

ACCENTRO

REAL ESTATE AG

Half-Year Financial Report
for the Period
1 January Through 30 June 2019

Overview Key Financial Data

ACCENTRO Real Estate AG	1st half-year 2019 1 January 2019 – 30 June 2019	1st half-year 2018 1 January 2018 – 30 June 2018
Income statement	TEUR	TEUR
Consolidated revenues total Group	34,540	97,922
Gross profit/loss (Interim result)	11,808	19,192
EBIT	6,588	14,409
EBT	3,513	8,658
Consolidated income	2,941	5,746
Interest coverage ratio (ICR)*	4.15	3.79

* EBIT adjusted by non-period expenses/income in relation to balance of interest expense and interest income

ACCENTRO Real Estate AG	30 June 2019	31 December 2018
Balance sheet ratios	TEUR	TEUR
Non-current assets	66,840	81,109
Current assets	432,226	393,096
Shareholders' equity	197,503	199,104
Equity ratio	39.6 %	42.0 %
Total assets	499,067	474,205
Loan to value (LTV)*	55.2 %	50.6 %

* Net financial debt divided by gross assets

ACCENTRO Real Estate AG	
Company shares	
Stock market segment	Prime Standard
ISIN	DE000A0KFKB3
German Securities Code Number (WKN)	A0KFKB
Number of shares on 30 June 2019	32,437,934
Free float	12.1%
Highest price (1 January–30 June 2019)*	EUR 9.78
Lowest price (1 January–30 June 2019)*	EUR 7.00
Closing price on 28 June 2019*	EUR 7.20
Market capitalisation on 28 June 2019*	EUR 233,553,125

* Closing prices in Xetra trading

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■ Letter to the Shareholders

Dear Shareholders,
Dear Ladies and Gentlemen,

Berlin is in the process of becoming a perfectly normal German city. The rapid progress of this development has prompted intense political and societal discussions. In the city's incumbent coalition government of Social Democrats, The Left and Greens, the Senator for Urban Development is a member of The Left. Each year since she took the helm, the number of planning approvals has declined while the incoming population remains high. For the time being, the widening gap is covered to some extent by the high completions figures delivered by projects previously approved, but this number can soon be expected to decline. Unless the incoming migration slows down, prices in Berlin are likely to keep soaring, matched by mounting social issues.

In mid-July, Berlin's Real Estate Valuation Board published its latest Property Market Report, which covers the market action of 2018:

The number of flats sold decreased by more than 10%. At the same time, the turnover total increased by nearly 8% although the share of new-build flats, which tend to have higher price tags, dropped noticeably. Indeed, the sales of new-build condominiums declined by more than 20%.

The development propelled Berlin upward into the top ten of Germany's most expensive cities for the first time: from rank 12 in 2017 to rank 5 in 2018. The only cities yet more expensive are Düsseldorf, Hamburg, Frankfurt am Main and Munich.

On the one hand, we benefit – in the context of ongoing projects – from rising prices while, on the other hand, the political debate on subjects like expropriations and rent caps does little to boost the faith of investors in the future development of Berlin as an investment destination. At the moment, there are no signs for a flagging interest in buying condominiums – if anything, the opposite is the case. But we will, of course, keep a close eye on how the discussion and the societal climate develops going forward.

Our positive development during the first half-year of 2019 proceeded as planned. For the first time, our total assets neared the mark of EUR 500 million, and they are likely to cross it during the second half of the year. The margins remain high and we manage to deliver a robust net income, and this even though we do not expect to see the bulk of this year's revenues until the second half-year.

In the course of the 2019 financial year to date, we completed several interesting acquisitions, e. g. in Rostock, on the island of Usedom, in Düsseldorf, Leipzig and Berlin, and already integrated some of them into our portfolio. All things considered, we bought 350 flats in 13 different properties for a total amount of EUR 72 million (notarised) and are planning to spend an amount in the upper triple-digit millions on additional project acquisitions.

On top of that, we contracted additional service mandates. At the moment, we are marketing development projects in a total sales volume of EUR 320 million on behalf of third parties, and we actually hold minority stakes in some of these projects. Increasingly, the mandates include newly constructed buildings. It is a business area that we intend to expand because of the extremely strong demand in Germany's metro regions.

All things considered, we are well-positioned and prepared to face the future.

Kind regards,

A handwritten signature in blue ink, appearing to read 'Jacopo Mingazzini', with a stylized, flowing script.

Jacopo Mingazzini
Management Board

■ Interim Management Report

■ Preliminary Remarks

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

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

■ 1 Basic Structure of the Group

1.1 Group Business Model, Objectives and Strategies

The ACCENTRO Group is a listed property company focusing on residential real estate located in Germany. The business activities of the ACCENTRO Group centre on the trading of residential properties and individual apartments, especially the retailing of apartments to owner-occupiers and buy-to-let investors within the framework of retail privatisations of housing portfolios. The focus here is on tenant-sensitive housing privatisations.

