own shares that are sold during the term of this authorisation while disapplying pre-emptive rights and shares that are issued from authorised capital during the term of this authorisation while disapplying pre-emptive rights are counted towards the 20% limit mentioned above. The bond issues may be divided into several notes.

If convertible bonds are issued, the holders and/or creditors are granted the right to convert their notes into no-par value registered shares of the Company in accordance with the detailed convertible bond terms to be determined by the Management Board. The conversion ratio is determined by dividing a bond note's nominal amount or price that is below its nominal amount by the conversion price specified for a no-par value registered share of the Company. The terms may provide for a variable conversion ratio. The conversion ratio may be rounded up or down to the nearest whole number; furthermore, an additional payment in cash may be determined. There may also be a provision that fractions can be combined and/or settled in cash.

If bonds with warrants are issued, one or more warrants entitling the holder and/or creditor to purchase no-par value registered shares in the Company in accordance with the option terms to be specified by the Management Board shall be attached to each bond note. The option terms may provide for satisfying the exercise price either in part or as a whole by transferring bond notes and making an additional cash payment if required. There may also be a provision that fractions can be combined and/or settled in cash.

The terms of the convertible bond may also provide for a conversion obligation on maturity (or at an earlier date). The terms of the convertible bonds and/or bonds with warrants may provide for the Company's right and/or that of the Group company issuing the bond to grant new shares or treasury shares of the Company or the shares of another listed company to the holders and/or creditors of the bonds instead of paying all or a portion of the cash amount due. The terms of the convertible bonds and/or bonds with warrants may also stipulate that the Company or the Group company issuing the bond may choose to grant treasury shares of the Company or shares of another listed company when options are converted or exercised. Furthermore, it may be stipulated that the Company and/or the Group company issuing the bond may settle its obligation by making a cash payment and/or granting shares of the Company.

To service conversion or option rights and/or conversion or option obligations under bonds that will be issued until 1 July 2020 based on an authorisation by the General Shareholders' Meeting on 2 July 2015, the Company's share capital was contingently increased, by virtue of the resolution adopted at the ordinary General Shareholders' Meeting on 2 July 2015, by up to EUR 34,288,873.00 by issuing up to 34,288,873 registered shares (contingent capital 2015).

The Management Board has not made use of the authorisation described above to issue convertible bonds and/or bonds with warrants.

d. Powers of the Management Board to buy back shares

By virtue of the resolution adopted by the ordinary General Shareholders' Meeting of 5 July 2016, the Management Board is authorised, with the prior approval of the Supervisory Board, to acquire own shares until 4 July 2021 representing up to 10% of the lower of the Company's share capital at the date of the resolution or at the date the authorisation is exercised. At no time may the acquired shares together with other treasury shares in the possession of the Company or allocated to it under sections 71a et seq. AktG represent more than 10% of the share capital. The authorisation may not be used for the purpose of trading treasury shares. The authorisation may be exercised in whole or in part, once or repeatedly, for one or more than one purpose, by the Company or by companies dependent on it or majority-owned by it, or by third parties acting on their behalf or on behalf of the Company.

At the Management Board's discretion, and with the prior approval of the Supervisory Board, shares may be acquired through the stock exchange or based on a public offering directed to all shareholders or a public invitation to all shareholders to submit offers to sell.

The volume of the public offering directed to all shareholders or the public invitation to all shareholders to submit offers to sell may be restricted. Insofar as the volume of the offered shares exceeds the planned repurchase volume in the case of a public offering or a public invitation to submit offers to sell, the acquisition can take place proportionate to the shares subscribed to or offered in each case; to this extent, the shareholders' right to offer their shares proportionate to the percentage of shares that they hold is disapplied. A preferential acceptance of smaller numbers up to 100 offered shares per shareholder can be stipulated, as can commercial rounding to avoid arithmetic fractions of shares. To this extent, any further right of the shareholders to tender shares is disapplied. The public offering directed to all shareholders or the public invitation to all shareholders to submit offers to sell may stipulate further conditions.

The Management Board is authorised, with the prior approval of the Supervisory Board, to use the treasury shares acquired on the basis of this authorisation for any legal purpose, in particular the following: (i) The shares may be redeemed, and such redemption or its execution shall not require another resolution of the General Shareholders' Meeting. They may also be redeemed in a simplified procedure without reducing capital by adjusting the pro-rata share of the remaining no-par value shares in the Company's share capital. If they are redeemed in a simplified procedure, the Management Board is authorised to adjust the number of no-par value shares in the Articles of Association. (ii) The shares may also be sold in a way other than through the stock exchange or based on an offering directed to all shareholders if the purchase price payable in cash is not significantly lower than the stock market price of equivalent shares already listed. The number of shares sold in this manner disapplying pre-emptive rights may not exceed 10% of the share capital, neither at the time this authorisation becomes effective nor at the time it is exercised. Other shares that are issued or sold during the term of this authorisation while disapplying pre-emptive rights in direct or corresponding application of section 186 (3) sentence 4 AktG are to be counted toward this upper limit of 10% of the share capital. Shares that are issued to service option rights and/or conversion rights or conversion obligations from bonds with warrants and/or convertible bonds and/or profit participation rights are also to be counted towards this limit if such bonds or profit participation rights are issued during the term of this authorisation while disapplying pre-emptive rights in corresponding application of section 186 (3) sentence 4 AktG. (iii) The shares may be sold in return for contributions in kind, in particular in connection with business combinations, for the purpose of acquiring companies, parts of companies, equity interests in companies or other assets, or claims for acquiring other assets including receivables in respect of the Company. (iv) The shares may be used to implement a scrip dividend in which shares of the Company are used (including partially and alternatively) to fulfil shareholder dividend claims. (v) The shares may be used to fulfil subscription and exchange rights on the basis of the exercise of conversion and/or option rights or the fulfilment of conversion obligations arising from convertible bonds and/or bonds with warrants issued by the Company or one of its Group companies wholly owned by DIC Asset AG either directly or indirectly.

As at 31 December 2016, the Company held no treasury shares. It has not made use of the authorisation described above.

e. Share premium

The capital reserves amounted to EUR 732,846 thousand at the reporting date (2015: EUR 732,846 thousand). It contains the premium from the issuance of shares.

f. Hedging reserve

The reserve contains the effects of hedge accounting recognised directly in equity.

As part of the restructuring of bank loans for properties within the Commercial Portfolio and the related conclusion of a loan agreement with significantly improved terms in December 2016, the so-called 'old loans' and corresponding hedging transactions were terminated as at 31 December 2016. We subsequently ended the hedge accounting for the hedged items contained in the new loan agreement on 31 December 2016. The corresponding hedging reserve totalling EUR 20,502 thousand was reversed through profit or loss at the end of 2016. At the reporting date, fully consolidated companies' cash flow hedges, after deduction of deferred taxes of EUR 18 thousand (2015: EUR 4,118 thousand), resulted in unrealised losses of EUR -95 thousand (2015: EUR -20,422 thousand), while associates' cash flow hedges, after deduction of deferred taxes of EUR -21 thousand (2015: EUR -39 thousand), resulted in unrealised losses of EUR -111 thousand (2015: EUR -210 thousand) (see note 29 Derivatives).

g. Reserve for available-for-sale financial instruments

The reserve contains the measurement effect from the investments accounted for at fair value.

h. Retained earnings

The reconciliation of the consolidated profit for the year with retained earnings is shown in the following table:

in EUR thousand	31.12.2016	31.12.2015
Retained earnings/loss brought forward	2,663	6,252
Consolidated profit for the year	-29,386	20,716
Dividend payment	-25,374	-24,002
Profit attributable to non-controlling interests	1,172	-302
Consolidated retained earnings	-50,925	2,663

The dividend payment for 2015 and 2014 amounted to EUR 0.37 and EUR 0.35 per share, respectively.

28. Interest-bearing loans and borrowings

in EUR thousand	31.12.2016		31.12.2015	
	Carrying amount	Fair value	Carrying amount	Fair value
Long-term (> 1 year) interest-bearing loans and borrowings				
Variable-rate loans and borrowings	5,565	5,565	456,390	456,390
Fixed-rate loans and borrowings	1,175,884	1,187,624	844,088	817,740
	1,181,449	1,193,189	1,300,478	1,274,130
Short-term (< 1 year) interest-bearing loans and borrowings				
Variable-rate loans and borrowings	70,344	70,344	108,035	108,035
Fixed-rate loans and borrowings	315,029	287,995	165,261	155,777
	385,373	358,339	273,296	263,812
	1,566,822	1,551,528	1,573,774	1,537,942

The fair values of the fixed-rate loans and borrowings are based on discounted cash flows calculated using interest rates taken from the yield curve as at 31 December 2016. When the fair values were being determined, the current market trend was also taken into account; this led to an increase in the margin on financial instruments to 2.12 % (2015: 1.62 %). The carrying amounts of the variable-rate loans and borrowings are roughly equivalent to their fair values.

The maturities of the variable-rate and fixed-rate loans and borrowings are structured as follows:

in EUR thousand	31.12.2016			31.12.2015		
	Total variable-rate loans and borrowings	Total fixed-rate loans and borrowings	Weighted interest rate (fixed-rate loans and borrowings)	Total variable-rate loans and borrowings	Total fixed-rate loans and borrowings	Weighted interest rate (fixed-rate loans and borrowings)
< 1 year	70,344	315,029	3.19 %	108,035	165,261	2.82 %
1–5 years	1,040	646,884	2.81 %	417,395	675,443	3.08 %
> 5 years	4,525	529,000	1.27 %	38,995	168,645	2.25 %
	75,909	1,490,913		564,425	1,009,349	

Interest rates on the variable-rate loans and borrowings were adjusted regularly. Interest-rate adjustment dates are based on the 1-month or 3-month Euribor rate plus an average margin. An average interest rate of 1.34 % (2015: 2.01 %) is used for the variable-rate loans and borrowings, while an average interest rate of around 2.35 % (2015: 2.72 %) is used for the fixed-rate loans and borrowings.

The price of the bond issued in September 2014 with a nominal volume of EUR 175 million was 106.0 % at the reporting date. The price the bond issued in July 2013 with a nominal volume of EUR 100 million was 104.5 % at the reporting date.

The fixed-rate loans and borrowings were secured by land charges in the reporting year – with two exceptions: EUR 272,121 thousand for our corporate bond (2015: EUR 270,871 thousand) and EUR 73,600 thousand in current liabilities for interim financing (warehousing).

29. Derivatives

At the reporting date, the following derivative financial instruments were held:

in EUR thousand	31.12.2016		31.12.2015	
	Notional amount	Fair value	Notional amount	Fair value
Liabilities				
Interest rate hedges (swaps)	432,927	21,692	476,618	26,955

As a matter of principle, contracts for derivative financial instruments are concluded only with major banks to keep credit risks as low as possible.

As at 31 December 2016, negative fair values of EUR 113 thousand (2015: EUR 20,422 thousand) after deduction of deferred taxes were recorded in equity. The interest-rate hedging agreements have remaining terms of between six months and six years.

in EUR thousand	31.12.2016		31.12.2015	
	Notional amount	Fair value	Notional amount	Fair value
Term ≤ 1 year	428,227	21,579	8,505	43
Term > 1 year	4,700	113	468,113	26,912

In financial year 2016, there were interest rate hedging agreements in the form of swaps to hedge future variable cash flows from interest payments at the joint ventures in which DIC Asset AG has direct and indirect holdings of 18.8 % to 40 %. The hedged pro rata volumes and fair values from the perspective of DIC Asset are as follows:

in EUR thousand	31.12.2016		31.12.2015	
	Notional amount	Fair value	Notional amount	Fair value
Swap	19,000	-132	19,000	-249

The property companies interest at the 3-month Euribor rate. The expenses and income arising from the hedging of the future cash flows are recorded directly in equity where these relate to effective hedges. DIC Asset AG reports its share of EUR -111 thousand (2015: EUR: -210 thousand) after the deduction of deferred taxes in the hedging reserve under consolidated equity, in accordance with IAS 28.39.

30. Provisions

The Group has decreased its provisions for on-going litigation and for legal and consulting costs by EUR 500 thousand to EUR 10 thousand (2015: EUR 510 thousand) as a result of current developments and estimates.

31. Trade payables

Of the trade payables amounting to EUR 1,408 thousand (2015: EUR 827 thousand), EUR 374 thousand (2015: EUR 240 thousand) results from deferred service charges and from the use of services. They are due within one year.

32. Income tax payable

in EUR thousand	31.12.2016	31.12.2015
Trade tax	2,085	4,152
Corporation tax	0	2,136
Capital gains tax	3	2
	2,088	6,290

33. Other liabilities

in EUR thousand	31.12.2016	31.12.2015
Invoices outstanding	7,258	9,919
Deposits	3,397	3,624
Bonuses	2,083	1,917
Security deposits	806	911
Value added tax	663	1,805
Advance rent payments received	624	2,417
Auditing costs	542	562
Holiday pay	424	316
Supervisory Board remuneration	395	218
Tax consultancy fees	311	332
Share-based payments	245	265
Subsidies for TI measures	0	1,492
Other	2,130	2,584
	18,878	26,362

The invoices outstanding include the expert fees for the annual property valuations, consultancy work, other services and service charges, among others.

The Group has agreed performance-related remuneration agreements with the members of the Management Board in the form of a share-based payment model. At the end of 2016, the members of the Management Board held options on 175,000 (2015: 162,000) phantom stocks of the Company, of which 75,000 options were new options granted to Mr Karaduman in 2016. These options may not be exercised by members of the Management Board until they have been a member of the Board of DIC Asset AG for two to three years. As at 31 December 2016, the Company measured the fair value at EUR 3.00 for Ms Wärntges, at EUR 3.02 for Mr Karaduman and at EUR 3.00 and EUR 3.16, respectively, for Mr von Mutius. The Black-Scholes option pricing model is used for the measurement.

The critical parameters for this valuation model are the share price at the reporting date of EUR 9.10, the exercise price of EUR 5.88 in each case, the standard deviation from the expected share price return of 21.94 % and the annual term-dependent risk-free interest rate of 0.01 %. Volatility as measured by the standard deviation from the expected share price returns is based on statistical analyses of the daily share prices over the last year.

Mr Pillmayer and Ms Wärntges exercised their phantom stock options from 2013 when the prerequisites were achieved. The total of 62,000 phantom stocks were measured at an average price of EUR 8.60 and EUR 8.58, respectively, (Xetra closing price) in the last ten trading days prior to the date of exercise. This resulted in total cash compensation of EUR 168 thousand. No expense for this thousand was recognised in profit or loss in the reporting period (2015: EUR 145 thousand). These constitute related party transactions as defined by of IAS 24.17e. Further details, especially disclosures in accordance with section 314 (1) no. 6 letter a sentences 5 to 9 HGB, are provided in the remuneration report, which is an integral part of the combined management report.

At the reporting date, there were no exercisable phantom stock options.

The liabilities arising from Supervisory Board remuneration are liabilities to members of the Supervisory Board. They constitute liabilities to related parties as defined by IAS 24.9. The breakdown of the remuneration in accordance with the criteria set out in IAS 24.9 is provided in the section entitled “Legal transactions with related parties” starting on page 127. For information on individual members, see the details on Supervisory Board remuneration in the remuneration report.

34. Supplementary disclosures on financial instruments

Due to the short terms of cash and cash equivalents, trade receivables and payables and other current receivables and liabilities, it is assumed that the fair value corresponds to the carrying amount in each case.

The fair value of financial instruments traded on an active market is based on the quoted market price at the reporting date. The fair value of financial instruments not traded on an active market, such as over-the-counter derivatives, is determined using a valuation technique (discounted cash flow measurements or option pricing models) with the use of observable market data. The fair value of the financial liabilities is calculated as the present value of expected future cash flows. They are discounted on the basis of the interest rates applicable at the reporting date.

The following table presents the carrying amounts, measurement in accordance with IAS 39 and the fair values of the individual financial assets and financial liabilities for each class of financial instrument and reconciles them to the corresponding line items in the balance sheet. The IAS 39 measurement categories relevant for the Group are available-for-sale financial assets (AfS), financial assets held for trading (FAHfT) and loans and receivables (LaR), as well as financial liabilities measured at amortised cost (FLAC) and financial liabilities held for trading (FLHfT).

There are no prices quoted on an active market for the unlisted shares in DIC Opportunistic GmbH held by the Group. Their fair value is based on the indirectly held real estate and equity investments. Changes in fair value at the end of the reporting period amounted to EUR -456 thousand. Please refer to page 104 et seq. for the valuation of real estate assets.

in EUR thousand	IAS 39 measurement category	Carrying amount 31.12.16	Measurement in acc. with IAS 39			Fair value 31.12.16
			(Amortised) cost	Fair value recognised in other comprehensive income	Fair value recognised in profit or loss	
Assets						
Equity investments	AfS	**23,664**		23,664		**23,664**
Other loans	LaR	**98,402**	98,402			**98,402**
Receivables from sale of investment property	LaR	**3,872**	3,872			**3,872**
Trade receivables	LaR	**3,679**	3,679			**3,679**
Receivables from related parties	LaR	**8,625**	8,625			**8,625**
Other receivables	LaR	**8,381**	8,381			**8,381**
Other current assets	LaR	**5,337**	5,337			**5,337**
Cash and cash equivalents	LaR	**152,414**	152,414			**152,414**
Total	LaR	**280,710**	280,710			**280,710**
Equity and liabilities						
Derivatives included in hedging relationships	n. a.	**113**		113		**113**
Derivatives not included in hedging relationships	FLHfT	**21,579**			21,579	**21,579**
Corporate bond	FLAC	**272,121**	272,121			**290,000**
Non-current interest-bearing loans and borrowings	FLAC	**909,328**	909,328			**906,570**
Current loans and borrowings	FLAC	**268,916**	268,916			**241,939**
Trade payables	FLAC	**1,408**	1,408			**1,408**
Related party liabilities	FLAC	**12,024**	12,024			**12,024**
Other liabilities	FLAC	**18,878**	18,878			**18,878**
Liabilities related to financial investments held for sale	FLAC	**116,457**	116,457			**116,457**
Total	FLAC	**1,599,132**	1,599,132			**1,587,276**

The figures for the previous year are as follows:

in EUR thousand	IAS 39 measurement category	Carrying amount 31.12.15	Measurement in acc. with IAS 39			Fair value 31.12.15
			(Amortised) cost	Fair value recognised in other comprehensive income	Fair value recognised in profit or loss	
Assets						
Equity investments	AfS	33,397		33,397		33,397
Other loans	LaR	110,222	110,222			110,222
Receivables from sale of investment property	LaR	1,249	1,249			1,249
Trade receivables	LaR	7,062	7,062			7,062
Receivables from related parties	LaR	10,271	10,271			10,271
Other receivables	LaR	6,393	6,393			6,393
Other assets	LaR	6,455	6,455			6,455
Cash and cash equivalents	LaR	204,590	204,590			204,590
Total	LaR	346,242	346,242			346,242
Equity and liabilities						
Derivatives included in hedging relationships	n.a.	22,787		22,787	0	22,787
Derivatives not included in hedging relationships	FLHfT	4,168			4,168	4,168
Corporate bond	FLAC	270,871	270,871			287,610
Non-current interest-bearing loans and borrowings	FLAC	1,029,606	1,029,606			1,003,257
Current loans and borrowings	FLAC	35,521	35,521			26,037
Trade payables	FLAC	827	827			827
Related party liabilities	FLAC	3,271	3,271			3,271
Other liabilities	FLAC	26,361	26,361			26,361
Liabilities related to financial investments held for sale	FLAC	249,039	249,039			249,039
Total	FLAC	1,615,496	1,615,496			1,596,402

Interest income and interest expense for each category are as follows:

in EUR thousand	Interest income		Interest expense	
	2016	2015	2016	2015
Financial assets measured at amortised cost (LaR)	9,352	10,468		
Financial liabilities measured at amortised cost (FLAC)			-74,176	47,459

Financial instruments recognised at fair value are divided into several measurement levels in accordance with IFRS 7. These are financial instruments that

- Level 1: are measured at current market prices in an active market for identical financial instruments,
- Level 2: are measured at current market prices in an active market for comparable financial instruments or with valuation models whose significant inputs are based on observable market data, or
- Level 3: are measured using inputs not based on observable market prices.

