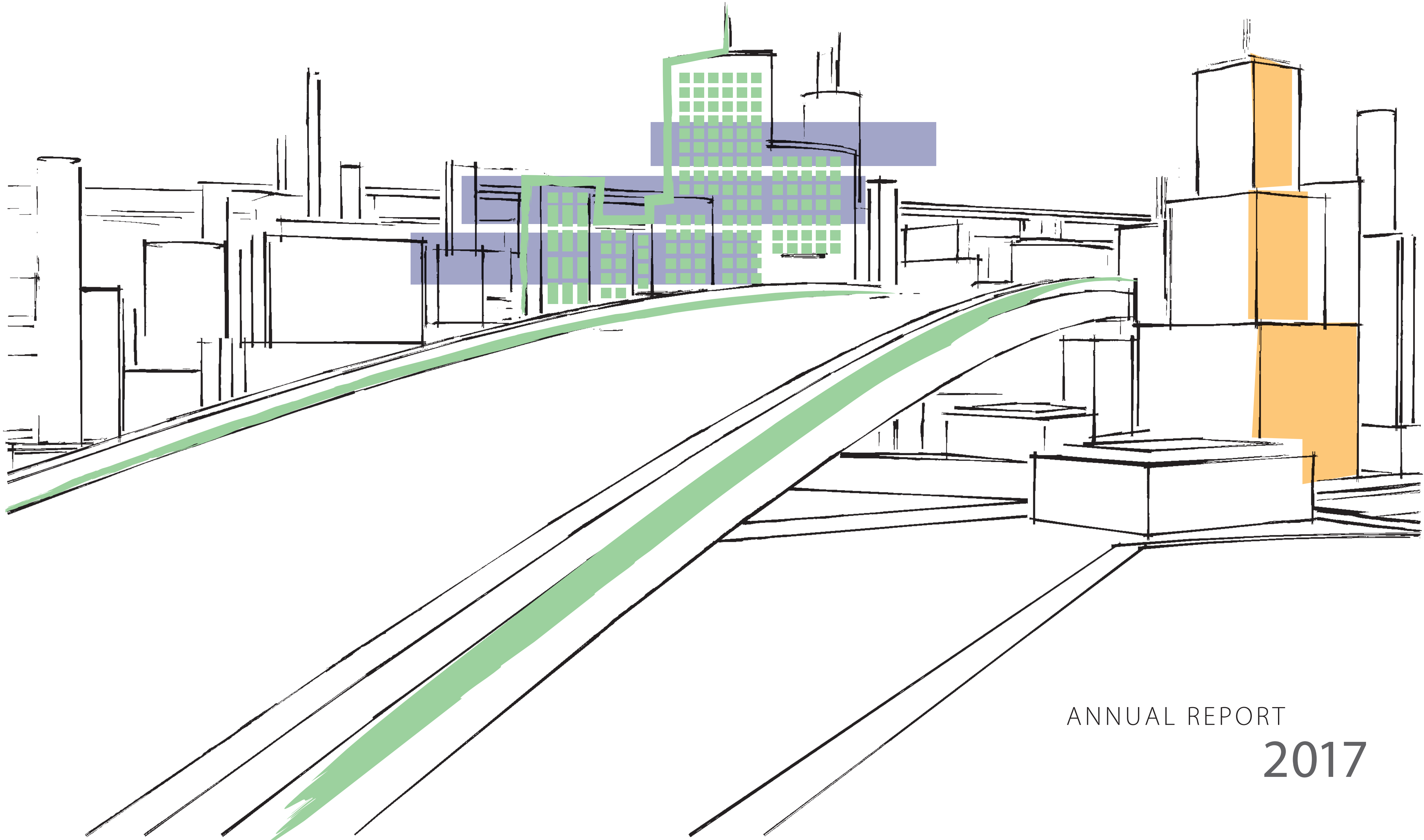
DIC



# ANNUAL REPORT 2017

# DIC ASSET AG AT A GLANCE

| **Key financial figures** in EUR million | 2017 | 2016 | Δ |
|---|---|---|---|
| Gross rental income | **109.7** | 111.2 | -1% |
| Net rental income | **93.1** | 94.5 | -1% |
| Real estate management fees | **20.8** | 21.5 | -3% |
| Proceeds from sales of property | **229.5** | 318.1 | -28% |
| Total income | **381.9** | 473.8 | -19% |
| Profits on property disposals | **25.5** | 23.2 | +10% |
| Share of the profit or loss of associates | **29.0** | 2.3 | >100% |
| Funds from Operations (FFO) | **60.2** | 47.0 | +28% |
| EBITDA | **136.6** | 114.9 | +19% |
| EBIT | **105.6** | 79.6 | +33% |
| Profit/loss for the period | **64.4** | -29.4* | >100% |
| Cash flow from operating activities | **56.5** | 33.9 | +67% |
| **Key financial figures per share** in EUR | | | |
| FFO per share | **0.88** | 0.69 | +28% |
| Earnings per share | **0.93** | -0.41 | >100% |

* incl. one-off expenses in the amount of c. EUR 56 million

| **Balance sheet figures** in EUR million | 31.12.2017 | 31.12.2016 |
|---|---|---|
| Investment property | **1,437.2** | 1,583.4 |
| Equity | **828.9** | 757.0 |
| Financial liabilities | **1,405.7** | 1,450.4 |
| Total assets | **2,341.3** | 2,395.5 |
| Loan-to-value ratio (LTV) in %* | **57.0** | 59.9 |

| **EPRA key figures** in EUR million | 2017 | 2016 | Δ |
|---|---|---|---|
| EPRA earnings | **56.9** | 44.1 | +29% |
| EPRA NAV | **900.0** | 880.0 | +2% |
| EPRA NNNAV | **931.4** | 821.0 | +13% |
| **EPRA key figures per share** in EUR | | | |
| EPRA earnings per share | **0.83** | 0.64 | +30% |
| EPRA NAV per share | **13.12** | 12.83 | +2% |
| EPRA NNNAV per share | **13.58** | 11.97 | +13% |

| **Key operating figures** | 2017 | 2016 |
|---|---|---|
| Letting result in EUR million | **40.2** | 32.1 |
| WALT in years | **5.2** | 4.3 |
| Vacancy rate in %** | **9.9** | 11.8 |

* without warehousing
** Commercial Portfolio, without warehousing and project developments

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

The economy developed more favourably over the past year than many experts forecasted. The uncertainties of international trade, political power struggles in the eurozone and protracted Brexit discussions had only a slight inhibiting effect on the German economy. On the contrary, employment reached new record levels by the end of 2017, and Germany's appeal as a location for international investors continued to grow, as demonstrated by revenues on the German commercial real estate market. Transaction volumes reached a new record high of just under EUR 57 billion thanks to strong rental markets in a flourishing economy as well as rising prices for attractive investment products. The ECB's decision to keep the key rate low, combined with the economic recovery, has prompted a revival in activity on the real estate markets. Office properties are at the top of investors' wish lists, with the EUR 25 billion in transaction volumes attributable to this asset class the second-highest figure recorded since 2007. At the same time, the average prime yield for office properties in the real estate strongholds reached 3.27 percent, 29 basis points below the year-end figure for 2016.

As an investor and asset manager, we successfully managed the challenge of generating strong yields in an environment driven by low interest rates and the search for adequate investment opportunities. We also reinforced the earnings and financial structure of DIC Asset AG and were able to fully achieve our financial targets for 2017. In particular, the portfolio refinancing we completed at the end of 2016 showed the forecasted result.

The most important overall results for our company are:

- FFO (funds from operations), the key indicator of the profitability of our real estate management business, rose significantly by 28 percent to EUR 60.2 million.
- Interest expense was reduced significantly by 22 percent year-on-year.
- Cash flow from operating activities increased by 67 percent to EUR 56.5 million.
- The loan-to-value (LTV) ratio decreased further to 57.0 percent.
- We were able to more than double consolidated profit to EUR 64.4 million, even when compared to the previous year's positive adjusted figure.

This overall performance is based on important progress in all segments of our business model:

- Letting volume remains at a high level at EUR 40.2 million.
- We enhanced the quality of our Commercial Portfolio. Like-for-like rental income increased by 1.4 percent, while the vacancy rate decreased from 11.8 percent to 9.9 percent.
- Investment volumes in our fund business rose from EUR 1.2 billion to EUR 1.5 billion. With increasing contributions to earnings this segment remains on track for growth.
- In the Other Investments segment, we reported both high investment income and growing proceeds from the third-party business providing management services. Assets under management amount to EUR 1.3 billion.

By swapping our WCM shares for a stake in TLG Immobilien AG, DIC Asset AG generated non-recurring extraordinary income of EUR 19.3 million, part of which we propose to distribute to our shareholders as an extraordinary dividend. We also increased our investment in TLG AG. Our involvement in WCM/TLG generated attractive current investment income of EUR 3.7 million in the financial year ended.

In summary, 2017 was a year in which the hybrid business model of DIC Asset AG demonstrated the strong synergies between its existing expertise in all areas. Intensive operational work and a decisive approach has enabled us to make great strides in our relevant markets, in keeping with our company motto that "dynamic creates value".

This good performance also allows us to recommend a 10% increase in our regular dividend in addition to the EUR 0.20 extraordinary dividend already announced and thus propose the distribution of a total of EUR 0.64 per share to our shareholders.

Furthermore, we are also offering our shareholders the option of receiving their dividend in cash or DIC shares for the first time.

We will continue to systematically pursue our existing strategic path in 2018. In the interests of our shareholders, we are focusing on the stability and attractiveness of DIC Asset AG by enhancing the profitability of our portfolio and continuing to increase proceeds from fund management and the third-party business. As an active and well connected market player, we will continue to take advantage of our opportunities in the German commercial real estate market to deliver strong returns from increasingly diverse sources of income in the interests of our shareholders. With our proven experience in real estate and transaction management, sustainable cash flow and the favourable financing structures now available to us, we believe we are well positioned to achieve this objective.

The commitment of our employees was absolutely crucial to the strong performance of our company and we would like to extend our heartfelt thanks to them. We would also like to thank our business partners and shareholders for their trust and support in implementing our shared goals. Your support makes a valuable contribution to the continued and successful development of our company.

Kind regards,

Prof. Dr. Gerhard Schmidt
Chairman of the Supervisory Board

Sonja Wärntges
Chief Executive Officer

# INVESTOR RELATIONS AND CAPITAL MARKETS

## German equity market

Germany's benchmark index, the DAX, recorded its sixth successive year of profits in 2017 and closed the year up 13 %. Annual profits were driven in particular by the continuing expansive monetary policies of central banks around the world, despite the fact that the US Federal Reserve has been raising interest rates for some time – albeit in small steps – and in October the European Central Bank announced the beginning of its withdrawal from its expansive monetary policy by gradually scaling back its monthly bond purchases. Investments are under pressure due to persistently low interest rates; with corporate and government bonds rarely generating attractive yields any longer, investors are more and more turning their attention to equities and real estate.

In addition to monetary policy, however, the markets are also increasingly benefiting from attractive economic data. The German economy is booming, with gross domestic products and leading economic indicators such as the ifo Business Climate Index reaching new record levels in 2017. The eurozone economy also gained momentum once more, while the world economy displayed strong and synchronous growth in almost all major national economies. Corporate profits were up and are raising expectations of higher dividends, while the tax reforms adopted in the United States at the end of the year fuelled expectations of strong earnings growth among companies operating in America.

Geopolitical crises such as the ongoing North Korea conflict and political uncertainties such as the Brexit negotiations, important elections in Europe, political developments in Turkey and difficulty in assessing the USA's economic policy only impacted the upward trend on the markets briefly, if at all. Volatilities on the equity markets also fell to historic lows.

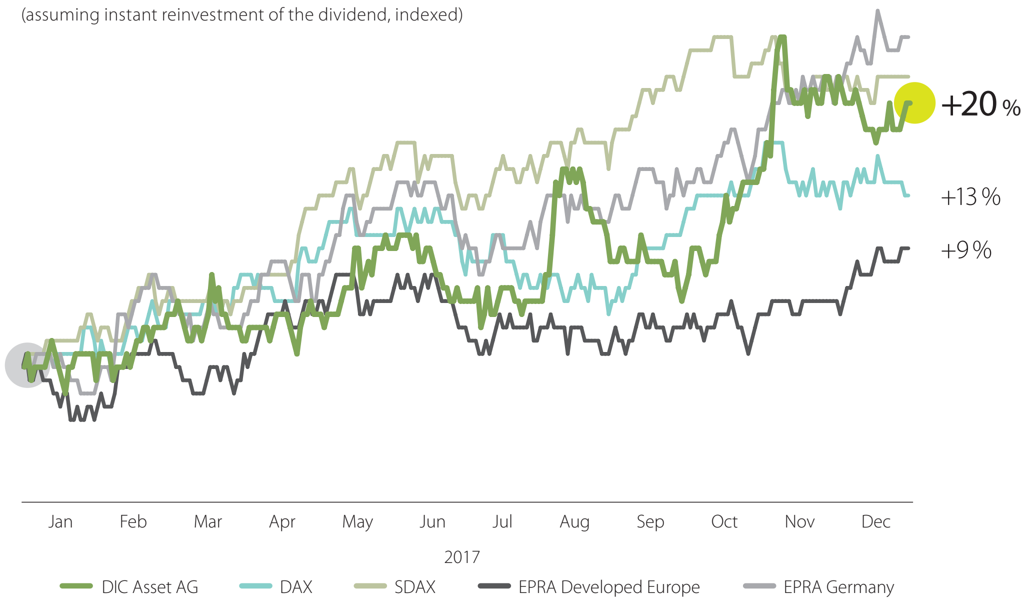
The DAX, which broke through the 13,000 mark during the year and ended 2017 just under 13,000 at 12,917.64 after reaching an annual high of 13,478.86 in November, was prevented from an even stronger performance by the strong euro, which dampened the earnings outlook for export-oriented companies. The single currency rose by more than 15 % against the dollar in 2017.

## DIC Asset AG outperforms the DAX

DIC Asset AG's share price made a stable start to 2017 at EUR 9.10 as of 30 December 2016 and gained momentum during the course of the year. After breaking the EUR 10.00 mark twice in June and August, the Company succeeded in passing EUR 11.00 to achieve an annual high of EUR 11.03 in early November due to the market's broad upward trend and DIC Asset AG's strong figures for the first nine months of the year. Although it was not quite possible to maintain this peak level, the share price remained significantly above EUR 10.00 until the end of the year, reaching EUR 10.53 on 29 December 2017, the final trading day of the year, to end 2017 up 16 %. As a result, the market capitalisation of DIC Asset AG increased by almost EUR 100 million year-on-year to EUR 722 million (previous year: EUR 624 million). This performance meant that the DIC Asset AG share outperformed both the DAX (+13 %) and the sector-specific EPRA/NAREIT Developed Europe index (+9 %). Allowing for the reinvestment of the EUR 0.40 dividend, the share price appreciated by as much as 20 % in 2017.

## SHARE PERFORMANCE

(assuming instant reinvestment of the dividend, indexed)




## BASIC DATA ON THE DIC ASSET AG SHARE

| | |
|---|---|
| Number of shares | 68,577,747 (registered shares) |
| Share capital in EUR | 68,577,747 |
| WKN / ISIN | A1X3XX / DE000A1X3XX4 |
| Symbol | DIC |
| Free float | 69.8 % |
| Key indices | SDAX, EPRA, DIMAX |
| Exchanges | Xetra, all exchanges in Germany |
| Deutsche Börse segment | Prime Standard |
| Designated Sponsors | ODDO BHF, HSBC Trinkaus |

## KEY FIGURES ON THE DIC ASSET AG SHARE (1)

| | | 2017 | 2016 |
|---|---|---|---|
| Net asset value per share | Euro | 13.12 | 12.83 |
| FFO per share | Euro | 0.88 | 0.69 |
| FFO yield (2) | % | 8.4 | 7.5 |
| Dividend per share | Euro | 0.44 (3) | 0.40 |
| Extraordinary dividend per share | Euro | 0.20 (3) | 0.00 |
| Year-end closing price | Euro | 10.53 | 9.10 |
| 52-week high | Euro | 11.03 | 9.43 |
| 52-week low | Euro | 8.96 | 7.28 |
| Market capitalisation (2) | EUR million | 722 | 624 |

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

## BASIC DATA ON THE DIC ASSET AG BONDS

| | | | |
|---|---|---|---|
| Name | DIC Asset AG bond 13/18 | DIC Asset AG bond 14/19 | DIC Asset AG bond 17/22 |
| ISIN | DE000A1TNJ22 | DE000A12T648 | DE000A2GSCV5 |
| WKN | A1TNJ2 | A12T64 | A2GSCV |
| Abbreviation | DICB | DICC | DICD |
| Segment | Prime Standard for corporate bonds, Deutsche Börse | Prime Standard for corporate bonds, Deutsche Börse | Official List of the Luxembourg Stock Exchange, Luxembourg |
| Minimum investment amount | 1,000 Euro | 1,000 Euro | 1,000 Euro |
| Coupon | 5.750 % | 4.625 % | 3.250 % |
| Issuance volume | EUR 100 million | EUR 175 million | EUR 130 million |
| Maturity | 09.07.2018 | 08.09.2019 | 11.07.2022 |

## KEY FIGURES ON THE DIC ASSET AG BONDS

| | 2017 | 2016 |
|---|---|---|
| **DIC Asset AG bond 13/18** | | |
| Year-end closing price | **102.1 %** | 104.5 % |
| Yield to maturity at year-end closing price | **1.65 %** | 2.69 % |
| **DIC Asset AG bond 14/19** | | |
| Year-end closing price | **104.0 %** | 106.0 % |
| Yield to maturity at year-end closing price | **2.18 %** | 2.30 % |
| **DIC Asset AG bond 17/22** – issued on 11.07.2017 | | |
| Year-end closing price | **103.5 %** | – |
| Yield to maturity at year-end closing price | **2.42 %** | – |

### DIC Asset AG places another bond

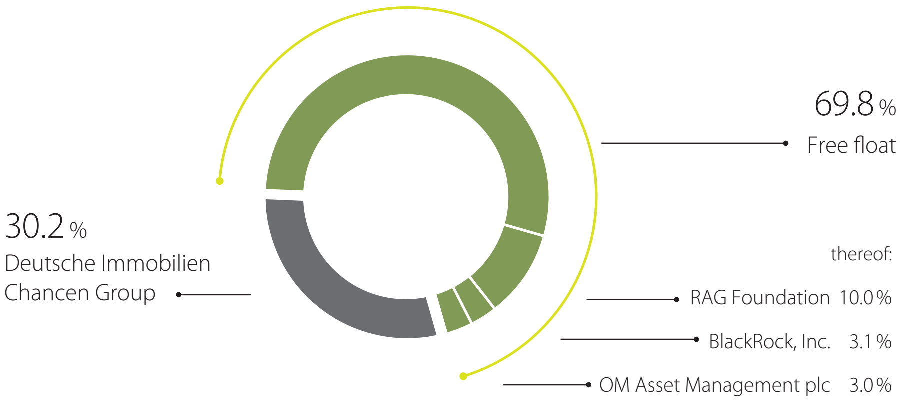
In light of the favourable interest rate environment, DIC Asset AG placed another bond with a volume of EUR 130 million with institutional investors in early July 2017. This interest-bearing security has a considerably lower coupon than previous issues at 3.250 %. The funds raised primarily serve to repay the 2013 bond expiring in 2018 and support the continued optimisation of the Company's financial structure.

As with previous issues, the offer was oversubscribed. This successful placement reconfirms DIC Asset AG's good standing in the capital markets. The bond is listed on the Luxembourg Stock Exchange. It opened at a price of 99.5 % on its issue date and continuously stood above 100 %, closing the year at 103.5 % on 29 December 2017.

The two bonds listed on the Prime Standard of Deutsche Börse continued to see high trading liquidity and consistently exceeded their issue price in 2017. DIC Asset AG's 13/18 bond closed at 102.1 % on 29 December 2017. Its 14/19 bond stood at 104.0 % on 29 December 2017.

SHAREHOLDER STRUCTURE

as at February 2018




## Diversified shareholder structure

DIC Asset AG's shareholder group has a fundamentally stable structure dominated by institutional investors. Anchor shareholder Deutsche Immobilien Chancen Group currently holds 30.2 % of the shares. Several reportable changes were made to the shareholder group in 2017. The voting rights announcements available to us are published on our website and in the notes starting on page 181. solvia Asset Management placed its 5.11 % shareholding in DIC Asset AG, while at the same time in early July the RAG Foundation announced that it had raised its stake in DIC Asset AG from 4.76 % to 10.01 %. A total of 69.8 % of shares are in free float.

The clear interest shown by institutional investors in our shares acts as an endorsement of our sustainable and attractive business model.

## Analysts have a favourable view of the DIC share

Of the eight analysts who regularly report on our share at present, four have issued a buy recommendation with upside targets of up to EUR 13.50. Four analysts recommend holding the share and no institution recommends selling. We attribute this high regard for our share to, among other things, our ongoing dialogue and collaboration with analysts and investors, based on our regular presence at roadshows and conferences.

| Bank/Financial institute | Analyst | Current recommendation | Current price target in EUR |
|---|---|---|---|
| Baader Bank | Andre Remke | Hold | 9.60 |
| Bankhaus Lampe | Dr. Georg Kanders | Buy | 12.00 |
| Berenberg Bank | Kai Klose | Hold | 10.50 |
| DZ Bank | Karsten Oblinger | Buy | 12.00 |
| HSBC | Thomas Martin | Buy | 13.50 |
| NORD/LB | Michael Seufert | Hold | 10.00 |
| ODDO BHF | Manuel Martin | Hold | 10.40 |
| Solventis | Ulf van Lengerich | Buy | 12.00 |

as at February 2018

### Higher regular dividend proposed for 2017 and distribution of a extraordinary dividend, for the first time also in the form of a scrip dividend

DIC Asset AG pursues a reliable dividend policy, based primarily on the operating profit achieved with our hybrid business model, as a key instrument of its financial strategy. The Company's current economic condition plus the forecast for future market development and the need for financing are additional factors. The success of our business model is due to a reliable and steady flow of income from the management of our highly diversified portfolio and the growth in additional income from managing fund properties. Our Other Investments business segment, which includes our real estate and finance investments and the third-party business, also generates attractive additional income, including in the form of dividends.

At the turn of the year 2016/2017, we significantly optimised our financial structure by comprehensively refinancing the Commercial Portfolio. As a result, we recorded a significant and sustainable reduction in interest expenses and repayments in 2017, which permanently enhances the profitability and cash flows of DIC Asset AG. As part of the acquisition of WCM Beteiligungs- und Grundbesitz AG by TLG Immobilien AG, DIC Asset AG generated non-recurring extraordinary income of around EUR 19 million by swapping WCM shares for TLG shares, which led to a significant increase in income from associates during the reporting period.

By significantly improving net interest income and the successful management of portfolio assets we were able to increase our key operating performance indicator FFO by 28 % in 2017. Once again, we want our shareholders to participate appropriately and at a high level in this strong operating result. Excluding a extraordinary dividend of EUR 0.20 arising from the non-recurring income generated by exchanging WCM shares for TLG shares, the Management Board is proposing a dividend distribution of EUR 0.44 per share to the 2017 General Shareholders' Meeting, up 10 % year-on-year. As a result, it is anticipated that a total of EUR 0.64 per share will be distributed to our shareholders for the 2017 financial year. Shareholders will for the first time have an option to receive the dividend exclusively in cash or in the form of additional shares of the Company ("scrip dividend"). With a dividend yield of more than 6 % based on the closing price for 2017, DIC Asset AG is one of the most profitable companies in the SDAX and the German real estate sector.

### General Shareholders' Meeting

At the Annual General Shareholders' Meeting for financial year 2016 held in Frankfurt am Main on 11 July 2017, shareholders agreed to the Management Board's proposals by a large majority in the case of all agenda items. The General Shareholders' Meeting formally approved the actions of the members of the Management Board and Supervisory Board and adopted a resolution to raise the dividend by 8 % year-on-year to EUR 0.40 per share; the dividend was paid out on 14 July 2017.

## IR ACTIVITIES IN 2017

### FIRST QUARTER

| | | |
|---|---|---|
| 07.01. | UniCredit/Kepler Cheuvreux German Corporate Conference | Frankfurt |
| 15.02. | ODDO Seydler German Conference | Frankfurt |
| 23.02. | Publication of the 2016 Annual Report* | |
| 22.03. | Commerzbank Residential Property Forum | London |
| 23.03. | 12th HSBC Real Estate Conference | Frankfurt |
| 28.03. | Bankhaus Lampe Deutschlandkonferenz | Baden-Baden |

### SECOND QUARTER

| | | |
|---|---|---|
| 27.04. | Solventis Aktienforum 2017 | Frankfurt |
| 05.05. | Publication of the Q1 2017 Report* | |
| 02.06. | Baader Alternative Asset Manager Conference | London |
| 29.06. | Roadshow | Frankfurt/Cologne/Düsseldorf |
| 30.06. | Roadshow | London |

### THIRD QUARTER

| | | |
|---|---|---|
| 03.07. | Roadshow | Munich/Hamburg |
| 11.07. | General Shareholders' Meeting | Frankfurt |
| 03.08. | Publication of the Q2 2017 Report* | |
| 18.09. | 6th Berenberg/Goldman Sachs German Corporate Conference | Munich |
| 19.09. | 6th Baader Investment Conference | Munich |

### FOURTH QUARTER

| | | |
|---|---|---|
| 03.11. | Publication of the Q3 2017 Report* | |
| 06.11. | Roadshow | London |
| 16.11. | Analyst meeting | Frankfurt |
| 22.11. | DZ Bank Equity Conference 2017 | Frankfurt |

*with conference call

## IR CALENDAR 2018

as at February 2018

### FIRST QUARTER

| | | |
|---|---|---|
| 09.02. | Publication of the 2017 Annual Report* | |
| 21.–22.02. | 12th ODDO BHF German Conference | Frankfurt |
| 16.03. | General Shareholders' Meeting | Frankfurt |
| 27.03. | Commerzbank German Real Estate Forum | London |

### SECOND QUARTER

| | | |
|---|---|---|
| 12.04. | 13th HSBC Real Estate Conference | Frankfurt |
| 20.04. | Bankhaus Lampe Deutschlandkonferenz | Baden-Baden |
| 04.05. | Publication of the Q1 2018 Report* | |

### THIRD QUARTER

| | | |
|---|---|---|
| 30.07. | Publication of the Q2 2018 Report* | |
| 24.–27.09. | Berenberg/Goldman Sachs German Corporate Conference | Munich |
| 24.–27.09. | Baader Investment Conference | Munich |

### FOURTH QUARTER

| | | |
|---|---|---|
| 08.11. | Publication of the Q3 2018 Report* | |
| 21.11. | DZ Bank Equity Conference 2018 | Frankfurt |

### Consistent capital markets communication

Our investor relations work is based on the principles of openness, transparency and fairness to all financial market participants. We make meaningful information on our Company's performance and our strategy available on an ongoing basis. To reflect the importance we attach to furnishing this information, the Investor Relations and Corporate Communications department reports directly to the Management Board. It has been headed by Nina Wittkopf since 1 May 2017.

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

We presented the Company at a total of four roadshows and ten investor conferences during the year under review, and also organised a separate event for our analysts at the end of the year.

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

### Involvement in associations

We are involved in particular in the most influential and largest associations, ZIA (Zentraler Immobilien Ausschuss) and EPRA (European Public Real Estate Association), in order to represent the common interests of the real estate sector and offer information services. Our CEO Sonja Wärntges contributes her expertise as a member of the executive body of the ZIA German Property Federation. To acknowledge the increasing importance of our fund business, we have been a member of the European Association for Investors in Non-Listed Real Estate Vehicles (INREV) since January 2015.

### Sustainability as a guiding principle

For us, responsible use of resources and responsibility towards the environment means incorporating exemplary and sustainable procedures into our business processes. Here, we follow national and international sustainability guidelines. We take environmental and social requirements into account in our business decisions and processes, favouring scope for optimisation over opportunities for short-term gains wherever possible. As a major player in the property sector, we communicate the importance, focus and advances in detail in our separate Sustainability Report, which has already won several European Public Real Estate Association (EPRA) awards.

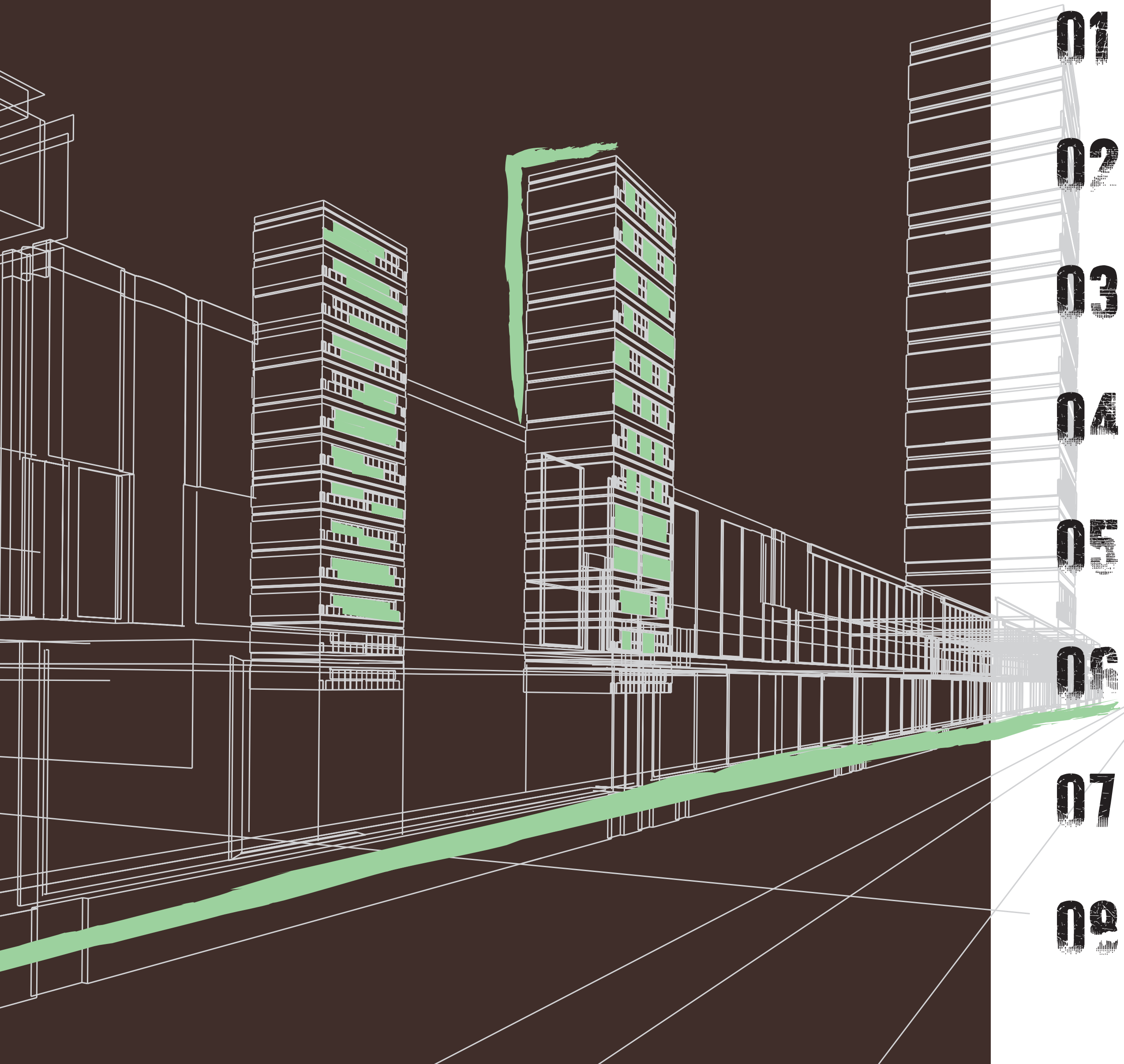
### National and international awards

In 2017, our Annual Report won major commendations in prestigious competitions for the tenth year in succession. The international LACP jury once again gave the report a Gold Winner Worldwide award, while the jury also named the report among the top 20 in Germany across all sectors.

Our sustainability reporting received an award for the fifth time when our latest Sustainability Report was presented with the EPRA Silver Award after previously winning four Bronze Awards. This award recognised our transition to the Global Reporting Initiative (GRI) framework last year and our transparent reporting in line with EPRA's additional recommendations.

Our most recently published Sustainability Report is available for download on our website.

# DYNAMIC CREATES VALUE



01 CLEAR STRATEGY FOR SUCCESS

02 STRONG INVESTMENT AND ASSET MANAGEMENT PLATFORM

03 ENHANCED PORTFOLIO QUALITY

04 INCREASED INCOME FROM FUNDS

05 FLEXIBLE ACCESS TO FINANCIAL AND CAPITAL MARKETS

06 ON TRACK: FINANCING STRUCTURES OPTIMISED

07 MORE DYNAMIC KNOWLEDGE AND DECISION-MAKING

08 ATTRACTIVE DIVIDEND STOCK

01

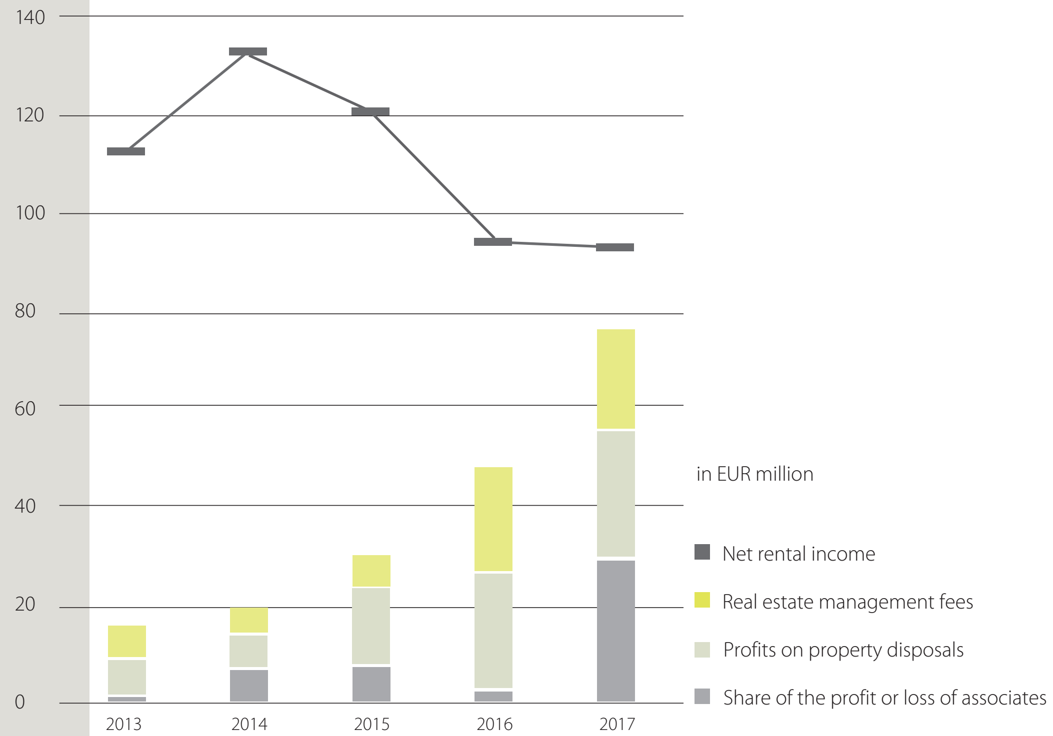
## CLEAR STRATEGY FOR SUCCESS

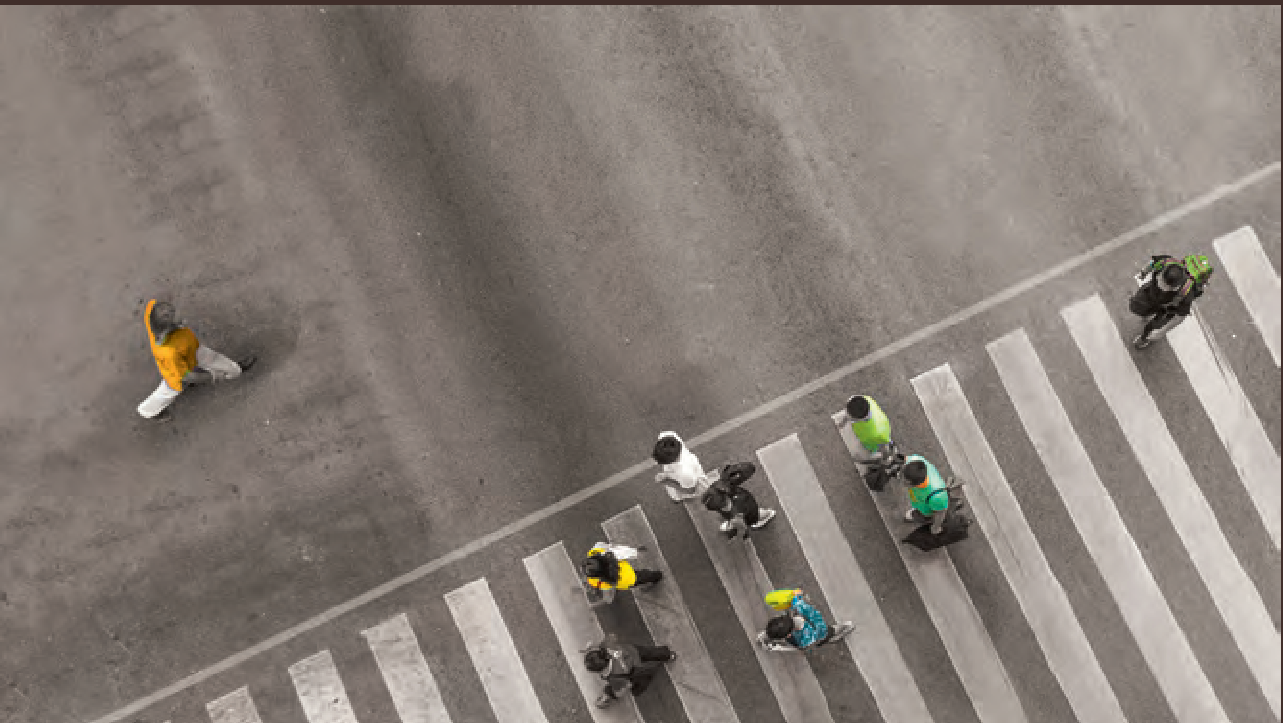
DIC Asset AG generates a steady stream of income from complementary activities in three operating segments. All activities are based on and guided by our profound management expertise.

Our hybrid business model with multiple earnings pillars makes us independent of market cycles and constantly presents us with yield enhancement opportunities. Our strong financing and structuring expertise enables us to securely arrange and rapidly execute transactions and investments.

We have more than doubled the consolidated profit of DIC Asset AG compared to the previous year.

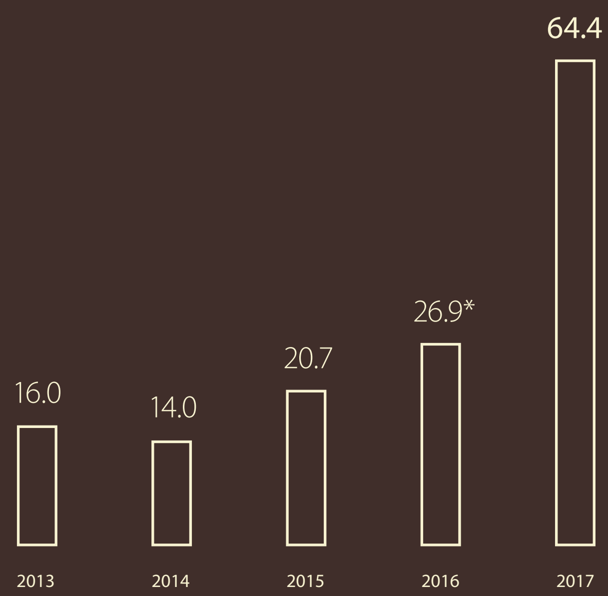
### INCREASINGLY DIVERSIFIED SOURCES OF INCOME





## PROFIT FOR THE PERIOD

in EUR million



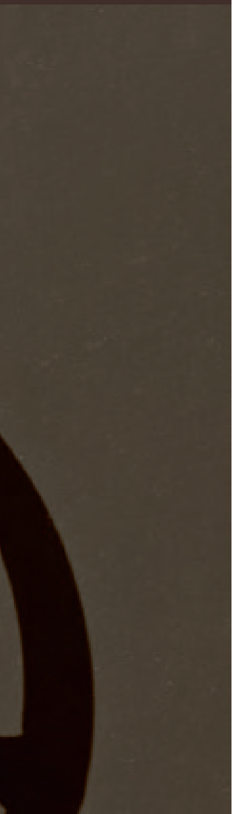

*adjusted for non-recurring refinancing expenses

## ASSETS UNDER MANAGEMENT

in EUR billion

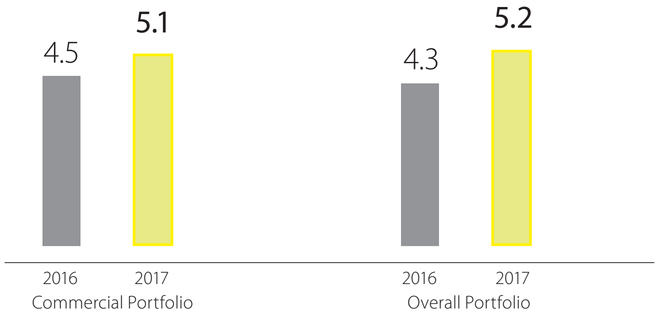

02

## EFFICIENT ASSET AND PROPERTY MANAGEMENT PLATFORM



WEIGHTED AVERAGE LEASE TERM

in years*



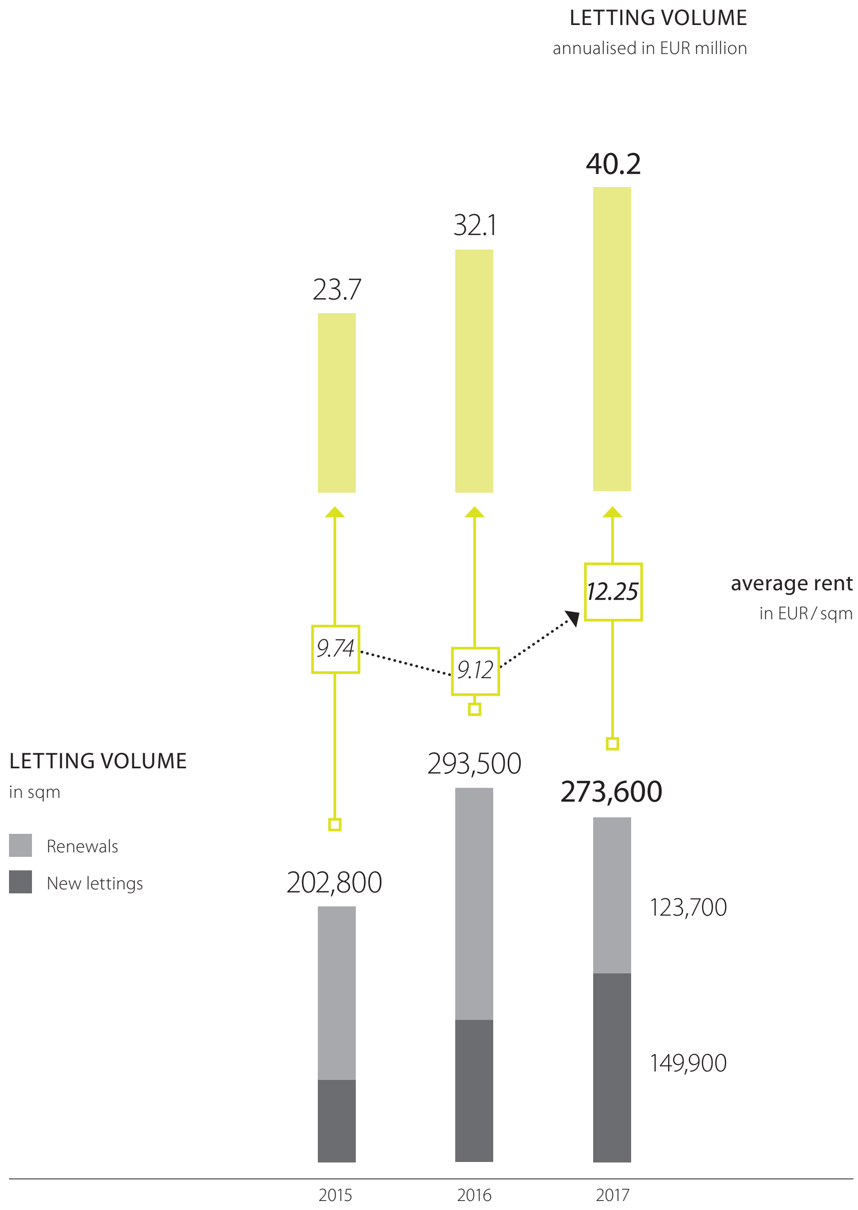

*without project developments and warehousing

We have excellent connections within the German real estate market.

Our proprietary management platform enables us to use regional expertise nationwide to manage properties with an attractive risk/yield ratio for our operating segments. Our teams provide on-site support for properties and are firmly embedded in the market.

The value of our assets under management including our third-party business amounts to EUR 4.4 billion.

Investors asking us to act as property managers benefit from our expertise in developing portfolios. During the financial year ended, we improved the weighted average lease term in the portfolios entrusted to us from 4.3 years to 5.2 years.


LETTING VOLUME
annualised in EUR million
23.7
32.1
40.2
average rent
in EUR / sqm
9.74
9.12
12.25
LETTING VOLUME
in sqm
Renewals
New lettings
202,800
293,500
273,600
123,700
149,900
2015
2016
2017

03

## ENHANCED PORTFOLIO QUALITY

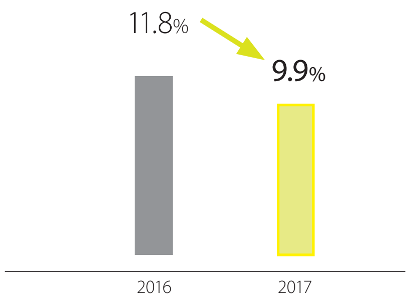
We pursue a motto of “quality over quantity”, using focused asset and property management to tackle yield compression on the commercial real estate market.

In 2017, our lettings team signed leases for numerous medium-sized and small rental spaces after securing a higher percentage of larger contracts in the previous year. As a result, the average rent for these contracts rose from EUR 9.12 to EUR 12.25 per square metre.

In addition to the sale of non-strategic properties, letting activities also made a significant contribution to the optimisation of our Commercial Portfolio. We increased like-for-like rental income in our portfolio by 1.4% driven by new contracts and indexations. The vacancy rate fell below the 10% mark at the end of 2017.

### VACANCY RATE

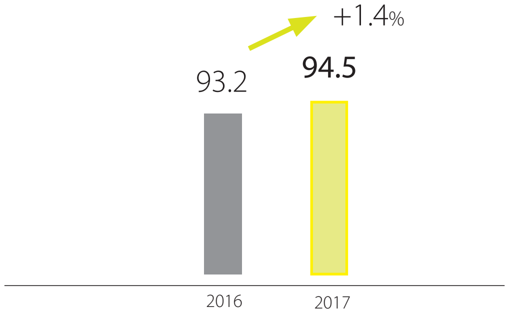
per year-end *




* without project development and warehousing

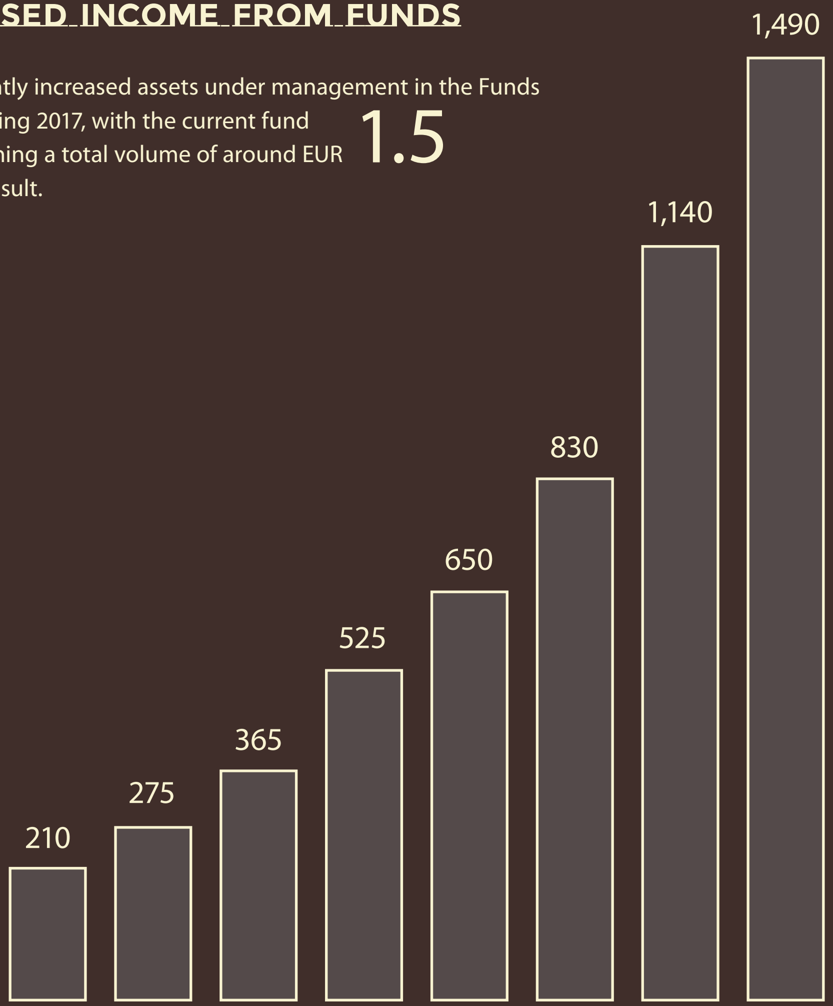
### LIKE-FOR-LIKE RENTAL INCOME

annualised
rental income in
EUR million

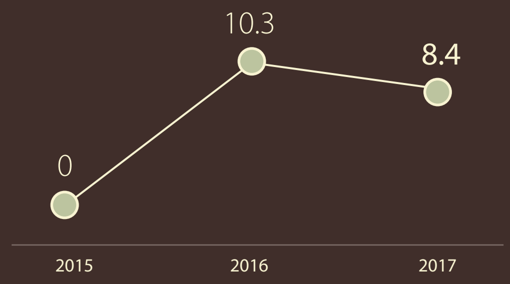


## INCREASED INCOME FROM FUNDS

We significantly increased assets under management in the Funds segment during 2017, with the current fund volume reaching a total volume of around EUR 1.5 billion as a result.




SETUP FEES in EUR million




RECURRING FEES


INVESTMENT INCOME


04

## TWO NEW FUNDS LAUNCHED

At the end of March 2017, we launched our fifth real estate special fund as a follow-up product to the fully placed DIC Office Balance III fund. A start-up portfolio of around EUR 240 million representing approximately one-third of the target volume was deposited for the new **DIC Office Balance IV** fund.

At the start of October 2017, we launched our sixth fund, **DIC Retail Balance I**, with an investment focus on retail properties with strong cash flows. DIC Retail Balance I is the second retail fund we have launched after DIC HighStreet Balance. We included a start-up portfolio of three non-discretionary retail centres and retail warehouse parks with a total volume of EUR 190 million. The target volume is approximately EUR 250 million.

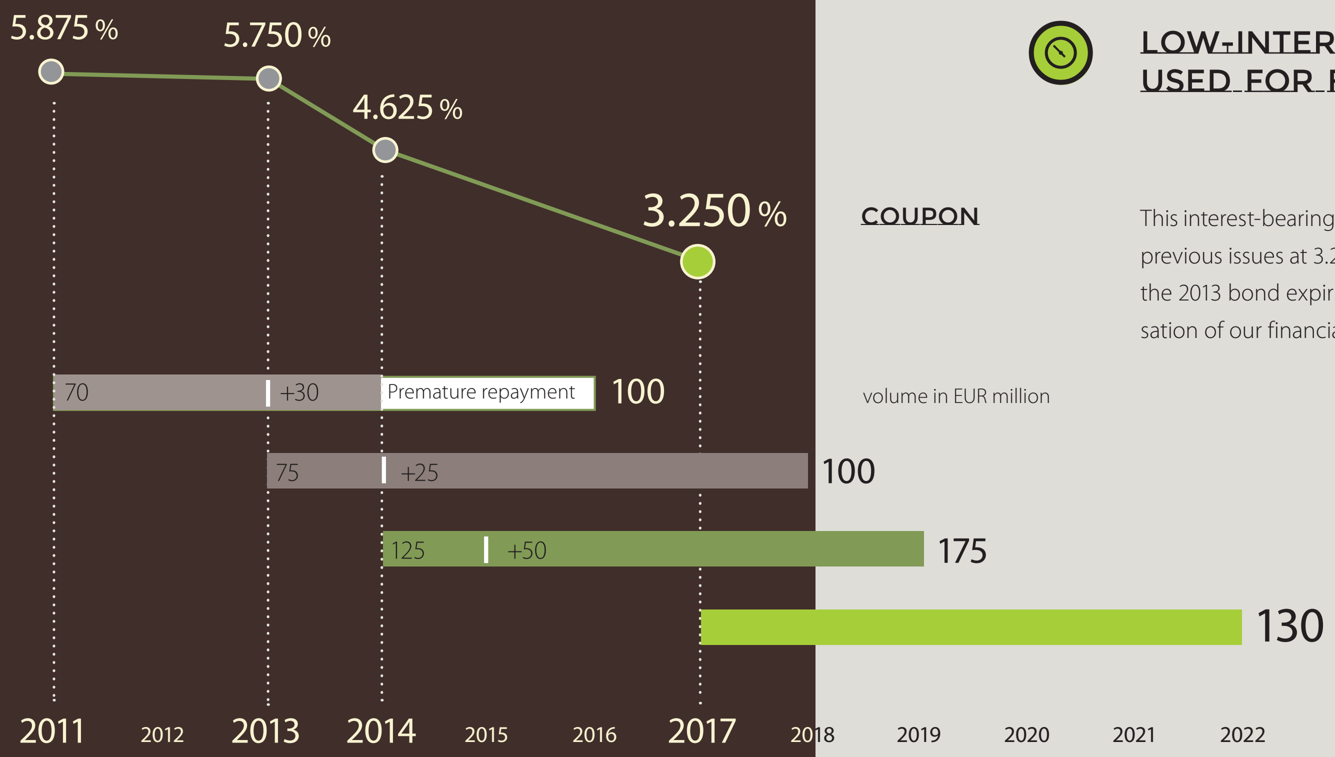
## FLEXIBLE ACCESS TO FINANCIAL AND CAPITAL MARKETS

**We have a good reputation with our financial partners and on the capital markets. This provides us with access to different sources of financing and the opportunity to regularly optimise our financing mix in a market and strategy context.**

In December 2016, we reached an arrangement with three banks for almost one billion euros that put us in a position to refinance our entire Commercial Portfolio on extremely attractive lending terms with a term of seven years. In January 2017, our new financing completely replaced the existing loans and loan hedging transactions. The rapid repayment of old loans enabled us to significantly lower our interest expenses and provide certainty in our planning for years to come.

In light of the favourable interest rate environment, we successfully placed a bond with a volume of EUR 130 million with institutional investors in July 2017. As with previous issues, the offer was oversubscribed. This successful placement reconfirms our good standing in the capital markets.

## LOW-INTEREST ENVIRONMENT USED FOR FOURTH BOND




This interest-bearing security has a considerably lower coupon than previous issues at 3.250%. The funds raised primarily serve to repay the 2013 bond expiring in 2018 and support the continued optimisation of our financial structure.

06

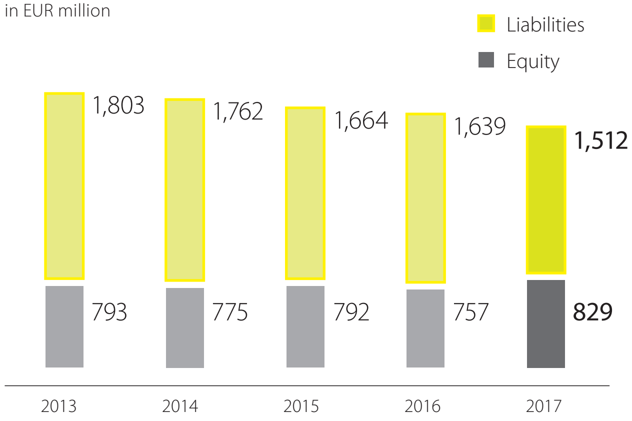
## ON TRACK: FINANCING STRUCTURES OPTIMISED

The premature repayment of loans and refinancing of almost the entire Commercial Portfolio totalling EUR 960 million at the end of 2016 is having the significant positive effects expected.

In particular, this meant that we sustainably improved our interest expenses and repayments, which permanently enhanced our profitability and cash flows. The equity ratio rose significantly by 3.8 percentage points to 35.4%.

