DIC

ANNUAL REPORT 2018

DIC ASSET AG AT A GLANCE

Key financial figures in EUR million	2018	2017	Δ
Gross rental income	**100.2**	109.7	-9%
Net rental income	**84.7**	93.1	-9%
Real estate management fees	**33.6**	20.8	62%
Proceeds from sales of property	**86.8**	229.5	-62%
Total income	**241.6**	381.9	-37%
Profits on property disposals	**18.6**	25.5	-27%
Share of the profit or loss of associates	**15.8**	29.0	-46%
Funds from Operations (FFO)	**68.0**	60.2	13%
EBITDA	**122.3**	136.6	-10%
EBIT	**92.8**	105.6	-12%
Profit for the period	**47.6**	64.4	-26%
Cash flow from operating activities	**61.9**	56.5	10%
Key financial figures per share in EUR *			
FFO per share	**0.97**	0.88	10%
Earnings per share	**0.68**	0.93	-27%

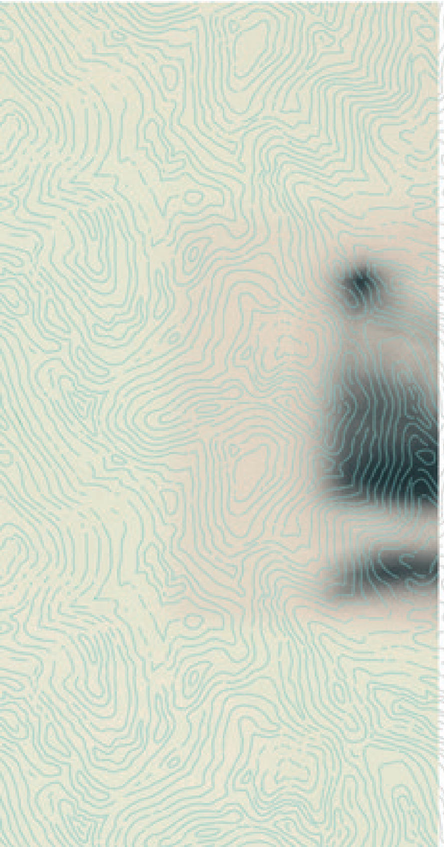
* all per share figures adjusted in accordance with IFRSs (number of shares, 2018: 69,958 thsd.; 2017: 68,578 thsd.)

Balance sheet figures in EUR million	31.12.2018	31.12.2017
Investment property	**1,459.0**	1,437.2
Equity	**895.9**	828.9
Financial liabilities	**1,481.1**	1,405.7
Total assets	**2,490.1**	2,341.3
Loan-to-value ratio (LTV) in %*	**53.1**	57.0

EPRA key figures in EUR million	2018	2017	Δ
EPRA earnings	**62.3**	56.9	9%
EPRA NAV	**1,085.8**	900.0	21%
EPRA NNNAV	**1,096.4**	931.4	18%
EPRA key figures per share in EUR **			
EPRA earnings per share	**0.89**	0.83	7%
EPRA NAV per share	**15.40**	13.12	17%
EPRA NNNAV per share	**15.55**	13.58	15%

Key operating figures	2018	2017
Letting result in EUR million	**35.7**	40.2
WALT in years***	**5.5**	5.2
EPRA vacancy rate in % ****	**7.2**	9.5

* adjusted for warehousing
** all per share figures adjusted in accordance with IFRSs (number of shares, 2018: 69,958 thsd.; 2017: 68,578 thsd.)
*** without third-party business, warehousing and repositioning properties
**** Commercial Portfolio, without warehousing and repositioning properties



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

Economic trends were mixed in 2018. Multinationals and companies interconnected with foreign markets suffered as a result of conditions becoming tougher and difficult to predict due to the global trade dispute and also as a result of their own complexity. Often, it were big, long-established names and DAX heavyweights that found themselves in considerable difficulty again last year. At the same time, the German economy continued to grow overall; on both the labour market and the market for office space, absorption reached a level that slows companies looking to expand, and sales on the commercial real estate investment market almost routinely set a new record. The EUR 60 billion mark was surpassed, with just under half of transaction volumes attributable to office property, an asset class whose popularity by investors therefore increased by almost ten percentage points. The prime yield for office properties in the top seven cities dropped to 3.11 % at year-end. In a fiercely competitive market and price environment driven in places by short-term forces, our company was able to position itself favourably thanks to its many years of real estate expertise and good market connections.

DIC Asset AG impressively delivered proof of the profitability and dynamic nature of its unique hybrid business model in 2018. In the previous year, we had prepared – in part through our portfolio refinancing, which is paying off as planned, and also through extensive selling of non-strategic properties and joint ventures – to use the scope and strong real estate expertise available to us to take up an active position in the market in 2018. We were successful in all operating segments:

- Our transaction team generated acquisitions worth some EUR 510 million, exceeding the forecast of EUR 450-500 million. In particular, we leveraged opportunities to bolster the profitability and quality of our Commercial Portfolio. At the same time, we made disposals from the Commercial Portfolio amounting to around EUR 100 million as planned and thus continued to push ahead with the portfolio's optimisation.

- Besides additional rental income from new acquisitions, the successful work of our letting teams in particular, which increased like-for-like rental income from the Commercial Portfolio by 2.7%, made a valuable contribution to achieving gross rental income of EUR 100.2 million, a figure in excess of the forecast revised upwards in the course of the year.

- Establishing our trading platform in the fund business also paid off. In 2018, we generated significant income from structuring transactions. As an active fund manager, we were very successful in selling two properties from existing funds and, via a share certificate transaction, created an advantageous exit opportunity for investors in the DIC HighStreet Balance fund. In addition, we structured two additional funds – the DIC Office Balance V fund and the DIC Metropolregion Rhein-Main fund – into which we incorporated start-up portfolios totalling approximately EUR 166 million. Acquisitions amounting to some EUR 105 million rounded out transaction activity in the fund business, which contributed to significant earnings growth.

- The strategic reorganisation of the segment Other Investments is proceeding according to plan. The growing third-party business made a greater contribution to earnings as planned in 2018, while real estate assets under management in the third-party business more than doubled year on year. In 2018, we managed to sell our last remaining joint ventures and, in December, also contractually agreed the sale of our stake in TLG Immobilien AG. We expect to complete this transaction in the first half of 2019, and the significant resulting proceeds will open up potential for further growth.

Our business model is founded on our strength in asset and property management, which is deployed in all three segments. Excluding acquisitions and disposals, we increased the value of our own portfolio by around 10 % only through our real estate management.

This does not yet reflect several ongoing developments in our portfolio, such as the construction work to modernise the Hesse Regional Council building in Darmstadt that commenced in the autumn. Preparations are being made for further refurbishments and repositioning activities; we have expanded our capacity for these and expect our teams to be able to leverage significant additional potential for appreciation in our portfolio and fund properties.

The momentum of the fund business and the increasing quality of the Commercial Portfolio prompted us to raise the forecast for the Group's key performance indicator – operating profit from real estate management (FFO) – from EUR 62-64 million to EUR 68 million in October after three strong quarters. Our expectations proved correct: FFO increased by a significant 13 % to a record EUR 68 million at year-end, confirming the forecast.

By increasing assets under management across all operating segments from EUR 4.4 billion to EUR 5.6 billion, we have once again created a much larger foundation for stable and sustained cash flows. With its diversified income structure, our hybrid business model is proving to be robust, scalable and flexible. Although consolidated profit was down year on year from EUR 64.4 million to EUR 47.6 million, the prior-year figure was impacted by non-recurring income of EUR 19.3 million from swapping shares in WCM Beteiligungs- und Grundbesitz AG for shares in TLG Immobilien AG, for which we distributed an extraordinary dividend of EUR 0.20 per share.

In view of the targets achieved and the Company's long-term business prospects, we intend to distribute a regular dividend of EUR 0.48 per share, a significant increase compared with the previous year.

One item on our agenda for 2019 is to further expand our hybrid model in all segments. A number of agreed purchases already ensure some of the growth; overall this year, we intend to make acquisitions totalling at least half a billion euros. We are also focusing on stabilising our management income in fund and third-party business so that regular, predictable income is well in proportion to the dynamic and opportunistic profits that we are able to generate through trading activities in our hybrid model.

We consider ourselves to be first-rate when it comes to creating value through competent asset and property management. Overall, therefore, we are planning to increase operating profit year-on-year and forecast FFO of between EUR 70 and 72 million.

It is thanks essentially to the engagement of our employees that this report brings to a close a record year in real estate management. We wish to express our respect and thanks for their strong commitment and notable team performance. We extend our thanks to our business partners and shareholders for their trust and support in our myriad activities to successfully develop our Company. We realise that such high quality and loyalty is not a given in any working relationship, and we see this as a very significant source of motivation in our work going forward.

Prof. Dr. Gerhard Schmidt	Sonja Wärntges
Chairman of the Supervisory Board	Chief Executive Officer

Expertise & TeamWork

– what sets DIC Asset AG apart

1. A clear focus on Germany – from different perspectives.
We are local.

2. We take care of 100 % – with our DIC teams on-site.
We offer in-house expertise.

3. We create value within our portfolio – with stable tenants.
We recognise intrinsic value.

4. Transactions that pay off.
Timing + combination skills.

5. Expertise that also includes exits.
A fund platform that offers fungibility.

6. Experienced in the market – with consistently high efficiency.
We securely navigate our reliable hybrid

7. We create greater transparency – with faster reporting.
We publish what matters sooner.

8. A top dividend.
Attractive long-term dividend payments.

Expertise & TeamWork

Real estate expertise times three

in the Management Board

in the business model

and in the market
for capital providers, fund investors and tenants

What does DIC Asset AG stand for? What is the foundation of its business? How can income be generated if the economy cools? Where will growth take DIC Asset AG going forward? We asked DIC Asset AG's Management Board trio – Sonja Wärntges, Dirk Hasselbring and Johannes von Mutius.

DIC Asset AG has presented its detailed financial results in this Annual Report. That's a lot of facts and figures. In brief: What does DIC Asset AG stand for?

SW We stand for commercial real estate management expertise in Germany. Yet we are also a company on the move. The more pressing question is: where are we going?

So what direction are you heading in? Has the German real estate sector turned a corner?

SW We are asset and property managers. That is the foundation of our hybrid business model. Any movement on the market benefits our approach. We have a strong focus on developing our portfolio, which is good for our domestic economy.

Does DIC Asset AG profit no matter what happens?

SW We have basically structured our business to ensure that every phase of the business cycle offers earnings potential – and to make sure that we have the flexibility to exploit it. We generate revenue by developing our portfolio, conducting sound, sustainable letting activities, repositioning our properties and carrying out acquisitions and sales. And by offering services regardless of the size of our investment in a particular property.

DH Our real estate expertise has now become a sought-after service in its own right. Our fund investors receive this service with each investment property in one of our managed funds. But we also have a growing third-party business where we participate in projects without holding an equity interest.

This does not contribute as much to the business as the rental income from your own portfolio …

SW Real estate management fees are now the second-strongest pillar of our business. At around EUR 34 million this is quite significant.

Is that the trend? To move away from property ownership?

JvM We just recently bought properties for our own portfolio. Our hybrid model would be lacking something without the rental cash flow. We are now adding several strong properties in locations such as Düsseldorf, Berlin and Bremen.

SW They are strong because we have the potential to manage them. And because they strategically complement our portfolio mix after a sales phase lasting several years. Properties are like talents. Simply having them is not enough in the long term. What matters is what you do with them.

Dynamic creates value?

JvM We make acquisitions wherever we see development and management potential, and we use our own people to actively take care of that.