As at 31 December 2016, the division into measurement levels is as follows:

in EUR thousand	Fair value 31.12.2016	Level 1	Level 2	Level 3
Assets at fair value – recognised in other comprehensive income				
Equity investment	23,664			23,664
Liabilities at fair value – recognised in other comprehensive income				
Derivatives included in hedging relationships	113		113	
Liabilities at fair value – recognised through profit or loss				
Derivatives not included in hedging relationships	21,579		21,579	

The figures for the previous year are as follows:

in EUR thousand	Fair value 31.12.2015	Level 1	Level 2	Level 3
Assets at fair value – recognised in other comprehensive income				
Equity investment	33,397	9,277		24,120
Liabilities at fair value – recognised in other comprehensive income				
Derivatives included in hedging relationships	22,787		22,787	
Liabilities at fair value – recognised through profit or loss				
Derivatives not included in hedging relationships	4,168		4,168	

Changes in Level 3 financial instruments are as follows:

in EUR thousand	2016	2015
Balance at 1 Jan.	24,120	20,593
Additions	0	0
Measurement gains/losses	-456	3,527
31.12.	23,664	24,120

Net gains and losses on financial instruments are as follows:

in EUR thousand	2016	2015
Equity investments (AfS)	-456	+3,527
Derivatives not included in hedging relationships (FAHfT)	+82	+210
Derivatives included in hedging relationships	-19,965	+183

STATEMENT OF CASH FLOWS DISCLOSURES

The cash and cash equivalents shown in the statement of cash flows correspond to the cash and cash equivalents shown on the balance sheet, i.e. cash at hand and bank balances that can be made available within three months.

SEGMENT REPORTING

The segment report is structured in line with IFRS 8 Operating Segments, following the management approach. It corresponds to the internal reporting to the chief operating decision makers and is performed on the basis of the operating segments by region in which DIC Asset AG operates.

The Group's reportable segments are therefore as follows:

- Business unit: Commercial Portfolio, Co-Investments
- Region: North, East, Central, West, South

The operational key performance indicators such as annualised rental income, rental yield, lease terms in years and vacancy rates are of relevance to the Management Board in deciding on the allocation of resources to the segments and their earnings capacity, which is why these key performance indicators have been included in the reporting.

ANNUALISED RENT FOR OPERATING SEGMENTS IN 2016

in EUR thousand	North	East	Central	West	South	**Total**	Rental income (P&L)
Commercial Portfolio	17,853	11,039	26,469	30,861	18,241	**104,463**	111,168
Co-Investments	724	792	2,476	1,624	2,208	**7,824**	
Total	18,577	11,831	28,945	32,485	20,449	**112,287**	

SEGMENT ASSETS ON 31 DECEMBER 2016

	North	East	Central	West	South	**2016 total**	2015 total
Number of properties	32	23	38	53	54	**200**	**215**
Market value (in EUR million)	433.3	236.3	586.5	580.5	291.5	**2,128.1**	**2,199.2**
Lease maturity (in years)*	6.5	3.4	4.5	3.8	3.5	**4.3**	**4.4**
Rental yield*	6.7%	6.9%	6.2%	6.3%	7.0%	**6.5%**	**6.4%**
Vacancy rate*	6.3%	8.5%	16.7%	12.3%	10.5%	**11.3%**	**11.3%**

ANNUALISED RENT FOR OPERATING SEGMENTS IN 2015

in EUR thousand	North	East	Central	West	South	**Total**	Rental income (P&L)
Commercial Portfolio	20,860	14,486	27,361	39,195	21,626	**123,528**	136,678
Co-Investments	676	910	2,415	1,529	3,652	**9,182**	
Total	21,536	15,396	29,776	40,724	25,278	**132,710**	136,678

SEGMENT ASSETS ON 31 DECEMBER 2015

	North	East	Central	West	South	**2015 total**	2014 total
Number of properties	33	25	42	54	61	**215**	233
Market value (in EUR million)	330.0	220.0	610.2	666.9	372.1	**2,199.2**	2,396.9
Lease maturity (in years)*	5.9	4.9	4.1	4.4	3.5	**4.4**	4.6
Rental yield*	6.6%	7.0%	5.9%	6.2%	6.8%	**6.4%**	6.6%
Vacancy rate*	6.1%	7.0%	22.2%	10.7%	9.0%	**11.3%**	10.9%

* operating figures excluding project developments and warehousing

The difference between the annualised rents and the rental income shown in the income statement, amounting to EUR 6,705 thousand in the Commercial Portfolio in financial year 2016 (2015: EUR 13,150 thousand), is mainly the result of the leases beginning and ending during the year. In addition, the annualised rental income is calculated based on the year-end rents in December.

RECONCILIATION BETWEEN THE MARKET VALUE IN 2016 AND THE CARRYING AMOUNT OF INVESTMENT PROPERTIES

in EUR million	2016	2015
Fair value	2,128.1	2,199.2
Less Co-Investments	208.7	223.4
Less fair value difference	72.3	79.1
Less IFRS 5 properties	292.5	227.8
Plus non-controlling interests	28.8	31.3
	1,583.4	1,700.2

RECONCILIATION BETWEEN THE MARKET VALUE IN 2015 AND THE CARRYING AMOUNT OF INVESTMENT PROPERTIES

in EUR million	2015	2014
Fair value	2,199.2	2,396.9
Less Co-Investments	223.4	243.6
Less fair value difference	79.1	38.7
Less IFRS 5 properties	227.8	1.7
Plus non-controlling interests	31.3	31.0
	1,700.2	2,143.9

LEASES

The Group is the lessor in a large number of operating leases (tenancy agreements) of different types for investment property owned by the Group. Most of the leases have a term of between five and ten years. They contain a market rent review clause in case the lessee exercises its option to extend the lease. The lessee is not granted the option to acquire the property at the end of the lease term.

At the reporting date, investment properties with a carrying amount of EUR 1,583,432 thousand (2015: EUR 1,700,151 thousand) were let under operating leases. With regard to the disclosures on accumulated depreciation and depreciation costs for the period as required under IAS 17.56 and 57, please see the information in note 14 “Investment property”.

DIC Asset AG will receive the following future minimum lease payments from existing leases with third parties:

in EUR thousand	2016	2015
< 1 year	108,318	111,275
1–5 years	299,035	161,148
> 5 years	100,665	349,318
	508,018	621,741

The minimum lease payments include net rental income to be collected up until the agreed lease expiry date or the earliest possible date of termination by the lessee (tenant), regardless of whether notice of termination or non-renewal of a lease is actually expected.

In 2016, the Group had leases for retail and gastronomy space involving a revenue-dependent, in some cases index-linked rent agreement. The Group generated a base rent of EUR 1,052 thousand (2015: EUR 1,427 thousand) from these leases. Furthermore, there were no contingent rents (IAS 17.4).

With regard to the gross rental income recognised by the Group from investment property in 2016, please refer to note 1. Maintenance expenses included in other property-related expenses were as follows:

in EUR thousand	2016	2015
Properties with which rental income is generated	1,937	2,232
Properties which are vacant	0	0

Total expenses from minimum lease payments for operating leases in which the Group is the lessee amounted to EUR 1,613 thousand (2015: EUR 1,829 thousand). The lease agreements primarily concern leased vehicles and the rental of office premises. The lease for the offices began on 1 April 2014 and ends on 31 March 2024. DIC Asset AG will make the following minimum lease payments for existing non-cancellable operating leases:

in EUR thousand	2016	2015
< 1 year	1,613	1,110
1–5 years	5,576	3,702
> 5 years	2,970	2,830
	10,159	7,642

REPORTING ON RISK MANAGEMENT

The Group is exposed to various financial risks, such as credit risk, liquidity risk and market risk, in connection with its operating activities, and managing these financial risks is integral to the Group's business strategy. The associated corporate policies are stipulated by the Management Board.

Details concerning the risk management system and business risks are presented in the Company's management report in the section entitled "Risk management". The following supplementary disclosures on individual risks are made in accordance with IFRS 7:

Credit risk

Credit risk is defined as the risk that a business partner may not be able to meet obligations on time, resulting in a financial loss or a decline in the value of the assets serving as collateral. To reduce the risk of a loss from non-performance, the Group aims to only enter into business relationships with creditworthy counterparties or, if appropriate, request that collateral be furnished. The Group is exposed to credit risk as part of its operating activities (in particular from trade receivables) as well as risks as part of its financing activities, including its deposits with banks and financial institutions.

Receivables from tenants are due from a large number of tenants spread across various industries. Credit risk is assessed and controlled by regularly conducting credit rating analyses when new leases or extensions are signed as well as proactively managing accounts receivable. The need for any impairment is analysed on each reporting date. The maximum credit risk is equal to the carrying amounts of the financial assets recognised in the balance sheet. See note 20 for information on the impairment of customer receivables.

A concentration risk could arise in cases where individual tenants generate more than 5% of the Group's rental income. As only two tenants, one in the public sector and one in the commercial sector, exceed this 5% limit, the Group is not exposed to any material credit risk. The top ten tenants generate some 36% of total annual rental income.

In the case of financing activities, the Group is exposed to credit risk arising from the non-performance of contractual agreements on the part of its contractual partners. This risk is minimised by only entering into transactions with counterparties with a high credit rating or those who are also members of a deposit protection fund. In the case of derivatives, the credit risk corresponds to their positive fair values.

In addition, the Group is exposed to credit risk resulting from financial guarantees furnished by the Group to banks or other contractual partners. The Group's maximum risk corresponds to the amount the Group would have to pay if the guarantee was called in. As at 31 December 2016, there were guarantees amounting to EUR 174,848 thousand (2015: EUR 197,839 thousand). The share attributable to DIC Asset AG as at the reporting date amounts to EUR 138,668 thousand (see disclosures on contingent liabilities).

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting its contractual financial obligations. The Group manages liquidity risk by holding reserves, by maintaining credit lines at banks and by continually monitoring forecast and actual cash flows as well as matching the maturity profiles of financial assets and liabilities. The aim of this liquidity planning is to ensure that unforeseeable needs can be met alongside planned financing requirements.

Among other factors, demands are placed on the DIC Asset Group's liquidity by obligations from contractually agreed interest and principal payments for non-derivative financial liabilities. Liquidity risk may arise, for example, if loans which have been earmarked for renewal cannot be extended, if delays arise in sales activities or if capital requirements for new financing are larger than expected.

An additional fundamental risk arises from loan agreements in which covenants are agreed, e.g. debt-service coverage ratio (DSCR), interest coverage ratio (ISCR), WALT or LTV. Covenant violations, which occur when defined thresholds are exceeded, can, for example, necessitate unscheduled repayments or the furnishing of collateral for the amount required to comply with the covenant.

Compliance with covenants is monitored on an ongoing basis and included in the Group's quarterly reporting to management. All covenants were met in the 2016 financial year. We expect no covenant violations in 2017.

Cash and cash equivalents totalling EUR 152,414 thousand (2015: EUR 204,590 thousand) are available to cover liquidity requirements. Furthermore, the Group has credit lines and guarantee facilities unutilised to date in the total amount of EUR 42,100 thousand (2015: EUR 26,291 thousand). The Group expects to be able to fulfil its other obligations from operating cash flows.

In the interest of minimising risk concentration, new financing and refinancing deals for real estate portfolios are spread across several banks in some cases, thus reducing the respective exposure per bank. At the reporting date, the maximum counterparty risk with a single counterparty stands at EUR 510 million (2015: EUR 512 million).

The financial liabilities arising over the next few years from the liabilities existing at the reporting date including estimated interest payments are shown below. These are undiscounted gross amounts including estimated interest payments.

in EUR thousand	**2017**	2018 to 2021	2022 and after
Non-derivative financial liabilities			
Non-current interest-bearing loans and borrowings	**0**	648,039	533,410
Current loans and borrowings	**268,916**		
Trade payables	**1,408**		
Related party liabilities	**12,024**		
Other liabilities	**18,878**		
Liabilities – properties held for sale	**116,457**		
Derivative financial liabilities	**21,579**	113	0
	439,262	648,152	533,410

The figures for the previous year are as follows:

in EUR thousand	**2016**	2017 to 2020	2021 and after
Non-derivative financial liabilities			
Non-current interest-bearing loans and borrowings	**35,295**	1,213,168	210,008
Current loans and borrowings	**35,521**		
Trade payables	**827**		
Related party liabilities	**3,271**		
Other liabilities	**26,361**		
Liabilities – properties held for sale	**237,774**		
Derivative financial liabilities	**8,685**	25,145	237
	347,734	1,238,313	210,245

Market risk

Market risk is the risk that market prices, such as interest rates, may change and thus affect the Group's income or the value of the financial instruments it holds. The aim of market risk management is to manage and control the risk within acceptable bandwidths, and to optimise returns as much as possible.

Interest rate risk arises as a result of market-driven fluctuations in interest rates or margins on new borrowings and renewals of loans. The Group is exposed to interest rate risk because Group companies raise funds at fixed and variable interest rates. This risk is managed by the Group through a balanced portfolio of fixed-rate and variable-rate loans. Interest rate swaps, mainly payer swaps, are also arranged for this purpose. Hedges are assessed at regular intervals to match them with expected interest rates. In an interest rate swap, the Group swaps fixed and variable interest payments which were calculated on the basis of previously agreed notional principal amounts. Such agreements allow the Group to reduce cash flow risks arising from funds borrowed at variable interest rates. The interest rate swap and the interest payments on loans arise simultaneously. The cumulative amount reported in equity is recognised in profit or loss over the term in which the variable interest rate payments on the debt affect the income statement. The fair value of interest rate swaps is determined by discounting future cash flows using the yield curves on the reporting date and the credit risk associated with all contracts. The following table shows the notional amounts and remaining terms of interest rate swaps at the end of the reporting period.

in EUR thousand	2016		2015	
	Notional amount	Fair value	Notional amount	Fair value
Term ≤ 1 year	428,227	-21,579	8,505	-43
Term 1–5 years	4,700	-113	440,924	-23,365
Term > 5 year	0	0	27,189	-3,547

Taking into account existing interest rate swaps, as at 31 December 2016 an average for the year of 87 % (2015: 89 %) of the Group's loans and borrowings carry a fixed interest rate or are hedged against interest rate fluctuations and thus match the cash flows from rents. This means that the impact of fluctuations in market interest rates are foreseeable in the medium term.

For the purpose of optimising net interest income, the Group maintained an average of 13 % (2015: 11 %) of financial debt at variable interest rates in financial year 2016.

In accordance with IFRS 7, interest rate risk is presented using sensitivity analyses. These show the effects of changes in market interest rates on interest payments, interest income and expense, other earnings items and, in the case of derivatives in a hedging relationship, the effects on the hedging reserve in equity and the fair value of these derivatives. The sensitivity analyses are based on the assumption that changes in market interest rates of non-derivative financial instruments carrying fixed interest rates only affect earnings if these are measured at fair value. As a result, fixed-rate financial instruments carried at amortised cost are not subject to interest rate risk as defined in IFRS 7. Sensitivity analyses are therefore only conducted for financial derivatives (swaps) and variable-rate financial liabilities. For variable-rate financial debt, it is assumed that the amount of the outstanding liability at the end of the reporting period was outstanding for the full year. An increase or decrease of the market interest rate by 100 basis points would have had the following effect on earnings income and equity at the reporting date after taking deferred taxes into consideration:

in EUR thousand	2016		2015	
	+100 Bp	-100 Bp	+100 Bp	-100 Bp
Effect on earnings from variable-rate loans and borrowings	-59	+59	- 1,419	+1,419
Effect on earnings from financial derivatives	0	0	1,667	136
Effect on equity from financial derivatives (swap)	+53	-53	+12,338	-6,367

The interest rate risk of the Group's financial assets and financial liabilities is described in the section entitled "Liquidity risk".

CONTINGENT LIABILITIES AND OTHER FINANCIAL OBLIGATIONS

Contingent liabilities

DIC Asset AG has provided the following sureties and guarantees:

Type of collateral	Beneficiary	Purpose	Amount in EUR thousand	DIC Asset AG share in EUR thousand
Directly enforceable fixed liability guarantee	Deutsche Hypotheken Bank AG, Berlin Hyp AG, HSH Nordbank AG	Loan agreement, Commercial Portfolio	58,000	58,000
Directly enforceable guarantee	Thoma Aufzüge GmbH	Claims from the MT Porta construction project	105	105
Directly enforceable guarantee	Imtech Germany	Claims from the MT Porta construction project	2,481	2,481
Directly enforceable guarantee	Union Investment Real Estate GmbH	Warranty bond for MT Porta	2,750	2,750
Directly enforceable guarantee	City of Frankfurt am Main	Collateral for planning services, MT WINX	360	360
Payment bond	BAM Deutschland AG	MT WINX construction project	7,088	7,088
Payment bond	Ed. Züblin AG	MT Panorama construction project	4,519	4,519
Payment bond	Ed. Züblin AG	MT Panorama construction project	15,333	15,333
Payment bond	Ed. Züblin AG	MT Palazzi construction project	3,350	3,350
Directly enforceable guarantee	Dr. Gerhard Wächter	Collateral for DIC High Street Balance GmbH	537	537
Directly enforceable guarantee	Deutsche Hypothekenbank	DIC Blue GmbH loan agreement	5,000	2,000
Performance guarantee	Versorgungswerk der Landesärztekammer Hessen	DIC Blue GmbH borrower's note loan agreement	12,800	5,120
Surety bond	Berlin Hyp AG	Loan agreement, DIC 26 Frankfurt Taunusstraße GmbH	2,000	2,000
Performance surety bond	IVG Institutional Funds GmbH	Performance in accordance with the purchase agreement for correction of any defects in the MT Panorama construction project	6,400	2,560
Directly enforceable guarantee	Union Investment Real Estate GmbH	Fulfilment of all payment obligations and obligations to pay damages by the seller in accordance with the MT Porta purchase agreement	10,000	4,000
Directly enforceable guarantee	Union Asset Management Holding AG	Securing the tenant's lease claims arising from the MT Porta construction project	1,200	480
Warranty bond	PATRIZIA WohnInvest Kapitalverwaltungsgesellschaft mbH	Acceptance of MT Patio construction project	1,000	400
Directly enforceable guarantee	WinX Verwaltungs GmbH	Obligation to fulfil contractually secured claims in the WINX construction project	16,000	6,400
Letter of comfort / surety bond	Bilfinger Hochbau GmbH	Surety bond for all payment claims, Opera Offices NEO	1,785	357
Standby letter of credit	Bankhaus Lampe KG	Loan agreement, DIC Office Balance I GmbH	20,000	20,000
Directly enforceable guarantee	Grundbesitzgesellschaft Große Theaterstraße mbH & Co. KG	Opera Offices NEO construction project	2,300	460
Directly enforceable guarantee	Grundbesitzgesellschaft Große Theaterstraße mbH & Co. KG	Opera Offices NEO construction project	1,840	368

Currently, there is no discernible risk of DIC Asset AG being held liable for the contingent liabilities it has assumed, because the financial situation of the relevant companies indicates that they will settle the underlying liabilities.

Financial obligations

A sublease agreement is in place between DIC Asset AG, its wholly owned subsidiary DIC Onsite GmbH and Deutsche Immobilien Chancen AG & Co. KGaA, which acts as the general tenant for the Group, for the premises on the MainTor site with a fixed term until 31 March 2024 (1st floor until 31 March 2019). This agreement triggers annual payments of EUR 778 thousand, plus EUR 156 thousand in advance payments of service charges, for DIC Asset AG and EUR 217 thousand, plus EUR 42 thousand in advance payments for service charges, for DIC Onsite GmbH.

Additional financial obligations arise from operating lease agreements for vehicles in which the Company is the lessee. Please see the section entitled “Leases” on p. 96 for more information.

With regard to existing investment obligations for measures on portfolio properties, please refer to our explanations in the section entitled ”Investment property“ on p. 104 et seq.

CAPITAL MANAGEMENT

The paramount objective of capital management is to ensure that the Group retains its ability to repay its debts and the financial stability to support its business activities in the future.

The capital structure is managed in accordance with economic and regulatory provisions. In this process, we aim to achieve a balanced maturity structure for outstanding liabilities.

DIC Asset AG is able to manage its capital structure through dividends and/or capital increases or by changes to its financing. DIC Asset AG strives to maintain a capital structure that is in line with the business risk. DIC Asset AG is subject to the minimum capital requirements for stock corporations. Compliance with these requirements is monitored.

The equity ratio is used as an important parameter vis-à-vis investors, analysts and banks.

in EUR thousand	2016	2015
Equity	756,973	792,083
Total assets	2,395,547	2,456,069
Reported equity ratio	31.6 %	32.3 %

The reported equity ratio decreased by 0.7 percentage points year-on-year.

RELATED PARTY DISCLOSURES

Entities and individuals classified as related parties

Related parties include the 13 associated companies accounted for using the equity method (see the section entitled "Consolidation").

