

ACCENTRO

REAL ESTATE AG



ANNUAL FINANCIAL STATEMENT 2017

ACCENTRO Real Estate AG
Berlin

MANAGEMENT REPORT
for the 2017 Financial Year

PRELIMINARY REMARKS

ACCENTRO Real Estate AG is a holding company. It controls the operations of subsidiaries that own the Group's real estate holdings outright. In addition, it is the parent company of a service provider focusing on the housing privatisation business. The Company's business performance, along with its opportunities and risks, is inseparably linked to the economic development of the group entities. To properly understand the economic development of ACCENTRO AG and its definitive influencing factors, it is therefore of the essence to consider the ACCENTRO Group as a whole. This is why the Management Report before you repeatedly references facts and circumstances that, while directly concerning the ACCENTRO Group, are simultaneously relevant for ACCENTRO AG.

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

All monetary figures in this report are stated in euros (EUR). Both individual and total figures represent values with the smallest rounding difference. Accordingly, adding the values of the individual line items may result in minor differences compared to the sum totals posted.

1 Fundamentals of the Company

1.1 Business Model of the Company, Objectives and Strategies

ACCENTRO AG is a listed residential property company. The Group's core market is Berlin. The activities of ACCENTRO AG concentrate on the management of its proprietary housing stock and on the tenant-friendly housing privatisation thereof. At the same time, the ACCENTRO Group is not averse to exploiting opportunities in the form of block sales of residential units to institutional investors (portfolio sales). Furthermore, the Group provides property retailing services on behalf of third parties.

1.2 Corporate Structure and Control System

ACCENTRO AG is the parent company of the ACCENTRO Group. ACCENTRO AG acts as an operationally active holding company for a number of member companies in which the housing stock is concentrated, and for one service company focused on the business area of housing privatisation. For companies in which it holds a controlling interest, ACCENTRO AG assumes the top-down responsibilities of corporate controlling, funding, and administration within the ACCENTRO Group. ACCENTRO AG's sphere of ownership includes core divisions such as Legal, Accounting, Controlling, Risk Management, Funding, Purchasing, Asset Management and IT.

As of 31 December 2017, the ACCENTRO AG conglomerate consists of several property vehicles directly managed by ACCENTRO AG that own the real estate stock of the ACCENTRO Group, and the subgroup ACCENTRO Gehrensee GmbH, in which a major property development in Berlin is gathered. The subgroup and all of the property vehicles are consolidated in

the Consolidated Financial Statements of ACCENTRO AG. For a list of the individual subsidiaries and associates of ACCENTRO AG, please see the Notes to the Consolidated Financial Statements..

ACCENTRO Real Estate AG uses EBIT as financial performance indicator for corporate controlling purposes. Here, the key control variable is the sales performance of the properties, definitive factors including the number of condominium reservations placed by potential buyers, among others, and the actual selling prices realised. The latter is aggregated both as number of flats involved and as sales total. Among the other factors that the control system takes into account are the operating results of each sub-portfolio or of each property. In addition, control variables such as the number of new leads, viewings, and page views of the property-specific home pages serve as early indicators for the Company's performance.

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

For a presentation of the current corporate structure and a list of the individual subsidiaries and associates of ACCENTRO AG, see the Notes to the Consolidated Financial Statements.

1.3 Research and Development

With its activities concentrated in the areas of residential property letting and of property trading, the ACCENTRO Group has no need to conduct research and development activities, nor is it dependent on licenses and patents.

2 Economic Report

2.1 Macro-Economic Development

In a press release on 11 January 2018, the Federal Statistical Office described the economic situation in Germany as follows: "The business cycle in Germany in 2017 was characterised by strong economic growth. According to provisional calculations by the Federal Statistical Office (Destatis), the gross domestic product grew by 2.2 % year on year in 2017 when adjusted for inflation. This means that the German economy grew for the eighth consecutive year." Due to the European Central Bank's continued accommodative monetary policy and the resulting low interest level, both the real estate market and property stocks continued to experience persistent demand.

The German real estate markets benefit from the favourable economic parameters and from the generally positive sentiment prevailing at the moment. Low interest rates and a bright outlook encourage a constantly widening consumer base to consider homeownership. As a provider of condominiums, ACCENTRO Real Estate AG directly benefits from the trend.

2.2 Development of the German Housing Market

According to the latest survey by real estate service provider bulwiengesa AG, "Germany's real estate market (...) was defined by low interest rates, strong liquidity positions on the player side, and a shortage in zoned land throughout the year 2017. As a result, the bulwiengesa Real Estate Index gained for the thirteenth time in as many years, and registered its steepest growth since 1990-1992.

The 5-year average improved to a striking annual rate of +4.6 %. The run on the housing markets in the country's metro regions is driven by incoming migration, while the economic indices present a very robust picture, and the labour market is booming. All of this bolsters the keen demand for housing and places of business, and boosts real estate as a sought commodity on the investment market."

A survey of the German house and apartment market that was published by Deutsche Bank Research (DB Research) in January 2018 concluded: "Germany's metropolises are booming. In the ongoing real estate cycle, which started in 2009, house and apartment prices have been quick to rise in many cities. In some cities, condominium prices have actually doubled.

Demand in many cities is driven by a brisk demographic and employment growth and by eroding unemployment rates. The supply elasticity is low everywhere. Housing construction is only being stepped up gradually. Vacancy rates are dropping. Rent growth is gathering momentum. It is unlikely that the housing shortage can be managed by regulatory means. Prices and rents can be expected to see substantial growth in 2018."

According to Deutsche Bank Research, house and apartment prices in Berlin, which is the core market for ACCENTRO, went up by around 10 % year on year in 2017. Unemployment rates are dropping to record lows, while the employment growth is strong. The building activity remains sluggish. The wide gap between the number of planning permits issued and

the number of actual completions is here to stay. For prices and rents, 2018 is likely to be another year of unchecked growth.

According to the above-quoted survey by DB Research, the brisk price dynamics in Berlin is fuelled by the conspicuous lack of apartments, with lack of zoned land one of the main reasons that is cited for the housing shortage. The latest Housing Market Barometer for Berlin suggests that affordable housing in the medium-price segment, and even more so in the bottom segment, is in particularly short supply. Experts for Berlin's housing market estimate that it will take until the end of the decade to ease the strained market situation. The official completion figures do not suggest that the situation will ease any time soon. In 2016 (the last year for which stats are available), only 13,700 flats were completed, which means that 0.7 % of the housing stock were replaced. The official stats also show that the divergence between the number of planning permits issued and actual completions persists. Specifically, a total of 25,100 planning permits are matched by just 13,700 completions. No other German metropolis shows a greater imbalance between approved construction projects and project completions (the ratio of 1.83 in Berlin comparing to 1.78 in Düsseldorf, 1.4 in Hamburg, 1.3 in Frankfurt and Munich, and to 1.2 in Cologne and Stuttgart). Between 2011 and 2015 (the last year for which stats are available), the population grew by around 200,000 in Berlin and the number of households by around 125,000. The keen demand is driven by the robust situation on Berlin's job market. The employment growth of around 4 % in 2016 continued unchecked throughout 2017, and is just as impressive as the overall job growth of nearly 30 % since 2009. As a result, the unemployment rate has been going down for years, and dropped to 8.4 % by December 2017. It is the lowest figure since 1984. The dynamic of Berlin's economy is expected to maintain its present pace, with city hall projecting a demographic growth of over 250,000 new residents by 2030. The steady increase in housing demand is therefore likely to be matched with an inelastic housing supply for many years yet. Especially in Berlin with its notoriously low homeownership rate (15.6 % acc. to the 2011 census, compared to 20 % in other metropolises and to 45.9 % nationwide), there are strong stimuli for tenants to buy homes of their own. The fast-paced dynamics of rental growth has reinforced these stimuli throughout the cycle. The rental uplift further accelerated in 2017 with a one-year growth of 11 % (up from 7 % in 2016 and 2.5 % in 2015). So there are many factors that point to a super-cycle in Berlin that could extend well beyond the year 2020. As a result of this development, Berlin could turn into one of the most expensive German metropolises or cities in general (it currently ranks 15th by prices for existing condominiums).

The hypothesis is supported by the particularly dynamic price growth over the past three years. Residential prices for existing schemes in Berlin soared by around 36 %, while other German metropolises reported a growth of around 30 %. All of these factors are good reasons for ACCENTRO AG with its large stock of flats in Berlin to face the future with confidence.

Not wishing to limit our product spectrum to the city of Berlin, we will continue the efforts we initiated in 2017 to expand into other German metropolises and swarm cities.

2.3 Business Performance

The continued positive business performance of the ACCENTRO Group and of ACCENTRO AG in the 2017 financial year took place in a generally very favourable market environment that, in Germany's metro regions, was marked by keen demand for residential property. A robust boom cycle informs both the situation on the letting end of the market and the demand for condominiums generated by owner-occupiers or buy-to-let investors.

The ACCENTRO Group actually topped its own EBIT and revenues target. The separate financial statement of ACCENTRO Real Estate AG posts EUR 16.7 million in earnings after taxes. On the level of separate financial statements, the sum falls well short of the forecast figure of EUR 30 million, which is explained by the fact that certain sales originally planned for 2017 were rescheduled for the first half-year of 2018, plus owing to the reorientation of the Gehrensee portfolio, and suspended transfers of profit and loss.

The other operating income of ACCENTRO AG maintained its high level at EUR 12.9 million (previous year: EUR 31.1 million). It was essentially generated by the sales of property holding companies and corporate investments.

Staff costs rose by 7 % because of new jobs created and because of a profit-participation scheme for employees. The other operating expenses were substantially reduced.

Profit-transfer agreements with three subsidiaries generated a net income from investments in the amount of EUR 15.9 million (previous year: EUR 34.5 million).

Compared to the previous year, the net interest result is largely unchanged, with both interest income and interest expense having declined at a relatively even rate.

The write-downs of financial assets in the amount of EUR 4.6 million are attributable to the planning changes in the Gehrensee project, which will delay the start of the project.

2.4 Earnings, Financial Position and Assets

Earnings Position

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

The earnings position of ACCENTRO AG developed as follows during the 2017 financial year:

	1 Jan. 2017 – 31 Dec. 2017	1 Jan. 2016 – 31 Dec. 2016	Change
	TEUR	TEUR	TEUR
Revenues	0	110	110
Other operating income	12,936	31,134	-18,198
Operating income	12,936	31,244	-18,308
Decrease in work in progress	-0	-64	64
Cost of materials	-117	-67	50
Total payroll and benefit costs	-2,088	-1,950	138
Depreciation and amortisation of intangible assets and property, plant and equipment	-47	-382	-335
Write-downs on financial investments	-4,600	-0	4,600
Miscellaneous operating expenses	-2,970	-5,611	-2,641
Net income from investments (incl. profit-shifting and loss takeover)	15,943	34,317	-18,374
Operating income	19,057	57,488	-38,431
Net interest income	990	825	165
Pre-tax profit	20,047	58,313	-38,266
Income tax and other taxes	-3,337	-6,731	-3,394
Profit/loss for the year	16,710	51,582	-34,872

The other operating income dropped from EUR 31.1 million during the same period last year down to EUR 12.9 million. The prior-year figure was definitively boosted by one-off effects in the amount of EUR 22.2 million that were created by the merger of two subsidiaries. The income earned during the 2017 financial year essentially breaks down in sales of subsidiaries in the amount of EUR 10.4 million, the dissolution of provisions in the amount of EUR 1.2 million, and EUR 1.2 million worth of miscellaneous other income. Of the income from the sale of shares, EUR 6.7 million relates to book profits from selling most of the minority interest in the Magnus Relda Holding Vier portfolio, which reduced the shareholding ratio from around 47 % to just 2 % of the shares.