SW A property's value depends on the benefit it brings to people in the context of its environment. For property developers like us, there are many levers we can adjust to make a property more interesting to long-term users. That makes the property more valuable. If we actively take care of letting, asset and property management, it enables us to preserve and enhance the value of our properties.

JvM Some properties are ultimately worth more to other investors in the context of their individual portfolios than they are to us. We sell to them because this is another way to create added value. That is still the case even though we are currently planning to make more acquisitions than sales.

So the property is not the constant in an investment?

SW No – good asset and property management is. A commercial real estate investor has to deal with financing, fluctuating cash flows, maturities and market valuation issues. Asset and property management ensures that all of this comes together in a profitable way.

DH This means that our three operating segments are not in competition with each other. All of them use the full breadth of DIC Asset AG's real estate expertise while at the same time adding to its depth – from working out how to structure transactions all the way through to preparing rental space.

SW We recently expanded our portfolio development capacity. This is a cross-divisional function from which all three of our segments benefit. We are not interested in one-dimensional growth. That's why our motto is "Real estate expertise times three".

A clear focus on Germany...

The German commercial real estate investment market is highly appealing to both domestic and international investors. In a world rife with economic and political tension, the stability of the German market is a highly prized hallmark of quality for capital investors from across the globe.

Benefits of investing in German commercial real estate

- Robust domestic economy
- Steady, attractive rental yields
- Large, liquid international transaction market
- Employment growth with strong demand for commercial space, particularly offices

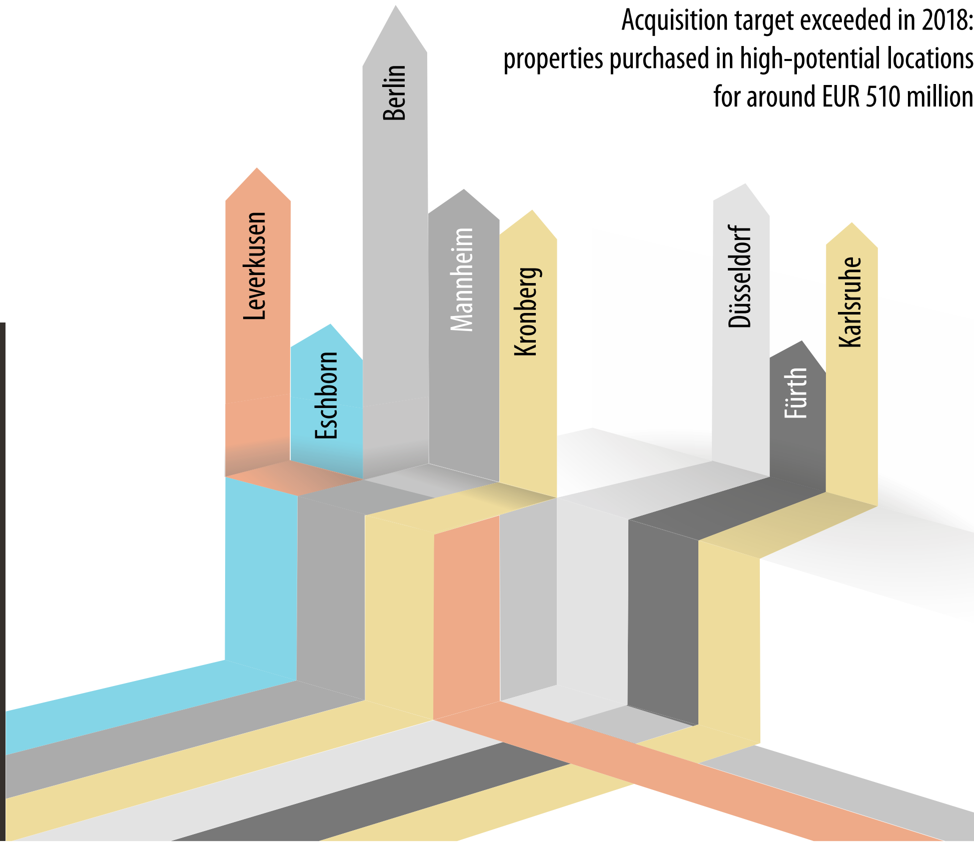
What sets us apart > We are local.

...from different perspectives.

We are experts in commercial real estate in economically strong metropolitan areas across Germany. Unlike in other European countries, the market does not consist of just a few major locations but also encompasses numerous mid-sized cities in economically robust regions.

Our regional presence provides us with a steady stream of acquisition, sales, letting and marketing opportunities which we tap with efficiency and precise timing, in both large and highly regarded cities as well as non-cyclical mid-sized ones.

Acquisition target exceeded in 2018: properties purchased in high-potential locations for around EUR 510 million



Benefits of our regional perspective

- Expertise in the specific benefits and risks of diversifying investments
- Access to attractive locations and real estate beyond internationally renowned focal points for investment
- Direct and permanent regional presence enables continuous optimisation

Both real estate strongholds and regional centres have specific advantages and risks that our asset management team exploits to make profitable yet robust investments. Our portfolio properties consist of around 54 % major city locations and 46 % regional centres by rental space.

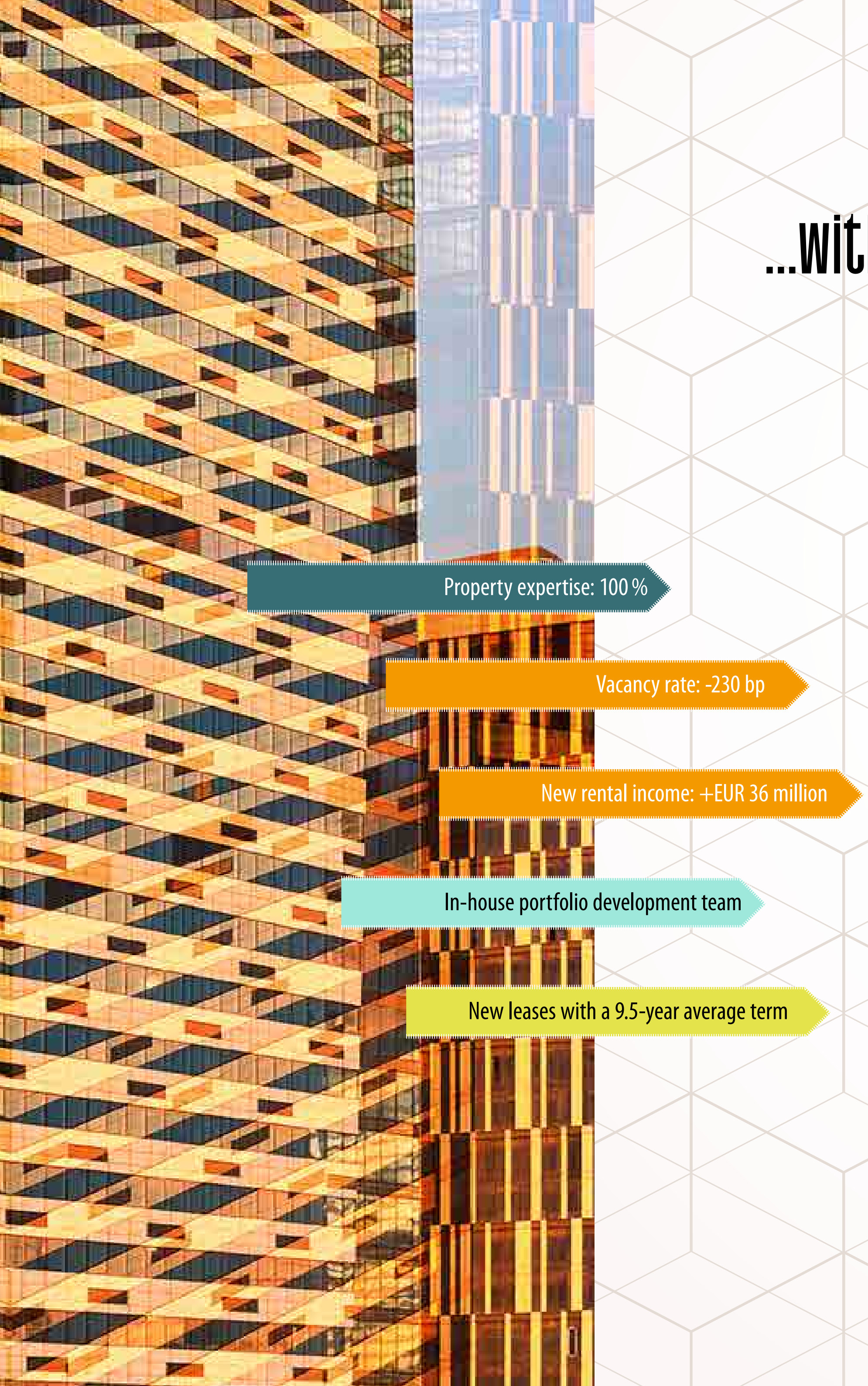
We take care of 100%...

Our excellence in real estate management is the result of great dedication in all areas – in carrying out our everyday work, addressing all kinds of commercial and technical issues or providing customised services for tenants and properties.

In 2018, our letting performance comprised 14% of all of our managed space and appropriately EUR 36 million in annualised rental income.

The signing of around 200 new agreements with tenants is not the only factor in this performance. Managing renovation work, implementing and monitoring our sustainability standards, analysing the market positioning of our properties for optimisation purposes, consistently representing owners in their dealings with tenants, authorities and suppliers, and active cost management all have their part to play.

...with our DIC teams on-site.



What sets us apart > **We offer in-house expertise.**

Our in-house real estate management capabilities across Germany mean that we have qualified staff tasked with securing and enhancing the value of properties. More than 180 of our employees work intensively on our real estate assets and sophisticated third-party business – with considerable success.

- Like-for-like rental income from our portfolio properties grew by 2.7 % in 2018.
- We reduced the EPRA vacancy rate by 2.3 percentage points from 9.5 % to 7.2 %.
- The market value of our real estate assets grew by 10 % on a like-for-like basis.
- Income from the third-party business rose by 15 % and continues to grow as we take on new mandates.

We create value within our portfolio...

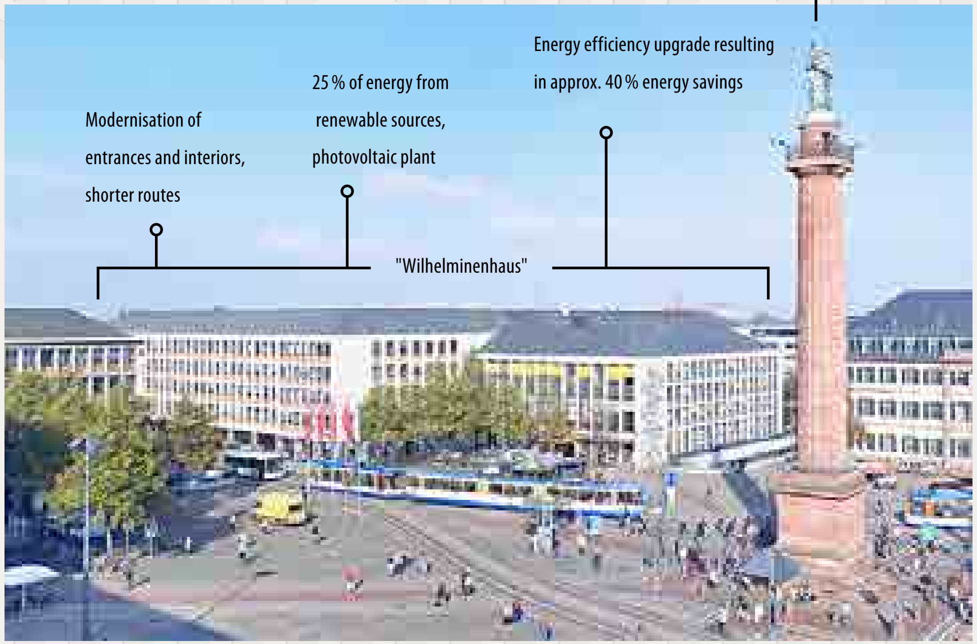
A commercial property's value is primarily measured by its users and the leases signed for it.