Due to their significant influence, the following entities and individuals are classified as related parties:

- Deutsche Immobilien Chancen AG & Co. KGaA
- Group companies of Deutsche Immobilien Chancen AG & Co. KGaA
- DIC Opportunistic GmbH
- Deutsche Immobilien Chancen Beteiligungs AG
- DIC Grund- und Beteiligungs GmbH
- DIC Capital Partners (Europe) GmbH
- GCS Verwaltungs GmbH
- MSREF Funding Inc. together with the companies of the MSREF Group
- Forum European Realty Income II L.P. (hereinafter "Forum")
- DICP Capital SE
- German Estate Group GmbH & Co. KG together with their associated companies
- Prof. Dr. Gerhard Schmidt

Additional related parties are the Supervisory Board, the Management Board and close relatives of these individuals.

The Company has prepared a dependent company report outlining its relations with affiliated companies. This report lists all legal transactions conducted by the Company or its subsidiaries with affiliates, or at the request of or in the interest of one of these companies, over the past financial year, as well as all other measures the Company took or failed to take at the request of or in the interest of these companies over the past financial year.

The report concludes with the following statement:

"We hereby declare that, based on the circumstances known to us at the time when the transactions were entered into, our Company received or paid appropriate consideration for each transaction. We took no actions at the request of or on behalf of the controlling company."

An overview of legal transactions and relations with related parties is shown below.

Legal transactions with related parties

Deutsche Immobilien Chancen AG & Co. KGaA

There is an overlap of personnel in the Supervisory Boards of DIC Asset AG, Deutsche Immobilien Chancen AG & Co. KGaA ("DIC AG & Co. KGaA") and DIC Beteiligungs AG in that Prof. Dr. Gerhard Schmidt and Mr Klaus-Jürgen Sontowski are also indirectly significant limited shareholders in DIC AG & Co. KGaA. In addition, Prof. Dr. Gerhard Schmidt is also the indirect majority shareholder of its sole general partner, DIC Beteiligungs AG. Mr Ulrich Höller is a member of the Supervisory Board of DIC Asset AG and DIC Beteiligungs AG.

The Company currently provides general property and building management services (including re-letting services) as well as services related to technical building management for a total of 23 properties in which DIC AG & Co. KGaA has a direct or indirect equity interest. In 2016, the total remuneration received by the Company for these services amounted to EUR 21,540 thousand (2015: EUR 7,257 thousand). Of this, a total of EUR 348 thousand (2015: EUR 168 thousand) was attributable to remuneration paid by consolidated companies of the DIC AG & Co. KGaA Group.

DIC Asset AG has granted a loan to DIC AG & Co. KGaA with an indefinite term and a notice period of 12 months effective at the end of a quarter. An interest rate of 3% above the 3-month Euribor (previous year: 6%) to be paid in arrears, has been agreed. As collateral for taking out the loan, DIC AG & Co. KGaA in accordance with an addendum dated 21 December 2015 had granted a lien on ordinary shares of DIC Real Estate GmbH in the amount of EUR 222 thousand (22% of the ordinary shares). As at 31 December 2016, EUR 28,362 thousand of this credit line had been utilised (2015: EUR 29,513 thousand). For the money made available, DIC Asset AG received interest income in the amount of EUR 840 thousand in the reporting year (2015: EUR 1,284 thousand). The loan is shown under non-current loan and borrowings in the balance sheet.

DIC AG & Co. KGaA had a current account relationship with some of the DIC Asset AG subsidiaries which is balanced as at the reporting date in each case. The DIC AG & Co. KGaA companies shown in the table received interest income for the loans made available in the following amounts:

in EUR thousand	2016	2015
Gewerbepark Langenfeld West 3 GmbH & Co. KG	0	166
DIC Objekt Frankfurt 1 GmbH & Co. KG	5	108
Deutsche Immobilien Chancen Objekt Ulm 1 Erweiterung GmbH & Co. KG	-3	75

In addition, a sublease relationship is in place between DIC AG & Co. KGaA and DIC Asset AG as well as its wholly owned subsidiary DIC Onsite GmbH with regard to office space used by DIC Asset AG and DIC Onsite GmbH at the Frankfurt site since DIC AG & Co. KGaA acts as the general tenant in the Group headquarters in Frankfurt. The amount of the rent is based on the space actually occupied by DIC Asset AG and DIC Onsite GmbH and is charged on at the same price per square metre, which is a component of the general rental agreement of DIC AG & Co. KGaA. For 2016, rent paid to DIC AG & Co. KGaA by DIC Asset AG and DIC Onsite AG amounted to EUR 778 thousand (2015: EUR 525 thousand) and EUR 217 thousand, respectively. DIC Asset AG considered the rent to be at the normal rate for the location and appropriate.

DIC Opportunistic GmbH

In accordance with a loan dated 17 December 2008 and the addenda thereto, DIC Asset AG has granted a loan to DIC Opportunistic GmbH. As at 31 December 2016, this loan amounted to EUR 34,411 thousand (2015: EUR 44,679 thousand). The term of the loan was extended from 31 December 2016 to 31 December 2017 with respect to a partial amount of EUR 35 million and to 31 December 2018 with respect to the remaining amount of EUR 9,828 million in accordance with an addendum dated 14 December 2015. The loan has an interest rate of 5.75 % p.a. For the money made available, DIC Asset AG received interest income in the amount of EUR 2,362 thousand in the reporting period (2015: EUR 2,473 thousand).

DIC OF RE 2 GmbH (a wholly-owned subsidiary of DIC Asset AG) has two loan receivables from DIC Opportunistic GmbH; one is subject to 4 % interest pursuant to an addendum to the loan agreement dated 1 April 2008, and the second one is subject to 0.5 % interest pursuant to an addendum to the loan agreement dated 18 August 2009. Interest must be paid quarterly in arrears. The loans have indefinite terms. For the money made available, DIC OF RE 2 GmbH received interest income in the amount of EUR 67 thousand in the reporting year (2015: EUR 446 thousand). The interest expense vis-à-vis DIC Opportunistic GmbH amounts to EUR 528 thousand in the reporting year.

DIC Opportunistic GmbH holds a 7.5 % interest in DIC Hamburg Portfolio GmbH and in DIC HI Portfolio GmbH; DIC Asset AG holds the remaining 92.5 % of the shares. DIC Opportunistic GmbH would generally be willing to sell this interest. However, since DIC Asset AG is interested in maintaining this structure to avoid any influence by a third party or triggering property transfer tax, it pays an annual financial compensation of 5 % of the purchase cost for the shares (EUR 285 thousand).

DIC MainTor GmbH

In an agreement dated 12 December 2011, DIC OF REIT 1 GmbH (a wholly-owned subsidiary of DIC Asset AG) granted DIC MainTor Porta GmbH a loan in the amount of up to EUR 30 million to finance the corresponding construction stage of our development project. The loan has an interest rate of 7.25 % p. a. and grants an additional share of profits. In accordance with the addendum dated 12 December 2016, it has a term ending 31 December 2018. In accordance with the addendum to the loan agreement dated 18 December 2014, a special repayment of EUR 20 million was agreed. The shares in DIC MainTor WINX GmbH were pledged as collateral. As at the reporting date, this loan amounted to EUR 12,975 thousand (2015: EUR 14,166 thousand). Total interest income of EUR 2,809 thousand (2015: EUR 2,551 thousand) was recognised in the 2016 financial year. In addition, a collateral promise agreement was concluded on 19 December 2014. The collateral promise turned this liability into a joint and several obligation of DIC MainTor Porta GmbH and DIC MainTor GmbH.

"DIC Office Balance I", "DIC Office Balance II", "DIC Office Balance III" and "DIC HighStreet Balance"

As a result of an agency agreement regarding asset and property management, the Group generated income from real estate management fees of EUR 2,523 thousand (2015: EUR 2,595 thousand) for services provided to the "DIC Office Balance I" fund, of EUR 2,057 thousand (2015: EUR 1,477 thousand) for services provided to the DIC Office Balance II fund, of EUR 1,854 thousand (2015: 0.0 thousand) for services provided to "DIC Office Balance III", and of EUR 1,417 thousand (2015: EUR 1,509 thousand) for services provided to "DIC HighStreet Balance".

Deutsche Immobilien Chancen Beteiligungs AG

Under the "German Investment Program Agreements" dated 29 July 2004 and the "Investment And Shareholder Agreements" dated 7 June 2005, the following DIC Asset AG investees and their respective wholly-owned subsidiaries made use of various services provided by DIC Beteiligungs AG.

SERVICE AGREEMENTS

Companies
DIC MSREF HMDD Portfolio GmbH
DIC MSREF Hochtief Portfolio GmbH
DIC MSREF FF Südwest Portfolio GmbH

Agreements in place
Provision of management services;
Commission on letting or sale of properties;
Accounting fee
Remuneration for subleases (tenant improvement fee)
Development fees
Arrangement fee

Under the current asset management agreements and the addenda thereto, MSREF investees are to pay the following compensation to DIC Beteiligungs AG, as in the previous year:

- Base management fee 1.3 % of net annual rent
- Disposition fee (corresponds to a sales commission): 1 % to 3 % of the sales price after transaction costs if no outside broker is involved, and 0.4 % to 1.5 % of the sales price after transaction costs if an outside broker is involved
- Development fee: for project development services up to initial leasing: dependent on expenses or market-rate compensation.
- Accounting fee: for accounting, finance and control services, EUR 10.8 thousand per company p.a.

A fee for services in connection with new financing or the renewal of existing financing (arrangement fee) was also added to the asset management agreement of DIC MSREF FF Südwest Portfolio GmbH with the addendum dated 20 March 2013.

The addendum dated 15 December 2015 fixed the amount of the arrangement fee at 0.15 % (plus value added tax) of the loan amount.

In 2016 and 2015, the following compensation was paid to DIC Beteiligungs AG, in which MSREF holds 25.1 % of the share capital (excluding applicable value added tax):

Recipient of service (amounts in EUR thousand)		Base management fee	Disposition fee	Accounting fee	Arrangement fee	Development free	Total
DIC MSREF HMDD Portfolio GmbH	**2016**	**23**	**392**	**76**	**0**	**0**	**491**
	2015	39	354	81	18	0	492
DIC MSREF HT Portfolio GmbH	**2016**	**22**	**0**	**54**	**0**	**0**	**76**
	2015	21	0	54	0	0	75
DIC MSREF FF Südwest Portfolio GmbH	**2016**	**76**	**880**	**66**	**0**	**1,460**	**2,482**
	2015	97	0	65	0	0	162
Total amounts	**2016**	**121**	**1,272**	**196**	**0**	**1,460**	**3,049**
	2015	157	354	200	18	0	729

In addition to the Management Board members, DIC Beteiligungs AG employs one more person; and for the purpose of providing the services assigned to it under the asset management agreement, it made use of services rendered by DIC Onsite GmbH in the reporting year. Based on a service agreement dated 31 July 2012, DIC Onsite GmbH (a wholly-owned subsidiary of DIC Asset AG) charges fees to DIC Beteiligungs AG for this, the amount of which also depends on whether the MSREF investee has contracted third parties to provide these services with the approval of the Company.

Specifically, the agreement provides for compensation for services related to portfolio and asset management in the amount of 0.8% of net annual rent. The compensation paid for sales assistance is 0.13% to 0.38% of the proceeds realised, or 0.05% to 0.19% of the proceeds realised if an external broker was used. Individual properties and project developments may be subject to case-by-case arrangements.

DIC Capital Partners (Europe) GmbH

The Company has granted DIC Capital Partners (Europe) GmbH, which indirectly controls DIC Beteiligungs AG as the general partner of DIC AG & Co. KGaA, a loan in the amount of EUR 700 thousand at an interest rate of 4.5% p.a. (payable annually in arrears). The loan has an indefinite term and amounted to EUR 599 thousand on 31 December 2016 (2015: EUR 573 thousand). To secure the Company's loan repayment and interest claims against DIC Capital Partners (Europe) GmbH, DIC Capital Partners (Europe) GmbH has assigned to the Company its claims against Deutsche Immobilien Chancen Objekt Mozartstraße 33a GmbH for dividends and the repayment of a loan.

Under the existing service agreements ("Asset Management Agreements") these DICP investees are to pay the following compensation to DIC Beteiligungs AG, as in the previous year:

- Disposition fee (corresponds to a sales commission): 1.5% of the sales price after transaction costs if no outside broker is involved, and 0.5% of the sales price after transaction costs if an outside broker is involved
- Development fee: for project development services up to initial leasing: dependent on expenses or market-rate compensation.
- Accounting fee: for accounting, finance and control services, EUR 28 thousand per company p.a.
- Arrangement fee: for services in connection with new financing or renewals of existing financing.

In 2016 and 2015, the following compensation was paid to DIC Beteiligungs AG, in which DICP directly holds 7.5% of the share capital (excluding applicable value added tax):

Recipient of service (amounts in EUR thousand)		Base Management Fee	Disposition Fee	TI/Development Fee	Accounting Fee	Arrangement Fee	Total
DIC MainTor GmbH	**2016**	**0**	**0**	**0**	**112**	**0**	**112**
	2015	0	0	0	154	0	154
Total amounts	**2016**	**0**	**0**	**0**	**112**	**0**	**112**
	2015	0	0	0	154	0	154

The terms agreed with the companies listed above were not more unfavourable than the terms DIC Asset AG would have been able to agree in a comparable investment or with third-party service providers. As a result, performance and consideration were in balance in every transaction.

Morgan Stanley Real Estate Funds (MSREF)

Together with the companies of the MSREF Group, DIC Asset AG has acquired interests in investment properties, including:

- properties transferred from MEAG, which are held by DIC MSREF HMDD Portfolio GmbH and its six wholly-owned subsidiaries, under agreements dated 14 December 2005;
- properties acquired from Hochtief, which are held by DIC MSREF HT Portfolio GmbH and its four wholly-owned subsidiaries, under agreements dated 24 May 2006;
- properties transferred from the Falk Group, which are held by DIC MSREF FF Südwest Portfolio GmbH and its five wholly-owned subsidiaries, under agreements dated 16 August 2006;

(hereinafter referred to collectively as "joint ventures").

The Company indirectly holds 20% in each of the property companies in the FF Südwestportfolio, the HT portfolio and the properties acquired from MEAG via the portfolio companies. Deutsche Immobilien Chancen AG & Co. KGaA also has an indirect stake of 30% in each company in addition to the companies of the MSREF Group, which each hold 50%. With respect to the distribution of profits, DIC Beteiligungs AG is entitled to a profit paid in advance based on the respective internal rate of return (IRR). This profit amounts to 10% of profits if the IRR is 17.5% or higher and increases up to a maximum of 30% of profits if the IRR is over 27.5%.

The Company continues to be bound by credit agreements with the joint ventures, under which the Company acts both as lender and borrower. The underlying credit comes in the form of overdraft facilities with an agreed interest rate of 6% p.a. in each case. Interest is payable in arrears at the end of a year or quarter or is added to the principal. The agreements do not provide for fixed terms or collateral. With regard to the balances existing as at the reporting dates, see note 17.

GEG Real Estate Management GmbH

DIC Asset AG and DIC Beteiligungs AG make use of the services of GEG Real Estate Management GmbH (in which DIC Beteiligungs AG indirectly holds a majority interest as general partner of DIC AG & Co. KGaA) to provide some of the services for which they are responsible under the asset management agreement dated 15 February 2015. Based on the service agreement dated 15 February 2015, GEG Real Estate Management GmbH charges fees to DIC Asset AG and DIC Beteiligungs AG, the amount of which also depends on whether the relevant company has contracted third parties to provide these services.

Specifically, the compensation agreed with DIC Beteiligungs AG for services in connection with sales is 0.87% to 2.19% of the proceeds realised, or 0.35% to 0.87% of the proceeds realised if an external broker was used.

The compensation agreed with DIC Asset AG for services in connection with sales is 0.75% to 2.25% of the proceeds realised, or 0.3% to 1.12% of the proceeds realised if an external broker was used. The service agreement was terminated with due notice effective 31 December 2016.

DIC Asset AG entered into an agreement with GEG Real Estate Management GmbH effective 1 January 2015 for the provision of HR and IT services by DIC Asset AG. In return, DIC Asset AG receives annual compensation of EUR 260 thousand for its services, payable in quarterly instalments of EUR 65 thousand. The parties agreed to review the adequacy of the compensation annually. The agreement runs until 01 January 2018.

Transactions with executives

There extent of transactions with executives and their close relatives was insignificant.

Management remuneration

The remuneration of key management personnel in the Group, which is subject to disclosure requirements under IAS 24.17, encompasses the remuneration paid to the current Management Board and the Supervisory Board.

The members of the Management Board received remuneration as follows:

in EUR thousand	2016	2015
Short-term benefits	1,994	2,004
Share-based payment	152	354
Total	2,146	2,358

For more details of the Management Board's remuneration, please see the remuneration report starting on page 142, which is part of the combined management report.

The members of the Supervisory Board received remuneration as follows:

in EUR thousand	2016	2015
Short-term benefits	395	218
Total	395	218

Further details, especially disclosures in accordance with section 285 (1) no. 9 letter a sentences 5 to 9 HGB, are provided in the management report. Supervisory Board taxes of EUR 6 thousand were paid by the Company. Supervisory Board members were also reimbursed travel expenses totalling EUR 9 thousand.

The Chairman of the Company's Supervisory Board, Prof. Dr. Gerhard Schmidt, is a partner in the law firm of Weil, Gotshal & Manges LLP. This law firm received remuneration for legal consultancy services and disbursed fees and costs in the amount of EUR 103 thousand for financial year 2016 and EUR 116 thousand for financial year 2015.

Shareholder structure

Deutsche Immobilien Chancen AG & Co. KGaA, Frankfurt am Main, holds a direct and indirect equity interest of 31.1% in the capital of DIC Asset AG, subject to a pooling agreement. The Company has received the voting rights announcements pursuant to section 20 AktG.

OTHER DISCLOSURES

Announcements pursuant to section 160 AktG

The existing announcements pursuant to section 21 (1) WpHG concerning direct and indirect equity investments in the issued capital of DIC Asset AG are listed in appendix 3 to the notes.

Events after the reporting period

The transfer of possession, benefits and associated risks for one property from the Commercial Portfolio notarised in November 2016 took place in early February 2017.

Furthermore, notarisation for one property from the Commercial Portfolio took place in January 2017. The transfer of possession, benefits and associated risks is expected for the end of March 2017.

Cash payments and settlements in respect of the refinancing arranged end of 2016 took place in January 2017.

No other material transactions were resolved, initiated or carried out in the period between the reporting date and the release for publication of the consolidated financial statements by the Management Board.

Corporate governance report

The declaration regarding the German Corporate Governance Code pursuant to section 161 AktG has been submitted and has been made permanently available to shareholders on the website "http://www.dic-asset.de/engl/investor-relations/CG/declaration.php".