The privatisation services provided by the ACCENTRO Group involve both the retailing of apartments from the proprietary property stock of the ACCENTRO Group and the delivery of privatisation services on behalf of third parties.

In addition to apartment retailing, the business model of the ACCENTRO Group also includes the management of proprietary holdings.

The portfolio is not divided into segments.

1.2 Group Structure and Control System

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

The ACCENTRO Group consists of several property holding companies directly managed by ACCENTRO AG in which the real estate assets of the ACCENTRO Group are held. All of the property vehicles are consolidated in the Consolidated Financial Statements of ACCENTRO AG. The ACCENTRO Gehrensee GmbH subgroup was sold and finally consolidated during Q2 2018. ACCENTRO AG retains only a minority stake of 25% that is recognised among the "equity interests accounted for using the equity method."

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 with its

definitive factors, such as 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. The other factors that the control system takes into account include the operating income of each sub-portfolio or of each property. In addition, control variables like the number of new clients as well as viewings and reservations serve as early indicators of 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. Continuously measuring the liquidity flows on the level of each company and the level of the parent Group is an integral part of this control.

■ 2 Economic Report

2.1 Macro-economic Development

The macroeconomic conditions in Germany deteriorated during the first half-year of 2019 when compared to the prior-year period. In July 2019, the International Monetary Fund (IMF) revised its growth forecast for the global economy downwards for the third time this year. Reasons that prompted the IMF to update its economic forecast include the trade conflict between the United States and China as well as the jitters caused by Brexit over the uncertainty of future trade relations between the United Kingdom and the European Union. Geopolitical tensions in the Gulf region also put a damper on the economic outlook.

According to the IMF, the German economy, too, is expected to grow by only 0.7% as a result of muted international demand for German products, which is 0.1% slower than initially assumed.

The Ifo Institute for Economic Research announced in June 2019, after the Germany gross domestic product had grown by a mere 0.4% during the first quarter of 2019, that it anticipates a decline in Germany's economic output.

Mario Draghi, the outgoing President of the European Central Bank (ECB) who will vacate the position by 31 October 2019, indicated after a meeting of the Central Bank Council on 25 July 2019 that he intended to lower interest rates once more this fall and relaunch the bond-buying scheme. It is reasonable to assume that Christine Lagarde, the designated ECB President, will continue the bank's current accommodative monetary policy to boost European growth.

Against the background of a national economy that will continue to grow, albeit at a slower pace, ACCENTRO AG does not yet see signs of a negative economic impact on the housing market and thus on the business model of ACCENTRO. This assessment is backed by robust figures from the German labour market. In its Labour Market Report for July 2019, the Federal Labour Agency wrote on 31 July 2019: "The threat of becoming unemployed after losing your job remains low, and the opportunities to end unemployment by accepting a new job are on a very high level ..."

2.2 Development of the German Housing Market

Germany's housing shortage, which is driven by a low supply elasticity, has kept pushing up property prices in 2019. Just like in 2018, the Federal Government's stated objective of completing around 375,000 flats annually will most likely be missed again this year. According to the Federal Statistical Office, only 136,257 flats were approved for development nationwide during the first five months of 2019.

In July 2019, the incumbent German Government presented its first housing benefit and rent report – and thereby documented how ineffective the housing policy of recent years has been. The situation on the German housing market was “clearly strained in the economically strong regions during the reporting period,” the report says. The reporting period extends from 2016 through 2018, as the Federal Government publishes its housing benefits and rent report every two years.

The reason for the discrepancy between the needed and the actually completed accommodation are, from our point of view, explained primarily by overworked building authorities, the lack of development land, high construction costs and the short supply of skilled labour in the building trade, all of which factors cause delays to the development of urgently required new housing stock.

According to the housing benefit and rent report released by the Federal Government, asking rents in the metropolitan core areas rose by an annual 6% between 2016 and 2018, whereas the average rent growth nationwide equalled 5% during the same period. New-build rents climbed to EUR 12.68 per square metre in cities with populations of more than 500,000 residents, and even the rents of existing flats with good amenities rose to EUR 11.46 on average.

In Berlin, the largest and most important market for ACCENTRO AG, the growing politicisation of the housing issue has become yet another factor discouraging the creation of new residential accommodation. In March 2019, the accelerating rent growth triggered a debate whether to expropriate Berlin's large-scale housing companies.

By the end of August 2019, a draft bill for a “Berlin Rent Law” will be on the table whose purpose is to establish a generally binding rent cap and to freeze rents across Berlin for the next five years. The bill's critics argue mainly that the existing housing stock will deteriorate and that modernisations will be aborted while the motivation to engage in new-build construction will decline.

ACCENTRO AG is responding to the turbulent developments on Berlin's real estate market by expanding into other metro regions in Germany. Specifically, we are now concentrating on other auspicious locations like the Hamburg metro area, Leipzig, Rhine-Ruhr and Rhine-Main.

2.3 Business Performance

The business performance of the ACCENTRO Group during the first half-year of 2019 was satisfactory. For one thing, sales revenues and letting take-up have developed as planned in 2019 to date. The cash flow from operations prior to reinvestment in the real estate assets is clearly positive, and the property inventory was expanded as planned.