The cost of materials was largely generated by expenses during the process of selling subsidiaries (TEUR 104).

The total payroll and benefit costs increased by TEUR 138 after the workforce was expanded.

The depreciation and amortisation of intangible assets and property, plant and equipment refers exclusively to scheduled depreciations.

The unscheduled write-downs of financial assets in the amount of EUR 4.6 million are attributable to the planning changes of the Gehrenseestrasse property development, which will cause the start of the project to be delayed. At the time of the initial recognition of the project in December 2016, the plan had been to develop 675 flats in existing building shells. But the current situation on Berlin's housing market makes it economically more sensible to raze the existing structures, to completely revise the planning, and to develop close to 1,000 new-build flats. However, doing so requires the initiation of another local development planning process. To expedite the implementation of the new project, the company was transferred into a joint venture project involving a renowned Berlin-based property developer in January 2018, a move that necessitated a temporary write-down on the lower selling price of the shares. Once the construction is completed, a portion of the write-downs will be reversed again. The project is expected to yield profits after its completion that will exceed its write-downs by far.

The remaining other operating expenses plummeted from EUR 5.6 million the previous year to EUR 3.0 million. The prior-year's expenses were impacted by significant charges from write-downs on receivables and intercompany expenses, which were no longer incurred in the year under review. The expenses of the year under review include essentially EUR 1.3 million (PY: EUR 1.1 million) in legal and professional fees, EUR 0.4 million (PY: EUR 0.3 million) in year-end closing and audit costs, and EUR 0.3 million (PY: EUR 0.2 million) in advertising and representation expenses.

The net income from investments, which dropped from EUR 18.4 million to EUR 15.9 million year on year, represents the profit transferred by ACCENTRO Wohneigentum GmbH (EUR 13.5 million; PY: EUR 32.6 million), the profit transferred by ESTAVIS Wohneigentum GmbH (TEUR 659; PY: EUR 1.8 million) and by ACCENTRO GmbH (EUR 1.8 million; PY: EUR -0.14 million). The previous year, the subsidiary ACCENTRO Wohneigentum GmbH had turned a high profit through portfolio sales. One major portfolio sale was transacted by ACCENTRO Wohneigentum GmbH in the 2016 financial year.

The interest balance amounted to EUR 1.0 million during the period under review (PY: EUR 0.8 million). The positive net interest result is based on the increased interest generated by shareholder loans to subsidiaries and the decreased interest load due to the reduced draw-down of shareholder loans from the former parent company, ADLER Real Estate AG, as well as due to the premature redemption of the 2012/2017 convertible bond during the second half of the previous year.

As the pre-tax earnings amounted to EUR 20.0 million only (PY: EUR 58.3 million), the income tax load was on a relatively low level at EUR 3.3 million (PY: EUR 6.7 million) because of largely tax-exempt income from divestitures. In the previous year, existing loss carryforwards had also been used.

Financial and Net Asset Situation

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

	31 Dec. 2017		31 Dec. 2016		Change
	TEUR	in %	TEUR	in %	TEUR
Assets	169,509	100.0	162,838	100.0	+6,671
Financial investments	19,103	11.3	24,564	15.1	+5,461
Advance payments for financial investments	16,741	9.9	0	0.0	+16,741
Property, plant and equipment	101	0.1	2,874	1.8	-2,773
Trade receivables	103	0.1	1,402	0.9	-1,299
Receivables from affiliates	127,448	75.2	124,908	76.7	+2,540
Cash and cash equivalents	1,624	1.0	6,786	4.2	-5,162
Other assets	4,389	2.6	2,304	1.4	+2,085
Liabilities	169,509	100.0	162,838	100.0	+6,671
Shareholders' equity	115,677	68.2	102,224	62.8	+13,453
Borrowings/bank debt	12,879	7.6	26,048	16.0	-13,169
Liabilities to affiliated companies	26,152	15.4	21,671	13.3	+4,481
Other liabilities	14,801	8.8	12,895	7.9	+1,906

Total assets increased by EUR 6.7 million from EUR 162.8 million to EUR 169.5 million. The asset and financial position is definitively influenced by financial investments, debt financing via bonds, and the performance of receivables and payables vis-à-vis affiliates.

The performance of the non-current assets is characterised primarily by the disposal of one property and the impairment of the financial investments by unscheduled write-downs. The unscheduled impairment concerns the Gehrensee project company. The advance payments on financial investments in the amount of EUR 16.7 million represent the down-payment for a property vehicle that transferred to the Company in January 2018.

The item "property, plant and equipment" largely includes furniture, fixtures and equipment in the amount of TEUR 76. The drop by EUR 2.8 million is owing to the sale of a property that was transferred to ACCENTRO AG during the 2016 financial year as a subsidiary was amalgamated.

The trade receivables from the prior financial year in the amount of EUR 1.4 million were paid in full during the ongoing financial year. The fronted portions of a purchase price con-

nected to the joint acquisition of a property company in late December 2017 in the amount of EUR 2.8 million is recognised in the balance sheet among the "Other assets."

The accounts receivable from affiliates increased by EUR 2.5 million to EUR 127.4 million during the financial year. The increase breaks down as follows:

- **Intercompany loans** increased by EUR 1.8 million, the total reflecting a decrease by EUR 11.1 million as a result of the repayments of a loan by ACCENTRO Wohneigentum GmbH and an increase by new loans granted in the amount of EUR 12.9 million.
- **Intercompany receivables** increased by EUR 13.2 million. On the one hand, the profit-shifting contracts of three companies caused the amount of EUR 15.9 million to be posted, on the other hand, some of the costs fronted by ACCENTRO Real Estate AG in the amount of EUR 2.7 million were repaid.
- The **miscellaneous receivables** from affiliates declined year on year (EUR 12.9 million) after the loan granted to Münchener Baugesellschaft was repaid (previous year: EUR 12.7 million).

The bond liabilities declined to EUR 10.6 million during the 2017 financial year. The reason behind the drop was the early termination of the 2013/2018 corporate bond in a face value of EUR 10.0 million. The 2014/2019 convertible bond dropped by TEUR 474 after conversion right were exercised.

Liabilities to banks were reduced by EUR 2.6 million as a result of repayments. The liabilities to affiliates increased by EUR 21.7 million to EUR 26.2 million. The decisive factor for the increase is the recognition of liabilities vis-à-vis a subsidiary (EUR 4.6 million) after an increased drawdown of a granted loan.

ACCENTRO AG observed all covenants agreed in facility agreements.

The share capital and the capital reserves of ACCENTRO AG saw a modest increase because of the conversions of convertible bonds during the year under review. The shareholders' equity of ACCENTRO AG was increased mainly by a net income of EUR 16.7 million. The distribution of a dividend in the amount of EUR 3.7 million had a converse effect. The Company's shareholder equity rose to EUR 115.7 million. The equity ratio (shareholders' equity/total assets) rose by 5.4 %-points year on year to 68.2 % (PY: 62.8 %).

General Statement on the Business Situation of the Company

The earnings position of the ACCENTRO Group, which is definitive for the financial performance of ACCENTRO AG as its holding company, has developed rather handsomely during the 2017 financial year. Due to the profit and loss transfer agreement signed with ACCENTRO Wohneigentum GmbH during the 2016 financial year, ACCENTRO AG participated to some extent in this performance. Not all of the subsidiaries signed profit and loss transfer agreements with ACCENTRO AG, nor have all of the subsidiaries that did sign such agreements remit their profits yet, so that the consolidated income is not fully reflected in the separate financial statement of ACCENTRO AG.

It proved admittedly impossible to achieve the earnings forecast we had published the previous year. However, this is due largely to temporal delays in transfers of rights and duties, and does not indicate a deterioration of the sales performance. Moreover, the dip in earnings is to some extent due to the fact that earnings in subsidiaries were not distributed but retained.

Against this background, we are quite satisfied with the earnings performance even if the earnings forecast for 2017 was not achieved. The prerequisites for a sustained positive financial performance of the ACCENTRO Group were put in place during the 2017 financial year through the continued expansion of the trading portfolio.

2.5 Other Financial and Non-Financial Performance Indicators

The technical expertise and commitment of our employees and executives are material requirements for the business performance of ACCENTRO Group.

To help retain employee knowledge and skills, ACCENTRO AG places a strong emphasis on attractive working conditions. These include in particular a competitive compensation system which is continuously monitored and adapted as required. Employees also benefit from options for continued professional development as needed or whenever the opportunity presents itself.

An important non-financial success factor for ACCENTRO AG is the Company's reputation, particularly the reputation of its subsidiary ACCENTRO GmbH. ACCENTRO GmbH has been active in the privatisation business since 1999. For some years now, ACCENTRO GmbH has concentrated on the booming market of Berlin, exploiting the highly auspicious development on that market. By setting up its own trading portfolio outside Berlin, ACCENTRO Group will keep expanding its position in the area of tenant-sensitive housing privatisations. The business success of ACCENTRO Group in the privatisation business is monitored by continuously keeping count of the condominiums sold, so that the trend in sales represents yet another, non-financial performance indicator.

In a bid to widen its circle of buyers beyond the German-speaking clientele, ACCENTRO GmbH recently started an ongoing effort to expand its international footprint by engaging new groups of leads who are interested in German real estate but do not wish to buy entire portfolios. ACCENTRO AG is directly impacted by the continued financial success of ACCENTRO GmbH via a profit and loss transfer agreement.

3 Forecast, Opportunity and Risk Report

Forecast Report

The following statements on the future business performance of ACCENTRO Group and the factors considered to be crucial in terms of the development of the market, the sector and the Company are based on the estimates made by the Management Board of ACCENTRO AG and the corporate planning decisions made in December 2017. In our planning efforts, we assume that the economic and social parameters will remain largely unchanged while the moderate economic growth, the low unemployment trend and the low-interest cycle will continue. All forecasts are subject to the risk that the developments predicted may not actually occur in terms of either their scope or their general trend. The material risks to which ACCENTRO Group believes it is exposed are explained in the Opportunity and Risk Report.

Deutsche Bank Research, in any case, predicts a fast-paced dynamic for prices and rents. The supply shortage on the housing market and the outperforming labour market remain the dominant price drivers. Demand in 2018 will be muted by the high prices, which will probably prompt some leads to quit the market. Similarly, rising capital market rates and, as a result, slightly higher mortgage interest are likely to slow demand a little.

The brisk price dynamics of 2017 and the persistent supply shortage, which will take many years to roll back, has seriously increased the risk of a bubble developing in the current cycle, although Berlin takes exception to the threat.

As in the 2017 financial year, the corporate strategy and operating activities of the coming years will focus on the privatisation of residential real estate, and on the creation of home-ownership options for a broad-based population cohort. In this line of business, ACCENTRO AG will focus on the privatisation of apartments from its proprietary stock as well as on behalf of third parties. This is the focus of the acquisition strategy that ACCENTRO AG pursues.

The Management Board expects 2018 to bring another significant, double-digit increase in revenues for the Group, combined with a moderate growth in earnings before interest and tax (EBIT) in the single-digit percentage range somewhere between EUR 37 million and EUR 40 million. Based on the completed expansion of the trading portfolio, and given the exclusive focus on privatisation activities, the earnings performance is expected to remain largely stable.

The continued expansion of the trading portfolio and the cash outflow for capital expenditures will probably push the operating cash flow (Group) into the negative range in 2018 again because these investments are grouped with the operational division. The cash flow was indeed negative for the operational division in 2017, as predicted by the Forecast Report, adding up to EUR -25.2 million. The situation is unlikely to change in the foreseeable future because ACCENTRO Real Estate AG is planning to keep pursuing its steady expansion of the trading portfolio.