Supervisory Board

The members of the Supervisory Board are:

- Prof. Dr. Gerhard Schmidt (Chairman),
  Attorney, Glattbach

- Mr Klaus-Jürgen Sontowski (Vice Chairman),
  Entrepreneur, Nuremberg

- Mr Michael Bock,
  Managing Director of REALKAPITAL Vermögensmanagement GmbH, Leverkusen

- Mr Ulrich Höller,
  Master of Economics, Real Estate Economist (ebs), Chartered Surveyor FRICS, Frankfurt am Main (since 11 January 2016)

- Prof. Dr. Ulrich Reuter,
  Chief Administrative Officer of the District of Aschaffenburg, Kleinostheim

- Dr. Anton Wiegers,
  Former Chief Financial Officer (retired) of Provinzial Rheinland Holding, Provinzial Rheinland Versicherung AG and Provinzial Rheinland Lebensversicherung AG, Winterbach

The members of the Supervisory Board also serve on the following supervisory boards and control bodies:

Membership in additional supervisory boards and control bodies:

Prof. Dr. Gerhard Schmidt	GEG German Estate Group AG, Frankfurt am Main: Chairman of the Supervisory Board*
	Deutsche Immobilien Chancen Beteiligungs AG, Frankfurt am Main: Chairman of the Supervisory Board*
	Deutsche Immobilien Chancen AG & Co. KGaA, Frankfurt am Main: Chairman of the Supervisory Board*
	DICP Erste Family Office Beteiligungsgesellschaft mbH & Co. KGaA, Munich: Chairman of the Supervisory Board*
	DIC Capital Partners (Germany) GmbH & Co. Kommanditgesellschaft auf Aktien, Munich: Chairman of the Supervisory Board
	DICP Asset Management Beteiligungsgesellschaft mbH & Co. KGaA, Munich: Chairman of the Supervisory Board
	DIC Capital Partners Beteiligungs GmbH, Munich: Chairman of the Supervisory Board**
	DIC Capital Partners (Germany) Verwaltungs GmbH, Munich: Chairman of the Supervisory Board**
	DIC Capital Partners OpCo (Germany) Verwaltungs GmbH, Munich: Chairman of the Supervisory Board**
	DIC Capital Partners (Germany) III Verwaltungs GmbH, Munich: Chairman of the Supervisory Board**
	DICP Capital SE, Munich: Chairman of the Board of Directors/Managing Director**
Klaus-Jürgen Sontowski	Deutsche Immobilien Chancen AG & Co. KGaA, Frankfurt am Main: Vice Chairman of the Supervisory Board
	Deutsche Immobilien Chancen Beteiligungs AG, Frankfurt am Main: Vice Chairman of the Supervisory Board
	GEG German Estate Group AG, Frankfurt am Main: Member of the Supervisory Board
	Pegasus CP Holding GmbH, Erlangen: Chairman of the Advisory Board
Michael Bock	DICP Capital SE, Munich: Member of the Board of Directors
	MediClin Aktiengesellschaft, Offenburg: Member of the Supervisory Board
Ulrich Höller	DIC Onsite GmbH, Frankfurt am Main: Chairman of the Supervisory Board
	Deutsche Immobilien Chancen Beteiligungs AG, Frankfurt am Main: Member of the Supervisory Board (since 25.01.2016)
	ZIA-Zentraler Immobilien Ausschuss, Berlin: Vice President and member of the Management Board
	Commerzbank AG, Frankfurt am Main: Member of the Advisory Board
Prof. Dr. Ulrich Reuter	Bayerischer Versicherungsverband Versicherungsaktiengesellschaft, Munich: Member of the Supervisory Board
	Bayerische Landesbrandversicherung Aktiengesellschaft, Munich: Member of the Supervisory Board
	Bayern-Versicherung Lebensversicherung Aktiengesellschaft, Munich: Member of the Supervisory Board
	Sparkasse Aschaffenburg-Alzenau, Aschaffenburg: Chairman of the Board of Directors
	Sparkassenverband Bayern (Bavarian Savings Banks Association), Munich: Member of the Board of Directors
	Sparkassenverband Bayern (Bavarian Savings Banks Association), Munich: Association Chairman
	Versicherungskammer Bayern (Bavarian Insurance Chamber), Munich: Member of the Board of Directors
Dr. Anton Wiegers	GRR AG, Erlangen: Chairman of the Supervisory Board
	Tresides Asset Management GmbH, Stuttgart: Member of the Supervisory Board (since 01.09.2016)
	Savills Fund Management Holding AG, Frankfurt am Main: Vice Chairman of the Supervisory Board
	Savills Investment Management KVG GmbH, Düsseldorf: Vice Chairman of the Supervisory Board
	Savills Fund Management GmbH, Frankfurt am Main: Vice Chairman of the Supervisory Board
	Lippische Landes-Brandversicherungsanstalt, Detmold: Vice Chairman of the Gewährträgerversammlung (Guarantors' Meeting)

* Membership as defined in section 100 (2) sentence 2 AktG
** Supervisory Board not required to be established due to legal requirements

Management Board

The members of the Management Board are:

- Mr Aydin Karaduman (Chairman), CEO, Graduate Industrial Engineer, Altenstadt (since 1 January 2016)

  Mr Aydin Karaduman is a member of the corporate/supervisory bodies of the following companies:

  – DIC Real Estate Investments GmbH & Co. KGaA, Frankfurt am Main: Member of the Supervisory Board (since 22 January 2016)
  – DIC Onsite GmbH, Frankfurt am Main: Member of the Supervisory Board (since 1 March 2016)

- Ms Sonja Wärntges, CFO, Graduate Economist, Frankfurt am Main

  Ms Sonja Wärntges is a member of the corporate/supervisory bodies of the following companies:

  – DIC Real Estate Investments GmbH & Co. KGaA, Frankfurt am Main: Chairman of the Supervisory Board (since 22 January 2016)
  – Leifheit AG, Nassau an der Lahn: Member of the Supervisory Board (since 05 February 2016)

- Mr Johannes von Mutius, CIO, Business Administration Graduate, Königstein

  Mr Johannes von Mutius is a member of the corporate/supervisory bodies of the following companies:

  – DIC Onsite GmbH, Frankfurt am Main: Member of the Supervisory Board (until 29 February 2016)

- Mr Rainer Pillmayer, COO, Business Administration Graduate, Frankfurt am Main (until 31 May 2016)

RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the group management report, which is combined with the management report of DIC Asset AG, includes a fair review of the development and performance of the business and the position of the Group, together with a description of the material opportunities and risks associated with the expected development of the Group.

Frankfurt am Main, 21 February 2017

The Management Board

Aydin Karaduman Sonja Wärntges Johannes von Mutius

AUDITOR'S REPORT

We have audited the consolidated financial statements prepared by the DIC Asset AG, comprising balance sheet, profit and loss account, statement of comprehensive income, statement of changes in equity, cash flow statement and notes to the consolidated financial statements, together with the group management report, which is combined with the management report of the parent company, for the financial year from January 1 to December 31, 2016. The preparation of the consolidated financial statements and the combined group management report in accordance with IFRS, as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a (1) HGB are the responsibility of the parent Company's Board of Management. Our responsibility is to express an opinion on the consolidated financial statements and the combined group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the combined group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the combined group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the Company´s Board of Management, as well as evaluating the overall presentation of the consolidated financial statements and the combined group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRS, as adopted by the EU, the additional requirements of German commercial law pursuant to § 315a (1) HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The combined group management report is consistent with the consolidated financial statements, complies with legal requirements, as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Nuremberg, February 21, 2017

Rödl & Partner GmbH
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

sgd. Hübschmann	sgd. Luce
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE REPORT AND CORPORATE GOVERNANCE DECLARATION

The Management Board files a report – also on behalf of the Supervisory Board – on the Company's corporate governance in accordance with clause 3.10 of the German Corporate Governance Code and, at the same time, reports on corporate governance in accordance with sections 289a and 315 (5) HGB. The section also contains the remuneration report.

The corporate governance declaration for the Company and the Group is a component of the combined management report.

Disclosures on corporate governance practices

DIC Asset AG attaches great value to corporate governance with the Company and the Group. The Management Board and Supervisory Board feel that they have an obligation to ensure the Company's continued existence and the generation of sustained value added through responsible corporate governance with a long term focus. For DIC Asset AG, good corporate governance also includes managing risks in a responsible manner. The Management Board therefore makes sure that risks are appropriately managed and controlled in the Company (see also the comments in the report on risks and opportunities) and ensures that the Company complies with the law as well as the recommendations of the German Corporate Governance Code in accordance with the annual Declaration of Conformity. The Management Board regularly informs the Supervisory Board of any existing risks and their development. The Company's internal control, reporting and compliance structures are continuously reviewed, enhanced and adjusted to changes in the general environment.

Since the 2013 financial year, comprehensive Compliance Guidelines have been in place, which oblige the employees of DIC Asset AG and its subsidiaries to act in a responsible and legal manner. They include the principles of ethics and integrity within the Company, in particular compliance with legal requirements, internal company guidelines and self-imposed values. Key details of the Compliance Guidelines are described in the Company's latest Sustainability Report, which can be viewed on the company's website www.dic-asset.de. In our opinion, more sophisticated corporate governance tools, such as in-house corporate governance principles, are not required at present given the company-specific circumstances. Should the implementation of additional tools become necessary, the Management Board and Supervisory Board will respond without delay.

Current Declaration of Conformity

The Management Board and Supervisory Board again focused on meeting the recommendations of the German Corporate Governance Code in financial year 2016, The consultation process resulted in the adoption of an updated annual Declaration of Conformity dated 13 February 2017, which has been made permanently accessible to the public on the Company's website.

Declaration of Conformity pursuant to section 161 AktG

The Management Board and the Supervisory Board declare that DIC Asset AG complied and will continue to comply with the recommendations of the German Corporate Governance Code as published on 5 May 2015 from the date of submission of its previous Declaration of Conformity. The following exceptions applied or apply:

> If a D&O (directors' and officers' liability insurance) policy is taken out for Supervisory Board members, the Code in clause 3.8 paragraph 3 recommends agreeing a deductible of at least 10% of the loss up to at least the amount of one and a half times the fixed annual compensation. DIC Asset AG has taken out a D&O policy for the members of its Supervisory Board which does not provide for a deductible for the Supervisory Board members. We believe that a deductible in the D&O policy would not enhance the motivation and sense of responsibility shown by the members of the Supervisory Board in performing their duties.

> The Code in clause 4.1.5, in particular, recommends aiming for an appropriate consideration of women when filling managerial positions. In filling senior management positions, the Management Board has focused and will in the future continue to focus on the interests of the company and the statutory provisions and in doing so will most of all give priority to the professional and personal qualifications of candidates - irrespective of gender. We have met the applicable statutory provisions with regard to the determination of targets for the share of women at the executive level below the Management Board and on the Supervisory Board.

> The members of the Management Board have been promised performance-related payments (profit-sharing bonuses) and options on so-called virtual shares as variable remuneration components. In accordance with clause 4.2.3 paragraph 2 sentence 4 of the Code, both positive and negative developments within the agreed assessment period are taken into consideration when determining the variable remuneration components, insofar as the payments may turn out to be proportionately higher or lower, or may not be made at all. When they exercise the options, the members of the Management Board receive share-price-dependent payments which are based solely on the company's share price within a reference period. In deviation from clause 4.2.3 paragraph 2 sentence 7 of the Code, these options on virtual shares were not and are not based on "demanding, relevant comparison parameters" within the meaning of the Code. We are of the opinion that incorporating additional comparison parameters would not inspire greater motivation or a keener sense of responsibility.

> The Code recommends in clause 4.2.3 paragraph 2 sentence 6 that the amount of the remuneration of the members of the Management Board should be capped both overall and for its variable components. The amount of the variable performance-related payments (profit-sharing bonus) of Management Board members has not been capped in the director's contracts of the three current Management Board members. We do not consider a cap on the profit-sharing bonus necessary since the Supervisory Board determines the amount of the bonus annually. The options on so-called virtual shares granted to the members of the Management Board as long-term variable remuneration components have been and continue to be limited in number. When exercised, the options entitle the bearer to a cash payment in an amount defined by the positive difference between the average closing price of the DIC Asset AG share during a reference period preceding the exercise of the option, on the one hand, and the contractually agreed exercise price, on the other hand. The members of the Management Board may therefore benefit from the upside price potential of the shares during the reference period. There was and still is no cap on the amount of participation in the upside price potential at the time the option is exercised. We believe that an additional cap on this share-based remuneration component would run counter to its major incentive, which is working toward increasing the company value. Given the absence of caps on the variable remuneration components and on some of the ancillary benefits, there were and are also no caps on the total amount of remuneration for the members of the Management Board.

> When concluding Management Board employment contracts, it should be ensured that payments to members of the Management Board upon the prior termination of their work for the Management Board do not exceed two annual remunerations, including ancillary benefits (severance cap), and that only the residual employment term be remunerated. In deviation from clause 4.2.3 paragraph 4 of the Code, Management Board employment contracts do not and will not include a severance cap. Any agreement of this kind would run counter to the basic understanding of a Management Board employment contract that is routinely concluded for the duration of the period of appointment, and that principally does not permit a regular termination. In addition, the company cannot enforce a cap to the severance payment unilaterally in the event that a member's work for the Management Board is terminated by mutual agreement, as is frequently the case in practice. In the event of a Management Board employment contract being terminated prematurely, we will try to take account of the underlying principle of the recommendation.

> The Code recommends in clause 4.2.5 paragraph 3 and paragraph 4, to present the board remuneration for each Member of the Management Board by using model tables that include specific details prescribed by the Code. To the extent that the company deviates as elaborated above from the recommendation of clause 4.2.3 paragraph 2, sentence 6, for defining caps for the board remuneration, it obviously fails to act on the corresponding disclosure recommendation. Moreover, certain other disclosures required in the model tables that concern the remuneration structure are not relevant for the Management Board of DIC Asset AG. In the opinion of the Management Board and the Supervisory Board the new method would provide no added information value to shareholders. Against this background, the company continues to present the board remuneration in compliance with the statutory requirements. Accordingly, the company has deviated and will deviate from clause 4.2.5 paragraph 3 and paragraph 4 of the code.

> The Supervisory Board is required to propose suitable candidates for new appointments or reappointments to positions on the Supervisory Board by the General Shareholder Meeting. In deviation from clause 5.3.3 of the Code, no nomination committee was or will be formed for this purpose. As the six members of the Supervisory Board are only representatives of the shareholders, and the current practice of voting proposals being prepared by the full Supervisory Board has proved to be efficient, the Supervisory Board sees no need to form a nomination committee.

> In deviation from clause 5.4.1 paragraph (2) of the Code, the Supervisory Board has specified no concrete objective regarding the number of independent members of the Supervisory Board as defined in clause 5.4.2 of the Code and no age-independent regular limit of length of membership, nor will it specify such an objective or regular limit. The Supervisory Board believes that it at present includes what it considers an adequate number of independent members. However, the Code ultimately does not define the term independence in connection with members of the Supervisory Board but provides negative examples for cases in which a member "in particular" is not considered independent. In addition, it is assumed that a member is no longer independent if substantial and not merely temporary conflicts of interest may arise, regardless of whether or not they actually arise. The question of when independence in accordance with clause 5.4.2 of the Code is to be assumed in an individual case is thus fraught with too much legal uncertainty for the Supervisory Board as to make it seem advisable to set a specific number of independent members. Regarding the regular limit of length of membership on the Supervisory Board, the Supervisory Board is of the opinion that it is more beneficial for the Company to have access to many years of expertise of individual Supervisory Board members and to make a decision in favour of continuity or replacement on a case-by-case basis. For these reasons, the Supervisory Board has chosen not to make any determinations in this respect. In the absence of a corresponding target and a corresponding regular limit, in deviation from clause 5.4.1 paragraph 3 of the Code, this aspect is also not taken into account in the Supervisory Board's nominations for elections to the General Shareholders' Meeting, nor is information on the status of its implementation published.

> According to the current Articles of Association, members of the Supervisory Board have been and are granted performance-related remuneration that is based on the annual dividend payment and may thus deviate from clause 5.4.6 paragraph 2 of the Code, which recommends that remuneration be linked to long-term business performance. The dividend payment is a key measure of success for the shareholders. We consider it appropriate that members of the Supervisory Board be remunerated in accordance with criteria that are also of significance for the shareholders.

Frankfurt am Main, 13 February 2017

Management Board and Supervisory Board of DIC Asset AG

MODUS OPERANDI AND COMPOSITION OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD

Dual management structure

As a listed corporation, DIC Asset AG has a dual management structure comprising a Management Board and a Supervisory Board. The two Boards are clearly separated from each other – both in terms of personnel and function – allowing each of them to perform their different duties independently. While the duty of the Management Board is to manage the Company independently, the Supervisory Board's duty is to monitor this management.

Close cooperation between the Management Board and the Supervisory Board

The Management Board and the Supervisory Board work closely together in the interests of the Company and the Group. This ensures that optimal use is made of the professional expertise of the Board members and speeds up decision-making processes. The Management Board keeps the Supervisory Board regularly, promptly and comprehensively informed of strategy, planning, risk position and risk management, the internal control system, compliance, as well as current business developments. The Chairman of the Supervisory Board is also notified of material developments and decisions by the Management Board between meetings.

The Management Board performs its management role as a collegial body. It determines corporate objectives, strategic orientation, corporate policy and Group organisation and coordinates these with the Supervisory Board and ensures that they are implemented. In this process, the Management Board is bound to the Company's Group-wide interests and committed to the sustained increase of enterprise value, and to the needs of shareholders, customers, employees and other groups associated with the Company. The members of the Management Board are jointly responsible for managing the entire business. Notwithstanding their overall responsibility, the individual Management Board members manage the departments assigned to them independently and within the parameters of the Management Board resolutions. The allocation of duties between the members of the Management Board is derived from the Schedule of Responsibilities. The Management Board has a quorum if at least the majority of its members participate in the resolution and adopts its resolutions by a simple majority. In the event that the Management Board consists of more than two members, the Chairman will have the casting vote in the event of a tie.

The Supervisory Board appoints and dismisses members of the Management Board and works with the Management Board to ensure that long-term succession plans are in place. In the case of specifically defined actions of material significance – such as major capital expenditures – the Rules of Procedure for the Management Board require the approval of the Supervisory Board. The Supervisory Board has also adopted Rules of Procedure. The Chairman of the Supervisory Board coordinates work within the Supervisory Board, chairs its meetings and attends to the affairs of the Supervisory Board externally.

An overview of the Supervisory Board's activities during the 2016 financial year is presented in the Supervisory Board report.

Composition of the Boards

When appointing members of the Management Board and the Supervisory Board and when filling senior management positions in the Group, priority is given to the knowledge, skills and professional experience required for the tasks to be performed.

Since 1 June 2016, the Management Board of DIC Asset AG has consisted of three members: Aydin Karaduman as Chairman (CEO); Sonja Wärntges, responsible for Finance & Controlling (CFO); and Johannes von Mutius, responsible for Acquisitions and Sales (CIO).

The Supervisory Board of DIC Asset AG consists of six members, who are all elected by the General Shareholders' Meeting. The Supervisory Board has elected a Chairman and a Vice Chairman. Members of the Supervisory Board are elected for a term of office ending at the conclusion of the General Shareholders' Meeting that formally approves their actions during the fourth financial year following the start of their term of office. The financial year in which the term of office begins is not included in this calculation. The current terms in office end at different times due different appointment dates.

The specific composition of the Supervisory Board in the 2016 financial year and the disclosures pursuant to section 285 no. 10 HGB are listed in the notes to the consolidated financial statements.

Objectives of the Supervisory Board with regard to its composition

The Supervisory Board defined objectives for its composition back in financial year 2010, which it most recently supplemented in the 2015 financial year. The most important objective concerns eligibility: the Supervisory Board is to be composed in a way that ensures competent monitoring and advising of the Management Board. As a group, the Supervisory Board should have the knowledge, skills and experience required to properly complete its tasks. The individual qualifications of individual members may complement each other in achieving this objective. Independence and avoiding conflicts of interest are also important objectives: The Supervisory Board should include an adequate number of independent members. The Supervisory Board is in full compliance with the recommendations of the German Corporate Governance Code with regard to conflicts of interest. However, the Supervisory Board has not stipulated a definite number of members that are independent as defined in the Code. The Supervisory Board should not include more than two former Management Board members. The Supervisory Board considers the age limits specified in its Rules of Procedure: Only persons under 70 should be proposed for election to the Supervisory Board. The Supervisory Board may also include members who are particularly qualified for international requirements. However, in view of DIC Asset AG's focus on the German property market, the decision was made not to stipulate the aspect of internationality as an objective. Already in September 2015, the Supervisory Board stipulated a target for the share of women in the Supervisory Board (see below, "Stipulations of targets for the share of women on the Supervisory Board, on the Management Board and at the executive level below the Management Board") and also set a deadline for its achievement. The Supervisory Board did not set a limit for the length of time that any member can hold a seat on the Supervisory Board for the reasons specified in the Declaration of Conformity.

The targets for the composition of the Supervisory Board are taken into account in the Supervisory Board's proposals for the election of Supervisory Board members submitted to the General Shareholders' Meeting. With the exception of the target for the share of women on the Supervisory Board, the current composition of the Supervisory Board complies with the objectives set.

All of the members of the Supervisory Board are familiar with the property sector relevant for the Company's activities, with at least one Supervisory Board member having accounting or auditing expertise. The Supervisory Board has an adequate number of independent members, including the Chairman of the Audit Committee. Ulrich Höller, a former member of the Management Board of DIC Asset AG, is a member of the Supervisory Board.

Stipulations of targets for the share of women on the Supervisory Board, on the Management Board and at the executive level below the Management Board

As a listed company not subject to co-determination, DIC Asset AG is required by law to stipulated targets for the share of women on the Supervisory Board, on the Management Board and at the two executive levels below the Management Board, to the extent that these exist.

In September 2015, the Supervisory Board adopted targets of 1/6th (corresponding to around 16.66%) for the share of women on the Supervisory Board and 25% for the share of women on the Management Board. The goal is to reach these targets by 30 June 2017 in each case.