That is why we start development and construction projects based on agreements reached with specific users rather than speculation.

State of Hesse: the old and new tenant of Wilhelminenhaus in Darmstadt

...with stable tenants.

At 39 m high, the monument affectionately known as "Langer Lui" has been the centrepiece of Darmstadt's Luisenplatz since 1844



The Wilhelminenhaus project for the Darmstadt Regional Council does not mean reshaping the city's skyline. Instead, it will make the building more accessible and energy-efficient while modernising the layout of the space for both civil servants and citizens.

The State of Hesse accepted our proposal and has extended its lease for approximately 25,000 sqm of space until 2040. After arranging alternative premises and relocating around 700 civil servants, we began the building work in October 2018.

What sets us apart > **We recognise intrinsic value.**

We have our own portfolio development team. One unique feature of our business model is that we have the skills and capacity to revitalise each property individually and arrange space so that it delivers maximum benefits to its tenants, resulting in sustainable, long-term leases.

The major renovation projects we began in 2018 – including the modernisation of Wilhelminenhaus in Darmstadt and the refurbishment of an office building in Wiesbaden, each with around 25,000 square metres of space – are based on very long-term leases with public-sector tenants.

This enables us to continue improving the crisis and cyclical resistance of our managed real estate assets in the interest of generating reliable cash flows.

Transactions...

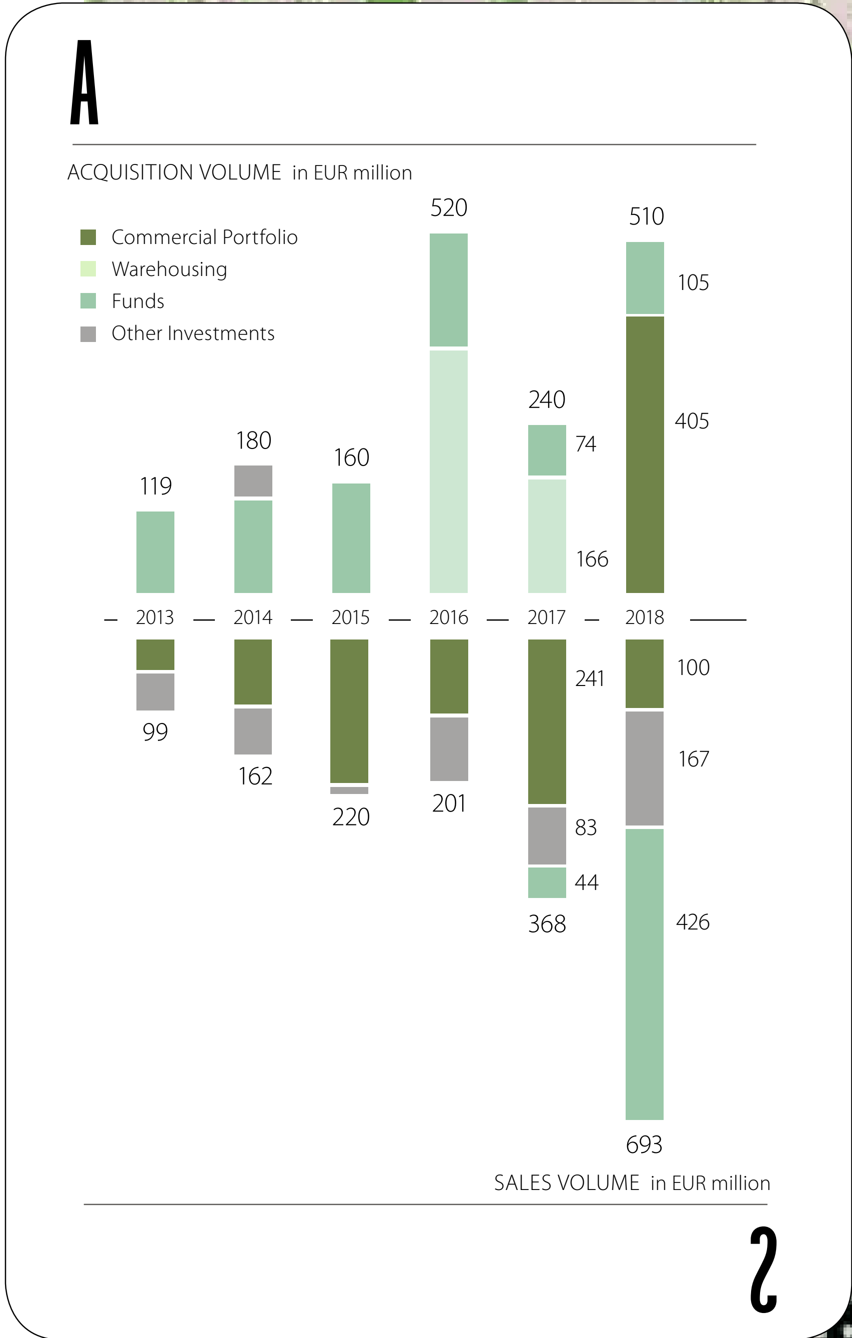
Creating and maintaining a dynamic portfolio is one of our key strategic portfolio optimisation principles.
This is made possible by our rapid, experienced access to attractive properties and transaction opportunities even in highly competitive market situations.

We have various structuring options that enable us to design more efficient acquisition and sales transactions. Our expertise and short decision-making processes also help to save our transaction partners plenty of time and effort and generally help us to reach favourable agreements.

We also make the most of the home advantage that our real estate management team gives us by leveraging our wide-ranging network and property knowledge in many different regions and submarkets.

With a team that is present at every stage of the value chain in the German market, and a strong reputation among buyers, sellers and financing partners alike, successful transactions are part of our day-to-day business.

Taking share certificate sales into account, our transaction volume totalled around EUR 1.2 billion in 2018.



What sets us apart > Timing + combination skills.

- **Commercial Portfolio:** Our latest acquisitions aimed at expanding our portfolio involve properties whose advantages are already evident thanks to the exceptional development potential of their locations. After completing numerous sales in recent years, these acquisitions have enabled us to reinforce our Commercial Portfolio as a steady source of income.

- **Warehousing:** We have used market opportunities to secure attractive properties for our funds in advance. At the end of 2017, we purchased suitable properties initially for our own portfolio. All properties secured in advance were then transferred in full into the start-up portfolios for our newly issued funds in 2018.

- **Funds**: As part of our active approach to fund management, we made even greater use of market opportunities to generate substantial profits for our fund investors from sales over the past year. We also launched two new funds as planned.

- **Other Investments:** We met our target of completely scaling back our joint ventures by reaching sales agreements in 2018; the final property will be transferred in 2019. We also reached a favourable agreement to sell our stake in TLG Immobilien AG.

...that pay off.

Dynamic portfolio creates added value

- The properties we sold in 2018 were sold for considerably more than their market value determined as at 31 December 2017; sales prices were more than 50 % higher on average.

- We gained an additional EUR 6.3 million in annualised rental income through acquisitions for our Commercial Portfolio. Two forward deals will add at least a further EUR 9.5 million of rental income per year once the properties are transferred into our portfolio.

- We almost trebled the FFO contribution from the fund business compared to the previous year, largely due to the significant rise in transaction fees and income from sales on the now-established trading platform.

- The market value of our real estate and investment assets under management grew from EUR 4.4 billion to EUR 5.6 billion as a result of our asset management activities. The number of properties fell from 182 to 178.

- As a result of the sale of our TLG shares, we will receive funds in the region of EUR 376 million in addition to the dividend in 2019, which is available for further growth.

Expertise that also includes exits.

What sets us apart >

A fund platform that offers fungibility.

Our fund platform 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 actively manage fund assets. Our strategy of establishing the fund business on the market as a trading platform delivered impressive results in 2018.

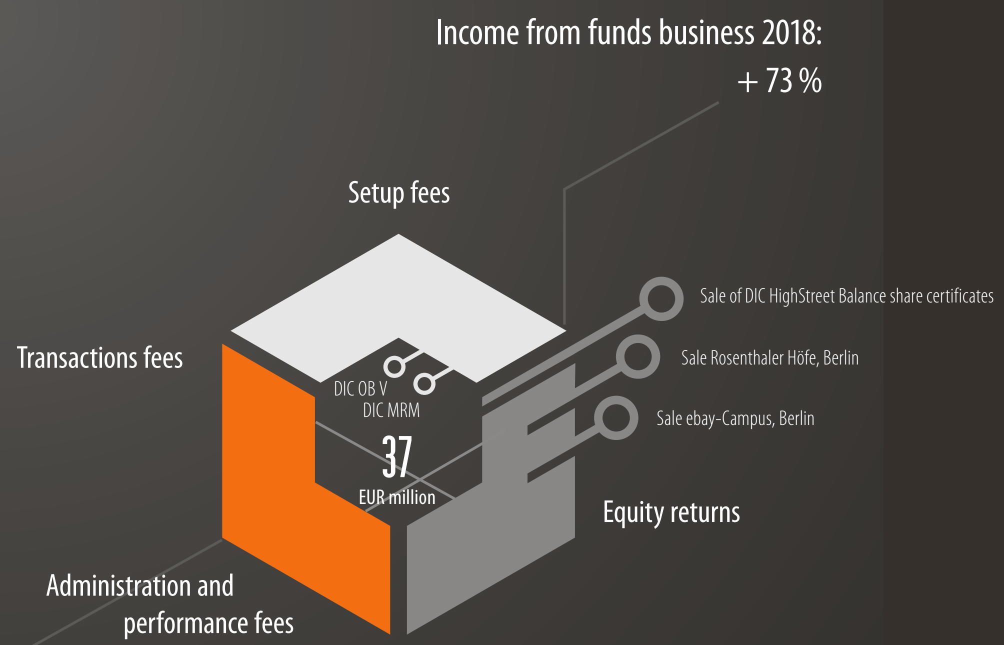
In 2018, the transaction volume on our fund platform totalled more than half a billion euros.

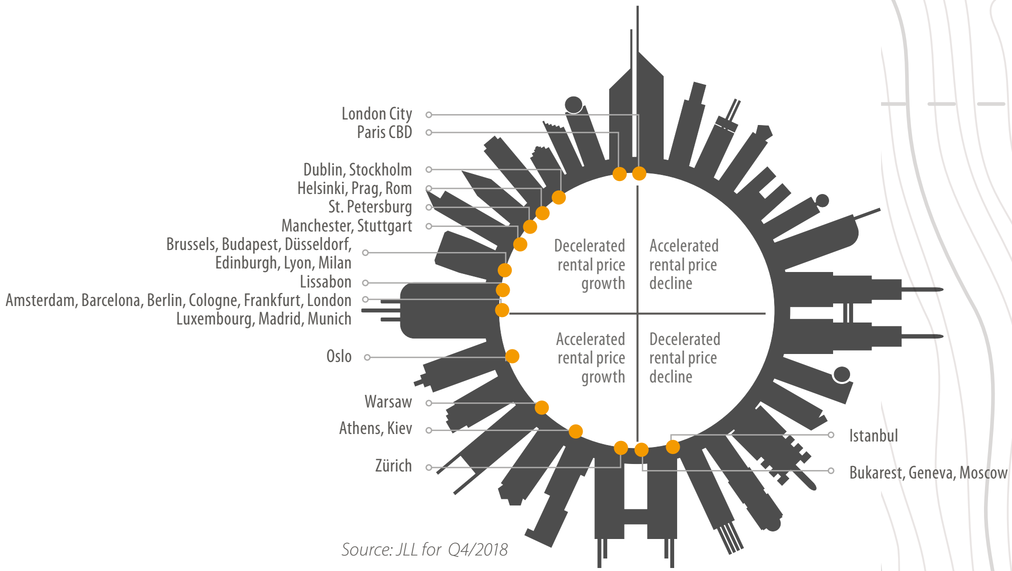
Transaction volume on the fund platform in 2018:

697
EUR million

In March 2018, we successfully placed a fund under our management – the DIC HighStreet Balance fund launched in 2012 – with an institutional investor in a sale of share certificates. The share certificate sale represented an attractive exit opportunity for our fund investors, not least in terms of transaction cost efficiency. We also sold two fund properties in Berlin, enabling our fund investors to profit from the dynamic trend in the German capital by way of a significant purchase price premium to market value.