Due to the increase in inventory assets, the equity ratio proved impossible to raise as expected in 2017, and equalled 44.2 % by the end of the financial year (previous year: 45.5 %). The reason behind this is the disproportionate growth in total assets by 15.7 % whereas the shareholders' equity grew by 12.3 % only. The equity ratio will continue to decline according to plan during the 2018 financial year, as it is planned to keep expanding the property portfolio with the funds raised through the successful issuance of another bond in January 2018, and because it is planned to disburse a dividend.

As far as the separate financial statement of ACCENTRO Real Estate AG goes, we expect to see an increase in total assets and between EUR 14 and 17 million in EBIT. We have assumed a moderate increase in staff, general and administrative expenses, a stable income from profit and loss transfer agreements as well as one-off items from merged interests in affiliates.

Apart from that, the Management Board assumes that the financial covenants of the 2018/2021 will be observed during the 2018 financial year.

In regard to the main non-financial performance indicators, we have reason to believe that the sales figures in the trading business will keep going up and continue to strengthen the brand name ACCENTRO in the process.

In terms of employee retention, our plans for 2018 seek to continue the current strategy of trying to retain our employees long-term and to keep the churn rate to a minimum. As projected, the workforce increased by 6 staff (FTE: 5.4), although it should be added that not all of these jobs created represent full-time positions. One person left the Company in the course of 2017. As expected, the fluctuation is negligible. The workforce is likely to keep growing at a modest pace in 2018 in order to adapt to the Company's ongoing growth.

Opportunity and Risk Report

Risk Management

The ACCENTRO Group's risk management system is geared towards securing the value add potential of the Group's commercial activities and to permit their exploitation in such a way as to generate a sustained growth in going concern value. An integral component of this system is the fact that potentially adverse developments and events are addressed in a structured manner and at an early stage, thereby allowing the Management Board to initiate countermeasures in good time before significant damage is done.

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

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

The risk management system employed by ACCENTRO AG contains the following key elements:

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

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

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

Presentation of Individual Risks

The ACCENTRO Group is exposed to a wide variety of risks which, individually or collectively, could adversely affect the net asset, financial and income situation of the Company and its continued economic performance. It needs to be remembered that the changes resulting from the composition of the various threats that were relevant for the ACCENTRO Group during the 2016 financial year remained relevant in the 2017 financial year.

Letting-related risks for the Company have also been significantly reduced since the rental property portfolio was dissolved for good. Accordingly, ACCENTRO Real Estate AG is currently exposed only to risks arising from the housing privatisation business, including a certain letting risk associated with the inventory properties. The fact that retail privatisations of

vacant flats are more profitable than the privatisations of tenant-occupied flats represents a converse aspect in the risk assessment.

We believe that the subsequently listed risks ensure a rather exhaustive representation. The main risks for our business model within the current market environment include specifically sales risks and risks arising from the property selection.

Company-Specific Risks

a) Risks Arising from the Property Selection

The economic success of the ACCENTRO Group depends definitively on the selection and acquisition of properties suitable for the sale of apartments to owner-occupiers and buy-to-let-investors. This involves a certain risk of incorrectly appraising, or failing to detect, any negative structural, legal, commercial and other defects a property about to be purchased may have. Moreover, assumptions made in relation to the income potential of a given property could subsequently prove to be partially or wholly incorrect. In particular, the management of the respective property could fall short of the expected results, or apartments earmarked for sale could prove impossible to sell in the planned quantity, on the planned terms, and/or within the planned time frame, as a result of an incorrect assessment of the attractiveness of the property's location and other factors that investors deem crucial for their decision whether or not to buy.

These property-specific risks are countered by conducting due diligences on the relevant properties. As part of the property assessment, factors such as expected renovation, maintenance and modernisation requirements and the earnings power and debt service coverage ratio are examined using standard banking benchmarks.

b) Letting Risks

There is a risk that changes in supply and demand on the occupier market, and a deterioration of the competitiveness of any given property within its market environment will have a direct negative impact on the rental income realised by companies of the ACCENTRO Group, as well as on the vacancy rate of the Group's property portfolio. Moreover, additional costs could be generated that may or may not be recoverable from the tenants. Risks of this type are addressed through active asset management and property management. This includes the continuous in-depth monitoring of the occupier market and analyses of tenant requirements, as well as the Company's letting management and measures taken to ensure the Company's competitiveness on the respective local occupier market. Such measures include specifically the continued upkeep along with refurbishments and modernisation measures necessary to preserve or enhance the attractiveness of the properties for the incumbent tenants and buyers.

c) Construction Risks

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

Uncertainties regarding whether, when and under what constraints and/or subsidiary conditions approval for the projects is granted under public construction law may contribute to the construction risks. This means that the Company partly relies on the individual authorities exercising discretion. It also means that disputes with residents and neighbours may significantly delay or negatively influence the granting of approvals. These circumstances may mean that planned construction measures cannot be executed for the price assumed, within the timeline planned, or not at all. That is why risk factors of this sort are thoroughly examined in the run-up to a given construction measure.

Going forward, the ACCENTRO Group expects risks in this area to increase significantly. While construction risks used to be essentially limited to less-than-complex refurbishment and repair work for the purpose of improving the marketability of the own housing stock, the Company has also engaged in costly major refurbishments and topping-up developments involving occupied real estate in several locations since 2016. This sort of activity is subject to noticeably higher coordination and investment requirements. The residential portfolio with a total of 675 flats that was acquired in December 2016 is currently not in a marketable state. To develop the project into a marketable state, it was transferred into a joint venture in January 2018. The project planning was completely overhauled and now targets the delivery of more than 1,000 new-build flats. We expect to apply for the necessary planning permissions in the course of 2018. According to current understanding, this will require extensive investments in excess of EUR 100.0 million that will have to be borne by the project company.

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

d) Sales Risks

To the extent that the ACCENTRO Group relies on external sales partners in its apartment retailing activities, the commercial success of such sales depends to a high degree on the Group's ability to recruit qualified estate agents and to retain them long-term. This is supposed to be achieved primarily by offering attractive payment terms and by keeping a large property stock on hand.

Moreover, the business success of the ACCENTRO Group in the apartment retailing sector definitively hinges on the willingness of owner-occupiers and investors to purchase the apartments offered for sale. The willingness to buy may be influenced, on the one hand, by developments within the sphere of the respective properties, such as a deterioration of the location's social environment or structural issues, but also by general developments, such as the economic situation and employment trends, on the other hand. There is a risk that developments such as these may impair a client's willingness to buy, so that apartments earmarked for sale could prove impossible to sell in the planned quantity, on the planned terms, and/or within the planned time frame.

e) Financing, Liquidity and Interest Rate Risks

Within the framework of its business activities, the ACCENTRO AG Group is exposed to a number of financing, liquidity, and interest rate risks that are addressed by the monitoring and controlling measures outlined below.

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

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

The success of the business activities currently pursued by the ACCENTRO Group is to a large degree influenced by the availability of financing options. A restrictive lending policy of banks over extended periods of time could negatively impact the business performance and the growth of ACCENTRO Group. In order to address this risk, the ACCENTRO Group collaborates with various banks, and closely monitors financing market trends. In addition, alternative funding options through the capital market are exploited in addition to bank financing, including the issuance of bonds, for instance.

The privatisation segment is exposed to the risk that a measure may not have been completed at maturity and that a loan rollover is either impossible altogether or possible only on unfavourable terms and/or at increased costs. This risk is countered by repaying a disproportionately high amount through partial sales, and by negotiating longer loan terms. The ACCENTRO Group also signed loan agreements with more than one bank, so as to counter the associated risks.

The consolidated group has taken out loans and issued corporate bonds in a total amount of approximately EUR 21.7 million (previous year: EUR 33.5 million) that are subject to covenants agreed with the banks in regard to debt service coverage ratios or debt-to-equity ratios (financial covenants). Breaches of these covenants could trigger payments into blocked accounts or early repayment obligations on the basis of a contractually agreed escalation procedure. Analogously, the convertible bonds issued are subject to credit terms that, were they to eventuate, could cause a liquidity risk. If certain credit terms were introduced, for instance in the event of a change of control, the convertible bond and the corporate bond could be prematurely called for redemption. The Group uses appropriate monitoring methods to detect any early signs of a risk that covenants might be breached, and strives to prevent the breach through adequate countermeasures. All financial covenants were upheld during the 2017 financial year. Although all original financial covenants were observed, the change of the principal shareholder resulted in several change-of-control clauses in financing agreements, which grant the respective lenders rights to terminate for good cause. None of the lenders called their loans to demand immediate payment.

On top of that, liquidity risks may arise as a result of possible rent losses. In order to minimise these risks as much as possible, regular credit checks are run on tenant prospects ahead of any lease signed.

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

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

f) Bad Debt Risks

The risk of bad debts in connection with trading residential real estate is reduced by delaying the property handover until the purchase price has been paid in full. This also applies whenever properties require refurbishment work. Given the broad customer structure especially in apartment retailing, bad debt risks in regard to the purchase price payment for re-tailed apartments play only a secondary role in this context when considered in isolation. The same is true for the default risk associable with rental claims vis-à-vis individual tenants in the apartment letting segment. Owing to these risk diversification measures, allowances that had to be made for rent receivables during the year under review were down to a total amount of EUR 0.1 million.

The Company also bears the credit risk in the event that it enforces rights of rescission or warranty against the seller of a property and the seller defaults on the repayment of the purchase price or the fulfilment of the warranty rights.

Finally, property purchases are subject to a certain credit risk, as rent payments frequently continue to be paid to the seller even after the respective rights, entitlements and obligations have been transferred, meaning that the seller is then required to pass these payments on to the ACCENTRO Group. However, this concerns only those tenant shares that are not paid via direct debiting, and amount to less than 10 % of the net rents of the acquired properties.

g) Legal Risks

In the context of their business activities, ACCENTRO Group companies may, in particular, become involved in legal disputes and be confronted by (potential) warranty and compensation claims without being able to enforce claims against third parties in their own right. Warranty risks arise specifically from cases in which no liability exemption was agreed in conjunction with property sales.

When selling individual apartments, ACCENTRO Group companies and their external sales partners also perform consultancy services that could lead to compensation claims from third parties.

A property transaction completed in 2015 could occasion certain damage claims against ACCENTRO Real Estate AG because a special purpose entity sold through a share deal was involved in a law suit and because ACCENTRO has indemnified the buyer against possible claims by a plaintiff. At the same time, rights of recourse exist against the original owner of these special purpose entities because the legal action had already been initiated by the erstwhile seller at the time that ACCENTRO Real Estate AG acquired the property companies, which means that ACCENTRO itself has rights of recourse in this matter. At the moment, this risk is considered negligible.

Adequate provisions have been set aside for the legal risks to which the Group is currently exposed. We are not aware of any other legal risks at present, particularly no risks arising from legal disputes that could have a significant adverse effect on the financial position of the ACCENTRO Group.

h) Internal Risks

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

Market-Specific Risks

a) Economic Risks

The ACCENTRO Group has so far generated its revenues exclusively inside Germany. Accordingly, a deterioration of the economic parameters in Germany, combined with a rise in unemployment, could bring about a (significant) drop in demand for property investments, negatively impact rent and price levels, and impair the credit ratings of potential property tenants and buyers. Moreover, the market environment in Germany is also indirectly affected by global economic trends. In 2018, it will closely watch the interest rate development in the USA, because it will also have ramifications for the ECB's interest rate policy and thus for interest levels in Europe.

The development of interest levels in Germany is particularly important for domestic real estate demand. An increase in interest rates would make property investments more difficult due to rising interest payments. This scenario would also drive up the borrowing costs for the loans taken out by the companies of the ACCENTRO Group, with a corresponding negative impact on earnings.

b) Sector Risks

Deterioration in the general conditions on the German property market could have a negative influence on the business performance of ACCENTRO Group. Softening property prices would make it harder to realise sales profits, and diminish the earnings in the privatisation sector. At the same time, additions of attractively priced properties could be limited, as potential sellers are unwilling to sell on account of the low price level.