The target for the Management Board was reached in the reporting period; the share of women currently is around 33%. When the target for the Supervisory Board was set, the Supervisory Board was exclusively comprised of male members, which is still the case.

Also in September 2015, the Management Board adopted a target of 20% for the executive level below the Management Board, setting 30 June 2017 as a deadline for its achievement. At DIC Asset AG, there is only one executive level below the Management Board. The share of women at the executive level below the Management Board was approx. 11% when this target was set.

Disclosure of conflicts of interest

Each member of the Management Board and Supervisory Board discloses potential conflicts of interest in compliance with the German Corporate Governance Code. No conflicts of interest arose in financial year 2016.

Efficiency of the Supervisory Board's work

The Supervisory Board regularly reviews its own efficiency. This review takes the form of a company-specific questionnaire, which is evaluated without undue delay. The results are discussed and the findings are then incorporated into the Supervisory Board's future work.

Establishment of the Audit Committee

The Supervisory Board established an Audit Committee, which supports the Board in the performance of its duties and regularly reports to it. The Audit Committee primarily monitors the financial reporting process, the effectiveness of the internal control system, the risk management system, Group-wide compliance and, finally, the audit of financial statements. It assesses and monitors the independence of the auditors (also taking into account the additional services provided by the auditors) and determines the focus of the audit in consultation with them. The Audit Committee mainly meets as needed.

The Audit Committee has the following three members:
– Michael Bock (Chairman of the Audit Committee)
– Prof. Dr. Gerhard Schmidt
– Prof. Dr. Ulrich Reuter

The Chairman of the Audit Committee is independent and has particular knowledge and experience in financial reporting and the auditing of financial statements from his many years of serving as the CFO of an insurance company. All of the members of the Audit Committee are familiar with the property sector.

D&O insurance

A Directors & Officers (D&O) insurance policy is in place for members of the Management Board and the Supervisory Board. It provides insurance for claims for damages by the Company, shareholders or third parties, which may be asserted due to Board members' failure to exercise due care. DIC Asset AG bears the costs of the insurance policy. The members of the Management Board have to pay a deductible in the event of a claim.

REMUNERATION REPORT

The following remuneration report is a component of the management report.

Remuneration system for the Management Board

The Supervisory Board sets the total remuneration of individual members of the Management Board, and adopts and regularly reviews the remuneration system for the Management Board.

Total remuneration adequately reflects the tasks of each member of the Management Board, their personal performance, the economic situation, the success and future prospects of DIC Asset AG, and it is also appropriate when measured against its peer group and the Company's overall remuneration structure. The remuneration structure establishes long-term behavioural incentives particularly through share-based payments and is generally focused on ensuring sustainable business growth. At the same time, remuneration is focused in such a way that it is competitive.

The remuneration of the Management Board comprises three components: (i) a fixed remuneration and fringe benefits, (ii) a variable remuneration that is contingent on the achievement of specific targets (short-term performance-related component) and (iii) share-based payment (long-term incentive component).

(i) Fixed remuneration and fringe benefits
The fixed remuneration is paid in equal monthly instalments. The fringe benefits consist of the provision of a company car, a mobile telephone and capped insurance subsidies, particularly for accident, medical and pension insurance or some other private form of pension provision.

(ii) Variable, performance-related remuneration
The Management Board's variable, performance-related remuneration (bonus) is based on the operating result of the DIC Asset Group and therefore take account of both positive and negative developments.

Members of the Management Board are granted a bonus only if the DIC Asset Group reports an operating profit. The amount of the bonus is based on the extent to which corporate and personal targets were achieved. Corporate and personal targets are each given a 50% weighting by the Supervisory Board when setting the bonus. The bonus amount for the Management Board member in office until 31 May 2016 was capped at one-third of his overall remuneration whereas no such cap exists in the director's contracts of the other Management Board members. The Supervisory Board decides on the bonus once a year by 31 May of the following year. The bonus is paid on the last bank working day of the month in which the Supervisory Board makes its decision on the bonus.

(iii) Share-based payment as a long-term incentive
In addition, members of the Management Board hold options on phantom stocks in DIC Asset AG, which also take account of both positive and negative developments. The number of options granted is specified in individual contracts and capped. The options are designed such that they only grant the right to cash payment. The exercise of the options is linked to a specific number service years (vesting period). The duration of the vesting period is regulated by contract (see table "Phantom stock options"). When the options are exercised, the special remuneration is determined as the positive difference between the average of the closing prices during a reference period of ten trading days preceding the exercise of the options and the contractually agreed exercise price of EUR 5.88 per phantom stock. The members of the Management Board may therefore benefit from the shares' upside potential during the reference period. No cap has been set on the participation in the upside potential at the time the option is exercised. The fair value of the options on 31 December 2016 was EUR 245 thousand.

Activities carried out by the members of the Management Board in executive management and/or supervisory functions for DIC Asset AG's subsidiaries or investees are covered by the Management Board remuneration paid for DIC Asset AG.

Regulations regarding the termination of director's contracts

The director's contracts of the current Management Board members do not expressly provide for severance pay – except for one director's contract, which provides for such severance pay in case of a change of control. In deviation from clause 4.2.3 of the German Corporate Governance Code, it has not been agreed that payments made to Management Board members on premature termination of their director's contract including fringe benefits do not exceed the equivalent of two years' remuneration (severance pay cap) and compensate no more than the remaining term of the director's contract.

In the event of a change of control, the Management Board member Johannes von Mutius has the right to terminate his director's contract for cause. When exercising his right to terminate, Mr von Mutius is entitled to receive an additional payment of half his total annual benefits in the financial year which ended at least 18 months before the change of control.

If a Management Board member dies during the term of their director's contract, the fixed annual salary and the variable remuneration are to be paid pro rata temporis to their surviving dependants for a period of six months after the end of the month in which the Management Board member died. If a Management Board member becomes permanently incapable of working during the term of their director's contract, the contract will end three or – in one case – six months after the end of the half-year in which the member's permanent incapacity was established. In the event of illness, the benefits will be paid for a term of six months, but no longer than until the director's contract ends.

Management Board members have not been promised a post retirement employee benefit.

Management Board remuneration in financial year 2016

REMUNERATION OF THE MANAGEMENT BOARD

in EUR	Fixed remuneration	Bonus*	Share-price related remuneration**	Other***	Total 2016	Total 2015
Aydin Karaduman (from 01.01.2016)	480,000.00	240,000.00	75,500.00	35,360.95	**830,860.95**	0.00
Sonja Wärntges	350,000.00	175,000.00	25,600.00	24,971.51	**575,571.51**	636,423.64
Johannes von Mutius	350,000.00	175,000.00	51,000.00	24,517.10	**600,517.10**	430,717.16
Rainer Pillmayer (until 31.05.2016)	87,500.00	43,800.00	0.00	7,708.15	**139,008.15**	377,508.56
Ulrich Höller (until 31.12.2015)	0.00	0.00	0.00	0.00	**0.00**	913,003.76
Total	1,267,500.00	633,800.00	152,100.00	92,557.71	**2,145,957.71**	2,357,653.12

* Provision as at 31 December 2016; the payment in 2016 exceeding the provision amounted to EUR 70,000
** Provision as at 31 December 2016; EUR 4,050 from the previous year's provision was reversed
*** Non-monetary benefits from personal use of a company car and insurance subsidies

PHANTOM STOCK OPTIONS

	Number of stock options	Exercisable from
Aydin Karaduman	75,000	31.12.2018
Sonja Wärntges	40,000	31.05.2016 (exercised in June 2016)
	50,000	31.12.2018
Johannes von Mutius	20,000	31.05.2017
	30,000	31.12.2018
Rainer Pillmayer (until 31.05.2016)	22,000	31.05.2016 (exercised in June 2016)

Remuneration of Supervisory Board members

Supervisory Board remuneration is based on article 10 of the Articles of Association of DIC Asset AG, which was amended by resolution of the General Shareholders' Meeting of DIC Asset AG adopted on 5 July 2016 with effect from 1 January 2016. The remuneration system as such and the factor by which the remuneration is multiplied for the Chairman or Vice Chairman of the Supervisory Board and the Chairman of a committee remain unchanged. However, to address the increased scope of activity and time commitment required of the members of the Supervisory Board and the Audit Committee and to better enable the Company to find qualified candidates to serve on its Supervisory Board, the amount of annual fixed and variable remuneration paid to individual Supervisory Board members and the amount of annual remuneration paid to individual committee members was changed (hurdle rate increase).

Accordingly, each member receives appropriate remuneration for their work that is composed of fixed remuneration and variable performance-related remuneration. The members of the Supervisory Board receive fixed remuneration of EUR 25,000.00 (until 31 December 2015: EUR 15,000.00) for each full financial year of membership of the Supervisory Board. Such remuneration shall be payable after the end of the financial year and shall be posted as an expense. Each member also receives EUR 2,500.00 annually (until 31 December 2015: EUR 2,556.46) for each percentage of the dividend over the rate of ten percent (until 31 December 2015: seven percent), calculated on the amount of the share capital that is distributed, but no more than EUR 25,000.00 (until 31 December 2015: EUR 12,782.30). The Chairman is paid twice the fixed and variable remuneration, and the Vice Chairman is paid one-and-a-half times the fixed and variable remuneration.

Supervisory Board members who are members of a Supervisory Board committee that has met at least once during the financial year, receive an annual remuneration of EUR 5,000.00 (until 31 December 2015: EUR 2,500.00) per committee for each full financial year of their membership of this committee, but no more than EUR 10,000.00 (until 31 December 2015: EUR 5,000.00)

REMUNERATION OF THE SUPERVISORY BOARD

in EUR	Fixed remuneration	Variable remuneration	Remuneration for committee memberships	**Total 2016**	Total 2015
Prof. Dr. Gerhard Schmidt (Chairman)	50,000.00	50,000.00	5,000.00	**105,000.00**	58,065.00
Klaus-Jürgen Sontowski (Deputy Chairman)	37,500.00	37,500.00		**75,000.00**	41,673.00
Michael Bock	25,000.00	25,000.00	10,000.00	**60,000.00**	32,782.00
Prof. Dr. Ulrich Reuter	25,000.00	25,000.00	5,000.00	**55,000.00**	13,891.00
Dr. Anton Wiegers	25,000.00	25,000.00		**50,000.00**	13,891.00
Ulrich Höller (since 11 January 2016)	25,000.00	25,000.00		**50,000.00**	0.00
Total of the members who left in 2015*					58,064.00
Total	187,500.00	187,500.00	20,000.00	**395,000.00**	218,366.00

* Dr. Solf, Mr Platt and Mr Wegener left the Supervisory Board in 2015

in total. The Chairman of a Supervisory Board committee receives double this amount of additional remuneration.

In addition to the remuneration, each member of the Supervisory Board receives reimbursement of their expenses, including value added tax. The Company withholds the tax owed by the Supervisory Board of EUR 6 thousand and transfers it to the tax office.

The total remuneration of the Supervisory Board members amounted to EUR 395 thousand in 2016. Supervisory Board members were also reimbursed travel expenses totalling EUR 9 thousand. A total of EUR 62 thousand (previous year: EUR 19 thousand) in remuneration for services purchased was paid to the law firm of Weil, Gotshal & Manges LLP, of which the Chairman of the Supervisory Board, Prof. Dr. Gerhard Schmidt, is a partner. The Supervisory Board had approved of this retention in November 2016, with the Chairman of the Supervisory Board abstaining from the vote. The fees paid for services in financial year 2016 concerned project-related legal consulting services on specific issues of stock corporation and litigation law.

Directors’ dealings

Section 15a WpHG and, since 3 July 2016, article 19 of Regulation (EU) no. 596/2014 of the European Parliament and of the Council on market abuse (Market Abuse Regulation) requires members of the Management Board and Supervisory Board to report any transactions conducted on their own account relating to the shares or debt instruments of DIC Asset AG or to derivatives or other financial instruments of DIC Asset AG linked thereto (Directors’ dealings). This obligation also applies to persons related to members of governing bodies. However, transactions must only be disclosed if the total amount of all transactions made by a member of a governing body or a person related to a member of a governing body until the end of a calendar year is at least EUR 5,000.00.

No securities transactions as defined by section 15a WpHG or article 19 Market Abuse Regulation were reported in the 2016 financial year.

Shares held the Management Board and the Supervisory Board

The members of the Management Board and of the Supervisory Board each hold less than one percent of issued shares. However, 31.1 % of the voting rights in DIC Asset AG, which are held by the Deutsche Immobilien Chancen Group, are attributed to the Chairman of the Supervisory Board, Prof. Dr. Gerhard Schmidt, in accordance with section 22 WpHG.

OTHER DISCLOSURES

Shareholders and General Shareholders' Meeting

The shareholders of DIC Asset AG exercise their rights at the General Shareholders' Meeting. The ordinary General Shareholders' Meeting takes place once a year. Every shareholder who is recorded in the share register and registers in good time is entitled to take part in the General Shareholders' Meeting, to vote with his shares recorded in the share register and registered and to pose questions to the Management Board. Each share grants one vote at the General Shareholders' Meeting.

Shareholders who cannot attend in person may arrange for their voting rights to be exercised in the General Shareholders' Meeting by a bank, an association of shareholders, the proxy or proxies of DIC Asset AG acting according to instructions or any other authorised individual.

Transparent communication

We report each quarter on the course of business and the net assets, financial position and results of operations and inform our shareholders in an open, prompt and transparent manner about the DIC Asset AG business model as well as of any news or changes. We describe communications with our shareholders and business partners in detail in the chapter entitled "Investor relations and capital market".

Financial reporting and auditing

DIC Asset AG prepares its consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs), taking into account the recommendations of EPRA, while the single-entity financial statements are prepared in accordance with the HGB. The financial statements for the full year are prepared by the Management Board, audited by the auditor, Rödl & Partner GmbH Wirtschaftsprüfungsgesellschaft, Steuerberatungsgesellschaft, Nuremberg, and examined by the Supervisory Board. Prior to their publication, the quarterly financial information and the half-yearly report reviewed by the auditors are discussed with the Supervisory Board and approved by it. Based on the recommendation of the Audit Committee, the Supervisory Board submits a proposal regarding the election of the auditors by the General Shareholders' Meeting. Prior to this, the auditors submit a statement of independence to the Supervisory Board. In addition, it has been agreed with the auditors that they would notify the Supervisory Board immediately of any possible grounds for exclusion or bias that may arise during the audit.

Risk management

Good corporate governance also includes managing risks in a responsible manner. The Management Board ensures that risks are adequately managed and controlled in the company. DIC Asset AG has therefore established a systematic risk management process, which ensures that risks are recognised and assessed at an early stage and the existing risk exposure is optimised. Risk management and risk control processes are continually enhanced and adjusted to changes in the general environment. Key features of the control and risk management systems are presented in the report on risks and opportunities.

REPORT OF THE SUPERVISORY BOARD

The Supervisory Board's advisory, monitoring and review activities

In financial year 2016, the Supervisory Board of DIC Asset AG once again regularly monitored the management by the Management Board and provided advice both on strategic corporate development and significant individual actions.

The Management Board informed the Supervisory Board during the financial year promptly and fully through written and oral reports. The reports set out all relevant information on significant issues regarding strategy and corporate planning, the situation and development of the Company and the Group, the risk position, the internal control system, risk management as well as material transactions. Deviations from planned business development were explained in detail by the Management Board and discussed by the Supervisory Board. The Supervisory Board was involved in all material decisions at an early stage and – to the extent necessary – gave its approval after examining and discussing them in depth.

The Supervisory Board held four ordinary meetings and nine extraordinary meetings in 2016. Some of the extraordinary meetings were held as conference calls. The average attendance rate at the Supervisory Board meetings in the reporting year was around 94 percent. No member of the Supervisory Board attended only half or fewer than half of the meetings of the Supervisory Board during their term of office.

The Chairman of the Supervisory Board was notified of material developments and decisions by the Management Board also between meetings, and discussed the Company's prospects and future orientation with the Management Board in separate strategy talks.

At the meetings, the Management Board explained the Company's operational performance – specifically lettings, acquisitions and sales – the trend in revenue and earnings as well as the financial position, with each issue discussed jointly. The written reports by the Management Board and, where applicable, the written proposals for resolutions, were made available to the Supervisory Board well ahead of time to allow its member to prepare for the consultations and the decisions to be made. The Management Board informed the Supervisory Board in detail and without delay of any particularly important transactions. Where justified, decisions were also made by written vote.

Key points of deliberation at the Supervisory Board meetings

> January 2016

At an extraordinary meeting of the Supervisory Board, the Management Board explained the budgetary planning for 2016 and reported on the latest situation for sales activities from the Commercial Portfolio. The Supervisory Board was briefed on the latest situation regarding the equity interest in WCM Beteiligungs- und Grundbesitz-AG. The Management Board explained the main content of the audit reform coming into force in 2016 and its relevance for DIC Asset AG. After detailed discussions, the Supervisory Board pronounced itself in favour of a call for tenders in accordance with the new regulations to select an auditor for the 2016 financial year under the responsibility of the Audit Committee.

> February 2016

The ordinary meeting centred on the outcome of the Audit Committee meeting, which was explained and discussed in detail. The annual financial statements for financial year 2015 were adopted and the consolidated financial statements were approved. In addition, the Supervisory Board reviewed the dependent company report for financial year 2015. The Supervisory Board also examined the proposal on the appropriation of profit by the Management Board and endorsed the proposal. The Supervisory Board's written report to the General Shareholders' Meeting was adopted. Furthermore, the Company's recent performance, next operational steps regarding portfolio planning and management, and additional acquisition planning in the fund business were discussed in detail.

> March 2016

The primary focus of the extraordinary meeting of the Supervisory Board was the fund business. The Management Board reported on the planning status of two new funds, and presented key figures and potential acquisition targets for both the planned and existing funds. Among the other topics raised at this meeting was the optimisation of the Commercial Portfolio using active asset management. The Supervisory Board also discussed the "Junges Quartier Obersendling" project idea and approved the implementation of this project.

> April 2016

At the extraordinary meeting of the Supervisory Board in April, the Management Board reported on refinancing plans for the Commercial Portfolio. The Supervisory Board also discussed the agenda and proposed resolutions for the 2016 Annual General Shareholders' Meeting, which were subsequently approved by written circular in May 2016. The Supervisory Board concurred with the proposal by shareholders holding more than 25 % of voting rights to appoint Ulrich Höller as a member of the Supervisory Board and also resolved to once again propose the appointment of Rödl & Partner GmbH Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft as auditor of the annual and consolidated financial statements for the 2016 financial year to the General Shareholders' Meeting based on the recommendation and preference of the Audit Committee after carrying out a tendering process. Furthermore, the Supervisory Board dealt thoroughly with the “warehousing” model during the launch stage for new fund products and discussed the current situation regarding the equity investment in WCM Beteiligungs- und Grundbesitz-AG.

> May 2016
At an extraordinary meeting, the Management Board reported on the results of the first quarter. After discussing these, the Supervisory Board approved the publication of the quarterly report presented.

> June 2016
At its extraordinary meeting, the Supervisory Board discussed possible approaches for the further optimisation and development of portfolio management. The Management Board presented items such as strategic approaches for vacancy reduction and focused particularly on repositioning measures. During the rest of the meeting, the start-up portfolio identified for the planned retail fund and the planned financing structure were presented.

> July 2016
At the extraordinary meeting, the Management Board presented specific key start-up portfolio data for the retail fund planned for launch. Due diligence findings and contracts drawn up for all acquisition properties were presented in detail together with the business plan and legal structure of the warehousing model. After extensive discussions, the Supervisory Board approved the acquisitions.

> August 2016
At the extraordinary meeting in early August, the Supervisory Board addressed the result of the first half of 2016 and approved the publication of the audited half-yearly financial report after extensive discussions.

At an additional extraordinary meeting of the Supervisory Board dealing primarily with the planned refinancing of the Commercial Portfolio, the Management Board presented two specific refinancing alternatives. After comparing the terms of each option, the Supervisory Board approved follow-up work on both alternatives. In a strategy discussion, the Supervisory Board addressed the future direction of the Company, particularly with regard to the further growth of the fund business.

> September 2016
At the ordinary meeting, the Supervisory Board discussed the current development of the fund business as well as sales and letting activities. The Management Board presented the current status of the “MainTor” and “Opera Offices” project developments and the implementation status of the strategic reduction of joint ventures. The Supervisory Board also addressed the simplifications introduced at the end of 2015 that enable the Company to draft so-called quarterly statements for Q1 and Q3 instead of comprehensive interim reports in accordance with the German Securities Trading Act (WpHG). After an in-depth discussion with the Management Board, the Supervisory Board approved the implementation of this simplified reporting form for DIC Asset AG from Q3 2016 onwards.