Against the background of the transactions yet expected to take place in Q4 of the ongoing financial year, ACCENTRO Real Estate AG upholds the forecasts made for the trend in revenues and the EBIT in the consolidated financial statements dated 31 December 2018.

The Company's share capital amounted to EUR 32,437,934.00 as of 30 June 2019.

There were no senior staff changes to the Supervisory Board or to the Management Board of ACCENTRO Real Estate AG during the reporting period. The Supervisory Board, consisting of Axel Harloff (chair), Dr. Dirk Hoffmann and Natig Ganiyev, was confirmed for another term at the Annual General Meeting of ACCENTRO Real Estate AG on 14 May 2019.

2.4 Earnings, Financial and Asset Position

Earnings Position

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

	H1 2019	H1 2018
	EUR million	EUR million
Revenues	34.5	97.9
EBIT	6.6	14.4
Consolidated income	2.9	5.7

The consolidated revenues added up to EUR 34.5 million during the first half of the 2019 financial year (reference period: EUR 97.9 million) and is therefore well below the prior year figures, which was defined by the integration of the ACCENTRO Gehrensee GmbH subgroup into a joint venture.

At EUR 2.6 million, the total payroll and benefit costs increased compared to the reference period with its total of EUR 1.9 million. The increase is explained by bonus payments in Q1 2019 and the continued expansion of the workforce.

The earnings before interest and taxes (EBIT) for the reporting period equalled EUR 6.6 million (reference period: EUR 14.4 million) and ranges within the parameters we predicted.

The substantial reduction of the negative net interest result during the first half-year of 2019 (EUR -3.1 million; reference period: EUR -5.8 million) is explained by the significant increase in interest income by more than EUR 1.4 million during H1 2019. Loans handed out to companies accounted for using the equity method or affiliated with the ACCENTRO Group via sales contracts amounted to c. EUR 30 million. Interest income attributable to tax refunds came to EUR 0.3 million.

The earnings before taxes equalled EUR 3.6 million, down from EUR 8.7 million by the end of the prior-year semester. Taking into account income taxes of EUR -0.6 million (reference period: EUR -2.9 million), this results in a consolidated income of EUR 2.9 million (reference period: EUR 5.7 million). A tax audit reduced the tax expense by taking out taxes related to other accounting periods. The tax refund resulted in a tax rate of 16.0%.

Financial Position

Key Figures from the Cash Flow Statement

	H1 2019	H1 2018
	EUR million	EUR million
Cash flow from operating activities	-14.5	-53.6
Cash flow from investment activities	2.2	-14.1
Cash flow from financing activities	7.8	92.0
Net change in cash and cash equivalents	-4.5	24.3
Change in restricted cash and cash equivalents/adjustment of cash and cash equivalents	-0.1	1.3
(+) Increase/(-) decrease in cash and cash equivalents from the acquisition/disposal of fully consolidated companies	0.2	-5.4
Cash and cash equivalents at the beginning of the period	15.5	6.5
Cash and cash equivalents at the end of the period	11.1	26.8

During the first six months of 2019, the cash flow from operating activities amounted to EUR -14.5 million (reference period: EUR -53.6 million). The negative operating cash flow by mid-year 2019 is definitively caused by the continued build-up of inventory assets. To this end, cash investments in an amount of EUR 29.5 million were made, while EUR 13.9 million in capital expenditures on inventory assets were done by assuming debt within the framework of share deals. Due to the classification of the properties as trading assets, investments in inventories are allocated to the current operations.

The positive cash flow from operations before divestments and reinvestments in inventory real estate assets in the amount of EUR 15.0 million during the first half-year of 2019 (reference period: EUR -18.9 million) was essentially due to cash inflows from selling prices for real estate portfolios and the associated decrease in trade receivables.

The cash flow from investment activities amounted to EUR 2.2 million during the reporting period (reference period: EUR -14.1 million). The positive cash flow reflects mainly the repayment of a granted loan in the amount of EUR 2.4 million.

The cash flow from financing activities amounted to EUR 7.8 million during the reporting period (reference period: EUR 92.0 million) and is definitively influenced by a cash inflow in the amount of EUR 37.5 million from loans drawn down and by a cash outflow for payments of interest and principal in the amount of EUR 24.5 million. EUR 5.2 million were used for dividend payments in May 2019 (May 2018: EUR 5.2 million).

Cash and cash equivalents amounted to EUR 11.1 million as of 30 June 2019, compared to EUR 15.5 million by 31 December 2018.