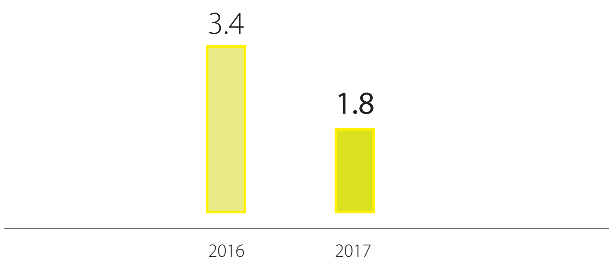
EQUITY AND LIABILITIES per 31.12.

in EUR million

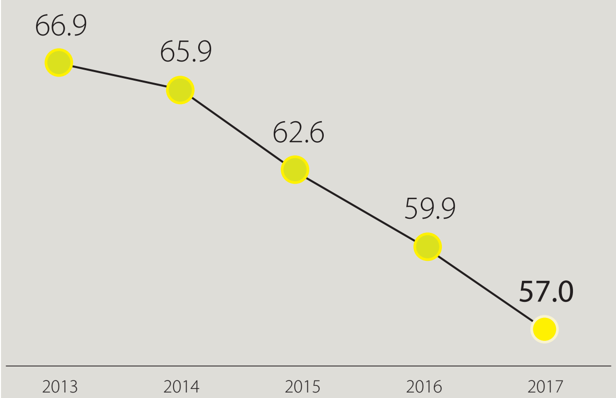



AVERAGE INTEST RATE in % per 31.12.

based on bank liabilities




LTV* in %



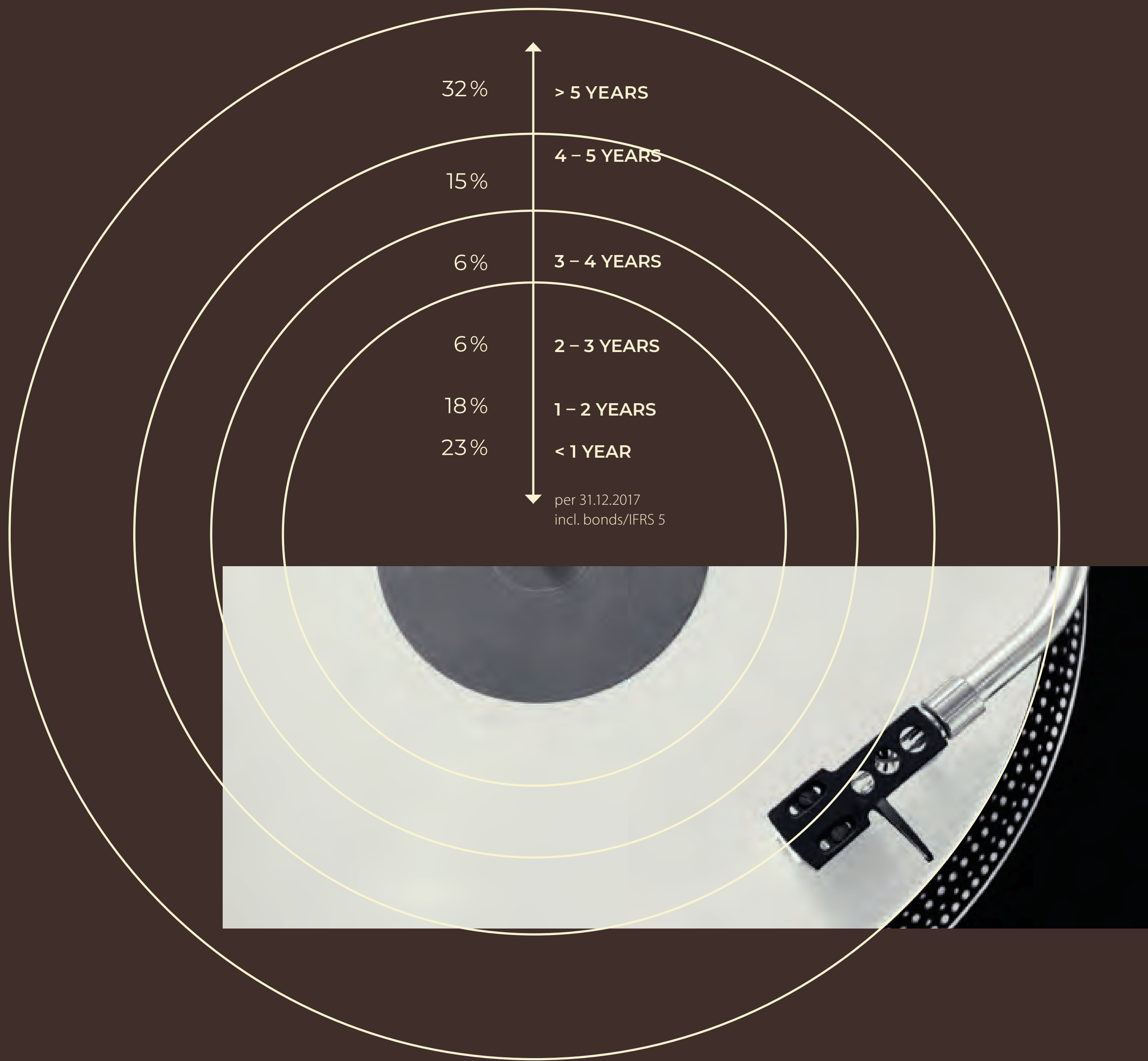

*adjusted for warehousing

## TERM STRUCTURE OF BORROWINGS

By successfully refinancing the entire Commercial Portfolio, we significantly improved the term structure of our financial debt.

The average remaining maturity rose from **3.2** years before completion of the refinancing to **5.9** years directly after the new arrangement and declined over the 12-month period after the end of the financial year to **4.6** years at the reporting date.

REMAINING MATURITY



## MORE DYNAMIC KNOWLEDGE AND DECISION-MAKING

We introduced significant innovations in corporate management, planning and control during the 2017 financial year. We structured and streamlined processes within the Company and beyond, taking the dynamic nature of our business model into account in the process.

# 07

### REORGANISATION OF REPORTING SEGMENTS

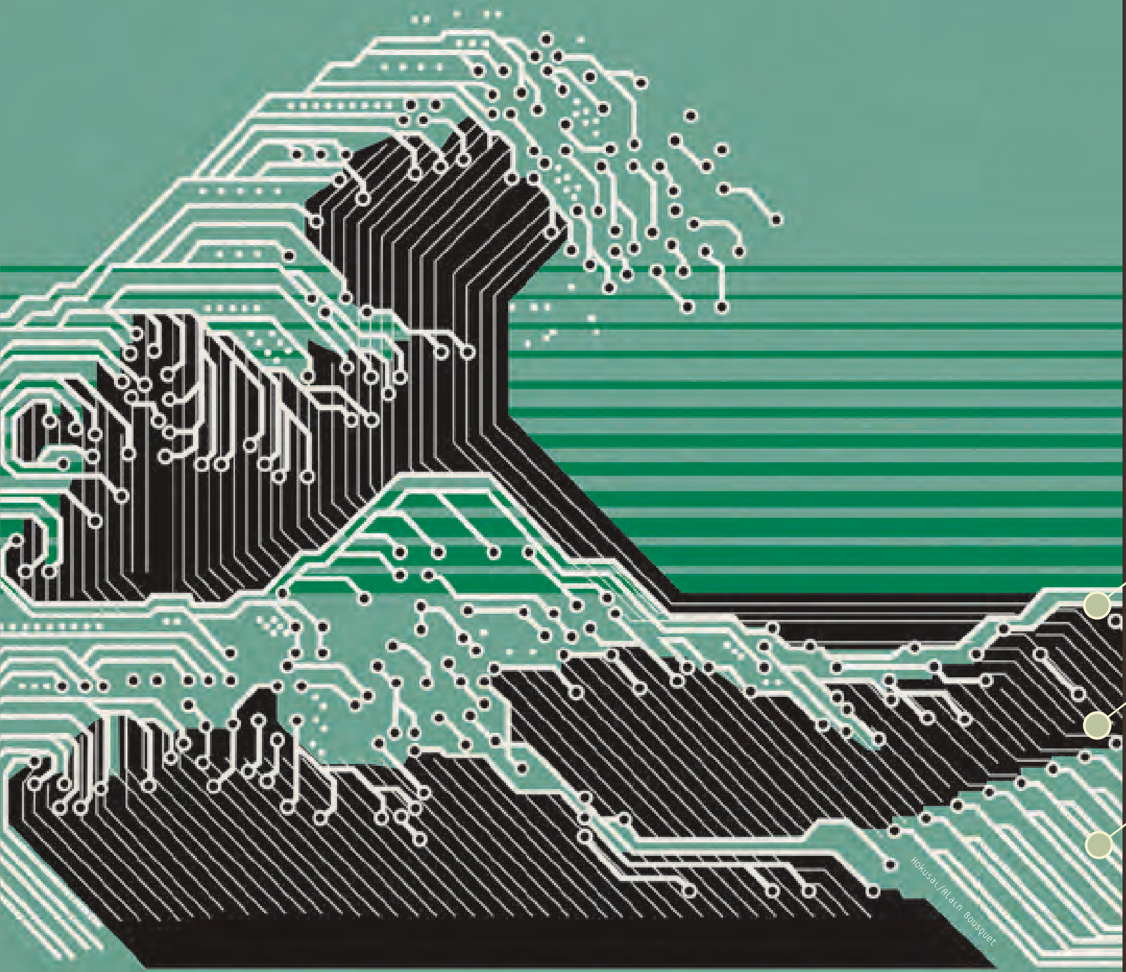
In mid 2017, we reorganised our segment reporting into three segments. Since then, FFO has been reported separately for the Commercial Portfolio, Funds and Other Investments segments. In doing so, we took into account the increasing significance of diversified sources of income and made it easier for our shareholders to understand how the different pillars of our hybrid business model contribute to profit.

### FAST CLOSE

'Fast close' means the accelerated preparation, auditing and publication of monthly, quarterly and annual financial statements. We optimised our controlling, accounting and reporting processes to make information available to internal and external audiences more quickly. This involved shortening decision-making processes and improving response times within the Company and in the market.

### COMPLIANCE MANAGEMENT

We comprehensively updated the Compliance Guidelines that have been in place since 2013, providing greater clarity on aspects such as protection against discrimination and corruptive behaviour as well as improving the whistleblower system for reporting violations.




Streamlined processes

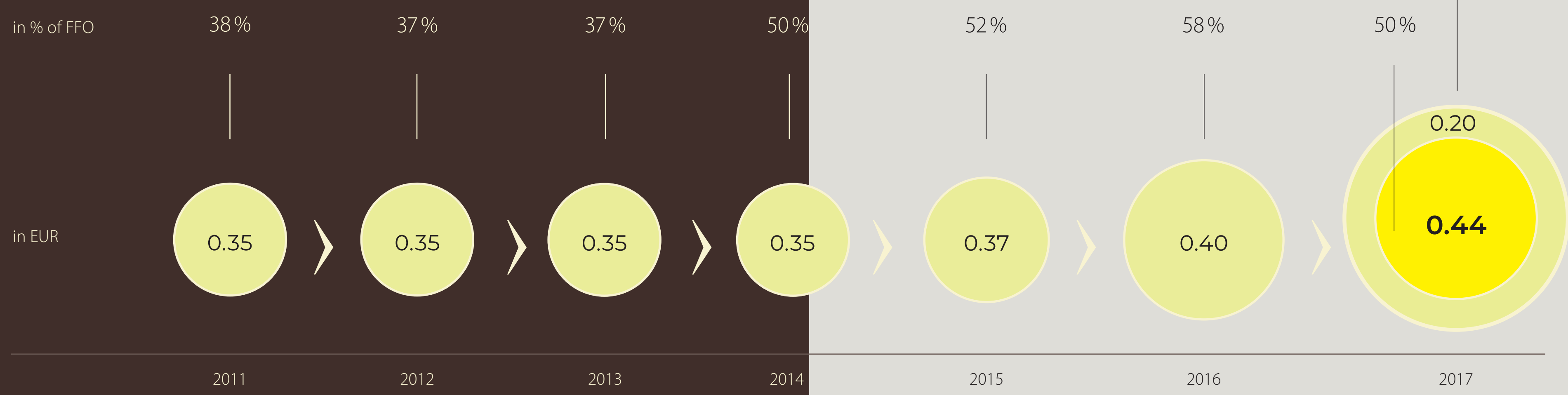
Faster reaction times

Mobilising and linking knowledge across the Company

DIC Asset AG pursues a reliable and attractive dividend policy. We are proposing a regular dividend of EUR 0.44 for the 2017 financial year.

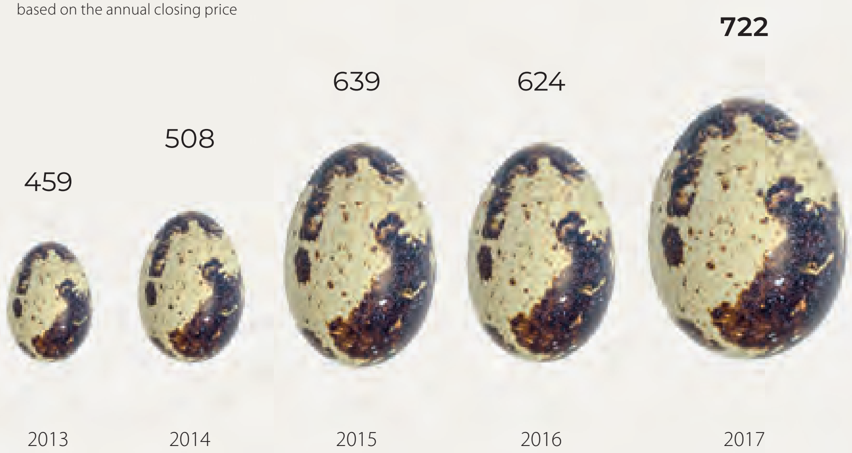
We also intend to distribute an extraordinary dividend of EUR 0.20 for 2017 based on the non-recurring income from the swap of WCM shares for TLG shares.

## DIVIDEND PER SHARE



## STOCK MARKET CAPTALISATION

in EUR million,
based on the annual closing price




09

## ATTRACTIVE DIVIDEND STOCK

With a **dividend yield of more than 6 %** based on the closing price for 2017, DIC Asset AG is one of the most profitable companies in the SDAX and the German real estate sector.

In addition to the cash distribution, our shareholders will for the first time have the option of receiving a scrip dividend, enabling them to top up their investment in DIC Asset AG directly and easily.

COMBINED MANAGEMENT REPORT

# FUNDAMENTAL INFORMATION ABOUT THE GROUP

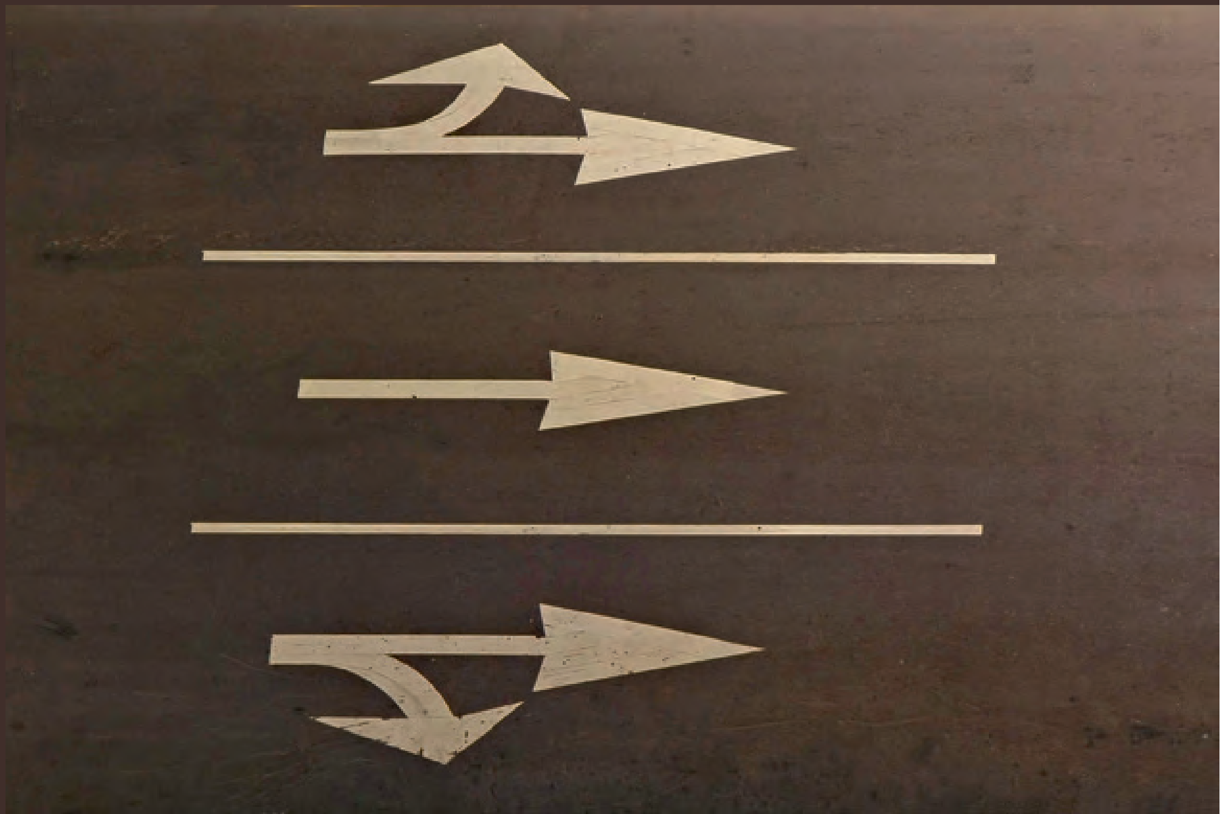


## BRIEF PROFILE

DIC Asset AG is one of Germany’s leading listed property companies, specialising in the investment in and management of commercial real estate in Germany.

Real estate assets under management, including our real estate management services for third parties, total EUR 4.4 billion.

DIC Asset AG has been included in the SDAX segment of the Frankfurt Stock Exchange since June 2006. The Company›s shares are also represented in the EPRA index, which tracks the performance of the most important European real estate companies.



We divide our business into three segments.

➤ The Commercial Portfolio segment (EUR 1.6 billion) includes portfolio properties owned by DIC Asset AG. We earn stable rental income from these properties, use active management to increase their value and realise profits by selling them.

➤ In the Funds segment (EUR 1.5 billion), we act as an investor, issuer and manager of real estate special funds for institutional investors. We generate investment and management income from the funds we have created.

➤ The Other Investments segment (EUR 1.3 billion) includes strategic investments, the growing third-party business and its services as well joint ventures – which are being scaled back – and our equity investment in the MainTor project development now nearing completion.

With management teams in six regional offices, DIC Asset AG maintains a presence in all key German markets.

## DECENTRALISED MARKET LANDSCAPE IN GERMANY

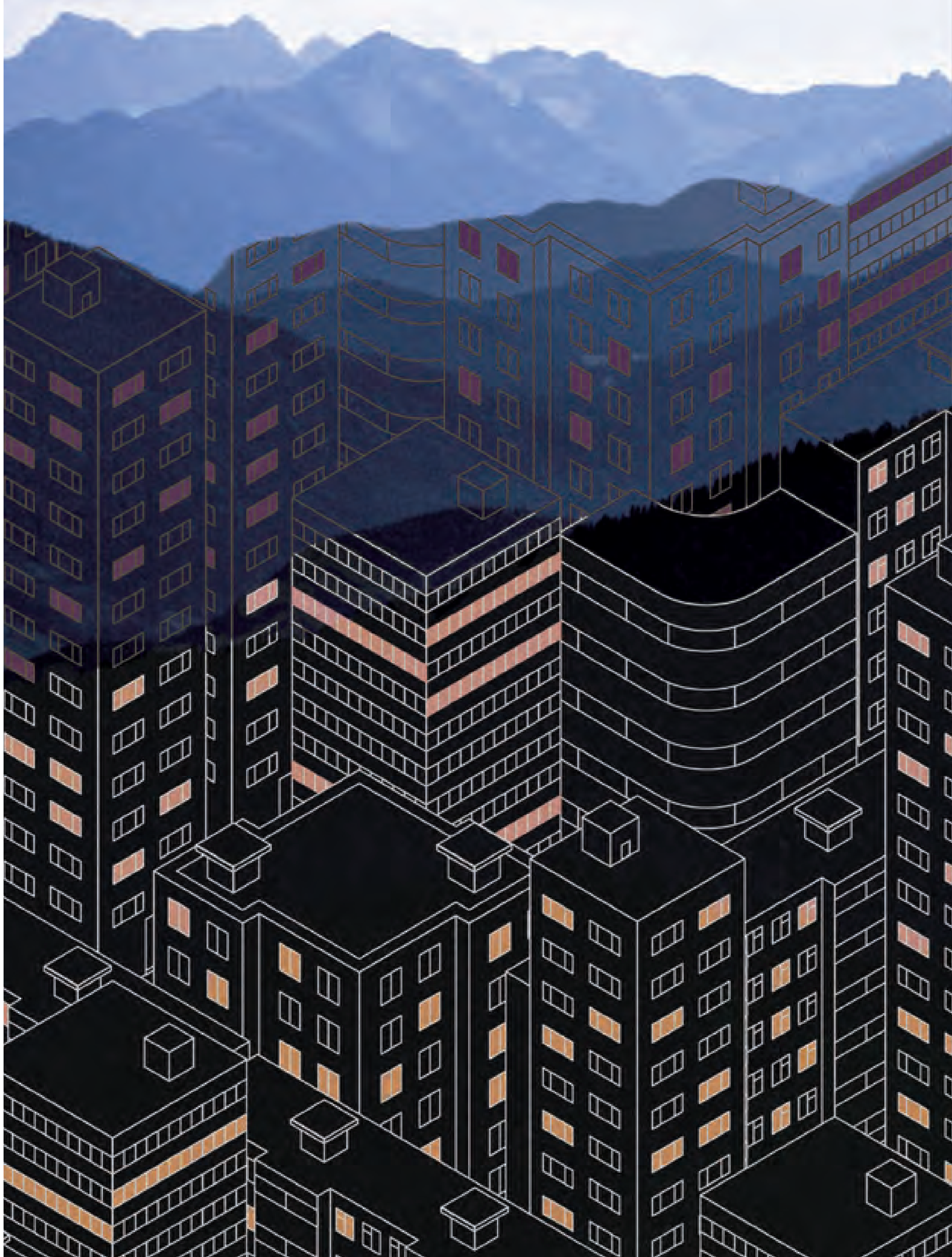
Compared to other European countries, the German commercial property market is less centralised. It is characterised by strong regional diversification and comprises many different-sized players.

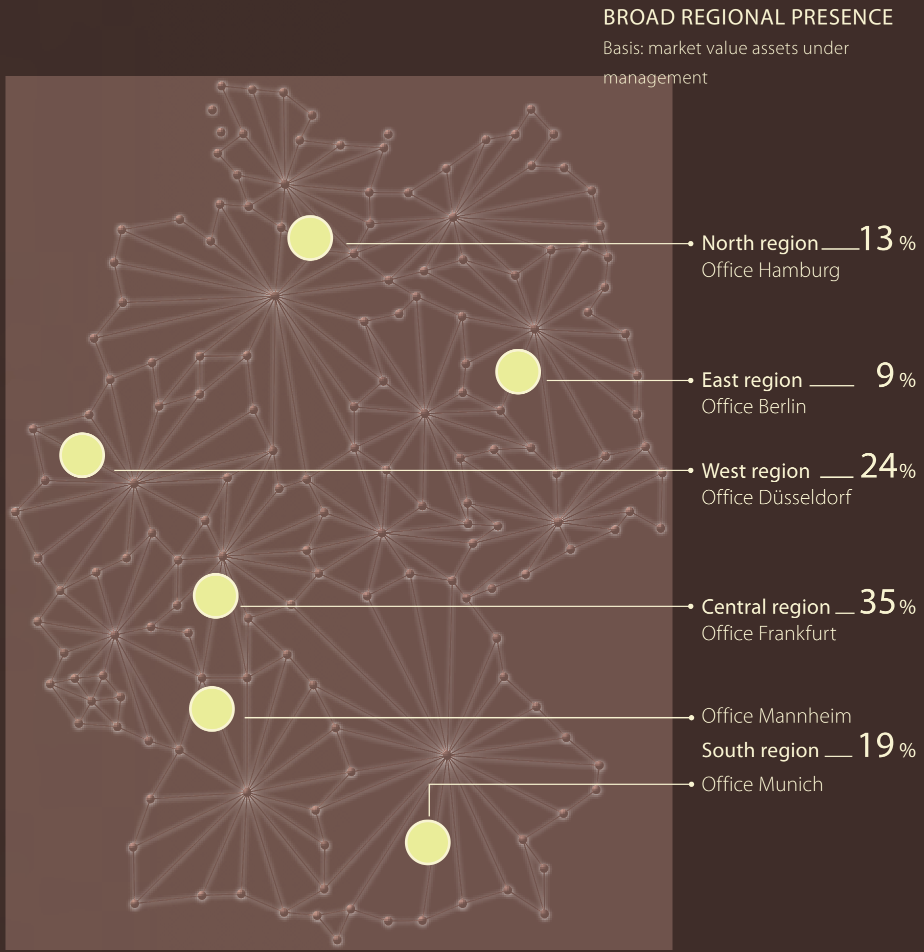
This is due to the federal economic structure in Germany, which benefits from a large number of strong economic centres in the regions.

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

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

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






## ASSET MANAGEMENT AND INVESTMENT PLATFORM WITH A STRONG REGIONAL FOCUS

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

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

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

Our diversified mix of investments is supported by 114 of our own employees and ensures attractive value creation potential and stable cash flows at manageable levels of risk.

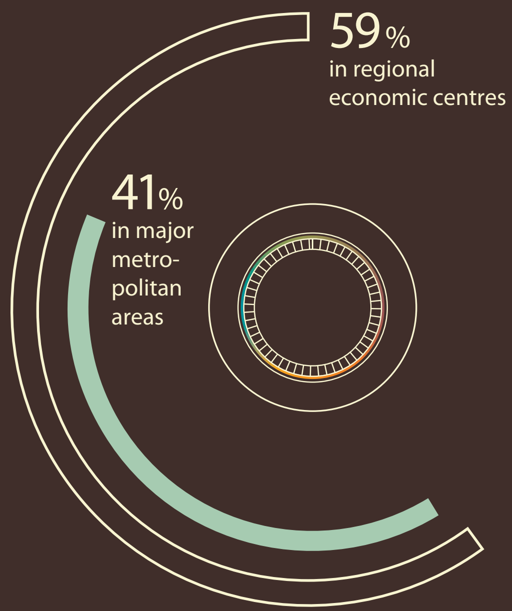
## REGIONAL STRUCTURE AND COMPANY LOCATIONS

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

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

# FAVOURABLE RISK DIVERSIFICATION

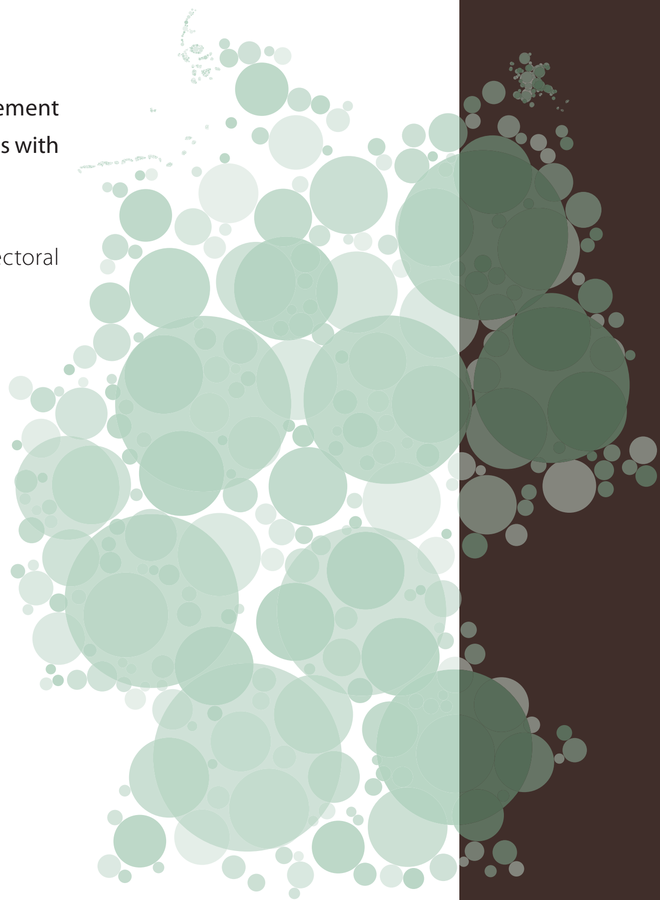
EUR 4.4 billion
Assets under management

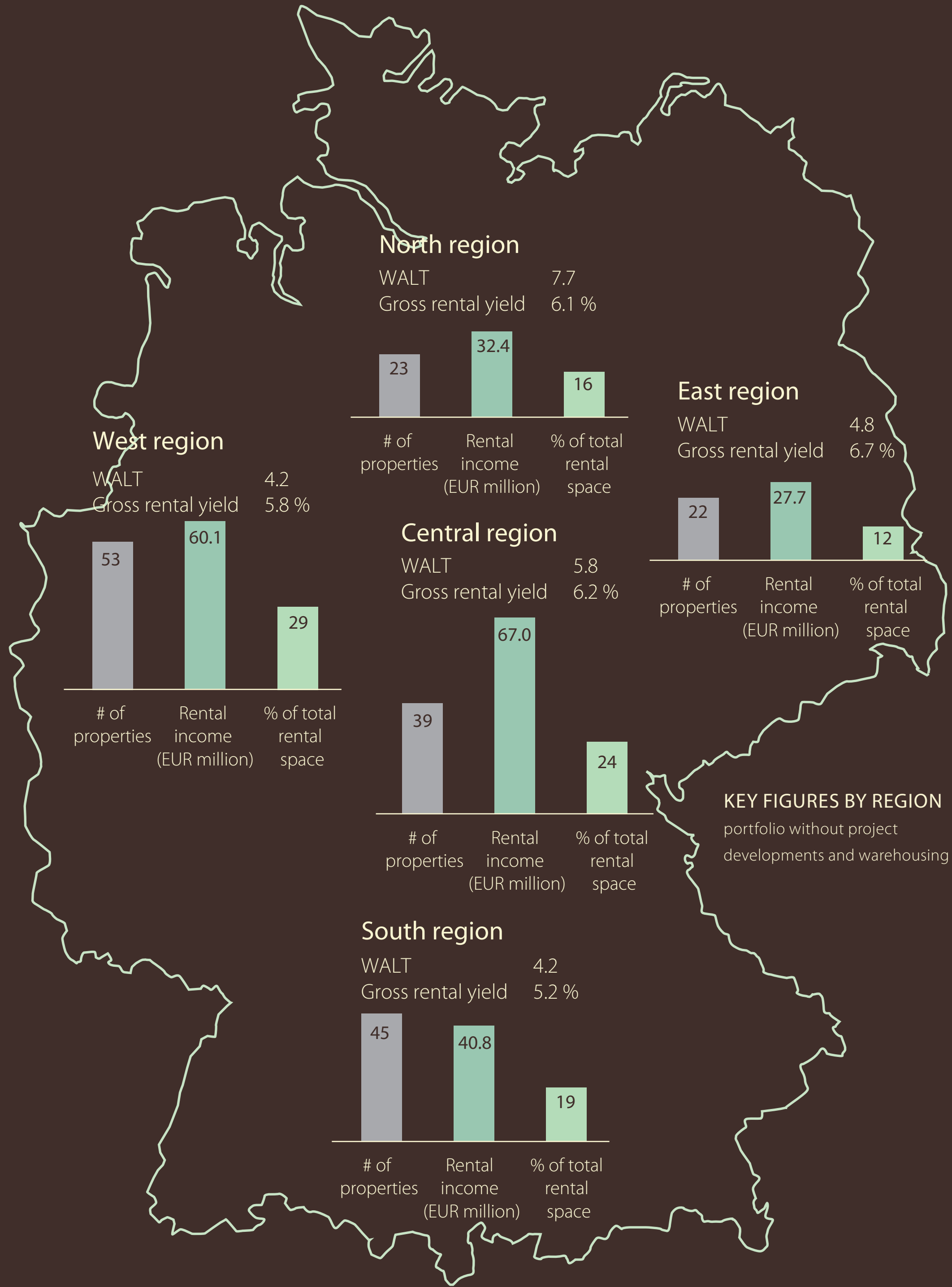



**DIVERSIFIED PORTFOLIO**

Our portfolio comprises real estate assets under management totalling EUR 4.4 billion spread across around 180 properties with a rental space of 1.8 million sqm.

The portfolio is widely diversified in both regional and sectoral terms to ensure favourable distribution of risk.






KEY FIGURES BY REGION
portfolio without project developments and warehousing

The focus is on office properties (61 %) and retail (19 %). Of the properties, 41 % are located in the major office locations and 59 % in the regional economic centres.

Our tenant base is characterised by a balance between small and large tenants. It comprises approximately 1,200 commercial tenancies in total with tenants from different economically strong sectors. Of these, 35 % are small and medium-sized enterprises, while more than a quarter are recruited from the public sector.

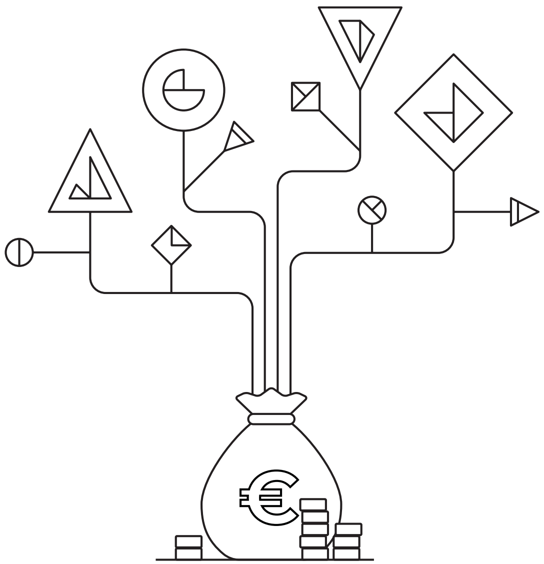
Our major tenants generally have several leases distributed across different locations and properties. The average property size is approximately EUR 20 million with six to seven tenants.

# SUSTAINABLE HYBRID BUSINESS MODEL

## INCOME AND INVESTMENT STRUCTURE

Our hybrid business model combines several sources of income. It is based on sustainable income from the management of our Commercial Portfolio, recurring and growing management income and attractive investment income.

Generating income from three complementary segments ensures continuous profitability and enables us to exploit opportunities with maximum independence from market cycles.



Our three operating segments:

### Commercial Portfolio

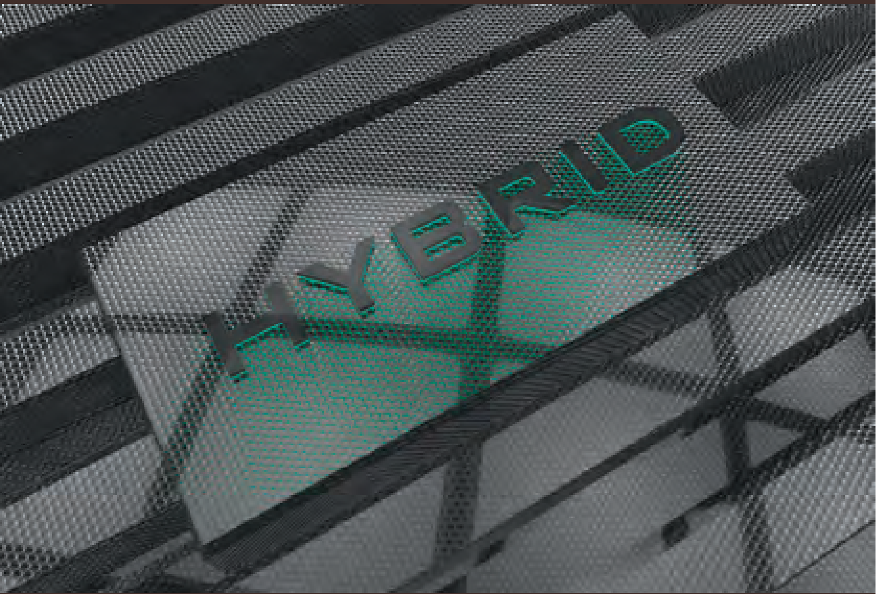
In the Commercial Portfolio segment (EUR 1.6 billion), we act as a property owner and holder and generate stable long-term rental income that provides a steady cash flow for the company. We also optimise our portfolio properties using active lettings management and repositioning. Our active asset management enables us to unlock the appreciation potential within our portfolio and realise profits by selling properties at the right time.

### Funds

In the Funds segment (EUR 1.5 billion), we structure investment vehicles with attractive distribution yields for institutional investors in the German commercial real estate market and also invest in these vehicles. Our efforts in this area are focused on attractive investments in promising business locations. We also provide asset and property management services and acquisition and sales services in our Funds segment, which generates continually growing management and investment income for the Company.

### Other Investments

The Other Investments segment (EUR 1.3 billion) includes our joint ventures which are being scaled back, investments in the MainTor project development in Frankfurt now in the final stages of implementation, our strategic investments and our third-party business.




DIRECT INVESTMENTS

INDIRECT INVESTMENTS

SERVICES

**Commercial Portfolio**
- Directly held portfolio
- Recurring rental income from Core/Core Plus and Value-add assets
- Mid- to long-term investment horizon
- Disposals at appropriate time points

**Funds (c. 5–10 % stake)**
- For institutional investors
- Core properties in major cities and regional centers
- Strong shared interest through co-investment
- DIC Asset AG as service provider (Investment, Asset and Property Management)

**Other Investments (max. 40 % stake)**
- JV properties (fully reduced in 2018)
- Equity investment in MainTor project development
- Strategic investments
- Third-party services (Asset and Property Management)

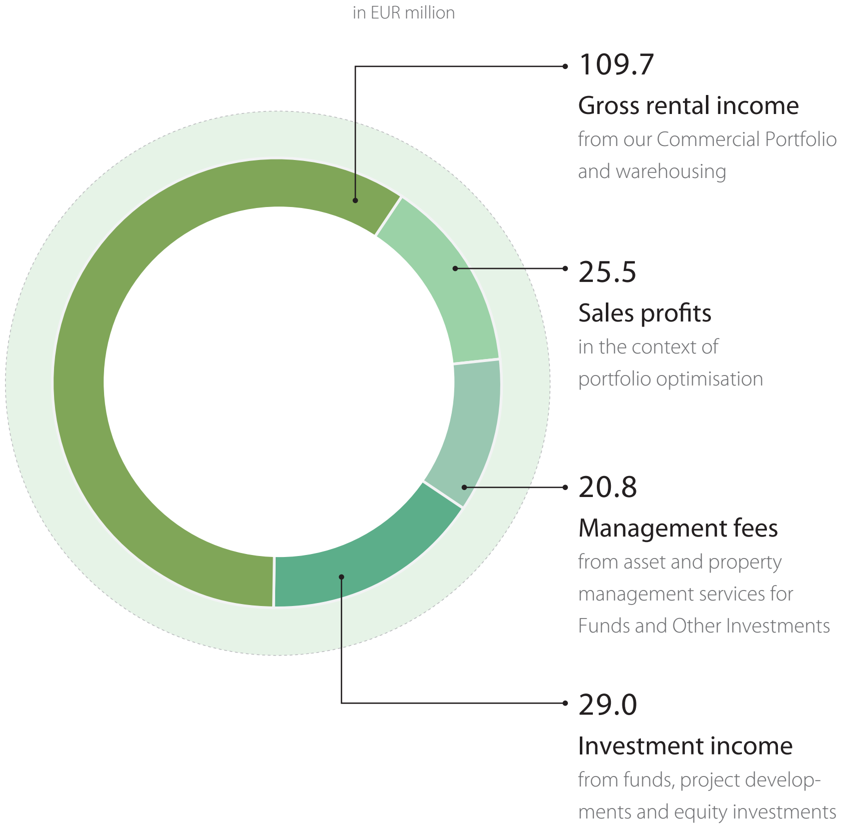
Rental Income

Sales profits

Management Fees

Investment Income

**Sustainable Hybrid Model**




- In our Commercial Portfolio of direct real estate investments, we earn regular rental income from currently 113 properties that are let under attractive, long-term leases. The rental income is broadly diversified in terms of regions, sectors and tenants. This occasionally includes rental income from properties we acquire for the start-up portfolios of new funds at an early stage and temporarily show in the Commercial Portfolio by way of "warehousing".
- Sales from direct investments, with which we optimise our portfolio structure and generate profits, round off our income from the property portfolio.
- We generate recurring management income from asset and property management, which primarily form part of our fund business (69 properties, largely held in funds).
- Added to this is investment income from our Other Investments generated from minority interests mainly from the funds initiated by us and from investments in project developments, additional joint ventures and equity interests in companies.

# IN-HOUSE EXPERTISE

## CORPORATE MANAGEMENT

### Corporate structure

As a central management holding company, DIC Asset AG brings together the functions of corporate governance: directing Group strategy (in particular investment management, portfolio management and sales strategy), corporate and real estate financing, risk management, compliance management as well as the control of property management. The management holding company is also responsible for capital market and corporate communications.

Two subsidiaries carry out important core operating tasks: DIC Fund Balance GmbH is responsible for fund management, refining the fund strategy and supporting fund investors. The Group's own real estate management company – DIC Onsite GmbH – provides on-site support for the entire property portfolio, including DIC Asset AG's directly-held Commercial Portfolio as well as real estate in the fund business and other third-party business throughout Germany.

In total, the Group comprises DIC Asset AG and 148 subsidiaries. The majority of these are property holding companies reflecting the Group's operating activities. All equity investments are listed in appendices 1 and 2 to the notes to the consolidated financial statements.

### Corporate governance declaration and additional disclosures

The corporate governance declaration has been published on the Internet at > www.dic-asset.de/engl/investor-relations/CG.

It is also included in the section on corporate governance. Further disclosures on corporate governance, such as the composition and working practices of the Management Board and the Supervisory Board, can also be found there, as can be the report on the remuneration of the Management Board and the Supervisory Board. We explain our control system in detail in the disclosures on the internal control system in the section entitled "Report on expected developments, risks and opportunities".

## Planning and control system

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

## Planning process

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

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

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

### Company-specific leading indicators

To seize opportunities rapidly and avoid possible undesirable developments, we use leading economic and operating indicators for our business policy decisions.

The principal macroeconomic leading indicators include the development of gross domestic product (GDP) and the Ifo index, unemployment trends and employment levels as well as forecasts of interest rate trends and lending. These lead to conclusions about the development of our regional markets and the real estate sector, which normally responds to macroeconomic changes with a certain time lag, and about the future general environment and costs of our financing arrangements.

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

### Management based on key figures

The internal control system, which forms part of the risk management process and is explained in detail in the section entitled "Report on expected developments, risks and opportunities" starting on page 83, serves as the main instrument for monitoring and managing achievement of the Company's targets.

### Key control variables and targets

In order to monitor the agreed targets, we use key operating figures, which are a part of regular reporting. The operating profit from real estate management **(funds from operations, FFO)** is the most significant figure from a Group perspective. Key figures to be taken into account in calculating FFO are net rental income, personnel and administrative expenses, real estate management fees, the share of the profit or loss of associates excluding project developments and sales, and net interest income.

In mid 2017, we reorganised our segment reporting into three segments to acknowledge the increasing importance of our fund business and make it easier to understand how the different pillars of our hybrid business model contribute to profit. Since then, FFO has been reported separately for the Commercial Portfolio, Funds and Other Investments segments. We manage our segments' operations on a uniform basis, particularly with regard to preserving value and increasing income from property management.

## OBJECTIVES AND STRATEGIES

We are one of the largest commercial real estate investors and asset managers with a focus on office and retail properties and operate exclusively in the German real estate market.

Our corporate strategy focuses on **creating a sustainable, steady stream of income via our powerful in-house real estate management platform.**

We strive to increase rental income in our directly held Commercial Portfolio and to earn income on a regular basis from the management services generated primarily from a fast-growing fund business and also from our third-party business.

At the same time, our focus is on capital and financing structures that enable us to act swiftly and reliably.

## DIRECT INVESTMENTS – COMMERCIAL PORTFOLIO

### DIVERSIFIED AND RISK-ADJUSTED INVESTMENT MIX

- Diversified acquisition strategy

  Our investment mix includes A-locations in B-cities and B-locations in A-cities. We seek to achieve balanced diversification on a regional, sectoral and tenant-related basis that avoids cluster risks, ensures the attractive yield profile over the long term and offers our internal asset and property management the potential to create added value.

  This strategy is based on our regional expertise and our excellent access to markets. We are present and active throughout Germany with our own network of management teams in six offices. This allows us to identify and successfully develop locations and properties with an adequate risk/yield ratio in Germany's key and regional real estate markets.

#### INVESTMENT CRITERIA

LOCATIONS Cities and metropolitan areas, mid-sized regional centres with at least 100,000 residents, focused on western federal states, emerging economic centres

TYPES OF USE Commercial properties with a focus on office use, retail properties, mixed-use office buildings and logistics properties with a suitable profile

INVESTMENT VOLUME Between EUR 10 and 80 million per individual property, portfolios between EUR 50 and 500 million (with an average acquisition volume of > EUR 10 million per individual property)



- **Appreciation in real estate**

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

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

# A PORTFOLIO IN MOTION

- **Warehousing**

  We use market opportunities to secure attractive properties in advance for funds soon to be launched. For this purpose, we initially buy suitable properties for our own portfolio. During the warehousing stage, we receive the full rental income from the management of the properties.

# INCREASED INCOME FROM FUNDS

## INDIRECT INVESTMENTS – FUNDS

### GROWING MANAGEMENT AND INVESTMENT INCOME

- **Defined investment products aimed at institutional investors**
  To enhance our income further, we are focusing on a growing fund business. We offer institutional fund investors our investment expertise, a broad range of real estate services and customised investment structures in Germany's key and regional real estate markets.

- **Active fund management**
  Our fund management makes effective use of all of DIC Asset AG's strengths. We apply both our real estate and transaction expertise as well as our exceptional network within the market to structure and actively manage products suitable for the market.

- **Diversified streams of income**
  By expanding our fund business, we are achieving recurring and increasing management and investment income and thus diversifying our sources of income.

#### INVESTMENT CRITERIA

LOCATIONS German metropolitan areas

TYPES OF USE Office: Commercial properties primarily intended for office use (>70 %), mixed-use office buildings. Retail: Focus on shopping malls, retail warehouse parks, non-discretionary retail centres, hybrid malls and office buildings in top retail locations

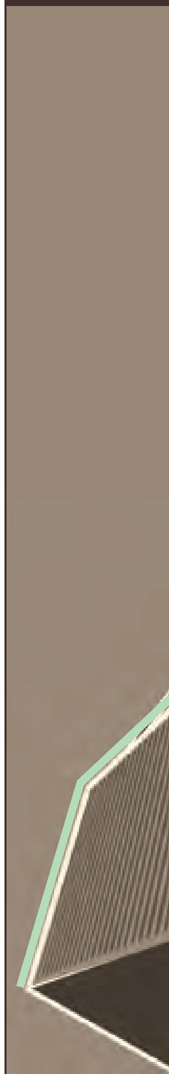
INVESTMENT VOLUME Office: between approximately EUR 10 and 60 million per individual property, or portfolio acquisitions (including smaller portfolios with suitable profiles). Retail: between approximately EUR 10 and 80 million per individual property

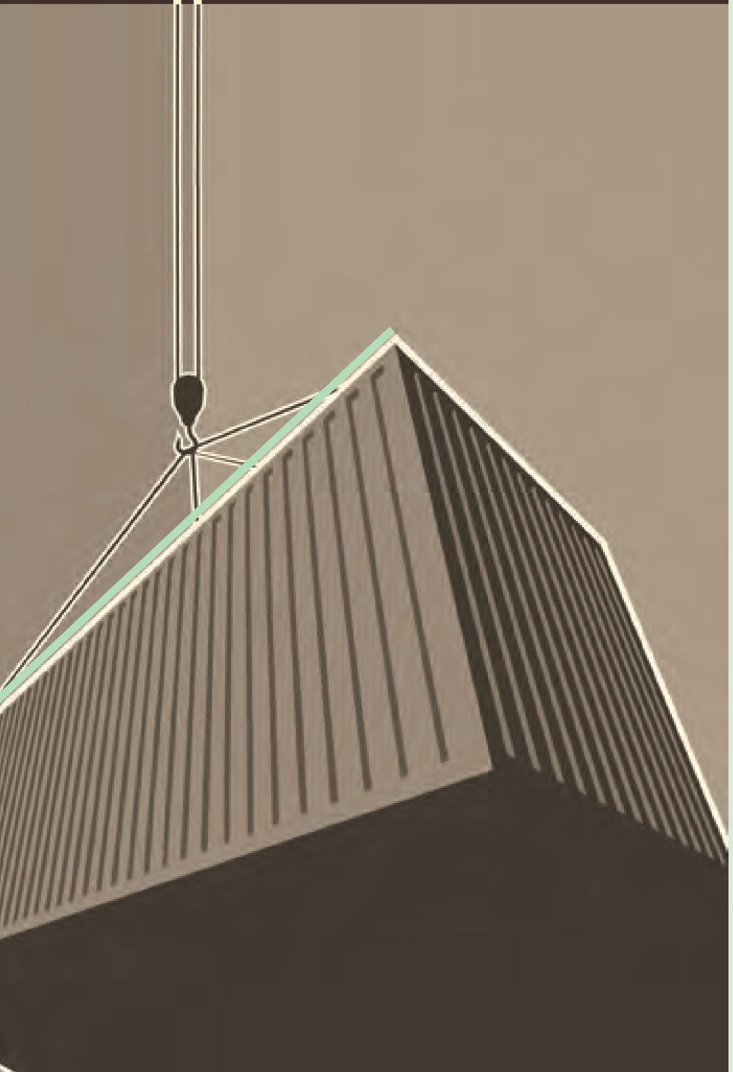
## FINANCE ARCHITECTURE

### STRONG BACKBONE

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

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





## ACHIEVEMENT OF STRATEGIC TARGETS IN 2017

### *Value creation in portfolio*

- **Like-for-like rental income up** 1.4% and take-up remains at high level
- **Attractive sales profits from planned sales** – transactions from the Commercial Portfolio with a total volume of EUR 241 million, profit on sales +10%
- **Refurbishments** to increase value of Commercial Portfolio
- **Reduction of joint ventures** and finalisation of project developments
- **Expansion of real estate management services for third parties**
- **Acquisition of warehousing properties and interim management in own portfolio,** generating additional rental income of EUR 11.4 million

### *Dynamic fund business, diversified mix of investments*

- Fund volume increased by approximately EUR 350 million to EUR 1.5 billion
- **DIC Office Balance IV office fund launched in March 2017**
- **DIC Retail Balance I retail fund launched in October 2017**
- Additional **growth** achieved in existing funds; acquisitions with a total volume of approximately EUR 50 million for DIC Office Balance II and III (management phase)
- **Growth in current management income** from the fund business (without setup fees) of 23%
- **Establishing as trading platform**: first sale of property

### *Optimising financing structure*

- Entire Commercial Portfolio with a volume of **EUR 960 million** refinanced on highly attractive terms in late 2016
- Borrowing costs lowered from an average of 3.4% to **1.8%**, interest expense significantly and sustainably improved
- Additional available cash flow creates further scope for action
- Corporate bond issued with a low coupon of **3.250%**, replacing 5.750% bond due in 2018

# REPORT ON ECONOMIC POSITION



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

In the 2017 financial year, DIC Asset AG systematically implemented its strategic objectives in all three segments of its hybrid business model and more than doubled its consolidated profit. As expected, the refinancing of the Commercial Portfolio significantly enhanced the profitability and cash flows of the Company. We further optimised our Commercial Portfolio and expanded our business offering management services for funds and third parties. We also generated attractive income from our investments. DIC Asset AG's hybrid business model has proven itself by successfully exploiting opportunities within the market and making efficient use of its capital and management capacity.

We exceeded our expectations and comfortably achieved the 2017 operating targets raised during the year. At EUR 109.7 million, rental income exceeded the enhanced range of EUR 106 to 108 million set during the year due to highly successful letting activities, an increase in portfolio quality and additional income from warehousing properties. Having set ourselves a target range of EUR 57 to 60 million at the start of the year, FFO rose significantly by 28% to EUR 60.2 million on the back of successful asset management and the positive effects of portfolio refinancing. As a result, it reached the raised target of EUR 59 to 61 million set in September 2017.

As part of the planned strategic growth of the fund business, we launched two new funds in 2017; warehousing properties with a volume of approximately EUR 300 million were acquired for the start-up portfolios. Acquisition activities during the 2017 financial year once again focused on the expansion of the fund business and the preparation of planned fund products. Given the strong seller's market, we approached these acquisitions in a highly selective and analytical manner in the interests of sustainable attractive returns. The acquisition volume totalled EUR 240 million, thus meeting the forecast adjusted down from EUR 500 million to greater than EUR 200 million during the year. We also used market sentiment to sell non-strategic and joint venture properties at an attractive profit. In addition to sales from the Commercial Portfolio totalling EUR 241 million in line with the sales target raised during the year, we also sold properties from the Funds and Other Investments segments. This enabled us to continue reducing our joint venture investments as planned and take an important step towards establishing ourselves as a capable asset trading partner in the fund business. The total sales volume was approximately EUR 368 million.

With its diversified income structure, our hybrid business model proved itself to be robust and easily scalable. Stable income from the directly held Commercial Portfolio is offset by regular income from real estate management services supplemented by attractive investment income from the Funds and Other Investments segments. As a result of the successful management of portfolio properties and investments and sustained improvement in our financial structure, consolidated profit for the financial year doubled to EUR 64.4 million.

In view of the achievement of objectives and the Company's long-term business prospects, we intend to distribute a regular dividend of EUR 0.44 per share – an increase compared to the previous year – and an extraordinary dividend of EUR 0.20 per share of the significant investment income generated during the financial year.

# MACROECONOMIC ENVIRONMENT

## Macroeconomic trends

### ➲ German economy on course for dynamic expansion

The German economy significantly increased its growth rate during the year under review. Economic output in Germany rose by 2.2 % year-on-year, The largest gain since 2011, when the German economy grew by 3.7 %. Numerous economic researchers and bank economists recently revised their full-year forecasts upwards.

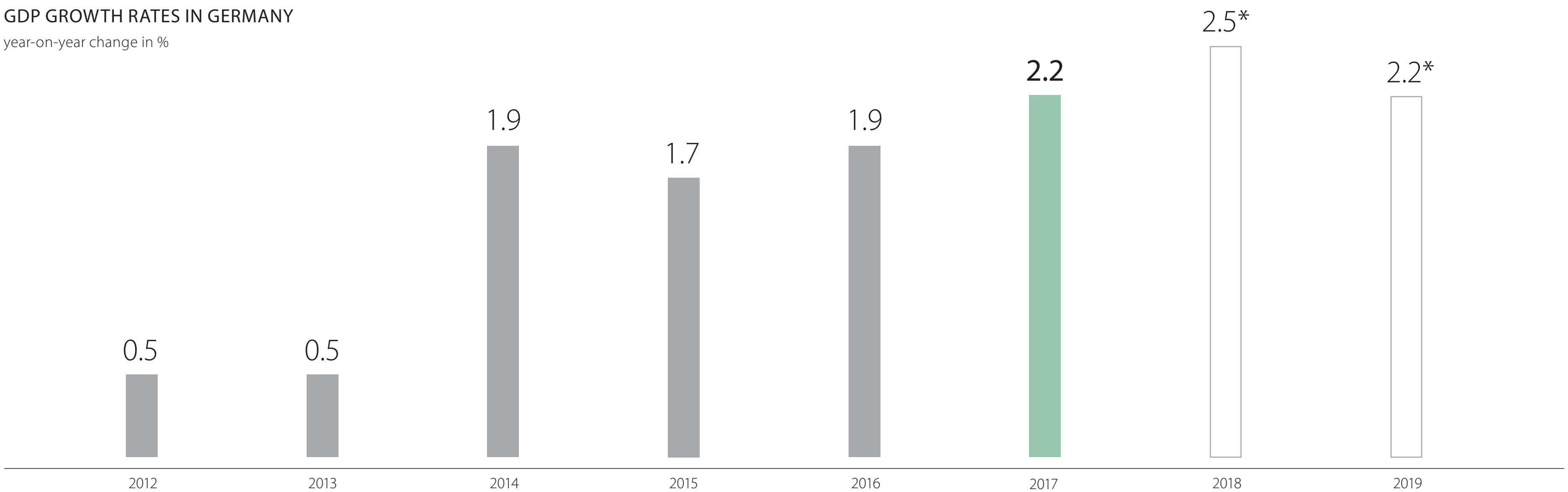
The upturn in the German economy was initially moderate but gained significant breadth and momentum over the past 12 months. After a noticeably expansive first half and an unexpectedly strong third quarter of 2017, the final quarter also helped to ensure that Europe's largest economy grew for the eighth successive year.

The domestic economy thrived due to persistently high consumer spending. According to Federal Statistical Office analysis, there were also bursts of growth in foreign trade, which benefited from a recovery of the global economy and rising corporate investment. According to ifo indicators, German companies were more optimistic than ever and were generally unfazed by conflict-ridden political cooperation in Europe, sluggish Brexit negotiations and difficulty comprehending the Trump administration's effect on established international trade relations.

Statistics showed that employment in Germany exceeded 40 million for the first time in 2017. The annual average number of people in gainful employment grew by more than 650,000 year-on-year to 44.3 million, up 1.5 % on a year ago. The majority of new jobs were created in sectors subject to social insurance contributions. This included manufacturing industries as well as all service sectors with the exception of financial and insurance services providers, who

GDP GROWTH RATES IN GERMANY

year-on-year change in %

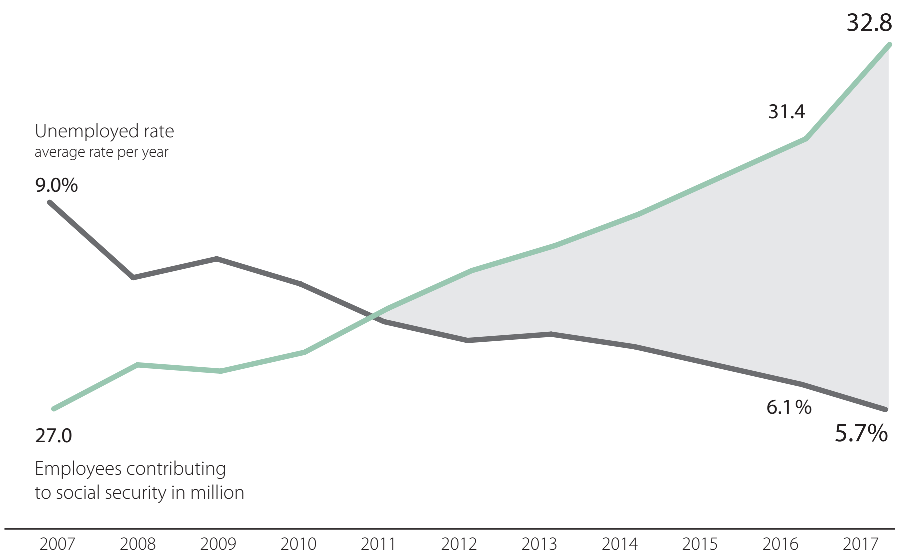



Sources: Federal Statistical Office, *forecast ifw have been prone to cutting jobs amid digitalisation and cost pressure for some time. The German Chambers of Commerce and Industry (DIHK) expect the number of employed individuals in Germany to grow significantly again in 2018. Unemployment of 5.7 % (after 6.1 % in 2016) is forecast for 2017, with this figure expected to fall to 5.3 % in 2018. According to the DIHK Economic Survey, however, companies have been increasingly struggling to fill vacancies.