> October 2016
At the extraordinary meeting of the Supervisory Board, the Management Board presented plans for the launch of a new office fund together with the intended acquisition properties for this fund.

> November 2016
In an extraordinary meeting, the Management Board reported on the third quarter results and discussed the key performance indicators with the Supervisory Board. The Supervisory Board approved publication of the quarterly statement. The Management Board presented an updated on the status of the planned Commercial Portfolio refinancing and the intended schedule for its implementation. Furthermore, the Management Board reported on the current status of the planned placement with institutional investors of two new funds being launched.

> December 2016
At the ordinary meeting, the Supervisory Board addressed the refinancing of the Commercial Portfolio. The financing structure, main terms and schedule were discussed at length and, after final consultation, the Supervisory Board approved the conclusion of the loan agreement for the refinancing.

Other topics discussed at this ordinary meeting were the Company’s recent performance and the earnings forecast for 2016 as a whole taking into account the refinancing. The operational planning, earnings and balance sheet planning and recent performance of the fund business were also presented and discussed.

Audit Committee report

The Supervisory Board established an Audit Committee to ensure that work is allocated and performed efficiently. This committee met once in 2016. The meeting, which was held in February 2016 and was attended by all members of the Audit Committee, focused on the areas of emphasis of the audit and on financial reporting documents for financial year 2015.

With representatives of the auditor in attendance, the meeting was devoted to a detailed review and discussion of the annual and consolidated financial statements for financial year 2015 along with the combined management and group management report, as well as the associated audit reports, with particular attention paid to the areas of emphasis of the audit previously defined by the Audit Committee in coordination with the auditor, especially the fund business and disposals in 2015.

During this meeting, the Audit Committee was briefed on topics including the results of the real estate valuation, the accounting and impact of the "DIC Office Balance III" transaction and the findings of the tax audit for the years 2007 to 2009. Recommendations were approved for the Supervisory Board's resolutions concerning the financial reporting documents for the 2015 financial year.

The Audit Committee also carried out a tendering process for the appointment of an auditor for the 2016 financial year in light of the regulations regarding the rotation of external auditors introduced in June 2016 as part of the aforementioned audit reform. After careful evaluation of all offers, the Audit Committee indicated its preference to the Supervisory Board by written circular in May 2016 to once again propose the appointment of Rödl & Partner GmbH Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft as auditor of the annual and consolidated financial statements for the 2016 financial year at the Annual General Shareholders' Meeting. The Audit Committee had previously satisfied itself of the independence of the proposed auditor.

Rödl & Partner GmbH is the auditor of the annual and consolidated financial statements as well as the auditor for the review of the interim financial reports and interim statements of DIC Asset AG. Mr Karsten Luce has been the auditor responsible for reviewing these statements since the audit of the 2015 annual and consolidated financial statements (1 January – 31 December 2015). In addition to Mr Karsten Luce, Mr Heinrich Hübschmann is also authorised to sign the auditor's report for the 2016 financial year.

In December, the Audit Committee and auditor specified the areas of emphasis of the audit for the 2016 financial year by written circular.

Corporate governance reviewed, declaration updated

The Supervisory Board regularly reviewed the Company's corporate governance during the reporting period along with the efficiency of its activities.

The Supervisory Board, in conjunction with the Management Board, in February 2017 issued the current Declaration of Conformity in accordance with section 161 of the AktG on the recommendations of the German Corporate Governance Code as amended on 5 May 2015. It was published on the Company's website in the Corporate Governance section. The changes to the German Corporate Governance Code planned by the Government Commission had not yet come into force when the latest Declaration of Conformity was adopted. In the section entitled "Corporate governance report and corporate governance declaration" of this Annual Report, the Management Board reports in detail on corporate governance for the Company and the Group, also on behalf of the Supervisory Board.

No conflicts of interest

In compliance with the German Corporate Governance Code, each member of the Supervisory Board will disclose any conflict of interest that might arise. No conflicts of interest arose in financial year 2016.

Between the Company and law firm of Weil, Gotshal & Manges LLP, of which Supervisory Board Chairman Prof. Dr. Gerhard Schmidt is a partner, advisory mandates existed during the 2016 financial year with the approval of the Supervisory Board. The member of the Supervisory Board concerned did not participate in the adoption of the resolution.

Annual and consolidated financial statements for 2016 audited and approved

The Management Board prepared the annual financial statements for financial year 2016 in accordance with the German Commercial Code, the consolidated financial statements in accordance with IFRSs, as adopted by the EU, and with the commercial law regulations to be applied in addition pursuant to section 315a (1) of the HGB, as well as the management report combined with the group management report. These items were audited by Rödl & Partner GmbH Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Nuremberg, appointed as auditors at the General Shareholders' Meeting on 5 July 2016, and an unqualified auditor's report was issued for each of them.

All of these documents including the Management Board's proposal on the appropriation of profit were discussed at the meetings of the Audit Committee on 20 February 2017 and the Supervisory Board on 21 February 2017 attended by representatives of the auditor, who reported on the material findings of their audit and confirmed that there were no significant weaknesses in the internal control and risk management system relevant for the financial reporting process. They were presented to the members of the Committee and the Supervisory Board for comprehensive discussion. There were no circumstances that could suggest any bias on the part of the auditor.

The Audit Committee, to which the Management Board's documents and the auditor's audit reports were submitted in good time for a preliminary audit, reported to the Supervisory Board on the essential content and findings of its preliminary audit, and issued recommendations for the Supervisory Board's resolutions.

The Supervisory Board, which was also provided with the documents and audit reports in good time, examined the annual and consolidated financial statements for financial year 2016, the management report combined with the group management report and the Management Board's proposal on the appropriation of profit, taking into account the Audit Committee's report. The Supervisory Board concurred with the findings of the auditor's audit. On the basis of its own audit, the

Supervisory Board established that it had no cause for objections against the annual financial statements and consolidated financial statements or against the combined management report and group management report. The Supervisory Board approved the annual and consolidated financial statements prepared by the Management Board in line with the recommendation of the Audit Committee. The annual financial statements of DIC Asset AG were thereby adopted.

Proposal on the appropriation of retained earnings

In connection with the proposal on the appropriation of retained earnings by the Management Board, the Audit Committee and the Supervisory Board also discussed accounting policies and financial planning. On the basis of its own audit, the Supervisory Board concurred with the Management Board's proposal on the appropriation of retained earnings.

Relations with affiliates reviewed

The Management Board prepared a report on relations with affiliates for financial year 2016. The auditor has audited this report, reported on the findings in writing and issued the following unqualified auditor's report:

"In accordance with our dutifully performed audit and assessment, we confirm that

1. the factual statements in the report are correct,

2. the payments made by the Company in connection with the legal transactions referred to in the report were not unduly high under the circumstances know at the time they were carried out."

The Management Board's report and the auditor's report were also made available to the individual members of the Supervisory Board in good time. These reports were discussed in depth in the meetings of the Audit Committee and the Supervisory Board. The representatives of the auditor who participated in the meetings reported on the material findings of their audit. The Supervisory Board approved the Management Board's report on the relations with affiliates following its own audit and also concurred with the findings of the audit of the report by the auditor. As a result of its own audit, the Supervisory Board established that it had no reason to object to the statement made by the Management Board on relations with affiliates at the end of the report.

Appointments to the Management Board and Supervisory Board

The following changes took place on the Management Board:
With effect from 1 January 2016, Mr Aydin Karaduman was appointed to the Management Board of DIC Asset AG and assumed the position of Chairman of Management Board (CEO), thus succeeding Mr Ulrich Höller.

Mr Rainer Pillmayer left the Management Board effective 31 May 2016 upon the expiration of his contract. We would like to thank Mr Pillmayer for his contributions, particularly for the successful establishment and development of the fund business over the past few years.

The following changes took place on the Supervisory Board:
By resolution of the Frankfurt am Main Local Court on 11 January 2016, Mr Ulrich Höller was appointed as a member of the Supervisory Board of DIC Asset AG, thus succeeding Dr. Michael Peter Solf, who retired from the Supervisory Board with effect from 31 December 2015 at his own request. Mr Höller's court appointment expired at the end of the General Shareholders' Meeting on 5 July 2016.

At the General Shareholders' Meeting on 5 July 2016, Mr Ulrich Höller was elected as a new Supervisory Board member for a term of office running until the end of the General Shareholders' Meeting that resolves to formally approve the Supervisory Board's actions for financial year 2020.

The Supervisory Board would like to thank the Management Board as well as the staff for their work and enormous dedication during financial year 2015.

Frankfurt am Main, 21 February 2017

The Supervisory Board

Prof. Dr. Gerhard Schmidt
- Chairman -

Appendix 1 to the notes to the consolidated financial statements

List of consolidated subsidiaries

Name and registered office of company	Interest (%) *
DIC Asset Beteiligungs GmbH, Frankfurt am Main	100.0
DIC Fund Balance GmbH, Frankfurt am Main	100.0
DIC Office Balance I GmbH, Frankfurt am Main	100.0
DIC Office Balance II GmbH, Frankfurt am Main	100.0
DIC Office Balance III GmbH, Frankfurt am Main	100.0
DIC OB III Property Management GmbH, Frankfurt am Main	100.0
OB III Verwaltungs GmbH Frankfurt am Main	100.0
DIC Office Balance IV GmbH, Frankfurt am Main	100.0
OB IV Düsseldorf GmbH & Co. KG, Frankfurt am Main	100.0
OB IV München GmbH & Co. KG, Frankfurt am Main	100.0
DIC HighStreet Balance GmbH, Frankfurt am Main	100.0
DIC Retail Balance I GmbH, Frankfurt am Main	100.0
DIC Retail Balance I Betriebsvorrichtungs GmbH, Frankfurt am Main	100.0
DIC Retail Balance I Funding GmbH, Frankfurt am Main	100.0
DIC Retail Balance I Beteiligungs GmbH, Frankfurt am Main	100.0
RB I Objekt Hamburg Bergedorf GmbH & Co. KG, Frankfurt am Main	100.0
RB I Objekt Hamburg Harburg GmbH & Co. KG, Frankfurt am Main	100.0
RB I Objekt Halle GmbH & Co. KG, Frankfurt am Main	100.0
RB I Objekt Lichtenfels GmbH & Co. KG, Frankfurt am Main	100.0
RB I Objekt Berlin GmbH & Co. KG, Frankfurt am Main	100.0
DIC Fund Advisory GmbH & Co. KG, Frankfurt am Main	100.0
DIC Real Estate Investments Beteiligungs GmbH, Frankfurt am Main	100.0
DIC Real Estate Investments GmbH & Co. KGaA, Frankfurt am Main	100.0
DIC Objekt EKZ Duisburg GmbH, Frankfurt am Main	100.0
DIC Objekt Zeppelinheim GmbH, Frankfurt am Main	100.0
DIC Objekt Köln 1 GmbH, Frankfurt am Main	100.0
DIC Objekt Hannover GmbH, Frankfurt am Main	100.0

Name and registered office of company	Interest (%) *
DIC Finance Management GmbH & Co. KG, Frankfurt am Main	100.0
DIC Fund Balance 1. Beteiligungs GbR	100.0
DIC Fund Balance 2. Beteiligungs GbR	100.0
DIC RMN-Portfolio GmbH, Frankfurt am Main	100.0
DIC Objekt Stadthaus Offenbach GmbH, Frankfurt am Main	100.0
DIC Objekt Dreieich GmbH, Frankfurt am Main	100.0
DIC Objekt Darmstadt GmbH, Frankfurt am Main	100.0
DIC Objekt Velbert GmbH, Frankfurt am Main	100.0
DIC Objekt Alsbach GmbH, Frankfurt am Main	100.0
DIC Objekt Alsbach 2 GmbH, Frankfurt am Main	100.0
DIC Objekt Hemsbach GmbH, Frankfurt am Main	100.0
DIC RMN Objekt 1 GmbH, Frankfurt am Main	100.0
DIC Ruhr Portfolio GmbH, Frankfurt am Main	100.0
DIC RP Objekt Bochum GmbH, Frankfurt am Main	100.0
DIC RP Objekt Essen GmbH, Frankfurt am Main	100.0
DIC RP Objekt 1 GmbH, Frankfurt am Main	100.0
DIC RP Objekt 2 GmbH, Frankfurt am Main	100.0
DIC AP Portfolio GmbH, Frankfurt am Main	100.0
DIC AP Objekt Augustaanlage GmbH, Frankfurt am Main	100.0
DIC AP Objekt Düsseldorf GmbH, Frankfurt am Main	100.0
DIC AP Objekt Insterburger Str. 5 GmbH, Frankfurt am Main	100.0
DIC AP Objekt Insterburger Str. 7 GmbH, Frankfurt am Main	100.0
DIC AP Objekt Königsberger Str. 29 GmbH, Frankfurt am Main	100.0
DIC AP Objekt Coblitzweg GmbH, Frankfurt am Main	100.0
DIC AP Objekt Stuttgarter Str. GmbH, Frankfurt am Main	100.0
DIC AP Objekt Konstanz GmbH, Frankfurt am Main	100.0
DIC AP Objekt 1 GmbH, Frankfurt am Main	100.0
DIC AP Objekt 2 GmbH, Frankfurt am Main	100.0
DIC AP Objekt 3 GmbH, Frankfurt am Main	100.0
DIC AP Objekt 4 GmbH, Frankfurt am Main	100.0
DIC AP Objekt 5 GmbH, Frankfurt am Main	100.0

Name and registered office of company	Interest (%) *
DIC AP Objekt 6 GmbH, Frankfurt am Main	100.0
DIC AP Objekt 7 GmbH, Frankfurt am Main	100.0
DIC AP Objekt 8 GmbH, Frankfurt am Main	100.0
DIC AP Objekt 9 GmbH, Frankfurt am Main	100.0
DIC Asset Portfolio GmbH, Frankfurt am Main	100.0
DIC Asset AP GmbH, Frankfurt am Main	100.0
DIC Asset OP GmbH, Frankfurt am Main	100.0
DIC Asset DP GmbH, Frankfurt am Main	100.0
DIC OF Reit 1 GmbH, Frankfurt am Main	100.0
DIC OF RE 2 GmbH, Frankfurt am Main	100.0
DIC 27 Portfolio GmbH, Frankfurt am Main	100.0
DIC OP Portfolio GmbH, Frankfurt am Main	100.0
DIC OP Objekt Darmstadt GmbH, Frankfurt am Main	100.0
DIC OP Objekt Duisburg GmbH, Frankfurt am Main	100.0
DIC OP Objekt Düsseldorf GmbH, Frankfurt am Main	100.0
DIC OP Objekt Hamburg GmbH, Frankfurt am Main	100.0
DIC OP Objekt Leverkusen GmbH, Frankfurt am Main	100.0
DIC OP Objekt Marl GmbH, Frankfurt am Main	100.0
DIC OP Objekt München-Grünwald GmbH, Frankfurt am Main	100.0
DIC OP Objekt 1 GmbH, Frankfurt am Main	100.0
DIC OP Objekt 2 GmbH, Frankfurt am Main	100.0
DIC OP Objekt 3 GmbH, Frankfurt am Main	100.0
DIC OP Objekt 4 GmbH, Frankfurt am Main	100.0
DIC OP Betriebsvorrichtungs GmbH, Frankfurt am Main	100.0
DIC VP Portfolio GmbH, Frankfurt am Main	100.0
DIC VP Objekt Köln ECR GmbH, Frankfurt am Main	100.0
DIC VP Objekt Köln SILO GmbH, Frankfurt am Main	100.0
DIC VP Objekt Düsseldorf Nordstraße GmbH, Frankfurt am Main	100.0
DIC VP Objekt Moers GmbH, Frankfurt am Main	100.0
DIC VP Objekt Neubrandenburg GmbH, Frankfurt am Main	100.0
DIC VP Objekt Saalfeld GmbH, Frankfurt am Main	100.0

* Interest equals the share of voting rights

Name and registered office of company	Interest (%) *
DIC VP Betriebsvorrichtungs GmbH, Frankfurt am Main	100.0
DIC DP Portfolio GmbH, Frankfurt am Main	100.0
DIC DP Wiesbaden Frankfurter Straße 46-48 GmbH, Frankfurt am Main	100.0
DIC DP Hamburg Halenreie GmbH, Frankfurt am Main	100.0
DIC DP Mönchengladbach Stresemannstraße GmbH, Frankfurt am Main	100.0
DIC DP Langenselbold Am Weiher GmbH, Frankfurt am Main	100.0
DIC DP Hallbergmoos Lilienthalstraße GmbH, Frankfurt am Main	100.0
DIC DP Objekt 1 GmbH & Co. KG, Frankfurt am Main	100.0
DIC DP Objekt 2 GmbH, Frankfurt am Main	100.0
DIC DP Objekt 3 GmbH, Frankfurt am Main	100.0
DIC DP Objekt 5 GmbH, Frankfurt am Main	100.0
DIC DP Objekt 6 GmbH, Frankfurt am Main	100.0
DIC DP Betriebsvorrichtungs GmbH, Frankfurt am Main	100.0
DIC 25 Portfolio GmbH, Frankfurt am Main	100.0
DIC 25 Betriebsvorrichtungs GmbH, Frankfurt am Main	100.0
DIC 25 Objekt Bremen GmbH, Frankfurt am Main	99.4
DIC 25 Objekt Chemnitz GmbH, Frankfurt am Main	99.4
DIC 26 Portfolio GmbH, Frankfurt am Main	100.0
DIC 26 Leipzig GmbH, Frankfurt am Main	100.0
DIC 26 Frankfurt-Taunusstraße GmbH, Frankfurt am Main	100.0
DIC 26 Langenhagen GmbH, Frankfurt am Main	100.0
DIC 26 Erfurt GmbH, Frankfurt am Main	100.0
DIC 26 Schwaben GmbH, Frankfurt am Main	100.0
DIC 26 Wiesbaden GmbH, Frankfurt am Main	100.0
DIC 26 Köln GmbH, Frankfurt am Main	100.0
DIC MainTor Real Estate 1 GmbH, Frankfurt am Main	100.0
DIC Objekt Braunschweig GmbH, Frankfurt am Main	94.8
DIC Objektsteuerung GmbH, Frankfurt am Main	94.8
Deutsche Immobilien Chancen Objekt Mozartstraße 33a GmbH, Frankfurt am Main	94.0

Name and registered office of company	Interest (%) *
DIC Objekt Frankfurt 1 GmbH & Co. KG, Frankfurt am Main	94.0
Gewerbepark Langenfeld West 3 GmbH & Co. KG, Frankfurt am Main	99.2
Deutsche Immobilien Chancen Objekt Ulm 1 Erweiterung GmbH & Co. KG, Frankfurt am Main	90.0
Deutsche Immobilien Chancen Objektbeteiligungs GmbH, Frankfurt am Main	90.0
DIC ONSITE GmbH, Frankfurt am Main	100.0
DIC EB Portfolio GmbH, Frankfurt am Main	99.4
DIC Zeil Portfolio GmbH, Frankfurt am Main	99.4
DIC Frankfurt Objekt 3 GmbH, Frankfurt am Main	99.4
DIC LB Portfolio GmbH, Frankfurt am Main	99.4
DIC Berlin Portfolio Objekt Bundesallee GmbH, Frankfurt am Main	99.4
DIC Berlin Portfolio Objekt Berliner Straße GmbH, Frankfurt am Main	99.4
DIC Berlin Portfolio Objekt 3 GmbH, Frankfurt am Main	99.4
DIC Berlin Portfolio Objekt 5 GmbH, Frankfurt am Main	99.4
DIC HI Portfolio GmbH, Frankfurt am Main	92.5
DIC HI Landsberger Straße GmbH & Co. KG, Frankfurt am Main	92.5
DIC HI Objekt Frankfurt Theodor-Heuss-Allee GmbH, Frankfurt am Main	92.5
DIC HI Objekt Hamburg Kurt-Schumacher-Allee GmbH, Frankfurt am Main	92.5
DIC HI Objekt Hamburg Steindamm GmbH, Frankfurt am Main	92.5
DIC HI Objekt Koblenz Frankenstraße GmbH, Frankfurt am Main	92.5
DIC HI Objekt Köln GmbH, Frankfurt am Main	92.5
DIC HI Objekt Neu-Isenburg GmbH, Frankfurt am Main	92.5
DIC HI Objekt Ratingen GmbH, Frankfurt am Main	92.5
DIC HI Objekt 1 GmbH, Frankfurt am Main	92.5
DIC HI Objekt 2 GmbH, Frankfurt am Main	92.5
DIC HI Objekt 3 GmbH & Co. KG, Frankfurt am Main	92.5
DIC HI Objekt 4 GmbH, Frankfurt am Main	92.5