We recognized significant management fees for successfully preparing and executing these sales transactions.


Income from funds business 2018:
+ 73 %
Setup fees
Transactions fees
DIC OB V
DIC MRM
37
EUR million
Administration and
performance fees
Sale of DIC HighStreet Balance share certificates
Sale Rosenthaler Höfe, Berlin
Sale ebay-Campus, Berlin
Equity returns



Source: JLL for Q4/2018

Experience in the market...

"The economic environment is currently having a favourable effect on the largest 127 office real estate markets in Germany. Positive economic indicators and employment gains have gradually increased demand for office space, not just in 2017 but steadily over recent years. (...) The trend in employment figures continues to be positive and demand for office space is expected to develop well this year without being exceptional."

*From the **2018 Real Estate Spring Report** issued by the 'Rat der Immobilienweisen' (Council of Real Estate Experts), ed. Zentraler Immobilien Ausschuss (ZIA – German Property Federation) 2018*

"The subdued expectations of European real estate investors for 2019 suggest that professional investors are very aware of the challenges and risks inherent in a late-cycle market and are unwilling to experiment. For the real estate industry as a whole, this can be seen as a positive indication of conscientious risk management."

*Olaf Janßen, Head of Real Estate Research at Union Investment, on the publication of the **Real Estate Investment Climate Study II/2018** in January 2019*

What sets us apart > We securely navigate our reliable hybrid.

As a commercial real estate investor and manager in Germany, we can look back on a consistently positive track record. Our company has generated reliably high FFO results for more than 50 successive quarters since our IPO.

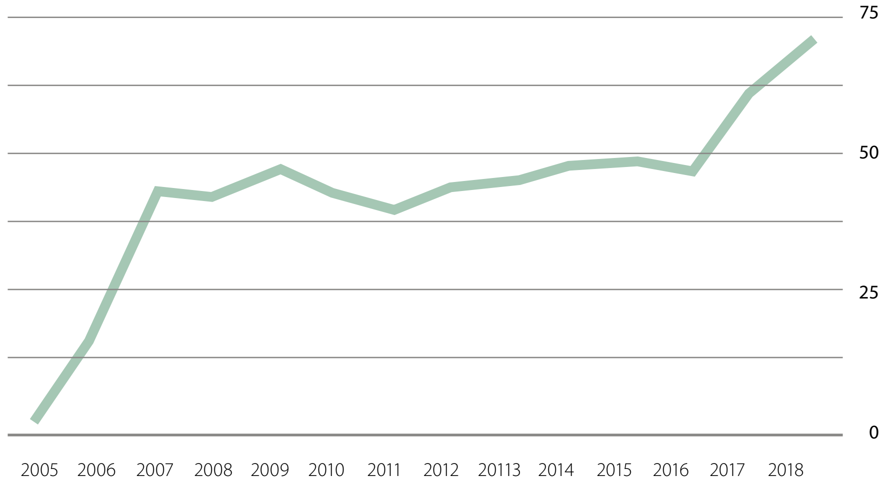
Our unique hybrid business model depends on stable income from the intensive management of our own portfolio and the trading platform in the fund business, supplemented by a growing third-party business.

...with consistently high efficiency.

Advantages of our diversified income pillars

- Robustness amid cyclical market fluctuations
- Steady, stable cash flows
- Continuous balancing of segments to fine tune market and risk exposure
- Effective use of real estate management and portfolio development capacity irrespective of ownership
- Flexible utilisation of current opportunities
- High degree of capital and expertise efficiency
- Reliable annual overall yield

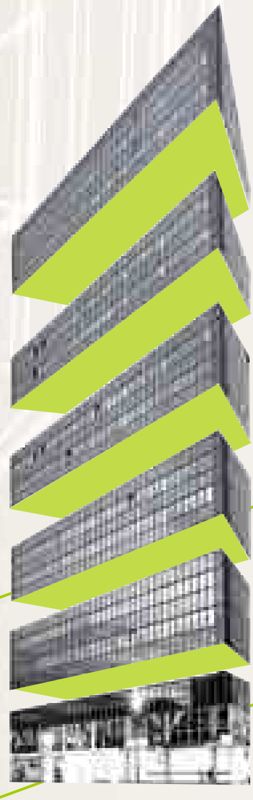
FFO in EUR million



Since the completion of major project developments and the simultaneous expansion of our fund business, tenant-oriented repositioning in our portfolio and the third-party business, we have once again improved our consistently positive track record and lifted our company to a new level.

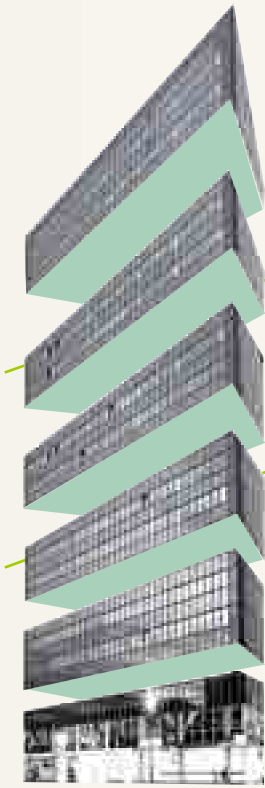
We create greater transparency...

As a company listed on the Prime Standard of Deutsche Börse, we are bound by high disclosure standards and report our positions and results to our shareholders and analysts every quarter. We also voluntarily align ourselves with the standards of the European Public Real Estate Association (EPRA) to make it easier to compare our figures with those of other real estate companies.



We introduced additional key indicators in line with EPRA standards in our 2017 Annual Report to improve the transparency of our figures in a real estate context.

The report won the Most Improved Annual Report Award from the EPRA for consistent further development of financial communications as well as the Silver Award for Financial Reporting.



In July 2018, the 2017 Annual Report was named among the top 40 German annual reports across all sectors at the international LACP Vision Awards and was awarded a global gold medal as well as a special award for exceptional execution in communications.

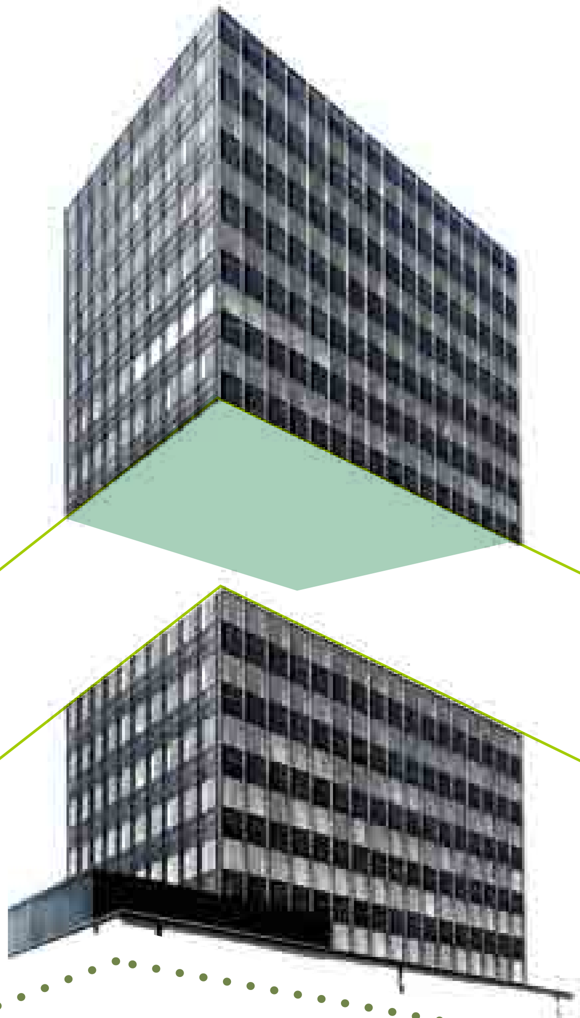
...with faster reporting.

What sets us apart >

We publish what matters sooner.

In the last 18 months, we have accelerated and improved our accounting procedures further to enable us to publish our annual and interim financial statements earlier than most other German real estate companies.

- We published our report on the previous financial year on 9 February 2018, making us the fastest German real estate company and the first company on the SDAX to report its audited figures.
- The dates of our quarterly reports and statements meet the best practice recommendations of the German Corporate Governance Code.
- Our General Shareholders' Meeting on 16 March 2018 set a record for the fastest preparation and convention of an annual general meeting in our twelve years as a listed company.



We adapted our financial reporting to fit our unique hybrid business model beginning with the 2017 half-year financial report and break down our income based on our segments Commercial Portfolio, Funds and Other Investments.

We published our sixth Sustainability Report at the end of June 2018. The report was drafted in line with the new GRI Standards of the Global Reporting Initiative framework, including additional information on the real estate sector (CRESS).

The reporting criteria for sustainability reports issued by the European Public Real Estate Association (EPRA) were also taken into account.

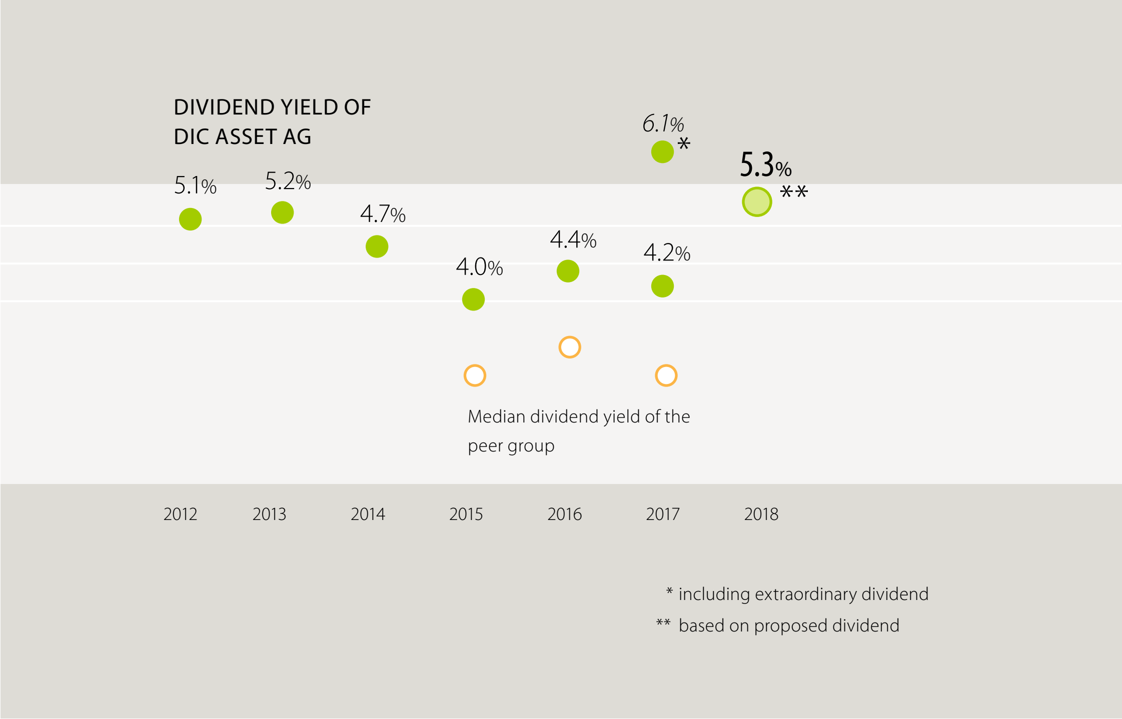
The 2017 Sustainability Report was recognised with the Silver EPRA Sustainability Award in September 2018 – the sixth successive year that the Company's report has featured among the annual award winners.