### ➲ ECB leaves key rate at a record low and announces beginning of the end of its expansive monetary policy

The European Central Bank continued its expansive monetary policy in 2017. The key eurozone rate at which commercial banks can borrow money from the central bank has remained at 0 % since March 2016 and was unchanged at this historic low in 2017. The penalty rate on commercial banks' deposits with the ECB also remained unchanged at 0.4 %. The billion-euro government and corporate bond purchase programme ("quantitative easing") continued unabated in 2017. Back in December 2016, the ECB announced its intention to extend its bond purchase programme to stimulate the economy until at least the end of December 2017, investing EUR 80 billion per month in the markets until April 2017 and EUR 60 billion per month from April 2017 onwards, increasing the overall programme to more than EUR 2 trillion since it began in March 2015.

LABOUR MARKET TREND IN GERMANY




Sources: Federal Employment Agency, Federal Statistical Office

At its meeting in October 2017, the ECB provided market observers with an indication of the beginning of the end of its expansive monetary policy. Although the key rate remained unchanged at 0 % and the bond purchase programme has been extended until the end of September 2018 and "beyond if necessary", the ECB announced that it will reduce the volume from EUR 60 billion to EUR 30 billion per month from 2018 onwards.

In explaining the ECB's hesitant approach, market observers pointed to the fact that inflation in the eurozone remains below the target level of 2 % (eurozone inflation in 2017: 1.5 %) and the risk of a further strengthening of the euro that could place a strain on the export sector.

### ➲ Interest rate turnaround underway in USA, hesitation in Europe

With its expansive monetary policy, the ECB pushed the current yield on ten-year Bunds – which serve as a benchmark across Europe – into negative territory for the first time in 2016. However, yields began to rise slightly again to nearly 0.3 % in the second half of 2016 in anticipation of the imminent end of this expansive policy.

While the interest rate turnaround was well underway in the USA in 2017, with the Fed reacting to the economic upturn and inflationary tendencies by increasing the funds rate in three steps in a range from 1.25 % to 1.50 % and increasing ten-year bond yields to around 2.5 % as a result, the situation in Europe was somewhat different. As a result of the ongoing bond purchase programme and a persistent historically low key interest rate, yields on ten-year Bunds remained extremely low within an annual range of 0.15 %–0.58 % despite rising inflation, yet with high volatility.

## Sector trends

### ➲ Shortage of space continues in office rental market

The rising employment rate was reflected in a further fall in vacancies on the office rental markets. Within a year, vacancies in the top seven locations fell by 783,000 sqm, while the vacancy rate declined to an average of 4.7 % (previous year: 6.0 %).

According to JLL, take-up increased to 4.2 million sqm in 2017, up 7 % on the previous year's record high and thus significantly exceeding the volume forecast at the start of the year.

As the lack of suitable space is increasingly viewed by market observers as a limiting factor, rental markets performed very differently from one city to the next. Volumes fell considerably in Cologne (-30 %) and Stuttgart (-36 %), which JLL attributes to a lack of availability of office space that meets modern requirements. In contrast, the Frankfurt rental market recorded strong growth of 36 % in 2017 without yet having concluded any significant Brexit-related deals.

When ranking German cities by sales volume, Munich replaced Berlin (945,000 sqm) in first place as the market with the highest revenues by recording a 28 % rise to a volume of approximately 1 million sqm. They were followed by Frankfurt (711,000 sqm) and Hamburg (640,000 sqm). Bottom of the list is Stuttgart with 255,000 sqm, and it is here that the effect of a shortage of space can be most acutely seen. Over a 12-month period, vacancies fell by a further 25 %, while the vacancy rate dropped below the 3 % mark to 2.7 %. As the supply of new space also declined, real estate agents believe that a lack of alternatives prompted many companies looking to move to remain in their existing premises. JLL's sales statistics do not include lease renewals.

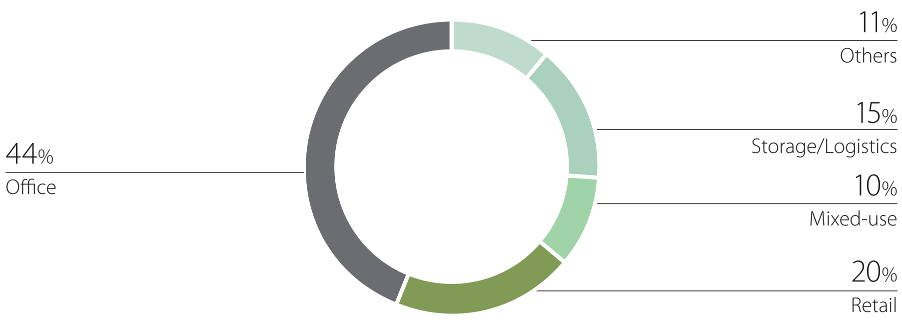
Completions were unable to remedy the shortage of modern, well-equipped office space. Only around 860,000 sqm of office space was completed in the top seven cities between January and December, representing a fall of almost 22 % compared to the same period in 2016. These low construction volumes are attributable to factors including high capacity in the construction industry. However, a sharp rise is expected in the coming year, with JLL estimating that just under 1.3 million sqm of space is currently in project developers' pipelines. According to the latest information, however, more than 60 % of this space has already been pre-let or will be taken up by owner-occupiers.

The reduction in vacancies led to further rent increases. With the exception of Cologne, prime rents rose in all of the top seven cities over the past 12 months. The sharpest rise was recorded in Berlin (+11 %), followed by Stuttgart (+5 %) and Hamburg and Munich (both +4 %). Frankfurt posted a 3 % increase in prices while rents in Düsseldorf rose by 2 %. In the coming year, JLL expects an additional rise in prime rents, albeit at a lower level than in 2017.

### ➲ Product shortage in the real estate investment market

In light of encouraging economic data and the good condition of the rental market, the German real estate investment market remains highly attractive to investors. The uncertainty caused by the Brexit shock, combined with persistently low interest rates, has driven up prices in the German investment market.

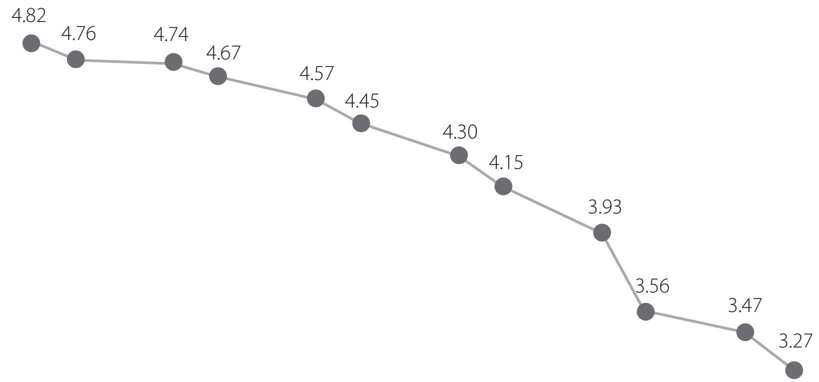
PERCENTAGE OF TRANSACTION VOLUME 2017




Source: JLL

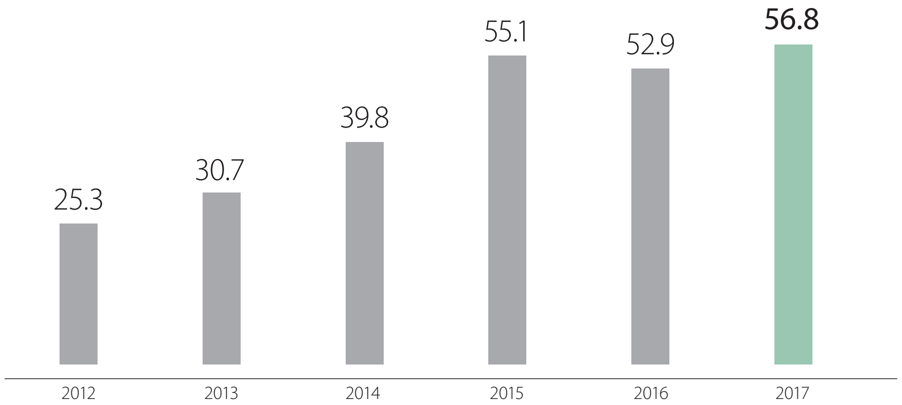
**PRIME YIELDS FOR OFFICES IN PRIME LOCATIONS**

Aggregated initial yield in the Big 7 in %, Q2 and Q4




**TRANSACTION VOLUME OF GERMAN COMMERCIAL REAL ESTATE**

in EUR billion




Source: JLL

Transaction volumes reached a new all-time high of around EUR 57 billion in 2017, up 7% compared to the previous year, with the fourth quarter once again making a disproportionately high contribution to take-up of around EUR 18 billion. Analysts at JLL once again expect a shortage of products to act as a stumbling block for transaction activities. The historically low interest rate remains a key driver for enormous investment demand, making it increasingly challenging for institutional investors to find adequate investment products amid sustained capital pressure on real estate across all commercial asset classes.

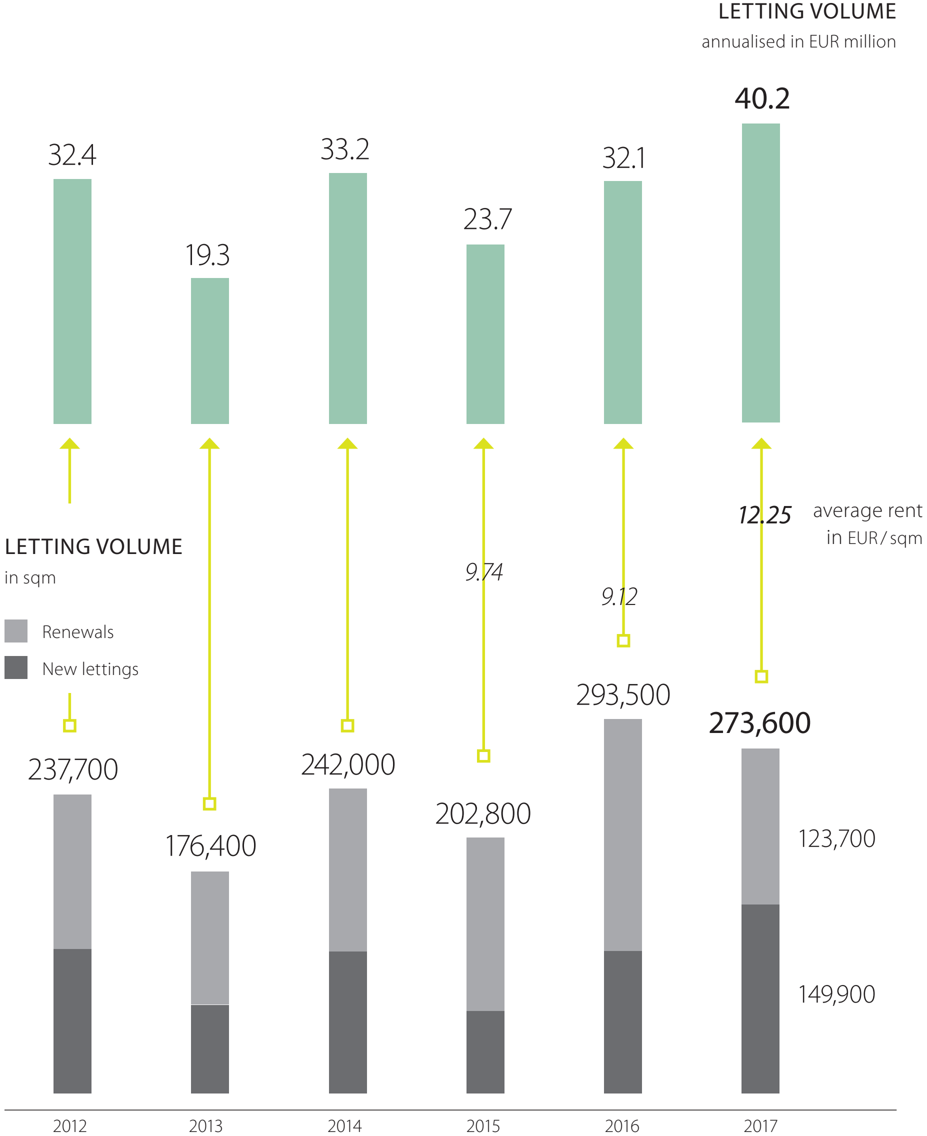
The share attributable to foreign investors remains at the high level recorded in the previous year. Their activities comprise approximately half of commercial transaction volumes, in excess of the five-year average of 45%. The share attributable to Asian investors increased significantly compared to the previous year. Office properties remained the preferred asset class with a consistent share of 44%, followed by retail properties (20%, previous year: 24%), while the share of logistics properties rose (15%, previous year: 10%) There was also increased interest in mixed-use properties and districts (9%), particularly in central locations.

This strong demand meant that initial yields decreased even further in the course of the year. Prime yields for office properties declined by 29 basis points on average across all top seven locations to 3.27%, with yields in Berlin falling below the 3% mark at 2.90%. Logistics properties recorded the strongest compression, with prime yields in this asset class dropping by 60 basis points to 4.50% in 2017.

In connection with rental growth, there was also double-digit percentage capital appreciation in 2017, with office properties recording growth of around 14%.

According to the latest joint office market forecast published by gif (Gesellschaft für Immobilienwirtschaftliche Forschung e.V.) and CRES (Center for Real Estate Studies) in November 2017, no further measurable reductions in yields are expected in the coming year.

# COURSE OF BUSINESS




## REAL ESTATE MANAGEMENT

### More value per square metre for leases signed

After excellent take-up in 2016, our real estate management team focused effectively on continuing to reduce vacancies and thus utilize additional potential within the portfolio.

With a total rental volume of 273,600 sqm (previous year: 293,500 sqm), leases were signed representing increased annual rental income of approximately EUR 40.2 million (previous year: approximately EUR 32.1 million). Based on annualised rent, more than half (55 %) of the leases signed were attributable to new leases (previous year: 32 %).

As a result, the average rent per square metre generated by signing leases rose from EUR 9.12 in the previous year to EUR 12.25. The weighted average lease term rose from 4.3 years to 5.2 years year-on-year.

### LETTING VOLUME

| | in sqm | | annualised in EUR million | |
|---|---|---|---|---|
| | **2017** | 2016 | **2017** | 2016 |
| Office | **205,400** | 212,100 | **34.4** | 27.5 |
| Retail | **15,700** | 15,800 | **2.2** | 1.8 |
| Storage/Logistics | **38,000** | 43,700 | **2.5** | 2.1 |
| Further commercial | **12,300** | 19,100 | **0.9** | 0.5 |
| Residential | **2,200** | 2,800 | **0.2** | 0.2 |
| Total | **273,600** | 293,500 | **40.2** | 32.1 |
| Parking | **2,285 units** | 2,065 units | **1.4** | 1.0 |

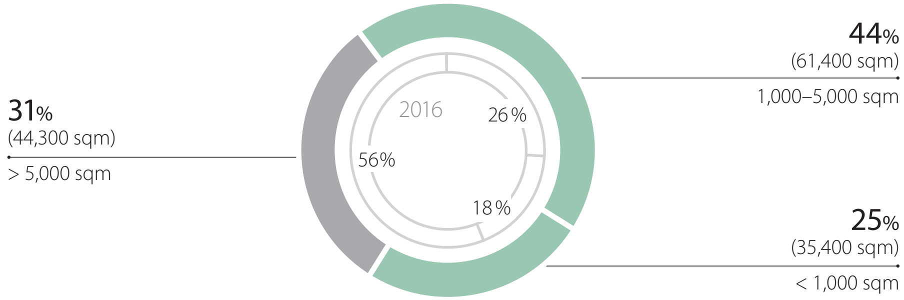
Contracts were primarily signed for medium-sized rental space between 1,000 and 5,000 sqm, which comprised 44 % of total leases signed after a share of 26 % in the previous year. The share of leases signed for spaces smaller than 1,000 sqm also grew to 25 %. Of the annualised rental income arising from leases, 40 % was attributable to the directly held Commercial Portfolio, 30 % to the fund business and 30 % to our managed real estate assets in joint ventures and the MainTor project development.

### ➲ Significant reduction in vacancies both overall and on a like-for-like basis

The vacancy rate in the Commercial Portfolio reached 9.9 % at the end of the year after 11.8 % in the previous year. The overall assessment of assets under management resulted in a vacancy rate of 8.0 %, down from 8.4 % a year earlier. On a like-for-like basis, i.e. excluding changes to the portfolio caused by acquisition and sales transactions, the vacancy rate in the Commercial Portfolio fell by 2.9 percentage points and by 1.2 percentage points in relation to all assets under management.

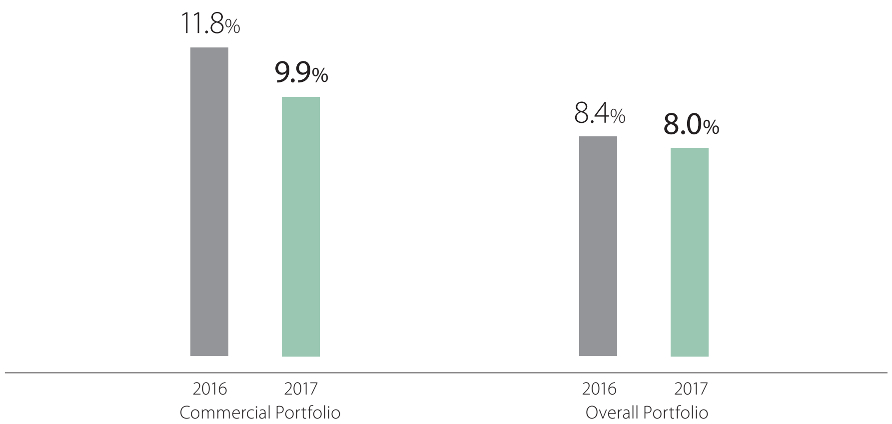
## DISTRIBUTION OF LETTING RESULTS

Basis: letting volume in the Commercial Portfolio in sqm




## VACANCY RATE

per year-end *




*without project developments and warehousing

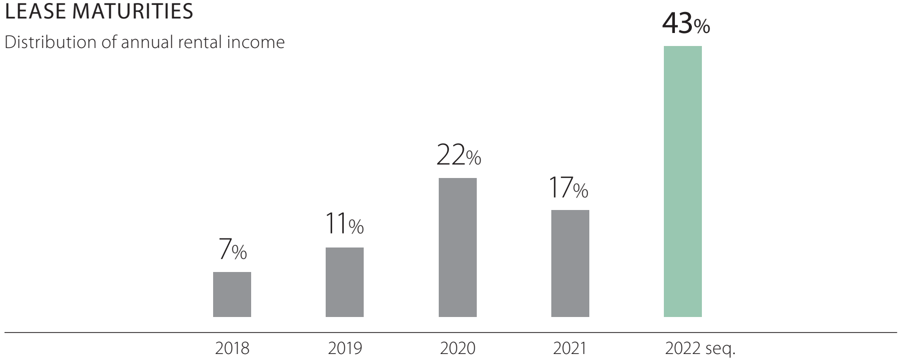
## TOP 5 NEW LETTINGS

| | | | |
|---|---|---|---|
| Bundesanstalt für Immobilienaufgaben | Funds | Wiesbaden | 25,100 sqm |
| Bundesanstalt für Immobilienaufgaben | Funds | Bonn | 4,400 sqm |
| h.a.l.m. elektronik GmbH | Commercial Portfolio | Frankfurt | 4,100 sqm |
| OLIMP Laboratories Germany | Commercial Portfolio | Langenselbold | 3,000 sqm |
| Bundesanstalt für Immobilienaufgaben | Funds | Düsseldorf | 3,000 sqm |

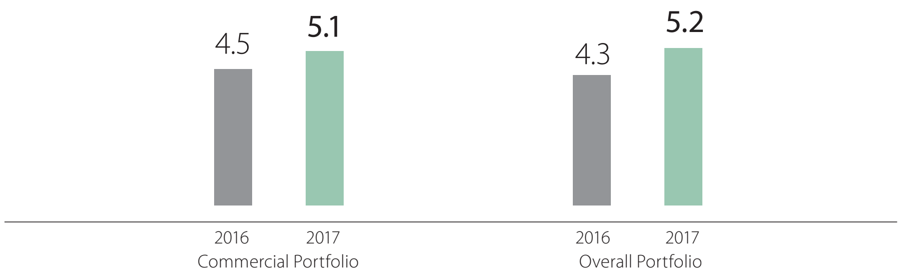
## TOP 5 RENEWALS

| | | | |
|---|---|---|---|
| Land Hessen | Commercial Portfolio | Darmstadt | 22,400 sqm |
| Land Hessen | Commercial Portfolio | Frankfurt | 10,100 sqm |
| DELACAMP AG | Commercial Portfolio | Hamburg | 5,900 sqm |
| htp GmbH | Funds | Hannover | 5,300 sqm |
| Bayer CropScience | Commercial Portfolio | Langenfeld | 4,400 sqm |

LEASE MATURITIES
Distribution of annual rental income




WEIGHTED AVERAGE LEASE TERM
in years*



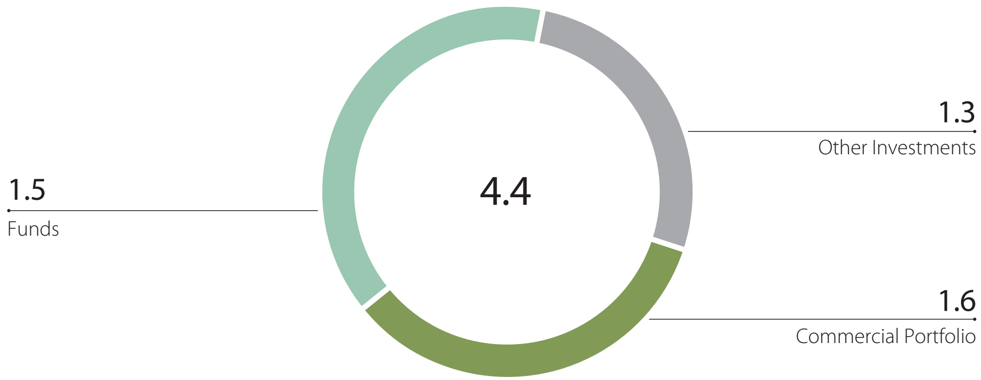

*without project developments and warehousing

**➲ More long-term contracts within assets under management**

The largest portion of the potential lease expiry volume falls due in 2022 or later, with a share of 43 %. The weighted average lease term rose from 4.3 years to 5.2 years in the overall portfolio and to 5.1 years in the Commercial Portfolio (previous year: 4.5 years). This was due to both ongoing letting activities and successful asset management efforts with targeted acquisitions and sales.

ASSETS UNDER MANAGEMENT

in EUR billion



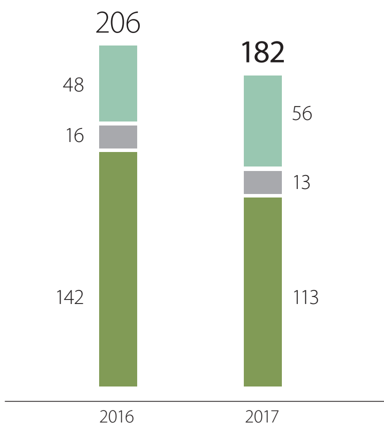

## DEVELOPMENT OF THE PORTFOLIO UNDER MANAGEMENT

As at the reporting date, our real estate portfolio under management comprised 182 properties with total rental space of 1.8 million sqm.

The value of assets under management including our third-party business increased to EUR 4.4 billion. Of this figure, approximately EUR 1.6 billion is attributable to the directly held Commercial Portfolio, EUR 1.5 billion to fund properties and EUR 1.3 billion to investments in project developments, other joint ventures and third-party business.

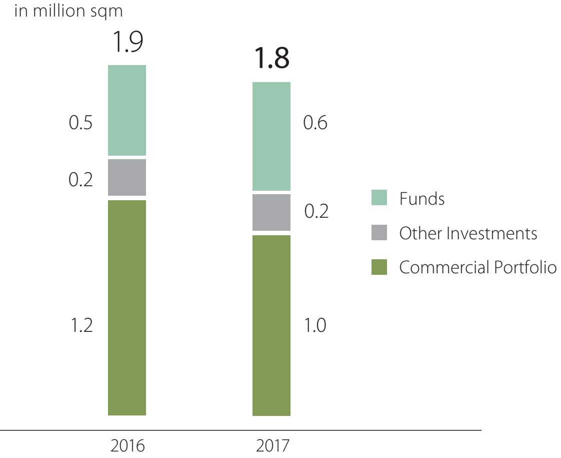
At the end of 2017, the market value of our properties in the Commercial Portfolio and the pro rata market value of properties in investments totalled EUR 1,853.0 million (2016: EUR 2,128.2 million).

NUMBER OF PROPERTIES




RENTAL SPACE

in million sqm

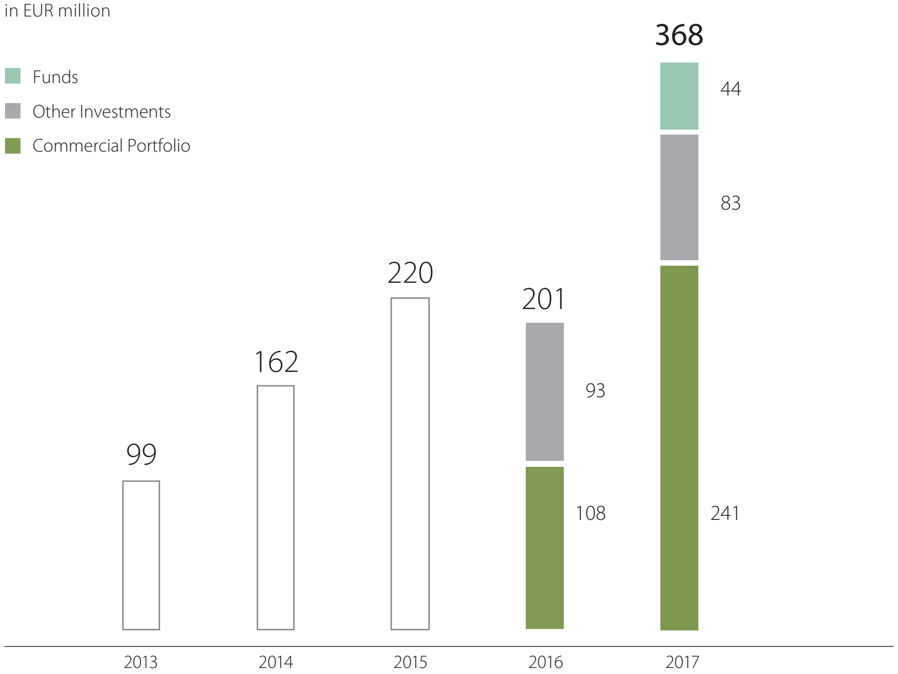


## SALES

| in EUR million | Signing 2017 | Signing 2017/ Transfer 2017 | Signing 2016/ Transfer 2017 |
|---|---|---|---|
| Commercial Portfolio | 241 | 211 | 17 |
| Funds | 44 | 44 | – |
| Other Investments | 83 | 60 | 4 |
| **Total** | **368** | **315** | **21** |

## SALES VOLUME

in EUR million




### Acquisition and sales activities: market opportunities proactively utilised

Acquisition activities during the 2017 financial year once again focused on the continued expansion of our fund business. We made acquisitions with a total volume of approximately EUR 240 million (2016: approximately EUR 520 million) by the reporting date. Of the seven properties we acquired, four with a total volume of approximately EUR 74 million were purchased for our existing funds. An additional three properties with a volume of approximately EUR 166 million were acquired to form the start-up portfolios for new funds that will soon be launched. As part of the warehousing stage, these properties are temporarily being managed in our own portfolio in 2018 and we receive the full rental income from the management of these properties during this period.

We successfully completed the transfer of possession, benefits and associated risks for four of the total number of seven acquisitions during the 2017 financial year.

In light of the strong appeal of the German real estate investment market, combined with a shortage of products and yield compression across all commercially used asset classes, we approached acquisitions in a highly selective and analytical manner. On the one hand, our acquisition volume of around EUR 240 million is below the forecast of EUR 500 million that we set at the start of the year and adjusted down to greater than EUR 200 million during the year. On the other hand, we took advantage of attractive opportunities on the investment market and with sales from our Commercial Portfolio totalling EUR 241 million achieved the volume raised during the year (planned sales volume at the start of the year: EUR 200 million from the Commercial Portfolio). Furthermore, we sold our first property from the Funds segment and five additional properties from Other Investments, thus continuing to reduce our joint venture investments as planned. As a result, the total sales volume for 2017 was EUR 368 million.

### Regional development

The regional diversification of the rental space shifted slightly compared to the previous year as a result of the acquisitions and sales that took effect during the financial year. The West region increased its share by three percentage points, while the South region's share by space fell by four percentage points at the reporting date.

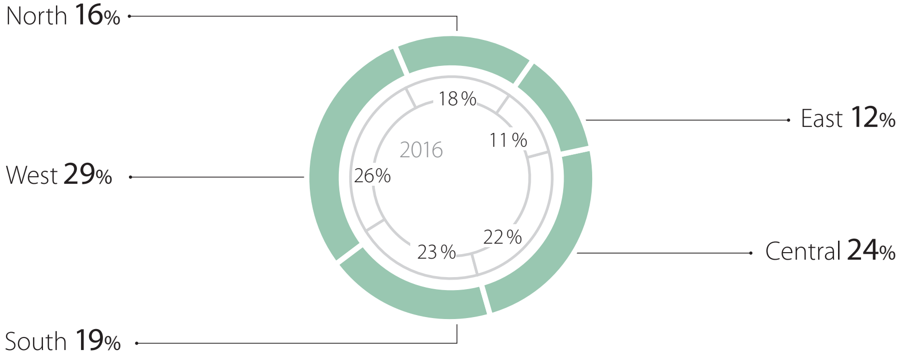
The gross rental yield of our regionally diversified portfolio declined by between 1.1 and 0.1 percentage points in the different regions. The average rental yield for the overall portfolio was 5.9 % on the reporting date (previous year: 6.4 %). In line with the general market trend, yield compression was most strongly reflected in the real estate strongholds. For comparison, JLL is reporting an average office prime yield across the seven real estate strongholds of 3.3 % for the entire market at the end of the fourth quarter of 2017. On the whole, the stabilising effect of the regional allocation and our ABBA investment strategy was once again illustrated by a moderate change in the key indicators for our overall portfolio as well as in the relatively attractive overall yield.

The vacancy rate varied substantially from region to region. In the West region, the expiry of leases caused the vacancy rate to increase by four percentage points by the end of the year, while the East, Central and South regions achieved considerable reductions of between two and four percentage points. The overall vacancy rate was 8.0 %, down from 8.4 % the previous year.

A detailed overview of key portfolio figures by region with a year-on-year comparison can be found in the Overview section on page 188.

OVERALL PORTFOLIO BY REGIONS

Based on rental space



## COMMERCIAL PORTFOLIO

### ➲ Attractive market environment exploited for sales

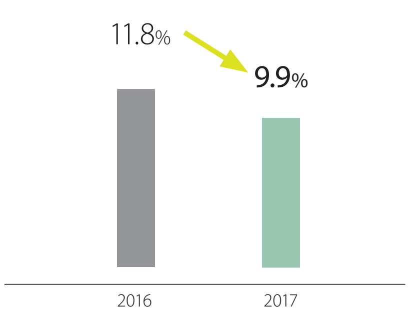
As at the reporting date, our Commercial Portfolio comprised 113 properties with a market value of approximately EUR 1.6 billion. We successfully sold 27 properties with a volume of EUR 241 million during the 2017 financial year. More than half of this total was attributable to the disposal of a real estate portfolio of ten properties in March 2017, which involved selling predominantly single-tenant properties in A- and B-cities with a total volume of approximately EUR 143 million. Adjusted for this portfolio sale, properties were sold at an average of around 11 % above the most recent market value during the financial year.

### ➲ Portfolio quality enhanced

Annualised rental income declined from EUR 106.3 million to EUR 95.5 million as a result of sales. At the same time, we increased like-for-like rental income by 1.4 % due to new contracts and indexations. The weighted average lease term improved from 4.5 years to 5.1 years as a result of successful letting activities. The vacancy rate fell below the 10 % mark at the end of 2017, finishing the year at 9.9 % after 11.8 % the previous year. In addition to the sale of non-strategic properties, focused letting activities made a greater contribution to the optimisation of our own portfolio than in the previous year.

VACANCY RATE

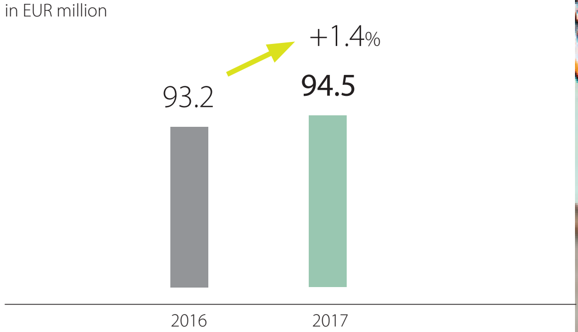
per year-end *




* without project developments and warehousing

LIKE-FOR-LIKE RENTAL INCOME

based on annualised rental income in EUR million

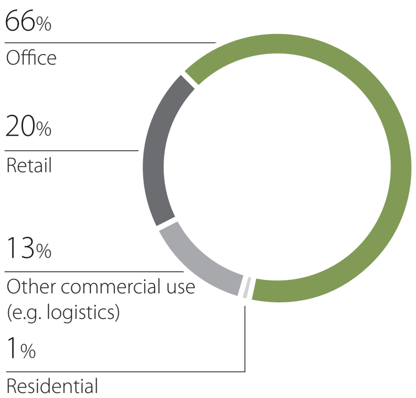



COMMERCIAL PORTFOLIO DEVELOPMENT *

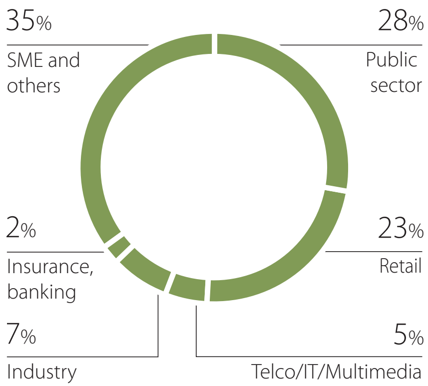
| | 2017 | 2016 |
|---|---|---|
| Number of properties | 113 | 142 |
| Market value in EUR million | 1,639.2 | 1,948.3 |
| Rental space in sqm | 911,600 | 1,020,400 |
| Annualised rental income in EUR million | 95.5 | 106.3 |
| Average rent in EUR per sqm | 9.32 | 9.56 |
| WALT in years | 5.1 | 4.5 |
| Vacancy rate in % | 9.9 | 11.8 |
| Gross rental yield in % | 6.4 | 6.5 |

* all figures without project developments and warehousing, except for number of properties and market value

TYPE OF USE
COMMERCIAL PORTFOLIO
Basis: annualised rental income




TENANT STRUCTURE
COMMERCIAL PORTFOLIO
Basis: annualised rental income




### Repositioning in the portfolio

To unlock the appreciation potential within our portfolio, we are undertaking development based on in-depth environmental and usage studies. In December 2016, we began a series of modernisation measures to reposition our property at Frankfurt's Kaiserpassage arcade. We signed lease agreements for 97 % of approximately 9,700 sqm of the modern rental space created even before redevelopment began.

During the 2017 financial year, empty office space at the property was converted to expand the existing hotel concept of our long-term tenant Mercure. In addition, 70 small apartments are being created that are leased and managed on a long-term basis by ipartment, a provider of "temporary living". A new lighting concept and wider routing gives the shopping arcade on the ground floor a pleasant atmosphere for pedestrians and retail users. In future, the modernised space will continue to be used by many of the original small shops and service providers that have a good fit with the microstructure of the district. Food retailer tegut is also occupying 1,600 sqm on the ground floor. These modernisation measures and the adjusted mix of usage enabled us to significantly increase the rents and lease terms associated with the property. Reopening is scheduled for the first half of 2018.

## FUND BUSINESS

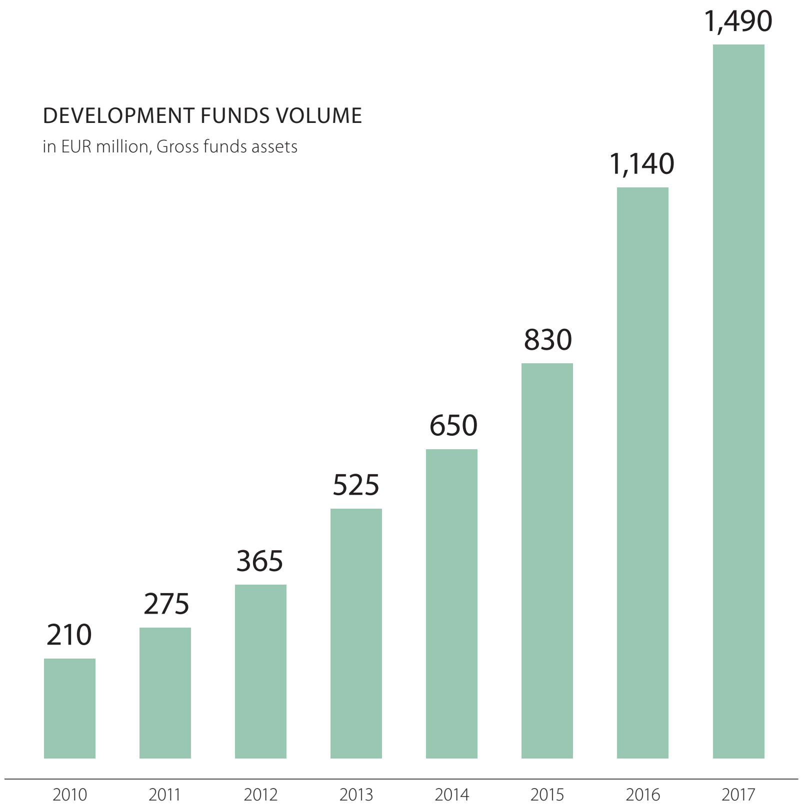
Alternative investments are an attractive asset class amid extremely low interest rates. DIC Asset AG has established itself in the market as an initiator and manager of special real estate alternative investment funds (AIFs) since 2010 and offers institutional investors suitable structured investment products together with a wide range of asset and property management services.

In general, we invest as a co-investor in the six funds created since 2010 and provide the added value of our real estate management and investment expertise as a service provider. Our goal is to further expand our fund business considerably and increase income by actively managing the funds.

In 2017, the total volume of the funds rose from around EUR 1.2 billion at the prior-year reporting date to around EUR 1.5 billion as at 31 December 2017.

DEVELOPMENT FUNDS VOLUME

in EUR million, Gross funds assets



**➲ Acquisitions steadily increase value and drive expansion**

We actively manage the funds we have created as an asset manager in carefully defined market segments in accordance with the investment strategy determined with the relevant institutional investors. As a fully integrated fund manager, we continually optimise and add value and by conducting lettings and property management activities via our regional management platform that has a presence in all of our investment focus areas. In 2017, our existing special funds performed as follows:

- We already reached the management phase for our first DIC Office Balance I fund launched in 2010 back in 2015. In 2017, it generated annual rental income of around EUR 28 million with 11 properties and a volume of EUR 371 million and generated a distribution yield of 6.3 % over the past financial year.

- The DIC HighStreet Balance retail fund launched in 2012 has been in the management phase since the end of 2016. As of the reporting date, it had assets under management of EUR 207 million and consisted of 15 properties with annual rental income of around EUR 12 million, generating a distribution yield of 5.1 % over the past financial year.

- Two properties were added to DIC Office Balance II, the office property fund created in 2014, bringing the total number to 13. Properties in Dortmund and Bremen were acquired for our managed funds for a total of around EUR 30 million in 2017. The Bremen property was transferred in early January 2018. In February 2017, an office building in Bonn was transferred for around EUR 53 million after the purchase agreement was signed in December 2016. Assets under management totalled EUR 298 million at the reporting date. Distribution yields amounted to approximately 6.0 % in 2017.

- In the second quarter of 2017, an office property in Frankfurt am Main was the eleventh property to be acquired for the DIC Office Balance III fund. Just a year after its operational launch, the fund is now fully placed and in the management phase it has achieved its target volume with a fund portfolio of EUR 333 million. In 2017, it generated a distribution yield of 5.8 %.

*Brixx office property in Frankfurt am Main: Acquisition in March 2017 for DIC Office Balance III*

### Two additional funds successfully launched

At the end of March 2017, we placed our fifth real estate special fund as a follow-up product to the DIC Office Balance III fund. A start-up portfolio of around EUR 107 million was deposited for the new DIC Office Balance IV fund with a target volume of EUR 240 million. Like its predecessors, this special fund focuses on office and commercial properties in metropolitan areas and regional economic centres across Germany. We signed a purchase agreement for an additional property in Bremen in December 2017 with total investment costs of around EUR 23 million. This property is scheduled to be transferred into the DIC Office Balance IV fund in the first quarter of 2018.

At the start of October, we launched our sixth fund, DIC Retail Balance I, with an investment focus on non-discretionary retail properties. Retail Balance I invests in core and core plus retail properties in German metropolitan regions and is the second retail fund we have launched after DIC HighStreet Balance. The fund's target investment volume is approximately EUR 250 million. The start-up portfolio of three non-discretionary retail centres and retail warehouse parks in a combined value of EUR 179 million was added to the fund with the corresponding equity capital at the end of September. All three properties were acquired by DIC Asset AG and held for warehousing by the Company for the new fund until September.

### Track record established

For our existing managed funds, we use active asset and property management to achieve attractive distribution yields which have consistently exceeded their fund strategy target returns since the establishment of this business area.

The two new funds launched in 2017 enabled us to expand our circle of investors and focus on the retail segment as a second investment priority alongside office properties. In light of growing assets under management and additional fund products in the pipeline, we once again increased our capacities and expanded the teams in the fund business in 2017.

## OUR FUND INITIATIVES AT A GLANCE

### Investment focus on office property in German metropolitan areas

**DIC Office Balance I**
- Launched: 2010
- AuM: EUR 371 million
- Target volume: EUR 400-450 million
- Management phase

**DIC Office Balance II**
- Launched: 2014
- AuM: EUR 298 million
- Target volume: EUR 300–350 million
- Investment phase

**DIC Office Balance III**
- Launched: 2015
- AuM: EUR 333 million
- Target volume: approx. EUR 330 million
- Management phase

**DIC Office Balance IV**
- Launched: March 2017
- AuM: EUR 107 million
- Target volume: approx. EUR 240 million
- Investment phase

### Investment focus on commercial property in top German locations

**DIC HighStreet Balance**
- Launched: 2012
- AuM: EUR 207 million
- Target volume: EUR 200–250 million
- Management phase

**DIC Retail Balance I**
- Launched: September 2017
- AuM: EUR 179 million
- Target volume: approx. EUR 250 million
- Investment phase

Marktkauf Center in Hamburg Bergedorf (left) and Boschetsrieder Straße office property in Munich (right)

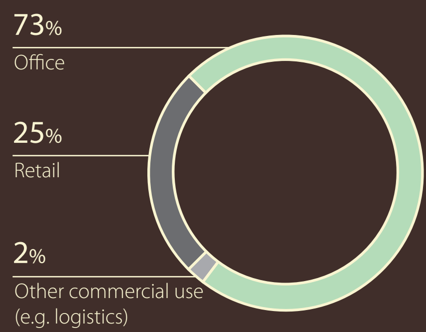
Brixx office property, Frankfurt

Steubenhouse office property, Frankfurt

Hybrid-Center "Storchenhof", Berlin

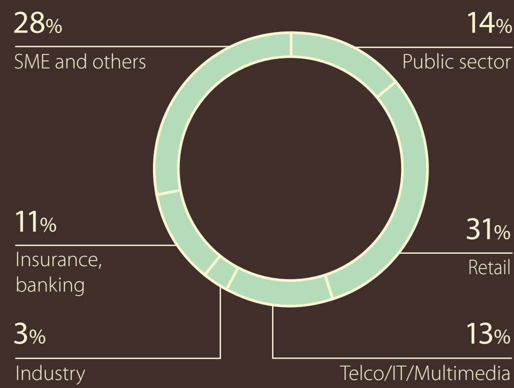
## TYPE OF USE FUNDS

Basis: annualised rental income




## TENANT STRUCTURE FUNDS

Basis: annualised rental income

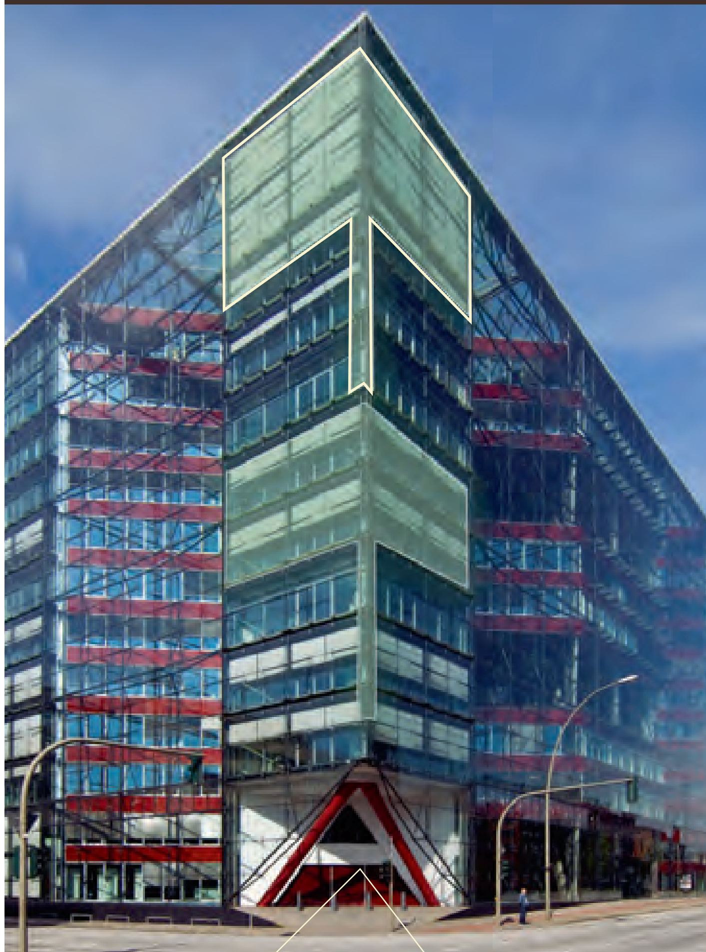


### ➲ Qualified pipeline due to warehousing

Of the seven properties we acquired in 2017, four with a total volume of approximately EUR 74 million were purchased for our existing funds. An additional three properties with a volume of approximately EUR 166 million were acquired to form the start-up portfolios for new funds that will soon be launched. Our warehousing model enables us to meet investor demand for attractive fund products with immediate investment opportunities. In 2018, we are planning both innovative and differentiated fund products to enable institutional investors to invest in precisely defined segments and to make greater use of market opportunities by making acquisitions and sales as part of established fund platforms.

*Acquisition in December for planned further expansion of office fund range: fully leased office property in Munich with 16,300 sqm of rental space*

*In warehousing:*
*'Doppel X' Tower, award-winning office building by architects Bothe, Richter, Teherani, Hamburg. In December 2017, DIC Asset AG acquired a core property with 17,000 sqm of office space that was extensively renovated in 2017 for the planned further expansion of the fund business.*



*In final phase:*
*MainTor project development with WINX office tower. DIC Asset AG will conclude its investment in the project development upon completion of the now fully leased final construction phase. We are still actively involved in development measures within our portfolio such as refurbishments for repositioning properties with potential for value appreciation.*

## OTHER INVESTMENTS

The Other Investments segment (EUR 1.3 billion) includes our joint ventures which are being scaled back, investments in the MainTor project development in Frankfurt now in the final stages of implementation, our strategic investments and growing third-party business.

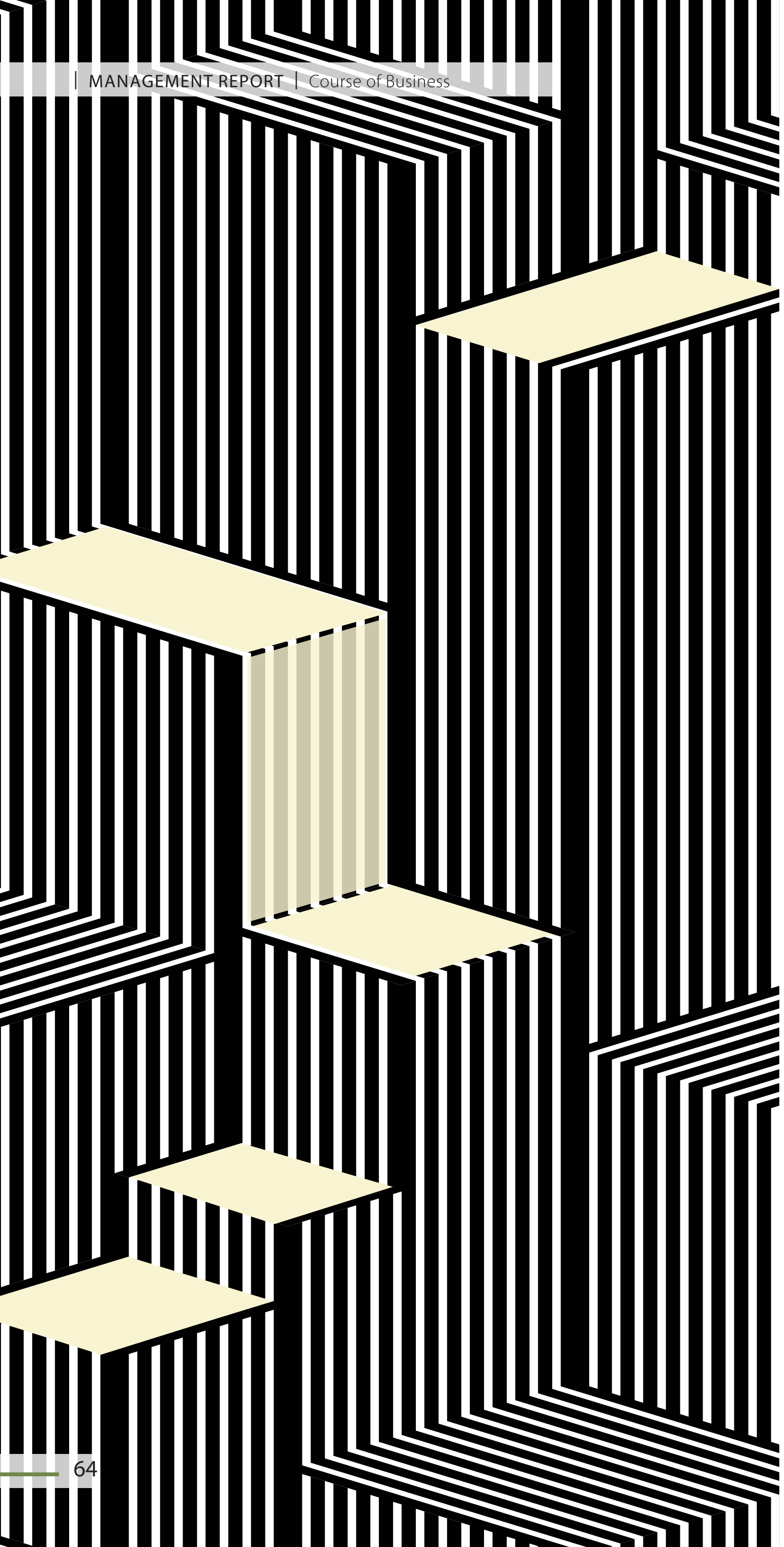
### ➲ Joint ventures and project developments reduced further

We were able to further scale back our joint venture investments as planned during the 2017 financial year. After selling five properties with a total volume of EUR 83 million, five properties remain with a total volume of around EUR 431 million (including MainTor); these are expected to be sold by early/mid 2019. For two of the properties sold in 2017, the transfer of possession, benefits and associated risks is likely to take place in the first quarter of 2018.

All office space in the MainTor project development in Frankfurt has now been fully leased. Lease agreements were signed in December 2017 for the remaining available office and commercial space at the WINX Tower, which is currently in its final phase. In addition to the 30,500 sqm of space it has already reserved, the tower's main tenant Union Asset Management secured an additional 5,000 sqm, while law firm DLA Piper also increased its lease to a total of 6,000 sqm. International law firm Watson Farley & Williams and Contora Office Solutions also became new tenants by signing leases for 1,000 sqm each. Long-term leases begin in the fourth quarter of 2018. A total of approximately 42,000 sqm of the final construction phase and thus the entire MainTor site is fully leased with the exception of a restaurant space.

### ➲ Expansion of third-party business providing management services

We have succeeded in expanding our real estate management services business for third parties in the last two financial years and are reporting the relevant performance indicators in the overall portfolio for the first time this year. We are currently looking after eight properties with an asset value of approximately EUR 800 million and 0.2 million square metres of rental space. As a result of our recognised real estate expertise, we also expect demand for our services to increase during the current financial year and the third-party business to become increasingly significant.



### ➲ WCM investment successfully swapped for stake in TLG Immobilien AG

At the start of 2017, DIC Asset AG held shares in WCM Beteiligungs- und Grundbesitz-AG representing 25.95 % of share capital. TLG Immobilien AG's takeover offer for WCM announced in May created an extremely economically attractive scenario for us that led us to decide to support the takeover offer by TLG Immobilien AG and participate in its further development by swapping WCM shares for TLG shares.

As part of the takeover of WCM by TLG Immobilien AG, we generated non-recurring extraordinary income of approximately EUR 19 million by swapping our WCM shares for TLG shares. This forms the basis of the extraordinary dividend of EUR 0.20 that we plan to distribute to our shareholders. In addition to this non-recurring effect, we also generated current investment income of EUR 3.7 million as a result of the dividend inflow from our involvement in WCM/TLG in 2017.

The share swap meant that we acquired a 6.29 % share in TLG Immobilien AG that we increased during the financial year. By the end of the year, we held more than 15 % of voting rights. We also secured around 7 % of pre-emptive rights for TLG shares to protect our investment against potential price losses after the expiry of the general holding period for shares acquired by means of a share swap.

## MARKET VALUATION: PROPERTY VALUES INCREASED

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

The measurement gain of the properties was EUR 65.6 million before and EUR 15.3 million after accounting for investments, which represents a change of 3.67 % and 0.83 % respectively. Making allowance for acquisition, sales, investments and the valuation impact, the pro rata market value of our portfolio amounted to EUR 1,853.0 million, down 13.0 % year-on-year (EUR 2,128.1 million). The net asset value (NAV) rose from EUR 880.0 million to EUR 900.0 million. The NAV per share was EUR 13.12 after EUR 12.83 in the previous year.

The calculated market value is the estimated transaction price between the buyer and the seller under normal conditions on the date of the property's valuation. We carry our assets at amortised cost, which is why a change in their market value does not have a direct impact on the accounting. Further information on accounting for properties is provided in the section entitled "Net assets". Information on how the market value is determined is presented in the notes starting on page 125.

**CHANGES IN MARKET VALUE** in EUR million

| | |
|---|---|
| Market value, portfolio as at 31.12.2016 (pro rata) | 2,128.1 |
| Disposals, funds | -3.6 |
| Additions, funds (including warehousing) | 123.8 |
| Sales (including OB IV/RB I) | -460.9 |
| Valuation impact before investments (3.67 %) | 65.6 |
| Market value, portfolio as at 31.12.2017 (pro rata) | 1,853.0 |
| Investments | 50.3 |
| Valuation impact after investments (0.83 %) | 15.3 |

# SUSTAINABILITY

As one of Germany's largest real estate investment and asset management companies, our operating activities have an ecological, social and economic impact. Our sustainability strategy focuses on recording, monitoring and, where possible, containing this impact.

Our sustainability approach involves

- strictly observing environmental, safety and social requirements,
- integrating sustainability issues into our business processes,
- communicating openly and transparently with stakeholders, and
- applying the precautionary principle when managing our sustainability projects.

With our long-term investment horizon, we focus on using resources and protecting the environment in a manner that is sustainable in the long run. This minimises risks, promotes existing business and opens up new business opportunities for us. We take environmental and social requirements into account in our business decisions and processes, favouring scope for optimising our business practices over opportunities for short-term gains wherever possible.

Sustainability Report receives
EPRA Silver Award for first time

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

Our sustainability reporting received an award for the fifth time when our latest Sustainability Report was presented with the EPRA Silver Award after previously winning four Bronze Awards. This award recognised our transition to the Global Reporting Initiative (GRI) framework last year and our transparent reporting in line with the additional recommendations of the European Public Real Estate Association (EPRA).