Asset Position

Key Figures from the Balance Sheet

	30 June 2019	31 Dec. 2018
	EUR million	EUR million
Non-current assets	66.8	81.1
Owner-occupied properties and buildings	23.3	23.4
Non-current receivables	0.0	2.4
Equity investments and equity interests accounted for using the equity method	8.3	7.7
Other non-current assets	35.2	47.6
Current assets	432.2	393.1
Inventory assets	388.6	345.2
Receivables	6.2	18.6
Other current assets	26.3	13.8
Cash and cash equivalents	11.1	15.5
Non-current liabilities	169.7	176.4
Current liabilities	131.9	98.7
Shareholders' equity	197.5	199.1
Total assets	499.1	474.2

The total assets increased by EUR 24.9 million since the balance sheet date of 31 December 2018, climbing to a sum total of EUR 499.1 million. The main reason behind it is the rise in inventory assets by EUR 43.4 million and the converse effect brought about by a drop in trade receivables by EUR 12.4 million and by a decline in the cash position by EUR 4.4 million.

The non-current liabilities are dominated by the corporate bond from January 2018 and financial liabilities to banks. The non-current liabilities have remained essentially unchanged since year-end 2018. Current liabilities increased by EUR 33.2 million to EUR 131.9 million since the end of 2018 (EUR 98.7 million). The increase in current financial liabilities mirrors the sales planning of the ACCENTRO Group and the associated repayment of loans from selling prices received.

During the reporting period, the shareholders' equity of the ACCENTRO Group declined from EUR 199.1 million as of 31 December 2018 to EUR 197.5 million by 30 June 2019. The positive consolidated income of EUR 2.9 million in H1 2019 is matched by dividend payments for the 2018 financial year in the amount of EUR 5.2 million. The equity ratio dropped from 42.0% as of 31 December 2018 to 39.6% by 30 June 2019.

The balance sheet structure has experienced no material changes since year-end 2018. Due to the rise in borrowings, the loan-to-value (LTV) increased from 50.6% by year-end 2018 to 55.2% as of 30 June 2018.

General Statement on the Group's Business Situation

The economic situation of the ACCENTRO Group remained unchanged during the first six months of the 2019 financial year. ACCENTRO AG therefore reaffirms the account of the economic situation it made in the 2018 annual report, which was published on 20 March 2019.

■ 3 Supplementary Report

No events of material significance for ACCENTRO Real Estate AG transpired between the balance sheet date of 30 June 2019 and the day on which the financial statements were compiled.

■ 4 Forecast Report

In its annual report for the 2018 financial year, ACCENTRO AG predicted a minor increase in revenues for the 2019 financial year on the bases of EUR 163.3 million adjusted for the sale of the Gehrensee transaction along with a moderate growth in earnings before interest and taxes (EBIT) in the lower double-digit percentage range. Given the present market situation on the key markets of ACCENTRO AG, which is defined by permanently stable demand for condominiums, in combination with the persistently positive macroeconomic signals for 2019, ACCENTRO Real Estate AG reaffirms its forecasts at this time.

■ 5 Opportunity and Risk Report

In Berlin, the main market for ACCENTRO AG, the political debate in the 2019 financial year has concentrated on the idea of expropriating property companies and, since June 2019, about a rent cap, too. Although concretely structured draft bills are not on the table yet, the discussion as such has caused unease among a number of market players with a view to future developments. Given its size, ACCENTRO AG does not consider itself directly threatened by the expropriation debate, but the political dynamic of the expropriation idea is as difficult to gauge for the Company as for everybody else. If a rent moratorium were to take effect in 2020, it would not jeopardise the business model of ACCENTRO. While a limit on rent hikes would admittedly freeze the net rental income for the ACCENTRO Group on the present level, the fact would have no major negative impact on the comprehensive income. Condominium sales would not be jeopardised by the rent cap. Prospective owner-occupiers will be influenced in their decision to buy a given flat by the difference between their passing rents and the encumbrance with interest and redemption payments, while the decisions of buy-to-let investors will hinge on the ECB's interest rate policy or the availability of safe alternative investment opportunities. For the time being, ACCENTRO AG is unaware of any signs indicating a flagging interest in condominiums.

In fact, ACCENTRO AG considers the current political debate an opportunity because the uncertainty regarding the further development could prompt property owners to divest themselves of their assets. This could in turn create interesting buying opportunities in Germany's first city.

We are not aware of any risks to the Company's going concern status. Accordingly, the disclosures made in the opportunity and risk report of the consolidated financial statements as of 31 December 2018 (annual report 2018, pp. 41+) continue to apply.

Consolidated Balance Sheet

ACCENTRO Real Estate AG		30 June 2019	31 Dec. 2018
Assets		TEUR	TEUR
Non-current assets			
Goodwill		17,776	17,776
Owner-occupied properties and buildings		23,283	23,366
Plant, equipment, EDP software and rights of use		471	355
Non-current trade receivables		0	2,357
Non-current other receivables and other assets		16,247	28,814
Equity investments		4,455	4,231
Equity interests accounted for using the equity method		3,835	3,518
Deferred tax assets		774	692
Total non-current assets		66,840	81,109
Current assets			
Inventory property		388,641	345,241
Trade receivables		6,174	18,607
Other receivables and other current assets		25,532	12,709
Current income tax receivables		799	1,074
Cash and cash equivalents		11,080	15,464
Total current assets		432,226	393,096
Total assets		499,067	474,205