Name and registered office of company	Interest (%) *
DIC HI Objekt 5 GmbH, Frankfurt am Main	92.5
DIC HI Objekt 7 GmbH, Frankfurt am Main	92.5
DIC HI Objekt 8 GmbH, Frankfurt am Main	92.5
DIC HI Objekt 9 GmbH, Frankfurt am Main	92.5
DIC HI Objekt 10 GmbH, Frankfurt am Main	92.5
DIC HI Objekt 11 GmbH, Frankfurt am Main	92.5
DIC HI Objekt 12 GmbH, Frankfurt am Main	92.5
DIC HI Objekt 13 GmbH, Frankfurt am Main	92.5
DIC HI Objekt 14 GmbH, Frankfurt am Main	92.5
DIC HI Objekt 15 GmbH, Frankfurt am Main	92.5
DIC HI Betriebsvorrichtungs GmbH, Frankfurt am Main	92.5
DIC Hamburg Portfolio GmbH, Frankfurt am Main	92.5
DIC Hamburg Objekt Großmannstraße GmbH, Frankfurt am Main	92.5
DIC Hamburg Objekt Harburger Ring GmbH, Frankfurt am Main	92.5
DIC Hamburg Objekt Marckmannstraße GmbH, Frankfurt am Main	92.5
DIC Hamburg Objekt 1 GmbH, Frankfurt am Main	92.5
DIC Hamburg Objekt 2 GmbH, Frankfurt am Main	92.5
DIC Hamburg Objekt 5 GmbH, Frankfurt am Main	92.5
DIC Hamburg Objekt 10 GmbH, Frankfurt am Main	92.5

Appendix 2 to the notes to the consolidated financial statements

Indirect and direct holdings of up to 40 %

Name and registered office of company	Interest (%) *
MainTor GmbH, Frankfurt am Main	40.0
DIC MainTor Primus GmbH, Frankfurt am Main	40.0
DIC MainTor WinX GmbH, Frankfurt am Main	40.0
DIC Blue GmbH, Frankfurt am Main	40.0
DIC MainTor Zweite Beteiligungs GmbH & Co. KG, Frankfurt am Main	40.0
DIC MainTor Verwaltungs GmbH, Frankfurt am Main	40.0
DIC MainTor III GmbH, Frankfurt am Main	40.0
DIC GMG GmbH, Frankfurt am Main	20.0
WACO Beteiligungs GmbH, Frankfurt am Main	20.0
DIC Office Balance I , Frankfurt am Main**	10.0
DIC Office Balance II , Frankfurt am Main***	6.0
DIC Office Balance III , Frankfurt am Main***	4.6
OB III Berlin 1 GmbH & Co. KG, Frankfurt am Main	5.1
OB III Berlin 2 GmbH & Co. KG, Frankfurt am Main	5.1
OB III Berlin 3 GmbH & Co. KG, Frankfurt am Main	5.1
OB III Bochum GmbH & Co. KG, Frankfurt am Main	5.1
OB III Bonn GmbH & Co. KG, Frankfurt am Main	5.1
OB III Frankfurt GmbH & Co. KG, Frankfurt am Main	5.1
OB III Hannover GmbH & Co. KG, Frankfurt am Main	5.1
OB III Köln GmbH & Co. KG, Frankfurt am Main	5.1
OB III Koblenz GmbH & Co. KG, Frankfurt am Main	5.1
OB III München GmbH & Co. KG, Frankfurt am Main	5.1
OB III Nürnberg GmbH & Co. KG, Frankfurt am Main	5.1
DIC HighStreet Balance , Frankfurt am Main***	5.0
WCM Beteiligungs- und Grundbesitz-AG	24.7

Name and registered office of company	Interest (%) *
DIC MSREF HMDD Portfolio GmbH, Frankfurt am Main	20.0
DIC MSREF HMDD Objekt Essen GmbH, Frankfurt am Main	20.0
DIC MSREF HMDD Objekt Frankfurt GmbH, Frankfurt am Main	20.0
DIC MSREF HMDD Objekt Radolfzell GmbH, Frankfurt am Main	20.0
DIC MSREF HMDD Objekt 1 GmbH, Frankfurt am Main	20.0
DIC MSREF HMDD Objekt 2 GmbH, Frankfurt am Main	20.0
DIC MSREF HMDD Objekt 4 GmbH, Frankfurt am Main	20.0
DIC MSREF HT Portfolio GmbH, Frankfurt am Main	20.0
DIC MSREF HT Objekt Düsseldorf GmbH, Frankfurt am Main	20.0
DIC MSREF HT Objekt Hamburg GmbH, Frankfurt am Main	20.0
DIC MSREF HT Objekt Krefeld GmbH, Frankfurt am Main	20.0
DIC MSREF HT Objekt Neu-Ulm GmbH, Frankfurt am Main	20.0
DIC MSREF FF Südwest Portfolio GmbH, Frankfurt am Main	20.0
DIC MSREF FF Südwest Objekt München 1 GmbH & Co. KG, Frankfurt am Main	20.0
DIC MSREF FF Südwest Objekt München 1 Verwaltungs GmbH, Frankfurt am Main	20.0
DIC MSREF FF Südwest Objekt Nürnberg GmbH, Frankfurt am Main	20.0
DIC MSREF FF Südwest Objekt Heilbronn GmbH, Frankfurt am Main	20.0
DIC MSREF FF Südwest Objekt Mainz GmbH, Frankfurt am Main	20.0
DIC BW Portfolio GmbH, Frankfurt am Main	20.0
DIC Development GmbH, Frankfurt am Main	20.0
DIC Opportunistic GmbH, Frankfurt am Main	20.0
DIC Hamburg Objekt Dammtorstraße GmbH & Co. KG, Frankfurt am Main	18.8

* Interest equals the share of voting rights
** 12.5 % share of voting rights
*** 0.0 % share of voting rights

Appendix 3 to the notes to the consolidated financial statements

Announcements on voting rights

Disclosures in line with section 160 (1) no. 8 AktG

The most recent change in the total number of voting rights has been effective since 27 November 2013.

a. Old Mutual Plc, London, United Kingdom, informed us pursuant to section 21 (1) WpHG that on 26 January 2017 its share of voting rights in DIC Asset AG, Frankfurt am Main, exceeded the threshold of 3 % and amounted to 3.03 % (2,076,838 voting rights) as per this date. 3.03 % (2,076,838 voting rights) of these voting rights are to be assigned to Old Mutual Plc pursuant to section 22 WpHG.

b. GMO Credit Opportunities Fund, L.P., Boston, MA, United States of America, informed us pursuant to section 21 (1) WpHG that on 4 August 2016 its share of voting rights in DIC Asset AG, Frankfurt am Main, fell below the threshold of 3 % and amounted to 2.99498 % (2,053,891 voting rights) as per this date.

c. Grantham, Mayo, Van Otterloo & Co. LLC, Boston, MA, United States of America, as the manager/investment advisor of GMO Credit Opportunities Fund, L.P. having discretion regarding investments and re-investments of the fund assets informed us pursuant to section 21 (1) WpHG that on 4 August 2016 its share of voting rights in DIC Asset AG, Frankfurt am Main, fell below the threshold of 3 % and amounted to 2.99498 % (2,053,891 voting rights) as per this date. 2.99498 % (2,053,891 voting rights) of these voting rights are to be assigned to Grantham, Mayo, Van Otterloo & Co. LLC pursuant to section 22 WpHG. The name of the shareholder holding at least 3 % of the voting rights is GMO Credit Opportunities Fund, L.P.

d. Deka Investment GmbH, Frankfurt am Main, Germany, informed us pursuant to section 21 (1) WpHG that on 24 June 2016 its share of voting rights in DIC Asset AG, Frankfurt am Main, exceeded the threshold of 5 % and amounted to 5.02 % (3,444,522 voting rights) as per this date. 5.02 % (3,444,522 voting rights) of these voting rights are to be assigned to Deka Investment GmbH pursuant to section 22 WpHG.

e. British Empire Trust plc, Exeter, United Kingdom, informed us pursuant to section 21 (1) WpHG that on 31 May 2016 its share of voting rights in DIC Asset AG, Frankfurt am Main, exceeded the threshold of 5 % and amounted to 5.24 % (3,594,963 voting rights) as per this date. 5.24 % (3,594,963 voting rights) of these voting rights are to be assigned to British Empire Trust plc pursuant to section 22 WpHG.

f. Asset Value Investors Limited, London, United Kingdom, informed us pursuant to section 21 (1) WpHG that on 31 May 2016 its share of voting rights in DIC Asset AG, Frankfurt am Main, exceeded the threshold of 5 % and amounted to 5.33 % (3,653,096 voting rights) as per this date. 5.33 % (3,653,096 voting rights) of these voting rights are to be assigned to Asset Value Investors Limited pursuant to section 22 WpHG.

g. The RAG-Stiftung, Essen, Germany informed us pursuant to section 41 (4f) WpHG that its share of voting rights in DIC Asset AG, Frankfurt am Main, amounted to 4.76 % (3,262,022 voting rights) on 26 November 2015.

h. APG Asset Management N.V., Amsterdam, The Netherlands, informed us pursuant to Article 21 Section 1 WpHG that on 2 March 2015 its voting rights in DIC Asset AG, Frankfurt am Main, Germany, have fallen below the threshold of 3 % and amounted to 2.68 % (1,838,377 voting rights) as per this date.

   APG Groep NV, Amsterdam, The Netherlands, informed us pursuant to Article 21 Section 1 WpHG that on 2 March 2015 its voting rights in DIC Asset AG, Frankfurt am Main, Germany, have fallen below the threshold of 3 % and amounted to 2.68 % (1,838,377 voting rights) as per this date. Of these voting rights, 2.68 % (1,838,377 voting rights) are to be attributed to APG Groep NV pursuant to Article 22 Section 1 Sentence 1 No. 1 WpHG.

i. Stichting Pensioenfonds ABP, Heerlen, The Netherlands, informed us pursuant to Article 21 Section 1 WpHG that on 2 March 2015 its voting rights in DIC Asset AG, Frankfurt am Main, Germany, have fallen below the threshold of 3 % and amounted to 2.68 % (1,838,377 voting rights) as per this date. Of these voting rights, 2.68 % (1,838,377 voting rights) are to be attributed to Stichting Pensioenfonds ABP pursuant to Article 22 Section 1 Sentence 1 No. 1 WpHG.

j. EII Capital Management, Inc., New York City, United States of America, informed us in line with § 21 (1) WpHG that its share of voting rights in DIC Asset AG, Frankfurt am Main, fell below the 3 % threshold on 1 August 2014 and was 2.79 % as of this date (1,914,860 votes). 2.79 % thereof (1,914,860 votes) is allocable to EII Capital Management, Inc. in line with § 22 (1) sentence 1 No. 6 WpHG.

   EII Capital Holding, Inc., New York City, United States of America, informed us in line with § 21 (1) WpHG that its share of voting rights in DIC Asset AG, Frankfurt am Main, fell below the 3 % threshold on 1 August 2014 and was 2.79 % as of this date (1,914,860 votes). 2.79 % thereof (1,914,860 votes) is allocable to EII Capital Holding, Inc. in line with § 22 (1) sentence 1 No. 6 in conjunction with § 22 (1) sentence 2 WpHG.

k. Morgan Stanley, Wilmington, Delaware, United States of America, informed us in line with § 21 (1) WpHG that its share of voting rights in DIC Asset AG, Frankfurt am Main, fell below the 3 % threshold on 9 June 2014 and was 0.01 % as of this date (8,000 votes). 0.01 % thereof (8,000 votes) is allocable to Morgan Stanley in line with § 22 (1) sentence 1 No. 1 WpHG.

l. Commerzbank Aktiengesellschaft, Frankfurt am Main, Germany, informed us pursuant to § 21 Para. 1 WpHG that its share of voting rights in DIC Asset AG, Frankfurt am Main, fell below the levels of 10 %, 5 % and 3 % on 29 November 2013 and now stands at 0.02 % (corresponding to 15,000 votes). 0.02 % of these voting rights (corresponding to 15,000 votes) are to be assigned to Commerzbank Aktiengesellschaft pursuant to § 22 Para. 1 Sentence 1 No. 6 WpHG.

m. DIC Opportunistic GmbH, Frankfurt am Main, Germany, informed us pursuant to § 21 Para. 1 WpHG that its share of voting rights in DIC Asset AG, Frankfurt am Main, exceeded the levels of 3 %, 5 % and 10 % on 27 November 2013 and now stands at 13.97 % (corresponding to 9,581,735 votes). 4.92 % of these voting rights (corresponding to 3,375,667 votes) are to be assigned to DIC Opportunistic GmbH pursuant to § 22 Para. 2 WpHG.

n. DIC Beteiligungsgesellschaft bürgerlichen Rechts, Frankfurt am Main, Germany, informed us pursuant to § 21 Para. 1 of the German Securities Trading Act (WpHG) that its share of voting rights in DIC Asset AG, Frankfurt am Main, exceeded the level of 10 % on 27 November 2013 and now stands at 14.52 % (corresponding to 9,960,759 votes). 0.55 % of these voting rights (corresponding to 379,024 votes) are to be assigned to DIC Beteiligungsgesellschaft bürgerlichen Rechts pursuant to § 22 Para. 1 Sentence 1 No.1 WpHG and 11.34 % (corresponding to 7,778,170 votes) pursuant to § 22 Para. 2 WpHG.

   DIC Beteiligungsgesellschaft bürgerlichen Rechts is assigned voting rights pursuant to § 22 Para. 2 WpHG by the following shareholder whose assigned share of voting rights in DIC Asset AG, Frankfurt am Main amounts to 3 % or more:

   – DIC Opportunistic GmbH

o. DIC Opportunity Fund, Frankfurt am Main, Germany, informed us pursuant to § 21 Para. 1 WpHG that its share of voting rights in DIC Asset AG, Frankfurt am Main, exceeded the levels of 5 % and 10 % on 27 November 2013 and now stands at 13.97 % (corresponding to 9,581,735 votes). 11.68 % of these voting rights (corresponding to 8,009,633 votes) are to be assigned to DIC Opportunity Fund GmbH pursuant to § 22 Para. 2 WpHG.

   DIC Opportunity Fund GmbH is assigned voting rights by the following shareholder whose assigned share of voting rights in DIC Asset AG, Frankfurt am Main amounts to 3 % or more:

   – DIC Opportunistic GmbH

p. BNP Paribas Investment Partners S.A., Paris, France, informed us pursuant to § 21 Para. 1 WpHG that its share of voting rights in DIC Asset AG, Frankfurt am Main, fell below the level of 3 % on 24 January 2012 and now stands at 2.93 % (corresponding to 1,338,422 votes). 2.41 % of these (corresponding to 1,099,682 votes) are to be assigned to the company pursuant to § 22 Para. 1 Sentence 1 No. 6 WpHG.

q. DICP Capital SE, Munich, Germany, informed us pursuant to § 21 Para. 1 WpHG that its share of voting rights in DIC Asset AG, Frankfurt am Main, exceeded the levels of 3 %, 5 %, 10 %, 15 %, 20 %, 25 % and 30 % on 17 September 2009 and now stands at 39.37 % (corresponding to 12,342,634 votes). 39.37 % of these voting rights (corresponding to 12,342,634 votes) are to be assigned to the company pursuant to § 22 Para. 1 Sentence 1 No. 1 WpHG. Assignment is conducted via companies controlled by DICP Capital SE, namely DIC ML GmbH, DIC Opportunity Fund GmbH, Deutsche Immobilien Chancen AG & Co. KGaA, Deutsche Immobilien Chancen Beteiligungs AG, DIC Grund- und Beteiligungs GmbH and DIC Capital Partners (Europe) GmbH, whose share of voting rights in DIC Asset AG, Frankfurt am Main, each totals 3 % or more.

r. solvia Vermögensverwaltungs GmbH, Wolfenbüttel, Germany, informed us pursuant to § 21 Para. 1 WpHG that its share of voting rights in DIC Asset AG, Frankfurt am Main, exceeded the levels of 3 % and 5 % on 20 May 2009 and now totals 5.11 % (1,602,522 voting rights).

s. F. Rehm, Germany, informed us pursuant to § 21 Para. 1 WpHG that his share of voting rights in DIC Asset AG, Frankfurt am Main, exceeded the levels of 3 % and 5 % on 20 May 2009 and now totals 5.11 % (1,602,522 voting rights). 5.11 % of these voting rights are assigned to him as voting rights (1,602,522 voting rights) pursuant to § 22 Para. 1 Sentence 1 No. 1 WpHG via solvia Vermögensverwaltungs GmbH, Wolfenbüttel, Germany, whose share of voting rights totals 3 % or more.

t. Massachusetts Mutual Life Insurance Company, USA, informed us pursuant to § 21 Para. 1, 24 WpHG:

   Correction to the voting rights notification pursuant to § 21 Para. 1, 24 WpHG

   OppenheimerFunds Inc., Centennial, Colorado, USA, fell below the 3 % level of voting rights in DIC Asset AG, Frankfurt am Main (ISIN: DE0005098404, WKN: 509840) on 9 January 2008. The share of the voting rights on this date amounted to 2.91 % (911,303 voting rights), which are to be assigned to OppenheimerFunds Inc. pursuant to § 22 Para. 1 Sentence 1 No. 6 WpHG.

   Voting rights notification pursuant to § 21 Para. 1, 24 WpHG

   Oppenheimer Acquisition Corp., Centennial, Colorado, USA, fell below the 3 % level of voting rights in DIC Asset AG, Frankfurt am Main (ISIN: DE0005098404, WKN: 509840) on 9 January 2008. The share of the voting rights on this date amounted to 2.91 % (911,303 voting rights), which are to be assigned to Oppenheimer Acquisition Corp. pursuant to § 22 Para. 1 Sentence 1 No. 6 Sentence 2 WpHG.

   Voting rights notification pursuant to § 21 Para. 1, 24 WpHG

   MassMutual Holding LLC, Springfield, Massachusetts, USA, fell below the 3 % level of voting rights in DIC Asset AG, Frankfurt am Main (ISIN: DE0005098404, WKN: 509840) on 9 January 2008. The share of the voting rights on this date amounted to 2.91 % (911,303 voting rights), which are to be assigned to MassMutual Holding LLC pursuant to § 22 Para. 1 Sentence 1 No. 6 Sentence 2 WpHG.