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

## Milestones in five years of sustainability

- Integration of sustainability in the future business strategy
- Appointment of sustainability officers at Management Board and divisional level
- Launch and gradual enhancement of sustainability reporting and continual implementation of the latest Global Reporting Initiative reporting standards (most recently GRI G4)
- Expansion of communication with tenants and service providers with the aim of implementing aspects of sustainability in operating processes
- Bundling of the entire mains electricity supply from 100 % renewable energy sources for DIC Asset AG's real estate portfolio and – since 2014 – for our own offices
- Implementation of sustainability measures in operating processes, e.g. inclusion of sustainability aspects in new facility management service agreements put out to tender and signed
- Continued compilation of energy (electricity, heating) and water consumption data and calculation of the $CO_2$ contribution in a growing analysis portfolio (most recently around 71 % of the Commercial Portfolio)
- Reduction of carbon dioxide emissions – as regards our Commercial Portfolio and our own consumption of energy – since 2013 by more than 23 %.
- Expansion of the occupational health and protection strategy. Introduction of fire safety and first aid training for staff
- Regular involvement in various sustainability initiatives and participation in sustainability surveys, including annual participation in the Carbon Disclosure Project

# EMPLOYEES

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

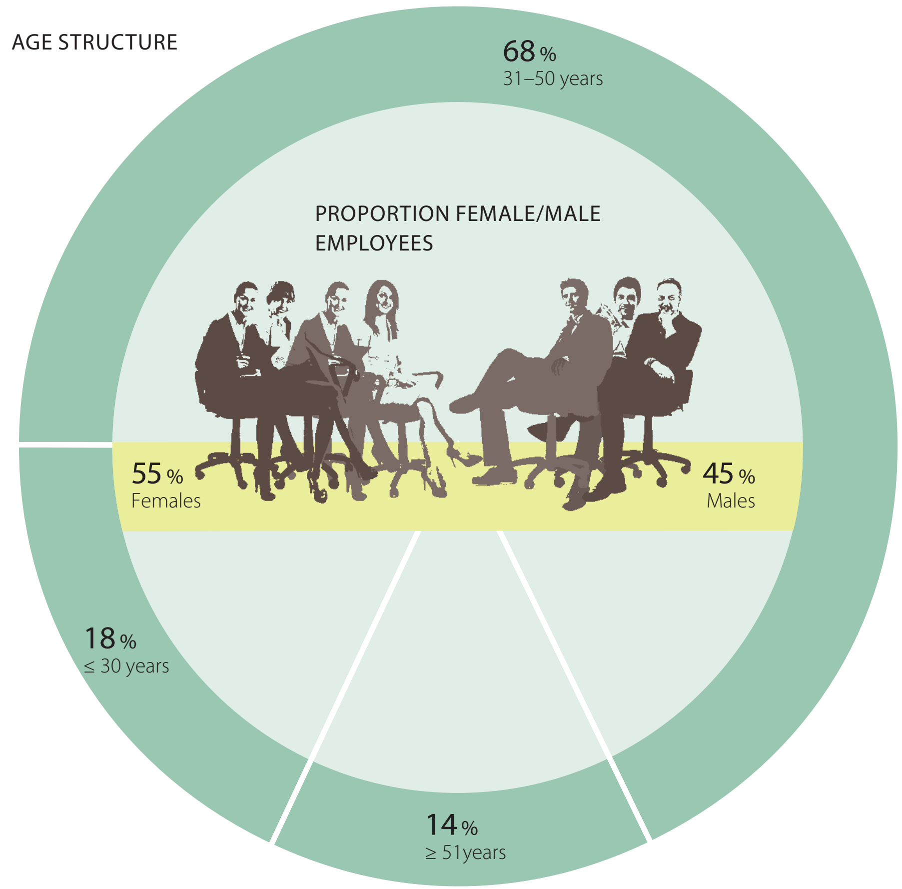
### Workforce changes

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

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

### Employer brand

Attracting new staff to our company is also one of the most important tasks of Human Resources. In order to appeal to talented and highly qualified candidates, we work to position DIC Asset AG as an excellent employer. We offer flat hierarchies, the opportunity to assume responsibility at an early stage and extensive powers to take decisions independently. In May 2017, we once again participated in the IZ-Karriereforum job fair organised by Immobilien Zeitung in Frankfurt.




Our company promotes diversity. As at 31 December 2017, 55 % of all positions were staffed by women. DIC Asset AG employs people from nine nations. The Company offers its employees part-time models to enable flexible working hours.

### Training of junior employees, nurturing students and young talent

School children and students are given an insight into various areas of our company through school internships (lasting up to 14 days) and student internships (lasting two to six months). We offer university graduates the opportunity to embark upon a 12- or 18-month training programme following their studies, during which career starters are trained for positions of responsibility. Since 2015, we have also been certified for training real estate professionals. We also provide students with support for their Bachelor's or Master's theses. We view all these programmes as important ways of acquiring new and well-qualified junior employees for our company and for meeting our social responsibility. In 2017, we participated in Girls' Day for the first time. This event enabled schoolgirls to gain insights into jobs offered by the real estate sector.

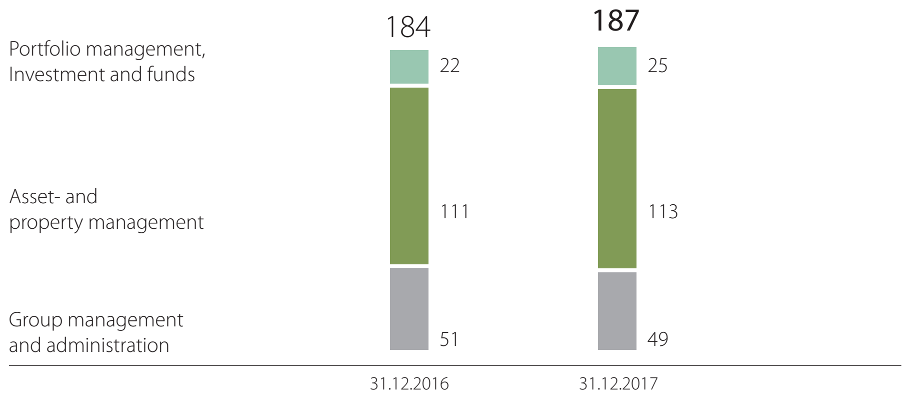
### Compensation

Our salaries consist of a basic income, supplementary benefits and performance-related components. We base our salaries on industry standards and those of our competitors. The performance-related component is based on achieving individual goals as well as strategic and operating targets, which are set annually together with supervisors. In 2017, a total of EUR 16.6 million was spent on employees. This figure includes performance-related remuneration of EUR 1.7 million, corresponding to a share of approximately 10 %. Social security taxes, pension contributions and other additional benefits amounted to a total of EUR 2.1 million.

### Adding new staff in fund management

Since early 2017, DIC Asset AG has been focusing its strategic direction on further dynamically expanding its real estate assets under management and the fund business, among others. For this purpose, we increased capacities primarily in the asset management business during the financial year. The number of employees increased by a total of three in comparison with the end of 2016. The workforce comprised 187 employees as at 31 December 2017.

NUMBER OF EMPLOYEES





# FINANCIAL INFORMATION

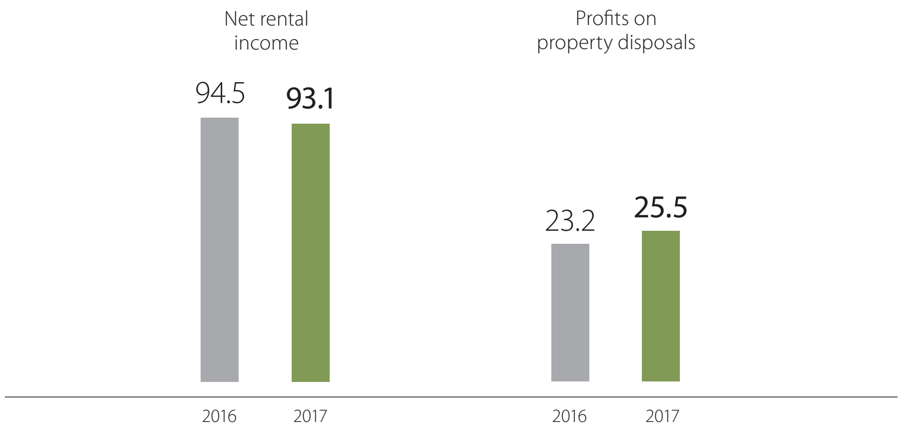
## REVENUE AND RESULTS OF OPERATIONS

- FFO up 28 % to EUR 60.2 million
- Gross rental income of EUR 109.7 million above expected target range
- Real estate management fees stable at a high level of EUR 20.8 million (previous year: EUR 21.5 million)
- Further strong sales profits of EUR 25.5 million
- Net interest income significantly improved after refinancing

In 2017, DIC Asset AG exceeded its expectations and achieved the operating targets raised during the year. Among the key factors were the strong rental income trend, favourable sales and stable management fees. FFO, for which a target corridor of EUR 57 to 60 million had been forecasted at the start of the financial year, performed better than expected at EUR 60.2 million thanks to the successful management of portfolio assets. The significant increase by 28 % in 2017 was due in particular to the effects of refinancing the Commercial Portfolio at the end of last year (previous year: EUR 47.0 million).

## INCOME FROM THE COMMERCIAL PORTFOLIO

in EUR million




## OVERVIEW OF INCOME

| in EUR million | 2017 | 2016 | |
|---|---|---|---|
| Gross rental income | 109.7 | 111.2 | -1% |
| Real estate management fees | 20.8 | 21.5 | -3% |
| Proceeds from sales | 229.5 | 318.1 | -28% |
| Other income | 21.9 | 23.0 | -2% |
| Total income | 381.9 | 473.8 | -19% |

### ➲ Rental income exceeds expectations

Gross rental income declined only slightly by EUR 1.5 million, from EUR 111.2 million to EUR 109.7 million, despite high sales volumes in previous years, with net rental income also decreasing from EUR 94.5 million to EUR 93.1 million. Successful asset management enabled like-for-like rental income to increase by 1.4%. The successful rental business and additional rental income from properties acquired as part of the warehousing process for planned new funds also helped to lift rental income above the target range expected for 2017, which had been adjusted during the year. Furthermore, some expected sales from the Commercial Portfolio were transferred later than expected, as a result of which the Company continued to receive rental income from these properties for longer than originally forecasted.

### ➲ Plans to achieve high sales volume again generates attractive profits

In 2017, our sales from the Commercial Portfolio enabled us to achieve further high net proceeds of EUR 229.5 million (previous year: EUR 318.1 million), with a portfolio transaction in the second quarter of 2017 totalling approximately EUR 137 million and a sales profit of around EUR 8 million making a significant contribution. In the previous year, net proceeds were particularly driven by the launch of the DIC Office Balance III fund amounting to approximately EUR 234 million. Overall, sales profits for the financial year totalled EUR 25.5 million (previous year: EUR 23.2 million).

### Real estate management fees underscore strategic direction

Real estate management fees reached a similar level to the previous year at EUR 20.8 million (previous year: EUR 21.5 million). Proceeds from services in the Funds segment once again exceeded the previous year's figure at EUR 18.9 million (previous year: EUR 18.8 million). The Company once again generated attractive structuring and transaction proceeds by launching the DIC Office Balance IV and DIC Retail Balance I funds and, for the first time, by selling a property from an existing fund (previous year: structuring proceeds from the launch of the DIC Office Balance III fund). While proceeds from services for properties in the Other Investments segment declined by EUR 0.9 million due to the scaling back of our joint venture portfolios, proceeds from services provided to third parties once again rose year-on-year to EUR 1.3 million (previous year: EUR 1.2 million).

### Cost structure reflects growth trajectory

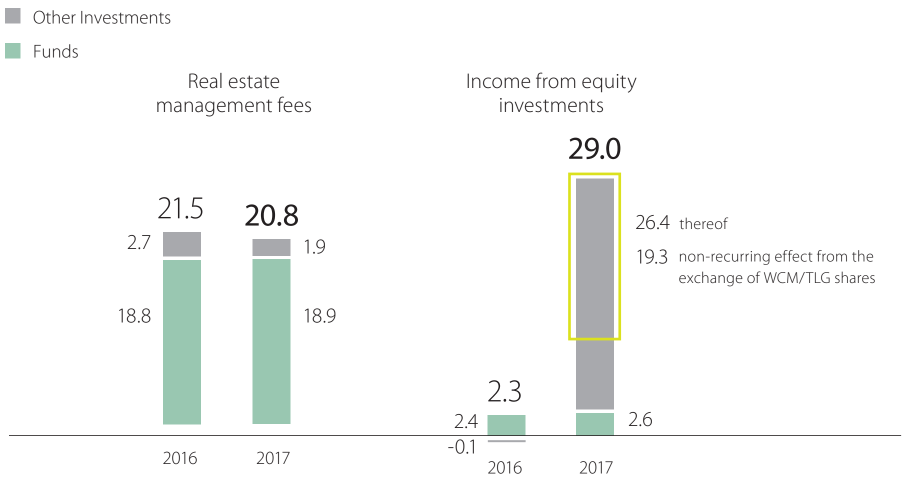
Our operational costs grew in line with expectations due to the recruitment of new staff in the fund business, transaction business and real estate management. Personnel expenses rose by EUR 2.9 million to EUR 19.0 million, partly as a result of non-recurring costs incurred in connection with redefining the segments during the year. Administration costs increased by EUR 2.0 million to EUR 12.8 million primarily due to recruiting, legal and consulting costs for structuring strategic business activities and providing a foundation for further corporate growth.

### Net interest income significantly improved due to refinancing

We were able to optimise our finance costs further during the year under review due to the complete refinancing of the Commercial Portfolio completed on attractive terms in the previous year and loan repayments following sales. This enabled us to improve net interest income by EUR 11.6 million during the financial year compared to the previous year's adjusted net interest income.

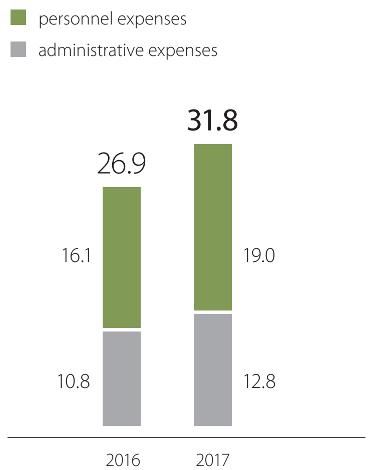
INCOME FROM FUNDS UND OTHER INVESTMENTS

in EUR million




OPERATING COSTS

in EUR million




NET INTEREST INCOME

| in EUR million | 2017 | 2016 | Δ |
|---|---|---|---|
| Interest income | 8.7 | 9.4 | -7 % |
| Interest expenses | -43.8 | -56.1 | 22 % |
| Adjusted net interest income | -35.1 | -46.7 | 25 % |
| Non-recurring refinancing expense | 0 | -56.3 | – |
| Net interest income | -35.1 | -103.0 | 66 % |

### FFO up significantly by 28 %

Due to the refinancing of the Commercial Portfolio successfully completed in 2016, a significantly improved result in a range from EUR 57 to 60 million was expected in 2017 for FFO, which represents income from ongoing property management. Given the success of the Company's portfolio management efforts and higher rental income after later-than-planned sales, the FFO forecast was raised in the second half of the year, and FFO at the end of the year came in at EUR 60.2 million, reaching the middle of this revised target range of EUR 59 to 61 million.

At 55 %, the FFO yield (FFO in relation to gross rental income) increased by around 13 percentage points compared with 2016 due to a decrease in finance costs. The FFO per share was EUR 0.88 in 2017 after EUR 0.69 in the previous year.

RECONCILIATION TO FFO

| in EUR million | 2017 | 2016 | Δ |
|---|---|---|---|
| Net rental income | **93.1** | 94.6 | -1 % |
| Administrative expenses | **-12.8** | -10.7 | +20 % |
| Personnel expenses | **-18.1** | -16.1 | +12 % |
| Other operating income/expenses | **0.2** | 0.2 | – |
| Real estate management fees | **20.8** | 21.5 | -5 % |
| Share of the profit or loss of associates without project developments and sales | **11.8** | 5.4 | +38 % |
| Net interest income | **-34.8** | -47.9 | +19 % |
| Funds from operations | **60.2** | 47.0 | +28 % |

### Marked improvement in share of the profit of associates particularly due to non-recurring effects

In 2017, the share of the profit of associates was particularly influenced by the non-recurring effect from the exchange of shares in WCM Beteiligungs- und Grundbesitz-AG for shares in TLG Immobilien AG totalling EUR 19.3 million. Overall, the share of the profit of associates rose by EUR 26.7 million to EUR 29.0 million. In addition to the non-recurring effect, the involvement in WCM/TLG also generated current investment income of EUR 3.7 million.

The positive earnings contribution from project development and the decline in profits recorded with sales from the joint venture portfolios round off the investment income from the Other Investments segment. The Funds segment made a positive contribution of EUR 2.6 million (previous year: EUR 2.4 million) to the share of the profit of associates, which reflects the planned expansion of this segment.

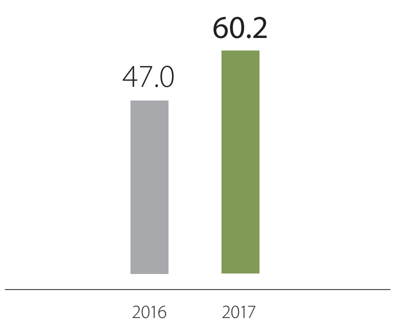
### Consolidated profit more than doubled

At EUR 64.4 million, consolidated profit was EUR 37.5 million higher than in the previous year (adjusted figure: EUR 26.9 million), which is due to the positive and lasting effects of the refinancing of the Commercial Portfolio successfully completed at the end of last year and, in particular, the non-recurring effect from investments in WCM Beteiligungs- und Grundbesitz-AG and TLG Immobilien AG. Earnings per share amounted to EUR 0.93 after EUR 0.39 adjusted for non-recurring refinancing costs in the previous year (unadjusted: EUR -0.41)

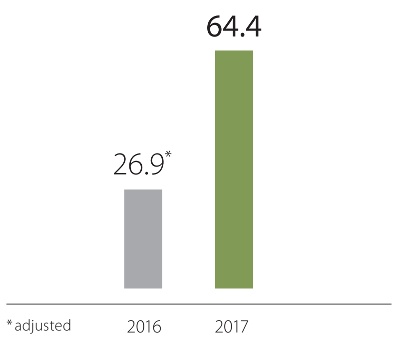
### Segment results

The definition of our segments follows internal reporting and management and was reorganised into the Commercial Portfolio, Funds and Other Investments segments effective at mid-year 2017. Key operating figures and information on sales and earnings for the segments can be found from page 141. Key balance sheet figures are not shown.

FFO
in EUR million




PROFIT FOR THE PERIOD
in EUR million



# FINANCIAL POSITION

- Financing structure optimised further
- New bond worth EUR 130 million with 3.25 % coupon successfully placed
- Average interest rate significantly reduced to 1.8 %
- 88 % of financing at fixed interest rates
- Entire Commercial Portfolio successfully refinanced at the start of the financial year

### ➲ Broad financing spectrum

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

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

### ➲ Long-term focus and security in our planning

To make our financing structure as stable as possible, as a rule, we conclude our financing on a long-term basis, mainly over 5 to 8 years. Bank financing was rearranged at the end of the previous year. Our current financing is carried out on a non-recourse basis, which prevents unlimited enforcement against the Group. We achieve more stability and security in our planning by hedging the vast majority of our financing against fluctuations in interest rates.

Including the financing activities for our Funds and Other Investments segments, we arranged a financing volume of approximately EUR 530 million in 2017, following a financing volume of some EUR 1,301 million that had been rearranged the previous year.

The warehousing financing in place at the start of the year was completely repaid on 30 September 2017 by launching the DIC Office Balance IV and DIC Retail Balance I funds. In the fourth quarter of 2017, we once again used our warehousing strategy to finance properties in preparation for new funds.

#### CASH FLOW-AFFECTING FINANCING ACTIVITIES IN THE COMMERCIAL PORTFOLIO IN 2017

| in EUR million | |
|---|---|
| New loans | 250 |
| Repayment of loans | 396 |
| Bond issue | 130 |
| Commercial Portfolio refinancing (cash-flow affecting in 2017) | 960 |

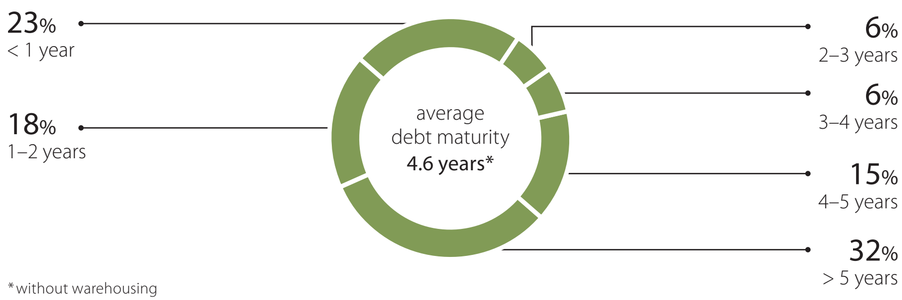
At EUR 1,453.3 million, the financial debt shown on the balance sheet as at 31 December 2017 was down EUR 113.5 million year-on-year following refinancing and repayments. The large majority (69 %) of the financial debt consists of bank loans, whereas the remaining portion (27 %) is attributable to funds from our bonds. Loan repayments made in 2017 totalled EUR 395.6 million, of which EUR 369.2 million were unscheduled repayments following sales.

### ➲ Remaining maturities still stable as a result of refinancing and new bond

In the middle of the year, we successfully placed another bond on the capital markets with an issue volume of EUR 130.0 million. The bond has a term of five years and a coupon of 3.250 % p.a., and was issued to refinance the EUR 100.0 million bond with 5.750 % interest issued in 2013. The issuance of the new 3.250 % bond was highly successful and enabled us to increase its volume amounting to EUR 30.0 million to a total of EUR 130.0 million on the day of the placement. As a result, the Company was able to secure the refinancing of its existing bond far ahead of schedule.

DEBT MATURITIES

as at 31.12.2017




*without warehousing

The refinancing of the Commercial Portfolio at the end of the 2016 financial year considerably extended the average maturity of financial debt. The average remaining maturity of liabilities including the bonds – adjusted for warehousing – was 4.6 years at the end of December 2017, down from 5.9 years in the previous year. Adjusted for the 5.750% bond issued in 2013, the average remaining maturity was 4.8 years at the end of the year. About one third of all financing has a maturity of more than five years.

### ➲ Refinancing in 2018

No refinancing is pending for the Commercial Portfolio in 2018.

### ➲ Hedging against interest rate fluctuations

At around 88%, the vast majority of financial debt is hedged against fluctuations in interest rates – as a rule by means of fixed-rate loans. This gives us long-term certainty in our planning and keeps interest rate risks low. As a rule, possible changes in interest rates did not impact the income statement but the equity reported in the balance sheet. Just under 12% of our financial liabilities – primarily short-term in nature – are agreed at variable rates and are not hedged against interest rate risks.

### ➲ Low average interest rate significantly below the previous year's level

The average interest rate across all liabilities to banks after the successful refinancing of the Commercial Portfolio was 1.8% as at 31 December 2017, significantly below the level of the previous year's reporting date (3.4%).

The interest cover ratio (ICR), i.e. the ratio of net rental income to interest expense, increased significantly from 173% to 213% as a result of the successful refinancing of the Commercial Portfolio.

### ➲ Financing obligations met in full

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

Essentially, the following covenants apply:

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

### ➲ No off-balance sheet financing

There are no significant off-balance sheet forms of financing. The consolidated financial statements report all forms of financing used by the Company. Additional details such as terms, the fair value of loans or information on derivative financial instruments is provided in the notes from page 134.

**➲ Comfortable liquidity situation**

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

During 2017, DIC Asset AG was at all times able to meet its payment obligations. As at 31 December 2017, available liquidity amounted to around EUR 190.2 million. The Company also has unused bank credit lines and guarantee facilities in the amount of EUR 43.8 million at its disposal.

**➲ Cash flow driven by comprehensive refinancing measures and transactions**

The cash inflow for the financial year was primarily characterised by strong cash flow from operating activities, proceeds from sales and the issuance of an additional corporate bond. The positive cash flow from operating and investing activities offset the cash outflow from financing activities, leading to an overall cash inflow of EUR +49.6 million (previous year: cash outflow of EUR -52.2 million).

Cash generated from operations rose by EUR 1.2 million to EUR 90.9 million despite the reduction in rental income. Due to the successful refinancing of the Commercial Portfolio, cash flow from operating activities increased significantly (+67 %) compared to the previous year to EUR 56.5 million (previous year: EUR 33.9 million), due in particular to significantly lower interest payments.

On the one hand, cash flow from investing activities in 2017 was significantly driven by successful sales during the year, which generated a cash inflow of EUR 219.6 million. On the other hand, strategic investments in our fund business totalling EUR 109.2 million, investments in the Commercial Portfolio amounting to EUR 19.6 million and additional investments in our financial investments resulted in a cash outflow. Overall, we recorded a positive cash flow from investing activities of EUR 37.4 million (2016 cash outflow: EUR -239.0 million). The EUR 11.4 million year-on-year rise in investments in our portfolio properties reflects our hybrid corporate strategy and takes account of the strategic realignment of properties in the Commercial Portfolio.

Cash flow from financing activities in 2017 was dominated by the implementation of the refinancing of the entire Commercial Portfolio completed in late 2016 totalling approximately EUR 960 million. We also successfully placed an additional corporate bond with a volume of EUR 130 million in the middle of the year to optimise our financing conditions. Cash flow from financing activities amounted to EUR -44.3 million compared with a cash inflow of EUR +152.9 million in the previous year. In total, we repaid loans of EUR 1,355.6 million, while we raised EUR 1,201.3 million in new loans. A total of EUR 27.4 million in dividend payments was distributed to the shareholders in the financial year (previous year: EUR 25.3 million).

Cash and cash equivalents increased year-on-year by EUR 49.6 million to EUR 202.0 million.

## CASH FLOW

| in EUR million | 2017 | 2016 |
|---|---|---|
| Consolidated profit | 64.4 | -29.4 |
| Cash flow from operating activities | 56.5 | 33.9 |
| Cash flow from investing activities | 37.4 | -239.0 |
| Cash flow from financing activities | -44.3 | 152.9 |
| Net changes in cash and cash equivalents | +49.6 | -52.2 |
| Cash and cash equivalents as at 31 December | 202.0 | 152.4 |

## NET ASSETS

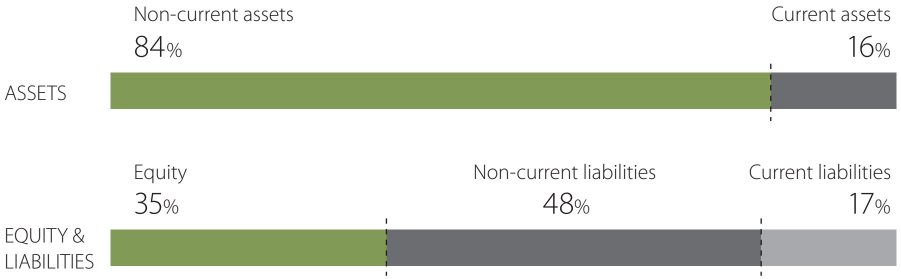
- Real estate assets total around EUR 1,437.2 million
- Loan-to-value (LTV) ratio adjusted for warehousing effects reduced to 57.0%
- Net asset value up 2% to EUR 900.0 million
- Reported equity increased by EUR 71.9 million due to extremely strong consolidated profit
- Equity ratio up from 31.6% to 35.4%

During the financial year, net assets were primarily impacted by the transfer of assets and corresponding liabilities as part of the launch of our latest DIC Retail Balance I and DIC Office Balance IV funds as well as sales from the Commercial Portfolio and Other Investments segments carried out to optimise our portfolio structures. Real estate assets in the Commercial Portfolio decreased by 9%. The extremely strong earnings contributions and measurement gains on our financial investments also had a positive effect on net assets. The net asset value increased compared to the previous year and amounted to EUR 900.0 million (previous year: EUR 880.0 million) as at the reporting date.

### ➲ Measurement at cost

Our properties are carried at amortised cost. The carrying amounts are reviewed annually in the course of IFRS impairment testing to establish whether impairment losses must be recognised. These are compared against the value in use, which reflects the value of a property under its intended use. In 2017, impairment testing did not result in any adjustments to real estate assets.

### BALANCE SHEET STRUCTURE




### ➲ Stable balance sheet structure

As at 31 December 2017, total assets were EUR 2,341.3 million, approximately EUR 54.2 million (2%) below the previous year-end figure. Investment property (our existing properties in the Commercial Portfolio segment) was carried at EUR 1,437.2 million at the end of 2017 compared with EUR 1,583.4 million in the previous year. The decline of EUR 146.2 million (-9%) is mainly due to disposals through sales.

Investments in associates decreased from EUR 175.5 million to EUR 90.8 million, primarily due to the exchange of shares in WCM Beteiligungs- und Grundbesitz-AG for shares in TLG Immobilien AG and the associated reclassification into other investments. The positive share of the profit of associates and additional investments in our fund business had an offsetting effect. We made acquisitions for the fund business totalling approximately EUR 240.4 million during the financial year, of which approximately EUR 109.3 million was shown on the balance sheet in non-current assets held for sale. As a result of capitalised interest and payments to reinforce the financing structure, loans to related parties in non-current assets rose by EUR 11.7 million while the corresponding receivables in current assets increased by EUR 2.1 million. These loans mainly consist of loans granted for equity contributions for refinancing and bridge financing for project developments. Other investments increased from EUR 23.7 million by EUR 266.9 million to EUR 290.6 million, particularly due to the reclassification from investments in associates and measurement gains at the end of the year.

While non-current assets increased slightly by 2% or EUR 47.0 million to EUR 1,955.6 million (2016: EUR 1,908.6 million) as at the 2017 reporting date, current assets fell by EUR 101.2 million or 21%. The EUR 167.6 million decrease in non-current assets held for sale on the reporting date was primarily driven by properties transferred into the fund products issued in 2017. Cash and cash equivalents rose by EUR 49.6 million, partly as a result of the issuance of an additional bond worth EUR 130.0 million in the middle of the year.

### ➲ Equity increased due to strong consolidated profit

Equity rose from EUR 757.0 million by EUR 71.9 million to EUR 828.9 million (+9%), particularly as a result of the very strong consolidated profit for the year of EUR 64.4 million. Measurement gains and the associated increase in reserves for available-for-sale financial instruments for the investments totalling EUR 35.4 million had a similarly positive effect on equity. The dividend distributed in 2017 amounted to EUR 27.4 million.

The reported equity ratio increased significantly by 3.8 percentage points to 35.4% compared with the previous year's 31.6%. We reduced the loan-to-value ratio (LTV ratio), adjusted for the temporary effects of the non-current assets and liabilities held for sale for our new fund products, by 2.9 percentage points from 59.9% to 57.0%.

## BALANCE SHEET OVERVIEW

| in EUR million | 31.12.2017 | 31.12.2016 |
|---|---|---|
| Total assets | **2,341.3** | 2,395.5 |
| Total non-current assets | **1,955.6** | 1,908.6 |
| Total current assets | **385.7** | 486.9 |
| | | |
| Equity | **828.9** | 757.0 |
| Non-current loans and borrowings | **1,109.6** | 1,181.4 |
| Current loans and borrowings | **296.1** | 268.9 |
| Other liabilities | **106.7** | 188.2 |
| Total liabilities | **1,512.4** | 1,638.5 |
| | | |
| Reported equity ratio | **35.4%** | 31.6% |
| Loan to value ratio* | **57.0%** | 59.9% |

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

### ➲ Net asset value rose to EUR 900 million

The net asset value (NAV) is equal to the value of all tangible and intangible assets less liabilities. The NAV was EUR 900.0 million at the end of 2017.

The NAV per share amounted to EUR 13.12 compared with EUR 12.83 in the previous year. The triple net asset value (NNNAV) (see notes p. 124) per share totalled EUR 13.58 (2016: EUR 11.97). While negative fair values from the interest rate hedging instruments replaced in 2017 had a negative impact on NNNAV in the previous year, mainly the measurement gains on our investments reported in NNNAV during the financial year meant that NNNAV was higher than NAV.

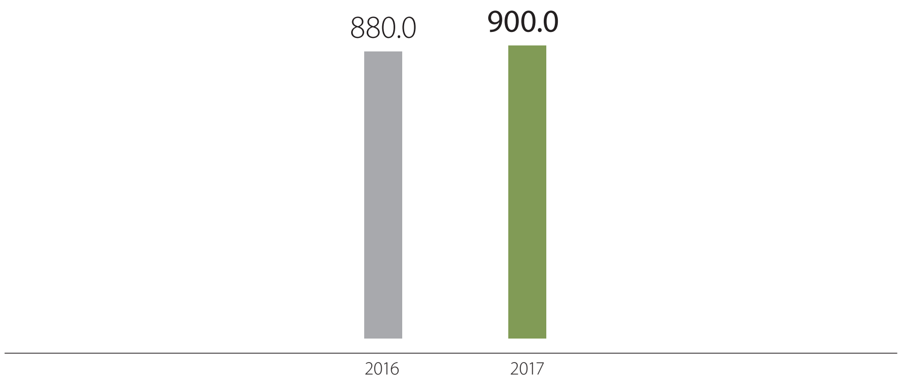
## NET ASSET VALUE

| in EUR million | 31.12.2017 | 31.12.2016 |
|---|---|---|
| Real estate market value* | 1,639.2 | 1,948.3 |
| Investments market value | 122.3 | 191.1 |
| | | |
| +/- other assets/liabilities* | 591.8 | 307.4 |
| Net loan liabilities | -1,453.3 | -1,566.8 |
| | | |
| Net asset value (NAV) | 900.0 | 880.0 |
| Number of shares (thousand) | 68,578 | 68,578 |
| NAV per share in EUR | 13.12 | 12.83 |
| NNNAV per share in EUR | 13.58 | 11.97 |

*incl. non-controlling interests

## NET ASSET VALUE

in EUR million




## Other disclosures

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

In 2017, no options were newly exercised, no grooming transactions were carried out and no changes were made to discretionary decisions which – if treated differently – would have had a material impact on the presentation of the net assets, financial position and results of operations in the financial year.

### Non-financial key performance indicators

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

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

Certain leased, rented or hired assets (operating leases) are not included in the balance sheet. This does not relate to any DIC Asset AG properties and has no material impact on net assets. More detailed information can be found in the notes on page 143.

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

## REPORT ON SUBSEQUENT EVENTS

At the beginning of the year, our shares held for sale in the DIC Office Balance IV fund with a volume of EUR 2.8 million were sold.

# REPORT ON EXPECTED DEVELOPMENTS, RISKS AND OPPORTUNITIES



# REPORT ON RISKS AND OPPORTUNITIES

## THE RISK MANAGEMENT SYSTEM OF DIC ASSET AG

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

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

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

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

## Structure of the risk management system

### > Risk early warning system

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

### > Risk identification

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

### > Risk analysis and communication

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

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

### > Opportunity management

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

### > Risk management and control

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

### > Risk management documentation

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

### > Compliance management system

DIC Asset AG requires all Group employees to act responsibly and lawfully. The Compliance Guidelines for the DIC Asset Group that have been in place since the 2013 financial year were comprehensively updated, a Compliance Officer was appointed and the whistleblower system for reporting misconduct and violations was improved. The Compliance Guidelines include the following items:

- Protection against discrimination: Employees prevent any form of discrimination, disadvantage or undesirable behaviour, particularly on grounds of race, ethnic origin, gender, religion or belief, disability, age or sexual orientation.

- Avoidance of conflicts of interest and corruption risks: DIC Asset Group companies reject any kind of corruptive behaviour and the misuse of decision-making powers entrusted to them. The giving and accepting of gifts is regulated by binding provisions in the Compliance Guidelines and subject to the principle of maintaining transparent business activities. Employees must avoid giving the appearance of granting an advantage when dealing with government officials. Under no circumstances must benefits be granted to government officials in order to persuade them to act in contradiction to their duties. Private secondary employment and company investments must not influence the employee's actions as stipulated in their employment contract.

- Data protection: Employees undertake to safeguard trade and company secrets and to comply with applicable data protection laws.

- Capital market requirements/insider trading bans: Conducting insider trading, advising or inducing third parties to conduct insider trading and the unauthorised disclosure of insider information are prohibited.

- Money laundering: DIC Asset AG does not tolerate money laundering and obliges its employees to report suspicious behaviour by business partners and advisers and observes all relevant provisions and instructions in this regard.

- Prohibited agreements: Any distortion of competition or corrupt practices in contravention of competition law are strictly rejected. In situations where employees see a violation of competition rules, they are encouraged to voice their concerns clearly, expressly distance themselves from the content and inform the Compliance Officer immediately.

- Reports of misconduct and violations: Employees are encouraged to report misconduct and violations of statutory provisions or regulations and internal company guidelines. They can report such incidents to the Compliance Officer, relevant supervisor, Management Board, personnel department or via a whistleblower system that also enables employees to submit reports anonymously.

- Consequences: Employees can expect sanctions under employment law for violating statutory provisions and internal company guidelines. The DIC Asset group companies also reserve the right to report a crime or file a criminal complaint in the event of a criminal offence.

## INTERNAL CONTROL SYSTEM

### General

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

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

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

### Use of IT

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

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

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

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

### Ensuring that the financial reporting is appropriate and reliable

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

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

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

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

### Caveats

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

## INDIVIDUAL RISKS AND OPPORTUNITIES

### External environment

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

### Finances

- Interest rates
- Financing and liquidity
- Valuation

### Strategy

- Portfolio management
- Funds
- Project developments

### Operations

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

## External environment

### > Economy as a whole

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

The German economy is experiencing an upturn that accelerated markedly and gained significant breadth in 2017, driven by the domestic market and exports. Numerous economic researchers recently revised their forecasts upwards for the next two years. In 2018 we expect Germany to experience further strong growth that could reach 2.6% according to ifo Institute forecasts. This growth is accompanied by employment growth that is also expected to continue in 2018, albeit with reduced momentum. As a result of rising employment figures and wages, consumer spending is likely to remain a growth driver for the German economy. With the global upturn anticipated to continue and German exports likely to experience a positive effect as a result, the German economy can continue to expect a favourable environment.

Nevertheless, this positive environment faces a number of uncertainties. In addition to geopolitical tensions and global isolationist trends that could have a detrimental effect on the world economy, there is also a variety of uncertainties in Europe. It is still impossible to predict the direction in which Brexit negotiations will proceed and whether this will have greater adverse effects on the economy in the EU and United Kingdom. The political landscape in Europe also remains uncertain with upcoming elections in Italy and tensions surrounding separatist tendencies in Catalonia.

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

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

### > Real estate sector

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

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

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

Due to a stable general environment and stable underlying economic data, the German commercial real estate market has become an attractive investment market, even among foreign investors. Combined with favourable financing conditions and unattractive investment alternatives, this has led to an increasing shortage of property with attractive returns, particularly in A-locations. Prime yields for office properties declined to an average of 3.27% across all top seven locations, with yields in Berlin even falling below the 3% mark at 2.90%.

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

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

We believe that the Brexit decision and the resulting changes in Europe present more opportunities than risks for our business in the short and medium term. International companies considering relocating their operations to continental Europe or the consolidation of their existing locations could create positive momentum in the German real estate market.

We expect the rental market to remain stable in 2018. Completions are coming to market with high pre-letting rates and, given the strong demand amid declining supply, this is not expected to lead to an oversupply of attractive space and properties and a corresponding drop in prices. In the transaction market, we see opportunities rather than risks on the selling side in 2018 due to continuing strong momentum and demand, and adequate opportunities on the buying side due to our broad local network.

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

### > Regulatory and political changes

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

Compared to other countries in Europe, Germany has previously proven itself to be an economy with a strong degree of regulatory, social and political stability and thus offers less potential for sudden, unmoderated measures and regulatory interventions without a broad social and economic consensus. In our opinion, even the current situation with the protracted and difficult formation of a government after the federal elections in September 2017 is unlikely to change this.

A possible shift in the balance of political power combined with further increasing social polarisation and a potential trend towards greater protectionism could have a negative effect on the German economy.

For financial year 2018, we consider risks or opportunities arising from sudden changes unlikely. We also believe that the possible financial repercussions are minor.

### > Legal

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

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

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

## Finances

### > Interest rates

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

At present, our financing is primarily based on fixed-interest loans, although derivative financial instruments can also be used selectively for interest rate hedging. As at 31 December 2017, 88 % (previous year: 87 %) of our financing volume was hedged against interest rate changes. Due to the hedging, an increase in interest rates of 100 basis points would only reduce our cash flow by EUR 0.9 million. As at 31 December 2017, the average interest rate across all liabilities to banks amounted to 1.8 % (previous year: 3.4 %). Further information about interest rate risks can be found in the notes.

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

In December 2016, we made the most of this opportunity and refinanced our Commercial Portfolio by concluding a loan agreement totalling EUR 960 million with a term of 7 years. In January 2017, our new financing completely replaced the existing loans and loan hedging transactions. The rapid repayment of old loans at the start of 2017 and the resulting high level of security in our business planning has significantly lowered the interest rate risk for the Company. The average interest rate of liabilities to banks was 1.8 % at the end of 2017 with an average maturity of 5.6 years.

DIC Asset AG secured new financing for acquisitions during 2017. The Company searched for banking partners in a competitive process that weighed up conditions, structure, transaction security and timing. Warehousing properties were also financed. The overall new financing volume for loans secured by real estate for DIC Asset AG totalled approximately EUR 138 million.

In 2017 we also took advantage of the attractive environment to opportunistically refinance the 5.250 % EUR 100 million bond maturing in 2018 ahead of schedule. We achieved the best possible result in a consortium between an international investment bank and a German private bank and placed the largest corporate bond in the history of DIC with a volume (increased due to demand) of EUR 130 million at an extremely attractive nominal interest rate of 3.250 %. This refinancing provides the Company with additional liquidity and ensures repayment of the EUR 100 million bond due in 2018.

We expect interest rates to rise slightly while remaining low in 2018, which will continue to benefit real estate investment markets. Thanks to the substantial level of hedging, a stronger increase in interest rates would have a slightly to moderately negative impact on our finances. DIC will once again make use of available sources of financing in 2018 to continue opportunistically optimising the liability side of the balance sheet.

## > Financing and liquidity

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

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

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

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

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

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

No shares in DIC Asset AG serve as collateral or parameters for any of our loan agreements, and therefore the share price is irrelevant both with regard to termination and margins. Compliance with credit clauses is monitored continuously and proactively through risk management in the Corporate Finance division; all covenants were complied with throughout 2017. Deviations from defined threshold values identified through ongoing sensitivity analyses are presented to the Management Board without delay, and the type and scope of the countermeasures to be taken are determined. The conclusion of affordable long-term financing has been a material condition for the investment decision for all new acquisitions. The liquidity risk consists of the risk that, due to insufficient availability of funds, the Company is unable to meet existing or future payment obligations or has to accept unfavourable financing terms in order to meet cash shortfalls. In the Group, this risk is managed centrally on the basis of multi-year financial plans and monthly rolling liquidity planning of long-term credit lines and liquid funds to ensure the solvency and financial flexibility of the Group at all times. Cash is passed on to Group companies as required under cash pooling arrangements. DIC Asset AG's financing and liquidity requirements for its operations are secured for the long term and are based on the cash flow from our properties and investments, which can be planned long-term. Liquidity is mainly held in the form of call and term deposits. The Company also has bank credit lines and guarantee facilities in the amount of approx. EUR 44 million at its disposal.

In the current interest rate landscape, our company has examined the issue of deposit charges and bank levies with the aim of minimising costs while at the same time maintaining financial flexibility. With this in mind, the Company relies on standardised investment products, primarily periodically rolling time deposits. Further information about financing and liquidity risks can be found in the notes.

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

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

## > Valuation

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

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

Sensitivity calculations were carried out as at the balance sheet date in order to quantify possible valuation risks. The sensitivity analysis shows, by way of example, how market values react to changes in the discount rate and capitalisation rate. If the discount rate increases by 25 basis points, for example, market values will drop by EUR 32.6 million. If the capitalisation rate increases at the same time by 25 basis points, the drop will increase to EUR 73.8 million. Since our financial statements are prepared using the cost model (IAS 40.56), variations in market value do not have a direct effect on the balance sheet or the income statement. Impairments are only recognised if the carrying amounts exceed the fair values and values in use of the properties.

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

| Scenarios for change in discounting rate / Scenarios for change in capitalisation rate | +0.25 % | 0 % | -0.25 % |
|---|---|---|---|
| +0.25 % | -73.8 EUR million | -32.6 EUR million | +14.7 EUR million |
| 0 % | -42.7 EUR million | +/-0.0 | +47.8 EUR million |
| -0.25 % | -7.5 EUR million | +33.4 EUR million | +82.3 EUR million |

Given that economic growth is expected to continue and the commercial real estate sector is likely to remain steady – a situation to which we can make an active contribution in relation to our portfolio with our own asset and property management services – we expect the probability of falling market values to be low to moderate in 2018. The impact of this would be moderate.

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

## Strategy

### > Portfolio management

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

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

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

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

On the basis of current and planned transaction activities for the next twelve months, we consider risks from portfolio management to be unlikely and the financial implications to be low for 2018.

## > Funds

DIC Asset AG designs funds and investment structures for institutional investors. It invests between 4.2 % and 10 % in the funds as a co-investor, thereby achieving regular investment income. In addition, the Funds segment generates regular income from asset and property management and from management fees on transactions.

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

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

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

Since 2010 DIC Asset AG has launched a total of six funds: the DIC HighStreet Balance and DIC Retail Balance I retail funds and the DIC Office Balance I, DIC Office Balance II, DIC Office Balance III and DIC Office Balance IV office funds. During the 2017 financial year, acquisitions and the launch of the DIC Retail Balance I and DIC Office Balance IV funds increased the fund volume to the current figure of about EUR 1.5 billion. More funds are scheduled to become operational in 2018.

Thanks to our expertise and good customer relationships and based on the current and planned fund activities in 2018, we consider the probability of occurrence and the financial scope of the risks from the fund business to be low.

## > Project developments / Repositioning in the portfolio

DIC Asset AG has invested in project developments in the past few years as a co-investor and possesses real estate with potential for development. We are currently focusing more intensively on repositioning within our Commercial Portfolio.

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

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

In December 2016, we began a series of modernisation measures to reposition our property at Frankfurt's Kaiserpassage arcade as part of our portfolio development efforts. Lease agreements were signed for 97 % of the 9,700 square metres of rental space even before remodelling began. Reopening is scheduled for the first half of 2018.

As part of the development of the "Junges Quartier Obersendling" project, a 40,000-sqm space to be leased on a long-term basis to the City of Munich is being transferred for new use as a community centre, children's and youth centre and several training and further education centres. Construction began in late 2016, with completion planned for 2018/2019.

We are currently involved in just one major project development, the MainTor project in Frankfurt.

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

All six construction phases of the MainTor project have been sold and marketed in advance. Five of the six construction phases have now been completed and transferred to their final investors. Lease agreements were signed in December 2017 for the remaining available office and commercial space at the WINX Tower, which is currently in its final phase. Long-term leases begin in the fourth quarter of 2018. A total of approximately 42,000 sqm of the final construction phase and thus the entire MainTor site is fully leased with the exception of a restaurant space.

The residual risks in the project developments lie predominantly in the construction activities of those phases in planning and construction and in letting the remaining spaces of the project developments.

On the basis of current and planned project development and repositioning work for the next twelve months, we consider these risks and any potential financial implications to be minor to moderate for 2018.

## Operations

### > Acquisition and sales planning

Our planning for 2018 also contains income and profits resulting from acquisitions and sales. Should we exceed or fail to meet the projected transaction volumes, this could change our earnings forecast positively or negatively. Aside from the risks and opportunities that may arise outside the Company on the transaction market (cf. Risks in the external environment, "Real estate sector"), we consider it unlikely that we will have to deviate substantially from our planning for 2018. The opportunities for exceeding the minimum targets set predominate here thanks to the Company's flexibility. The possible financial implications would be minor to moderate.

### > Letting

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

Letting risks involve the non-payment of rent and profitability risks due to less profitable new leases or lease renewals. Counterparty credit risk resulting from outstanding rental payments is taken into account by way of bad debt allowances. We also try to avoid being dependent on major tenants. In 2017, around 45% of total rental income from the Commercial Portfolio was attributable to the ten largest tenants. These tenants are all renowned tenants with mostly excellent credit standing, primarily from the public sector, the telecommunications industry and the retail sector. No tenant accounts for more than 10% of total letting volume.

In financial year 2018, tenancy agreements with a volume of EUR 6.6 million may end, while leases generating income of EUR 6.5 million will be extended periodically without a fixed end date. We assume that, as previously, the overwhelming majority of expiring agreements can be extended, or the space becoming vacant can be let to new tenants. If, for example, 10% of the rental space to become vacant in 2018 is not re-let, this would result in a maximum loss of income of approx. EUR 0.7 million when assuming an annualised rent total of approx. EUR 6.6 million.

Thanks to our effective real estate management platform, we maintain focused on our tenants in the regional segments and seek to achieve long-term tenant loyalty. Overall, we consider the letting risks in our portfolio to be low and their possible implications to be minor to moderate. Opportunities arise from a further reduction in vacancies, particularly if economic and employment growth gather momentum in the course of 2018.

### > Property and location

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

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

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

### > Personnel

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

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

### > IT

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

During the 2016 financial year, the internal data centre was relocated to an external provider, further reducing the risk of IT failure.

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

## OVERALL ASSESSMENT OF THE RISK AND OPPORTUNITY POSITION

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

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

Overall, we considerably improved the risk situation compared with the previous year in the course of the 2017 financial year. The following factors made a particular contribution here:

- Project development risks: DIC Asset AG is now involved in just one major project development. In the high-volume MainTor project development, five of the six construction phases have now been transferred to their final investors; the final WINX subproject is progressing on schedule and is expected to be completed in by the end of 2018. Instead of major project developments, smaller-scale repositioning activities within the Commercial Portfolio are increasingly moving to the fore.

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

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

- Tenant credit risk: The signing of numerous agreements with new and existing tenants significantly strengthened our tenant base and led to positive like-for-like rental income growth in 2017.

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

Even though the global economic outlook is rather positive at present, many uncertainties remain. The continuing geopolitical tensions and global isolationist trends could have a negative effect on the global economy. Additional uncertainty in Europe results from the unclear future course of the Brexit negotiations, the upcoming elections in Italy and tensions surrounding separatist tendencies in Catalonia which could lead to increasing political and economic disintegration.

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

# REPORT ON EXPECTED DEVELOPMENTS

## Achievement of objectives for 2017

We comfortably achieved the targets we raised during the year for our key operating performance indicators of gross rental income and FFO.

Highly successful letting activities and portfolio optimisation enabled us to exceed our gross rental income forecast. The growth momentum in our fund business also continued in 2017, and we were able to exploit opportunities to acquire attractive and profitable properties long before the operational launch of new fund products during the financial year. These properties also contributed to our higher-than-expected gross rental income during the warehousing phase. At the end of 2017, this resulted in gross rental income of EUR 109.7 million, which even exceeded our forecast range of EUR 106 to 108 million raised in September 2017.

The comprehensive portfolio refinancing that we undertook at the end of 2016/beginning of 2017 paid off and, as expected, led to a marked decrease in interest expenses and repayments. This was accompanied by a significant enhancement in the profitability and cash flows of DIC Asset AG.

Higher-than-expected gross rental income, a reduction in interest expenses and the contribution from associates helped lift FFO to EUR 60.2 million during the 2017 financial year, thus exceeding our original forecast of EUR 57 to 60 million and in the middle of the raised range of EUR 59 to 61 million set in September.

Our powerful, nationwide real estate management platform in Germany enables us to recognise and seize opportunities on the real estate markets and react to the latest developments at any time. Highly positive economic data, the good state of the rental market and historically low interest rates once again fuelled the strong appeal of the German real estate investment market in 2017, combined with a shortage of products and yield compression across all commercially used asset classes. This also encouraged us to approach acquisitions in a highly selective and analytical manner. On the one hand, our acquisition volume of EUR 240 million is below the forecast of EUR 500 million that we set at the start of the year and adjusted down to > EUR 200 million during the year. On the other hand, we took advantage of attractive opportunities on the investment market and with sales from our Commercial Portfolio totalling EUR 241 million achieved the volume raised during the year (forecast sales volume at the start of the year: EUR 200 million from the Commercial Portfolio). Furthermore, we sold our first property from the Funds segment and five properties from Other Investments, thus continuing to reduce our joint venture investments as planned. As a result, the total sales volume for 2017 was EUR 368 million.

## Overall assessment for 2018

We expect a stable to good environment overall for DIC Asset AG in financial year 2018. The refinancing of the Commercial Portfolio places us in an excellent position in the current market environment with a profitable foundation and a sustainable, positive cash flow.

Our successful letting activities enabled us to reduce the vacancy rate in the Commercial Portfolio to less than 10% by the end of 2017, and we plan to further optimise our directly held Commercial Portfolio in 2018 by using active asset management and selective transactions. In addition to targeted sales that take full advantage of the prevailing market environment, additional acquisitions should further reinforce the diversification, stability and profitability of the portfolio.

We will also continue to reinforce our sources of income in 2018 by growing the assets under management in the fund business as planned. We are expecting this to significantly increase management income and investment income in the Funds segment.

The overall result for 2018 will be driven by current rental income from the Commercial Portfolio, management income from the fund business, property acquisitions and sales throughout the entire portfolio under management, and also by the expansion of our property management services for third parties.

## Macroeconomic environment in 2018

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

Since 2013, the German economy has been experiencing an upturn that accelerated markedly and gained significant breadth in 2017. In particular, the booming domestic economy with its vibrant labour market and strong consumer demand helped economic output in Germany to rise by 2.2% year-on-year (2016: 1.9%), and even by 2.5% when adjusted for the fluctuating number of workdays due to public holidays.

According to ifo indicators, the mood within the German economy is excellent. Although the ifo Business Climate Index fell slightly from its all-time high of 117.5 points in November to 117.2 points at the end of the year, the current business outlook is fundamentally positive and looking ahead to the next few months with optimism.

Numerous economic researchers recently revised their forecasts upwards for both 2017 and the next two years. The German economy can continue to expect a favourable environment and the upturn should continue, driven by the domestic economy and exports. Employment growth is expected to continue, albeit with reduced momentum, with unemployment likely to fall to 5.3%. Rising employment figures and an increase in wages are prompting strong growth in consumption by private households despite the threat posed by higher inflation – estimated at just under 2% next year – to the development of real income. The expansionary monetary policy being pursued continues to provide favourable financing conditions for new investments in companies and construction.

A variety of uncertainties with regard to the economic outlook will remain, however. The aftermath of the financial crisis – high debts and a need for consolidation of public finances – is still making its presence felt. Political uncertainty persists in Europe, with upcoming elections in Italy and tensions surrounding separatist tendencies in Catalonia, while the effects of the ever-approaching Brexit on exports have been difficult to predict so far. The continuing geopolitical tensions and global isolationist trends also intensify the risk of a downturn.

The German economy is currently moving towards a boom phase with a significant increase in capacity that will approach its limits in sectors such as the construction industry. Based on figures from the ifo Institute for Germany, we are expecting continued strong growth of 2.6% in 2018.

## Assessment of sector trends

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

The office rental markets are currently benefiting from the strong domestic economy and associated employment growth. By the end of 2017, take-up rose 7% to a record high of 4.2 million sqm on average across the seven real estate strongholds. This, combined with a decline in completions of almost 22%, led to a reduction in vacancies of 783,000 sqm to a vacancy rate of 4.2%. The resulting lack of availability of office space in sought-after central locations is increasingly viewed as a limiting factor for the rental markets. High demand and scarce supply caused both prime and average rents to rise.

Estate agents' analysts also expect the German office rental market to perform positively in 2018. The stable underlying data for the German economy, combined with continuing employment growth, is expected to keep demand for space and take-up high and trigger a further decline in vacancies. Although the completion volume is expected to be significantly higher than the 2017 level at around 1.3 million sqm, the majority of this volume has been pre-let or is being taken up by owner-occupiers, thus preserving the shortage of space at premium sites in the centres of the top 7 cities in particular and heralding a further increase in prime rents. This increasing shortage of space is also expected to trigger a switch to peripheral locations and thus a strong performance of these markets.

Due to highly positive economic data and the good condition of the rental markets, the German real estate investment market is currently extremely attractive as a safe haven for both domestic and foreign investors. The nominal transaction volume rose by 7% in 2017, particularly as a result of an even sharper rise in purchase prices compared to the previous year, to reach a new all-time high of around EUR 57 billion, while yields across all asset classes continued to decline due to strong demand and prime yields for office properties in the top 7 cities moved towards the 3% mark. Nevertheless, real estate remains attractive compared to government bonds due to the continued expansionary monetary policy of the ECB.

This environment is unlikely to change significantly in 2018. The outlook for the German economy is positive throughout. This should continue to have a favourable impact on the labour and rental markets, while the ECB is not expected to suddenly deviate from its announcement that monetary policy will only become increasingly restrictive in the medium term. With a lack of alternative investments contributing to the sustained attractiveness of the German commercial real estate market for financially sound institutional investors such as insurance companies and pension funds, transaction volumes are expected to remain relatively high in 2018. Only the increasing shortage of products in the low-risk core area in particular could have a limiting effect on this. Due to investment pressure and limited supply as well as low yields in the core area, we expect investors' focus to increasingly shift towards B-locations outside major cities and away from core properties towards more management-intensive properties.

Based on prices achieved, yield compression is expected to ease at the top locations, while yields generated by increasing demand for locations outside the largest cities will move closer to those achieved in the top locations.

## Expected trend in the key performance indicators of DIC Asset AG

**➲ Growth in assets under management**

We expect growth in assets under management in 2018. Most of the purchasing volume will serve to support the further growth of our fund business. We are planning to acquire a volume of between EUR 450 and 500 million overall.

**➲ Further optimisation of the Commercial Portfolio**

Given that the investment market remains buoyant and interest rates are still low, we can see good opportunities in 2018 again for continuing to leverage our properties' potential, reducing vacancy rates and increasing rental income on a comparable basis. We also intend to market selected properties successfully when a suitable occasion arises. In addition to realising attractive profits on sales, our sales endeavours will also focus on the further optimisation of the Commercial Portfolio with targeted sales totalling between EUR 100 and 120 million.

**➲ Expected revenue and results of operations in 2018**

Based on planned take-up and transaction activities, we expect rental income from the Commercial Portfolio in the range of EUR 95 and 98 million after EUR 110 million in the 2017 financial year. Operating expenses are expected to fall slightly on a pro-rata basis in 2018 after we concluded the planned expansion of our real estate management platform to support the growth of the fund business in 2017. We want to use our real estate management platform to increase real estate management fees significantly by growing the fund business in 2018 and thus offset the decline in rental income in the long term. After the impact of the refinancing on the net financing result enabled us to considerably increase FFO in 2017, we are expecting a higher operating profit year-on-year in 2018 with FFO between EUR 62 and 64 million (approximately EUR 0.90 to 0.93 per share).

**➲ Expected financial position in 2018**

Although we do not need any additional external financing for our planned business operations at present, we will continue to review financing opportunities in the persistently low interest rate environment in 2018. It is expected that portfolio investments, the dividend distribution for the 2017 financial year and the cash inflow from sales will represent the most significant factors influencing liquidity in 2018. In 2017, we acquired funds for the repayment of the 13/18 bond due in 2018 by issuing a new bond worth EUR 130 million.

Our liquidity base enables us to support and carry out acquisitions to grow the fund business as a co-investor. In such cases, additional funds may be borrowed in consultation with the other fund investors. To the extent foreseeable, all liquidity requirements and obligations arising from financing will be met.