Consolidated Balance Sheet

	30 June 2019	31 Dec. 2018
ACCENTRO Real Estate AG		
Equity	TEUR	TEUR
Subscribed capital	32,438	32,431
Capital reserves	78,568	78,433
Retained earnings	84,046	86,284
Attributable to parent company shareholders	195,052	197,149
Attributable to non-controlling interests	2,451	1,956
Total equity	197,503	199,104
Liabilities	TEUR	TEUR
Non-current liabilities		
Provisions	18	18
Financial liabilities	69,824	76,773
Bonds	98,895	98,561
Deferred income tax liabilities	969	1,080
Total non-current liabilities	169,706	176,431
Current liabilities		
Provisions	456	843
Financial liabilities	91,994	54,357
Bonds	1,563	1,563
Advanced payments received	12,884	7,033
Current income tax liabilities	9,529	13,261
Trade payables	1,666	4,816
Other liabilities	13,766	16,798
Total current liabilities	131,858	98,669
Total equity and liabilities	499,067	474,205

Consolidated Income Statement

ACCENTRO Real Estate AG	Q2 2019 01 April 2019 – 30 June 2019	Q2 2018 01 April 2018 – 30 June 2018	H1 2019 01 Jan. 2019 – 30 June 2019	H1 2018 01 Jan. 2018 – 30 June 2018
	TEUR	TEUR	TEUR	TEUR
Revenues from sales of inventory property	17,051	63,270	29,633	91,137
Expenses from sales of inventory property	-12,517	-58,348	-22,247	-77,612
Capital gains from inventory property	4,534	4,923	7,386	13,525
Letting revenues	2,393	2,555	4,450	4,970
Letting expenses	-679	-911	-1,354	-1,797
Net rental income	1,714	1,644	3,096	3,173
Revenues from services	321	1,393	456	1,815
Expenses from services	-192	-15	-303	-269
Net service income	129	1,378	154	1,546
Net income from companies accounted for using the equity method	370	60	461	60
Other operating income	503	663	710	889
Interim result	7,250	8,667	11,808	19,192
Total payroll and benefit costs	-1,314	-977	-2,638	-1,939
Depreciation and amortisation of intangible assets and property, plant and equipment	-181	-45	-350	-80
Impairments of inventories and accounts receivable	0	0	0	0
Other operating expenses	-1,185	-1,642	-2,231	-2,765
EBIT (earnings before interest and taxes)	4,570	6,004	6,588	14,409
Income from equity investments	9	9	18	18
Interest income	846	9	1,426	18
Interest expenses	-2,571	-3,092	-4,520	-5,786
Net interest income	-1,725	-3,083	-3,094	-5,769
EBT (earnings before taxes)	2,854	2,931	3,513	8,658
Income taxes	-122	-1,122	-572	-2,913
Consolidated income	2,732	1,809	2,941	5,746
thereof attributable to non-controlling interests	6	16	-12	-56
thereof attributable to shareholders of the parent company	2,726	1,793	2,952	5,802

Earnings per share (comprehensive income)

	EUR	EUR	EUR	EUR
Basic net income per share (32,437,934 shares; prior year: 30,317,934 shares)	0.08	0.06	0.09	0.19

■ Consolidated Cash Flow Statement

ACCENTRO Real Estate AG	H1 2019 01 Jan. 2019 – 30 June 2019	H1 2018 01 Jan. 2018 – 30 June 2018
	TEUR	TEUR
Consolidated income (continuing and discontinued operations)	2,941	5,746
+ Depreciation/amortisation of non-current assets	350	80
-/+ Net income from associates carried at equity	479	-60
+/- Increase/decrease in provisions	-386	-619
+/- Other non-cash expenses/income	-384	5
-/+ Increase/decrease in trade receivables and other assets that are not attributable to investing or financing activities	14,790	-8,798
+/- Increase/decrease in trade payables and other liabilities that are not attributable to investing or financing activities	1,121	-7,625
+/- Other income tax payments	-3,881	-7,655
= Operating cash flow before de-/reinvestments in the trading real estate portfolio	15,030	-18,927
-/+ Cash investments in the trading real estate portfolio (net after assumption of debt, some without cash effect)	-29,525	-34,673
= Cash flow from operating activities	-14,496	-53,600
+ Interest received	0	0
- Cash outflows for investments in intangible assets	-6	-114
- Cash outflows for investments in property, plant and equipment	-55	-2,381
- Cash outflows for investments in non-current assets	-235	-11,663
- Disbursements of loans granted	0	0
+ Cash received from distributions/sales of shares consolidated at equity	70	60
+ Repayment of loans granted	2,404	0
= Cash flow from investment activities	2,178	-14,099