A top dividend.

What sets us apart > Attractive long-term dividend payments.

DIC Asset AG is a top dividend stock – and a highly reliable one. For many years, our shareholders have received an attractive dividend underpinned by our company's profitability and successful business model.

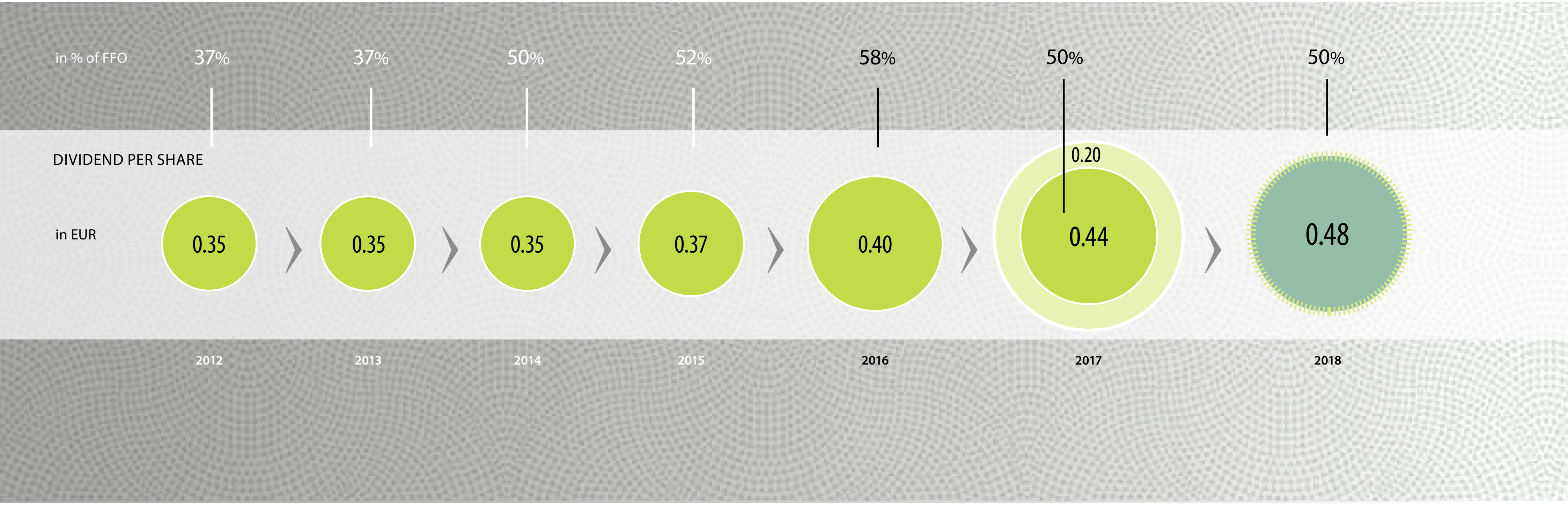
In recent years, DIC Asset AG's consistently above-average dividend yield has set it apart from its peer group stocks in the German real estate sector.



In 2018, DIC Asset AG was one of the highest dividend payers on the SDAX, with a dividend yield of 6.1 % based on the closing price for the 2017 financial year.
Even when excluding the extraordinary dividend paid, the Company still boasts a highly competitive dividend yield well above the sector average.

For the 2018 financial year, we are proposing a regular dividend distribution that is almost 10 % higher at EUR 0.48 – equivalent to a payout ratio of around 50 % of FFO per share.

As in the previous year, we are offering our shareholders a choice between cash distribution and a scrip dividend.



With a dividend yield of around 5.3 % based on the year-end closing price, DIC Asset AG is again one of the most high-yielding companies on the SDAX and in the German real estate sector.

INVESTOR RELATIONS AND CAPITAL MARKETS

German blue-chip stocks under pressure

The trading year was full of stress factors for German blue chips. After a positive start with a record high of 13,597 points at the end of January, the DAX resisted the low pressure areas in global economic policy until early summer. As an index that is highly dependent on foreign trade, the barometer for Germany's top 30 stocks showed disproportionate sensitivity to trade conflicts and increasing concerns over a global economic slowdown during the course of the year.

In addition, highly weighted sectors and multinational stocks suffered from homemade problems, including the diesel scandal in the case of auto stocks as well as bad debts and the continuing misery of the lack of income sources caused by a low interest rate environment in the case of banking stocks. Pharmaceutical group Bayer AG, traditionally a DAX heavyweight, lost around 42 % of its market value within a year in the course of its acquisition of US seed giant Monsanto and the threat of glyphosate lawsuits. On the last trading day of the year, the blue-chip index fell to 10,559 points, shedding almost of a fifth of its value or 18.3 % since the start of the year.

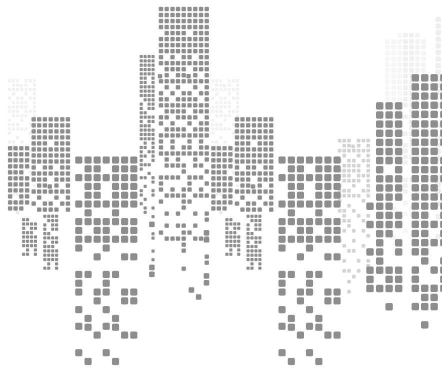
BASIC DATA ON THE DIC ASSET AG SHARE

Number of shares	70,526,248 (registered shares)
Share capital in EUR	70,526,248
WKN / ISIN	A1X3XX / DE000A1X3XX4
Symbol	DIC
Free float	58.8 %
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)

		2018	2017
EPRA net asset value per share	EUR	15.40	13.12
FFO per share	EUR	0.97	0.88
FFO yield (2)	%	10.7	8.4
Dividend per share	EUR	0.48 (3)	0.44
Extraordinary dividend per share	EUR		0.20
Year-end closing price	EUR	9.07	10.53
52-week high	EUR	10.92	11.03
52-week low	EUR	8.76	8.96
Market capitalisation (2)	EUR million	640	722

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

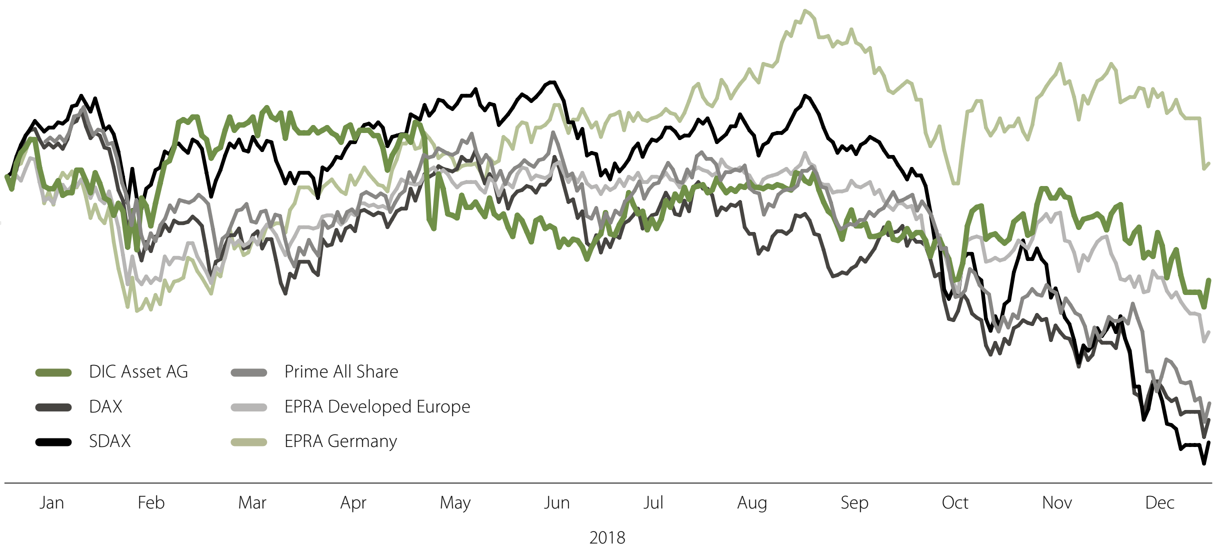


DIC Asset AG shares outperform the SDAX and Prime All Share in a volatile market environment

DIC Asset AG's shares began the 2018 trading year at EUR 10.53 as at 30 December 2017 and reached a high of EUR 10.92 at the end of February. The ex-dividend markdown and the distribution of the first-ever scrip dividend, which increased the number of shares outstanding, were reflected in the development of the share price during the second quarter. From the middle of the year, our shares performed relatively well, particularly given the broad downward trend in the stock market that accelerated at the end of the year. The closing price on 28 December 2018, the final trading day of the year, was EUR 9.07. DIC Asset AG's share price declined by 13.9 % during the 2018 trading year, thus outperforming Germany's top indices, DAX (-18.3 %), SDAX (-20.0 %) and Prime All Share (-17.1 %). Allowing for the reinvestment of the dividend, the share price fell by 7.8 % for the full year.

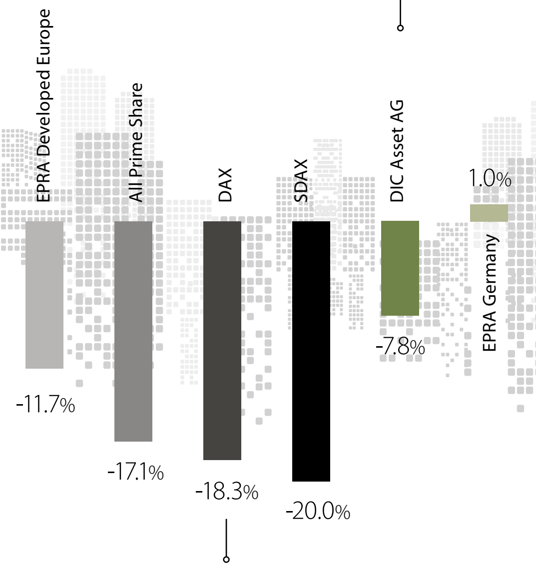
SHARE PERFORMANCE

(assuming instant reinvestment of the dividend, indexed)



DIC Asset AG's shares hold their own

Against the backdrop of blue chips being under heavy pressure, our share clearly outperformed the overall market in the last quarter.



DAX benchmark index sheds almost 20 %

During the year, traditionally export-focused German companies and multinationals suffered greatly from the flare-up of the trade dispute between the USA and China and the disagreements surrounding Brexit. The budget dispute between the European Commission and Italy and growing global economic concerns also weighed on the stock market.

Existing bond successfully increased; new bond oversubscribed

In light of the continued favourable interest rate environment, the 17/22 corporate bond DIC Asset AG issued in July 2017 was successfully increased by EUR 50 million to EUR 180 million by way of a private placement in March 2018. The issue price was set towards the upper end of the marketing range, at 102 %. In April, the new notes issued were added to the existing listing for the bonds in the Official List of the Luxembourg Stock Exchange on the "Bourse de Luxembourg" regulated market under ISIN DE000A2GSCV5.