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

## Material assumptions for the business forecast

Our forecast is based on the following material assumptions

- The German economy and employment market will remain robust
- Inflation will not see an unexpectedly high increase
- The rental market will remain stable
- There will be no major escalations of geopolitical tensions and not global protectionism in economic policy
- There will be no material escalation of the sovereign debt crisis in the eurozone
- There will be no resurgence of the banking crisis in the eurozone
- Brexit will have no dramatic effects on the economies in the eurozone
- The central banks will not abruptly end their policy of cheap money
- Banks will not tighten the requirements of their lending policies to such an extent that they restrict transaction activity
- No unforeseen regulatory changes will come into effect
- Rental defaults caused by bankruptcies will remain low

OTHER DISCLOSURES

# ANNUAL FINANCIAL STATEMENTS OF DIC ASSET AG

## Net assets, financial position and results of operations

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

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

Overall, we view DIC Asset AG's business situation as positive. The net assets, financial position and results of operations of DIC Asset AG in 2017 were mainly determined by our fund business, which once again made a significant contribution to investment income in 2017. Commercial Portfolio investees also contributed to investment income at the DIC Asset AG level. The elimination of non-recurring expenses for refinancing in the previous year, significantly improved financing conditions and transactions had a particularly positive effect on their bottom lines. The conversion of shares in WCM Beteiligungs- und Grundbesitz-AG ("WCM") into shares in TLG Immobilien AG ("TLG") also positively impacted investment income. Overall, we once again increased our investment income by EUR 16.0 million (47 %) to EUR 49.9 million compared to the previous year.

At EUR 6.2 million, sales revenue and other income were down compared with the previous year (2016: EUR 10.4 million). They mainly relate to revenue from consulting and other services provided to subsidiaries. The previous year's figure was influenced by non-recurring income from the passing on of costs associated with refinancing the Commercial Portfolio. Earnings before interest, taxes and investment income fell to EUR -18.0 million (2016: EUR -10.3 million), particularly as a result of lower income from the passing on of costs as well as costs associated with the new bond. Interest expenses in connection with our bonds amounted to EUR 15.8 million (previous year: EUR 13.8 million). This increase is attributable to the issuance of a new EUR 130 million bond in July 2017.

The positive interest balance vis-à-vis subsidiaries and investees and income from long-term loans totalled EUR 26.9 million during the year under review (previous year: EUR 11.3 million). This rise from the previous year is primarily attributable to a sharp increase in the balance from loans, receivables from and liabilities to subsidiaries. Net income for the year rose significantly by EUR 15.3 million (+55 %) to EUR 43.2 million, particularly as a result of the positive non-recurring effect of swapping WCM shares for TLG shares. We thus continued to grow and had a successful 2017 financial year.

Investments in affiliated companies, investees and loans totalled EUR 567.5 million as at the reporting date, a drop of EUR 43.3 million (-7.1 %). This was primarily due to a reduction in investments in affiliated companies and the repayment of other loans.

Receivables from affiliated companies and investees rose significantly by EUR 104.0 million (+17.4 %) to EUR 701.5 million. The corresponding liabilities fell by EUR 32.9 million to EUR 115.4 million. Overall, our commitment to related entities, consisting of financial assets as well as receivables from and liabilities to affiliated companies and investees as at the reporting date of 31 December 2017, rose by EUR 93.6 million, from EUR 1,060.0 million to EUR 1,153.6 million (+8.8 %).

The Company's equity increased to EUR 861.3 million (+1.9 %). As a result of the issuance of an additional EUR 130.0 million bond in the middle of the year, borrowings rose by EUR 105.5 million to EUR 543.9 million (+24.1 %), causing the reported equity ratio to decline to 61.3 % (2016: 65.9 %).

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

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

For 2017, we had forecast net income for the year on a par with 2016. We significantly exceeded this target during the financial year with net income of EUR 43.2 million, primarily as a result of the positive non-recurring effect of swapping our shares in WCM for TLG shares.

Subject to stable economic development, the Group meeting its acquisition and sales targets and continual growth in the fund business, we are forecasting net income for 2018 at the level of 2016. We expect to continue our consistent dividend policy in the coming year. For further information, please refer to the Group's report on expected developments.

# RELATED PARTY DISCLOSURES

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

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

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

# DISCLOSURES AND EXPLANATIONS REQUIRED UNDER TAKEOVER LAW

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

## Composition of subscribed capital

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

## Restrictions affecting voting rights and the transfer of shares

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

## Direct and indirect shareholdings exceeding 10 % of voting rights

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

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

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

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

## Powers of the Management Board to issue and buy back shares

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

### > Authorisation to purchase own shares

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

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

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

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

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

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

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

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

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

As at 31 December 2017, the Company held no treasury shares. It has not made use of the authorisation described above.

## > Authorised capital

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

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

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

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

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

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

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

## > Contingent capital

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

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

- for fractional amounts resulting from the subscription ratio;

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

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

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

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

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

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

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

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

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

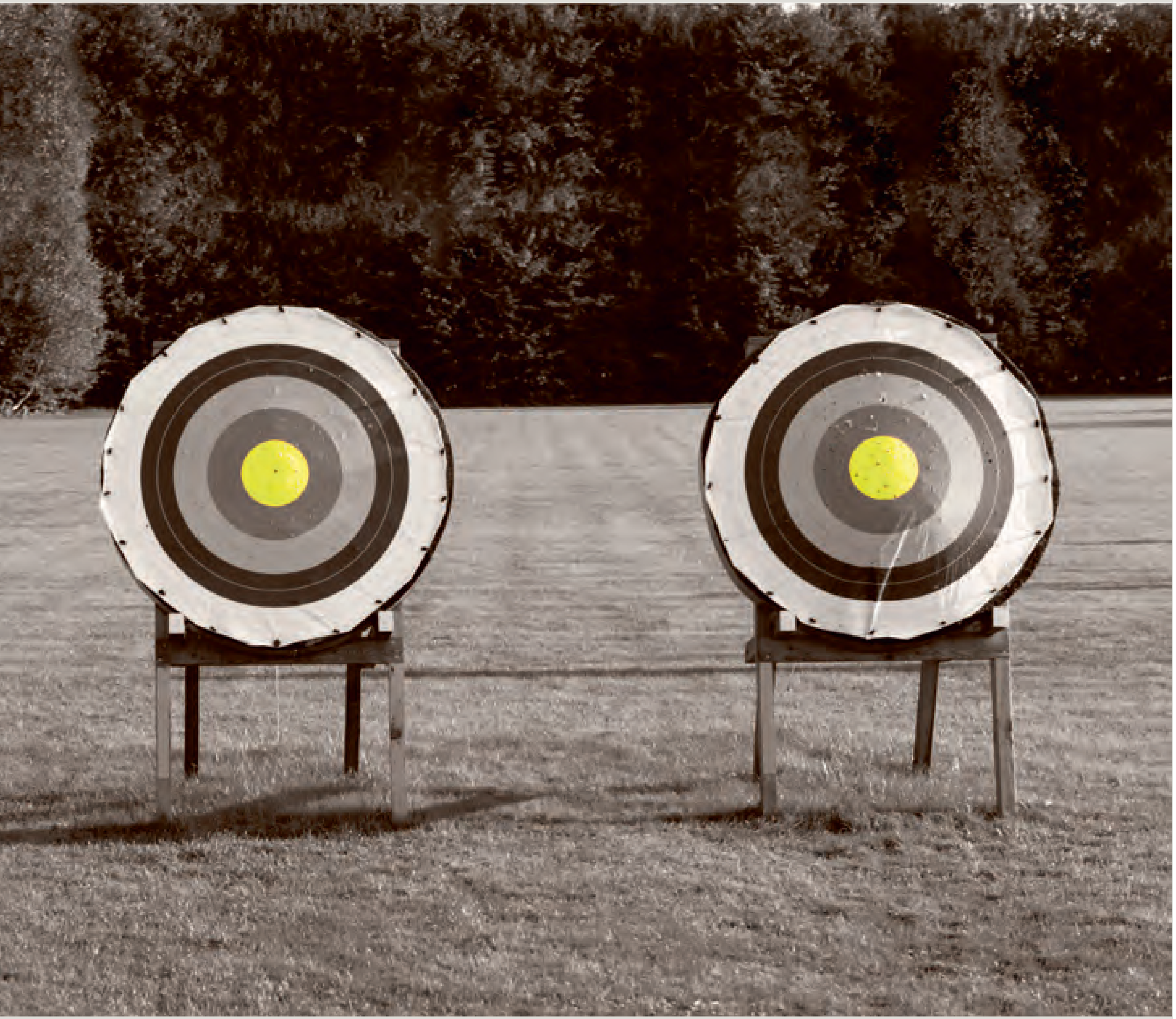
DIC Asset AG has entered into the following material agreements that contain change of control clauses.

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

The terms of issue of the 2013 corporate bond (ISIN DE000A1TNJ22) issued by the Company with a volume of EUR 100 million (matures July 2018), the 2014 corporate bond (ISIN DE000A12T648) issued by the Company with a volume of EUR 175 million (matures September 2019) as well as the 2017 corporate bond (ISIN DE000A2GSCV5) issued by the Company with a volume of EUR 130 million (matures July 2022) provide for early redemption at the choice of the creditor in the event of a change of control. According to the terms, every creditor has the right, but not the obligation, to demand full or partial repayment from DIC Asset AG or, at the choice of DIC Asset AG, the purchase of its bonds by DIC Asset AG (or at its request by a third party). However, the exercise of the option by a creditor will only take effect for the respective corporate bond if in each case creditors of at least 20% of the total nominal amount have exercised the option in respect of the bonds still outstanding at this time. A change of control pursuant to the terms of the issue occurs where it becomes known to DIC Asset AG that (i) a person or group of persons acting in concert pursuant to section 2 (5) of the Wertpapiererwerbs- und Übernahmegesetz (WpÜG – German Securities Acquisition and Takeover Act) has become the legal or economic owner of more than 50% of the voting rights in DIC Asset AG; or (ii) a person has achieved actual control over DIC Asset AG under the terms of a control agreement with DIC Asset AG pursuant to section 291 AktG.

## Other disclosures

The other disclosures required under sections 289a (1), 315a (1) HGB refer to circumstances that do not apply to DIC Asset AG. There are no shareholders with special rights conferring control rights nor are there any controls of the voting right of employees holding shares in the Company's capital or compensation agreements entered into with Management Board members or employees in case of a takeover offer.



# CONSOLIDATED FINANCIAL STATEMENTS

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

| in EUR thousand | Note | 2017 | 2016 |
|---|---|---|---|
| Total income | | **381,883** | 473,794 |
| Total expenses | | **-305,316** | -396,464 |
| | | | |
| Gross rental income | 1 | **109,666** | 111,168 |
| Ground rents | | **-1,253** | -1,240 |
| Service charge income on principal basis | 2 | **21,140** | 22,479 |
| Service charge expenses on principal basis | 2 | **-22,967** | -23,704 |
| Other property-related expenses | 3 | **-13,517** | -14,159 |
| Net rental income | | **93,069** | 94,544 |
| | | | |
| Administrative expenses | 4 | **-12,828** | -10,760 |
| Personnel expenses | 5 | **-19,010** | -16,056 |
| Depreciation and amortisation | 6 | **-31,013** | -35,233 |
| Real estate management fees | 7 | **20,818** | 21,540 |
| | | | |
| Other operating income | 8 | **754** | 467 |
| Other operating expenses | 8 | **-705** | -360 |
| Net other income | | **49** | 107 |
| | | | |
| Net proceeds from disposal of investment property | 9 | **229,505** | 318,140 |
| Carrying amount of investment property disposed | 9 | **-204,023** | -294,952 |
| Profit on disposal of investment property | | **25,482** | 23,188 |
| | | | |
| Net operating profit before financing activities | | **76,567** | 77,330 |
| | | | |
| Share of the profit or loss of associates | 10 | **28,996** | 2,314 |
| Interest income | 11 | **8,701** | 9,352 |
| Interest expense | 11 | **-43,787** | -112,391 |
| Profit/loss before tax | | **70,477** | -23,395 |
| | | | |
| Current income tax expense | 12 | **-5,856** | -2,321 |
| Deferred tax income/expense | 12 | **-209** | -3,670 |
| Profit/loss for the period | | **64,412** | -29,386 |
| | | | |
| Attributable to equity holders of the parent | | **63,592** | -28,214 |
| Attributable to non-controlling interest | | **820** | -1,172 |
| | | | |
| Basic (=diluted) earnings per share (EUR) | 13 | **0.93** | -0.41 |

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

| in EUR thousand | 2017 | 2016 |
|---|---|---|
| **Profit/loss for the period** | 64,412 | -29,386 |
| | | |
| **Other comprehensive income** | | |
| Items that may be reclassified subsequently to profit or loss | | |
| Gain/losses on measurement of available-for-sale financial instruments | 35,466 | -456 |
| Fair value measurement of hedging instruments* | | |
| Cash flow hedges | 95 | 20,327 |
| Cash flow hedges of associates | 111 | 99 |
| | | |
| Other comprehensive income | 35,672 | 19,970 |
| | | |
| **Comprehensive income** | 100,084 | -9,416 |
| | | |
| Attributable to equity holders of the parent | 99,264 | -8,244 |
| Attributable to non-controlling interest | 820 | -1,172 |

* after tax

## CONSOLIDATED BALANCE SHEET as at 31.12.2017

| **Assets** in EUR thousand | Note | **31.12.2017** | 31.12.2016 |
|---|---|---|---|
| Investment property | 14 | **1,437,214** | 1,583,432 |
| Office furniture and equipment | 15 | **578** | 582 |
| Investments in associates | 16 | **90,799** | 175,491 |
| Loans to related parties | 17 | **110,143** | 98,402 |
| Other investments | 18 | **290,575** | 23,664 |
| Intangible assets | 19 | **436** | 658 |
| Deferred tax assets | 12 | **25,837** | 26,403 |
| Total non-current assets | | **1,955,582** | 1,908,632 |
| Receivables from sale of investment property | | **13,816** | 3,872 |
| Trade receivables | 20 | **4,484** | 3,679 |
| Receivables from related parties | 21 | **10,721** | 8,625 |
| Income tax receivables | 22 | **10,887** | 12,109 |
| Other receivables | 23 | **17,243** | 8,381 |
| Other current assets | 24 | **1,681** | 5,337 |
| Cash and cash equivalents | 25 | **201,997** | 152,414 |
| | | **260,829** | 194,417 |
| Non-current assets held for sale | 26 | **124,867** | 292,499 |
| Total current assets | | **385,696** | 486,916 |
| Total assets | | **2,341,278** | 2,395,548 |

| **Equity and liabilities** in EUR thousand | Note | 31.12.2017 | 31.12.2016 |
|---|---|---|---|
| EQUITY | | | |
| Issued capital | 27 | 68,578 | 68,578 |
| Share premium | 27 | 732,846 | 732,846 |
| Hedging reserve | 27 | 0 | -206 |
| Reserves for available-for-sale financial instruments | 27 | 38,628 | 3,162 |
| Retained earnings | 27 | -14,763 | -50,925 |
| | | | |
| Total shareholders' equity | | 825,289 | 753,455 |
| Non-controlling interest | | 3,624 | 3,518 |
| | | | |
| Total equity | | 828,913 | 756,973 |
| | | | |
| LIABILITIES | | | |
| Corporate bonds | 28 | 298,567 | 272,121 |
| Non-current interest-bearing loans and borrowings | 28 | 810,992 | 909,328 |
| Deferred tax liabilities | 12 | 13,347 | 15,653 |
| Derivatives | 29 | 0 | 113 |
| | | | |
| Total non-current liabilities | | 1,122,906 | 1,197,215 |
| | | | |
| Corporate bonds | 28 | 99,618 | 0 |
| Current interest-bearing loans and borrowings | 28 | 196,530 | 268,916 |
| Trade payables | 31 | 1,245 | 1,408 |
| Liabilities to related parties | 21 | 15,252 | 12,024 |
| Derivatives | 29 | 0 | 21,579 |
| Provisions | 30 | 0 | 10 |
| Income tax payable | 32 | 2,912 | 2,088 |
| Other liabilities | 33 | 26,334 | 18,878 |
| | | 341,891 | 324,903 |
| | | | |
| Liabilities related to non-current assets held for sale | 26 | 47,568 | 116,457 |
| | | | |
| Total current liabilities | | 389,459 | 441,360 |
| | | | |
| Total liabilities | | 1,512,365 | 1,638,575 |
| | | | |
| Total equity and liabilities | | 2,341,278 | 2,395,548 |

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

| in EUR thousand | 2017 | 2016 |
|---|---|---|
| OPERATING ACTIVITIES | | |
| Net operating profit before interest and taxes paid | 98,819 | 21,043 |
| Realised gains/losses on disposals of investment property | -25,482 | -23,188 |
| Depreciation and amortisation | 31,013 | 35,233 |
| Changes in receivables and other assets | 10,567 | 6,926 |
| Other non-cash transactions | -23,987 | 49,648 |
| Cash generated from operations | 90,930 | 89,662 |
| | | |
| Interest paid | -33,583 | -52,552 |
| Interest received | 1,709 | 3,155 |
| Income taxes paid/received | -2,533 | -6,317 |
| Cash flows from operating activities | 56,523 | 33,948 |
| | | |
| INVESTING ACTIVITIES | | |
| Proceeds from disposal of investment property | 219,561 | 80,931 |
| Disposal of subsidiaries | 4,049 | 0 |
| Acquisition of investment property | -109,200 | -272,926 |
| Capital expenditure on investment properties | -19,627 | -8,154 |
| Acquisition/disposal of other investments | -48,642 | -63,981 |
| Loans to other entities | -8,513 | 24,736 |
| Acquisition/disposal of office furniture and equipment, software | -201 | 342 |
| Cash flow from investing activities | 37,427 | -239,052 |
| | | |
| FINANCING ACTIVITIES | | |
| Proceeds from the issue of corporate bond | 130,000 | 0 |
| Repayment of non-controlling interest | -714 | 0 |
| Proceeds from other non-current borrowings | 1,210,341 | 285,841 |
| Repayment of borrowings | -1,355,641 | -109,639 |
| Deposits | 3,000 | 2,100 |
| Payment of transaction costs | -3,923 | 0 |
| Dividends paid | -27,430 | -25,374 |
| Cash flows from financing activities | -44,367 | 152,928 |
| | | |
| Net changes in cash and cash equivalents | 49,583 | -52,176 |
| Cash and cash equivalents as at 1 January | 152,414 | 204,590 |
| Cash and cash equivalents as at 31 December | 201,997 | 152,414 |

For information on the consolidated statement of cash flows see page 141

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| in EUR thousand | Issued capital | Share premium | Hedging reserve | Reserve for available-for-sale financial instruments | Retained earnings | Total shareholders' equity | Non-controlling interest | Total |
|---|---|---|---|---|---|---|---|---|
| Balance at 31 December 2015 | 68,578 | 732,846 | -20,632 | 3,618 | 2,663 | 787,073 | 5,010 | **792,083** |
| Profit/loss for the period | | | | | -28,214 | -28,214 | -1,172 | **-29,386** |
| Other comprehensive income | | | | | | | | |
| Gains/losses on cash flow hedges* | | | 20,327 | | | 20,327 | | **20,327** |
| Gains/losses on cash flow hedges from associates* | | | 99 | | | 99 | | **99** |
| Gains/losses on measurement of available-for-sale financial instruments | | | | -456 | | -456 | | **-456** |
| Comprehensive income | | | 20,426 | -456 | -28,214 | -8,244 | -1,172 | **-9,416** |
| Dividend payments for 2015 | | | | | -25,374 | -25,374 | | **-25,374** |
| Repayment of non-controlling interest | | | | | | | -320 | **-320** |
| Balance at 31 December 2016 | 68,578 | 732,846 | -206 | 3,162 | -50,925 | 753,455 | 3,518 | **756,973** |
| Profit/loss for the period | | | | | 63,592 | 63,592 | 820 | **64,412** |
| Other comprehensive income | | | | | | | | |
| Gains/losses on cash flow hedges* | | | 95 | | | 95 | | **95** |
| Gains/losses on cash flow hedges from associates* | | | 111 | | | 111 | | **111** |
| Gains/losses on measurement of available-for-sale financial instruments | | | | 35,466 | | 35,466 | | **35,466** |
| Comprehensive income | | | 206 | 35,466 | 63,592 | 99,264 | 820 | **100,084** |
| Dividend payments for 2016 | | | | | -27,430 | -27,430 | | **-27,430** |
| Repayment of non-controlling interest | | | | | | | -714 | **-714** |
| Balance at 31 December 2017 | 68,578 | 732,846 | 0 | 38,628 | -14,763 | 825,289 | 3,624 | **828,913** |

* Net of deferred taxes

For information on the consolidated statement of changes in equity see note 27

# NOTES TO THE 2017 CONSOLIDATED FINANCIAL STATEMENTS

# INFORMATION ON THE COMPANY

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

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

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

These consolidated financial statements were released for publication by the Management Board on 07 February 2018 and approved by the Supervisory Board.

# SIGNIFICANT ACCOUNTING POLICIES

## Basis of preparation

The consolidated financial statements for the 2017 financial year were prepared in accordance with the International Financial Reporting Standards applicable as at 31 December 2017 (including the interpretations of the IFRS IC), as adopted by the EU, and in accordance with the regulations to be applied under section 315e (1) HGB.

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

The accounting policies applied and the disclosures in the notes to the consolidated financial statements for financial year 2017 are based in principle on the same accounting policies applied in the consolidated financial statements in financial year 2016. The effects of any changes made are described in the explanations of the standards to be applied for the first time.

The annual financial statements for the companies included in the consolidated financial statements were prepared using uniform accounting policies. As a rule, the same accounting policies are applied at the level of the associates of DIC Asset AG. The single-entity financial statements of the consolidated companies were prepared as at the reporting date of the consolidated financial statements (31 December 2017).

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

### Structure of the balance sheet and the income statement

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

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

## New standards and interpretations

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

The Group applied the following new and revised standards and interpretations as at 1 January 2017:

> IAS 7 Statement of Cash Flows – Disclosure Initiative
The amendments to IAS 7 aim to improve the information provided about changes in an entity's financing activities. Accordingly, entities must disclose changes in financial liabilities classified in the statement of cash flows as cash flows from financing activities. Information about the associated financial assets must also be provided. The IASB suggests that the new disclosure requirements can be fulfilled by providing a reconciliation between the opening and closing balances or verbal explanations. Comparative information need not be provided in the period in which the amendments are first applied.

The amendments are effective for annual periods beginning on or after 1 January 2017; earlier application is permitted. They were endorsed by the EU on 6 November 2017.

The corresponding disclosures have been taken into account.

> IAS 12 Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses
The amendments to IAS 12 clarify that changes in market interest rates resulting in a lower fair value for debt instruments measured at fair value give rise to deductible temporary differences. In addition, the amendments clarify that an entity must assess whether to recognise a deferred tax asset for a deductible temporary difference separately only if tax law limits the offsetting of taxable losses; otherwise a combined assessment is conducted. Illustrative examples were also added to IAS 12 explaining how future taxable income is determined for the purpose of accounting for deferred tax assets.

The amendments are effective for annual periods beginning on or after 1 January 2017; earlier application is permitted. They were endorsed by the EU on 6 November 2017.

No changes in accounting resulted for the Group from the first-time application of this standard.

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

The International Accounting Standards Board (IASB) and the IFRS Interpretations Committee (IFRS IC) have adopted additional standards and interpretations which are not yet required to be applied in financial year 2017, or which have not yet been adopted by the EU.

> Annual Improvements to IFRSs: 2014-2016 Cycle
On 8 December 2016 the IASB issued Annual Improvements to IFRS Standards 2014–2016 Cycle. The amendments in the 2014–2016 cycle relate to the following three standards:

> IFRS 1: The short-term exemptions in paragraphs E3–E7 were deleted, because they have served their intended purpose.

> IFRS 12: The scope of the standard was clarified (with the exception of paragraphs B10–B16) by specifying that the disclosure requirements apply to an entity's interests that are classified as held for sale, as held for distribution or as discontinued operations in accordance with IFRS 5.

> IAS 28: Clarification was provided on the election to measure at fair value through profit or loss an investment in an associate or a joint venture held by an entity entitled to use this option (e.g. venture capital organisation); it can be applied on an investment-by-investment basis.

The amendments to IFRS 12 are effective for annual periods beginning on or after 1 January 2017; the amendments to IFRS 1 and IAS 28 are effective for annual periods beginning on or after 1 January 2018. Endorsement by the EU is expected in the first quarter of 2018.

> Amendments to IFRS 4 Insurance Contracts – Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
The amendments were issued to address calls to delay the date of application of IFRS 9 for insurance companies in order to align this with the initial effective date of the revised IFRS 4 standard as at 1 January 2021. There are two options:

1. Overlay approach: Entities are permitted to reclassify to other comprehensive income the effect on earnings of assets recognised at fair value through profit or loss arising from the initial application of IFRS 9 if there was no measurement at fair value through profit or loss in accordance with IAS 39. This option is no longer applicable if its use is voluntarily discontinued, or if the revised IFRS 4 standard is applied.

2. Temporary exemption from applying IFRS 9: An entity whose predominant activity is issuing insurance contracts within the scope of IFRS 4 may make use of a temporary exemption from applying IFRS 9. This option expires upon initial application of the amended IFRS 4 standard, or no later than 1 January 2021.

An entity applies the overlay approach retroactively to qualified assets as soon as IFRS 9 is applied for the first time. Entities may apply the temporary exemption for annual periods beginning on or after 1 January 2018. The amendments were endorsed by the EU on 3 November 2017.

> IFRS 9 Financial Instruments
IFRS 9 relates to the classification and measurement of financial instruments as well as the reporting of derivatives and hedges and will replace IAS 39 Financial Instruments. It will not replace the requirements in IAS 39 for portfolio fair value hedge accounting for interest rate risk. A separate macro hedge accounting project will pursue this issue. The standard will be effective for reporting periods beginning on or after 1 January 2018 at the earliest, with earlier application being permitted. It was endorsed by the EU on 22 November 2016.

After conducting the relevant analyses, we concluded that the classification of financial instruments will remain unchanged and impairments, if any, will not materially affect measurement. Accounting for derivatives is not relevant since hedge accounting has been discontinued.

> IFRS 15 Revenue from Contracts with Customers
The IASB issued IFRS 15 Revenue from Contracts with Customers in May 2014. It gives rise to new rules on when and to what extent revenue is recognised. IFRS 15 supersedes the previous revenue recognition requirements, comprising IAS 18 and IAS 11 as well as various interpretations of the standards, and provides new rules on several aspects. The standard is effective for annual periods beginning on or after 1 January 2018, with earlier application being permitted. It was endorsed by the EU as at 22 September 2016.

There will be no effects whatsoever on the measurement of revenue in view of DIC Asset AG's business model.

> Clarifications to IFRS 15 Revenue from Contracts with Customers
Clarifications to IFRS 15 were published in April 2016 and include three specific amendments and transition relief. The transition relief comprises two practical expedients. Firstly, an entity is not required to restate contracts that are completed contracts at the beginning of the earliest period presented. Secondly, the effects of all modifications made before the beginning of the earliest period presented are reported in aggregate. The published amendments are effective for annual periods beginning on or after 1 January 2018. They become effective at the same time IFRS 15 itself is introduced. The amendments were endorsed by the EU on 31 October 2017.

> Amendments to IAS 40 Investment Property – Transfers of Investment Property
The amendments provide guidance on transfers to, or from, investment property and state that transfers are possible when there is evidence of a change in use. A "change in use" is when a property meets, or ceases to meet, the definition of investment property. The amendments are effective for annual periods beginning on or after 1 January 2018 with the EU endorsement expected in the first quarter of 2018.

> Amendments to IFRS 2 Share-based Payment – Classification and Measurement of Share-based Payment Transactions
The amendments to IFRS 2 clarify accounting for certain cash-settled share-based payment transactions. IFRS 2 stipulates that entities must report transactions associated with share-based payments in their financial statements. The amendments provide clarification regarding accounting for certain share-based payment transactions and cover the following topics: (1) consideration of market-based and non-market-based performance conditions in measuring cash-settled awards; (2) modification of cash-settled awards by reclassification to equity-settled awards; (3) equity-settled awards with a net settlement feature. The amendments to IFRS 2 are effective for annual periods beginning on or after 1 January 2018. Earlier application is permitted. Endorsement by the EU is expected in the first quarter of 2018.

> IFRIC 22 Foreign Currency Transactions and Advance Consideration
This interpretation clarifies accounting for transactions that involve an entity either receiving or paying consideration in a foreign currency. The key factor in determining the date of the transaction is initial recognition of the non-monetary asset arising from the prepayment or the non-monetary liability arising from the deferred income. If there are multiple advance payments or receipts, a transaction date is determined for each payment and each receipt. Initial application of the interpretation is either retroactive in line with IAS 8 or prospective for all assets, expenses and income in foreign currencies falling within the scope of application of the interpretation. The interpretation is effective for annual periods beginning on or after 1 January 2018 with the EU endorsement expected in the first quarter of 2018.

> IFRS 16 Leases
In future, IFRS 16 will replace the following standards and interpretations: IAS 17, IFRIC 4, SIC-15 and SIC-27. The new rules eliminate the difference between finance and operating leases. Instead, the lessee must account for the economic right to the leased object in the form of a right-of-use asset depreciated over the term of the lease. Correspondingly, a liability in the amount of the present value of future lease payments must be recognised and discounted using the effective interest rate method. In contrast, accounting at the lessor will not change materially as against IAS 17.

The standard will be effective on 1 January 2019. It was endorsed by the EU on 31 October 2017. Earlier application is permitted, provided that the requirements of IFRS 15 Revenue from Contracts with Customers are applied simultaneously.

> Amendments to IFRS 9 Financial Instruments – Prepayment Features with Negative Compensation
The amendments relate to the classification of financial instruments with prepayment features with negative compensation. According to the rules in place to date, the cash flow condition is not met if the lender has to make a settlement payment in the event of termination by the borrower. The new guidelines permit measurement at amortised cost (or at fair value through other comprehensive income) even in the case of prepayment features with negative compensation. In addition, the amendments clarify that the carrying amount of a financial liability must be adjusted in profit or loss immediately following a modification. The amendments shall be applied retrospectively for annual periods beginning on or after 1 January 2019 with the EU endorsement expected in 2018.

> Amendments to IAS 28 Investments in Associates – Long-term Interests in Associates and Joint Ventures
The amendments provide clarification on the exclusion of associates and joint ventures accounted for pursuant to IAS 28 from the scope of application of IFRS 9. IFRS 9 is not applied to associates and joint ventures accounted for using the equity method. However, IFRS 9 is applied to long-term interests comprising a part of the net investment in an associate or joint venture. The amendments are effective for annual periods beginning on or after 1 January 2019 with the EU endorsement expected in 2018.

> IFRIC 23 Uncertainty over Income Tax Treatments
This new interpretation clarifies uncertainties regarding taxes for the period since acceptance of tax treatments by the authorities will not come until later. If acceptance of the tax treatment is uncertain, but probable, accounting is aligned with the tax filing without consideration of the uncertainty. In contrast, if acceptance is improbable, measurement is either according to the most likely amount or the expected value of the tax treatment. The interpretation is effective for annual periods beginning on or after 1 January 2019 with the EU endorsement expected in 2018.

> IFRS 17 Insurance Contracts
IFRS 17 Insurance Contracts was issued on 18 May 2017. The new standard pursues the goal of consistent, principle-based accounting for insurance contracts and requires measurement of insurance liabilities at the actual settlement amount. This results in enhanced uniformity in the measurement and presentation of all insurance contracts. The standard is effective for annual periods beginning on or after 1 January 2021, with the EU endorsement expected for 2018.

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

## Accounting policies

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

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

### Investment property

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

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

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

The following useful lives are assumed when depreciating buildings:

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

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

### Office furniture and equipment

Property, plant and equipment is carried at depreciated cost. Borrowing costs are not recognised as part of costs. As a rule, property, plant and equipment is depreciated on a straight-line basis. The useful life of property, plant and equipment is normally between 3 and 13 years.

### Intangible assets

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

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

### Investments in associates

An associate is an entity over which the Group can exercise significant influence, but not control, and in which it usually holds a share of the voting rights between 20% and 50%. Significant influence is the power to participate in the financial and operating policy decisions of the investee. At the same time, neither control nor joint control is exercised over decision-making processes. Investments in associates are accounted for using the equity method. They are initially recognised at cost in the consolidated balance sheet and adjusted in subsequent years to reflect changes in the Group's share of profit or loss of the associate and the associate's other comprehensive income after acquisition. An associate's losses which exceed the Group's share in this associate are not recognised. They are only recognised if the Group has entered into legal or de facto obligations to assume the loss or if the Group makes payments on behalf of the associate.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

### Current income taxes

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

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

### Derivative financial instruments

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

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

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

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

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

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

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

### Leases

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

> The Group as lessor

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

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

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

### Currency translation

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

### Earnings per share

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

### Accounting estimates and assumptions

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

The principal areas affected by assumptions and estimates are:

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

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

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

## Consolidation

### Subsidiaries

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

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

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

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

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

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

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

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

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

As at 31 December 2017, a total of 148 (2016: 164) subsidiaries were included in the consolidated financial statements in addition to DIC Asset AG (see appendix 1 to the notes, p. 178 et seq.). There are no material non-controlling interests in the Group.

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

Seven companies were merged, six companies were sold and three companies were newly formed in the course of optimising the Group's structure. Equity interests in five companies were reduced; these are no longer included in consolidation.

### Associates

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

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

If a Group company enters into a business relationship with one of the Group's associates, profits and losses from this transaction are eliminated in proportion to the Group's interest in the associate.

For strategic reasons, DIC Asset AG holds shares in 14 (2016: 13) companies which are accounted for using the equity method in the consolidated financial statements as associates in accordance with IAS 28.13 (see appendix 2 of the notes on p. 180 et seq.).

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

### Other investments

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

## EPRA earnings

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

"EPRA earnings" measures the sustainable and continuing performance of the real estate portfolio. The financial years 2016 and 2017 showed the following EPRA earnings:

| in EUR thousand | 2017 | 2016 |
|---|---|---|
| IRFS profit | 63,592 | -28,214 |
| **EPRA adjustments** | | |
| Market value change or depreciation of investment property | 30,561 | 34,826 |
| Profit/loss on disposal of investment property | -25,482 | -23,188 |
| Tax on disposal of investment property | 4,033 | 3,669 |
| Amortisation of intangible assets | 452 | 407 |
| Changes in the fair value of financial instruments and other | 0 | -1,030 |
| Non-recurring effect of refinancing | 1,349 | 56,331 |
| Deferred taxes in connection with EPRA adjustments | -1,271 | -527 |
| Contributions from Co-Investments (project development and sales) | -17,141 | 3,003 |
| Non-controlling interests | 820 | -1,172 |
| EPRA earnings | 56,913 | 44,105 |
| EPRA earnings per share | 0.83 | 0.64 |

# INCOME STATEMENT DISCLOSURES

### 1. Gross rental income

Disposals of property in 2016 and 2017 reduced gross rental income by EUR 2,308 thousand and EUR 10,367 thousand, respectively.

A large number of new leases were concluded in the financial year ended as a result of our intensive letting activities, offsetting the termination of other leases. The new leases generated pro rata rental income of EUR 5,809 thousand. Rental income of EUR 4,996 thousand was lost due to the termination of leases. Acquisitions made in 2016 and 2017 resulted in an increase in gross rental income of EUR 7,872 thousand and EUR 1,545 thousand, respectively.

### 2. Service charge income and expenses on principal basis

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

The shortfall between income and expenses from service charges amounting to EUR 1,827 thousand (2016: EUR 1,225 thousand) is mainly the result of costs that cannot be passed on to tenants on account of the exemption clauses written into their leases.

Rental income was generated in the case of all investment property. The two properties not generating rental income in financial year 2016, which accounted for directly attributable operating expenses of EUR 80 thousand in the previous year, were sold in financial year 2017.

### 3. Other property-related expenses

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

## 4. Administrative expenses

| in EUR thousand | 2017 | 2016 |
|---|---|---|
| Legal and consulting costs | 3,631 | 3,058 |
| Rental and ancillary costs | 1,987 | 1,716 |
| Marketing/investor relations | 1,438 | 1,165 |
| Insurance/contributions and levies | 703 | 514 |
| Ancillary financing costs | 607 | 639 |
| Vehicle costs | 597 | 567 |
| Value added tax | 591 | 413 |
| Recruitment and other personnel costs | 540 | 548 |
| IT costs | 517 | 419 |
| Auditing costs | 491 | 504 |
| Supervisory Board remuneration (incl. Supervisory Board tax) | 413 | 411 |
| External services | 269 | 210 |
| Other | 1,044 | 596 |
| Total | 12,828 | 10,760 |

In the financial year the Company granted remuneration totalling EUR 395 thousand to members of the Supervisory Board. Supervisory Board members were also reimbursed travel expenses totalling EUR 18 thousand. Further details, especially disclosures in accordance with section 314 (1) no. 6 letter a HGB, are provided in the corporate governance section of the remuneration report, which is an integral part of the management report, on p. 169 et seq.

The following fees were incurred for the services supplied by the auditors of the financial statements Rödl & Partner GmbH, Wirtschaftsprüfungsgesellschaft, Steuerberatungsgesellschaft, Nuremberg, in financial years 2017 and 2016:

| in EUR thousand | 2017 | 2016 |
|---|---|---|
| Financial statements auditing services | 415 | 424 |
| Other assurance services | 76 | 70 |
| Other services | 0 | 10 |
| Total | 491 | 504 |

The fees for audits relate to the audit of the consolidated financial statements and the financial statements of DIC Asset AG and its affiliates required by law.

The other assurance services include the preparation of a letter of comfort in the context of issuing the bond as well as the review of interim financial statements in accordance with IFRSs in particular.

## 5. Personnel expenses

Personnel expenses include the wages and salaries of employees of DIC Asset AG and DIC Onsite GmbH and DIC Fund Balance GmbH amounting to EUR 16,597 thousand (2016: EUR 14,079 thousand) as well as the related social security contributions of EUR 2,121 thousand (2016: EUR 1,977 thousand). Of this figure, EUR 1,000 thousand (2016: EUR 897 thousand) is attributable to contributions to the statutory pension fund. At EUR 19,010 thousand, personnel expenses are higher than in the previous year (2016: EUR 16,056 thousand). The increase is mainly due to the strategic establishment of new structures in connection with the fund business and our asset management platform.

The average number of employees rose from 168 in 2016 to 180 in 2017. Averaged over the year, DIC Asset AG had 65 employees, while DIC Onsite GmbH had 106 employees and DIC Fund Balance GmbH had 9 employee.

Details on the Management Board's remuneration in accordance with section 314 (1) no. 6 letter (a) sentences 5 to 9 of the HGB are reproduced in the corporate governance section of the remuneration report, which is an integral part of the management report, on p. 169 et seq.

## 6. Depreciation and amortisation

Depreciation and amortisation of EUR 31,013 thousand (2016: EUR 35,233 thousand) primarily concerns the recognised properties and, to a lesser extent, office furniture and equipment and intangible fixed assets. This item was affected by the sales in 2016 and 2017 as well as by the investments in real estate assets.

## 7. Real estate management fees

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

| in EUR thousand | 2017 | 2016 |
|---|---|---|
| DIC Office Balance I | 2,918 | 2,504 |
| DIC HighStreet Balance | 1,329 | 1,412 |
| DIC Office Balance II | 2,537 | 2,051 |
| DIC Office Balance III | 2,788 | 12,812 |
| DIC Office Balance IV | 3,676 | 0 |
| DIC Retail Balance I | 5,598 | 0 |
| German Estate Group GmbH & Co. KG | 892 | 582 |
| Deutsche Immobilien Chancen AG & Co. KGaA and subsidiaries | 306 | 348 |
| DIC MSREF HMDD Portfolio GmbH | 249 | 271 |
| DIC MSREF HT Portfolio GmbH | 217 | 154 |
| DIC MSREF FF Südwest Portfolio GmbH | 129 | 1,189 |
| DIC MainTor GmbH | 176 | 207 |
| Customers of DIC Onsite GmbH | 3 | 10 |
| Total | 20,818 | 21,540 |

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

## 8. Other operating income and expenses

Other operating income mainly includes income from non-monetary benefits of EUR 350 thousand (2016: EUR 318 thousand) resulting from the use of a company car, and income from of liability remunerations of EUR 130 thousand (2016: EUR 119 thousand).

Other operating expenses mainly comprise prior-years' costs to sell and costs for transferring entities to the funds amounting to EUR 535 thousand (2016: EUR 203 thousand).

## 9. Profit on disposal of investment property

Thanks to the strong performance of the transaction market and strategic sales in connection with the portfolio streamlining, the Group generated profits from the disposal of investment property in the amount of EUR 25,482 thousand (2016: EUR 23,188 thousand). This corresponds to a return on sales of 11 % (2016: 7 %).

Costs to sell of EUR 11,430 thousand (2016: EUR 16,154 thousand) were deducted from the sales proceeds of EUR 240,935 thousand (2016: EUR 334,294 thousand).

## 10. Share of the profit or loss of associates

This item relates to the investor's share of the investee's profit or loss to be recognised in the investor's profit or loss using the equity method of accounting and amounts to EUR 28,996 thousand (2016: EUR 2,314 thousand).

In 2017, the share of the profit or loss of associates was dominated by the earnings contribution from the exchange of shares in WCM Beteiligungs- und Grundbesitz-AG for shares in TLG Immobilien AG, and from earnings contributions from the existing DIC Office Balance I, DIC Office Balance II, DIC Office Balance III, DIC Office Balance IV, DIC HighStreet Balance and DIC Retail Balance I funds, the share of the profit from the WCM/TLG investment as well as positive contributions to earnings from project development, and the profits from the letting and sale of property from joint venture portfolios, which declined as planned.

## 11. Interest income and expense

The expense arising from the repayment of processing fees incurred in connection with financial liabilities amounted to EUR 1,632 thousand in the financial year (2016: EUR 12,537 thousand). The decrease is mainly due to the non-recurring effect from the refinancing in the previous year.

Effective interest expense of EUR 17,926 thousand (2016: EUR 15,493 thousand) results from the corporate bonds.

## 12. Income tax

| in EUR thousand | 2017 | 2016 |
|---|---|---|
| Current taxes | -5,856 | -2,321 |
| Deferred tax income/expense | -209 | -3,670 |
| Total | -6,065 | -5,991 |

Current income taxes relate exclusively to taxable profits of consolidated subsidiaries and DIC Asset AG. Current tax expense is composed primarily of corporation tax including solidarity surcharge amounting to EUR 3,365 thousand (2016: EUR 1,268 thousand) and trade tax amounting to EUR 2,491 thousand (2016: EUR 1,053 thousand).

The deferred taxes result from temporary differences between tax base and IFRS balance sheet values, and from existing tax loss carryforwards and the recognition of deferred taxes on outside basis differences.

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

No deferred tax assets were recognised on corporation tax loss carryforwards amounting to EUR 52 million (2016: EUR 75 million) and on trade tax loss carryforwards amounting to EUR 103 million (2016: EUR 102 million).

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

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

| in EUR thousand | 2017 | 2016 |
|---|---|---|
| Tax loss carryforwards | 0 | 4,594 |
| Real estate valuation | 2,516 | -4,602 |
| Derivatives | 197 | -3,281 |
| Recognition of "rent-free periods" | -16 | -60 |
| Bond issuance | -758 | -21 |
| Other adjustments | -2,148 | -300 |
| Total | -209 | -3,670 |

Deferred tax assets and liabilities can be classified as follows:

| in EUR thousand | 31.12.2017 | | 31.12.2016 | |
|---|---|---|---|---|
| | Assets | Liabilities | Assets | Liabilities |
| Loss carryforwards | 20,791 | 0 | 20,791 | 0 |
| Property | 4,694 | 11,464 | 5,242 | 14,113 |
| Derivatives | 0 | 0 | 18 | 215 |
| Capital transactions | 343 | 1,829 | 343 | 1,071 |
| Other | 9 | 54 | 9 | 254 |
| Total | 25,837 | 13,347 | 26,403 | 15,653 |

Deferred taxes on the items included in other comprehensive income amount to EUR 0 thousand (2016: EUR 39 thousand), of which EUR 0 thousand (2016: EUR 18 thousand) is attributable to the movements in the Group's cash flow hedges and EUR 0 thousand (2016: EUR 21 thousand) to those of associates.

No deferred taxes were recognised on temporary differences in connection with shares in subsidiaries (outside basis differences) totalling EUR 12.9 million (2016: EUR 11.0 million) and on temporary differences in connection with associated companies totalling EUR 0.9 million (2016: EUR 1.0 million).

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

| in EUR thousand | 2017 | 2016 |
|---|---|---|
| Consolidated profit before tax | 70,478 | -23,395 |
| Applicable statutory tax rate (in %) | 31.925 | 31.925 |
| Anticipated tax expense | 22,500 | -7,469 |
| | | |
| **Increase or decrease in the tax liability through:** | | |
| Trade tax reduction and differing tax rates | -6,716 | -6,440 |
| Tax-free income | -7,718 | - |
| Non-deductible expenses | 8,583 | 5,454 |
| Effects of associates | -9,257 | -739 |
| Effects of unrecognised tax losses | -2,848 | 14,277 |
| Taxes for previous periods | 1,450 | 557 |
| Other effects | 71 | 351 |
| | | |
| Current total tax expense | 6,065 | 5,991 |

The anticipated tax rate was determined on the basis of the tax rates applicable in Germany in 2017 and 2016. A tax rate of 31.925 % was used for the calculation. This is composed of a nominal corporation tax rate incl. solidarity surcharge of 15.825 % plus a nominal trade tax rate of 16.10 %. The trade tax rate is based on the assessment rate for Frankfurt am Main of 460 %.

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

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

| in EUR | 2017 | 2016 |
|---|---|---|
| Consolidated profit/loss after non-controlling interests | 63,592,143.04 | -28,214,271.44 |
| Average number of shares issued | 68,577,747 | 68,577,747 |
| | | |
| **Basic earnings per share** | **0.93** | -0.41* |

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

For 2017, the Management Board will propose a dividend in the amount of EUR 43,890 thousand (EUR 0.64 per share), including an extraordinary dividend to enable participation of the shareholders in the non-recurring effect from the swap of shares of WCM Beteiligungs- und Grundbesitz-AG for shares of TLG Immobilien AG in the amount of EUR 13,716 thousand (EUR 0.20 per share). In addition, the Management Board will propose paying the dividend according to shareholder choice either (i) entirely in cash or (ii) partly in cash and partly in shares of DIC Asset AG or (iii) entirely in shares of DIC Asset AG (scrip dividend). The entire dividend will be distributed from the contribution account for tax purposes and is therefore fully tax free. In accordance with IAS 10, the dividend is not recognised as a liability in these consolidated financial statements.

Following the recommendation of the European Public Real Estate Association (EPRA), the net asset value (NAV) as at 31 December 2017 and 31 December 2016 is calculated as follows:

| in EUR thousand | 31.12.2017 | 31.12.2016 |
|---|---|---|
| Carrying amount of properties | 1,437,214 | 1,583,432 |
| Property in accordance with IFRS 5 | 117,338 | 292,499 |
| Fair value adjustment | 84,648 | 72,334 |
| Fair value of properties* | 1,639,200 | 1,948,265 |
| Carrying amount of Co-Investments | 90,799 | 175,491 |
| Fair value adjustment | 31,546 | 15,634 |
| Fair value of Co-Investments | 122,345 | 191,125 |
| +/- other assets/liabilities | 597,050 | 312,670 |
| Net loan liabilities at carrying amount | -1,405,707 | -1,450,365 |
| Net loan liabilities in accordance with IFRS 5 | -47,568 | -116,458 |
| Non-controlling interests | -5,365 | -5,278 |
| EPRA NAV | 899,955 | 879,959 |
| Deferred taxes on fair value adjustments | -18,388 | -13,920 |
| EPRA NNAV | 881,567 | 866,039 |
| Fair value of derivatives | 38,628 | -21,692 |
| Fair value adjustment of net loan liabilities | 11,223 | -23,338 |
| EPRA NNNAV | 931,418 | 821,009 |
| EPRA NAV/share | 13.12 | 12.83 |
| EPRA NNAV/share | 12.85 | 12.63 |
| EPRA NNNAV/share | 13.58 | 11.97 |

* incl. non-controlling interests and IFRS 5 properties

Whereas negative fair values in the previous year from the interest rate hedges settled in 2017 adversely affected EPRA NNNAV, mainly the positive measurement gains on our equity investments reflected in EPRA NNNAV in the reporting period resulted in EPRA NNNAV exceeding EPRA NAV.

# BALANCE SHEET DISCLOSURES

## 14. Investment property

| in EUR thousand | 2017 | 2016 |
|---|---|---|
| **Cost** | | |
| As at 1 January | 1,803,263 | 1,900,053 |
| Additions resulting from acquisitions | 0 | 0 |
| Additions from investment in expansion | 19,786 | 6,154 |
| Classification as "held for sale" | 35,723 | -21,409 |
| Disposals | -188,877 | -81,535 |
| **As at 31 December** | 1,669,895 | 1,803,263 |
| **Depreciation and amortisation** | | |
| As at 1 January | 219,831 | 199,902 |
| Additions | 29,767 | 34,353 |
| Classification as "held for sale" | -12,490 | -1,836 |
| Disposals | -4,427 | -12,588 |
| **As at 31 December** | 232,681 | 219,831 |
| Carrying amount on 1 January | 1,583,432 | 1,700,151 |
| Carrying amount on 31 December | 1,437,214 | 1,583,432 |
| **Fair value*** | 1,639,200 | 1,948,265 |

* incl. non-controlling interests and IFRS 5 property

Details of and information about the levels of the fair value hierarchy in accordance with IAS 40.79 in conjunction with IFRS 13.93 (a), (b) and 13.97 of the Group's investment property as at 31 December 2017 are presented on the next page:

| in EUR thousand | Fair value 31.12.2017 | Quoted prices in active markets for identical assets (level 1) | Material other observable inputs (level 2) | Material unobservable inputs (level 3) |
|---|---|---|---|---|
| Commercial real estate in Germany | 1,639,200 | | | 1.639.200 |

### Valuation techniques applied to level 3

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

The calculation of market values is based on a calculation of their present values (discounted cash flow method). This is generally based on a cash flow period of ten years, at the end of which the property is assumed to be sold. The discount rate recognised for the valuation comprises a risk-free rate, which can be derived from the average current yield on long-term, fixed income federal bonds and a property-specific risk premium, which reflects the restricted fungibility of real estate investments in relation to more fungible forms of investment such as equities or bonds. The average current yield recognised was 0.30% to 1.77%, (2016: 0.23% to 2.16%). The property-specific risk premium was between 1.98% and 6.23% (2016: between 2.09% and 5.84%). The average discount rate was 3.75% to 8.0% (2016: 4.25% to 8.0%).

The interest rate recognised for the capitalisation of the terminal value corresponds to the observable interest rate in the current real estate capital market plus a property-specific risk premium. The capitalisation rates recognised vary between 4.25% and 7.00% (2016: 4.5% and 7.25%) depending on the quality, location and structure of the properties.

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

In addition to the sensitivity analysis for the fair values already presented in the report on opportunities and risks (page 88 in the management report), we performed a sensitivity calculation for the properties' values in use so as to be able to assess effects of potential interest rate volatilities more accurately. This produced the following result:

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

| Scenarios: changes of discount rate \ Scenarios: changes of capitalisation rate | +0.25 % | 0 % | -0.25 % |
|---|---|---|---|
| +0.25 % | -95.9 EUR million | -39.7 EUR million | +23.8 EUR million |
| 0 % | -58.9 EUR million | +/-0.0 | +64.6 EUR million |
| -0.25 % | -14.9 EUR million | +39.6 EUR million | +105.8 EUR million |

Were the capitalisation and discount rates to increase by 25 basis points due to the macroeconomic or business situation, the value in use would fall by EUR 95.9 million. If the interest rates were to fall by the same amount, the value in use would rise by EUR 105.8 million.

As at 31 December 2017, acquisition costs included borrowing costs of EUR 334 thousand (2016: EUR 686 thousand). In financial year 2017, borrowing costs of EUR 334 thousand were capitalised in connection with ongoing construction work on the "Kaiserpassage" project (2016: EUR 157 thousand, "Trio Offenbach" project). The rate of borrowing costs was 2.86 % (2016: 2.17 %).

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

Current contractual arrangements result in financial obligations vis-à-vis our tenants of EUR 7.6 million for 2017 and 2018 (2016: EUR 5.5 million). Obligations from purchase agreements amount to EUR 1.1 million (2016: EUR 0.3 million).

## 15. Office furniture and equipment

| in EUR thousand | 2017 | 2016 |
|---|---|---|
| **Cost** | | |
| As at 1 January | 2,052 | 1,819 |
| Additions | 200 | 233 |
| Disposals | -14 | 0 |
| **As at 31 December** | **2,238** | 2,052 |
| **Depreciation and amortisation** | | |
| As at 1 January | 1,470 | 1,240 |
| Additions | 200 | 230 |
| Disposals | -10 | 0 |
| **As at 31 December** | **1,660** | 1,470 |
| Carrying amount on 1 January | 582 | 579 |
| Carrying amount on 31 December | 578 | 582 |

## 16. Investments in associates

The associates as at 31 December 2017 are listed in the following table. The equity investments and/or voting rights in the companies listed below are held directly by the Group.

| in EUR thousand | 31.12.2017 | | 31.12.2016 | |
|---|---|---|---|---|
| Interest in: | Share of voting rights | Carrying amount | Share of voting rights | Carrying amount |
| DIC Office Balance I (fund) | 12.5% | 18,672 | 12.5% | 22,171 |
| DIC Office Balance II (fund) | 0.0% | 9,553 | 0.0% | 8,783 |
| DIC Office Balance III (fund) | 0.0% | 7,414 | 0.0% | 7,933 |
| DIC Office Balance IV (fund) | 0.0% | 2,939 | 0.0% | 0 |
| DIC Retail Balance I (fund) | 0.0% | 5,643 | 0.0% | 0 |
| DIC HighStreet Balance (fund) | 0.0% | 6,773 | 0.0% | 6,771 |
| DIC MainTor Zweite Beteiligungs GmbH & Co. KG | 40.0% | 27,798 | 40.0% | 23,955 |
| DIC MSREF HT Portfolio GmbH | 20.0% | 3,605 | 20.0% | 4,918 |
| DIC MSREF FF Südwest Portfolio GmbH | 20.0% | 5,909 | 20.0% | 6,108 |
| DIC MSREF HMDD Portfolio GmbH | 20.0% | 2,311 | 20.0% | 2,910 |
| WCM Beteiligungs- und Grundbesitz-AG* | 0.0% | 0 | 24.7% | 91,754 |
| Other | | 182 | | 188 |
| Total | | 90,799 | | 175,491 |

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

| in EUR thousand | DIC MainTor Zweite Beteiligungs GmbH & Co. KG | DIC Office Balance I | DIC Office Balance II | DIC Office Balance III | DIC Office Balance IV | DIC Retail Balance I | DIC HighStreet Balance | Other associates | 2017 total | 2016 total |
|---|---|---|---|---|---|---|---|---|---|---|
| Assets | 499,836 | 392,542 | 331,790 | 208,323 | 62,502 | 108,976 | 232,106 | 154,702 | 1,990,777 | 2,342,435 |
| Liabilities | 440,475 | 181,814 | 125,996 | 628 | 334 | 149 | 96,575 | 95,910 | 941,881 | 1,228,291 |
| Net assets | 59,361 | 210,728 | 205,794 | 207,695 | 62,168 | 108,827 | 135,531 | 58,792 | 1,048,896 | 1,114,144 |
| Income | 26,389 | 34,862 | 16,780 | 12,748 | 2,242 | 1,475 | 12,058 | 8,418 | 114,972 | 144,913 |
| Expenses | 16,793 | 14,615 | 12,778 | 1,389 | 171 | 128 | 5,458 | 11,029 | 62,361 | 88,205 |
| Profit for the year | 9,595 | 20,247 | 4,002 | 11,359 | 2,071 | 1,347 | 6,600 | -2,611 | 52,610 | 56,708 |
| Other comprehensive income | | | | | | | | | | 482 |
| Comprehensive income | 9,595 | 20,247 | 4,002 | 11,359 | 2,071 | 1,347 | 6,600 | -2,611 | 52,610 | 57,190 |

Significant associates as defined in IFRS 12.2 are DIC MainTor Zweite Beteiligungs GmbH & Co. KG, DIC Office Balance I, DIC Office Balance II, DIC Office Balance III, DIC Office Balance IV, DIC Retail Balance I and DIC HighStreet Balance.

The Group holds a 4.2% interest (DIC Office Balance III), a 5.0% interest (DIC HighStreet Balance), a 6.0% interest (DIC Retail Balance I), a 9.3% interest (DIC Office Balance IV) and a 10% interest (DIC Office Balance I) in the capital of funds and/or holds an interest in the capital of various fund property entities and thus directly or indirectly holds an interest in the respective fund. It exerts a significant influence on the companies due to the chairmanship and the regulations regarding voting rights in the Investment Committee and through the contractual right to conduct the funds' asset and property management and to manage a fund property entity's business.

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

## 17. Loans to related parties

The loans to related parties concern the long-term loans to the related parties listed below. Please refer to the disclosures on p. 149 et seq. in the section entitled "Legal transactions with related parties" for a description of the terms.

| in EUR thousand | IAS 24.9 | 2017 | 2016 |
|---|---|---|---|
| DIC Opportunistic GmbH | b (ii) | **32,855** | 34,434 |
| Deutsche Immobilien Chancen AG & Co. KGaA | b (ii) | **29,213** | 28,568 |
| DIC MainTor GmbH | b (ii) | **24,281** | 12,975 |
| DIC MainTor Zweite Beteiligungs GmbH & Co. KG | b (ii) | **21,591** | 20,131 |
| DIC MSREF HMDD Portfolio GmbH | b (ii) | **2,203** | 2,294 |
| Total | | **110,143** | 98,402 |

## 18. Other investments

Other investments concern the investments in TLG Immobilien AG and DIC Opportunistic GmbH, which as at the reporting date were carried at their fair value of EUR 259,549 thousand (2016: 0 thousand) and EUR 31,026 thousand (2016: EUR 23,664 thousand), respectively.