   Correction to the voting rights notification pursuant to § 21 Para. 1, 24 WpHG

   Massachusetts Mutual Life Insurance Company, Springfield, Massachusetts, USA, fell below the 3 % level of voting rights in DIC Asset AG, Frankfurt am Main (ISIN: DE0005098404, WKN: 509840) on 9 January 2008. The share of the voting rights on this date amounted to 2.91 % (911,303 voting rights), which are to be assigned to Massachusetts Mutual Life Insurance Company pursuant to § 22 Para. 1 Sentence 1 No. 6 Sentence 2 WpHG.

u. Deutsche Immobilien Chancen AG & Co. KGaA, Frankfurt am Main, voluntarily informed us pursuant to § 21 Para. 1 WpHG that its share of voting rights in DIC Asset AG, Frankfurt am Main, amounted to 39.37 % (corresponding to 12,342,634 votes) on 14 July 2008. 14.04 % of these voting rights (corresponding to 4,400,668 votes) are to be assigned to the company pursuant to § 22 Para. 1 Sentence 1 No. 1 WpHG. Assignment is conducted via companies it controls, namely DIC ML GmbH and DIC Opportunity Fund GmbH, whose share of voting rights in DIC Asset AG, Frankfurt am Main, each totals 3 % or more.

v. Deutsche Immobilien Chancen Beteiligungs AG, Frankfurt am Main, voluntarily informed us pursuant to § 21 Para. 1 WpHG that its share of voting rights in DIC Asset AG, Frankfurt am Main, amounted to 39.37 % (corresponding to 12,342,634 votes) on 14 July 2008. 39.37 % of these voting rights (corresponding to 12,342,634 votes) are to be assigned to the company pursuant to § 22 Para. 1 Sentence 1 No. 1 WpHG. Assignment is conducted via companies it controls, namely DIC ML GmbH, DIC Opportunity Fund GmbH and Deutsche Immobilien Chancen AG & Co. KGaA, whose share of voting rights in DIC Asset AG, Frankfurt am Main, each totals 3 % or more.

w. DIC Grund- und Beteiligungs GmbH, Erlangen, voluntarily informed us pursuant to § 21 Para. 1 WpHG that its share of voting rights in DIC Asset AG, Frankfurt am Main, amounted to 39.37 % (corresponding to 12,342,634 votes) on 14 July 2008. 39.37 % of these voting rights (corresponding to 12,342,634 votes) are to be assigned to the company pursuant to § 22 Para. 1 Sentence 1 No. 1 WpHG. Assignment is conducted via companies it controls, namely DIC ML GmbH, DIC Opportunity Fund GmbH, Deutsche Immobilien Chancen AG & Co. KGaA and Deutsche Immobilien Chancen Beteiligungs AG, whose share of voting rights in DIC Asset AG, Frankfurt am Main, each totals 3 % or more.

x. DIC Capital Partners (Europe) GmbH, Munich, voluntarily informed us pursuant to § 21 Para. 1 WpHG that its share of voting rights in DIC Asset AG, Frankfurt am Main, amounted to 39.37 % (corresponding to 12,342,634 votes) on 14 July 2008. 39.37 % of these voting rights (corresponding to 12,342,634 votes) are to be assigned to the company pursuant to § 22 Para. 1 Sentence 1 No. 1 WpHG. Assignment is conducted via companies it controls, namely DIC ML GmbH, DIC Opportunity Fund GmbH, Deutsche Immobilien Chancen AG & Co. KGaA, Deutsche Immobilien Chancen Beteiligungs AG and DIC Grund- und Beteiligungs GmbH, whose share of voting rights in DIC Asset AG, Frankfurt am Main, each totals 3 % or more.

y. GCS Verwaltungs GmbH, Glattbach, voluntarily informed us pursuant to § 21 Abs. 1 WpHG that its share of voting rights in DIC Asset AG, Frankfurt am Main, amounted to 39.37 % (corresponding to 12,342,634 votes) on 14 July 2008. 39.37 % of these voting rights (corresponding to 12,342,634 votes) are to be assigned to the company pursuant to § 22 Para. 1 Sentence 1 No. 1 WpHG. Assignment is conducted via companies it controls, namely DIC ML GmbH, DIC Opportunity Fund GmbH, Deutsche Immobilien Chancen AG & Co. KGaA, Deutsche Immobilien Chancen Beteiligungs AG, DIC Grund- und Beteiligungs GmbH and DIC Capital Partners (Europe) GmbH, whose share of voting rights in DIC Asset AG, Frankfurt am Main, each totals 3 % or more.

z. Prof. Dr. Gerhard Schmidt, Germany, voluntarily informed us pursuant to § 21 Para. 1 WpHG that his share of voting rights in DIC Asset AG, Frankfurt am Main, amounted to 39.37 % (corresponding to 12,342,634 votes) on 14 July 2008. 39.37 % of these voting rights are to be assigned to him (corresponding to 12,342,634 votes) pursuant to § 22 Para. 1 Sentence 1 No. 1 WpHG. Assignment is conducted via companies he controls, namely DIC ML GmbH, DIC Opportunity Fund GmbH, Deutsche Immobilien Chancen AG & Co. KGaA, Deutsche Immobilien Chancen Beteiligungs AG, DIC Grund- und Beteiligungs GmbH, DIC Capital Partners (Europe) GmbH and GCS Verwaltungs GmbH, whose share of voting rights in DIC Asset AG, Frankfurt am Main, each totals 3 % or more.

aa. FMR Corp., Boston, Massachusetts, USA, informed us pursuant to § 21 Para. 1 WpHG that its share of voting rights in DIC Asset AG fell below the level of 3 % on 1 February 2007 and now stands at 1.71 %. The voting rights are assigned to FMR Corp. pursuant to § 22 Para. 1 Sentence 2 WpHG in conjunction with § 22 Para. 1 Sentence 1 No. 6 WpHG.

GLOSSARY

Acquisition volume
The total of the purchase prices for acquired real estate (with notarisation) within a reporting period.

Annualised rent
Annual rental income of a property based on current rent.

Asset management
Value-orientated operation and/or optimisation of properties through letting management, repositioning or modernisation.

Cash flow
Figure that shows the net inflow of cash from sales activities and other current activities during a given period.

Change of control clause
Contractual provision in the event of a takeover by another company.

Co-Investments
Comprises the investments in which DIC Asset AG holds a significant stake of up to 40 %. This includes co-investments in funds and joint venture investments. Shares in these investments are consolidated as associates using the equity method.

Commercial Portfolio
The Commercial Portfolio represents the existing portfolio of DIC Asset AG including the direct real estate investments ("investment properties"). Properties in this portfolio are reported under "Investment property".

Core real estate
Properties let on long-term leases to tenants with outstanding credit ratings in the best locations are described as "core real estate".

Corporate governance
Rules for sound, responsible business management aimed at running a company in line with values and standards in the interest of its investors and other stakeholders. The annual declaration of conformity to the German Corporate Governance Code provides a tool to assess corporate governance.

Derivative financial instruments
Derivative financial instruments, or derivatives, are reciprocal contracts, whose price determination is generally based on the trend of a market-dependent underlying security (e. g. shares or interest rates). They are used for various reasons, including hedging financial risks.

Designated Sponsor
The term "designated sponsor" is used for stock brokers who are active in Xetra trading, and who in their role as special market players ensure that the shares of a given issuer retain the necessary liquidity.

Disposal volume
The total of the sales prices for the sold real estate (with notarisation) within a reporting period.

EBIT
Earnings before interest and taxes.

EBITDA
Earnings before interest, taxes, depreciation and amortisation.

EPRA earnings
The EPRA earnings are a measure for the sustained and continuous performance by a real estate portfolio and are comparable with the calculation of funds from operations (FFO). In calculating it, all non-recurring income components are eliminated. These include valuation effects and the result of the sale of properties and project developments.

EPRA index
EPRA (European Public Real Estate Association) index family, used internationally, that details the performance of the world's largest listed real estate companies.

Equity method
Consolidation and measurement method for associates in the consolidated financial statements based on the share of updated equity and earnings. DIC Asset AG reports its shares in co-investments using this method.

Fair value
The fair value is the amount for which an asset could be exchanged, or a liability settled, between competent, independent business partners.

Fee
Payment for services to third parties or payment obligation as a result of using third-party services.

FFO (funds from operations)
Operating income from property management, before depreciation, tax and profits from sales and project developments.

Financial covenants
Financial covenants are conditions stipulated by financial institutions when granting loans. They are linked to the achievement of financial key figures (e. g. interest coverage ratio [ICR], and debt service coverage ratio [DSCR]) during the term.

Gross rental income
Corresponds to the contractually agreed rent, plus/minus the rental incentives to be distributed over the lease agreement in accordance with IFRSs from investment rent and rent-free periods.

Gross rental yield
Ratio of contractually agreed gross rent to current market value of the real estate.

Hedge (cash flow hedge, fair value hedge)
Agreement of a contract to safeguard and compensate for the exposure to financial risk.

Impairment test
Obligatory periodic comparison under IFRSs of fair values and carrying amounts and the assessment of potential signs of a sustained impairment in the value of assets.

Interest coverage ratio (ICR)
Ratio of interest expense to net rental income.

Interest rate swap
In the case of interest rate swaps, cash flows from fixed and variable interest-bearing loans are swapped between counterparties. This can be used, for example, to ensure a certain interest rate and thereby minimise risks from interest rate rises.

Investment properties
Investment properties are investments in land and/or buildings that are held for the purposes of earning income from rents and leases, and/or for capital appreciation. They are reported as "Investment property" in accordance with the International Accounting Standards (IAS 40). DIC Asset AG measures investment properties at depreciated cost in accordance with IAS 40.56.

IFRSs (International Financial Reporting Standards)
IFRSs have been applicable to listed companies since 1.1.2005. They are intended to facilitate worldwide comparability of publicly traded companies. The focus is on providing information that is easy to understand and fair, not on the protection of creditors and risk-related matters.

Joint venture
Investment properties with strategic finance partners in the area of Co-Investments, in which DIC Asset AG has a significant stake of up to 40%.

Letting volume
Rental space for which rental agreements for new tenancies or renewals have been concluded for a given period.

Like-for-like rental income
Like-for-like rental income is rental income from properties in a portfolio that were continuously in the portfolio within a given period. Changes due to portfolio additions and disposals are therefore not included here. When comparing periods, this figure shows the effect of the letting activity, among other aspects.

Loan-to-value (LTV)
The relationship between the total financial debt, corporate bonds and liabilities to related parties minus cash in banks, on the one hand, and the real estate held at fair market values as financial investments, equity investments, and receivables due from related parties, on the other hand.

Market capitalisation
Total market value of a company listed on the stock exchange, resulting from the share price multiplied by the number of shares issued.

Measurement at cost
When measuring an asset at cost, measurement includes recognising the cost incurred for producing or acquiring the asset. The carrying amount of depreciable assets is reduced by depreciation and, if required, by impairment charges. Also referred to as "at cost accounting".

NAV (net asset value)
Represents the intrinsic value of a company. The net assets are calculated as the fair value of the assets less liabilities.

Non-recourse financing
Financing at property or portfolio level, whereby recourse to other assets within the scope of the Group is excluded. In the case of non-recourse financing, lenders tailor their lending to the property or the portfolio, as well as the cash flow from the rental income.

Operating leases
Term used in the context of international measurement rules. It describes a periodic lease agreement in which the lessor's financing costs are not fully amortised.

Operating cost ratio
Personnel and administration expenses less the income from real estate management in relation to the net rental income.

Peak rent
The peak rent is the highest possible rent that could be expected in the market for a prime quality, suitably equipped office unit in the best location.

Prime standard
Segment of the Frankfurt Stock Exchange with the greatest relevance and degree of regulation, as well as the highest level of transparency.

Proceeds from sales of property
Pro-rata income from sales of investment property after transfer of ownership.

Property management
Complete property servicing by own efforts or by management of commercial, infrastructure and technical service providers.

Redevelopment
Redevelopment is any type of measure to develop property that is already in use.

Refurbishment
Generally, structural changes to a building aimed at improving a building's quality and/or fixtures and fittings.

Share of the profit of associates
Covers the earnings of the DIC Asset AG Co-Investments calculated in accordance with the equity method. Includes income from the management of real estate and profits on sales among other sources, calculated proportionately in each case.

Value in use
Present value of future cash flows to be earned through the use of an asset. In contrast to the fair value, which is orientated towards sales and markets, the value in use reflects the specific value of the continued use of an asset from the point of view of the company.

Warehousing
See explanation on page 40.

QUARTERLY OVERVIEW 2016

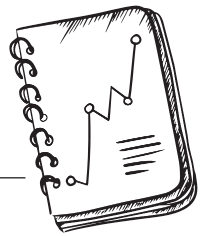
Key financial figures in EUR million	Q1 2016	Q2 2016	Q3 2016	Q4 2016
Gross rental income	27.6	27.0	26.8	**29.8**
Net rental income	23.5	23.0	23.0	**25.0**
Real estate management fees	7.4	7.6	3.0	**3.5**
Proceeds from sales of property	237.6	27.9	16.1	**36.5**
Total income	278.3	68.0	51.6	**75.6**
Profits on property disposals	9.9	7.0	2.0	**4.3**
Share of the profit or loss of associates	1.3	0.0	0.9	**0.1**
Funds from Operations (FFO)	14.5	13.2	9.2	**10.1**
EBITDA	36.1	31.1	22.1	**25.6**
EBIT	27.0	22.1	13.4	**17.1**
EPRA earnings	13.6	12.9	9.5	**8.1**
Adjusted profit for the period	11.8	8.4	2.3	**4.4**
Cash flow from operating activities	6.6	5.0	8.4	**13.9**

Balance sheet figures in EUR million	31.03.2016	30.06.2016	30.09.2016	31.12.2016
Loan-to-value ratio (LTV) in %	58.8	57.2	58.8	**59.9***
Investment property	1,675.9	1,659.0	1,627.6	**1,583.4**
Total assets	2,200.4	2,185.7	2,220.0	**2,395.5**

*adjusted for warehousing

Key figures per share in Euro	Q1 2016	Q2 2016	Q3 2016	Q4 2016
FFO	0.21	0.19	0.14	**0.15**
EPRA earnings	0.20	0.19	0.13	**0.12**
Earnings (adjusted)	0.17	0.13	0.03	**0.06**

MULTI-YEAR OVERVIEW



Key financial figures in EUR million	2012	2013	2014	2015	**2016**
Gross rental income	126.5	125.2	147.5	136.7	**111.2**
Net rental income	113.2	112.3	132.2	120.4	**94.5**
Real estate management fees	5.7	6.5	5.2	7.3	**21.5**
Proceeds from sales of property	75.7	81.1	90.5	201.3	**318.1**
Total income	229.1	236.1	277.6	372.4	**473.8**
Profits on property disposals	3.8	7.6	6.8	14.9	**23.2**
Share of the profit or loss of associates	1.8	1.6	6.6	7.7	**2.3**
Funds from Operations (FFO)	44.9	45.9	47.9	49.0	**47.0**
EBITDA	102.1	106.3	128.3	126.6	**114.9**
EBIT	68.5	70.9	85.2	83.9	**79.6**
EPRA earnings	41.7	45.5	47.6	47.6	**44.1**
Adjusted profit/loss for the period	11.8	16.0	14.0	20.7	**26.9**
Profit/loss for the period	11.8	16.0	14.0	20.7	**-29.4**
Cash flow from operating activities	43.9	42.0	34.9	53.0	**33.9**

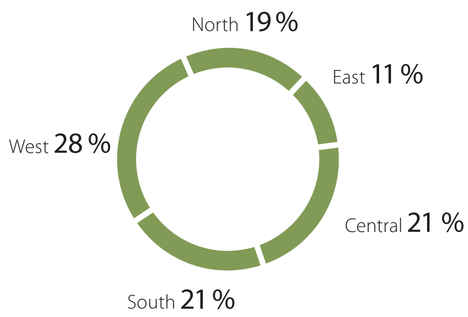
Balance sheet figures in EUR million	31.12.2012	31.12.2013	31.12.2014	31.12.2015	**31.12.2016**
Investment property	1,847.4	2,256.4	2,143.9	1,700.2	**1,583.4**
Net asset value	685.4	862.4	864.8	884.1	**880.0**
Total assets	2,210.2	2,596.0	2,537.0	2,456.1	**2,395.5**
Equity	614.3	793.1	774.8	792.1	**757.0**
Liabilities	1,595.9	1,802.9	1,762.1	1,664.0	**1,638.6**

Key figures per share in Euro	2012	2013	2014	2015	**2016**
FFO	0.95	0.94	0.70	0.72	**0.69**
EPRA earnings	0.89	0.93	0.69	0.69	**0.64**
Net asset value	14.99	12.58	12.61	12.89	**12.83**
Dividend	0.35	0.35	0.35	0.37	**0.40***

* proposed dividend

PORTFOLIO BY REGIONS*

Portfolio proportion by rental space



Number of properties

	2016	2015
North	32	33
East	23	25
Central	38	42
West	53	54
South	54	61
Total	200	215

Market value
in EUR million

	2016	2015
North	433.3	330.0
East	236.3	220.0
Central	586.5	610.2
West	580.5	666.9
South	291.5	372.1
Total	2,128.1	2,199.2

Rental space in sqm

	2016	2015
North	196,000	226,500
East	116,400	141,100
Central	227,200	242,800
West	296,600	368,600
South	218,600	277,000
Total	1,054,800	1,256,000

Annualised rental income
in EUR million

	2016	2015
North	18.6	21.5
East	11.8	15.4
Central	28.9	29.8
West	32.5	40.7
South	20.5	25.3
Total	112.3	132.7

Rental income
in EUR per sqm

	2016	2015
North	8.4	8.4
East	9.1	9.5
Central	12.3	12.7
West	10.1	10.0
South	8.2	7.9
Total	9.7	9.6

WALT in years

	2016	2015
North	6.5	5.9
East	3.4	4.9
Central	4.5	4.1
West	3.8	4.4
South	3.5	3.5
Total	4.3	4.4

Gross rental yield

	2016	2015
North	6.7 %	6.6 %
East	6.9 %	7.0 %
Central	6.2 %	5.9 %
West	6.3 %	6.2 %
South	7.0 %	6.8 %
Total	6.5 %	6.4 %

Vacancy rate

	2016	2015
North	6.3 %	6.1 %
East	8.5 %	7.0 %
Central	16.7 %	22.2 %
West	12.3 %	10.7 %
South	10.5 %	9.0 %
Total	11.3 %	11.3 %

* All figures pro rata, except for number of properties; all figures excluding developments ans warehousing, except for number of properties and market value

PORTFOLIO BY SEGMENTS

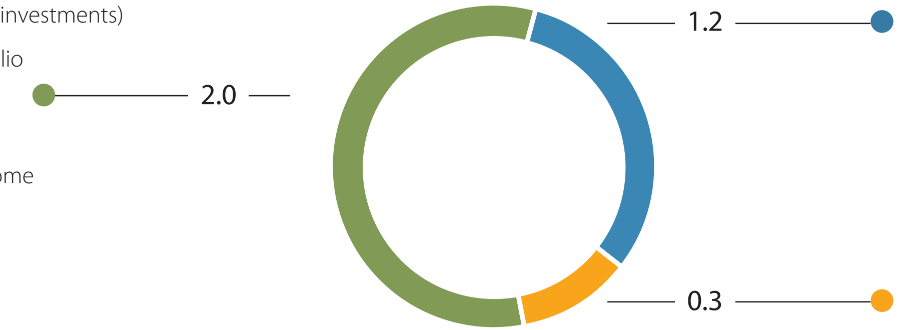
ASSETS UNDER MANAGEMENT

Market value in EUR billion

Commercial Portfolio* (direct investments)

- 142 properties in the portfolio
- Medium to long-term investment horizon
- High sustainable rental income
- Sales at appropriate time

*including warehousing properties



Funds

- 48 properties
  - – Core real estate in major cities and regional economic centres
  - – DIC Asset AG as a service provider in asset and property management

Other

- 10 properties
- Project developments and other joint ventures

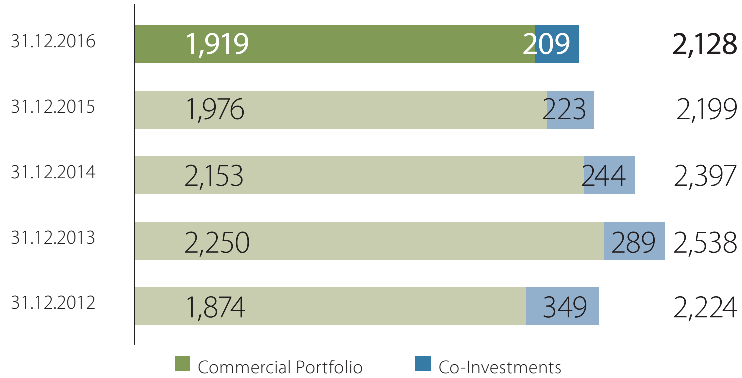
PORTFOLIO OVERVIEW*

	Commercial Portfolio	Co-Investments	**Total 2016**	Total 2015
Number of properties	142	58	**200**	215
Market value in EUR million	1,919.4	208.7	**2,128.1**	2,199.2
Rental space in sqm	1,000,200	54,600	**1,054,800**	1,256,000
Portfolio proportion by rental space	95 %	5 %	**100 %**	100 %
Annualised rental income in EUR million	104.5	7.8	**112.3**	132.7
Rental income in EUR per sqm	9.6	11.7	**9.7**	9.6
Lease maturities in years	4.4	3.5	**4.3**	4.4
Gross rental yield	6.5 %	6.6 %	**6.5 %**	6.4 %
Vacancy rate	11.8 %	2.5 %	**11.3 %**	11.3 %

* All figures pro rata, except for number of properties; all figures excluding developments ans warehousing, except for number of properties and market value

PORTFOLIO VOLUME

in EUR million



MANAGEMENT BOARD

Sonja Wärntges
(Chief Financial Officer)

Aydin Karaduman
(Chairman of the Management Board)

Johannes von Mutius
(Chief Investment Officer)

LEGAL NOTES

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Forward-looking statements

This annual report contains statements that refer to future developments. Such statements constitute assessments that have been taken in the light of the information available. Should the assumptions on which they are based not prove accurate, or should – as specified in the section entitled Risk Report – risks occur, the actual results may differ from those anticipated.

Note:
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