In October 2018, we successfully placed an additional bond with institutional investors. As with previous issues, the order book was oversubscribed within a few hours. The volume of the bond, which has a term of five years and a coupon of 3.5 %, was EUR 150 million, well in excess of our original target of EUR 100 million. The bond 18/23 is also listed on the Luxembourg Stock Exchange.

This successful placement once again reinforces our good standing in the capital markets and confirms the high level of acceptance of the DIC Asset AG corporate bond among investors.

All bonds demonstrated good trading liquidity in 2018, and met or exceeded their issue prices at the end of the year. The 14/19 bond listed on Deutsche Börse AG's Prime Standard segment ended the year at 101.9 % on 28 December 2018. The two 17/22 and 18/23 bonds listed on the "Bourse de Luxembourg" regulated market closed the year at 100.4 % and 100.0 %, respectively, on 28 December 2018.

Corporate bonds have proven to be a flexible, cost-efficient form of financing at DIC Asset AG, gaining widespread acceptance among investors

BASIC DATA ON THE DIC ASSET AG BONDS

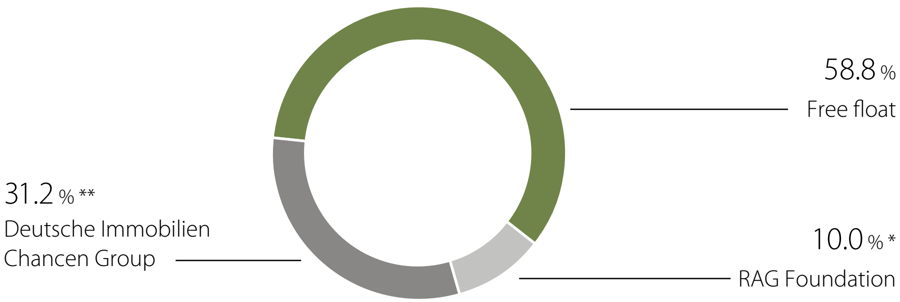
Name	DIC Asset AG bond 14/19	DIC Asset AG bond 17/22	DIC Asset AG bond 18/23
ISIN	DE000A12T648	DE000A2GSCV5	DE000A2NBZG9
WKN	A12T64	A2GSCV	A2NBZG
Segment	Prime Standard for corporate bonds, Deutsche Börse	Official List of the Luxembourg Stock Exchange, Luxembourg	Official List of the Luxembourg Stock Exchange, Luxembourg
Minimum investment amount	EUR 1,000	EUR 1,000	EUR 1,000
Coupon	4.625%	3.250%	3.500%
Issuance volume	EUR 175 million	EUR 180 million	EUR 150 million
Maturity	08.09.2019	11.07.2022	02.10.2023

KEY FIGURES ON THE DIC ASSET AG BONDS

	2018	2017
DIC Asset AG bond 14/19		
Year-end closing price	101.9 %	104.0%
Yield to maturity at year-end closing price	1.92%	2.18%
DIC Asset AG bond 17/22		
Year-end closing price	100.4%	103.5%
Yield to maturity at year-end closing price	3.13%	2.42%
DIC Asset AG bond 18/23 – issued on 02.10.2018		
Year-end closing price	100.0%	–
Yield to maturity at year-end closing price	3.50%	–

Source: vwd group / EQS Group AG

SHAREHOLDER STRUCTURE



* Notification status March 2018

** Notification status December 2018

Stable shareholder structure

DIC Asset AG's shareholder group has a fundamentally stable structure dominated by national and international institutional investors. Anchor shareholder Deutsche Immobilien Chancen Group slightly increased its stake in the Company in December 2018 and currently holds 31.2% of the shares. The RAG Foundation has been a major shareholder in DIC Asset AG since 2014 and currently holds 10.0% of the Company's shares.

Several reportable changes were made to the shareholder group in 2018. The voting rights announcements available to us are published on our website and in the notes starting on page 189. BrightSphere Investment Group notified us that it has sold its 3.0% shareholding in DIC Asset AG. BlackRock, Inc. reported that it had dropped below the 3% threshold. A total of 58.8% of shares are currently in free float.

Analysts see further potential

The average price target of the seven analysts that currently report regularly on our stock is EUR 10.89, 20% above the 2018 closing price (applying the mean of the valuation range of VictoriaPartners). Valuations fluctuate within a range of EUR 10.20 to EUR 12.50. Two analysts give a "buy" recommendation while four analysts currently advise holding the stock. No institutions are currently issuing a "sell" recommendation. We attribute this 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	10.20
Bankhaus Lampe	Dr. Georg Kanders	Buy	12.50
Berenberg Bank	Kai Klose	Hold	10.75
DZ Bank	Karsten Oblinger	Buy	10.80
HSBC	Thomas Martin	Hold	10.50
ODDO BHF	Manuel Martin	Hold	10.40
VictoriaPartners	Bernd Janssen	–	10.60–11.60

as at February 2019

Consistently above-average dividend yield

We pursue a reliable dividend policy, based primarily on the operating profit achieved with our hybrid business model, as a key instrument of our financial strategy. The Company's current financial shape 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. The business segment Other Investments, which includes our real estate and finance investments and the third-party business, also generates attractive additional income.

By expanding our Commercial Portfolio with high-yield acquisitions during 2018, we have made considerable progress in enhancing the profitability and cash flows of DIC Asset AG in the long term. Real estate management fees from fund properties and third-party properties were up 62% to EUR 33.6 million. Overall, we were able to increase our key operating performance indicator FFO by 13% in 2018. Once again, we want our shareholders to participate appropriately and at a high level in this strong operating result. For financial year 2018, the Management Board is proposing to the General Shareholders' Meeting to distribute a regular dividend of EUR 0.48 per share, a year-on-year increase of almost 10%. This represents a payout ratio of around 50% of FFO per share. As in the previous year, shareholders will 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 around 5.3% based on the closing price for 2018, DIC Asset AG remains 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 2017 held in Frankfurt am Main on 16 March 2018, 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 elected Mr Eberhard Vetter to the Supervisory Board. For the 2017 financial year, the General Shareholders' Meeting approved the distribution of a dividend of EUR 0.44 per share, up 10% on the previous year. It also approved the distribution of an extraordinary dividend of EUR 0.20 per share, taking the total dividend to EUR 0.64 per share and resulting in a dividend yield of more than 6% based on the year-end closing price.

Statement of confidence in the shares as many shareholders opt for scrip dividend

As part of the dividend distribution for the 2017 financial year, we offered our shareholders the option of receiving their dividend in the form of shares for the first time in 2018. With a subscription price per new share of EUR 9.92 and a subscription ratio of 15.5:1, the acceptance rate totalled approximately 44% of shares carrying dividend rights. A total of 1,948,501 new shares were issued and transferred to the shareholders' securities accounts in April 2018. The high acceptance rate for the scrip dividend reduced the cash distribution of the dividend from EUR 43.9 million to EUR 24.5 million so that approximately EUR 19 million in cash remained within the Company. After issuing the new shares, DIC Asset AG's subscribed capital increased to EUR 70,526,248, up 2.8% compared to 2017.

2018 IR Activities

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 Germany Conference	Baden-Baden
04.05.	Publication of the Q1 2018 Report*	

THIRD QUARTER

30.07.	Publication of the Q2 2018 Report*	
17.09.	Roadshow	London
18.09.	Roadshow	Vienna
19.09.	Roadshow	Amsterdam/Brussels
21.09.	Roadshow	Hamburg/Düsseldorf
24.09.	Berenberg/Goldman Sachs German Corporate Conference	Munich
27.09.	Baader Investment Conference	Munich

FOURTH QUARTER

08.11.	Publication of the Q3 2018 Report*	
20.11.	Analyst meeting	Frankfurt
21.11.	DZ Bank Equity Conference 2018	Frankfurt

*with conference call

2019 IR calendar

as at February 2019

FIRST QUARTER

08.02.	Publication of the 2018 Annual Report*	
19.02.	13th ODDO BHF German Conference	Frankfurt
22.03.	General Shareholders' Meeting	Frankfurt
28.03.	Commerzbank German Real Estate Forum	London

SECOND QUARTER

03.04.	Bankhaus Lampe Germany Conference	Baden-Baden
04/19	14th HSBC Real Estate Conference	Frankfurt
03.05.	Publication of the Q1 2019 Report*	

THIRD QUARTER

01.08.	Publication of the Q2 2019 Report*	
23.–26.09.	Berenberg/Goldman Sachs German Corporate Conference	Munich
23.-26.09.	Baader Investment Conference	Munich

FOURTH QUARTER

06.11.	Publication of the Q3 2019 Report*	
11/19	DZ Bank Equity Conference 2019	

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.

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 roadshow days and seven investor conferences during the year under review, and also organised a separate event for 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 ZIA board of directors. 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 fully incorporating sustainability into our business processes. In doing so, we follow internationally established 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. For the sixth successive year, the EPRA recognised that our transparent reporting is in line with its recommendations and, as in the previous year, gave the 2017 Sustainability Report the Silver EPRA Sustainability Award.

Annual Report named “Most Improved Annual Report”

For the eleventh year in a row, we received major awards for our financial reporting in prestigious competitions. In September 2018, DIC Asset AG’s 2017 Annual Report won the “Most Improved Annual Report” award from the EPRA for its consistent enhancement of financial communications as well as the “Silver Award for Financial Reporting”. At the international LACP Vision Awards – one of the world’s largest financial reporting competitions – the Annual Report was named among the top 40 German annual reports across all sectors and was recognised with a global gold medal as well as a special award for exceptional execution in communications.

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 real estate management for third parties, total EUR 5.6 billion. With management teams in six regional offices, DIC Asset AG maintains a presence in all key German markets.

We divide our business into three segments, from which we generate diversified income based on our hybrid business model:

➤ The segment Commercial Portfolio (EUR 1.7 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 segment Funds (EUR 1.8 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 implemented.

➤ The segment Other Investments (EUR 2.1 billion) comprises the management of real estate without holding an equity stake (third-party business), financial investments and – as an expiring business – joint ventures and participations in project developments.

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.

THE MARKET LANDSCAPE IN GERMANY: DECENTRALISED AND MULTI-DIMENSIONAL

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 am Main, 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: STRONG REGIONAL FOCUS

Since we have a nationwide presence with our six offices including strong regional expertise, 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 quickly identify and acquire 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.

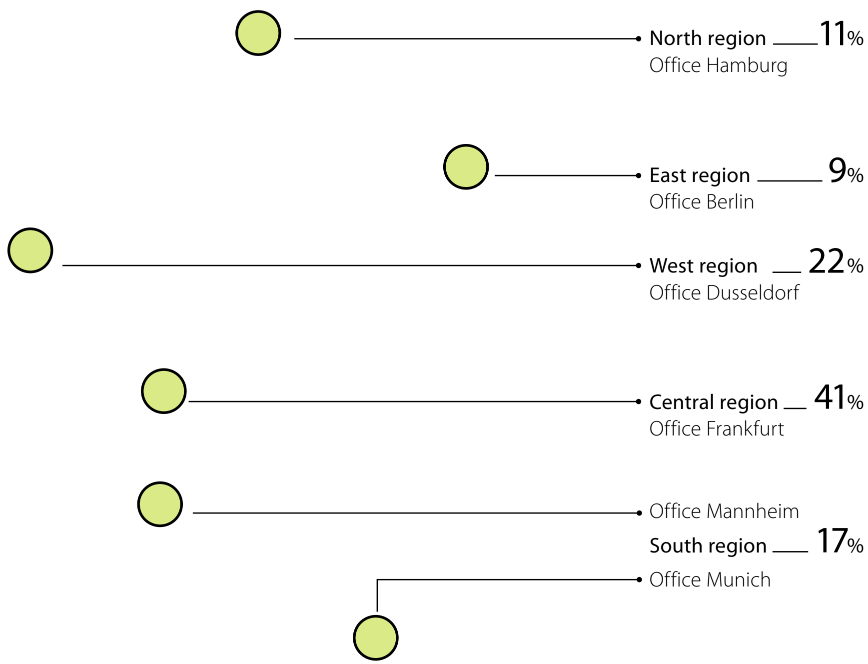
We invest in properties in Germany's top seven real estate strongholds and in regional economic centres with a risk-adjusted investment and management approach that takes into account the potential of both A-properties in B-locations and B-properties in A-locations. Our diversified mix of investments supported by 114 of our own employees working in asset and property management ensures attractive value creation potential and stable cash flows at manageable levels of risk.