## 19. Intangible assets

Intangible assets mainly comprise software for accounting, consolidation and office applications.

| in EUR thousand | 2017 | 2016 |
|---|---|---|
| Cost | | |
| As at 1 January | **2,931** | 2,849 |
| Additions | **230** | 82 |
| Disposals | **0** | 0 |
| As at 31 December | **3,161** | 2,931 |
| Amortisation | | |
| As at 1 January | **2,273** | 1,846 |
| Additions | **452** | 427 |
| Disposals | **0** | 0 |
| As at 31 December | **2,725** | 2,273 |
| Carrying amount on 1 January | **658** | 1,003 |
| Carrying amount on 31 December | **436** | 658 |

## 20. Trade receivables

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

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

| in EUR thousand | 2017 | 2016 |
|---|---|---|
| As at 1 January | 1,206 | 1,116 |
| Additions | 1,114 | 777 |
| Use | -184 | -362 |
| Reversal | -402 | -325 |
| As at 31 December | 1,734 | 1,206 |

Receivables amounting to EUR 184 thousand (2016: EUR 362 thousand) were written off in the financial year.

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

## 21. Receivables from and liabilities to related parties

The receivables result predominantly from the granting of loans. An average interest rate of 4.5 % to 7.25 % p.a. applies to the loans. Detailed disclosures on relations with entities and individuals classified as related parties are shown in the corresponding section entitled "Related party disclosures" on p. 149 et seq.

The value shown in the balance sheet relates to:

| in EUR thousand | | 31.12.2017 | | 31.12.2016 | |
|---|---|---|---|---|---|
| | IAS 24.9 | Receivables | Liabilities | Receivables | Liabilities |
| DIC MSREF HT Portfolio GmbH | b (ii) | 605 | | 1,652 | |
| DIC MSREF FF Südwest GmbH | b (ii) | 1,717 | 791 | 1,384 | 791 |
| DIC MSREF HMDD Portfolio GmbH | b (ii) | | 272 | | 272 |
| DIC MainTor GmbH | b (ii) | 56 | 8,520 | | 5,727 |
| DIC Opportunistic GmbH | b (ii) | 5,980 | 1,117 | 3,446 | 533 |
| DIC MainTor Zweite Beteiligungs GmbH & Co. KG | b (ii) | | 3,450 | | 3,476 |
| Deutsche Immobilien Chancen Beteiligungs AG | b (ii) | 18 | | 58 | 58 |
| Deutsche Immobilien Chancen AG & Co. KGaA | b (ii) | 1,361 | 379 | 1,329 | 354 |
| GEG Real Estate Management GmbH | b (ii) | 310 | | 233 | 130 |
| DIC MainTor III GmbH | b (ii) | | 696 | | 657 |
| DIC Office Balance II (fund) | b (ii) | 69 | | 404 | |
| DIC Office Balance III (fund) | b (ii) | 450 | | 19 | |
| DIC Office Balance IV (fund) | b (ii) | 55 | | | |
| DIC Retail Balance I (fund) | b (ii) | 9 | | | |
| DIC Starwood Immobilien GmbH | b (ii) | 91 | | 89 | |
| Other | b (ii) | | 27 | 11 | 26 |
| Total | | 10,721 | 15,252 | 8,625 | 12,024 |

### 22. Income tax receivable

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

### 23. Other receivables

| in EUR thousand | 2017 | 2016 |
|---|---|---|
| Deposits | 3,720 | 3,373 |
| "Rent-free period" receivables | 1,576 | 1,670 |
| Value added tax | 4,356 | 1,550 |
| Receivables from insurance compensations | 825 | 335 |
| Receivables from unbilled services | 939 | 1,005 |
| Receivables from future amounts due | 5,000 | 0 |
| Other | 827 | 448 |
| Total | 17,243 | 8,381 |

### 24. Other current assets

This item takes into account prepaid ground rents of EUR 1,204 thousand (2016: EUR 1,223 thousand) and other prepaid costs, such as insurance premiums. In the previous year, this item included the restricted funds of EUR 3,000 thousand deposited with DZ Bank to service liabilities from derivatives. The amount appropriated depended on the market value of the hedged swap.

### 25. Cash and cash equivalents

Of the existing cash and cash equivalents, EUR 11,798 thousand is subject to short-term restrictions on disposal beyond the end of the reporting period.

### 26. Non-current assets held for sale

The four properties acquired for the strategic growth of the fund business in 2017 were shown as a disposal group, including other assets and corresponding liabilities, in the balance sheet under non-current assets held for sale and non-current liabilities.

Furthermore, the sale of three properties also from the Commercial Portfolio was notarised in late 2017. Possession, benefits and associated risks of this property will be transferred in 2018. These properties were also reclassified to non-current assets held for sale. These properties are expected to be disposed in the first half of 2018.

Profits of EUR 467 thousand arose in 2017 in connection with the non-current assets held for sale item from the previous year (2016: EUR 9,756).

### 27. Equity

#### a. Issued capital

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

#### b. Authorised capital

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

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

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

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

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

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

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

### c. Contingent capital

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

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

- for fractional amounts resulting from the subscription ratio;

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

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

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

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

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

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

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

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

### d. Powers of the Management Board to buy back shares

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

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

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

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

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

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

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

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

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

As at 31 December 2017, the Company held no treasury shares. It has not made use of the authorisation described above.

### e. Share premium

The capital reserves amounted to EUR 732,846 thousand at the reporting date (2016: EUR 732,846 thousand). It contains the premium from the issuance of shares.

### f. Hedging reserve

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

The cash flow hedges in place as at 31 December 2016 from fully consolidated companies, which, after deduction of deferred taxes of EUR 18 thousand, resulted in unrealised losses of EUR 95 thousand, and from associates, which, after deduction of deferred taxes of EUR -21 thousand, resulted in unrealised losses of EUR 111 thousand, no longer existed as at the reporting date due to settlement or expiry of the respective contracts.

### g. Reserve for available-for-sale financial instruments

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

### h. Retained earnings

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

| in EUR thousand | 31.12.2017 | 31.12.2016 |
|---|---|---|
| Retained earnings/loss brought forward | -50,925 | 2,663 |
| Consolidated profit for the year | 64,412 | -29,386 |
| Dividend payment | -27,430 | -25,374 |
| Profit attributable to non-controlling interests | -820 | 1,172 |
| Consolidated retained earnings | -14,763 | -50,925 |

The dividend payment for 2016 and 2015 amounted to EUR 0.40 and EUR 0.37 per share, respectively.

## 28. Interest-bearing loans and borrowings

| in EUR thousand | 31.12.2017 | | 31.12.2016 | |
|---|---|---|---|---|
| | Carrying amount | Fair value | Carrying amount | Fair value |
| **Long-term (> 1 year) interest-bearing loans and borrowings** | | | | |
| Variable-rate loans and borrowings | - | - | 5,565 | 5,565 |
| Fixed-rate loans and borrowings | 1,109,559 | 1,097,245 | 1,175,884 | 1,187,624 |
| Total | 1,109,559 | 1,097,245 | 1,181,449 | 1,193,189 |
| **Short-term (< 1 year) interest-bearing loans and borrowings** | | | | |
| Variable-rate loans and borrowings | 168,166 | 168,576 | 70,344 | 70,344 |
| Fixed-rate loans and borrowings | 175,550 | 176,231 | 315,029 | 287,995 |
| | 343,716 | 344,807 | 385,373 | 358,339 |
| Total | 1,453,275 | 1,442,052 | 1,566,822 | 1,551,528 |

The fair values of the fixed-rate loans and borrowings are based on discounted cash flows calculated using interest rates taken from the yield curve as at 31 December 2017. The fair values of the financial instruments were determined applying risk premiums on a case-by-case basis. The carrying amounts of the variable-rate loans and borrowings are roughly equivalent to their fair values.

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

| in EUR thousand | 31.12.2017 | | | 31.12.2016 | | |
|---|---|---|---|---|---|---|
| | Total variable-rate loans and borrowings | Total fixed-rate loans and borrowings | Weighted interest rate (fixed-rate loans and borrowings) | Total variable-rate loans and borrowings | Total fixed-rate loans and borrowings | Weighted interest rate (fixed-rate loans and borrowings) |
| < 1 year | 168,166 | 175,550 | 5.13 % | 70,344 | 315,029 | 3.19 % |
| 1–5 years | – | 648,149 | 2.68 % | 1,040 | 646,884 | 2.81 % |
| > 5 years | – | 461,410 | 1.96 % | 4,525 | 529,000 | 1.95 % |
| Total | 168,166 | 1,285,109 | | 75,909 | 1,490,913 | |

Interest rates on the variable-rate loans and borrowings were adjusted regularly. Interest-rate adjustment dates are based on the 1-month or 3-month Euribor rate plus an average margin. An average interest rate of 1.81 % (2016: 1.34 %) is used for the variable-rate loans and borrowings, while an average interest rate of around 2.70 % (2016: 2.35 %) is used for the fixed-rate loans and borrowings.

The price of the bond issued in September 2014 with a nominal volume of EUR 175 million was 104.0 % at the reporting date. The price the bond issued in July 2013 with a nominal volume of EUR 100 million was 102.1 % at the reporting date. The bond issued in July 2017 with a nominal volume of EUR 130 million was quoted at 103.5 % at the reporting date.

The interest-bearing loans and borrowings were secured by land charges in the reporting year – with two exceptions: EUR 398,185 thousand for our corporate bond (2016: EUR 272,121 thousand) and EUR 96,500 thousand in current liabilities for interim financing (warehousing, among others).

## 29. Derivatives

At the reporting date, no derivative financial instruments were held:

| in EUR thousand | 31.12.2017 | | 31.12.2016 | |
|---|---|---|---|---|
| | Notional amount | Fair value | Notional amount | Fair value |
| Liabilities | | | | |
| Interest rate hedges (swaps) | 0 | 0 | 432,927 | 21,692 |

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

In the previous year, negative fair values of EUR 113 thousand after deduction of deferred taxes were recorded in equity as at 31 December 2016. The interest-rate hedging agreements had remaining terms of between six months and six years as at 31 December 2016.

| in EUR thousand | 31.12.2017 | | 31.12.2016 | |
|---|---|---|---|---|
| | Notional amount | Fair value | Notional amount | Fair value |
| Term ≤ 1 year | 0 | 0 | 428,227 | 21,579 |
| Term > 1 year | 0 | 0 | 4,700 | 113 |

In financial year 2016, there were interest rate hedging agreements in the form of swaps to hedge future variable cash flows from interest payments at the joint ventures in which DIC Asset AG has direct and indirect holdings of 20.0 % to 40 %. The hedged pro rata volumes and fair values from the perspective of DIC Asset were as follows:

| in EUR thousand | 31.12.2017 | | 31.12.2016 | |
|---|---|---|---|---|
| | Notional amount | Fair value | Notional amount | Fair value |
| Swap | 0 | 0 | 19,000 | -132 |

## 30. Provisions

No provisions were recognised by the Group as at the reporting date (2016: EUR 10 thousand).

## 31. Trade payables

Of the trade payables amounting to EUR 1,245 thousand (2016: EUR 1,408 thousand), EUR 346 thousand (2016: EUR 374 thousand) results from deferred service charges and from the use of services. They are due within one year.

## 32. Income tax payable

| in EUR thousand | 31.12.2017 | 31.12.2016 |
|---|---|---|
| Trade tax | 2,912 | 2,085 |
| Corporation tax | 0 | 0 |
| Capital gains tax | 0 | 3 |
| Total | 2,912 | 2,088 |

## 33. Other liabilities

| in EUR thousand | 31.12.2017 | 31.12.2016 |
|---|---|---|
| Invoices outstanding | 11,305 | 7,258 |
| Deposits | 3,729 | 3,397 |
| Bonuses | 2,620 | 2,083 |
| Security deposits | 1,483 | 806 |
| Holiday pay and other personnel-related expenses | 1,322 | 424 |
| Value added tax | 867 | 663 |
| Advance rent payments received | 528 | 624 |
| Auditing costs | 601 | 542 |
| Supervisory Board remuneration | 395 | 395 |
| Tax consultancy fees | 318 | 311 |
| Share-based payment | 525 | 245 |
| Other | 2,641 | 2,130 |
| Total | 26,334 | 18,878 |

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

The Group has agreed performance-related remuneration agreements with the members of the Management Board in the form of a share-based payment model. At the end of 2017, the members of the Management Board and former members of the Management Board held options on 315,000 (2016: 175,000) phantom stocks of the Company, of which 75,000 options were granted to Ms Wärntges, 40,000 were granted to Mr Hasselbring and 45,000 options were granted to Mr von Mutius in 2017. These options may not be exercised by members of the Management Board until they have been a member of the Board of DIC Asset AG for two to three years. As at 31 December 2017, the Company measured the fair value at EUR 4.42 for Ms Wärntges, at EUR 4.00 for Mr von Mutius, at EUR 4.11 for Mr Hasselbring and at EUR 4.42 for Mr Karaduman. The Black-Scholes option pricing model is used for the measurement.

The critical parameters for this valuation model are the share price at the reporting date of EUR 10.53, (2016: EUR 9.10), the exercise price of EUR 5.88 in each case, the standard deviation from the expected share price return of 14.78 % (2016: 21.94 %) and the annual term-dependent risk-free interest rate of 0.01 %, which remained unchanged from the previous year. Volatility as measured by the standard deviation from the expected share price returns is based on statistical analyses of the daily share prices over the last year.

In the reporting year, Mr von Mutius exercised his phantom stock options from 2015 when the prerequisites were achieved. The total of 20,000 phantom stocks were measured at an average price of EUR 9.96 (Xetra closing price) in the last ten trading days prior to the date of exercise. This resulted in total cash compensation of EUR 82 thousand, of which EUR 31 thousand was recognised as an expense in the reporting period. These constitute related party transactions as defined by IAS 24.17e. Further details, especially disclosures in accordance with section 314 (1) no. 6 letter a sentences 5 to 9 HGB, are provided in the remuneration report, which is an integral part of the combined management report.

At the reporting date, there were no exercisable phantom stock options. The fair value of all options granted (including former members of the Management Board) amounted to EUR 525 thousand as at the reporting date. As a result, a total of EUR 362 thousand (2016: EUR 148 thousand) was recognised as an expense for stock options in the financial year.

The liabilities arising from Supervisory Board remuneration are liabilities to members of the Supervisory Board. They constitute liabilities to related parties as defined by IAS 24.9. The breakdown of the remuneration in accordance with the criteria set out in IAS 24.9 is provided in the section entitled "Legal transactions with related parties" starting on page 149. For information on individual members, see the details on Supervisory Board remuneration in the remuneration report.

## 34. Supplementary disclosures on financial instruments

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

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

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

There are no prices quoted on an active market for the unlisted shares in DIC Opportunistic GmbH held by the Group. Their fair value is based on the indirectly held real estate and equity investments. The equity investment in TLG Immobilien AG was measured at its stock market value as at the reporting date. Changes in fair value at the end of the reporting period amounted to EUR +35,466 thousand. Please refer to page 123 et seq. for the valuation of real estate assets.

| in EUR thousand | IAS 39 measurement category | **Carrying amount 31.12.17** | Measurement in acc. with IAS 39 | | | **Fair value 31.12.17** |
|---|---|---|---|---|---|---|
| | | | (Amortised) cost | Fair value recognised in other comprehensive income | Fair value recognised in profit or loss | |
| **Assets** | | | | | | |
| Equity investments | AfS | **290,575** | | 290,575 | | **290,575** |
| | | | | | | |
| Other loans | LaR | **110,143** | 110,143 | | | **110,143** |
| Receivables from sale of investment property | LaR | **13,816** | 13,816 | | | **13,816** |
| Trade receivables | LaR | **4,484** | 4,484 | | | **4,484** |
| Receivables from related parties | LaR | **10,721** | 10,721 | | | **10,721** |
| Other receivables | LaR | **17,243** | 17,243 | | | **17,243** |
| Other current assets | LaR | **1,681** | 1,681 | | | **1,681** |
| Cash and cash equivalents | LaR | **201,997** | 201,997 | | | **201,997** |
| | | | | | | |
| Total | LaR | **360,085** | 360,085 | | | **360,085** |
| | | | | | | |
| **Equity and liabilities** | | | | | | |
| Corporate bond | FLAC | **398,185** | 398,185 | | | **418,678** |
| Non-current interest-bearing loans and borrowings | FLAC | **810,992** | 810,992 | | | **780,677** |
| Current loans and borrowings | FLAC | **196,530** | 196,530 | | | **195,129** |
| Trade payables | FLAC | **1,245** | 1,245 | | | **1,245** |
| Related party liabilities | FLAC | **15,252** | 15,252 | | | **15,252** |
| Other liabilities | FLAC | **26,334** | 26,334 | | | **26,334** |
| Liabilities related to financial investments held for sale | FLAC | **47,568** | 47,568 | | | **47,568** |
| | | | | | | |
| Total | FLAC | **1,496,106** | 1,496,106 | | | **1,484,883** |

The figures for the previous year are as follows:

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

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

| in EUR thousand | Interest income | | Interest expense | |
|---|---|---|---|---|
| | **2017** | 2016 | **2017** | 2016 |
| Financial assets measured at amortised cost (LaR) | **8,701** | 9.352 | | |
| Financial liabilities measured at amortised cost (FLAC) | | | **-34,146** | -74.176 |

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

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

As at 31 December 2017, the division into measurement levels is as follows:

| in EUR thousand | **Fair value 31.12.2017** | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| **Assets at fair value – recognised in other comprehensive income** | | | | |
| Equity investment | **290,575** | 259,549 | | 31,026 |

The figures for the previous year are as follows:

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

Changes in Level 3 financial instruments are as follows:

| in EUR thousand | 2017 | 2016 |
|---|---|---|
| 01.01. | 23,664 | 24,120 |
| Additions | 6,229 | 0 |
| Measurement gains/losses | 1,133 | -456 |
| 31.12. | 31,026 | 23,664 |

Net gains and losses on financial instruments are as follows:

| in EUR thousand | 2017 | 2016 |
|---|---|---|
| Equity investments (AfS) | +35,466 | -456 |
| Derivatives not included in hedging relationships (FAHfT) | 0 | +82 |
| Derivatives included in hedging relationships | 0 | -19,965 |

## STATEMENT OF CASH FLOWS DISCLOSURES

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

The non-cash changes in financial liabilities in the statement of cash flows are largely attributable to transactions.

## SEGMENT REPORTING

The segment report is structured in line with IFRS 8 Operating Segments, following the management approach. In accordance with internal reporting and management, reporting in 2017 is broken down into the Commercial Portfolio, Funds and Other Investments segments. The prior-year figures were adjusted accordingly.

Decisions by the Management Board on the allocation of resources to the segments and their earnings capacity are based primarily on the operational key performance indicators presented.

## SEGMENT REPORTING

| in EUR million | 2017 | | | | 2016 | | | |
|---|---|---|---|---|---|---|---|---|
| | Commercial Portfolio | Funds | Other Investments | Total | Commercial Portfolio | Funds | Other Investments | Total |
| **Key earnings figures** | | | | | | | | |
| Gross rental income (GRI) | 109.7 | | | 109.7 | 111.2 | | | 111.2 |
| Net rental income (NRI) | 93.1 | | | 93.1 | 94.5 | | | 94.5 |
| Proceeds from sales of properties* | 25.5 | | | 25.5 | 23.2 | | | 23.2 |
| Real estate management fees | | 18.9 | 1.9 | 20.8 | | 18.8 | 2.7 | 21.5 |
| Share of the profit or loss of associates** | | 2.6 | 26.4 | 29.0 | | 2.4 | -0.1 | 2.3 |
| Funds from Operations (FFO) | 47.1 | 8.6 | 4.5 | 60.2 | 35.7 | 11.0 | 0.3 | 47.0 |
| | | | | | | | | |
| **Segment assets** | | | | | | | | |
| Number of properties*** | 113 | 56 | 13 | 182 | 142 | 48 | 16 | 206 |
| Assets under management (AuM) at market value*** | 1,639 | 1,494 | 1,266 | 4,399 | 1,948 | 1,143 | 1,069 | 4,160 |
| Rental space in sqm**** | 947,868 | 613,358 | 202,926 | 1,764,152 | 1,109,356 | 511,026 | 220,403 | 1,840,785 |

* not relevant for FFO
** Income from Other Investments: EUR 9.2 million included in FFO (2016: EUR 3.0 million)
*** not proportionate / based on 100%, incl. project developments and repositioning properties
**** not proportionate / based on 100%, excl. project developments and repositioning properties

The Commercial Portfolio segment includes real estate in the company's own portfolio. Material contributions to earnings comprise rental income and gains from sales made for the express purpose of optimising the portfolio. The FFO contribution of the Commercial Portfolio segment rose substantially from EUR 35.7 million to EUR 47.1 million due to lower finance costs.

The Funds segment consolidates our special real estate funds in which we invest on the one hand and which generate ongoing, transaction-specific service income from the fund and asset management business on the other hand. Its strategic expansion and the associated increase in administrative and personnel expenses resulted in a year-on-year decline in the FFO contribution in this segment. Assets under management increased to EUR 1.5 billion, reflecting the strategic growth in this segment.

Project developments, joint ventures and financial investments are grouped in the Other Investments segment. The increase in FFO over the prior year was mainly attributable to the current income generated by the investment in WCM/TLG in the amount of EUR 3.7 million.

### RECONCILIATION BETWEEN THE MARKET VALUE IN 2017 AND THE CARRYING AMOUNT OF INVESTMENT PROPERTIES

| in EUR million | 2017 | 2016 |
|---|---|---|
| Fair value | 1,853.0 | 2,128.1 |
| less Funds/Other Investments | 235.0 | 208.7 |
| Less fair value difference | 84.6 | 72.3 |
| less IFRS 5 properties | 117.3 | 292.5 |
| Plus non-controlling interests | 21.1 | 28.8 |
| Total | 1,437.2 | 1,583.4 |

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

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

## LEASES

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

At the reporting date, investment properties with a carrying amount of EUR 1,437,214 thousand (2016: EUR 1,583,432 thousand) were let under operating leases. With regard to the disclosures on accumulated depreciation and depreciation costs for the period as required under IAS 17.56 and .57, please see the information in note 14 “Investment property”.

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

| in EUR thousand | 2017 | 2016 |
|---|---|---|
| < 1 year | 98,400 | 108,318 |
| 1–5 years | 262,136 | 299,035 |
| > 5 years | 102,225 | 100,665 |
| Total | 462,761 | 508,018 |

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

In 2017, the Group had leases primarily for retail and gastronomy space involving a revenue-dependent, in some cases index-linked rent agreement. The Group generated a base rent of EUR 4,477 thousand (2016: EUR 1,052 thousand) from these leases. Furthermore, there were no contingent rents (IAS 17.4).

With regard to the gross rental income recognised by the Group from investment property in 2017, please refer to note 1. Maintenance expenses included in other property-related expenses were as follows:

| in EUR thousand | 2017 | 2016 |
|---|---|---|
| Properties with which rental income is generated | 1,840 | 1,937 |
| Properties which are vacant | 0 | 0 |

Total expenses from minimum lease payments for operating leases in which the Group is the lessee amounted to EUR 1,786 thousand (2016: EUR 1,613 thousand). The lease agreements primarily concern leased vehicles and the rental of office premises. The lease for the offices began on 1 April 2014 and ends on 31 March 2024. Contracts for leased vehicles have a standard term of 3 years. DIC Asset AG will make the following minimum lease payments for existing non-cancellable operating leases:

| in EUR thousand | 2017 | 2016 |
|---|---|---|
| < 1 year | 1,765 | 1,613 |
| 1–5 years | 5,765 | 5,576 |
| > 5 years | 2,759 | 2,970 |
| Total | 10,289 | 10,159 |

# REPORTING ON RISK MANAGEMENT

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

Details concerning the risk management system and business risks are presented in the Company's management report in the section entitled "Risk management". on p. 81 et seq. The following supplementary disclosures on individual risks are made in accordance with IFRS 7:

### Credit risk

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

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

A concentration risk could arise in cases where individual tenants generate more than 10% of the Group's rental income. Since no tenant has a share exceeding 10% of total volume, the Group is not exposed to significant credit risk. The top ten tenants generate some 45% of total annual rental income. These tenants are all renowned tenants with mostly excellent credit standing, primarily from the public sector, the telecommunications industry and the retail sector.

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

In addition, the Group is exposed to credit risk resulting from financial guarantees furnished by the Group to banks or other contractual partners. The Group's maximum risk corresponds to the amount the Group would have to pay if the guarantee was called in. As at 31 December 2017, there were guarantees amounting to EUR 199,976 thousand (2016: EUR 174,848 thousand). The share attributable to DIC Asset AG as at the reporting date amounts to EUR 164,595 thousand (see disclosures on contingent liabilities).

### Liquidity risk

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

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

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

Compliance with covenants is monitored on an ongoing basis and included in the Group's quarterly reporting to management. All covenants were met in the 2017 financial year. We expect no covenant violations in 2018.

Cash and cash equivalents totalling EUR 201,997 thousand (2016: EUR 152,414 thousand) are available to cover liquidity requirements. Furthermore, the Group has credit lines and guarantee facilities unutilised to date in the total amount of EUR 43,849 thousand (2016: EUR 42,100 thousand). The Group expects to be able to fulfil its other obligations from operating cash flows.

In the interest of minimising risk concentration, new financing and refinancing deals for real estate portfolios are spread across several banks in some cases, thus reducing the respective exposure per bank. At the reporting date, the maximum counterparty risk with a single counterparty stands at EUR 266 million (2016: EUR 510 million).

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

| in EUR thousand | **2018** | 2019 to 2022 | 2023 and after |
|---|---|---|---|
| **Non-derivative financial liabilities** | | | |
| Non-current interest-bearing loans and borrowings | **26,794** | 736,403 | 472,672 |
| Current loans and borrowings* | **346,934** | | |
| Trade payables | **1,245** | | |
| Related party liabilities | **15,252** | | |
| Other liabilities | **26,334** | | |
| **Derivative financial liabilities** | **0** | 0 | 0 |
| Total | **416,559** | 736,403 | 472,672 |

* incl. liabilities related to non-current assets held for sale

The figures for the previous year are as follows:

| in EUR thousand | **2017** | 2018 to 2021 | 2022 and after |
|---|---|---|---|
| **Non-derivative financial liabilities** | | | |
| Non-current interest-bearing loans and borrowings | **0** | 648,039 | 533,410 |
| Current loans and borrowings* | **385,373** | | |
| Trade payables | **1,408** | | |
| Related party liabilities | **12,024** | | |
| Other liabilities | **18,878** | | |
| **Derivative financial liabilities** | **21,579** | 113 | 0 |
| Total | **439,262** | 648,152 | 533,410 |

* incl. liabilities related to non-current assets held for sale

### Market risk

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

Interest rate risk arises as a result of market-driven fluctuations in interest rates or margins on new borrowings and renewals of loans. The Group is exposed to interest rate risk because Group companies raise funds at fixed and variable interest rates. This risk is managed by the Group through a balanced portfolio of fixed-rate and variable-rate loans. Interest rate swaps, mainly payer swaps, are also arranged additionally for this purpose if appropriate. Hedges are assessed at regular intervals to match them with expected interest rates. In an interest rate swap, the Group swaps fixed and variable interest payments which were calculated on the basis of previously agreed notional principal amounts. Such agreements allow the Group to reduce cash flow risks arising from funds borrowed at variable interest rates. The interest rate swap and the interest payments on loans arise simultaneously. The cumulative amount reported in equity is recognised in profit or loss over the term in which the variable interest rate payments on the debt affect the income statement. The fair value of interest rate swaps is determined by discounting future cash flows using the yield curves on the reporting date and the credit risk associated with all contracts. As at the 31 December 2017 reporting date, the Group had no derivatives. The following table shows the notional amounts and remaining terms of interest rate swaps at the end of the reporting period.

| in EUR thousand | 2017 | | 2016 | |
|---|---|---|---|---|
| | Notional amount | Fair value | Notional amount | Fair value |
| Term ≤ 1 year | 0 | 0 | 428,227 | -21,579 |
| Term 1-5 years | 0 | 0 | 4,700 | -113 |
| Term > 5 year | 0 | 0 | 0 | 0 |

As at 31 December 2017, 88 % (2016: 87 %) of the Group's loans and borrowings carried a fixed interest rate or were hedged against interest rate fluctuations and thus matched the cash flows from rents. This means that the impact of fluctuations in market interest rates are foreseeable in the medium term.

For the purpose of optimising net interest income, the Group maintained 12 % (2016: 13 %) of financial debt at variable interest rates in financial year 2017.

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

| in EUR thousand | 2017 | | 2016 | |
|---|---|---|---|---|
| | +100 Bp | -100 Bp | +100 Bp | -100 Bp |
| Effect on earnings from variable-rate loans and borrowings | -1,065 | +337 | -59 | +59 |
| Effect on equity from financial derivatives (swap) | 0 | 0 | +53 | -53 |

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

# CONTINGENT LIABILITIES AND OTHER FINANCIAL OBLIGATIONS

## Contingent liabilities

DIC Asset AG has provided the following sureties and guarantees:

| Type of collateral | Beneficiary | Purpose | Amount in EUR thousand | DIC Asset AG share in EUR thousand |
|---|---|---|---|---|
| Directly enforceable fixed liability guarantee | Deutsche Hypotheken Bank AG, Berlin Hyp AG, HSH Nordbank AG | Loan agreement, Commercial Portfolio | 58,000 | 58,000 |
| Directly enforceable guarantee | Thoma Aufzüge GmbH | Claims from the MT Porta construction project | 105 | 105 |
| Directly enforceable guarantee | Imtech Germany | Claims from the MT Porta construction project | 2,481 | 2,481 |
| Directly enforceable guarantee | Union Investment Real Estate GmbH | Warranty bond for MT Porta | 2,750 | 2,750 |
| Directly enforceable guarantee | City of Frankfurt am Main | Collateral for planning services, MT WINX | 360 | 360 |
| Payment bond | BAM Deutschland AG | MT WINX construction project | 7,088 | 7,088 |
| Directly enforceable guarantee | Versorgungswerk der Landesärztekammer Hessen | Loan agreement with DIC Retail Balance I GmbH | 18,500 | 18,500 |
| Directly enforceable guarantee | Nestle Pensionskasse VVaG | Loan agreement with DIC Retail Balance I Funding GmbH | 15,000 | 15,000 |
| Directly enforceable fixed liability guarantee | Berlin Hyp AG | Loan agreement, DIC Objekt Hamburg Heidenkampsweg GmbH & Co. KG | 5,000 | 5,000 |
| Guarantee pursuant to section 648 BGB | Dodel Metallbau GmbH | Claims, Junges Quartier Obersendling construction project | 1,357 | 1,375 |
| Payment bond | ED.Züblin AG | MT Panorama construction project | 2,261 | 2,261 |
| Guarantee pursuant to section 648 BGB | Siemens Immobilien GmbH & Co. KG | Claims, Junges Quartier Obersendling construction project | 6,750 | 6,750 |
| Directly enforceable guarantee | Deutsche Hypothekenbank | Loan agreement, Riverpark Frankfurt GmbH & Co. KG (formerly DIC Blue GmbH) | 5,000 | 2,780 |
| Performance guarantee | Versorgungswerk der Landesärztekammer Hessen | Borrower's note loan agreement, Riverpark Frankfurt GmbH & Co. KG (formerly DIC Blue GmbH) | 12,800 | 5,120 |
| Surety bond | Berlin Hyp AG | Loan agreement, DIC 26 Frankfurt Taunusstraße GmbH | 2,000 | 2,000 |
| Performance surety bond | IVG Institutional Funds GmbH | Performance in accordance with the purchase agreement for correction of any defects in the MT Panorama construction project | 6,400 | 2,560 |
| Directly enforceable guarantee | Union Investment Real Estate GmbH | Fulfilment of all payment obligations and obligations to pay damages by the seller in accordance with the MT Porta purchase agreement | 10,000 | 4,000 |
| Directly enforceable guarantee | Union Asset Management Holding AG | Securing the tenant's lease claims arising from the MT Porta construction project | 1,200 | 480 |
| Warranty bond | PATRIZIA WohnInvest Kapitalverwaltungsgesellschaft mbH | Acceptance of MT Patio construction project | 1,000 | 400 |
| Directly enforceable guarantee | WinX Verwaltungs GmbH | Obligation to fulfil contractually secured claims in the WINX construction project | 16,000 | 6,400 |
| Letter of comfort / surety bond | Bilfinger Hochbau GmbH | Surety bond for all payment claims, Opera Offices NEO | 1,785 | 357 |
| Standby letter of credit | Bankhaus Lampe KG | Loan agreement, DIC Office Balance I GmbH | 20,000 | 20,000 |
| Directly enforceable guarantee | Grundbesitzgesellschaft Große Theaterstraße mbH & Co. KG | Opera Offices NEO construction project | 2,300 | 460 |
| Directly enforceable guarantee | Grundbesitzgesellschaft Große Theaterstraße mbH & Co. KG | Opera Offices NEO construction project | 1,840 | 368 |

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

### Financial obligations

A sublease agreement is in place between DIC Asset AG, its wholly owned subsidiary DIC Onsite GmbH and Deutsche Immobilien Chancen AG & Co. KGaA, which acts as the general tenant for the Group, for the premises on the MainTor site with a fixed term until 31 March 2024 (1st floor until 31 March 2019). The 6th and 8th floors have also been rented since 1 October 2017. This agreement triggers annual payments of EUR 882 thousand, plus EUR 175 thousand in advance payments of service charges, for DIC Asset AG and EUR 217 thousand, plus EUR 42 thousand in advance payments for service charges, for DIC Onsite GmbH.

Additional financial obligations arise from operating lease agreements for vehicles in which the Company is the lessee. Please see the section entitled "Leases" on p. 143 for more information.

With regard to existing investment obligations for measures on portfolio properties, please refer to our explanations in the section entitled "Investment property" on p. 125 et seq.

## CAPITAL MANAGEMENT

The paramount objective of capital management is to ensure that the Group retains its ability to repay its debts and the financial stability to support its business activities in the future.

The capital structure is managed in accordance with economic and regulatory provisions. In this process, we aim to achieve a balanced maturity structure for outstanding liabilities.

DIC Asset AG is able to manage its capital structure through dividends and/or capital increases or by changes to its financing. DIC Asset AG strives to maintain a capital structure that is in line with the business risk. DIC Asset AG is subject to the minimum capital requirements for stock corporations. Compliance with these requirements is monitored.

The equity ratio is used as an important parameter vis-à-vis investors, analysts and banks.

| in EUR thousand | **2017** | 2016 |
|---|---|---|
| Equity | **828,913** | 756,973 |
| Total assets | **2,341,278** | 2,395,547 |
| Reported equity ratio | **35.4%** | 31.6% |

The reported equity ratio increased by 3.8 percentage points year-on-year.

# RELATED PARTY DISCLOSURES

## Entities and individuals classified as related parties

Related parties include the 14 (2016: 13) associated companies accounted for using the equity method (see the section entitled "Consolidation").

Due to their significant influence, the following entities and individuals are classified as related parties:

- Deutsche Immobilien Chancen AG & Co. KGaA
- Group companies of Deutsche Immobilien Chancen AG & Co. KGaA
- DIC Opportunistic GmbH
- Deutsche Immobilien Chancen Beteiligungs AG
- DIC Grund- und Beteiligungs GmbH
- DIC Capital Partners (Europe) GmbH
- GCS Verwaltungs GmbH
- MSREF Funding Inc. together with the companies of the MSREF Group
- Forum European Realty Income II L.P. (hereinafter "Forum")
- DICP Capital SE
- German Estate Group GmbH & Co. KG together with their associated companies
- Prof. Dr. Gerhard Schmidt

Additional related parties are the Supervisory Board, the Management Board and close relatives of these individuals.

The Company has prepared a dependent company report outlining its relations with affiliated companies. This report lists all legal transactions conducted by the Company or its subsidiaries with affiliates, or at the request of or in the interest of one of these companies, over the past financial year, as well as all other measures the Company took or failed to take at the request of or in the interest of these companies over the past financial year.

The report concludes with the following statement:

"We hereby declare that, based on the circumstances known to us at the time when the transactions were entered into, our Company received or paid appropriate consideration for each transaction. We took no actions at the request of or on behalf of the controlling company."

An overview of legal transactions and relations with related parties is shown below.

## Legal transactions with related parties

### Deutsche Immobilien Chancen AG & Co. KGaA

There is an overlap of personnel in the Supervisory Boards of DIC Asset AG, Deutsche Immobilien Chancen AG & Co. KGaA ("DIC AG & Co. KGaA") and DIC Beteiligungs AG in that Prof. Dr. Gerhard Schmidt and Mr Klaus-Jürgen Sontowski are also indirectly significant limited shareholders in DIC AG & Co. KGaA. In addition, Prof. Dr. Gerhard Schmidt is also the indirect majority shareholder of its sole general partner, DIC Beteiligungs AG. Mr Ulrich Höller is a member of the Supervisory Board of DIC Asset AG and DIC Beteiligungs AG.

The Company currently provides general property and building management services (including re-letting services) as well as services related to technical building management for a total of 13 properties in which DIC AG & Co. KGaA has a direct or indirect equity interest. In 2017, the total remuneration received by the Company for these services amounted to EUR 20,818 thousand (2016: EUR 21,540 thousand). Of this, a total of EUR 306 thousand (2016: EUR 348 thousand) was attributable to remuneration paid by consolidated companies of the DIC AG & Co. KGaA Group.

DIC Asset AG has granted a loan to DIC AG & Co. KGaA with an indefinite term and a notice period of 12 months effective at the end of a quarter. An interest rate of 3% above the 3-month Euribor to be paid in arrears, has been agreed. As collateral for taking out the loan, DIC AG & Co. KGaA in accordance with an addendum dated 21 December 2015 had granted a lien on ordinary shares of DIC Real Estate GmbH in the amount of EUR 222 thousand (22% of the ordinary shares). As at 31 December 2017, EUR 29,213 thousand of this credit line had been utilised (2016: EUR 28,362 thousand). For the money made available, DIC Asset AG received interest income in the amount of EUR 851 thousand in the reporting year (2016: EUR 840 thousand). The loan is shown under non-current loan and borrowings in the balance sheet.

DIC AG & Co. KGaA had a current account relationship with some of the DIC Asset AG subsidiaries until 2016 which was balanced as at the reporting date in each case. The DIC AG & Co. KGaA companies shown in the table received interest income for the loans made available in the following amounts:

| in EUR thousand | 2017 | 2016 |
|---|---|---|
| Gewerbepark Langenfeld West 3 GmbH & Co. KG | 0 | 0 |
| DIC Objekt Frankfurt 1 GmbH & Co. KG | 0 | 5 |
| Deutsche Immobilien Chancen Objekt Ulm 1 Erweiterung GmbH & Co. KG | 0 | -3 |

In addition, a sublease relationship is in place between DIC AG & Co. KGaA and DIC Asset AG as well as its wholly owned subsidiary DIC Onsite GmbH with regard to office space used by DIC Asset AG and DIC Onsite GmbH at the Frankfurt site since DIC AG & Co. KGaA acts as the general tenant in the Group headquarters in Frankfurt. The amount of the rent is based on the space actually occupied by DIC Asset AG and DIC Onsite GmbH and is charged on at the same price per square metre, which is a component of the general rental agreement of DIC AG & Co. KGaA. For 2017, rent paid to DIC AG & Co. KGaA by DIC Asset AG and DIC Onsite AG amounted to EUR 1.057 thousand (2016: EUR 778 thousand) and EUR 260 thousand, respectively. DIC Asset AG considered the rent to be at the normal rate for the location and appropriate.

### DIC Opportunistic GmbH

In accordance with a loan dated 17 December 2008 and the addenda thereto, DIC Asset AG has granted a loan to DIC Opportunistic GmbH. As at 31 December 2017, this loan amounted to EUR 34,828 thousand (2016: EUR 34,411 thousand). The term of the loan was extended from 31 December 2016 to 31 December 2017 with respect to a partial amount of EUR 35 million and to 31 December 2018 with respect to the remaining amount of EUR 9,828 million in accordance with an addendum dated 14 December 2015. The term was extended from 31 December 2017 to 31 December 2018 with respect to a partial amount of EUR 15 million and to 31 December 2019 with respect to the remaining amount of EUR 19,828 million in accordance with an addendum dated 20 December 2017. The loan has an interest rate of 5.75 % p.a. For the money made available, DIC Asset AG received interest income in the amount of EUR 1,973 thousand in the reporting period (2016: EUR 2,362 thousand).

DIC OF RE 2 GmbH (a wholly-owned subsidiary of DIC Asset AG) has two loan receivables from DIC Opportunistic GmbH; one is subject to 4 % interest pursuant to an addendum to the loan agreement dated 1 April 2008, and the second one is subject to 0.5 % interest pursuant to an addendum to the loan agreement dated 18 August 2009. Interest must be paid quarterly in arrears. The loans have indefinite terms. For the money made available, DIC OF RE 2 GmbH received interest income in the amount of EUR 68 thousand in the reporting year (2016: EUR 67 thousand). The interest expense vis-à-vis DIC Opportunistic GmbH amounts to EUR 543 thousand in the reporting year (2016: EUR 528 thousand).

DIC Opportunistic GmbH holds a 7.5 % interest in DIC Hamburg Portfolio GmbH and in DIC HI Portfolio GmbH; DIC Asset AG holds the remaining 92.5 % of the shares. DIC Opportunistic GmbH would generally be willing to sell this interest. However, since DIC Asset AG is interested in maintaining this structure to avoid any influence by a third party or triggering property transfer tax, it pays an annual financial compensation of 5 % of the purchase cost for the shares (EUR 285 thousand).

### DIC MainTor GmbH

In an agreement dated 12 December 2011, DIC OF REIT 1 GmbH (a wholly-owned subsidiary of DIC Asset AG) granted DIC MainTor Porta GmbH a loan in the amount of up to EUR 30 million to finance the corresponding construction stage of our development project. The loan has an interest rate of 7.25 % p. a. and grants an additional share of profits. In accordance with the addendum dated 12 December 2016, it has a term ending 31 December 2018. In accordance with the addendum to the loan agreement dated 18 December 2014, a special repayment of EUR 20 million was agreed. The shares in DIC MainTor WINX GmbH were pledged as collateral. As at the reporting date, this loan amounted to EUR 24,281 thousand (2016: EUR 12,975 thousand). Total interest income of EUR 3,159 thousand (2016: EUR 2,809 thousand) was recognised in the 2017 financial year. In addition, a collateral promise agreement was concluded on 19 December 2014. The collateral promise turned this liability into a joint and several obligation of DIC MainTor Porta GmbH and DIC MainTor GmbH.

### DIC MainTor Zweite Beteiligungs GmbH & Co. KG

DIC Asset AG entered into a loan agreement with DIC MainTor Zweite Beteiligungs GmbH & Co. KG in the amount of EUR 8,000 thousand with effect from 04 July 2008 for the purpose of financing the working capital of the borrower. The loan carries annual interest of 7.25 %. The claims arising from the loan were secured by providing the lender with a first-priority pledge over the rights and claims from the shares in the capital of DIC MainTor Erste Beteiligungs GmbH. Addendum 1 dated 10 October 2008 to the loan agreement dated 04 July 2008 increased the loan amount by EUR 4,000 thousand to EUR 12.000 thousand. Addenda 1 through 9 extended the term of the loan, most recently to 31 December 2019 by way of Addendum 9 dated 04 October 2017 to the loan agreement dated 04 July 2008. As at 31 December 2017 the loan balance was EUR 21,591 thousand (2016: EUR 20,131 thousand).

### DIC Office Balance I, DIC Office Balance II, DIC Office Balance III, DIC Office Balance IV, DIC Retail Balance I and DIC HighStreet Balance

Management fees of EUR 2,515 thousand (2016: EUR 2,523 thousand) for services provided to the DIC Office Balance I fund, of EUR 2,217 thousand (2016: EUR 2,057 thousand) for services provided to the DIC Office Balance II fund, of EUR 2,628 thousand (2016: 1,854 thousand) for services provided to DIC Office Balance III, of EUR 455 thousand (2016: EUR 0 thousand) for services provided to DIC Office Balance IV, of EUR 260 thousand (2016: EUR 0 thousand) for services provided to DIC Retail Balance I and of EUR 1,329 thousand (2016: EUR 1,417 thousand) for services provided to DIC HighStreet Balance.

### Deutsche Immobilien Chancen Beteiligungs AG

Under the "German Investment Program Agreements" dated 29 July 2004 and the "Investment And Shareholder Agreements" dated 7 June 2005, the following DIC Asset AG investees and their respective wholly-owned subsidiaries made use of various services provided by DIC Beteiligungs AG.

### SERVICE AGREEMENTS

| Companies |
|---|
| DIC MSREF HMDD Portfolio GmbH |
| DIC MSREF Hochtief Portfolio GmbH |
| DIC MSREF FF Südwest Portfolio GmbH |

| Agreements in place |
|---|
| Provision of management services; |
| Commission on letting or sale of properties; |
| Accounting fee |
| Remuneration for subleases (tenant improvement fee) |
| Development fees |
| Arrangement fee |

Under the current asset management agreements and the addenda thereto, MSREF investees are to pay the following compensation to DIC Beteiligungs AG, as in the previous year:

- Base management fee 1.3 % of net annual rent
- Disposition fee (corresponds to a sales commission): 1 % to 3 % of the sales price after transaction costs if no outside broker is involved, and 0.4 % to 1.5 % of the sales price after transaction costs if an outside broker is involved
- Development fee: for project development services up to initial leasing: dependent on expenses or market-rate compensation.
- Accounting fee: for accounting, finance and control services, EUR 10.8 thousand per company p.a.

A fee for services in connection with new financing or the renewal of existing financing (arrangement fee) was also added to the asset management agreement of DIC MSREF FF Südwest Portfolio GmbH with the addendum dated 20 March 2013.

The addendum dated 15 December 2015 fixed the amount of the arrangement fee at 0.15 % (plus value added tax) of the loan amount.

In 2017 and 2016, the following compensation was paid to DIC Beteiligungs AG, in which MSREF holds 25.1 % of the share capital (excluding applicable value added tax):

| Recipient of service (amounts in EUR thousand) | | Base management fee | Disposition Fee | Accounting Fee | Arrangement Fee | Development Fee | Total |
|---|---|---|---|---|---|---|---|
| DIC MSREF HMDD Portfolio GmbH | 2017 | 10 | 85 | 76 | 0 | 0 | 171 |
| | 2016 | 23 | 392 | 76 | 0 | 0 | 491 |
| DIC MSREF HT Portfolio GmbH | 2017 | 22 | 52 | 54 | 0 | 0 | 128 |
| | 2016 | 22 | 0 | 54 | 0 | 0 | 76 |
| DIC MSREF FF Südwest Portfolio GmbH | 2017 | 23 | 105 | 82 | 0 | 789 | 999 |
| | 2016 | 76 | 880 | 66 | 0 | 1,460 | 2,482 |
| Total amounts | 2017 | 56 | 242 | 212 | 0 | 788 | 1,298 |
| | 2016 | 121 | 1,272 | 196 | 0 | 1,460 | 3,049 |

In addition to the Management Board members, DIC Beteiligungs AG employs one more person; and for the purpose of providing the services assigned to it under the asset management agreement, it made use of services rendered by DIC Onsite GmbH in the reporting year. Based on a service agreement dated 31 July 2012, DIC Onsite GmbH (a wholly-owned subsidiary of DIC Asset AG) charges fees to DIC Beteiligungs AG for this, the amount of which also depends on whether the MSREF investee has contracted third parties to provide these services with the approval of the Company.

Specifically, the agreement provides for compensation for services related to portfolio and asset management in the amount of 0.8 % of net annual rent. The compensation paid for sales assistance is 0.13 % to 0.38 % of the proceeds realised, or 0.05 % to 0.19 % of the proceeds realised if an external broker was used. Individual properties and project developments may be subject to case-by-case arrangements.

**DIC Capital Partners (Europe) GmbH**

of DIC AG & Co. KGaA, a loan in the amount of EUR 700 thousand at an interest rate of 4.5 % p.a. (payable annually in arrears). The loan has an indefinite term and amounted to EUR 617 thousand on 31 December 2017 (2016: EUR 599 thousand). The loan was repaid in full in early 2018.

Under the existing service agreements (“Asset Management Agreements”) these DICP investees are to pay the following compensation to DIC Beteiligungs AG, as in the previous year:

- Disposition fee (corresponds to a sales commission): 1.5 % of the sales price after transaction costs if no outside broker is involved, and 0.5 % of the sales price after transaction costs if an outside broker is involved
- Development fee: for project development services up to initial leasing: dependent on expenses or market-rate compensation.
- Accounting fee: for accounting, finance and control services, EUR 28 thousand per company p.a.
- Arrangement fee: for services in connection with new financing or renewals of existing financing.

In 2017 and 2016, the following compensation was paid to DIC Beteiligungs AG, in which DICP directly holds 7.5% of the share capital (excluding applicable value added tax):

| Recipient of service (amounts in EUR thousand) | | Base management fee | Disposition fee | TI/Development fee | Accounting fee | Arrangement fee | Total |
|---|---|---|---|---|---|---|---|
| DIC MainTor GmbH | 2017 | 0 | 0 | 0 | 98 | 0 | 98 |
| | 2016 | 0 | 0 | 0 | 112 | 0 | 112 |
| Total amounts | 2017 | 0 | 0 | 0 | 98 | 0 | 98 |
| | 2016 | 0 | 0 | 0 | 112 | 0 | 112 |

### Morgan Stanley Real Estate Funds (MSREF)

Together with the companies of the MSREF Group, DIC Asset AG has acquired interests in investment properties, including:

- properties transferred from MEAG, which are held by DIC MSREF HMDD Portfolio GmbH and its six wholly-owned subsidiaries, under agreements dated 14 December 2005;
- properties acquired from Hochtief, which are held by DIC MSREF HT Portfolio GmbH and its four wholly-owned subsidiaries, under agreements dated 24 May 2006;
- properties transferred from the Falk Group, which are held by DIC MSREF FF Südwest Portfolio GmbH and its five wholly-owned subsidiaries, under agreements dated 16 August 2006;

(hereinafter referred to collectively as "joint ventures").

The Company indirectly holds 20% in each of the property companies in the FF Südwestportfolio, the HT portfolio and the properties acquired from MEAG via the portfolio companies. Deutsche Immobilien Chancen AG & Co. KGaA also has an indirect stake of 30% in each company in addition to the companies of the MSREF Group, which each hold 50%. With respect to the distribution of profits, DIC Beteiligungs AG is entitled to a profit paid in advance based on the respective internal rate of return (IRR). This profit amounts to 10% of profits if the IRR is 17.5% or higher and increases up to a maximum of 30% of profits if the IRR is over 27.5%.

The Company continues to be bound by credit agreements with the joint ventures, under which the Company acts both as lender and borrower. The underlying credit comes in the form of overdraft facilities with an agreed interest rate of 6% p.a. in each case. Interest is payable in arrears at the end of a year or quarter or is added to the principal. The agreements do not provide for fixed terms or collateral. With regard to the balances existing as at the reporting dates, see note 17.

### GEG Real Estate Management GmbH

GEG Real Estate Management GmbH provided support services to DIC Asset AG relating to 2016 property sales completed in 2017. In total, DIC Asset AG paid EUR 916 thousand (previous year: EUR 978 thousand) for these services in financial year 2017.

DIC Asset AG entered into an agreement with GEG Real Estate Management GmbH effective 1 January 2015 for the provision of HR and IT services by DIC Asset AG. In return, DIC Asset AG receives annual compensation of EUR 260 thousand for its services, payable in quarterly instalments of EUR 65 thousand. The parties agreed to review the adequacy of the compensation annually. The contract has an indefinite term and can be terminated with notice of three months to the end of a given month; it was not terminated as at 31 December 2017. By way of an agreement dated 21 March 2017, the IT share was lowered to an annual EUR 97.5 thousand for the period from 01 April to 30 July 2017 and to an annual EUR 32.5 thousand from 1 August 2017 onward. The agreement dated 21 March 2017 also reduced the HR share to an annual EUR 32.5 thousand for the period from 01 October 2016 to 30 March 2017 and to an annual EUR 16 thousand from 01 April 2017 onward. For the 2017 financial year as a whole, DIC Asset AG received total remuneration of EUR 99 thousand from this agreement.

### Transactions with executives

There extent of transactions with executives and their close relatives was insignificant.

### Management remuneration

The remuneration of key management personnel in the Group, which is subject to disclosure requirements under IAS 24.17, encompasses the remuneration paid to the current Management Board and the Supervisory Board.

The members of the Management Board received remuneration as follows:

| in EUR thousand | 2017 | 2016 |
|---|---|---|
| Short-term benefits | 1,792 | 1,994 |
| Share-based payment | 253 | 152 |
| Total | 2,045 | 2,146 |

For more details of the Management Board's remuneration, please see the remuneration report starting on page 169, which is part of the combined management report.

The members of the Supervisory Board received remuneration as follows:

| in EUR thousand | 2017 | 2016 |
|---|---|---|
| Short-term benefits | 395 | 395 |
| Total | 395 | 395 |

Further details, especially disclosures in accordance with section 285 (1) no. 9 letter a sentences 5 to 9 HGB, are provided in the management report. Supervisory Board members were also reimbursed travel expenses totalling EUR 18 thousand.

The Chairman of the Company's Supervisory Board, Prof. Dr. Gerhard Schmidt, is a partner in the law firm of Weil, Gotshal & Manges LLP. This law firm received remuneration for legal consultancy services and disbursed fees and costs in the amount of EUR 224 thousand for financial year 2017.

### Shareholder structure

Deutsche Immobilien Chancen AG & Co. KGaA, Frankfurt am Main, holds a direct and indirect equity interest of 30.2 % in the capital of DIC Asset AG, subject to a pooling agreement. The Company has received the voting rights announcements pursuant to section 20 AktG.

# OTHER DISCLOSURES

### Announcements pursuant to section 160 AktG

The existing announcements pursuant to section 21 (1) WpHG concerning direct and indirect equity investments in the issued capital of DIC Asset AG are listed in appendix 3 to the notes.

### Events after the reporting period

On 16 January 2018, the shares held for sale in the DIC Office Balance IV fund with a volume of EUR 2.8 million were sold.

No other material transactions were resolved, initiated or carried out in the period between the reporting date and the release for publication of the consolidated financial statements by the Management Board.

### Corporate governance report

The declaration regarding the German Corporate Governance Code pursuant to section 161 AktG has been submitted and has been made permanently available to shareholders on the website "http://www.dic-asset.de/engl/investor-relations/CG/declaration.php".

### Supervisory Board

The members of the Supervisory Board are:

- Prof. Dr. Gerhard Schmidt (Chairman), Attorney, Glattbach
- Mr Klaus-Jürgen Sontowski (Vice Chairman), Entrepreneur, Nuremberg
- Mr Michael Bock, Managing Director of REALKAPITAL Vermögensmanagement GmbH, Leverkusen
- Mr Ulrich Höller, Chairman of the Management Board of GEG German Estate Group AG, Master of Economics, Real Estate Economist (ebs), Chartered Surveyor FRICS, Frankfurt am Main
- Prof. Dr. Ulrich Reuter, Chief Administrative Officer of the District of Aschaffenburg, Kleinostheim
- Dr. Anton Wiegers, former Chief Financial Officer of Provinzial Rheinland Holding, Provinzial Rheinland Versicherung AG and Provinzial Rheinland Lebensversicherung AG, Winterbach

The members of the Supervisory Board also serve on the following supervisory boards and control bodies:

Membership in additional supervisory boards and control bodies:

| | |
|---|---|
| Prof. Dr. Gerhard Schmidt | GEG German Estate Group AG, Frankfurt am Main: Chairman of the Supervisory Board* |
| | Deutsche Immobilien Chancen Beteiligungs AG, Frankfurt am Main: Chairman of the Supervisory Board* |
| | Deutsche Immobilien Chancen AG & Co. KGaA, Frankfurt am Main: Chairman of the Supervisory Board* |
| | DICP Erste Family Office Beteiligungsgesellschaft mbH & Co. KGaA, Munich: Chairman of the Supervisory Board* |
| | DIC Capital Partners (Germany) GmbH & Co. Kommanditgesellschaft auf Aktien, Munich: Chairman of the Supervisory Board |
| | DICP Asset Management Beteiligungsgesellschaft mbH & Co. KGaA, Munich: Chairman of the Supervisory Board |
| | TTL Beteiligungs- und Grundbesitz AG, Munich: Member of the Supervisory Board* |
| | DIC Capital Partners OpCo (Germany) Verwaltungs GmbH, Munich: Chairman of the Supervisory Board** |
| | DIC Capital Partners Beteiligungs GmbH, Munich: Chairman of the Supervisory Board** |
| | DIC Capital Partners (Germany) Verwaltungs GmbH, Munich: Chairman of the Supervisory Board** |
| | DIC Capital Partners (Germany) III Verwaltungs GmbH, Munich: Chairman of the Supervisory Board** |
| | DICP Capital SE, Munich: Chairman of the Board of Directors/Managing Director** |
| Klaus-Jürgen Sontowski | Deutsche Immobilien Chancen AG & Co. KGaA, Frankfurt am Main: Vice Chairman of the Supervisory Board |
| | Deutsche Immobilien Chancen Beteiligungs AG, Frankfurt am Main: Vice Chairman of the Supervisory Board |
| | GEG German Estate Group AG, Frankfurt am Main: Member of the Supervisory Board |
| | Pegasus CP Holding GmbH, Erlangen: Chairman of the Advisory Board |
| Michael Bock | MediClin Aktiengesellschaft, Offenburg: Member of the Supervisory Board |
| Ulrich Höller | DIC Onsite GmbH, Frankfurt am Main: Chairman of the Supervisory Board |
| | Deutsche Immobilien Chancen Beteiligungs AG, Frankfurt am Main: Member of the Supervisory Board |
| | ZIA-Zentraler Immobilien Ausschuss, Berlin: Vice President and member of the Management Board |
| | Commerzbank AG, Frankfurt am Main: Member of the Advisory Board |
| Prof. Dr. Ulrich Reuter | Bayerischer Versicherungsverband Versicherungsaktiengesellschaft, Munich: Member of the Supervisory Board |
| | Bayerische Landesbrandversicherung Aktiengesellschaft, Munich: Member of the Supervisory Board |
| | Bayern-Versicherung Lebensversicherung Aktiengesellschaft, Munich: Member of the Supervisory Board |
| | Sparkasse Aschaffenburg-Alzenau, Aschaffenburg: Chairman of the Board of Directors |
| | Sparkassenverband Bayern (Bavarian Savings Banks Association), Munich: Association Chairman and Chairman of the Board of Directors |
| | Versicherungskammer Bayern (Bavarian Insurance Chamber), Munich: Member of the Board of Directors |
| Dr. Anton Wiegers | GRR AG, Erlangen: Chairman of the Supervisory Board |
| | Lippische Landes-Brandversicherungsanstalt, Detmold: Vice Chairman of the Gewährträgerversammlung (Guarantors' Meeting) |
| | Savills Fund Management Holding AG, Frankfurt am Main: Vice Chairman of the Supervisory Board |
| | Savills Investment Management KVG GmbH, Frankfurt am Main: Vice Chairman of the Supervisory Board |
| | Savills Fund Management GmbH, Frankfurt am Main: Vice Chairman of the Supervisory Board |
| | Tresides Asset Management GmbH, Stuttgart: Member of the Supervisory Board |

* Membership as defined in section 100 (2) sentence 2 AktG
** Supervisory Board not required to be established due to legal requirements

### Management Board

The members of the Management Board are:

- Ms Sonja Wärntges (Chairwoman), CEO, Economics Graduate, Frankfurt am Main

  Ms Sonja Wärntges is a member of the corporate/supervisory bodies of the following companies:

  – DIC Real Estate Investments GmbH & Co. KGaA, Frankfurt am Main: Chairwoman of the Supervisory Board
  – DIC Onsite GmbH, Frankfurt am Main: Member of the Supervisory Board (since 1 October 2017)
  – Leifheit AG, Nassau an der Lahn: Member of the Supervisory Board

- Mr Dirk Hasselbring, Chief Funds Officer, Business Administration Graduate, Kronberg im Taunus (since 01 October 2017)

  Mr Dirk Hasselbring is a member of the corporate/supervisory bodies of the following companies:

  – evoreal GmbH, Hamburg: Member of the Advisory Board

- Mr Johannes von Mutius, CIO, Business Administration Graduate, Königstein im Taunus

  Mr Johannes von Mutius is a member of the corporate/supervisory bodies of the following companies:

  – DIC Real Estate Investments GmbH & Co. KGaA, Frankfurt am Main: Member of the Supervisory Board (since 29 September 2017)

The following person was a member of the Management Board until 30 September 2017:

- Mr Aydin Karaduman (former Chairman), Industrial Engineering Graduate, Altenstadt

  Mr Aydin Karaduman was a member of the corporate/supervisory bodies of the following companies:

  – DIC Real Estate Investments GmbH & Co. KGaA, Frankfurt am Main: Member of the Supervisory Board (until 29 September 2017)
  – DIC Onsite GmbH, Frankfurt am Main: Member of the Supervisory Board (until 29 September 2017)

## RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the group management report, which is combined with the management report of DIC Asset AG, includes a fair review of the development and performance of the business and the position of the Group, together with a description of the material opportunities and risks associated with the expected development of the Group.