Continued on page 16

Consolidated Cash Flow Statement

Continued from page 15

ACCENTRO Real Estate AG	H1 2019 01 Jan. 2019 – 30 June 2019	H1 2018 01 Jan. 2018 – 30 June 2018
	TEUR	TEUR
+ Payments made by shareholders	0	0
– Dividend payments to shareholders	–5,190	–5,154
+ Proceeds from issuing bonds and raising (financial) loans	37,487	134,994
– Repayment of bonds and (financial) loans	–20,999	–36,384
– Interest received	–3,504	–1,430
= Cash flow from financing activities	7,795	92,026
Net change in cash and cash equivalents	–4,524	24,326
+ Increase in cash and cash equivalents from investments in fully consolidated companies	241	977
Change in restricted cash and cash equivalents/adjustment of cash and cash equivalents	–101	1,334
– Decrease in cash and cash equivalents from the disposal of fully consolidated companies	0	–6,358
+ Cash and cash equivalents at the beginning of the period	15,464	6,541
= Cash and cash equivalents at the end of the period	11,080	26,820

Consolidated Statement of Changes in Equity

for the Period from 1 January to 30 June 2019

	Subscribed capital	Capital reserve	Retained earnings	Attributable to parent company shareholders	Non-controlling interests	Total
	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR
ACCENTRO Real Estate AG						
As of 1 January 2019	32,431	78,433	86,284	197,148	1,956	199,104
Total consolidated income	–	–	2,952	2,952	–12	2,940
Changes in non-controlling interests	–	–	–	–	507	507
Dividend payments	–	–	–5,190	–5,190	–	–5,190
Cash capital increase	–	–41	–	–41	–	–41
Change in equity after applying IFRS 2	–	118	–	118	–	118
Acquisition/disposal of company shares	7	60	–	67	–	67
As of 30 June 2019*	32,438	78,569	84,045	195,052	2,451	197,503

* Adding the values of the individual line items may result in slight differences compared to the sum totals posted.

Consolidated Statement of Changes in Equity

for the Period from 1 January to 30 June 2018

	Subscribed capital	Capital reserve	Retained earnings	Attributable to parent company shareholders	Non-controlling interests	Total
	TEUR	TEUR	TEUR	TEUR	TEUR	TEUR
ACCENTRO Real Estate AG						
As of 1 January 2018	24,925	53,462	73,576	151,963	1,734	153,696
Total consolidated income	–	–	5,802	5,802	–56	5,746
Changes in non-controlling interests	–	–	–	–	1,557	1,557
Convertible bonds converted	5,393	7,375	–	12,768	–	12,768
Dividend payments	–	–	–5,154	–5,154	–	–5,154
As of 30 June 2018*	30,318	60,837	74,224	165,378	3,235	168,613

* Adding the values of the individual line items may result in slight differences compared to the sum totals posted.

■ Selected Disclosures on Condensed Consolidated Interim Financial Statements

■ 1 Basic Information

ACCENTRO Real Estate AG with its subsidiaries is a listed real estate company whose core business consists of trading residential real estate within the framework of housing privatisations. The Company's registered office is at Uhlandstr. 165 in 10719 Berlin, Germany. Its shares are admitted for trading to the Regulated Market (Prime Standard) of the Frankfurt Stock Exchange.

As of 30 June 2019, ACCENTRO Real Estate AG acted as the operating holding company for a number of property vehicles.

These condensed consolidated interim financial statements were approved for publication by the Management Board of the Company in August 2019. The condensed consolidated interim financial statements were not reviewed by an auditor.

It was decided not to include a statement of comprehensive income because there are no other effects recognised directly in equity that should be posted with the other comprehensive income.

■ 2 Significant Accounting Policies

The condensed consolidated interim financial statements for the first semester of the 2019 financial year were prepared in accordance with the provisions of IAS 34 "Interim Financial Reporting" as adopted by the EU by way of a regulation. The condensed consolidated interim financial statements should be read in conjunction with the consolidated financial statement of ACCENTRO Real Estate AG for the year ended 31 December 2018.

The accounting policies applied in the condensed interim consolidated financial statements are the same as those applied in the preparation of the consolidated financial statements for the year ended on 31 December 2018.

Accounting Guidance Applied for the First Time during the 2019 Financial Year:

IFRS 16 – Leasing

IFRS 16 "Leases" was applied for the first time by the ACCENTRO Group as of 1 January 2019. IFRS 16 specifies an accounting model that requires lessees to recognise all rights to use the underlying assets ("right-of-use assets") and liabilities arising from lease agreements in their balance sheets. For lessors, the accounting model does not differ significantly from that specified in IAS 17 "Leases," i.e. lessors continue to classify leases as finance leases or operating leases. ACCENTRO has continued to classify the leases entered into as lessors (in particular the letting of residential accommodation) as operating leases.

Assets and liabilities are reported on the basis of their economic content under the assets and liabilities already presented in the balance sheet.

Within the ACCENTRO Group, IFRS 16 was applied for the first time according to the modified retrospective method. This means that the ACCENTRO Group measures the lease liabilities arising from operating leases with a remaining term of more than twelve months by recognising the cash value of the remaining lease payments while taking into account the incremental borrowing rate of 3.75% (as of 1 January 2019). The capitalised right of use was recognised as of 1 January 2019 in the same amount as the lease liability, so that the initial recognition of all leases had no effect on equity. The ACCENTRO Group takes advantage of a simplification provision in IFRS 16 and does not present leases with maturities of less than 12 months.