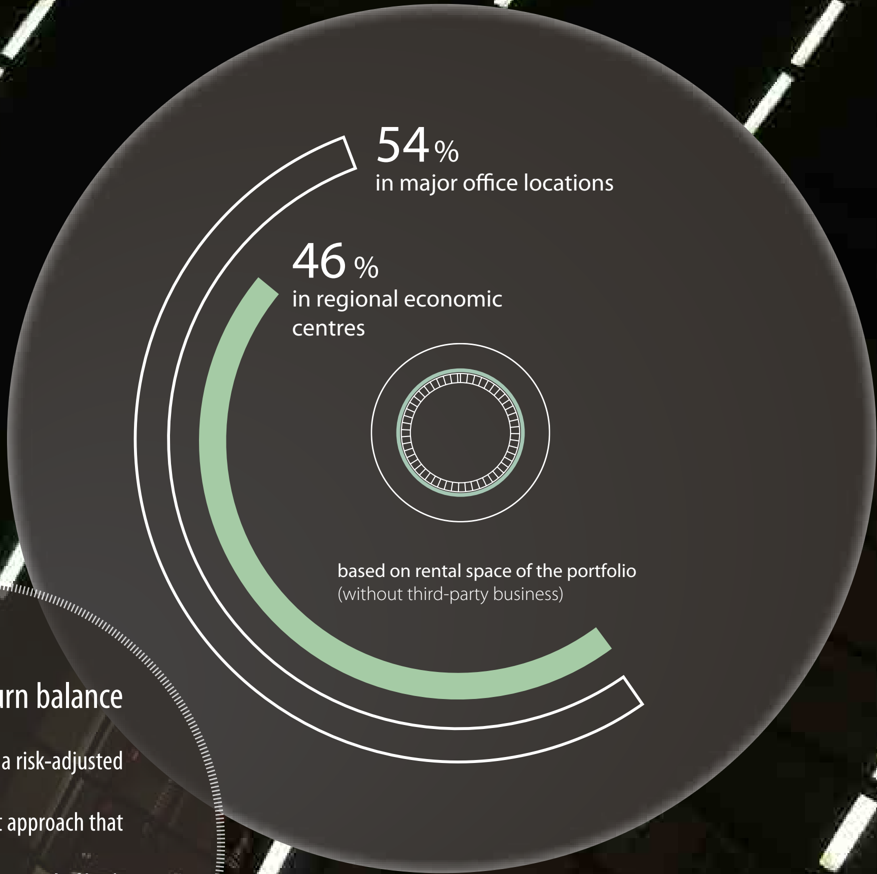
REGIONAL STRUCTURE AND COMPANY LOCATIONS

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

REGIONAL PRESENCE

Basis: market value assets under management



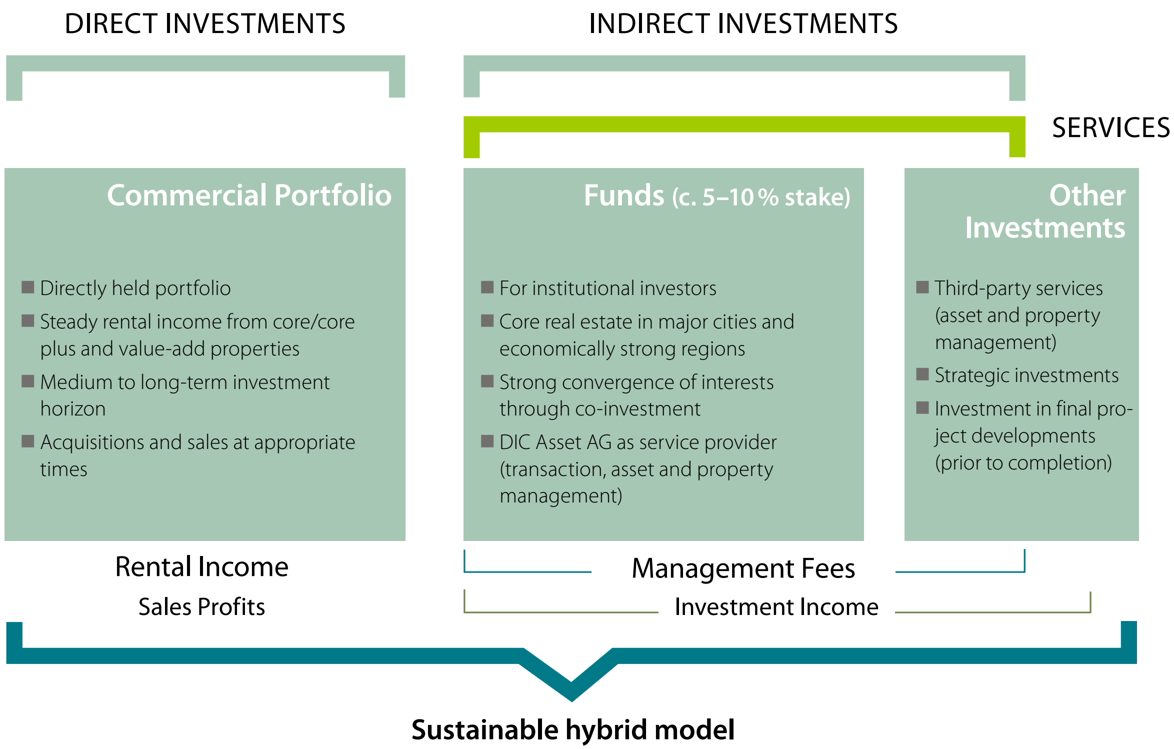


Risk-return balance

We invest in properties using 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.

DIVERSIFIED INCOME AND INVESTMENT STRUCTURE: FULLY PROFITABLE HYBRID BUSINESS MODEL

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.



◗ Commercial Portfolio

In the segment Commercial Portfolio (EUR 1.7 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.

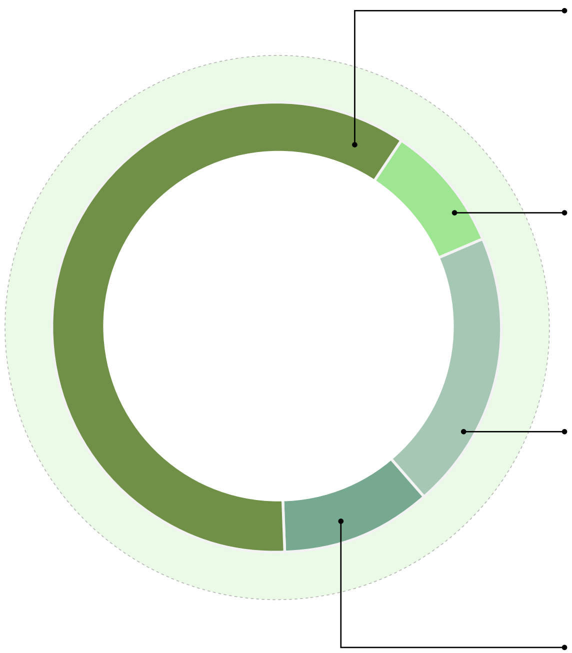
◗ Funds

In the segment Funds (EUR 1.8 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 transaction, asset and property management services in our Funds segment, thus generating continually growing management and investment income.

◗ Other Investments

The segment Other Investments (EUR 2.1 billion) comprises our growing third-party business, strategic investments and participation in the project developments MainTor in Frankfurt am Main and Junges Quartier Obersendling in Munich, both of which are close to completion.

in EUR million



100.2
Gross rental income
from our Commercial Portfolio

18.6
Profits from disposal of investment property
in the context of portfolio optimisation

33.6
Management income
from transaction, asset and property management services for funds and Other Investments

15.8
Investment income
from funds, project developments und equity interests in companies

- In our Commercial Portfolio of direct real estate investments we earn regular rental income based on long-term leases. The rental income is broadly diversified in terms of regions, sectors and tenants.
- Sales from direct investments, with which we optimise our portfolio structure and generate profits – for example after developing and repositioning properties – round off our income from the property portfolio.
- We generate recurring income from providing asset and property management services in our fund business and our third-party business, and attractive management fees for transaction activities for our funds.
- Added to this is investment income generated from minority interests basically from the funds initiated by us and also from investments that are consolidated in the segment Other Investments.

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 136 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 89, serves as the main instrument for monitoring and managing achievement of the Company's targets.

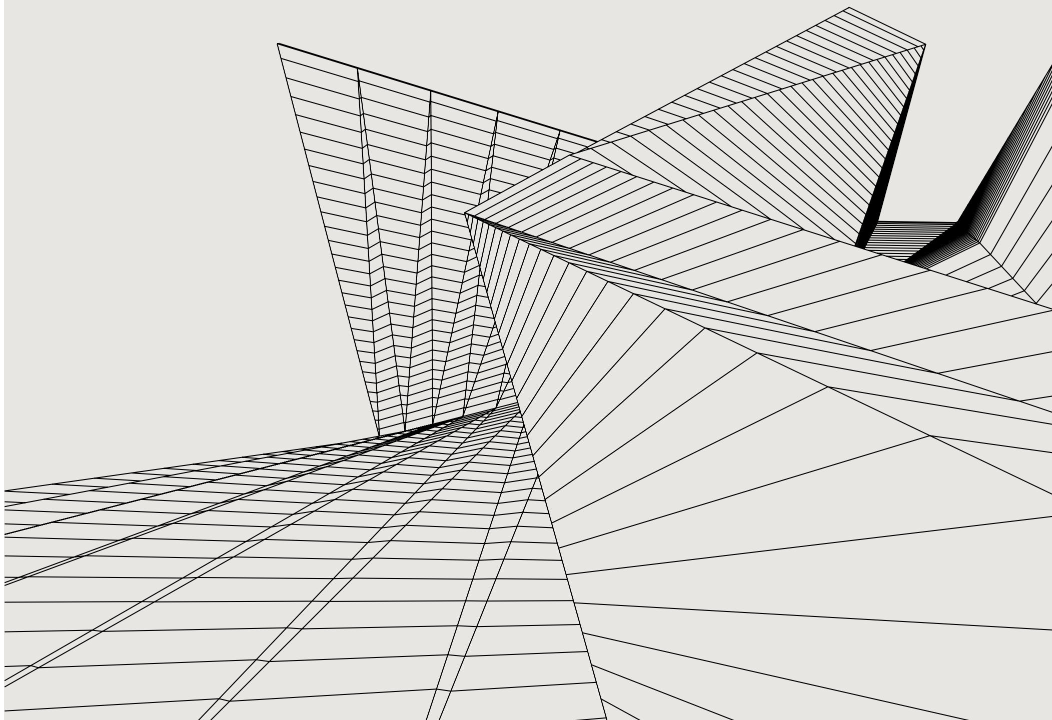
Key control variables and targets

In order to monitor the agreed targets, we use key operating figures, which are 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, we have been reporting FFO separately for the segments Commercial Portfolio, Funds and Other Investments. 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 from a high-transaction fund business and our third-party business. At the same time, our focus is on capital and financing structures that enable us to act swiftly and reliably.