Moreover, the development of the property sector is largely determined by the availability of finance instruments. A persistently restrictive lending policy could negatively impact the

demand for real estate in general, and thus result in impairments for the inventory properties of ACCENTRO AG, and in lower privatisation proceeds.

The property sector is characterised by intense competition among numerous providers. So there is the obvious danger that mounting competition will intensify the price pressure and push down margins. For the subsidiary ACCENTRO GmbH, this risk is particularly relevant whenever commission agreements are signed.

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

c) Legal Parameters

As the business activities of the ACCENTRO Group are regulated by the specific legal parameters that apply to property, they may be adversely affected by amendments to national and/or European legislation or the changed interpretation or application of existing legislation, including tenancy laws, public construction laws, and tax laws. These include, without being limited to, rental law, public building law, and fiscal law.

So far, ACCENTRO has focused its activities on the real estate market in Berlin. It is therefore of the essence to keep a close eye on the ramifications of political decisions for our core market in Berlin, most notably the developments in the area of historic district protection. With a view to federal politics, it remains to be seen how the intentions concerning housing development and tenant protection that were defined in the coalition agreement of 07 February 2018 between the Christian Democrat bloc and the Social Democrats will pan out.

However, the Management Board assumes on the basis of its current real estate inventory that no material changes are to be expected, because the going rent rates in Berlin remain slightly short of the headline rent at the moment.

Risk Concentrations

The business success of the ACCENTRO Group is in some ways disproportionately dependent on a small number of projects and portfolios that account for a major share of its revenues. Aside from the client dependence that is generally associable with the fact, there is a risk that possible delays or issues arising in the context of the privatisation of this portfolio would disproportionately impact the business success of the ACCENTRO Group.

The investments of ACCENTRO focus in particular on the real estate market in Berlin. Accordingly, if Berlin as real estate location was to develop a generally adverse trend, the development could definitively impair the assets, finances and earnings of the ACCENTRO Group. In its monthly report for February 2018, the Bundesbank warned against excessive pricing in the major cities, yet demand for flats in Berlin continues to soar.

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

Other Influencing Factors

In addition to the risks identified above, there are general influences that are unforeseeable, and that can therefore not be pre-empted. These include political changes, social influences, and force major such as natural disasters or terrorist attacks. These factors could have adverse effects on the economic environment, and could thus indirectly impair the future business performance of the ACCENTRO Group.

Assessment of the Overall Risk

The ACCENTRO Group's financing structure was further optimised in the period under review by redeeming the 2013/2018 corporate bond prematurely. Doing so has noticeably improved the risk situation of the ACCENTRO Group in regard to financing. With a view to the persistently auspicious market environment and the great marketing outlook in the wake of completed property acquisitions there are currently no signs of material risks to the ACCENTRO Group, and specifically no risks to the Group's going concern status.

Opportunities Created by Future Developments

Following the successful placement of a corporate bond in a volume of EUR 100 million in January 2018, ACCENTRO Real Estate AG believes that its plans to keep buying real estate are now on a safe basis.

New perspectives also opened after the ACCENTRO Gehrensee GmbH property development company was transferred into a joint venture project with a Berlin-based property developer in January 2018. The idea is to largely revise the existing plans, which projected the development of 675 flats, and instead to create the potential to develop more than 1,000 new-build flats. Based on the current market situation in Berlin and the assumption that the current demand backlog on the city's housing market is not likely to be accommodated in the short term, ACCENTRO AG expects the project to be completed in the early 2020s and to deliver a substantial contribution to operating income. In accordance with the commercial-law principle of prudence, however, certain financial assets had to be written down because, from our point of view, the high income opportunity is offset by complex planning legislation.

Meanwhile, the ACCENTRO Group continued to expand its trading portfolio by acquiring new property during the 2017 financial year. Buying activities extend nationwide and include cities in Bavaria, the metro regions Hamburg and Leipzig, as well as the major cities Cologne, Hanover and Berlin. Especially its strong position in Berlin gives ACCENTRO AG a great chance to exploit the exceptional dynamic of Berlin's housing market. The extensive geographic footprint of its privatisation segment makes ACCENTRO AG a fast-growing and reliable sales partner in its collaboration with business partners.

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

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

Moreover, the federal body politic has rediscovered the subject of homeowner subsidies, the most recent evidence of it being the coalition agreement signed between the Christian Democrat bloc and the Social Democrats on 07 February 2018. If German lawmakers were to act upon the impulse, new subsidy programs would probably have a positive effect on our business, no matter what form they might take (such as child tax credit for first-time home buyers, allowances for the real estate transfer tax, or similar).

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

Overall Assessment

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

ACCENTRO AG intends to boost its revenues going forward, specifically by stepping up its activities in the housing privatisation sector. On the basis of a stable business performance and viable cost income ratios, the Company expects to see its income and financial position to stabilise on a sustained high level.

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

The financial risk management of the ACCENTRO Group is geared towards managing and limiting the financial risks arising from operating activities. In particular, this is intended to counter significant bad debt losses that could jeopardise the Company's economic development. Another objective of financial risk management is to ensure optimised Group financing.

The availability of sufficient funds for the Company is monitored by a rolling liquidity control.

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

To ensure the regularity of financial reporting in its consolidated financial statements, the group management reports and the quarterly reports, ACCENTRO AG has integrated preventative and monitoring controls for the Company's accounting processes in its internal control system (IKS). These measures include the separation of functions, pre-defined approval principles and computer processes for the processing of accounting data. The key organisational measures are a component of the IKS handbook, which sets out the Company's core business processes. If necessary, special areas of accounting are covered by bringing in external consultants.

Starting in the 2016 financial year, an internal audit system was implemented on the group level of ACCENTRO Real Estate AG to improve the efficiency of the business processes. It assists the various departments of ACCENTRO Real Estate AG in achieving their objectives by using a systematic and target-oriented approach to measure the efficiency of the risk management, the controls, and the managing and monitoring processes, and to help with efforts to enhance them. At the same time, it supports the Management Board of ACCENTRO AG in its control and supervisory functions. Two internal audits were carried out during the 2017 financial year, and another two internal audits are being prepared for the 2018 financial year.

5 Disclosures pursuant to Art. 289, Sec. 4, and Art. 315, Sec. 4, HGB

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

Managing Body

The legal managing and representative body of ACCENTRO Real Estate AG is its Management Board. The composition of the Management Board and the appointment of its members are based on Articles 76, 84 and 85, German Stock Corporation Act (AktG), in conjunction with Article 6 of the Company's Articles of Association. In accordance with these provisions, the Management Board is composed of one or several members. The Supervisory Board determines the number of members of the Management Board. The Supervisory Board may appoint up to five Management Board members and specify a Management Board member to act as chairman. At the moment, the Company's Management Board consists of a single member.

In accordance with Art. 84, AktG, the members of a management board are appointed by a supervisory board for a maximum term of five years. They may be reappointed or their term be extended for a maximum of five years in each case. At the moment, the contract signed with the sole member of the Management Board specifies a term of three years. The appointment and reappointment of members requires a corresponding resolution by the Supervisory Board that principally has to be passed pursuant to the provisions of Art. 83, AktG.

The Supervisory Board may revoke the appointment of a Management Board member prior to the expiration of his or her term for good cause.

On 08 February 2018, the Supervisory Board resolved to appoint Jacopo Mingazzini as CEO of ACCENTRO Real Estate AG for another three years.

Amendment of the Articles of Association

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

In accordance with Sections 133 and 179, AktG, in conjunction with Art. 13, Sec. 3, of the Articles of Association, resolutions by the General Meeting on amendments to the Articles of Association require a simple majority of the votes cast and a simple majority of the share capital represented when the resolution is adopted, unless a larger majority is prescribed by law or the Articles of Association in a given case.

Capital Structure

Share Capital

As of 31 December 2017, the issued capital (share capital) of ACCENTRO Real Estate AG amounted to EUR 24,924,903.00. It was composed of 24,924,903 no-par value bearer shares. There are no different stock classes. At the start of the 2017 financial year, the share capital amounted to EUR 24,734,031.00 and increased during the reporting period when the conversion rights from a convertible bond issued by ACCENTRO Real Estate AG were exercised.

Authorisation to Issue Bonds

In accordance with the resolution of the annual general meeting of 27 February 2013, the Management Board is also authorised, with the approval of the Supervisory Board, to issue convertible or warrant bonds or participation rights with or without conversion or pre-emptive rights (also referred to collectively below as "bonds") over a total nominal amount of up to EUR 200 million and with maturities of 20 years or less on one or more occasions up to and including 26 February 2018. The bearers of bonds can be granted conversion or pre-emptive rights for up to 25,000,000 bearer shares of the Company with a proportionate share of the share capital in a total amount of EUR 25,000,000 or less. Subject to the conditions described below, shareholders are granted pre-emptive rights.

The Management Board is authorised, with the approval of the Supervisory Board, to exclude shareholders' pre-emptive rights in the following cases:

- (i) for fractional amounts arising from pre-emptive rights;
- (ii) to offer convertible and/or warrant bonds and/or participation rights with conversion or pre-emptive rights for subscription to individual investors, provided that, in accordance with Art. 186, Sec. 3, Sent. 4, AktG, mutatis mutandis, the shares issued on account of these bonds do not exceed 10 % of the existing share capital at the time this authorisation comes into effect or at the time of the resolution to exercise this authorisation, and provided further that the issue price of the bonds is not significantly less than the hypothetical fair value of the bonds as calculated in line with recognised actuarial methods. The amount of 10 % of the share capital must include the amount relating to shares issued or disposed of on the basis of a different corresponding authorisation with pre-emption rights ruled out under direct or mutatis mutandis application of Art. 186, Sec. 3, Sent. 4, AktG, if such inclusion is required by law;
- (iii) to offer subscription to individual investors provided that the issue price is not significantly less than the theoretical fair value of the profit participation certificates as calculated in line with recognised financial methods and provided that the profit participation certificates only have the characteristics of a debenture, i. e. if they do not constitute any shareholder rights in the Company, nor any conversion or pre-emption rights, do not grant any entitlement to the liquidation proceeds and if the amount of the interest yield is not based on the net profit for the period, balance sheet profit or dividend;
- (iv) to the extent that this is necessary, to grant bearers of conversion or pre-emption rights granted by the Company or companies in the Group to shares of the company pre-emption rights to bonds issued under this authorisation in the amount they would be entitled to after exercising their conversion or pre-emption rights or after satisfying any conversion obligation (dilution protection), or

- (v) if bonds are issued in exchange for non-cash contributions and the disapplication of pre-emption rights is overwhelmingly in the interests of the Company.

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

Authorisation to Implement a 2017 Stock Option Program

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

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

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

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

Conditional Capital

Conditional Capital 2014 (Redemption of Convertible Bonds)

Pursuant to a resolution passed by the annual general meeting on 10 January 2014, the share capital was conditionally increased by up to EUR 4,136,631.00 through the issue of up to 4,136,631 new no-par-value bearer shares in order to redeem the conversion and pre-emptive rights arising from these debenture bonds ("Conditional Capital 2014").

In March 2014, the Company issued convertible bonds in a nominal volume of EUR 15,000,000. The exercise period for the conversion right commenced on 01 July 2014.