The ACCENTRO Group enters into lease agreements particularly for office accommodation, motor vehicles and technical equipment. When recognising leasing liabilities, ACCENTRO AG took renewal options and break options into account whenever it was reasonably safe to assume that these options would be exercised in future. ACCENTRO AG principally presents non-leasing components such as service deliverables separately from lease payments.

As a result of applying IFRS 16, the total assets as of 1 January 2019 increased only insignificantly by around TEUR 170 due to the addition of assets for rights to use leased assets and lease liabilities.

The depreciation expense recognised in income amounts to c. TEUR 80 p.a.

Based on the cumulative minimum lease payments as of 31 December 2018, the opening balance sheet value of the lease liabilities as of 1 January 2019 is reconciled as follows:

	TEUR
Cumulative minimum lease payments as of 31 December 2018	503
Application simplifications for short-term leases	-332
Gross lease liabilities as of 1 January 2019	171
Discounting	1
Present value of lease liabilities as of 1 January 2019	170

The amendments to IFRS 9 "Financial Assets with a Negative Prepayment Penalty," the amendments to the "Annual Improvement Project 2015–2017" and IFRIC 23 "Accounting for Uncertainties Relating to Income Taxes" had no ramifications for the ACCENTRO Group.

Amendments to IAS 28 "Non-Current Investments in Associates and Joint Ventures"

The introduction of IAS 28.14A clarified that long-term and equity-replacing financings granted to companies valued at equity participate in the loss participation in accordance with IAS 28.38 while also being subject to the impairment model in accordance with IFRS 9. In its consolidated financial statements, ACCENTRO recognises loans that are affected by this clarification. However, the clarification had no effect as of 1 January 2019.

All amounts posted in the balance sheet, income statement, statement of changes in equity, and cash flow statement, as well as in the notes and tabular overviews, are quoted in thousands of euros (TEUR), unless otherwise noted. Both individual and total figures represent the value with the smallest rounding difference. Accordingly, adding the values of the individual line items may result in minor differences compared to the reported totals.

■ 3 Consolidation

3.1 Consolidated Group

As of 30 June 2019, the condensed consolidated interim financial statements of ACCENTRO Real Estate AG included 35 subsidiaries and six joint ventures. During the financial half-year ending 30 June 2019, the basis of consolidation as of 31 December 2018 (30 subsidiaries, six joint ventures) expanded to include another five companies created for the privatisation unit. One new company was formed, while another four companies were acquired. No business operations were taken over during that time. None of the companies underwent final consolidation.

■ 4 Supplementary Notes to the Individual Items of the Interim Financial Statements

4.1 Segment Information

The internal reporting to the Management Board of ACCENTRO Real Estate AG does not include regional drill downs or any other segmentation.

4.2 Related-Party Transactions

There were no related-party transactions during the reporting period.

4.3 Employees

The ACCENTRO Group had 56 employees on the payroll by mid-year 2019. As of 31 December 2018, it had a total of 51 employees. The plan for the second half-year of 2019 is to keep expanding the workforce at a moderate pace.

■ The ACCENTRO Real Estate AG Share

During the first half of 2019, German Stock Index (DAX) achieved its best result of the past 12 years with an increase by around 17%, which was probably due to the current monetary policy trajectory of the central banks above all.

German real estate stocks steered clear of this development, most notably the stocks of Berlin-based real estate stock corporations. Both real estate investors and real estate stocks have responded nervously to the intensifying discussions on the subject of expropriating Berlin's property companies and introducing a rent cap for the next five years.

Although ACCENTRO Real Estate AG is not directly affected by the expropriation debate, the Company's stock has been impacted by the turbulent sentiment on Berlin's real estate market, especially in June 2019.

ACCENTRO Share Price Performance from 1 January to 30 June 2019

The ACCENTRO share price was quoted at EUR 9.68 on the first trading day of 2019 (Xetra). During the course of the first half-year, the level proved impossible to maintain. The Company's stock closed at EUR 7.20 on 28 June 2019, the last trading day of the first half-year of 2019.

The average daily trading volume (Xetra) of ACCENTRO stock during the first semester of 2019 was 2,455 units. Overall, 0.30 million ACCENTRO Real Estate AG units were traded in the Xetra trading system between 2 January and 28 June 2019. The low trading volume is mainly explained by the Company's relatively small free float of 12.1%.

Due to the softened share price, the market capitalisation of ACCENTRO AG decreased by EUR 80.4 million during Q1 2019, declining from EUR 314.0 million to EUR 233.6 million.