Frankfurt am Main, 7 February 2018

The Management Board

Sonja Wärntges    Dirk Hasselbring    Johannes von Mutius

# INDEPENDENT AUDITOR'S REPORT

## Report on the audit of the consolidated financial statements and of the combined management report

### Audit Opinions

We have audited the consolidated financial statements of DIC Asset AG and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2017, and the consolidated profit and loss account, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from January 1, 2017 to December 31, 2017, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the combined management report of DIC Asset AG for the financial year from January 1, 2017 to December 31, 2017. In accordance with the German legal requirements we have not audited the content of those parts of the combined management report listed in the appendix.

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

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to § [Article] 315e Abs. [paragraph] 1 HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at December 31, 2017, and of its financial performance for the financial year January 1, 2017 to December 31, 2017, and
- the accompanying combined management report as a whole provides an appropriate view of the Group's position. In all material respects, this combined management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the combined management report does not cover the content of the parts of the combined management report listed in the appendix.

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

### Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the combined 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 for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the combined management report.

### Key Audit Matters in the Audit of the Consolidated Financial Statements

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

### Impairment of Investment Properties

- Risk for the consolidated financial statements
  The consolidated financial statements as at December 31, 2017 present investment properties amounting to EUR 1,437 million DIC Asset AG measures investment properties using the cost model in accordance with IAS 40 in conjunction with IAS 16. The carrying amounts of investment properties are reviewed for impairment according to IAS 36 annually. For this purpose, specialized and acknowledged expert evaluators (Cushman & Wakefield und ENA Experts) are commissioned with the preparation of expert assessments in order to determine market values and values in use. The evaluation is carried out for all residential and commercial properties using the discounted cash-flow-("DCF")-method. The valuation of investment properties includes numerous valuation-relevant parameters which are associated with considerable estimation uncertainty and discretionary leeway Even minor changes in the valuation-relevant parameters can lead to significant changes in the resulting fair values The most important parameters in the past financial year were the market rents and the discount and capitalization rates Their development reflects the different dynamics of real estate purchase price and rental price development which are the main driver for the increase in fair value as at December 31, 2017 compared to the previous year Due to the existing estimation uncertainty and discretionary leeway, there is a risk for the consolidated financial statements that the carrying amounts of the

investment properties are not covered by the fair values less costs of sale or value in use and an impairment requirement exists. In addition, IAS 40 and IAS 36 require a large number of disclosures in the notes, the completeness and adequacy of which is to be ensured.

- Our audit approach
  Our audit activities included in particular the assessment of the valuation procedures for compliance with IAS 36 for the correctness and completeness of the data used for the real estate and for the reasonableness of the valuation parameters used, such as the applied discounting and capitalization rates, the market rent per square meter and the planned maintenance and repair per square meter. For a partly random-based and partly for risk aspects deliberately selected sample of properties, we have conducted on-site visits and mathematically reviewed the valuations determined by the commissioned external experts. We have assured ourself of the qualification and objectivity of the external experts commissioned by DIC Asset AG and the applied valuation methodology for conformity with IAS 36. In addition, we examined the completeness and appropriateness of the disclosures required under IAS 40 and IAS 36 in the notes to the consolidated financial statements.

- Our conclusions
  DIC Asset AG has implemented a valuation process based on expert opinions, which is suitable for proving the impairment of investment properties. The reported carrying amounts for investment properties in the amount of EUR 1,437 million are covered based on the assumptions made by the fair values less costs of sale or value in use. The underlying assumptions reflect the current market parameters. The disclosures in the notes to the consolidated financial statements in accordance with IAS 40 and IAS 36 are complete and appropriate.

### Other Information

The executive directors are responsible for the other information. The other information comprises:

- Unaudited content of those parts of the combined management report listed in the appendix to the auditor's report,
- The remaining parts of the annual report, with the exception of the audited consolidated financial statements and combined management report and our auditor's report,
- The corporate governance report pursuant to No. 3.10 of the German Corporate Governance Code, and
- The confirmation pursuant to § 297 Abs. 2 Satz 4 HGB regarding the consolidated financial statements and the confirmation pursuant to § 315 Abs. 1 Satz 5 HGB regarding the combined management report.

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

### Responsibilities of the Executive Directors and the Supervisory Board for the Consolidated Financial Statements and the Combined Management Report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group'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 unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the combined management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a combined 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 combined management report.

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

### Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the combined management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated 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 consolidated financial statements and on the combined management report.

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the combined 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 control.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the combined management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' 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 Group'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 consolidated financial statements and in the combined 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 Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the combined management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- Evaluate the consistency of the combined management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides.

- perform audit procedures on the prospective information presented by the executive directors in the combined management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the 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 group auditor by the annual general meeting on July 11, 2017. We were engaged by the supervisory board on November 2, 2017. We have been the group auditor of the DIC Asset AG without interruption since the financial year 2006.

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).

In addition to the financial statement audit, we have provided to group entities the following services that are not disclosed in the consolidated financial statements or in the combined management report:

- Tax advisory services amounting to EUR 589 thousand

### German Public Auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Karsten Luce.

Nuremberg, February 7, 2018

Rödl & Partner GmbH
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

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| Kraus | Luce |
| Wirtschaftsprüfer | Wirtschaftsprüfer |
| [German Public Auditor] | [German Public Auditor] |

# CORPORATE GOVERNANCE





# CORPORATE GOVERNANCE REPORT AND CORPORATE GOVERNANCE DECLARATION

The Management Board files a report – also on behalf of the Supervisory Board – on the Company's corporate governance in accordance with clause 3.10 of the German Corporate Governance Code and, at the same time, reports on corporate governance in accordance with sections 289f and 315d HGB. The section also contains the remuneration report.

The corporate governance declaration for the Company and the Group is a component of the combined management report.

## Disclosures on corporate governance practices

DIC Asset AG attaches great value to corporate governance with the Company and the Group. The Management Board and Supervisory Board feel that they have an obligation to ensure the Company's continued existence and the generation of sustained value added through responsible corporate governance with a long term focus. For DIC Asset AG, good corporate governance also includes managing risks in a responsible manner. The Management Board therefore makes sure that risks are appropriately managed and controlled in the Company (see also the comments in the report on risks and opportunities) and ensures that the Company complies with the law by maintaining a compliance management system that reflects the Company's exposure to risk. The Company is in compliance with the recommendations of the German Corporate Governance Code as described in its annual Declaration of Conformity. The Management Board regularly informs the Supervisory Board of any existing risks and their development. The Company's internal control, reporting and compliance structures are continuously reviewed, enhanced and adjusted to changes in the general environment.

The Compliance Guidelines for the DIC Asset Group that have been in place since the 2013 financial year were comprehensively updated, a Compliance Officer was appointed and the whistleblower system for reporting misconduct and violations was improved. Based on the Compliance Guidelines, the employees of DIC Asset AG and its subsidiaries are obliged to act in a responsible and legal manner. This includes the principles of ethics and integrity within the Company, in particular compliance with legal requirements, internal company guidelines and self-imposed values. The cornerstones of the Compliance Guidelines are described in the current report on risks and opportunities which is part of the Group management report of DIC Asset AG. In our opinion, more sophisticated corporate governance tools, such as in-house corporate governance principles, are not required given the company-specific circumstances. Should the implementation of additional tools become necessary, the Management Board and Supervisory Board will respond without delay.

## Current Declaration of Conformity

The Management Board and Supervisory Board again focused on meeting the recommendations of the German Corporate Governance Code in financial year 2017, The consultation process resulted in the adoption of an updated annual Declaration of Conformity dated 7 February 2018, which has been made permanently accessible to the public on the Company's website.

## Declaration of Conformity pursuant to section 161 AktG

The Management Board and the Supervisory Board declare that DIC Asset AG from the date of submission of its previous Declaration of Conformity has complied and will continue to comply with the recommendations of the German Corporate Governance Code as published on 5 May 2015 and 7 February 2017, respectively. The following exceptions applied or apply:

> If a D&O (directors' and officers' liability insurance) policy is taken out for Supervisory Board members, the Code in clause 3.8 paragraph 3 recommends agreeing a deductible of at least 10% of the loss up to at least the amount of one and a half times the fixed annual remuneration. DIC Asset AG has taken out a D&O policy for the members of its Supervisory Board which does not provide for a deductible for the Supervisory Board members. We believe that a deductible in the D&O policy would not enhance the motivation and sense of responsibility shown by the members of the Supervisory Board in performing their duties.

> The Code in clause 4.1.5, in particular, recommends aiming for an appropriate consideration of women when appointing company executives. In appointing company executives, the Management Board has focused and will in the future continue to focus on the interests of the Company and the statutory provisions and in doing so will most of all give priority to the professional and personal qualifications of candidates - irrespective of gender. We have met the applicable statutory provisions with regard to the determination of targets for the share of women at the executive level below the Management Board.

> The members of the Management Board have been promised performance-related payments (profit-sharing bonuses) and options on so-called phantom stocks as variable remuneration components. In accordance with clause 4.2.3 paragraph 2 sentence 4 of the Code, both positive and negative developments within the agreed assessment period are taken into consideration when determining the variable remuneration components, insofar as the payments may turn out to be proportionately higher or lower, or may not be made at all. When they exercise the options, the members of the Management Board receive share-price-dependent payments which are based solely on the Company's share price within a reference period. In deviation from clause 4.2.3 paragraph 2 sentence 7 of the Code, these options on phantom stocks were not and are not based on "demanding and relevant comparison parameters" within the meaning of the Code. We are of the opinion that incorporating additional comparison parameters would not inspire greater motivation or a keener sense of responsibility.

> The Code recommends in clause 4.2.3 paragraph 2 sentence 6 that the amount of the remuneration of the members of the Management Board should be capped both in the aggregate and as regards variable components. The amount of the variable performance-related payments (profit-sharing bonus) of Management Board members has not been capped in the director's contracts of the current Management Board members. We do not consider a cap on the profit-sharing bonus necessary since the Supervisory Board determines the amount of the bonus annually. The options on so-called phantom stocks granted to the members of the Management Board as long-term variable remuneration components have been and continue to be limited in number. When exercised, the options entitle the bearer to a cash payment in an amount defined by the positive difference between the average closing price of the DIC Asset AG share during a reference period preceding the exercise of the option, on the one hand, and the contractually agreed exercise price, on the other hand. The members of the Management Board may therefore benefit from the upside price potential of the shares during the reference period. There was and still is no cap on the amount of participation in the upside price potential at the time the option is exercised. We believe that an additional cap on this share-based remuneration component would run counter to its major incentive, which is working toward increasing the company value. Given the absence of caps on the variable remuneration components and on some of the ancillary benefits, there were and are also no caps on the total amount of remuneration for the members of the Management Board.

> When concluding Management Board employment contracts, it should be ensured that payments to members of the Management Board upon the prior termination of their work for the Management Board do not exceed two annual remunerations, including ancillary benefits (severance cap), and that only the residual employment term be remunerated. In deviation from clause 4.2.3 paragraph 4 of the Code, Management Board employment contracts do not and will not include a severance cap. Any agreement of this kind would run counter to the basic understanding of a Management Board employment contract that is routinely concluded for the duration of the period of appointment, and that principally does not permit a regular termination. In addition, the Company cannot enforce a cap to the severance payment unilaterally in the event that a member's work for the Management Board is terminated by mutual agreement, as is frequently the case in practice. In the event of a Management Board employment contract being terminated prematurely, we will try to take account of the underlying principle of the recommendation.

> The Code recommends in clause 4.2.5 paragraph 3 and paragraph 4, to present the board remuneration for each Member of the Management Board by using model tables that include specific details prescribed by the Code. To the extent that the Company deviates as elaborated above from the recommendation of clause 4.2.3 paragraph 2, sentence 6, for defining caps for the board remuneration, it obviously fails to act on the corresponding disclosure recommendation. Moreover, certain other disclosures required in the model tables that concern the remuneration structure are not relevant for the Management Board of DIC Asset AG. In the opinion of the Management Board and the Supervisory Board the new method would provide no added information value to shareholders. Against this background, the Company continues to present the board remuneration in compliance with the statutory requirements. Accordingly, the Company has deviated and will deviate from clause 4.2.5 paragraph 3 and paragraph 4 of the Code.

> The Supervisory Board is required to propose suitable candidates for new appointments or reappointments to positions on the Supervisory Board by the General Shareholders' Meeting. In deviation from clause 5.3.3 of the Code, no nomination committee was or will be formed for this purpose. As the six members of the Supervisory Board are only representatives of the shareholders, and the current practice of voting proposals being prepared by the full Supervisory Board has proved to be efficient, the Supervisory Board sees no need to form a nomination committee.

> In deviation from clause 5.4.1 paragraph 2 of the Code, the Supervisory Board has specified no age-independent regular limit of members' terms of office, nor will it specify such a regular limit. The Supervisory Board is of the opinion that it is more beneficial for the Company to have access to many years of expertise of individual Supervisory Board members and to make a decision in favour of continuity or replacement on a case-by-case basis. In the absence of a corresponding regular limit for term of office, in deviation from clause 5.4.1 paragraph 4 of the Code, this aspect is also not taken into account in the Supervisory Board's nominations for elections to the General Shareholders' Meeting, nor is information on the status of its implementation published. The appropriate number of independent members as defined in clause 5.4.2 of the Code was determined by the Supervisory Board for the first time in February 2018. The Supervisory Board had previously refrained from determining such a number given the scope of interpretation permitted by the Code in defining independence. While the Supervisory Board believes that there is still scope for interpretation, this should not in principle prevent such determination.

> The new version of the Code recommends in clause 5.4.1 paragraph 5 sentence 2 part 1 that the proposal for a candidate shall be accompanied by a curriculum vitae, providing information on the candidate's relevant knowledge, skills and experience. The recommendation does not specify whether this curriculum vitae must be published as part of the convening of the General Shareholders' Meeting. As previously, the Company makes the curricula vitae available on the Company's website together with any other material to be made available for the General Shareholders' Meeting. We believe that publishing curricula vitae as part of the covening to the General Shareholders' Meeting would impair its readability. As a matter of precaution, the Company therefore declares that it deviates from clause 5.4.1 paragraph 5 sentence 2 part 1 of Code. Curricula vitae of all members of the Supervisory Board have been published on the website since January 2018.

> According to the current Articles of Association, members of the Supervisory Board have been and are granted performance-related remuneration that is based on the annual dividend payment and may thus deviate from clause 5.4.6 paragraph 2 of the Code, which recommends that remuneration be linked to sustainable growth of the company. The dividend payment is a key measure of success for the shareholders. We consider it appropriate that members of the Supervisory Board be remunerated in accordance with criteria that are also of significance for the shareholders.

Frankfurt am Main, 7 February 2018

Management Board and Supervisory Board of DIC Asset AG

## WORKING PRACTICES AND COMPOSITION OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD

### Dual management structure

As a listed corporation, DIC Asset AG has a dual management structure comprising a Management Board and a Supervisory Board. The two Boards are clearly separated from each other – both in terms of personnel and function – allowing each of them to perform their different duties independently. While the duty of the Management Board is to manage the Company independently, the Supervisory Board's duty is to monitor this management.

### Close cooperation between the Management Board and the Supervisory Board

The Management Board and the Supervisory Board work closely together in the interests of the Company and the Group. This ensures that optimal use is made of the professional expertise of the Board members and speeds up decision-making processes. The Management Board keeps the Supervisory Board regularly, promptly and comprehensively informed of strategy, planning, risk position and risk management, the internal control system, compliance, as well as current business developments. The Chairman of the Supervisory Board is also notified of material developments and decisions by the Management Board between meetings.

The Management Board performs its management role as a collegial body. It determines corporate objectives, strategic orientation, corporate policy and Group organisation and coordinates these with the Supervisory Board and ensures that they are implemented. In this process, the Management Board is bound to the Company's Group-wide interests and committed to the sustained increase of enterprise value, and to the needs of shareholders, customers, employees and other groups associated with the Company. The members of the Management Board are jointly responsible for managing the entire business. Notwithstanding their overall responsibility, the individual Management Board members manage the departments assigned to them independently and within the parameters of the Management Board resolutions. The allocation of duties between the members of the Management Board is derived from the Schedule of Responsibilities. The Management Board has a quorum if at least the majority of its members participate in the resolution and adopts its resolutions by a simple majority. In the event that the Management Board consists of more than two members, the Chairman will have the casting vote in the event of a tie.

The Supervisory Board appoints and dismisses members of the Management Board. The Supervisory Board monitors the Management Board in its leadership and management of the Company. In the case of specifically defined actions of material significance – such as major capital expenditures – the Rules of Procedure for the Management Board, which have been updated in the reporting period, require the approval of the Supervisory Board. The Supervisory Board has also adopted Rules of Procedure. Supervisory Board resolutions are generally passed at meetings by a simple majority of the votes cast. At the instruction of the Chairman of the Supervisory Board, resolutions can also be passed outside meetings if no member objects to this process. The Chairman of the Supervisory Board coordinates work within the Supervisory Board, chairs its meetings and attends to the affairs of the Supervisory Board externally.

An overview of the Supervisory Board's activities during the 2017 financial year is presented in the Supervisory Board report.

### Composition of the Boards

The Management Board of DIC Asset AG consists of three members: Sonja Wärntges as Chairwoman (CEO), also responsible for Finance & Controlling; Johannes von Mutius, responsible for Acquisitions and Sales (CIO); and Dirk Hasselbring, responsible for the Fund Business.

The Supervisory Board of DIC Asset AG consists of six members, who are all elected by the General Shareholders' Meeting. The Supervisory Board has elected a Chairman and a Vice Chairman. Members of the Supervisory Board are elected for a term of office ending at the conclusion of the General Shareholders' Meeting that formally approves their actions during the fourth financial year following the start of their term of office. The financial year in which the term of office begins is not included in this calculation. The current terms in office end at different times due to different appointment dates.

The specific composition of the Supervisory Board in the 2017 financial year and the disclosures pursuant to section 285 no. 10 HGB are listed in the notes to the consolidated financial statements.

### Succession planning for the Management Board, diversity concept

The Supervisory Board works with the Management Board on long-term succession planning. When making decisions on filling Management Board positions, the key suitability criteria are professional qualifications for the division being run, leadership qualities, past performance and acquired skills as well as knowledge of DIC Asset AG.

With regard to the composition of the Management Board, the Supervisory Board follows a diversity concept that primarily includes the following aspects:

- Members of the Management Board should have the knowledge, skills and experience required to properly complete their tasks.
- Members of the Management Board must be familiar with the commercial real estate sector. At least some members of the Management Board should also have knowledge or experience of funds/asset and property management as well as capital markets and financing. As a minimum, the member of the Management Board responsible for Finance must

have accounting or auditing expertise and some members of the Management Board should contribute experience of leading a medium-sized company.

- Diversity should also be taken into account when searching for qualified individuals for the Management Board. There should also be an appreciation of how different complementary professional profiles, work and life experiences and balanced gender representation can benefit the work of the Management Board.

- As a rule, members of the Management Board should be under 65 years old. Age should therefore also be taken into account when appointing Management Board members.

- The Supervisory Board stipulated targets for the share of women on the Management Board and a deadline for their achievement in accordance with section 111 (5) AktG as outlined below.

The diversity concept should benefit the work of the Management Board overall. When deciding which individual should fill a specific Management Board position, the Supervisory Board acts in the best interests of the Company while taking into account all circumstances in each individual case.

The Management Board of DIC Asset AG currently consists of three members professionally and personally qualified in different areas, including a female member, Sonja Wärntges, as CEO. The Supervisory Board believes that the diversity concept has been satisfied during the reporting period.

## Objectives of the Supervisory Board with regard to its composition, skills profile and diversity concept

The Supervisory Board expanded the stipulated targets for its composition in February 2018, taking the recommendations of the German Corporate Governance Code into account in accordance with the Declaration of Conformity. These targets include the skills profile for the Supervisory Board as a whole as well as the diversity concept it pursues for its composition.

- As a group, the Supervisory Board should have the knowledge, skills and professional experience required to properly complete its tasks. Members of the Supervisory Board must generally be familiar with the sector in which the Company operates.

- It should be ensured that at least some individual members of the Supervisory Board have the following knowledge or experience: (i) familiarity with the commercial real estate sector, (ii) knowledge of funds/asset and property management, (iii) knowledge of capital markets and financing, (iv) accounting or auditing expertise for at least one Supervisory Board member, (v) experience of leading a medium-sized company. The individual qualifications of individual members may complement each other in achieving this objective.

- Independence and avoiding conflicts of interest are also important objectives: The Supervisory Board should include an adequate number of independent members. At least half of Supervisory Board members should be independent as defined by clause 5.4.2 of the German Corporate Governance Code. The Supervisory Board is in compliance with the recommendations of the German Corporate Governance Code with regard to conflicts of interest. The Supervisory Board should not include any members who perform an executive or advisory role with significant third-party competitors of the Company or Group. The Supervisory Board should not include more than two former Management Board members.

- Requirements for individual Supervisory Board members include: Only persons under 70 should be proposed for election to the Supervisory Board. Supervisory Board members should have business or operational experience. They should be able to assess the profitability, expediency and legality of the business decisions being evaluated as part of the Supervisory Board's work as well as key accounting documents, with the support of the auditor where appropriate. They should be willing to get involved in the substance of the business to a reasonable extent. Each Supervisory Board member ensures that they can dedicate the expected time to properly exercising their Supervisory Board mandate.

- The Supervisory Board may also include members who are particularly qualified for international requirements. However, in view of DIC Asset AG's focus on the German property market, the decision was made not to stipulate the aspect of internationality as an objective.

- Diversity should also be taken into account when searching for qualified individuals for the Supervisory Board. There should also be an appreciation of how different complementary professional profiles, work and life experiences and balanced gender representation can benefit the work of the Supervisory Board. The Supervisory Board stipulated targets for the share of women on the Supervisory Board and a deadline for their achievement in accordance with section 111 (5) AktG as outlined below.

The aforementioned targets should benefit the work of the Supervisory Board overall. The targets for the composition of the Supervisory Board are taken into account in the Supervisory Board's proposals for the election of Supervisory Board members submitted to the General Shareholders' Meeting. When preparing and approving candidate proposals to the General Shareholders' Meeting for the appointment of Supervisory Board members, the Supervisory Board should be guided by the best interests of the Company in each case, observe legal requirements and focus on the professional and personal qualifications of the candidate.

The Supervisory Board believes that with the exception of the target for the share of women on the Supervisory Board the current composition of the Supervisory Board complies with the objectives set. All of the members of the Supervisory Board are familiar with the property sector relevant for the Company's activities, with at least one Supervisory Board member having accounting or auditing expertise. The Supervisory Board has an adequate number of independent members. In the opinion of the Supervisory Board, at least three Supervisory Board members are independent as defined in clause 5.4.2 of the German Corporate Governance Code. Michael Bock as Chairman of the Audit Committee, Prof. Dr. Ulrich Reuter and Dr. Anton Wiegers. Ulrich Höller, a former member of the Management Board of DIC Asset AG, is a member of the Supervisory Board.

## Stipulations of targets for the share of women on the Supervisory Board, on the Management Board and at the executive level below the Management Board

As a listed company not subject to co-determination, DIC Asset AG is required by law to stipulated targets for the share of women on the Supervisory Board, on the Management Board and at the two executive levels below the Management Board, to the extent that these exist.

In September 2015, the Supervisory Board adopted targets of 1/6 (corresponding to around 16.66%) for the share of women on the Supervisory Board and 25% (1/4) for the share of women on the Management Board. With a ratio of 1/3 (33.33%), the target for the Management Board was exceeded by the deadline for achieving it on 30 June 2017. The target for the share of women on the Supervisory Board was not achieved by the deadline for achieving it on 30 June 2017, with a ratio of 0%. Supervisory Board members were re-elected in July 2017; by proposing to the General Shareholders' Meeting to re-elect the existing Chairman and Vice Chairman of the Supervisory Board and the existing Chairman of the Audit Committee, the Supervisory Board was primarily guided by the Company's interest in keeping the positions constantly staffed by individuals with proven professional expertise and a thorough understanding of the Company.

With effect from 1 July 2017, the Supervisory Board once again adopted targets of 1/6 (corresponding to around 16.66%) for the share of women on the Supervisory Board and 25% (1/4) for the share of women on the Management Board. A deadline of 30 June 2022 has now been set for achieving these targets.

Also in September 2015, the Management Board adopted a target of 20% (1/5) for the executive level below the Management Board, setting 30 June 2017 as a deadline for its achievement. At DIC Asset AG, there is only one executive level below the Management Board. The target for the share of women at the executive level below the Management Board was 15.38% (2/13) on 30 June 2017 and was therefore not reached. When filing executive positions, the relevant criterion applied by the Management Board is an applicant's qualification. At the same time, DIC Asset AG pays attention to diversity, especially to the appropriate representation of women, when appointing individuals to its executive team.

With effect from 1 July 2017, the Management Board adopted a target of 15.38% (2/13) for the share of women at the executive level below the Management Board and a deadline for achieving this target of 30 June 2022. At the reporting date, this target has already been exceeded with a ratio of 16.67% (2/12).

## Disclosure of conflicts of interest

Each member of the Management Board and Supervisory Board discloses potential conflicts of interest in compliance with the German Corporate Governance Code. No conflicts of interest arose in financial year 2017.

## Establishment of the Audit Committee

The Supervisory Board established an Audit Committee, which supports the Board in the performance of its duties and regularly reports to it. The Audit Committee primarily monitors the financial reporting process, the effectiveness of the internal control system, the risk management system, Group-wide compliance and, finally, the audit of financial statements. It assesses and monitors the independence of the auditors (also taking into account the additional services provided by the auditors) and determines the focus of the audit in consultation with them. The Audit Committee mainly meets as needed.

The Audit Committee has the following three members:
– Michael Bock (Chairman of the Audit Committee)
– Prof. Dr. Gerhard Schmidt
– Prof. Dr. Ulrich Reuter

The Chairman of the Audit Committee is independent and has particular knowledge and experience in financial reporting and the auditing of financial statements from his many years of serving as the CFO of an insurance company. All of the members of the Audit Committee are familiar with the property sector.

## D&O insurance

A Directors & Officers (D&O) insurance policy is in place for members of the Management Board and the Supervisory Board. It provides insurance for claims for damages by the Company, shareholders or third parties, which may be asserted due to Board members' failure to exercise due care. DIC Asset AG bears the costs of the insurance policy. The members of the Management Board have to pay a deductible in the event of a claim.

# REMUNERATION REPORT

The following remuneration report is a component of the management report.

## Remuneration system for the Management Board

The Supervisory Board sets the total remuneration of individual members of the Management Board, and adopts and regularly reviews the remuneration system for the Management Board.

Total remuneration adequately reflects the tasks of each member of the Management Board, their personal performance, the economic situation, the success and future prospects of DIC Asset AG, and it is also appropriate when measured against its peer group and the Company's overall remuneration structure. The remuneration structure establishes long-term behavioural incentives particularly through share-based payments and is generally focused on ensuring sustainable business growth. At the same time, remuneration is focused in such a way that it is competitive.

The remuneration of the Management Board comprises three components: (i) a fixed remuneration and fringe benefits, (ii) a variable remuneration that is contingent on the achievement of specific targets (short-term performance-related component) and (iii) share-based payment (long-term incentive component).

(i) Fixed remuneration and fringe benefits
The fixed remuneration is paid in equal monthly instalments. The fringe benefits consist of the provision of a company car, a mobile telephone and capped insurance subsidies, particularly for accident, medical and pension insurance or some other private form of pension provision.

(ii) Variable, performance-related remuneration
The Management Board's variable, performance-related remuneration (bonus) is based on the operating result of the DIC Asset Group and therefore take account of both positive and negative developments.

Members of the Management Board are granted a bonus only if the DIC Asset Group reports an operating profit. The amount of the bonus is based on the extent to which corporate and personal targets were achieved. Corporate and personal targets are each given a 50% weighting by the Supervisory Board when setting the bonus. No bonus cap has been specified in the director's contracts. The Supervisory Board decides on the bonus once a year by 31 May of the following year. The bonus is paid on the last bank working day of the month in which the Supervisory Board makes its decision on the bonus.

(iii) Share-based payment as a long-term incentive
In addition, members of the Management Board hold options on phantom stocks in DIC Asset AG, which also take account of both positive and negative developments. The number of options granted is specified in individual contracts and capped. The options are designed such that they only grant the right to cash payment. The exercise of the options is linked to a specific number service years (vesting period). The duration of the vesting period is regulated by contract (see table "Phantom stock options"). When the options are exercised, the special remuneration is determined as the positive difference between the average of the closing prices during a reference period of ten trading days preceding the exercise of the options and the contractually agreed exercise price of EUR 5.88 per phantom stock. The members of the Management Board may therefore benefit from the shares' upside potential during the reference period. No cap has been set on the participation in the upside potential at the time the option is exercised. The fair value of the options on 31 December 2017 was EUR 447 thousand.

Activities carried out by the members of the Management Board in executive management and/or supervisory functions for DIC Asset AG's subsidiaries or investees are covered by the Management Board remuneration paid for DIC Asset AG.

## Regulations regarding the termination of director's contracts

The director's contracts of the Management Board members do not expressly provide for severance pay. In deviation from clause 4.2.3 of the German Corporate Governance Code, it has not been agreed that payments made to Management Board members on premature termination of their director's contract including fringe benefits do not exceed the equivalent of two years' remuneration (severance pay cap) and compensate no more than the remaining term of the director's contract.

If a Management Board member dies during the term of their director's contract, the fixed annual salary and the variable remuneration are to be paid pro rata temporis to their surviving dependants for a period of six months after the end of the month in which the Management Board member died. If a Management Board member becomes permanently incapable of working during the term of their director's contract, the contract will end three months after the end of the half-year in which the member's permanent incapacity was established. In the event of illness, the benefits will be paid for a term of six months, but no longer than until the director's contract ends.

Management Board members have not been promised a post retirement employee benefit.

## Management Board remuneration in financial year 2017

### REMUNERATION OF THE MANAGEMENT BOARD

| in EUR | Fixed remuneration | Variable remuneration* | Share-price related remuneration** | Other*** | **Total 2017** | Total 2016 |
|---|---|---|---|---|---|---|
| Sonja Wärntges | 392,500.05 | 200,000.00 | 108,700.00 | 25,176.37 | **726,376.42** | 575,571.51 |
| Dirk Hasselbring (since 01.10.2017) | 90,000.00 | 45,000.00 | 10,100.00 | 4,989.39 | **150,089.39** | 0.00 |
| Johannes von Mutius | 360,000.03 | 180,000.00 | 67,200.00 | 32,209.35 | **639,409.38** | 600,517.10 |
| Aydin Karaduman (until 30.09.2017) | 360,000.00 | 75,000.00 | 67,100.00 | 26,930.27 | **529,030.27** | 830,860.95 |
| Rainer Pillmayer (until 31.05.2016) | 0.00 | 0.00 | 0.00 | 0.00 | **0.00** | 139,008.15 |
| Total | 1,202,500.08 | 500,000.00 | 253,100.00 | 89,305.38 | **2,044,905.46** | 2,145,957.71 |

* Provision as at 31 December 2017; the payment exceeding the provision amounted to EUR 259,950 in the previous year
** Provision as at 31 December 2017; EUR 51,000 from the previous year's provision was reversed
*** Non-monetary benefits from personal use of a company car and insurance subsidies

### PHANTOM STOCK OPTIONS

| | Number of stock options | Exercisable from |
|---|---|---|
| Sonja Wärntges | 50,000 | 31.12.2018 |
| | 75,000 | 31.12.2020 |
| Johannes von Mutius | 30,000 | 31.12.2018 |
| | 45,000 | 31.12.2020 |
| | 20,000 | 31.05.2017 (exercised in June 2017) |
| Dirk Hasselbring | 40,000 | 31.05.2020 |
| Aydin Karaduman (until 30.09.2017) | 75,000 | 31.12.2018 |

## Post-employment benefits in the 2017 financial year

In the 2017 financial year, Aydin Karaduman, who left the Management Board effective 30 September 2017, also received a total payment of EUR 128,554.00 in addition to the aforementioned remuneration for his Management Board role until 30 September 2017. This payment is composed of fixed remuneration of EUR 120,000.00 and non-monetary benefits from the private use of company cars in particular and contributions towards insurance schemes totalling EUR 8,554.00. Furthermore, a provision of EUR 25,000.00 was recognised on 31 December 2017 for the short-term variable remuneration that might be payable to Mr Karaduman for the period from 1 October 2017 to 31 December 2017. A provision of EUR 78,300.00 was also recognised on 31 December 2017 for share-price related remuneration.

REMUNERATION OF THE SUPERVISORY BOARD

| in EUR | Fixed remuneration | Variable remuneration | Remuneration for committee memberships | **Total 2017** | Total 2016 |
|---|---|---|---|---|---|
| Prof. Dr. Gerhard Schmidt (Chairman) | 50,000.00 | 50,000.00 | 5,000.00 | **105,000.00** | 105,000.00 |
| Klaus-Jürgen Sontowski (Deputy Chairman) | 37,500.00 | 37,500.00 | | **75,000.00** | 75,000.00 |
| Michael Bock | 25,000.00 | 25,000.00 | 10,000.00 | **60,000.00** | 60,000.00 |
| Prof. Dr. Ulrich Reuter | 25,000.00 | 25,000.00 | 5,000.00 | **55,000.00** | 55,000.00 |
| Dr. Anton Wiegers | 25,000.00 | 25,000.00 | | **50,000.00** | 50,000.00 |
| Ulrich Höller | 25,000.00 | 25,000.00 | | **50,000.00** | 50,000.00 |
| Total | 187,500.00 | 187,500.00 | 20,000.00 | **395,000.00** | 395,000.00 |

## Remuneration of Supervisory Board members

Supervisory Board remuneration is based on article 10 of the Articles of Association of DIC Asset AG. Accordingly, each member receives appropriate remuneration for their work that is composed of fixed remuneration and variable performance-related remuneration. The members of the Supervisory Board receive fixed remuneration of EUR 25,000.00 for each full financial year of membership of the Supervisory Board. Such remuneration shall be payable after the end of the financial year and shall be posted as an expense. Each member also receives EUR 2,500.00 annually for each percentage of the dividend over the rate of ten percent, calculated on the amount of the share capital that is distributed, but no more than EUR 25,000.00. The Chairman is paid twice the fixed and variable remuneration, and the Vice Chairman is paid one-and-a-half times the fixed and variable remuneration.

Supervisory Board members who are members of a Supervisory Board committee that has met at least once during the financial year receive an annual remuneration of EUR 5,000.00 per committee for each full financial year of their membership of this committee, but no more than EUR 10,000.00 in total. The Chairman of a Supervisory Board committee receives double this amount of additional remuneration.

In addition to the remuneration, each member of the Supervisory Board receives reimbursement of their expenses, including value added tax.

The total remuneration of the Supervisory Board members amounted to EUR 395 thousand in 2017. Supervisory Board members were also reimbursed travel expenses totalling EUR 18 thousand. A total of EUR 150 thousand (previous year: EUR 62 thousand) in remuneration for services purchased was paid to the law firm of Weil, Gotshal & Manges LLP, of which the Chairman of the Supervisory Board, Prof. Dr. Gerhard Schmidt, is a partner. The Supervisory Board had approved of this retention in October 2017, with the Chairman of the Supervisory Board abstaining from the vote. The fees paid for services in financial year 2017 concerned project-related legal consulting services on specific issues of company law.

## Directors' dealings

Article 19 of Regulation (EU) no. 596/2014 of the European Parliament and of the Council on market abuse (Market Abuse Regulation) requires members of the Management Board and Supervisory Board to report any transactions conducted on their own account relating to the shares or debt instruments of DIC Asset AG or to derivatives or other financial instruments of DIC Asset AG linked thereto (Directors' dealings). This obligation also applies to persons related to members of governing bodies. However, transactions must only be disclosed if the total amount of all transactions made by a member of a governing body or a person related to a member of a governing body until the end of a calendar year is at least EUR 5,000.00.

The following securities transactions as defined by article 19 Market Abuse Regulation were reported in the 2017 financial year:

| Date | Issuer (ISIN) | Person required to file the report | Type of transaction | Volume |
|---|---|---|---|---|
| 14.12.2017 | DIC Asset AG DE000A1X3XX4 | Sonja Wärntges Management Board member | Purchase | EUR 10,325.80 |

# OTHER DISCLOSURES

## Shareholders and General Shareholders' Meeting

The shareholders of DIC Asset AG exercise their rights at the General Shareholders' Meeting. The ordinary General Shareholders' Meeting takes place once a year. Every shareholder who is recorded in the share register and registers in good time is entitled to take part in the General Shareholders' Meeting, to vote with his shares recorded in the share register and registered and to pose questions to the Management Board. Each share grants one vote at the General Shareholders' Meeting.

Shareholders who cannot attend in person may arrange for their voting rights to be exercised in the General Shareholders' Meeting by a bank, an association of shareholders, the proxy or proxies of DIC Asset AG acting according to instructions or any other authorised individual.

## Transparent communication

We report each quarter on the course of business and the net assets, financial position and results of operations and inform our shareholders in an open, prompt and transparent manner about the DIC Asset AG business model as well as of any news or changes. We describe communications with our shareholders and business partners in detail in the chapter entitled "Investor relations and capital market".

## Financial reporting and auditing

DIC Asset AG prepares its consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs), taking into account the recommendations of EPRA, while the single-entity financial statements are prepared in accordance with the HGB. The financial statements for the full year are prepared by the Management Board, audited by the auditor, Rödl & Partner GmbH Wirtschaftsprüfungsgesellschaft, Steuerberatungsgesellschaft, Nuremberg, and examined by the Supervisory Board. Prior to their publication, the quarterly financial information and the half-yearly report reviewed by the auditors are discussed with the Supervisory Board. Based on the recommendation of the Audit Committee, the Supervisory Board submits a proposal regarding the election of the auditors by the General Shareholders' Meeting. Prior to this, the auditors submit a statement of independence to the Supervisory Board. In addition, it has been agreed with the auditors that they would notify the Supervisory Board immediately of any possible grounds for exclusion or bias that may arise during the audit.

Rödl & Partner GmbH Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft has been the auditor of the annual and consolidated financial statements since 2001 and was re-elected as the auditor following a call for tenders in the 2016 financial year. Mr Karsten Luce has been the auditor responsible for reviewing these statements since the audit of the 2015 annual and consolidated financial statements (1 January – 31 December 2015). In addition to Mr Karsten Luce, Mr Wolfgang Kraus is also authorised to sign the auditor's report relating to the annual financial report for the 2017 financial year.

## Risk management

Good corporate governance also includes managing risks in a responsible manner. The Management Board ensures that risks are adequately managed and controlled in the company. DIC Asset AG has therefore established a systematic risk management process, which ensures that risks are recognised and assessed at an early stage and the existing risk exposure is optimised. Risk management and risk control processes are continually enhanced and adjusted to changes in the general environment. Key features of the control and risk management systems are presented in the report on risks and opportunities.

# REPORT OF THE SUPERVISORY BOARD

## The Supervisory Board's advisory, monitoring and review activities

In financial year 2017, the Supervisory Board of DIC Asset AG once again regularly monitored the management by the Management Board and provided advice both on strategic corporate development and significant individual actions.

The Management Board informed the Supervisory Board during the financial year promptly and fully through written and oral reports. The reports set out all relevant information on significant issues regarding strategy and corporate planning, the situation and development of the Company and the Group, the risk position, the internal control system, risk management as well as material transactions. Deviations from planned business development were explained in detail by the Management Board and discussed by the Supervisory Board. The Supervisory Board was involved in all material decisions at an early stage and – to the extent necessary – gave its approval after examining and discussing them in depth.

The Supervisory Board held four ordinary meetings and seven extraordinary meetings in 2017. The extraordinary meetings were held as conference calls. No member of the Supervisory Board attended only half or fewer than half of the meetings of the Supervisory Board during their term of office. The average attendance rate at the Supervisory Board meetings in the reporting year was 91 percent.

The Chairman of the Supervisory Board was notified of material developments and decisions by the Management Board also between meetings, and discussed the Company's prospects and future orientation with the Management Board in separate strategy talks.

At the meetings, the Management Board explained the Company's operational performance – specifically lettings, acquisitions and sales – the trend in revenue and earnings as well as the financial position, with each issue discussed jointly. The written reports by the Management Board and, where applicable, the written proposals for resolutions, were made available to the Supervisory Board well ahead of time to allow its member to prepare for the consultations and the decisions to be made. The Management Board informed the Supervisory Board in detail and without delay of any particularly important transactions. Where justified, decisions were also made by written vote.

## Key points of deliberation at the Supervisory Board meetings

> February 2017

The ordinary meeting centred on the outcome of the Audit Committee meeting, which was explained and discussed in detail. The annual financial statements for financial year 2016 were adopted and the consolidated financial statements were approved. In addition, the Supervisory Board reviewed and approved the dependent company report for financial year 2016. The Supervisory Board also examined the proposal on the appropriation of profit by the Management Board and endorsed the proposal. The Supervisory Board's written report to the General Shareholders' Meeting was adopted.

Furthermore, the Company's recent performance, next operational steps such as the sale of a large real estate package for portfolio optimisation purposes and additional acquisition planning in the fund business, accompanied by the launch of new fund products, were discussed in detail. After detailed analysis of the key figures and the capital requirement for the planned DIC Office Balance IV office fund, the Supervisory Board approved the launch of the fund. The Supervisory Board reviewed the remuneration system for the Management Board and defined the variable remuneration amount for the 2016 financial year.

> March 2017

The primary focus of the extraordinary meeting of the Supervisory Board held in March was the fund business. The Management Board reported on the status of the DIC Office Balance IV launch and the current planning status of additional fund products. The acquisition planning in the fund business was specified in detail for the full year and warehousing strategies were discussed. The Management Board also reported on the sale of a commercial real estate portfolio with a sales price of EUR 143 million, with possession, benefits and associated risks transferred in the second quarter of 2017.

> April 2017

At the extraordinary meeting in April, the Management and Supervisory Boards discussed various options for the shares in WCM Beteiligungs- und Grundbesitz-AG ("WCM") held by the DIC Asset Group. The Management Board outlined the current situation and effects of any possible sale of WCM shares as part of any public offer in detail and focused on the accounting effects for DIC Asset AG in particular. After detailed analysis of the options, the Supervisory Board agreed to conduct negotiations regarding the offering of WCM shares to TLG Immobiien AG ("TLG").

> May 2017

In an extraordinary meeting, the Management Board reported on the results of the first quarter of 2017 and discussed the key performance indicators with the Supervisory Board. The Management Board informed the Supervisory Board of the status of negotiations with TLG. The Management Board also outlined the approach to and scheduling of the potential issuance of a new corporate bond.

At another extraordinary meeting, the Management Board presented the results of the negotiations with TLG about a potential tender agreement for WCM shares and outlined the successes achieved in these negotiations. The financial effects of the transaction at the negotiated terms and conditions were presented and discussed in detail. The Supervisory Board subsequently approved the signing of a tender agreement with the commitment to accept a possible takeover bid from TLG.

> June 2017
At the Supervisory Board's ordinary meeting, the Management Board reported on the earnings forecast for the first half of 2017 and explained the new segments being introduced in the half-yearly financial report. These segments were adapted to suit the refined hybrid business model and comprise the Commercial Portfolio, Funds and Other Investments operating segments. The Supervisory Board approved the new presentation after a discussion. The Management Board also reported on the status of the potential issuance of the fourth corporate bond, which it expected to place with a volume of at least EUR 100 million and list on the Luxembourg Stock Exchange. Other topics included the recent performance of the Commercial Portfolio and fund business as well as the status of TLG's recently announced takeover offer to the shareholders of WCM. The Supervisory Board approved a potential increase in the shareholding in TLG depending on other market conditions. Lastly, new targets for the share of women on the Management and Supervisory Boards were stipulated and a deadline for its achievement set, and the Rules of Procedure for the Management Board were updated.

> September 2017
At the Supervisory Board's ordinary meeting, the Management Board presented a preview of the results for the first nine months of the year and the full year, focusing in particular on earnings performance after the refinancing of the Commercial Portfolio in 2016. In the fund business, the planning status and structure of the new DIC Retail Balance I fund were discussed, possible acquisition targets were presented and investment planning for 2017 and 2018 was discussed for both the existing funds and new fund products. Other topics included the operating performance of asset and property management and, in particular, analysis of the optimisation measures implemented in 2017.

In an extraordinary meeting, the Supervisory Board appointed Sonja Wärntges as Chief Executive Officer (CEO) with effect from 1 October 2017 to succeed Aydin Karaduman, who stepped down from the Management Board with effect from the end of 30 September 2017. Mr Dirk Hasselbring was appointed as a new member of the Management Board with responsibility for the newly created Fund Business function on the Management Board, and the Management Board appointment of Mr Johannes von Mutius was extended, both also with effect from 1 October 2017.

> October 2017
In its extraordinary meeting, the Supervisory Board analysed the potential of inorganic growth and opportunities resulting from it. The Supervisory Board also addressed the performance of the DIC shareholding in TLG and its announced Extraordinary General Meeting following the completion of TLG's takeover offer for WCM shares.

> November 2017
The primary focus of the extraordinary meeting was the fund business. The Management Board reported on the current status of the DIC Office Balance IV and DIC Retail Balance I funds recently launched in 2017 and the new fund products planned. It also outlined the extent and key figures of properties recently acquired for warehousing purposes as well as the acquisition pipeline and its financing options.

> December 2017
At the ordinary meeting, the Management Board explained the earnings forecast for the full 2017 financial year. The operational planning, earnings and balance sheet planning as well as the transaction activities for both the Commercial Portfolio and the fund business for financial year 2018 were also presented and discussed. Key information and the current status of two developments in the Commercial Portfolio – the repositioning property at Kaiserpassage in Frankfurt and a refurbishment property in Darmstadt – were presented and further plans approved. The Supervisory Board then discussed the agenda items for the 2018 General Shareholders' Meeting.

## Audit Committee report

The Supervisory Board established an Audit Committee to ensure that work is allocated and performed efficiently. This committee met twice in 2017. Both meetings were attended by all members of the Audit Committee.

The meeting held in February 2017 focused on the areas of emphasis of the audit and on financial reporting documents for financial year 2016. With representatives of the auditor in attendance, the meeting was devoted a detailed analysis and discussion of the annual and consolidated financial statements for financial year 2016 along with the combined management and group management report as well as the associated audit reports, taking into account in particular the areas of emphasis of the audit previously defined by the Audit Committee in coordination with the auditor – especially disposals in 2016, the acquisition and valuation of the WCM investment and the effects of the refinancing on the 2016 annual financial statements.

Recommendations were approved for the Supervisory Board's resolutions concerning the financial reporting documents for the 2016 financial year. The Audit Committee recommended to the Supervisory Board to once again propose to the General Shareholders' Meeting the appointment of Rödl & Partner GmbH Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Nuremberg, as auditor of the annual and consolidated financial statements for the 2017 financial year and as auditor for reviewing the 2017 half-yearly report. The Audit Committee had previously satisfied itself of the independence and auditing quality of Rödl & Partner GmbH Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft. Based on this recommendation, the Supervisory Board adopted a corresponding nomination proposal at the 2017 General Shareholders' Meeting.

At the meeting in December 2017, the Audit Committee, together with the representatives of the auditor, specified the areas of emphasis and key audit matters for the 2017 financial year. The Audit Committee also addressed the CSR Regulation Implementation Act, the 2018 Remuneration Transparency Act and the 2018 audit focus areas specified by the German Financial Reporting Enforcement Panel (DPR) and their relevance for DIC Asset AG.

## Corporate governance reviewed, declaration updated

The Supervisory Board regularly reviewed the Company's corporate governance during the reporting period and pursued its development in line with the German Corporate Governance Code. The Supervisory Board also reviewed the efficiency of the Company's activities.

After the most recent Declaration of Conformity had been adopted in February 2017 on the recommendations of the German Corporate Governance Code as amended on 5 May 2015, the Supervisory Board, together with the Management Board, issued the current Declaration of Conformity in February 2018 in accordance with section 161 of the German Stock Corporation Act (AktG) on the recommendations of the German Corporate Governance Code as amended on 7 February 2017. It was published on the Company's website in the Corporate Governance section. In the section entitled "Corporate governance report and corporate governance declaration" of this Annual Report, the Management Board reports in detail on corporate governance for the Company and the Group, also on behalf of the Supervisory Board.

## No conflicts of interest

In compliance with the German Corporate Governance Code, each member of the Supervisory Board will disclose any conflict of interest that might arise. No conflicts of interest arose in financial year 2017.

Between the Company and law firm of Weil, Gotshal & Manges LLP, of which Supervisory Board Chairman Prof. Dr. Gerhard Schmidt is a partner, advisory mandates existed during the 2017 financial year with the approval of the Supervisory Board. The member of the Supervisory Board concerned did not participate in the adoption of the resolution.

## Annual and consolidated financial statements for 2017 audited and approved

The Management Board prepared the annual financial statements for financial year 2017 in accordance with the German Commercial Code, the consolidated financial statements in accordance with IFRSs, as adopted by the EU, and with the commercial law regulations to be applied in addition pursuant to section 315a (1) of the HGB, as well as the management report combined with the group management report. These items were audited by Rödl & Partner GmbH Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Nuremberg, appointed as auditors at the General Shareholders' Meeting on 11 July 2017, and an unqualified auditor's report was issued for each of them.

All of these documents including the Management Board's proposal on the appropriation of profit were discussed at the meetings of the Audit Committee and the Supervisory Board on 7 February 2018 attended by representatives of the auditor. The auditor of the annual financial statements reported on the areas of emphasis and material findings of their audit and focused in particular on key audit matters and audit activities carried out. One key audit matter for auditing the consolidated financial statements was the measurement of the properties. The measurement of the equity investments was defined as a key audit matter for auditing the annual financial statements of DIC Asset AG. No significant weaknesses in the internal control and risk management system relevant for the financial reporting process were reported. The auditors were available to the members of the Committee and the Supervisory Board for comprehensive discussion. There were no circumstances that could suggest any bias on the part of the auditor.

The Audit Committee, to which the Management Board's documents and the auditor's audit reports were submitted in good time for a preliminary audit, reported to the Supervisory Board on the essential content and findings of its preliminary audit, and issued recommendations for the Supervisory Board's resolutions.

The Supervisory Board, which was also provided with the documents and audit reports in good time, examined the annual and consolidated financial statements for financial year 2017, the management report combined with the group management report and the Management Board's proposal on the appropriation of profit, taking into account the Audit Committee's report. The Supervisory Board concurred with the findings of the auditor's audit. On the basis of its own review, the Supervisory Board established that it had no cause for objections against the annual financial statements and consolidated financial statements or against the combined management report and group management report. The Supervisory Board approved the annual and consolidated financial statements prepared by the Management Board in line with the recommendation of the Audit Committee. The annual financial statements of DIC Asset AG were thereby adopted.

## Proposal on the appropriation of retained earnings

In connection with the proposal on the appropriation of retained earnings by the Management Board, the Audit Committee and the Supervisory Board also discussed in detail accounting policies and financial planning. On the basis of its own review, the Supervisory Board concurred with the Management Board's recommendation to propose to the General Shareholders' Meeting that a regular dividend of EUR 0.44 and an extraordinary dividend of EUR 0.20 per share carrying dividend rights be distributed to the shareholders from the retained earnings of financial year 2017 and that the remaining amount be carried forward to new account. The Supervisory Board also concurred with the recommendation of the Management Board to propose to the General Shareholders' Meeting to give the shareholders the option of receiving the dividend either in cash or in shares of DIC Asset AG ("scrip dividend").

## Relations with affiliates reviewed

The Management Board prepared a report on relations with affiliates for financial year 2017. The auditor has audited this report, reported on the findings in writing and issued the following unqualified auditor's report:

"In accordance with our dutifully performed audit and assessment, we confirm that

1. the factual statements in the report are correct,

2. the payments made by the Company in connection with the legal transactions referred to in the report were not unduly high under the circumstances know at the time they were carried out."

The Management Board's report and the auditor's report were also made available to the individual members of the Supervisory Board in good time. These reports were discussed in depth in the meetings of the Audit Committee and the Supervisory Board. The representatives of the auditor who participated in the meetings reported on the material findings of their audit. The Supervisory Board approved the Management Board's report on the relations with affiliates following its own review and also concurred with the findings of the audit of the report by the auditor. As a result of its own review, the Supervisory Board established that it had no reason to object to the statement made by the Management Board on relations with affiliates at the end of the report.

## Appointments to the Management Board and Supervisory Board

The following changes took place on the Management Board:
On 1 October 2017, Ms Sonja Wärntges, former Chief Financial Officer (CFO) of DIC Asset AG, was appointed as Chief Executive Officer (CEO) of DIC Asset AG, succeeding Mr Aydin Karaduman, who stepped down from the Management Board with effect from the end of 30 September 2017. Mr Dirk Hasselbring, previously Head of DIC Fund Balance GmbH, was also appointed to the Management Board with effect from 1 October 2017 with responsibility for the newly created Fund Business function on the Management Board.

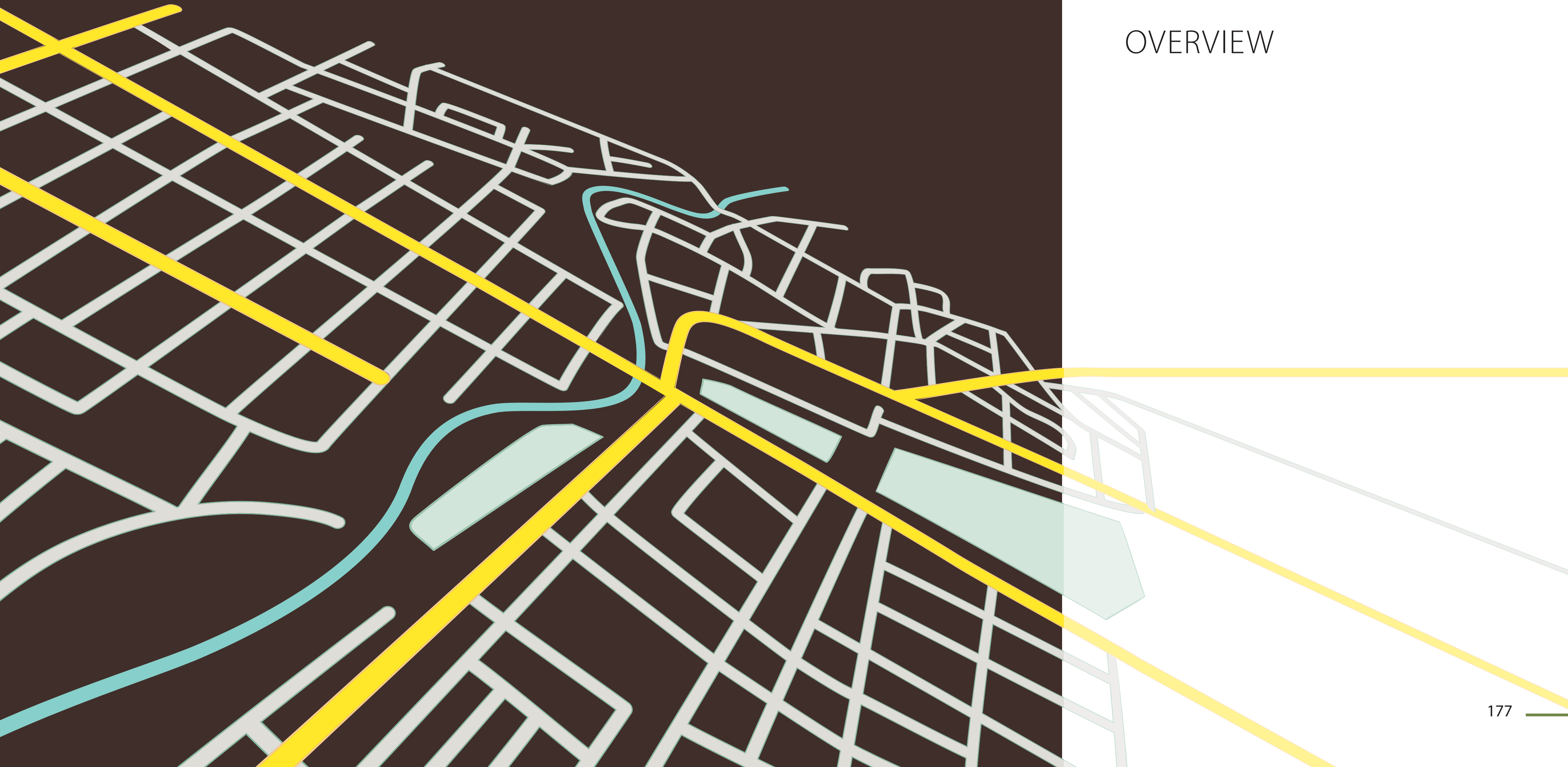
There were no personnel changes to the composition of the Supervisory Board during the reporting period. The regular terms of office of Prof. Dr. Gerhard Schmidt (Chairman of the Supervisory Board), Mr Klaus-Jürgen Sontowski (Vice Chairman of the Supervisory Board) and Mr Michael Bock (member of the Supervisory Board) ended at the conclusion of the General Shareholders' Meeting on 11 July 2017. On 11 July 2017, the General Shareholders' Meeting reappointed Prof. Dr. Gerhard Schmidt, Klaus-Jürgen Sontowski and Michael Bock to the Supervisory Board on the recommendation of the Supervisory Board for a term of office ending at the conclusion of the General Shareholders' Meeting that formally approves their actions for the 2021 financial year. At its constituent meeting, the Supervisory Board reappointed Prof. Dr. Schmidt as Chairman and Mr. Sontowski as Vice Chairman of the Supervisory Board.