A resolution by the Annual General Meeting of 16 June 2015 restructured the Conditional Capital 2014 as follows: The share capital has been conditionally increased by up to EUR 10,534,529.00 through the issuance of up to 10,534,529 new no-par-value bearer shares (Conditional Capital 2014). The conditional capital increase will only be implemented to the extent that

- (i) the bearers of convertible and/or warrant bonds and/or participation rights with conversion or pre-emptive rights that were issued by the Company or its subordinate group companies on the basis of the authorisation resolution by the Annual General Meeting of 27 February 2013 exercise their conversion or pre-emptive rights and the Company decides to redeem the conversion or pre-emptive rights from this conditional capital, or
- (ii) the bearers of convertible and/or warrant bonds and/or participation rights with conversion or pre-emptive rights with a conversion obligation that were issued by the Company or its subordinate group companies on the basis of the authorisation resolution by the Annual General Meeting on 27 February 2013 satisfy their obligation and the Company decides to redeem the conversion or pre-emptive rights from this conditional capital. The share issuance shall proceed in line with the provisions of the authorisation resolution by the Annual General Meeting of 27 February 2013, i. e. in particular at a price equal to no less than 80 % of the average stock market price of the Company shares in the opening auction in XETRA® trading (or a successor system) on the last ten trading days before the resolution by the Management Board to issue the respective bonds, taking into account adjustments pursuant to the dilution protection regulations of the resolution by the Annual General Meeting of 27 February 2013 under agenda item 8 lit. g).

The Supervisory Board is authorised to amend the Articles of Association to reflect the respective scope of the share capital increase through the Conditional Capital 2014.

Further exercise of the conversion rights in convertible bonds reduced the Conditional Capital 2014 by EUR 190,872.00 down to EUR 10,287,426.00 during the 2017 financial year.

Conditional Capital 2017 (Redemption of 2017 Stock Option Program)

To deliver on its stock option program, within whose framework options are granted until 14 May 2020 based on the authorisation by the Annual General Meeting of 15 May 2017, the Company's share capital is increased by up to EUR 1,800,000.00 through the issuance of up to 1,800,000 new no-par-value bearer shares (Conditional Capital 2017). The conditional

capital increase will go ahead only if bearers of the issued options exercise their right to subscribe shares of the Company, and if the Company draws on the Conditional Capital 2017 to settle these options.

Authorised Capital

Authorised Capital 2015

The Management Board was authorised by resolution by the annual general meeting of 16 June 2015 to increase, subject to the approval by the Supervisory Board, the share capital of the Company by up to EUR 12,218,232.00 by issuing, on one or several occasions, up to 12,218,232 new no-par value bearer shares in exchange for non-cash and/or cash contributions up to and including 15 June 2020 (Authorised Capital 2015). The Management Board is moreover authorised to exclude the shareholders' subscription rights wholly or in part, subject to the Supervisory Board's approval. However, the exclusion of the shareholders' subscription rights is permitted in the following instances only:

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

Transfer and Voting Right Restrictions

The shares of ACCENTRO Real Estate AG are not subject to any voting right restrictions in accordance with statutory provisions or the Articles of Association as of the balance sheet date. All shares issued as of 31 December 2017 carry full voting rights and each grant the holder one vote at the annual general meeting.

Equity Interests and Rights of Control

As of 20 October 2017, the Company was notified that ADLER Real Estate AG and Brookline Real Estate S.à r.l. signed an agreement concerning the sale of an equity interest of about 80 % in ACCENTRO Real Estate AG and of about 92 % of the 2014/2019 convertible bond.

Since the agreement has yet to be finalised, Brookline Real Estate S.à r.l. has been granted expectancy rights to the ACCENTRO share sold by ADLER Real Estate AG and is entitled even before the full payment of the purchase price and the concomitant acquisition of the unencumbered ownership to exercise its voting rights in the sold ACCENTRO shares at the Annual General Meeting of ACCENTRO Real Estate AG at its sole discretion and without instructions by ADLER Real Estate AG. The adoption of resolutions on certain measures specified in the share purchase agreement requires the approval of ADLER Real Estate AG until the purchase price has been paid in full.

None of the shares issued by ACCENTRO Real Estate AG carry special rights that grant the holders special rights of control.

There is no information on voting right controls for employees holding equity interests in the Company who do not directly exercise their rights of control.

Impacts of Potential Takeover Bids

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

Financing Agreements

The ACCENTRO Group signed financing agreements that include change-of-control provisions, which could come into play in the event of a successful takeover bid. These provisions stipulate that the borrower is obliged to notify the lender whenever a change of control has transpired. The lender may cite the change of control as good cause for terminating the credit relationship. By the reporting date, loans in an aggregate volume of EUR 86,971,000 were subject to change-of-control provisions. On occasion of the change of control that occurred on 30 November 2017, ACCENTRO Real Estate AG notified the relevant lenders about the fact. So far, none of the lenders have exercised their break option.

Convertible Bond and Corporate Bond

In addition to financing agreements, the convertible bond 2014/2019 with an outstanding nominal value of EUR 12,064,798.36 as at balance sheet date that was issued by ACCENTRO Real Estate AG contains a change-of-control provision. In case of an intervention, the note-holders may request, at their discretion, (i) the early repayment of the convertible partial

debenture at its nominal amount plus the interest accrued on the nominal amount, or (ii) the conversion in ACCENTRO Real Estate AG shares at an adjusted conversion price. However, the bond terms of the 2014/2019 convertible bond specify in this context that no change of control as defined in the bond terms exists if ADLER Real Estate AG becomes the legal or beneficial owner of more than 50 % of the voting rights of ACCENTRO Real Estate AG.

In conjunction with the announcement of the change of control in December 2017, ACCENTRO Real Estate AG notified the noteholders of their right to repayment of not exercised debenture bonds and of the adjustment of the conversion price due to the change of control.

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

6 Corporate Governance Statement pursuant to Art. 289f, HGB

The Corporate Governance Statement pursuant to Section 289f, German Commercial Code (HGB) is published annually on the Company's homepage, and may be accessed (in German) via this hyperlink: <https://www.accentro.ag/investor-relations/corporate-governance/erklaerung-gemaess-289f-hgb>.

7 Closing Statement of the Management Board on the Dependent Companies Reports

Each of the reports on relations with affiliated companies pursuant to Art. 312, AktG, includes the following closing statement by the Management Board:

"ACCENTRO Real Estate AG received appropriate consideration for the legal transactions listed in the report on relations with affiliated companies. ACCENTRO Real Estate AG has not been disadvantaged by measures taken or omitted at the instigation of, or in the interest of, the controlling company or any company affiliated with it.

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

8 Remuneration Report

The service contract with CEO Jacopo Mingazzini effective during the 2017 financial year was signed for a three-year term. The contract was adjusted in March 2015.

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

The remuneration paid to the CEO consists of a fixed annual basic remuneration and a variable bonus to be jointly defined by Management Board and Supervisory Board. In addition, the CEO is granted a health insurance allowance, while an accident and disability insurance has also been taken out for him. The CEO moreover has the use of a company car, and ACCENTRO Real Estate AG has taken out D&O and accident insurance policies on his behalf.

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

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

Remunerations of the Members of the Management Board and of the Supervisory Board

The total remuneration disbursed to the active member of the Management Board, Jacopo Mingazzini, during the 2017 financial year break down as follows:

	Fixed	Variable	Total
	TEUR	TEUR	TEUR
Remuneration paid out	283	358	641

The total remuneration disbursed to the CEO during the 2017 financial year amounted to TEUR 641 (previous year: TEUR 669). The remunerations include, in addition to the paid-out fixed remuneration plus non-cash remuneration in the amount of TEUR 283 (PY: TEUR 281), the bonus claimed for previous years that was disbursed in the course of the year (TEUR 358, thereof TEUR 88 for the 2014 short financial year and TEUR 270 for the 2016 financial year).

The total remuneration disbursed to the CEO during the 2017 financial year amounted to TEUR 553 (PY: TEUR 511). The remunerations include, in addition to the paid-out fixed remuneration plus non-cash remuneration in the amount of TEUR 283 (PY: TEUR 281), the bonus claimed for 2017 in the amount of TEUR 180 as well as a special bonus for 2016 in the amount of TEUR 90 (PY: TEUR 230 in bonuses, thereof TEUR 180 for the 2016 financial year plus a

special bonus of TEUR 50 for 2015). The bonus for the 2017 financial year in the amount of TEUR 180 was not yet due for payment in 2017.

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

These break down as follows:

	Performance-independent remuneration component
	TEUR
Axel Harloff (Chairman) (since 01 Sep. 2014)	60
Dr. Dirk Hoffmann (Deputy Chairman) (seit 01 Sep. 2014)	45
Carsten Wolff (until 08 Dec.2017)	27,5
Natig Ganiyev (since 08 Dec. 2017)	2,5
Sum total	135

Provision for the remuneration of the Supervisory Board was made.

Berlin, 08 March 2018

Jacopo Mingazzini
CEO

Statement of Financial Position as of 31 December 2017

Assets

	31 Dec. 2017	31 Dec. 2016
	EUR	EUR
A. Non-current assets		
I. Intangible assets		
Software	17,138.24	19,182.24
II. Property, plant and equipment		
1. Real property and built-up structures	0.00	2,800,000.00
2. Furniture, fixtures and equipment (FFE)	101,220.00	73,572.00
III. Financial investments		
1. Investments in affiliates	18,977,689.34	24,538,231.02
2. Equity investments	99,181.14	0.00
3. Securities held as fixed assets	26,000.00	26,000.00
4. Advance payments made on interests in affiliates	16,741,496.20	0.00
	35,962,724.92	27,456,985.26
B. Current assets		
I. Accounts receivable and other assets		
1. Trade receivables	103,175.23	1,401,953.07
2. Receivables from affiliates	127,413,186.26	124,908,177.67
3. Receivables from companies in which the Group holds an equity interest	35,300.00	0.00
4. Other assets	3,919,913.95	1,581,631.22
II. Securities	60,959.34	0.00
III. Credit with financial institutions	1,624,167.54	6,786,072.37
	133,156,702.32	134,677,834.33
C. Accruals and deferrals	389,707.73	703,633.58
	169,509,134.97	162,838,453.17

Statement of Financial Position as of 31 December 2017

Liabilities

	31 Dec. 2017	31 Dec. 2016
	EUR	EUR
A. Shareholders' equity		
I. Subscribed capital (Conditional capital EUR 12.087.426,00; prior year EUR 10.478.298,00)	24,924,903.00	24,734,031.00
II. Additional paid-in capital	4,236,812.78	3,953,764.78
III. Net retained profits	86,515,224.10	73,536,122.96
	115,676,939.88	102,223,918.74
B. Accrued expenses		
1. Tax contingency accruals	10,270,672.20	6,996,227.47
2. Other provisions	3,698,236.03	4,606,864.84
	13,968,908.23	11,603,092.31
C. Liabilities		
1. Bonds	12,875,816.40	23,487,560.29
2. Liabilities to banks	3,449.17	2,560,391.06
3. Trade payables	826,916.54	1,090,842.25
4. Liabilities to affiliated companies	26,151,737.09	21,671,270.59
5. Liabilities to companies in which the Group holds an equity interest	0.00	17,167.39
6. Other liabilities	5,367.66	184,210.54
	39,863,286.86	49,011,442.12
Bilanzsumme	169,509,134.97	162,838,453.17