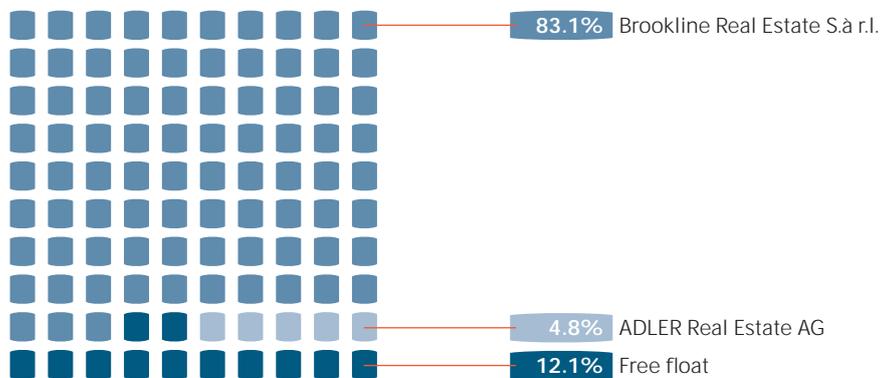
ACCENTRO Share Price Development from 1 January to 30 June 2019



Shareholder Structure

As of 1 January 2019, the subscribed capital of ACCENTRO Real Estate AG totalled EUR 32.44 million. It represents 32,437,934 no-par value bearer shares and experienced no change during the first half-year of 2019.

The chart below provides an overview of the shareholding structure:



Shareholder structure on 30 June 2019 (figures based on shareholder disclosures)

The ACCENTRO Share at a Glance

Company shares	
Stock market segment	Prime Standard
ISIN	DE000A0KFKB3
German Securities Code Number (WKN)	A0KFKB
Number of shares on 30 June 2019	32,437,934
Free float	12.1%
Highest price (1 January–30 June 2019)*	EUR 9.78
Lowest price (1 January–30 June 2019)*	EUR 7.00
Closing price on 28 June 2019*	EUR 7.20
Market capitalisation on 28 June 2019*	EUR 233,553,125

* Closing prices in Xetra trading

Investor Relations Activities

In the 2019 financial year as in previous years, regular disclosures and the dialogue with the capital market were specifically prioritised. In the ongoing 2019 financial year, ACCENTRO Real Estate AG will attend the following financial analyst events:

- 19/20 February 2019: 13th ODDO BHF German Conference, Frankfurt am Main
- 12 June 2019: Quirin Champions 2019 investor conference, Frankfurt am Main
- 3 September 2019: SRC Forum Financials & Real Estate 2019, Frankfurt am Main
- 23-26 September 2019: Baader Investment Conference 2019, Munich

The corporate development of ACCENTRO Real Estate AG is continuously monitored by analysts. The latest analyst assessments returned the following ratings for the ACCENTRO stock:

- 15 May 2019: Kepler Cheuvreux, stock rating: "Buy", upside target: EUR 10.50
- 8 May 2019: SMC-Research, stock rating: "Buy", upside target: EUR 11.60
- 7 May 2019: Quirin Privatbank, stock rating: "Buy", upside target: EUR 10.50
- 6 May 2019: SRC Research, stock rating: "Buy", upside target: EUR 12.00
- 7 February 2019: Baader Helvea Equity Research: stock rating: "Buy", upside target: EUR 13.10

■ Responsibility Statement

I hereby certify to the best of my knowledge, and in accordance with the applicable accounting principles, that the consolidated interim financial statements give a true and fair account of the earnings, financial and asset position of the Group, and that the Group interim management report includes a fair review of the development and performance of the Group's business and state of affairs, together with a description of the principal opportunities and risks associated with the Group's prospective development.

Berlin, 8 August 2019

Jacopo Mingazzini
Management Board

■ Financial Calendar

2019

3 September 2019	SRC Forum Financials & Real Estate 2019, Frankfurt am Main
23–26 September 2019	Baader Investment Conference 2019, Munich
6 November 2019	Quarterly Statement for the Period 1 January through 30 September 2019

All dates are provisional. For the final dates, please check our website: www.accentro.ag.

■ Forward-looking Statements

This interim report contains specific forward-looking statements. A forward-looking statement is any statement that does not relate to historical facts and events. This applies, in particular, to statements relating to future financial earning capacity, plans and expectations with respect to the business and management of ACCENTRO Real Estate AG, growth, profitability and the general economic and regulatory conditions and other factors to which ACCENTRO Real Estate AG is exposed.

Forward-looking statements are based on current estimates and assumptions made by the Company to the best of its knowledge. Such forward-looking statements are based on assumptions and are subject to risks, uncertainties and other factors that may cause the actual results including the net asset, financial and earnings situation of ACCENTRO Real Estate AG to differ materially from or disappoint expectations expressed or implied by these statements. The business activities of ACCENTRO Real Estate AG are subject to a number of risks and uncertainties that may also cause a forward-looking statement, estimate or prediction to become inaccurate.

This translation of the original German version of the 2019 Half-Year Financial Report of ACCENTRO Real Estate AG has been prepared for the convenience of our English-speaking shareholders.

The German version is authoritative.

Our financial reports are available for download on our homepage www.accentro.ag or may be requested free of charge by writing to ACCENTRO Real Estate AG, Uhlandstr. 165, 10719 Berlin, Germany.

■ Credits

ACCENTRO

REAL ESTATE AG

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