The Supervisory Board would like to thank the Management Board as well as the staff for their work and dedication during financial year 2017.

Frankfurt am Main, 7 February 2018

The Supervisory Board

Prof. Dr. Gerhard Schmidt
- Chairman -



# OVERVIEW

**Overview of holdings:** Appendix 1 to the notes to the consolidated financial statements

## List of consolidated subsidiaries

| Name and registered office of company | Interest (%) * |
|---|---|
| DIC Asset Beteiligungs GmbH, Frankfurt am Main | 100.0 |
| DIC Fund Balance GmbH, Frankfurt am Main | 100.0 |
| DIC Office Balance I GmbH, Frankfurt am Main | 100.0 |
| DIC Office Balance II GmbH, Frankfurt am Main | 100.0 |
| DIC Office Balance III GmbH, Frankfurt am Main | 100.0 |
| DIC Office Balance IV GmbH, Frankfurt am Main | 100.0 |
| DIC FB Property Management GmbH, Frankfurt am Main | 100.0 |
| OB III Verwaltungs GmbH Frankfurt am Main | 100.0 |
| DIC HighStreet Balance GmbH, Frankfurt am Main | 100.0 |
| DIC Retail Balance I GmbH, Frankfurt am Main | 100.0 |
| DIC Retail Balance I Betriebsvorrichtungs GmbH, Frankfurt am Main | 100.0 |
| DIC Retail Balance I Funding GmbH, Frankfurt am Main | 100.0 |
| DIC Retail Balance I Beteiligungs GmbH, Frankfurt am Main | 100.0 |
| DIC Objekt Halle GmbH & Co. KG, Frankfurt am Main | 100.0 |
| DIC Objekt Hamburg Heidenkampsweg GmbH & Co. KG, Frankfurt am Main | 100.0 |
| DIC Objekt Eschborn GmbH & Co. KG, Frankfurt am Main | 100.0 |
| DIC Fund Advisory GmbH & Co. KG, Frankfurt am Main | 100.0 |
| DIC Fund Balance Consulting I GmbH, Frankfurt am Main | 100.0 |
| DIC Fund Balance Consulting II GmbH, Frankfurt am Main | 100.0 |
| DIC Real Estate Investments Beteiligungs GmbH, Frankfurt am Main | 100.0 |
| DIC Real Estate Investments GmbH & Co. KGaA, Frankfurt am Main | 100.0 |
| DIC Objekt EKZ Duisburg GmbH, Frankfurt am Main | 100.0 |
| DIC Objekt Zeppelinheim GmbH, Frankfurt am Main | 100.0 |
| DIC Finance Management GmbH & Co. KG, Frankfurt am Main | 100.0 |
| DIC Fund Balance 1. Beteiligungs GbR, Frankfurt am Main | 100.0 |
| DIC Fund Balance 2. Beteiligungs GbR, Frankfurt am Main | 100.0 |
| DIC RMN-Portfolio GmbH, Frankfurt am Main | 100.0 |
| DIC Objekt Stadthaus Offenbach GmbH, Frankfurt am Main | 100.0 |
| DIC Objekt Darmstadt GmbH, Frankfurt am Main | 100.0 |
| DIC Objekt Velbert GmbH, Frankfurt am Main | 100.0 |

| Name and registered office of company | Interest (%) * |
|---|---|
| DIC Objekt Alsbach GmbH, Frankfurt am Main | 100.0 |
| DIC Objekt Alsbach 2 GmbH, Frankfurt am Main | 100.0 |
| DIC Objekt Hemsbach GmbH, Frankfurt am Main | 100.0 |
| DIC RMN Objekt 1 GmbH, Frankfurt am Main | 100.0 |
| DIC RP Portfolio GmbH, Frankfurt am Main | 100.0 |
| DIC RP Objekt Bochum GmbH, Frankfurt am Main | 100.0 |
| DIC RP Objekt Essen GmbH, Frankfurt am Main | 100.0 |
| DIC RP Objekt 1 GmbH, Frankfurt am Main | 100.0 |
| DIC RP Objekt 2 GmbH, Frankfurt am Main | 100.0 |
| DIC AP Portfolio GmbH, Frankfurt am Main | 100.0 |
| DIC AP Objekt Augustaanlage GmbH, Frankfurt am Main | 100.0 |
| DIC AP Objekt Düsseldorf GmbH, Frankfurt am Main | 100.0 |
| DIC AP Objekt Insterburger Str. 5 GmbH, Frankfurt am Main | 100.0 |
| DIC AP Objekt Insterburger Str. 7 GmbH, Frankfurt am Main | 100.0 |
| DIC AP Objekt Königsberger Str. 29 GmbH, Frankfurt am Main | 100.0 |
| DIC AP Objekt Coblitzweg GmbH, Frankfurt am Main | 100.0 |
| DIC AP Objekt Stuttgarter Str. GmbH, Frankfurt am Main | 100.0 |
| DIC AP Objekt Konstanz GmbH, Frankfurt am Main | 100.0 |
| DIC AP Objekt 1 GmbH, Frankfurt am Main | 100.0 |
| DIC AP Objekt 2 GmbH, Frankfurt am Main | 100.0 |
| DIC AP Objekt 3 GmbH, Frankfurt am Main | 100.0 |
| DIC AP Objekt 5 GmbH, Frankfurt am Main | 100.0 |
| DIC AP Objekt 6 GmbH, Frankfurt am Main | 100.0 |
| DIC AP Objekt 7 GmbH, Frankfurt am Main | 100.0 |
| DIC AP Objekt 8 GmbH, Frankfurt am Main | 100.0 |
| DIC AP Objekt 9 GmbH, Frankfurt am Main | 100.0 |
| DIC Asset Portfolio GmbH, Frankfurt am Main | 100.0 |
| DIC Asset AP GmbH, Frankfurt am Main | 100.0 |
| DIC Asset OP GmbH, Frankfurt am Main | 100.0 |
| DIC Asset DP GmbH, Frankfurt am Main | 100.0 |
| DIC OF REIT 1 GmbH, Frankfurt am Main | 100.0 |
| DIC OF RE 2 GmbH, Frankfurt am Main | 100.0 |
| DIC 27 Portfolio GmbH, Frankfurt am Main | 100.0 |

| Name and registered office of company | Interest (%) * |
|---|---|
| DIC OP Portfolio GmbH, Frankfurt am Main | 100.0 |
| DIC OP Objekt Darmstadt GmbH, Frankfurt am Main | 100.0 |
| DIC OP Objekt Duisburg GmbH, Frankfurt am Main | 100.0 |
| DIC OP Objekt Düsseldorf GmbH, Frankfurt am Main | 100.0 |
| DIC OP Objekt Hamburg GmbH, Frankfurt am Main | 100.0 |
| DIC OP Objekt Leverkusen GmbH, Frankfurt am Main | 100.0 |
| DIC OP Objekt Marl GmbH, Frankfurt am Main | 100.0 |
| DIC OP Objekt München-Grünwald GmbH, Frankfurt am Main | 100.0 |
| DIC OP Objekt Objekt 1 GmbH, Frankfurt am Main | 100.0 |
| DIC OP Objekt Objekt 2 GmbH, Frankfurt am Main | 100.0 |
| DIC OP Objekt Objekt 3 GmbH, Frankfurt am Main | 100.0 |
| DIC OP Objekt Objekt 4 GmbH, Frankfurt am Main | 100.0 |
| DIC OP Betriebsvorrichtungs GmbH, Frankfurt am Main | 100.0 |
| DIC VP Portfolio GmbH, Frankfurt am Main | 100.0 |
| DIC VP Objekt Köln ECR GmbH, Frankfurt am Main | 100.0 |
| DIC VP Objekt Köln SILO GmbH, Frankfurt am Main | 100.0 |
| DIC VP Objekt Düsseldorf Nordstraße GmbH, Frankfurt am Main | 100.0 |
| DIC VP Objekt Moers GmbH, Frankfurt am Main | 100.0 |
| DIC VP Objekt Neubrandenburg GmbH, Frankfurt am Main | 100.0 |
| DIC VP Objekt Saalfeld GmbH, Frankfurt am Main | 100.0 |
| DIC VP Betriebsvorrichtungs GmbH, Frankfurt am Main | 100.0 |
| DIC DP Portfolio GmbH, Frankfurt am Main | 100.0 |
| DIC DP Wiesbaden Frankfurter Straße 46-48 GmbH, Frankfurt am Main | 100.0 |
| DIC DP Hamburg Halenreie GmbH, Frankfurt am Main | 100.0 |
| DIC DP Mönchengladbach Stresemannstraße GmbH, Frankfurt am Main | 100.0 |
| DIC DP Langenselbold Am Weiher GmbH, Frankfurt am Main | 100.0 |
| DIC DP Objekt 1 GmbH & Co. KG, Frankfurt am Main | 100.0 |
| DIC DP Objekt 2 GmbH, Frankfurt am Main | 100.0 |
| DIC DP Objekt 3 GmbH, Frankfurt am Main | 100.0 |
| DIC DP Objekt 5 GmbH, Frankfurt am Main | 100.0 |

* Interest equals the share of voting rights

| Name and registered office of company | Interest (%) * |
| --- | --- |
| DIC DP Objekt 6 GmbH, Frankfurt am Main | 100.0 |
| DIC DP Betriebsvorrichtungs GmbH, Frankfurt am Main | 100.0 |
| DIC 25 Portfolio GmbH, Frankfurt am Main | 100.0 |
| DIC 25 Betriebsvorrichtungs GmbH, Frankfurt am Main | 100.0 |
| DIC 25 Objekt Bremen GmbH, Frankfurt am Main | 99.4 |
| DIC 25 Objekt Chemnitz GmbH, Frankfurt am Main | 99.4 |
| DIC 26 Portfolio GmbH, Frankfurt am Main | 100.0 |
| DIC 26 Leipzig GmbH, Frankfurt am Main | 100.0 |
| DIC 26 Frankfurt-Taunusstraße GmbH, Frankfurt am Main | 100.0 |
| DIC 26 Erfurt GmbH, Frankfurt am Main | 100.0 |
| DIC 26 Schwaben GmbH, Frankfurt am Main | 100.0 |
| DIC 26 Wiesbaden GmbH, Frankfurt am Main | 100.0 |
| DIC MainTor Real Estate 1 GmbH, Frankfurt am Main | 100.0 |
| DIC Onsite GmbH, Frankfurt am Main | 100.0 |
| DIC Objektsteuerung GmbH, Frankfurt am Main | 94.8 |
| DIC Objekt Frankfurt 1 GmbH & Co. KG, Frankfurt am Main | 94.0 |
| Gewerbepark Langenfeld West 3 GmbH & Co. KG, Frankfurt am Main | 99.2 |
| Deutsche Immobilien Chancen Objekt Ulm 1 Erweiterung GmbH, Frankfurt am Main | 90.0 |
| Deutsche Immobilien Chancen Objektbeteiligungs GmbH, Frankfurt am Main | 90.0 |
| DIC EB Portfolio GmbH, Frankfurt am Main | 99.4 |
| DIC Zeil Portfolio GmbH, Frankfurt am Main | 99.4 |
| DIC Frankfurt Objekt 3 GmbH, Frankfurt am Main | 99.4 |
| DIC LB Portfolio GmbH, Frankfurt am Main | 99.4 |
| DIC Berlin Portfolio Objekt Bundesallee GmbH, Frankfurt am Main | 99.4 |
| DIC Berlin Portfolio Objekt Berliner Straße GmbH, Frankfurt am Main | 99.4 |
| DIC HI Portfolio GmbH, Frankfurt am Main | 92.5 |
| DIC HI Landsbergerstrasse GmbH & Co. KG, Frankfurt am Main | 92.5 |
| DIC HI Objekt Frankfurt Theodor-Heuss-Allee GmbH, Frankfurt am Main | 92.5 |

| Name and registered office of company | Interest (%) * |
| --- | --- |
| DIC HI Objekt Hamburg Kurt-Schumacher-Allee GmbH, Frankfurt am Main | 92.5 |
| DIC HI Objekt Koblenz Frankenstrasse GmbH, Frankfurt am Main | 92.5 |
| DIC HI Objekt Köln GmbH, Frankfurt am Main | 92.5 |
| DIC HI Objekt Neu-Isenburg GmbH, Frankfurt am Main | 92.5 |
| DIC HI Objekt Ratingen GmbH, Frankfurt am Main | 92.5 |
| DIC HI Objekt 1 GmbH, Frankfurt am Main | 92.5 |
| DIC HI Objekt 2 GmbH, Frankfurt am Main | 92.5 |
| DIC HI Objekt 3 GmbH & Co. KG, Frankfurt am Main | 92.5 |
| DIC HI Objekt 4 GmbH, Frankfurt am Main | 92.5 |
| DIC HI Objekt 5 GmbH, Frankfurt am Main | 92.5 |
| DIC HI Objekt 6 GmbH & Co. KG, Frankfurt am Main | 92.5 |
| DIC HI Objekt 7 GmbH, Frankfurt am Main | 92.5 |
| DIC HI Objekt 9 GmbH, Frankfurt am Main | 92.5 |
| DIC HI Objekt 10 GmbH, Frankfurt am Main | 92.5 |
| DIC HI Objekt 11 GmbH, Frankfurt am Main | 92.5 |
| DIC HI Objekt 12 GmbH, Frankfurt am Main | 92.5 |
| DIC HI Objekt 13 GmbH, Frankfurt am Main | 92.5 |
| DIC HI Objekt 14 GmbH, Frankfurt am Main | 92.5 |
| DIC HI Objekt 15 GmbH, Frankfurt am Main | 92.5 |
| DIC HI Betriebsvorrichtungs GmbH, Frankfurt am Main | 92.5 |
| DIC Hamburg Portfolio GmbH, Frankfurt am Main | 92.5 |
| DIC Hamburg Objekt Großmannstrasse GmbH, Frankfurt am Main | 92.5 |
| DIC Hamburg Objekt Marckmannstrasse GmbH, Frankfurt am Main | 92.5 |
| DIC Hamburg Objekt 1 GmbH, Frankfurt am Main | 92.5 |
| DIC Hamburg Objekt 2 GmbH, Frankfurt am Main | 92.5 |
| DIC Hamburg Objekt 5 GmbH, Frankfurt am Main | 92.5 |
| DIC Hamburg Objekt 10 GmbH, Frankfurt am Main | 92.5 |

* Interest equals the share of voting rights

**Overview of holdings:** Appendix 2 to the notes to the consolidated financial statements

## Indirect and direct holdings of up to 40 %

| Name and registered office of company | Interest (%) * |
|---|---|
| MainTor GmbH, Frankfurt am Main | 40.0 |
| DIC MainTor Primus GmbH, Frankfurt am Main | 40.0 |
| DIC MainTor WinX GmbH, Frankfurt am Main | 40.0 |
| DIC MainTor Zweite Beteiligungs GmbH & Co. KG, Frankfurt am Main | 40.0 |
| DIC MainTor Verwaltungs GmbH, Frankfurt am Main | 40.0 |
| DIC MainTor III GmbH, Frankfurt am Main | 40.0 |
| DIC GMG GmbH, Frankfurt am Main | 20.0 |
| WACO Beteiligungs GmbH, Frankfurt am Main | 20.0 |
| DIC Office Balance I , Frankfurt am Main** | 10.0 |
| DIC Office Balance II , Frankfurt am Main*** | 4.8 |
| DIC Office Balance III , Frankfurt am Main*** | 0.1 |
| OB III Berlin 1 GmbH & Co. KG, Frankfurt am Main | 5.1 |
| OB III Berlin 2 GmbH & Co. KG, Frankfurt am Main | 5.1 |
| OB III Berlin 3 GmbH & Co. KG, Frankfurt am Main | 5.1 |
| OB III Bochum GmbH & Co. KG, Frankfurt am Main | 5.1 |
| OB III Bonn GmbH & Co. KG, Frankfurt am Main | 5.1 |
| OB III Frankfurt GmbH & Co. KG, Frankfurt am Main | 5.1 |
| OB III Hannover GmbH & Co. KG, Frankfurt am Main | 5.1 |
| OB III Köln GmbH & Co. KG, Frankfurt am Main | 5.1 |
| OB III Koblenz GmbH & Co. KG, Frankfurt am Main | 5.1 |
| OB III München GmbH & Co. KG, Frankfurt am Main | 5.1 |
| OB III Nürnberg GmbH & Co. KG, Frankfurt am Main | 5.1 |
| DIC Office Balance IV , Frankfurt am Main*** | 4.62 |

| Name and registered office of company | Interest (%) * |
|---|---|
| DIC OB IV Düsseldorf GmbH & Co. KG, Frankfurt am Main | 5.1 |
| DIC OB IV München GmbH & Co. KG, Frankfurt am Main | 5.1 |
| DIC Retail Balance I, Frankfurt am Main *** | 1.43 |
| RB I Objekt Hamburg Bergedorf GmbH & Co. KG, Frankfurt am Main | 5.1 |
| RB I Objekt Hamburg Harburg GmbH & Co. KG, Frankfurt am Main | 5.1 |
| RB I Objekt Berlin GmbH & Co. KG, Frankfurt am Main | 5.1 |
| DIC HighStreet Balance , Frankfurt am Main*** | 5.04 |
| TLG Immobilien AG, Frankfurt am Main**** | 15.1 |
| DIC MSREF HMDD Portfolio GmbH, Frankfurt am Main | 20.0 |
| DIC MSREF HMDD Objekt Essen GmbH, Frankfurt am Main | 20.0 |
| DIC MSREF HMDD Objekt Frankfurt GmbH, Frankfurt am Main | 20.0 |
| DIC MSREF HMDD Objekt Radolfzell GmbH, Frankfurt am Main | 20.0 |
| DIC MSREF HMDD Objekt 1 GmbH, Frankfurt am Main | 20.0 |
| DIC MSREF HMDD Objekt 2 GmbH, Frankfurt am Main | 20.0 |
| DIC MSREF HMDD Objekt 4 GmbH, Frankfurt am Main | 20.0 |
| DIC MSREF HT Portfolio GmbH, Frankfurt am Main | 20.0 |
| DIC MSREF HT Objekt Düsseldorf GmbH, Frankfurt am Main | 20.0 |
| DIC MSREF HT Objekt Hamburg GmbH, Frankfurt am Main | 20.0 |
| DIC MSREF HT Objekt Krefeld GmbH, Frankfurt am Main | 20.0 |
| DIC MSREF HT Objekt Neu-Ulm GmbH, Frankfurt am Main | 20.0 |
| DIC MSREF FF Südwest Portfolio GmbH, Frankfurt am Main | 20.0 |

| Name and registered office of company | Interest (%) * |
|---|---|
| DIC MSREF FF Südwest Objekt München 1 GmbH & Co. KG, Frankfurt am Main | 20.0 |
| DIC MSREF FF Südwest Objekt München 1 Verwaltungs GmbH, Frankfurt am Main | 20.0 |
| DIC MSREF FF Südwest Objekt Nürnberg GmbH, Frankfurt am Main | 20.0 |
| DIC MSREF FF Südwest Objekt Mainz GmbH, Frankfurt am Main | 20.0 |
| DIC BW Portfolio GmbH, Frankfurt am Main | 20.0 |
| DIC Development GmbH, Frankfurt am Main | 20.0 |
| DIC Opportunistic GmbH, Frankfurt am Main*** | 20.0 |
| DIC Hamburg Objekt Dammtorstrasse GmbH & Co. KG, Frankfurt am Main | 18.8 |

* Interest equals the share of voting rights
** 12.5 % share of voting rights
*** 0.0 % share of voting rights
**** Share of voting rights

Appendix 3 to the notes to the consolidated financial statements

## Announcements on voting rights

## Disclosures in line with section 160 (1) no. 8 AktG

Section 160 (1) no. 8 AktG requires disclosures to be made regarding equity investments of which the Company was informed pursuant to section 21 (1) or (1a) WpHG (as amended until 2 January 2018) or pursuant to section 33 (1) or (2) WpHG (as amended from 3 January 2018). The following disclosures were taken from the most recent notification received from a person or entity required to make an announcement of their voting rights. The most recent change in the total number of voting rights has been effective since 27 November 2013

a. BlackRock, Inc., Wilmington, DE, United States of America, informed us pursuant to section 33 (1) WpHG that on 30 January 2018 its share of voting rights in DIC Asset AG, Frankfurt am Main, exceeded the threshold of 3% and amounted to 3.08% (2,111,915 voting rights) as per this date. 3.08% (2,111,915 voting rights) of these voting rights are to be assigned to BlackRock, Inc. pursuant to section 34 WpHG.

b. OM Asset Management plc, London, United Kingdom, informed us pursuant to section 21 (1) WpHG that on 27 November 2017 its share of voting rights in DIC Asset AG, Frankfurt am Main, exceeded the threshold of 3% and amounted to 3.02% (2,069,652 voting rights) as per this date. 3.02% (2,069,652 voting rights) of these voting rights are to be assigned to OM Asset Management plc pursuant to section 22 WpHG.

c. Old Mutual Plc, London, United Kingdom, informed us pursuant to section 21 (1) WpHG that on 3 October 2017 its share of voting rights in DIC Asset AG, Frankfurt am Main, fell below the threshold of 3% and amounted to 0.00% (0 voting rights) as per this date.

d. Deka Investment GmbH, Frankfurt am Main, Germany, informed us pursuant to section 21 (1) WpHG that on 6 July 2017 its share of voting rights in DIC Asset AG, Frankfurt am Main, fell below the thresholds of 5% and 3% and amounted to 0.31% (213,000 voting rights) as per this date. 0.31% (213,000 voting rights) of these voting rights are to be assigned to Deka Investment GmbH pursuant to section 22 WpHG.

e. RAG-Stiftung, Essen, Germany, informed us pursuant to section 21 (1) WpHG that on 6 July 2017 its share of voting rights in DIC Asset AG, Frankfurt am Main, exceeded the threshold of 10% and amounted to 10.01% (6,867,520 voting rights) as per this date.

f. Florian Rehm, date of birth 10 September 1977, informed us pursuant to section 21 (1) WpHG that on 5 July 2017 his share of voting rights in DIC Asset AG, Frankfurt am Main, fell below the threshold of 3% and amounted to 0.00% (0 voting rights) as per this date.

g. ASSET VALUE INVESTORS LIMITED, London, United Kingdom, informed us pursuant to section 21 (1) WpHG that on 19 May 2017 its share of voting rights in DIC Asset AG, Frankfurt am Main, fell below the thresholds of 5% and 3% and amounted to 2.98% (2,044,526 voting rights) as per this date. 2.98% (2,044,526 voting rights) of these voting rights are to be assigned to ASSET VALUE INVESTORS LIMITED pursuant to section 22 WpHG.

h. BRITISH EMPIRE TRUST PLC, Exeter, United Kingdom, informed us pursuant to section 21 (1) WpHG that on 18 May 2017 its share of voting rights in DIC Asset AG, Frankfurt am Main, fell below the threshold of 3% and amounted to 2.98% (2,042,218 voting rights) as per this date. 2.98% (2,042,218 voting rights) of these voting rights are to be assigned to BRITISH EMPIRE TRUST PLC pursuant to section 22 WpHG.

i. GMO Credit Opportunities Fund, L.P., Boston, MA, United States of America, informed us pursuant to section 21 (1) WpHG that on 4 August 2016 its share of voting rights in DIC Asset AG, Frankfurt am Main, fell below the threshold of 3% and amounted to 2.99498% (2,053,891 voting rights) as per this date.

j. Grantham, Mayo, Van Otterloo & Co. LLC, Boston, MA, United States of America, as the manager/investment advisor of GMO Credit Opportunities Fund, L.P. having discretion regarding investments and re-investments of the fund assets informed us pursuant to section 21 (1) WpHG that on 4 August 2016 its share of voting rights in DIC Asset AG, Frankfurt am Main, fell below the threshold of 3% and amounted to 2.99498% (2,053,891 voting rights) as per this date. 2.99498% (2,053,891 voting rights) of these voting rights are to be assigned to Grantham, Mayo, Van Otterloo & Co. LLC pursuant to section 22 WpHG. The name of the shareholder holding at least 3% of the voting rights is GMO Credit Opportunities Fund, L.P.

k. APG Asset Management N.V., Amsterdam, The Netherlands, informed us pursuant to Article 21 Section 1 WpHG that on 2 March 2015 its voting rights in DIC Asset AG, Frankfurt am Main, Germany, have fallen below the threshold of 3% and amounted to 2.68% (1,838,377 voting rights) as per this date.

   APG Groep NV, Amsterdam, The Netherlands, informed us pursuant to Article 21 Section 1 WpHG that on 2 March 2015 its voting rights in DIC Asset AG, Frankfurt am Main, Germany, have fallen below the threshold of 3% and amounted to 2.68% (1,838,377 voting rights) as per this date. Of these voting rights, 2.68% (1,838,377 voting rights) are to be attributed to APG Groep NV pursuant to Article 22 Section 1 Sentence 1 No. 1 WpHG.

l. Stichting Pensioenfonds ABP, Heerlen, The Netherlands, informed us pursuant to Article 21 Section 1 WpHG that on 2 March 2015 its voting rights in DIC Asset AG, Frankfurt am Main, Germany, have fallen below the threshold of 3% and amounted to 2.68 % (1,838,377 voting rights) as per this date. Of these voting rights, 2.68 % (1,838,377 voting rights) are to be attributed to Stichting Pensioenfonds ABP pursuant to Article 22 Section 1 Sentence 1 No. 1 WpHG.

m. EII Capital Management, Inc., New York City, United States of America, informed us in line with § 21 (1) WpHG that its share of voting rights in DIC Asset AG, Frankfurt am Main, fell below the 3 % threshold on 1 August 2014 and was 2.79 % as of this date (1,914,860 votes). 2.79 % thereof (1,914,860 votes) is allocable to EII Capital Management, Inc. in line with § 22 (1) sentence 1 No. 6 WpHG.

   EII Capital Holding, Inc., New York City, United States of America, informed us in line with § 21 (1) WpHG that its share of voting rights in DIC Asset AG, Frankfurt am Main, fell below the 3 % threshold on 1 August 2014 and was 2.79 % as of this date (1,914,860 votes). 2.79 % thereof (1,914,860 votes) is allocable to EII Capital Holding, Inc. in line with § 22 (1) sentence 1 No. 6 in conjunction with § 22 (1) sentence 2 WpHG.

n. Morgan Stanley, Wilmington, Delaware, United States of America, informed us in line with § 21 (1) WpHG that its share of voting rights in DIC Asset AG, Frankfurt am Main, fell below the 3 % threshold on 9 June 2014 and was 0.01 % as of this date (8,000 votes). 0.01 % thereof (8,000 votes) is allocable to Morgan Stanley in line with § 22 (1) sentence 1 No. 1 WpHG.

o. Commerzbank Aktiengesellschaft, Frankfurt am Main, Germany, informed us pursuant to § 21 Para. 1 WpHG that its share of voting rights in DIC Asset AG, Frankfurt am Main, fell below the levels of 10 %, 5 % and 3 % on 29 November 2013 and now stands at 0.02 % (corresponding to 15,000 votes). 0.02 % of these voting rights (corresponding to 15,000 votes) are to be assigned to Commerzbank Aktiengesellschaft pursuant to § 22 Para. 1 Sentence 1 No. 6 WpHG.

p. DIC Opportunistic GmbH, Frankfurt am Main, Germany, informed us pursuant to § 21 Para. 1 WpHG that its share of voting rights in DIC Asset AG, Frankfurt am Main, exceeded the levels of 3 %, 5 % and 10 % on 27 November 2013 and now stands at 13.97 % (corresponding to 9,581,735 votes). 4.92 % of these voting rights (corresponding to 3,375,667 votes) are to be assigned to DIC Opportunistic GmbH pursuant to § 22 Para. 2 WpHG.

q. DIC Beteiligungsgesellschaft bürgerlichen Rechts, Frankfurt am Main, Germany, informed us pursuant to § 21 Para. 1 of the German Securities Trading Act (WpHG) that its share of voting rights in DIC Asset AG, Frankfurt am Main, exceeded the level of 10 % on 27 November 2013 and now stands at 14.52 % (corresponding to 9,960,759 votes). 0.55 % of these voting rights (corresponding to 379,024 votes) are to be assigned to DIC Beteiligungsgesellschaft bürgerlichen Rechts pursuant to § 22 Para. 1 Sentence 1 No.1 WpHG and 11.34 % (corresponding to 7,778,170 votes) pursuant to § 22 Para. 2 WpHG.

   DIC Beteiligungsgesellschaft bürgerlichen Rechts is assigned voting rights pursuant to § 22 Para. 2 WpHG by the following shareholder whose assigned share of voting rights in DIC Asset AG, Frankfurt am Main amounts to 3 % or more:

   – DIC Opportunistic GmbH

r. DIC Opportunity Fund, Frankfurt am Main, Germany, informed us pursuant to § 21 Para. 1 WpHG that its share of voting rights in DIC Asset AG, Frankfurt am Main, exceeded the levels of 5 % and 10 % on 27 November 2013 and now stands at 13.97 % (corresponding to 9,581,735 votes). 11.68 % of these voting rights (corresponding to 8,009,633 votes) are to be assigned to DIC Opportunity Fund GmbH pursuant to § 22 Para. 2 WpHG.

   DIC Opportunity Fund GmbH is assigned voting rights by the following shareholder whose assigned share of voting rights in DIC Asset AG, Frankfurt am Main amounts to 3 % or more:

   – DIC Opportunistic GmbH

s. BNP Paribas Investment Partners S.A., Paris, France, informed us pursuant to § 21 Para. 1 WpHG that its share of voting rights in DIC Asset AG, Frankfurt am Main, fell below the level of 3 % on 24 January 2012 and now stands at 2.93 % (corresponding to 1,338,422 votes). 2.41 % of these (corresponding to 1,099,682 votes) are to be assigned to the company pursuant to § 22 Para. 1 Sentence 1 No. 6 WpHG.

t. DICP Capital SE, Munich, Germany, informed us pursuant to § 21 Para. 1 WpHG that its share of voting rights in DIC Asset AG, Frankfurt am Main, exceeded the levels of 3 %, 5 %, 10 %, 15 %, 20 %, 25 % and 30 % on 17 September 2009 and now stands at 39.37 % (corresponding to 12,342,634 votes). 39.37 % of these voting rights (corresponding to 12,342,634 votes) are to be assigned to the company pursuant to § 22 Para. 1 Sentence 1 No. 1 WpHG. Assignment is conducted via companies controlled by DICP Capital SE, namely DIC ML GmbH, DIC Opportunity Fund GmbH, Deutsche Immobilien Chancen AG & Co. KGaA, Deutsche Immobilien Chancen Beteiligungs AG, DIC Grund- und Beteiligungs GmbH and DIC Capital Partners (Europe) GmbH, whose share of voting rights in DIC Asset AG, Frankfurt am Main, each totals 3 % or more.

u. Massachusetts Mutual Life Insurance Company, USA, informed us pursuant to § 21 Para. 1, 24 WpHG:

   Correction to the voting rights notification pursuant to § 21 Para. 1, 24 WpHG

   OppenheimerFunds Inc., Centennial, Colorado, USA, fell below the 3 % level of voting rights in DIC Asset AG, Frankfurt am Main (ISIN: DE0005098404, WKN: 509840) on 9 January 2008. The share of the voting rights on this date amounted to 2.91 % (911,303 voting rights), which are to be assigned to OppenheimerFunds Inc. pursuant to § 22 Para. 1 Sentence 1 No. 6 WpHG.

Voting rights notification pursuant to § 21 Para. 1, 24 WpHG

Oppenheimer Acquisition Corp., Centennial, Colorado, USA, fell below the 3 % level of voting rights in DIC Asset AG, Frankfurt am Main (ISIN: DE0005098404, WKN: 509840) on 9 January 2008. The share of the voting rights on this date amounted to 2.91 % (911,303 voting rights), which are to be assigned to Oppenheimer Acquisition Corp. pursuant to § 22 Para. 1 Sentence 1 No. 6 Sentence 2 WpHG.

Voting rights notification pursuant to § 21 Para. 1, 24 WpHG

MassMutual Holding LLC, Springfield, Massachusetts, USA, fell below the 3 % level of voting rights in DIC Asset AG, Frankfurt am Main (ISIN: DE0005098404, WKN: 509840) on 9 January 2008. The share of the voting rights on this date amounted to 2.91 % (911,303 voting rights), which are to be assigned to MassMutual Holding LLC pursuant to § 22 Para. 1 Sentence 1 No. 6 Sentence 2 WpHG.

Correction to the voting rights notification pursuant to § 21 Para. 1, 24 WpHG

Massachusetts Mutual Life Insurance Company, Springfield, Massachusetts, USA, fell below the 3 % level of voting rights in DIC Asset AG, Frankfurt am Main (ISIN: DE0005098404, WKN: 509840) on 9 January 2008. The share of the voting rights on this date amounted to 2.91 % (911,303 voting rights), which are to be assigned to Massachusetts Mutual Life Insurance Company pursuant to § 22 Para. 1 Sentence 1 No. 6 Sentence 2 WpHG.

v. Deutsche Immobilien Chancen AG & Co. KGaA, Frankfurt am Main, voluntarily informed us pursuant to § 21 Para. 1 WpHG that its share of voting rights in DIC Asset AG, Frankfurt am Main, amounted to 39.37 % (corresponding to 12,342,634 votes) on 14 July 2008. 14.04 % of these voting rights (corresponding to 4,400,668 votes) are to be assigned to the company pursuant to § 22 Para. 1 Sentence 1 No. 1 WpHG. Assignment is conducted via companies it controls, namely DIC ML GmbH and DIC Opportunity Fund GmbH, whose share of voting rights in DIC Asset AG, Frankfurt am Main, each totals 3 % or more.

w. Deutsche Immobilien Chancen Beteiligungs AG, Frankfurt am Main, voluntarily informed us pursuant to § 21 Para. 1 WpHG that its share of voting rights in DIC Asset AG, Frankfurt am Main, amounted to 39.37 % (corresponding to 12,342,634 votes) on 14 July 2008. 39.37 % of these voting rights (corresponding to 12,342,634 votes) are to be assigned to the company pursuant to § 22 Para. 1 Sentence 1 No. 1 WpHG. Assignment is conducted via companies it controls, namely DIC ML GmbH, DIC Opportunity Fund GmbH and Deutsche Immobilien Chancen AG & Co. KGaA, whose share of voting rights in DIC Asset AG, Frankfurt am Main, each totals 3 % or more.

x. DIC Grund- und Beteiligungs GmbH, Erlangen, voluntarily informed us pursuant to § 21 Para. 1 WpHG that its share of voting rights in DIC Asset AG, Frankfurt am Main, amounted to 39.37 % (corresponding to 12,342,634 votes) on 14 July 2008. 39.37 % of these voting rights (corresponding to 12,342,634 votes) are to be assigned to the company pursuant to § 22 Para. 1 Sentence 1 No. 1 WpHG. Assignment is conducted via companies it controls, namely DIC ML GmbH, DIC Opportunity Fund GmbH, Deutsche Immobilien Chancen AG & Co. KGaA and Deutsche Immobilien Chancen Beteiligungs AG, whose share of voting rights in DIC Asset AG, Frankfurt am Main, each totals 3 % or more.

y. DIC Capital Partners (Europe) GmbH, Munich, voluntarily informed us pursuant to § 21 Para. 1 WpHG that its share of voting rights in DIC Asset AG, Frankfurt am Main, amounted to 39.37 % (corresponding to 12,342,634 votes) on 14 July 2008. 39.37 % of these voting rights (corresponding to 12,342,634 votes) are to be assigned to the company pursuant to § 22 Para. 1 Sentence 1 No. 1 WpHG. Assignment is conducted via companies it controls, namely DIC ML GmbH, DIC Opportunity Fund GmbH, Deutsche Immobilien Chancen AG & Co. KGaA, Deutsche Immobilien Chancen Beteiligungs AG and DIC Grund- und Beteiligungs GmbH, whose share of voting rights in DIC Asset AG, Frankfurt am Main, each totals 3 % or more.

z. GCS Verwaltungs GmbH, Glattbach, voluntarily informed us pursuant to § 21 Abs. 1 WpHG that its share of voting rights in DIC Asset AG, Frankfurt am Main, amounted to 39.37 % (corresponding to 12,342,634 votes) on 14 July 2008. 39.37 % of these voting rights (corresponding to 12,342,634 votes) are to be assigned to the company pursuant to § 22 Para. 1 Sentence 1 No. 1 WpHG. Assignment is conducted via companies it controls, namely DIC ML GmbH, DIC Opportunity Fund GmbH, Deutsche Immobilien Chancen AG & Co. KGaA, Deutsche Immobilien Chancen Beteiligungs AG, DIC Grund- und Beteiligungs GmbH and DIC Capital Partners (Europe) GmbH, whose share of voting rights in DIC Asset AG, Frankfurt am Main, each totals 3 % or more.

aa. Prof. Dr. Gerhard Schmidt, Germany, voluntarily informed us pursuant to § 21 Para. 1 WpHG that his share of voting rights in DIC Asset AG, Frankfurt am Main, amounted to 39.37 % (corresponding to 12,342,634 votes) on 14 July 2008. 39.37 % of these voting rights are to be assigned to him (corresponding to 12,342,634 votes) pursuant to § 22 Para. 1 Sentence 1 No. 1 WpHG. Assignment is conducted via companies he controls, namely DIC ML GmbH, DIC Opportunity Fund GmbH, Deutsche Immobilien Chancen AG & Co. KGaA, Deutsche Immobilien Chancen Beteiligungs AG, DIC Grund- und Beteiligungs GmbH, DIC Capital Partners (Europe) GmbH and GCS Verwaltungs GmbH, whose share of voting rights in DIC Asset AG, Frankfurt am Main, each totals 3 % or more.

ab. FMR Corp., Boston, Massachusetts, USA, informed us pursuant to § 21 Para. 1 WpHG that its share of voting rights in DIC Asset AG fell below the level of 3 % on 1 February 2007 and now stands at 1.71 %. The voting rights are assigned to FMR Corp. pursuant to § 22 Para. 1 Sentence 2 WpHG in conjunction with § 22 Para. 1 Sentence 1 No. 6 WpHG.

# GLOSSARY

A

**Acquisition volume**
The total of the purchase prices for acquired real estate (with notarisation) within a reporting period.

**Annualised rent**
Annual rental income of a property based on current rent.

**Asset management**
Value-orientated operation and/or optimisation of properties through letting management, repositioning or modernisation.

C

**Cash flow**
Figure that shows the net inflow of cash from sales activities and other current activities during a given period.

**Change of control clause**
Contractual provision in the event of a takeover by another company.

**Commercial Portfolio**
The Commercial Portfolio represents the existing portfolio of DIC Asset AG including the direct real estate investments (“investment properties”). Properties in this portfolio are reported under “Investment property”. Income from managing its own real estate portfolio and optimising its value and from warehousing properties are combined in the “Commercial Portfolio” business unit.

**Core real estate**
Properties let on long-term leases to tenants with outstanding credit ratings in the best locations are described as “core real estate”.

**Corporate governance**
Rules for sound, responsible business management aimed at running a company in line with values and standards in the interest of its investors and other stakeholders. The annual declaration of conformity to the German Corporate Governance Code provides a tool to assess corporate governance.

D

**Derivative financial instruments**
Derivative financial instruments, or derivatives, are reciprocal contracts, whose price determination is generally based on the trend of a market-dependent underlying security (e. g. shares or interest rates). They are used for various reasons, including hedging financial risks.

**Designated Sponsor**
The term “designated sponsor” is used for stock brokers who are active in Xetra trading, and who in their role as special market players ensure that the shares of a given issuer retain the necessary liquidity.

E

**EBIT**
Earnings before interest and taxes.

**EBITDA**
Earnings before interest, taxes, depreciation and amortisation.

**EPRA earnings**
The EPRA earnings are a measure for the sustained and continuous performance by a real estate portfolio and are comparable with the calculation of funds from operations (FFO). In calculating it, all non-recurring income components are eliminated. These include valuation effects and the result of the sale of properties and project developments.

**EPRA index**
EPRA (European Public Real Estate Association) index family, used internationally, that details the performance of the world’s largest listed real estate companies.

**EPRA NAV (net asset value)**
Represents the intrinsic value of a company. The net assets are calculated as the fair value of the assets less liabilities.

**EPRA NNNAV (triple net asset value)**
EPRA NAV adjusted for the fair value of derivatives, financial liabilities and deferred taxes thereon.

**Equity method**
Consolidation and measurement method in the consolidated financial statements based on the share of updated equity and earnings. DIC Asset AG reports its shares in associates using this method.

F

**Fair value**
The fair value is the amount for which an asset could be exchanged, or a liability settled, without compulsion between competent, independent business partners.

**Fee**
Payment for services to third parties or payment obligation as a result of using third-party services.

**FFO (funds from operations)**
Operating income from property management, before depreciation, tax and profits from sales and project developments.

**Financial covenants**
Financial covenants are conditions stipulated by financial institutions when granting loans. They are linked to the achievement of financial key figures (e. g. interest coverage ratio [ICR], and debt service coverage ratio [DSCR]) during the term.

**Funds**
The Funds division generates income by acting as issuer and manager of special real estate funds for institutional investors.

G

**Gross rental income**
Corresponds to the contractually agreed rent, plus/minus the rental incentives to be distributed over the lease agreement in accordance with IFRS from investment rent and rent-free periods.

**Gross rental yield**
Ratio of contractually agreed gross rent to current market value of the real estate.

H

**Hedge (cash flow hedge, fair value hedge)**
Agreement of a contract to safeguard and compensate for the exposure to financial risk.

I

**IFRS (International Financial Reporting standards)**
IFRS have been applicable to listed companies in the EU since 1.1.2005. They are intended to facilitate worldwide comparability of publicly traded companies. The focus is on providing information that is easy to understand and fair, not on the protection of creditors and risk-related matters.

**Impairment test**
Obligatory periodic comparison under IFRS of fair values and carrying amounts and the assessment of potential signs of a sustained impairment in the value of assets.

**Interest coverage ratio (ICR)**
Ratio of interest expense to net rental income.

**Interest rate swap**
In the case of interest rate swaps, cash flows from fixed and variable interest-bearing loans are swapped between counterparties. This can be used, for example, to ensure a certain interest rate and thereby minimise risks from interest rate rises.

**Investment properties**
Investment properties are investments in land and/or buildings that are held for the purposes of earning income from rents and leases, and/or for capital appreciation. They are reported as "Investment property" in accordance with the International Accounting Standards (IAS 40). DIC Asset AG measures investment properties at depreciated cost in accordance with IAS 40.56.

J

**Joint venture**
Investment properties with strategic finance partners, in which DIC Asset AG has a significant stake of up to 40%.

L

**Like-for-like rental income**
Like-for-like rental income is rental income from properties in a portfolio that were continuously in the portfolio within a given period. Changes due to portfolio additions and disposals are therefore not included here. When comparing periods, this figure shows the effect of the letting activity, among other aspects.

**Loan-to-value (LTV)**
The ratio of total financial debt, corporate bonds and liabilities to related parties minus cash in banks on the one hand and the fair value of investment property, equity investments and receivables from related parties on the other hand.

M

**Market capitalisation**
Total market value of a company listed on the stock exchange, resulting from the share price multiplied by the number of shares issued.

**Measurement at cost**
When measuring an asset at cost, measurement includes recognising the historical cost incurred for producing or acquiring the asset. The carrying amount of depreciable assets is reduced by depreciation and, if required, by impairment charges. Also referred to as "at cost accounting".

N

**Non-recourse financing**
Financing at property or portfolio level, whereby recourse to other assets within the scope of the Group is excluded. In the case of non-recourse financing, lenders tailor their lending to the property or the portfolio, as well as the cash flow from the rental income.

O

**Operating cost ratio**
Personnel and administration expenses less the income from real estate management in relation to the net rental income.

**Operating leases**
Term used in the context of international measurement rules. It describes a periodic lease agreement in which the lessor's financing costs are not fully amortised.

**Other Investments**
The Other Investments business unit covers joint venture investments, equity investments in project developments, strategic financial investments, and the management of properties in which the company holds no equity stake.

P

**Peak rent**
The peak rent is the highest possible rent that could be expected in the market for a prime quality, suitably equipped office unit in the best location.

**Prime Standard**
Segment of the Frankfurt Stock Exchange with the greatest relevance and degree of regulation, as well as the highest level of transparency.

**Proceeds from sales of property**
Pro-rata income from sales of investment property after transfer of ownership.

**Property management**
Complete property servicing by own efforts or by management of commercial, infrastructure and technical service providers.

R

**Redevelopment**
Redevelopment is any type of measure to develop property that is already in use.

**Refurbishment**
Generally, structural changes to a building aimed at improving a building's quality and/or fixtures and fittings.

S

**Sales volume**
The total of the sales prices for the sold real estate (with notarisation) within a reporting period.

**Share of the profit or loss of associates**
Covers the earnings of DIC Asset AG's equity investments calculated in accordance with the equity method. Includes income from the management of real estate and profits on sales among other sources, calculated proportionately in each case, as well as dividends.

T

**Take-up (letting volume)**
Rental space for which rental agreements for new tenancies or renewals have been concluded for a given period.

V

**Value in use**
Present value of future cash flows to be earned through the use of an asset. In contrast to the fair value, which is orientated towards sales and markets, the value in use reflects the specific value of the continued use of an asset from the point of view of the company.

W

**Warehousing:**
Securing attractive real estate to form the start-up portfolios for new funds that will soon be launched, or to contribute the properties to existing funds at a later time by acquiring them and adding them to the Commercial Portfolio. During the warehousing stage, DIC Asset AG receives the full rental income from the management of the properties. Warehousing property is accounted for as "Non-current assets held for sale".

# QUARTERLY OVERVIEW 2017

| **Key financial figures** in EUR million | Q1 2017 | Q2 2017 | Q3 2017 | **Q4 2017** |
|---|---|---|---|---|
| Gross rental income | 30.5 | 28.7 | 26.5 | **24.0** |
| Net rental income | 25.7 | 24.7 | 22.2 | **20.6** |
| Real estate management fees | 3.9 | 3.9 | 6.7 | **6.3** |
| Proceeds from sales of property | 13.3 | 153.1 | 34.3 | **28.8** |
| Total income | 53.9 | 191.4 | 72.9 | **63.7** |
| Profits on property disposals | 2.2 | 8.6 | 5.6 | **9.1** |
| Share of the profit or loss of associates | 1.0 | 1.2 | 5.5 | **21.3** |
| Funds from Operations (FFO) | 15.8 | 14.0 | 18.3 | **12.1** |
| EBITDA | 25.2 | 30.7 | 32.1 | **48.6** |
| EBIT | 17.2 | 22.8 | 24.6 | **41.0** |
| EPRA earnings | 14.4 | 13.8 | 16.4 | **12.3** |
| Profit for the period | 7.6 | 12.4 | 13.4 | **31.0** |
| Cash flow from operating activities | 10.1 | 13.5 | 18.1 | **14.8** |

| **Balance sheet figures** in EUR million | 31.03.2017 | 30.06.2017 | 30.09.2017 | **31.12.2017** |
|---|---|---|---|---|
| Loan-to-value ratio (LTV)* in % | 59.8 | 58.4 | 59.7 | **57.0** |
| Investment property | 1,430.7 | 1,406.9 | 1,457.2 | **1,437.2** |
| Total assets | 2,383.3 | 2,272.3 | 2,197.1 | **2,341.3** |

| **Key figures per share** in Euro | Q1 2017 | Q2 2017 | Q3 2017 | **Q4 2017** |
|---|---|---|---|---|
| FFO | 0.23 | 0.20 | 0.27 | **0.18** |
| EPRA earnings | 0.21 | 0.20 | 0.24 | **0.18** |
| Earnings | 0.11 | 0.17 | 0.19 | **0.46** |

* without warehousing

# MULTI-YEAR OVERVIEW

| Key financial figures in EUR million | 2013 | 2014 | 2015 | 2016 | **2017** |
|---|---|---|---|---|---|
| Gross rental income | 125.2 | 147.5 | 136.7 | 111.2 | **109.7** |
| Net rental income | 112.3 | 132.2 | 120.4 | 94.5 | **93.1** |
| Real estate management fees | 6.5 | 5.2 | 7.3 | 21.5 | **20.8** |
| Proceeds from sales of property | 81.1 | 90.5 | 201.3 | 318.1 | **229.5** |
| Total income | 236.1 | 277.6 | 372.4 | 473.8 | **381.9** |
| Profits on property disposals | 7.6 | 6.8 | 14.9 | 23.2 | **25.5** |
| Share of the profit or loss of associates | 1.6 | 6.6 | 7.7 | 2.3 | **29.0** |
| Funds from Operations (FFO) | 45.9 | 47.9 | 49.0 | 47.0 | **60.2** |
| EBITDA | 106.3 | 128.3 | 126.6 | 114.9 | **136.6** |
| EBIT | 70.9 | 85.2 | 83.9 | 79.6 | **105.6** |
| EPRA earnings | 45.5 | 47.6 | 47.6 | 44.1 | **56.9** |
| Adjusted profit/loss for the period | 16.0 | 14.0 | 20.7 | 26.9 | **64.4** |
| Profit/loss for the period | 16.0 | 14.0 | 20.7 | -29.4 | **64.4** |
| Cash flow from operating activities | 42.0 | 34.9 | 53.0 | 33.9 | **56.5** |

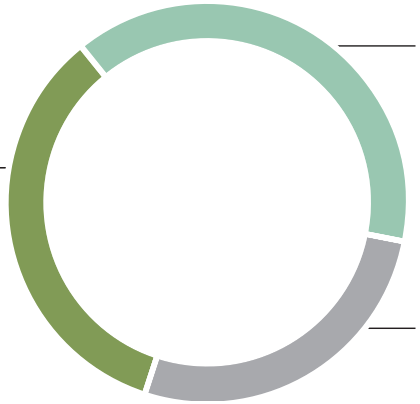
| Balance sheet figures in EUR million | 31.12.2013 | 31.12.2014 | 31.12.2015 | 31.12.2016 | **31.12.2017** |
|---|---|---|---|---|---|
| Investment property | 2,256.4 | 2,143.9 | 1,700.2 | 1,583.4 | **1,437.2** |
| Net asset value | 862.4 | 864.8 | 884.1 | 880.0 | **900.0** |
| Total assets | 2,596.0 | 2,537.0 | 2,456.1 | 2,395.5 | **2,341.3** |
| Equity | 793.1 | 774.8 | 792.1 | 757.0 | **828.9** |
| Liabilities | 1,802.9 | 1,762.1 | 1,664.0 | 1,638.6 | **1,512.4** |

| Key figures per share in Euro | 2013 | 2014 | 2015 | 2016 | **2017** |
|---|---|---|---|---|---|
| FFO | 0.94 | 0.70 | 0.72 | 0.69 | **0.88** |
| EPRA earnings | 0.93 | 0.69 | 0.69 | 0.64 | **0.83** |
| Net asset value | 12.58 | 12.61 | 12.89 | 12.83 | **13.12** |
| Dividend | 0.35 | 0.35 | 0.37 | 0.40 | **0.64*** |

* proposed dividend, incl. extraordinary dividend of EUR 0.20

## ASSETS UNDER MANAGEMENT

in EUR billion




**Commercial Portfolio**
(direct investments)

- 113 properties
- Directly held portfolio
- Recurring rental income from Core/Core Plus and Value-add assets
- Medium to long-term investment horizon
- Sales at appropriate time

**Funds**

- 56 properties
- For institutional investors
- Core properties in major cities and regional centers

**Other Investments**

- 13 properties
- Joint Ventures (fully reduced in 2018)
- Equity investment in MainTor project development
- Third-party business

## PORTFOLIO BY SEGMENTS*

| | | Commercial Portfolio | Funds | Other Investments | Total |
|---|---|---|---|---|---|
| Number of properties | 2017 | 113 | 56 | 13 | 182 |
| | 2016 | 142 | 48 | 16 | 206 |
| Market value in EUR million | 2017 | 1,639.2 | 1,493.6 | 1,266.0 | 4,398.8 |
| | 2016 | 1,948.3 | 1,142.7 | 1,069.2 | 4,160.2 |

* including third-party properties

## PORTFOLIO BY REGIONS*

| | | North | East | Central | West | South | Total |
|---|---|---|---|---|---|---|---|
| Number of properties | 2017 | 23 | 22 | 39 | 53 | 45 | 182 |
| | 2016 | 32 | 23 | 42 | 53 | 56 | 206 |
| Portfolio proportion in % by market value | 2017 | 13 % | 9 % | 35 % | 24 % | 19 % | 100 % |
| | 2016 | 14 % | 9 % | 34 % | 22 % | 21 % | 100 % |
| Rental space in sqm | 2017 | 288,900 | 213,600 | 420,100 | 522,200 | 329,000 | 1,773,800 |
| | 2016 | 331,600 | 212,400 | 417,300 | 495,300 | 431,800 | 1,888,400 |
| Annualised rental income in EUR million | 2017 | 32.4 | 27.7 | 67.0 | 60.1 | 40.8 | 228.0 |
| | 2016 | 36.3 | 26.2 | 64.2 | 57.7 | 49.1 | 233.5 |
| Average rent in EUR per sqm | 2017 | 9.53 | 10.56 | 11.98 | 10.13 | 9.81 | 10.33 |
| | 2016 | 8.77 | 10.33 | 12.48 | 10.60 | 9.35 | 10.25 |
| Weighted average lease term in years | 2017 | 7.7 | 4.8 | 5.8 | 4.2 | 4.2 | 5.2 |
| | 2016 | 6.5 | 3.4 | 4.5 | 3.8 | 3.5 | 4.3 |
| Gross rental yield | 2017 | 6.1 % | 6.7 % | 6.2 % | 5.8 % | 5.2 % | 5.9 % |
| | 2016 | 6.8 % | 6.7 % | 6.3 % | 6.4 % | 6.3 % | 6.4 % |

* figures excluding developments and warehousing, except for number of properties and market value; figures including third-party properties, except for average rent, weighted average lease term and gross rental yield

# FURTHER KEY FIGURES IN ACCORDANCE WITH EPRA

DIC Asset AG periodically supplements its reporting in accordance with International Financial Reporting Standards (IFRSs) with the best practice recommendations of the European Public Real Estate Association (EPRA).

In addition to EPRA net asset value (EPRA NAV), EPRA triple net asset value (EPRA NNNAV) and EPRA earnings, we are also reporting EPRA net initial yield (normal and 'topped up'), the EPRA vacancy rate and EPRA cost ratio (including and excluding direct vacancy costs) for our Commercial Portfolio for the first time.

We improved all EPRA key figures compared to the previous year, particularly as a result of our ongoing portfolio optimisation process and strong rental business.

| in EUR million | 31.12.2017 | 31.12.2016 | Δ |
|---|---|---|---|
| EPRA net initial yield in %* | 4.8 | 4.6 | +0.2 pp |
| EPRA "topped up" net initial yield in %* | 4.8 | 4.6 | +0.2 pp |
| EPRA vacancy rate in %** | 9.5 | 11.8 | -2.3 pp |

| in EUR million | 2017 | 2016 | Δ |
|---|---|---|---|
| EPRA cost ratio (incl. direct vacancy costs) in %* | 27.7 | 30.1 | -2.4 pp |
| EPRA cost ratio (excl. direct vacancy costs) in %* | 25.2 | 25.5 | -0.3 pp |

* calculated exclusively for the Commercial Portfolio
** calculated exclusively for the Commercial Portfolio, without project developments and repositioning properties

**EPRA net initial yield:** compares annualised rental income (excluding non-allocable property expenses) with the market value of the real estate portfolio at the reporting date; the 'topped up' calculation includes notional rents in respect of unexpired rent-free periods

**EPRA vacancy rate:** compares market rents for vacant spaces with the market rent for the total portfolio space (at the respective reporting date)

**EPRA cost ratio:** sum of the proportional operating and administrative expenses of the Commercial Portfolio relative to gross rental income during the reporting period

MANAGEMENT BOARD

Sonja Wärntges
Chief Executive Officer

Johannes von Mutius
Chief Investment Officer

Dirk Hasselbring
Chief Funds Officer

# LEGAL NOTES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**Forward-looking statements**

This annual report contains statements that refer to future developments. Such statements constitute assessments that have been taken in the light of the information available. Should the assumptions on which they are based not prove accurate, or should – as specified in the section entitled Risk Report – risks occur, the actual results may differ from those anticipated.

Note:
This report is published in German (original version) and English (non-binding translation).

DIC

DYNAMIC CREATES VALUE