Income Statement for the time 01 January 2017 through 31 December 2017

	01.01.2017 bis 31.12.2017	01.01.2016 bis 31.12.2016
	EUR	EUR
1. Revenues	0,00	110.453,25
2. Decrease in work in progress	0,00	-63.999,21
3. Other operating income	12.936.383,15	31.134.260,03
	12.936.383,15	31.134.260,03
4. Cost of materials		
a) Expenses for raw materials and supplies and for purchased goods	12.495,00	20.526,02
b) Expenses for contracted services	104.216,69	46.652,30
	116.711,69	67.178,32
5. Total payroll and benefit costs		
a) Wages and salaries	1.897.433,39	1.775.809,24
b) Social security contributions and expenditures for pension plans and related employee benefits (thereof employee retirement: EUR 240.00 (prior year: EUR 40.00))	190.543,13	174.390,85
	2.087.976,52	1.950.200,09
6. Write-downs on intangible assets of the non-current assets and property, plant and equipment	47.366,58	382.243,51
7. Other operating expenses	2.970.187,23	5.610.698,50
8. Earnings from equity investments	35.300,00	0,00
9. Earnings from profit-shifting contracts	15.907.331,50	34.458.060,52
10. Other interest income and similar earnings (thereof from affiliates: EUR 2,688,019.68; prior year EUR 3,240,809.96)	3.141.227,20	3.502.848,74
11. Write-downs on financial investments	4.600.095,90	0,00
12. Expenses from loss transfers	0,00	140.820,78
13. Interest and similar expenses (thereof to affiliates: EUR 460,898.50; prior year EUR 195,967.52) (thereof from discounting: EUR 142.00; prior year: EUR 198.00)	2.150.914,51	2.677.881,27
14. Taxes on income and profit	3.335.588,03	6.728.802,60
15. Earnings after taxes	16.711.401,39	51.583.798,26
16. Other taxes	1.606,00	2.213,40
17. Net income for the year	16.709.795,39	51.581.584,86
18. Profits carried from previous year	73.536.122,96	21.954.538,10
19. Dividend	-3.730.694,25	0,00
20. Net retained profits	86.515.224,10	73.536.122,96

ACCENTRO Real Estate AG

Berlin

NOTES

for the Financial Year

starting 1 January 2017 and ending 31 December 2017

1. General Details

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

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

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

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

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

2. Disclosures on Recognition and Measurement

2.1 Recognition and Measurement Policies

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

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

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

If the acquisition or manufacturing costs exceed EUR 150.00 without exceeding EUR 1,000.00, the assets are capitalised in annual compound items that collectively are of minor significance and written down via scheduled amortisation over a five-year period. Once such assets are fully depreciated, they are recognised as disposals in the statement of changes in fixed assets. The compound tax item method is also applied in the commercial balance sheet to simplify matters.

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

Interests in affiliates and equity investments are recognised at their historic costs. As of the balance sheet date, the lower fair value was recognised whenever there was more than one figure. Impairment losses are reversed as soon as the reasons for the impairment loss cease to apply, up to the maximum amount of the original acquisition costs.

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

Under advance payments made on interests in affiliates, the balance sheet lists payments advanced toward the majority interest in a corporation whose transfer in rem had not yet been completed by the balance sheet date.

Bank credit is recognised at face value.

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

Tax reserves essentially concern the taxes to be paid in the ongoing year and in the previous year. They are reported depending on their anticipated use.

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

Liabilities are recognised at their settlement value.

2.2 Statement of Gross Changes in Fixed Assets

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

2.3 Depreciation and Impairment Losses for the Financial Year

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

Unscheduled impairments on financial investments due to lower-than-expected selling prices amounted to EUR 4.6 million. These represent write-downs pursuant to Art. 253, Sec. 3, Sent. 6, HGB, because of the prospectively temporary nature of the impairment.

2.4 Intercompany Receivables and Liabilities

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

Receivables with a remaining term of over a year add up to EUR 70,806,665.20 (prior year: EUR 69,650,778.90).

Liabilities to affiliates represent primarily cash the Company received for the subsidiaries within the cash pooling framework.

2.5 Other Assets

The other assets include receivables from loans in the amount of EUR 206,895.49 (previous year: EUR 533,809.11). Receivables with a remaining term of over a year add up to EUR 25,000.00 (prior year: EUR 169,800.00). In addition, there are receivables amounting to EUR 2,791,514.39 that represent prepaid shares of the purchase price in conjunction with the joint acquisition of a property company in late December 2017.

2.6 Prepayments and Accrued Income

Prepayments and accrued income mainly represent the discount of EUR 389,292.71 (previous year: EUR 700,726.89) for the convertible bond issued on 05 March 2014.

2.7 Disclosures and Notes on Provisions

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

	EUR
Provisions for outstanding invoices	1,118,230.13
Provisions for warranties	1,139,944.71
Provisions for financial statements and audit	364,350.00
Provisions for payroll costs	238,065.77
Provisions for bonuses/emoluments	330,000.00
Provisions for meeting the record-keeping obligations	8,928.00
Provisions for miscellaneous obligations	498,717.42

2.8 Bonds

The bonds recognised in the balance sheet are fully convertible as of 31 December 2017 (convertible the previous year: EUR 13,349,187.50).

On 14 November 2013, the Company had issued a bond, dividing into 10,000 partial debentures with a face amount of EUR 1,000.00 each. The par value of the bearer bonds equalled EUR 10,000,000.00. The convertible bond drew an interest of 9.25 % p. a. and would have

matured on 14 November 2018. The bond was terminated prematurely as of 30 June 2017 and full repaid.

On 05 March 2014, having received the approval by the Supervisory Board, the Management Board of ACCENTRO Real Estate AG decided on the basis of the authorisation it was granted by the Annual General Meeting of ACCENTRO Real Estate AG on 27 February 2013 to issue a convertible debenture, divided into 6,000,000 convertible bonds over a nominal amount of EUR 2.50 each and over an aggregate par value of EUR 15,000,000.00. The shareholders of ACCENTRO Real Estate AG were granted a direct subscription right by Close Brother Seydler Bank AG in Frankfurt am Main on these debenture bonds subject to the privilege to have these converted into bearer common shares of the Company without face value (no par value shares), with a pro-rata share capital amount of EUR 1.00 per share and a full entitlement to a share in the profits for all financial years for which the Annual General Meeting had not yet adopted a resolution on the appropriation of profits at the time at which the shares were issued.

In this context the shareholders were granted the right to subscribe, for every five Company shares held, one debenture bond with conversion privilege for initially one share per debenture bond, subject to the bond terms at the specified conditions stated therein, at the set subscription price, with the subscription price and the face value of each debenture bond matching the initial conversion price. No so-called "over-subscriptions" or "additional subscriptions" of debenture bonds were permitted. Neither did shareholders have the option to subscribe debenture bonds for any non-convertible fractions that the subscription ratio of 5:1 may hypothetically have created. Instead, they were only permitted to acquire full debenture bonds or integer multiples thereof. Definitive for calculating the number of the subscription rights to which a given shareholder was entitled were the respective end-of-day share holdings on 07 March 2014 at 24:00 CET.

The convertible bond draws an interest of 6.25 % p. a. and will mature on 27 March 2019. Interest is paid quarterly in arrears, specifically on 27 March, 27 June, 27 September and 27 December of each year, the first pay-out date being 27 June 2014, the final one being 27 March 2019.

The initial conversion price for no-par value bearer shares of the Company is EUR 2.50 per share. The conversion right may be exercised by the respective noteholder as of 01 July 2014. The bond was issued in 3 tranches. Issuance of the first tranche in the amount of EUR 11,261,690.00 took place on 07 March 2014, while the second tranche in the amount of EUR 1,016,602.50 was issued on 01 April 2014, and the third tranche in the amount of EUR 2,721,707.50 on 04 April 2014. During the 2013/2014 financial year, 600,000 bonds were bought back against the issue of new shares at a price of EUR 2.50 each. During the short financial year starting on 01 July and ending on 31 December 2014, a total of 4,094 debenture bonds were converted into no-par value shares of the Company. During the 2015 financial year, 400 units of the 2014/2019 convertible bond were converted into no-par value shares of the Company, another 55,831 units in the 2016 financial year, and another 190,872 units in the 2017 financial year.

The initial conversion price changed in the course of 2017. Due to the dividend payments in May 2017, the conversion price was adjusted to EUR 2.465 pursuant to the bond terms.

Laut Stimmrechtsmitteilung vom 30. November 2017 der Brookline Real Estate S.à r.l. hat die Gesellschaft die Mehrheit der Aktien der ACCENTRO Real Estate AG von der ADLER Real Estate AG erworben. This change-of-control event entitles the investment creditors of the 2014/2019 convertible bond to tender their convertible bonds at a modified conversion price in the time between 01 December 2017 and 31 January 2018. The changed conversion price equalled EUR 2.365.

2.9 Contingent Liabilities from Off-Balance Sheet Liabilities pursuant to Art. 251, HGB

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

Contingent liabilities pursuant to Art. 251, HGB	Amount
	EUR
from guarantees in favour of affiliates	26,738,000.00
Prior year	25,518,000.00
from letters of comfort in favour of affiliates	74,996,704.00
Prior year	23,775,887.00

The guarantees in favour of affiliates in the amount of EUR 26,738,000.00 are matched by loan proceeds in the amount of EUR 53,079,684.00 from subsidiaries. Considering these loan proceeds and the economic situation of the respective subsidiary, ACCENTRO Real Estate AG does not expect the guarantees to be used.

ACCENTRO Real Estate AG has moreover issued unrestricted letters of comfort to Berliner Volksbank cooperative bank and to the Mittelbrandenburgische Sparkasse savings bank for loans granted to subsidiaries. In addition, an unrestricted comfort letter was issued to Internationales Bankhaus Bodensee AG for three loans granted to subsidiaries. In each case, it is unlikely to be used because the companies concerned have so far fully met their obligations, and because the loans are also secured by mortgages.

For two subsidiaries, ACCENTRO Real Estate AG issued a letter of comfort each over the amount of EUR 23 million to the seller of several properties acquired by said subsidiaries in order to secure the purchase price.

ACCENTRO Real Estate AG is liable vis-à-vis one buyer of a member company for the risk associated with a lawsuit. The value of the litigation amounts to TEUR 8,321 at this time, and could go as high as TEUR 17,845. Inversely, ACCENTRO Real Estate AG has recourse claims over the same amount, and, having sought legal counsel, considers the risk of recourse to be low. Security for the recourse claims has been provided in the form of a cash collateral of EUR 1 million.

2.10 Off-Balance-Sheet Transactions pursuant to Art. 285, No. 3, HGB

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

	thereof up to 1 year	> 1 year
	EUR	EUR
Leasing agreements	54,985.94	72,763.81
Prior year	43,937.57	18,533.13

2.11 Other Off-Balance Sheet Financial Obligations

In addition to the liabilities recognised in the balance sheet, there are other financial obligations amounting to EUR 723,001.02.

Specifically, the liabilities break down into the following items:

	thereof within 1 year	> 1-6 years
	EUR	EUR
Leases	207,397.74	157,800.96
Prior year	160,552.10	150,391.92
Advisory agreements	178,901.16	178,901.16
Prior year	176,045.16	0.00
Sum total	386,298.90	336,702.12
Prior year	336,597.26	150,391.92

2.12 Other Operating Income

Other operating income mainly represents income from the disposals of financial assets (EUR 10,393,645.43), the reversal of provisions (EUR 1,205,158.00) and various other income (EUR 1,239,031.65), with the derecognition of liabilities accounting for the bulk of it.

2.13 Prior-Period Income and Expenses

Other operating income includes prior-period income in the amount of EUR 2,286,349.83. It consists essentially of derecognised liabilities and reversed provisions.

2.14 Earnings from Profit-Shifting Contracts

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

	EUR
ACCENTRO Wohneigentum GmbH	13,489,997.76
ESTAVIS Wohneigentum GmbH	659,107.22
ACCENTRO GmbH	1,758,226.52

2.15 Taxes on Income and Profit

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

Temporary and quasi-permanent differences between the commercial and tax balance sheets of ACCENTRO Real Estate AG involve the area of deferred financing costs. There are no tax loss carryforwards. The measurement is principally based on a tax rate of 30.175 %. By exercising the option provided in Art. 274, Sec. 1, Sent. 2, HGB, the resulting deferred tax assets were not capitalized.

2.16 Changes in Capital Reserves

During the 2017 financial year, EUR 238,048.00 were transferred into the capital reserves after conversion rights were exercised.

2.17 Proposal for the Appropriation of Net Income

The year's net income amounts to EUR 16,709,795.39 and is expected to be allocated to the net retained profits in the same amount. A portion of the net retained profits of EUR 86,515,224.10 is to be distributed as a dividend of EUR 0.17 per share.

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

3. Other Required Disclosures

3.1 Members of the Management Board and the Supervisory Board

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

Jacopo Mingazzini

- practised profession: Real estate economist

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

Axel Harloff (Chairman)

- practised profession: Merchant
- other positions in comparable domestic and foreign supervisory bodies:
 - Chairman of the supervisory board of CONSUS Real Estate AG, Berlin
 - Member of the management board of Deutsche Technologie Beteiligungen AG, Munich

Dr. Dirk Hoffmann (Deputy Chairman)

- practised profession: Attorney at law
- other positions in comparable domestic and foreign supervisory bodies:
 - Chairman of the supervisory board ADLER Real Estate AG, Berlin
 - Chairman of the supervisory board of Westgrund AG, Berlin
 - Chairman of the supervisory board of SQUADRA Immobilien GmbH & Co. KGaA, Frankfurt am Main

Until 8 Dec. 2017

Carsten Wolff

- practised profession: Head of Accounting and Finance at ADLER Real Estate AG, Berlin
- other positions in comparable domestic and foreign supervisory bodies:
 - Member of the supervisory board of Westgrund AG, Berlin
 - Member of the supervisory board of Deutsche Technologie Beteiligungen AG, Munich (since 8 Dec. 2017)

Since 8 Dec. 2017

Natig Ganiyev, London

- practised profession: Managing Director of Vestigo Capital Advisors LLP, London
- other positions in comparable domestic and foreign supervisory bodies:
 - Director of Brookline Capital GP Limited, Guernsey

3.2 Remunerations of Management Board and Supervisory Board Members

The remuneration paid to the one member of the Management Board amounted to EUR 641,400.75 in the year under review and break down into a fixed remuneration of EUR 282,970.35 (fixed remuneration of EUR 270,000.00 and non-cash remuneration of EUR 12,970.35), a special bonus for 2014 (EUR 88,430.40) and the 2016 bonus in the amount of EUR 270,000.00 that became due for payment.

Listed below are the remuneration that was paid to members of the Management Board in the year under review, compared to the remuneration recorded as expenses:

	Expenses	Disbursement
	EUR	EUR
Fixed salary	270,000.00	270,000.00
2017 bonus	180,000.00	0.00
2016 bonus	90,000.00	270,000.00
2014 bonus	0.00	88,430.40
Remuneration in kind	12,970.35	12,970.35
Sum total	552,970.35	641,400.75

The total remuneration paid to the Supervisory Board during the 2017 financial year added up to EUR 162,635.10. For detailed figures, see Item 8 "Remuneration Report" in the Company's Management Report.

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

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

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

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

Serial no.	Company name and registered office	via	indirect	direct	Shareholders' equity	Profit/loss for the year
			%	%	EUR	EUR
1	ACCENTRO Real Estate AG , Berlin					
2	ACCENTRO GmbH , Berlin	1		100.0	210,309.62	0.00
3	ACCENTRO Verwaltungs GmbH , Berlin	1		100.0	26,809.14	-121.47
4	ACCENTRO Wohneigentum GmbH , Berlin	1		100.0	519,504.10	0.00
5	ACCENTRO 2. Wohneigentum GmbH , Berlin	1		100.0	5,694,617.18	7,125,707.91
6	ACCENTRO 3. Wohneigentum GmbH , Berlin	1		100.0	86,610.71	76,367.11
7	ACCENTRO 5. Wohneigentum GmbH , Berlin	1		100.0	-1,420,803.40	-1,079,562.64
8	ACCENTRO 6. Wohneigentum GmbH , Berlin	1		100.0	-204,159.81	-225,105.65
9	ACCENTRO 8. Wohneigentum GmbH , Berlin	1		100.0	-367,222.19	-392,222.19
10	ACCENTRO 10. Wohneigentum GmbH , Berlin	1		100.0	-55,369.16	-80,369.16
11	ACCENTRO 11. Wohneigentum GmbH , Berlin	1		100.0	12,245.47	-254.53
12	ACCENTRO 12. Wohneigentum GmbH , Berlin	1		100.0	12,245.47	-254.53
13	ACCENTRO 13. Wohneigentum GmbH , Berlin	1		100.0	12,245.47	-254.53
14	Quartier Hasenheide GmbH,, Berlin	1		100.0	23,739.55	-1,260.45
15	Kantstrasse 130b/Leibnitzstrasse 36, 36a GbR, Berlin	16	94.0		256,762.12	253,700.92
16	Kantstrasse 130b/Leibnitzstrasse 36, 36a Immobilien Gesellschaft mbH , Berlin	21	41.0		-144,594.38	-48,264.98
17	Koppenstrasse Wohneigentum GmbH , Berlin	4		100.0	-103,788.48	-70,116.47
18	MBG 2. Sachsen Wohnen GmbH , Berlin	1		100.0	-391,504.14	-132,162.16
19	ESTAVIS 43. Wohnen GmbH & Co. KG , Berlin	1		100.0	1,837,959.69	21,779.93
20	ESTAVIS Beteiligungs GmbH & Co. KG , Berlin	1	94.0		5,443,749.24	48,581.02
21	ESTAVIS Wohneigentum GmbH , Berlin	1	94.0		2,929,301.10	0.00
22	Phoenix F1 Neubrandenburgerstrasse GmbH , Erlangen	1	94.0		10,242,535.18	3,888,201.03
23	Uhlandstrasse 79 Immobilien GmbH , Berlin	1	50.0+1		103,113.53	-43,648.78
24	ACCENTRO Gehrensee GmbH , Berlin	1		100.0	-1,050,693.54	-389,111.12
25	WBL Wohnungsgesellschaft Berlin Lichtenberg 1 GmbH , Berlin	24	94.9		-277,423.42	-132,505.46
26	WBL Wohnungsgesellschaft Berlin Lichtenberg 2 GmbH , Berlin	24	94.9		-282,674.20	-134,845.20
27	WBL Wohnungsgesellschaft Berlin Lichtenberg 3 GmbH , Berlin	24	94.9		-340,599.49	-133,076.34
28	WBL Wohnungsgesellschaft Berlin Lichtenberg 4 GmbH , Berlin	24	94.9		-437,507.30	-131,149.59
29	WBL Wohnungsgesellschaft Berlin Lichtenberg 5 GmbH , Berlin	24	94.9		-990,222.56	-254,862.06

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

In December 2017, the equity investments in the Magnus-Relda Holding Vier subgroup, which was still recognised in the previous year, were reduced to a 1.9 % direct interest in the private limited company Magnus-Relda Holding Vier GmbH. The Company intends to divest itself of this residual interest as well. The book values of the interests in the Company and its equity investments were therefore reclassified to current assets. This dispenses with the need for their presentation in the list of shareholdings.

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

On 30 November 2017, Brookline Real Estate S.à r.l., registered in the commercial and business register of Luxembourg (Registre de Commerce et des Sociétés) under the register number B217736, notified ACCENTRO Real Estate AG that it acquired beneficial ownership of 19,915,333 ACCENTRO shares and thereby took over control of the Company within the meaning of Art. 35, Sec. 1, i. c. w. Art. 29, Sec. 2, and Art. 30, Sec. 1, German Securities Acquisition and Takeover Act (WpÜG), via a sale and purchase agreement concluded with ADLER Real Estate AG. This equals 79.95 % of the voting rights and of the share capital of ACCENTRO Real Estate AG.

3.6 Group Affiliation

ACCENTRO Real Estate AG is the parent company of the companies listed in Item 3.4, above. The Consolidated Financial Statements of the group of companies was compiled in accordance with IFRS as of 31/12/2017. The Consolidated Financial Statements are published in the Federal Gazette.

Up to the date of 30 November 2017, ACCENTRO Real Estate AG was included in the higher-level consolidated financial statements of ADLER Real Estate AG, Berlin, which is also published in the Federal Gazette.

3.7 Average Number of Staff Employed during the Financial Year

The employee categories listed below were employed by the Company as of 31 December 2017:

Employee categories	Number
Employees	19
thereof:	
full-time employees	18
part-time employees	1

The total number of staff employed during the financial year is 18 on average.

3.8 Other Disclosure Requirements pursuant to the Stock Corporation Act

3.8.1 Disclosures on the Holdings, Purchases and Sales of Treasury Shares

As of 31 December 2017, the Company held no treasury shares.

3.8.2 Disclosures on the Class of Shares

As of 31 December 2017, the share capital amounted to EUR 24,924,903.00, up from EUR 24,734,031.00 as of the prior year balance sheet date.

The share capital breaks down as follows:

24,924,903 units in common shares at a face value of EUR 1.00 each. The shares are bearer shares. The share capital changed as follows:

Total on 31 December 2016	EUR 24,734,031.00
Capital increase through exercise of conversion right	EUR 190,872.00
Total on 31 December 2017	EUR 24,924,903.00

3.8.3 Disclosures on the Authorised and Conditional Capital

The Management Board was authorised via a resolution by the Annual General Meeting of 16 June 2015 to increase, with the approval of the Supervisory Board, the share capital of the Company by up to EUR 12,218,232.00 by issuing, on one or several occasions, up to 12,218,232 new no-par value bearer shares in exchange for cash and/or non-cash contributions up to and including 15 June 2020 (Authorised Capital 2015).

Moreover, a resolution passed by the Annual General Meeting on 27 February 2013 authorised the Management Board, subject to the Supervisory Board's approval, to issue—up to and including 26 February 2018—one or more convertible bonds and/or warrant bonds with or without conversion or pre-emptive rights in an aggregate minimal amount of up to EUR 200,000,000.00 with a maximum maturity of 20 years, and to grant the bearers of these debenture bonds conversion or pre-emptive rights for up to 25,000,000 no-par-value bearer shares in the Company, equal to a proportionate share in the share capital in a total amount of EUR 25,000,000.00. In March 2014, the Company issued convertible bonds in a nominal volume of EUR 15,000,000. The exercise period for the conversion right commenced on 01 July 2014.

Pursuant to a resolution passed by the Annual General Meeting on 10 January 2014, the share capital was conditionally increased by up to EUR 4,136,631.00 through the issue of up to 4,136,631 new no-par-value bearer shares in order to redeem the conversion and pre-emptive rights arising from these debenture bonds ("Conditional Capital 2014").

A resolution by the Annual General Meeting of 16 June 2015 restructured the Conditional Capital 2014 as follows: The share capital has been conditionally increased by up to EUR 10,534,529.00 through the issuance of up to 10,534,529 new no-par-value bearer shares (Conditional Capital 2014). The conditional capital increase will go ahead only to the extent

that (i) the bearers of convertible and/or option bonds and/or profit participation certificates with conversion or pre-emption rights issued by the Company or its subordinate group companies on the basis of the authorisation resolution by the Annual General Meeting on 27 February 2013 exercise their conversion or pre-emption rights and the Company decides to serve the conversion or pre-emption rights from this conditional capital, or (ii) the bearers of convertible and/or option bonds and/or profit participation certificates with conversion or pre-emption rights with a conversion obligation issued by the Company or its subordinate group companies on the basis of the authorisation resolution by the Annual General Meeting on 27 February 2013 meet their obligations and the Company decides to serve the conversion or pre-emption rights from this conditional capital. The share issuance shall proceed in line with the provisions of the authorisation resolution by the Annual General Meeting of 27 February 2013, i. e. in particular at a price equal to no less than 80 % of the average stock market price of the Company shares in the opening auction in XETRA® trading (or a successor system) on the last ten trading days before the resolution by the Management Board to issue the respective bonds, taking into account adjustments pursuant to the dilution protection regulations of the resolution by the Annual General Meeting of 27 February 2013 under agenda item 8 lit. g).

Further exercise of the conversion rights in convertible bonds reduced the Conditional Capital 2014 through the issuance of 190,872 no-par value shares down to EUR 10,287,426.00 during the 2017 financial year.

On top of that, the Management Board was authorised through a resolution passed by the Annual General Meeting on 15 May 2017 to issue on one or more occasions before 14 May 2020 up to 1,800,000 options to current or new members of the board and the top tier management, which options entitle their bearers, subject to the options terms, to acquire new no-par value bearer shares in ACCENTRO Real Estate AG (2017 stock option program). The Management Board of ACCENTRO Real Estate AG has not exercised its authorisation by the annual general meeting. To implement the stock option program, the Company's share capital was conditionally increased by up to EUR 1,800,000.00 through issuance of up to 1,800,000 new no-par-value bearer shares (Conditional Capital 2017). The conditional capital increase will go ahead only if bearers of the issued options exercise their right to subscribe shares of the Company, and if the Company draws on the Conditional Capital 2017 to settle these options.

3.8.4 Declaration on the Corporate Governance Code

The Declaration was issued pursuant to Art. 285, Sec. 1, No. 16, HGB, i. c. w. Art. 161, AktG, in March 2018, and was made permanently accessible to the shareholders on the homepage of ACCENTRO Real Estate AG (www.accentro.ag).

3.9. Supplementary Report

On 23 January 2018, ACCENTRO Real Estate AG successfully concluded placement of a three-year corporate bond. The aggregate par value equals EUR 100 million. The corporate bond has an annual interest rate of 3.75 %. The interest will be paid semi-annually. The net issue proceeds will primarily be used to finance the acquisition of new real estate assets.

Another event that took place in January 2018 was the transfer in rem of a property vehicle holding one residential property in Berlin's Kreuzberg district. The purchase price already paid was recognised in the 2017 Financial Statements under "Advance payments for financial investments."

A total of 3,885,434 units of the 2014/2019 convertible bond were converted as of 31 January 2018. As a result, the shareholders' equity of ACCENTRO Real Estate AG rose by c. EUR 10.2 million. The convertible bonds still outstanding in February 2018 in aggregate par value of EUR 414,737.50 were terminated prematurely by the issuer.

In January 2018, ACCENTRO Real Estate AG sold a 75 % interest in its subsidiary ACCENTRO Gehrensee GmbH. The latter owns a property of around 41,500 sqm in Berlin's Lichtenberg borough. The equity stake is being sold to a Berlin-based property developer with ample experience in construction projects specifically in this borough.

In February 2018, the Supervisory Board appointed the one Member of the Management Board of ACCENTRO Real Estate AG, Jacopo Mingazzini, for another three-year term ending in March 2021.

3.10 Auditor's Fee

The auditor's fee recognised in the separate financial statement of ACCENTRO AG equals TEUR 255, and breaks down into TEUR 240 for auditing services involving the annual financial statements (thereof TEUR 30 for prior years) and TEUR 15 for other services.

4. Appendices to the Annex

- Annex 1 – Statement of Changes in Fixed Assets
- Annex 2 – Schedule of Liabilities

Berlin, 08 March 2018
CEO of ACCENTRO Real Estate AG

Jacopo Mingazzini
CEO

Statement of changes in non-current assets
from 01 January 2017 to 31 December 2017

	Acquisition or manufacturing costs					Write-downs				Depreciated book value	
	01.01.2017	Additions	Disposals	Transfer items	31.12.2017	01.01.2017	Additions	Disposals	31.12.2017	31.12.2017	01.01.2017
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
I. Immaterielle Vermögensgegenstände											
Concessions acquired for consideration, industrial property rights and similar rights and values, as well as licenses to these rights and values	192,371.57	4,760.00	0.00	0.00	197,131.57	173,189.33	6,804.00	0.00	179,993.33	17,138.24	19,182.24
II. Property, plant and equipment											
Real property and built-up structures, including built-up structures on third-party property	3,480,000.00		3,480,000.00	0.00	0.00	680,000.00	5,023.00	685,023.00	0.00	0.00	2,800,000.00
Furniture, fixtures and equipment (FFE)	353,423.11	63,187.58	0.00	0.00	416,610.69	279,851.11	35,539.58	0.00	315,390.69	101,220.00	73,572.00
	3,833,423.11	63,187.58	3,480,000.00	0.00	416,610.69	959,851.11	40,562.58	685,023.00	315,390.69	101,220.00	2,873,572.00
III. Financial investments											
Investments in affiliates	29,040,418.00	266,757.34	75,000.00	-1,152,203.12	28,079,972.22	4,502,186.98	4,600,095.90	0.00	9,102,282.88	18,977,689.34	24,538,231.02
Equity investments	0.00	137,301.31	1,190,323.29	1,152,203.12	99,181.14	0.00	0.00	0.00	0.00	99,181.14	0.00
Securities held as fixed assets	26,000.00	0.00	0.00	0.00	26,000.00	0.00	0.00	0.00	0.00	26,000.00	26,000.00
Advance payments made on interests in affiliates	0.00	16,741,496.20	0.00	0.00	16,741,496.20	0.00	0.00	0.00	0.00	16,741,496.20	0.00
	29,066,418.00	17,145,554.85	1,265,323.29	0.00	44,946,649.56	4,502,186.98	4,600,095.90	0.00	9,102,282.88	35,844,366.68	24,564,231.02
	33,092,212.68	17,213,502.43	4,745,323.29	0.00	45,560,391.82	5,635,227.42	4,647,462.48	685,023.00	9,597,666.90	35,962,724.92	27,456,985.26

Schedule of liabilities as of 31 December 2017

	Sum total		with a maturity	
	EUR	EUR	of up to one year	of more than one year and up to five years
1. Bonds	12,875,816.40	548.90	12,875,267.50	0.00
Prior year	23,487,560.29	138,372.79	23,349,187.50	0.00
2. Liabilities to banks	3,449.17	3,449.17	0.00	0.00
Prior year	2,560,391.06	7,339.06	2,553,052.00	0.00
3. Advance payments received	0.00	0.00	0.00	0.00
Prior year	0.00	0.00	0.00	0.00
4. Trade payables	826,916.54	826,916.54	0.00	0.00
Prior year	1,090,842.25	1,090,842.25	0.00	0.00
5. Liabilities to affiliated companies	26,151,737.09	26,151,737.09	0.00	0.00
Prior year	21,671,270.59	21,671,270.59	0.00	0.00
6. Liabilities to companies in which the Groups holds an equity interest	0.00	0.00	0.00	0.00
Prior year	17,167.39	17,167.39	0.00	0.00
7. Other liabilities	5,367.66	5,367.66	0.00	0.00
Prior year	184,210.54	184,210.54	0.00	0.00
	39,863,286.86	26,988,019.36	12,875,267.50	0.00
Prior year	49,011,442.12	23,109,202.62	25,902,239.50	0.00

To the ACCENTRO Real Estate Aktiengesellschaft, Berlin

Report on the audit of the annual financial statements and the Management report

Audit Opinions

We have audited the annual financial statements of **ACCENTRO Real Estate Aktiengesellschaft, Berlin**, which comprise the balance sheet as at December 31, 2017 and the statement of profit and loss for the financial year from January 1 to December 31, 2017, and Notes to the financial statements, including the recognition and measurement policies presented therein.

In addition, we have audited the management report of ACCENTRO Real Estate Aktiengesellschaft, Berlin for the financial year from January 1 to December 31, 2017. In accordance with the German legal requirements, we have not audited the content of the statement on corporate governance pursuant to § 289f Abs. 4 HGB, which is referred to in the management report.

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

- the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law applicable to business corporations and give a true and fair view of the assets, liabilities and financial position of the Company as at December 31, 2017 and of its financial performance for the financial year from January 1 to December 31, 2017 in compliance with German Legally Required Accounting Principles, and
- the accompanying management report as a whole provides an appropriate view of the Company's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the Management report does not cover the content of the statement on corporate governance referred to above.

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

Basis for the Audit Opinions

We conducted our audit of the annual financial statements and of the Management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards on Auditing as promulgated by the Institut der Wirtschaftsprüfer (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management re-

port" section of our auditor's report. We are independent of the Company in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements.

In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the annual financial statements and on the Management report.

Key Audit Matters in the Audit of the Annual Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual financial statements for the financial year from January 1 to December 31, 2017. These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our audit opinion thereon we do not provide a separate audit opinion on these matters.

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

Valuation of shares in affiliated companies and receivables from affiliated companies

a) Risk for the annual financial statements

As of December 31, 2017, ACCENTRO Real Estate Aktiengesellschaft has accounted for shares in affiliated companies in the amount of TEUR 18,978 and receivables from affiliated companies in the amount of TEUR 127,413. Shares in affiliated companies are carried at acquisition cost and receivables from affiliated companies are accounted for at face value or, if applicable with a lower fair value at the reporting date.

The information provided by the company for valuation of investments and receivables can be found in chapters "2.1. Accounting Policies", "2.2 Gross fixed assets" and "2.4 Intercompany receivables and liabilities" in the Notes and in section "2.4 Earnings position, financial position and net assets" of the management report.

In order to assess the requirement for the recognition of any impairment loss in shares in affiliated companies and/or receivables from affiliated companies, ACCENTRO Real Estate Aktiengesellschaft first of all analyses whether the respective book value of the equity of the subsidiary covers the carrying amount of the individual shares and the receivables due from the subsidiary. If this is not the case, it is analysed by recourse to corporate planning whether there is a risk of impairment. Against the background of the positive business development of the operating companies, a net income valuation based on IDW RS HFA 10 is dispensed with. Non-operating subsidiaries are valued based on a net asset value calculation.

The risk for the annual financial statements lies in an inappropriate valuation of the shares in affiliated companies and receivables from affiliated companies, especially in an overvaluation. Due to the necessary individual assessment of the recoverability and with regard to the overall value of individual shares and/or receivables in the intercom-

pany relations, the risk of significant errors is of particular importance to us in the context of our audit.

b) Review procedure and conclusions

The impairment test of the shares in affiliated companies and the receivables from affiliated companies is carried out essentially on a case-by-case basis. In order to test the value of the commitment to operating subsidiaries, we use the sales plan prepared by the Management Board and analyse whether the expected positive contribution margins from the sale of real estate plus the reported equity are sufficient to repay the commitment. For non-operating subsidiaries, we assess the appropriateness of the valuation based on a net asset value calculation prepared by the Management Board.

As part of our audit, we have found no material errors in the valuation of shares in affiliated companies and in receivables due from affiliated companies.

Other Information

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

- the corporate governance statement pursuant to section 289f HGB, which is referred to in the management report
- the remaining parts of the annual report, with the exception of the audited annual financial statements and management report and our audit opinion,
- the insurance pursuant to section 264 (2) sentence 3 HGB on the annual financial statements and the insurance pursuant to section 289 (1) sentence 5 HGB on the management report.

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

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

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

Responsibilities of the Management Board and the Supervisory Board for the Annual Financial Statements and the management report

The management board is responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law applicable to business corporations, and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Accounting Principles.

In addition, the management board is responsible for such internal control as they, in accordance with German Legally Required Accounting Principles, have determined necessary to

enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the annual financial statements and of the management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material

misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

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

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

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

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

Other legal and regulatory requirements

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as auditor by the annual general meeting on May 15, 2017. We were engaged by the supervisory board on December 1, 2017. We have been the auditor of the ACCENTRO Real Estate Aktiengesellschaft, Berlin, without interruption since the short fiscal year 2014.

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

German public auditor responsible for the engagement

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

Hamburg, 08 March 2018

Ebner Stolz GmbH & Co. KG

Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft

Dirk Schützenmeister
German Public Auditor

Florian Riedl
German Public Auditor

Imprint

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Jacopo Mingazzini

Chairman of the Supervisory Board

Axel Harloff, Hamburg

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