DYNAMIC IN THE PORTFOLIO

- Diversified acquisition strategy
  Our investment mix includes A-locations in B-cities and B-locations in A-cities – for both direct investments in our Commercial Portfolio and indirect property investments for the expansion of our fund business. 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 asset and property management the potential to create added value.

  This strategy is rooted in 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.

- Continuous sales aimed at optimisation
  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.

CREATE VALUE

- Expertise and capacity for portfolio development
  Thanks to our expertise, we are able to leverage properties' appreciation potential, especially through refurbishment work. We employ our own teams for portfolio development, which take care of measures aimed at repositioning properties to create value.

- Excellent letting expertise
  By entering into new leases, achieving higher rents for new leases and reducing vacant space, our rental management staff makes an important contribution to increasing the value of our portfolio on a daily basis.

INCREASE INCOME FROM FUNDS

- Defined investment products aimed at institutional investors.
  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 and expansion of the trading platform
  To enhance our income further, we are focusing on further expanding our investment and transaction business in the Funds segment. Our fund management makes effective use of all of DIC Asset AG's strengths. We apply both our property management and transaction expertise as well as our exceptional network within the market to actively manage fund investments.

MULTIPLY BEST PRACTICES IN THIRD-PARTY BUSINESS

- Use our real estate expertise effectively
  We are putting our existing in-depth real estate knowledge to use in a growing third-party business and achieving recurring and increasing management income by taking on property management mandates. We are using skills, expertise and low capital expenditure to steadily diversify our sources of income and thus stabilise our business's revenue streams.

- Extend our value chain
  We also offer our market and property expertise to buyers of real estate from our Commercial Portfolio and investment portfolio. This enables us to generate added value from our existing real estate expertise for the new owners and extend our value chain with highly qualified real estate management.

STRONG FINANCIAL FOUNDATION

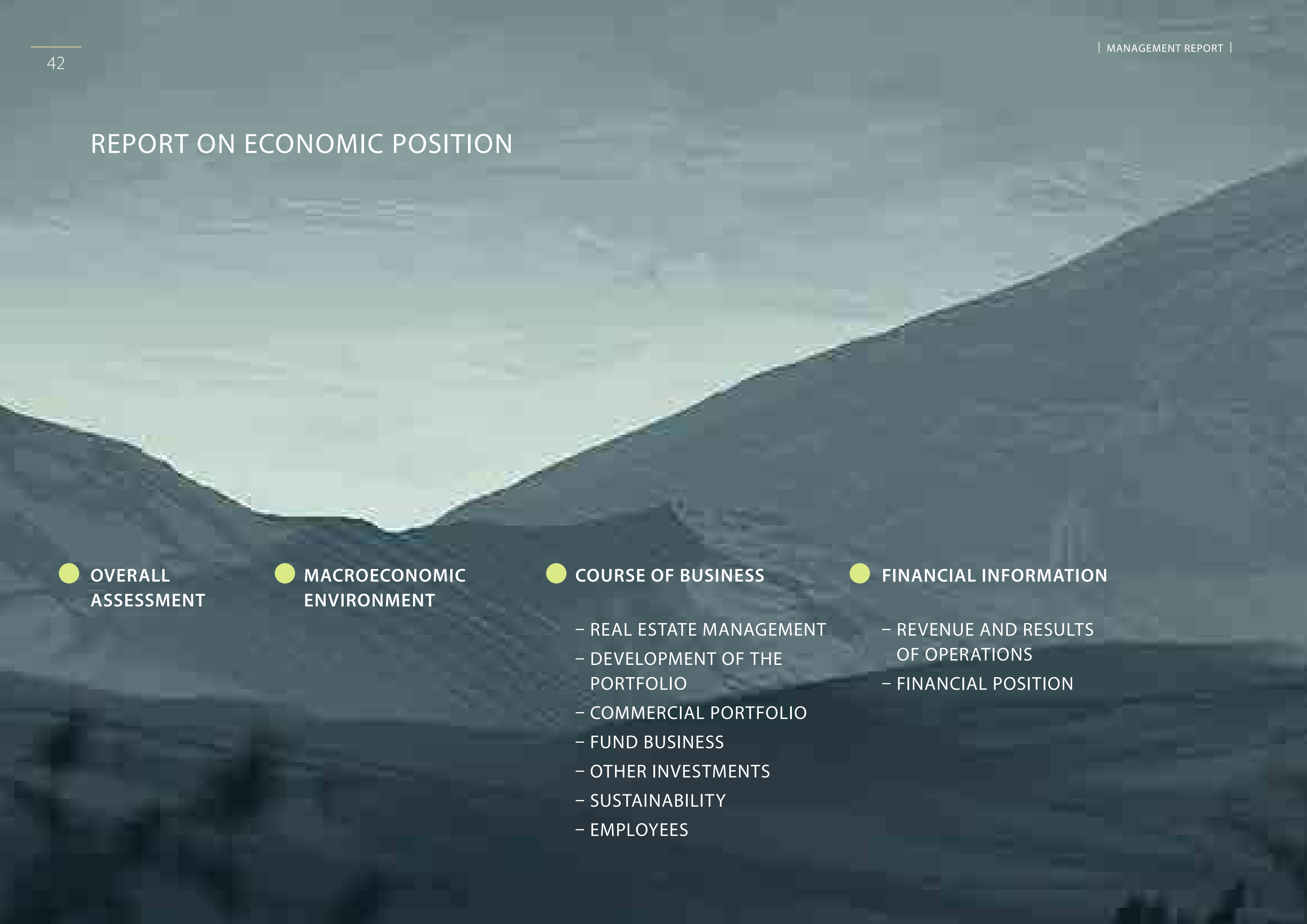
- Optimise the financial and capital structure
  Our stable financial structure, based on predictable long-term cash flows and proactive planning, provides a strong backbone to our strategic and operating activities. We aim to steadily optimise our financial foundation through our business activities and steady cash flow from rental income as well as by growing our management income. This will enable us to achieve a sustainable and viable financial 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.

What sets us apart

Our work is founded on our strengths in asset and property management as well as in transaction management, irrespective of our ownership of a property.

ACHIEVEMENT OF STRATEGIC TARGETS IN 2018

- Growth in transaction volume: At EUR 1.2 billion, the largest volume in the Company's history to date
- Growth in assets under management: 27 %
- Growth in management income: 62 % from the fund and third-party business
- Portfolio development resources strengthened: development team expanded
- Loan-to-value ratio lowered: reduced by 390 basis points
- Attractive dividend policy continued: proposed dividend increased by almost 10 %



REPORT ON ECONOMIC POSITION

OVERALL ASSESSMENT

MACROECONOMIC ENVIRONMENT

COURSE OF BUSINESS

- REAL ESTATE MANAGEMENT
- DEVELOPMENT OF THE PORTFOLIO
- COMMERCIAL PORTFOLIO
- FUND BUSINESS
- OTHER INVESTMENTS
- SUSTAINABILITY
- EMPLOYEES

FINANCIAL INFORMATION

- REVENUE AND RESULTS OF OPERATIONS
- FINANCIAL POSITION

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

In the 2018 financial year, DIC Asset AG once again impressively demonstrated the profitability and dynamic nature of its unique hybrid business model. The year under review was dominated by very intensive transaction activities leading to record high transaction volumes with a clear focus on exploiting opportunities within the market, which made exceptionally attractive contributions to earnings.

Our nationwide transaction team generated a sales volume of EUR 510 million, exceeding the forecast of EUR 450–500 million. We made particularly good use of attractive opportunities to enhance the long-term profitability and significantly improve the quality of our Commercial Portfolio. At the same time, we successfully met our target sales volume of EUR 100-120 million with sales of around EUR 100 million from the Commercial Portfolio and thus continued to push ahead with the optimisation of the portfolio.

In addition to generating additional rental income from newly-acquired properties, the successful work of our lettings team, which increased rental income from the Commercial Portfolio by 2.7 % on a like-for-like basis, also helped to ensure that the gross rental income of EUR 100.2 million exceeded the forecast of EUR 98–100 million revised upwards during the year.

Our diversified income structure once again ensured a very positive result for our operating activities.

Establishing our trading platform in the fund business also paid off. We generated significant income from structuring fund property transactions in 2018. On the selling side, we were very successful in selling two properties from existing funds and also created an advantageous exit opportunity for fund investors with a share certificate sale. Acquisitions with a total volume of approximately EUR 105 million rounded out the transaction activities in the fund business, which contributed to significant earnings growth with a total volume of around EUR 530 million (previous year: approximately EUR 120 million). Our fund management team also structured two additional funds – the DIC Office Balance V fund and the DIC Metropolregion Rhein-Main fund – by incorporating start-up portfolios with a total volume of approximately EUR 166 million.

The strategic reorganisation of the segment Other Investments is proceeding according to plan. The growing third-party business made a greater contribution to earnings as planned in 2018, while real estate assets under management in the third-party business more than doubled on a year-on-year basis. We also succeeded in selling our last remaining joint ventures during the year under review and contractually agreed the sale of our stake in TLG Immobilien AG in December. We expect to complete this transaction in the first half of 2019, and the significant resulting proceeds will open up potential for further growth.

The momentum of the fund business and the increasing quality of the Commercial Portfolio prompted us to raise the forecast for the Group's key performance indicator – operating profit from real estate management (FFO) – from EUR 62–64 million to EUR 68 million in October after three strong quarters, and we met this target with FFO of EUR 68 million as at 31 December 2018.

By increasing assets under management across all operating segments from EUR 4.4 to EUR 5.6 billion, we have once again created a much larger foundation for stable and sustainable cash flows. With its diversified income structure, our hybrid business model is proving to be robust, scalable and flexible. Although consolidated profit was down on the previous year's figure at EUR 47.6 million (2017: EUR 64.4 million), the prior-year figure was significantly impacted by the EUR 19.3 million non-recurring effect of swapping shares in WCM Beteiligungs- und Grundbesitz-AG for shares in TLG Immobilien AG – for which we distributed an extraordinary dividend of EUR 0.20 per share.

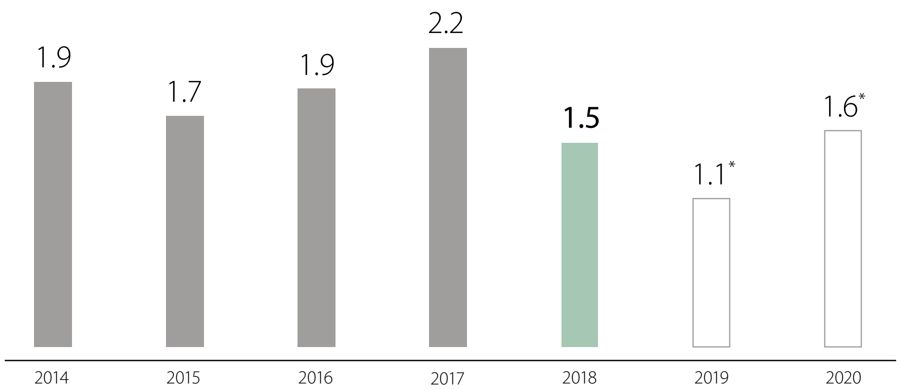
In view of the achieved targets and the Company's long-term business prospects, we intend to distribute a regular dividend of EUR 0.48 per share – which is an increase compared with the previous year.

MACROECONOMIC ENVIRONMENT

Macroeconomic trends

Amid continuing positive economic performance which saw German gross domestic product grow quarter-on-quarter 15 times in succession until mid-2018 – its longest upturn since 1991 – fears of an escalation in international trade disputes and political uncertainty in some European countries have cast a shadow over the previously very positive economic climate. In Europe, economic indicators in 2018 were weaker than economists expected, and in Germany the mood also dampened somewhat across all sectors with the exception of construction. Despite this subdued momentum and negative extraordinary factors, however, analysts believe that the German economy remains in good shape and view GDP growth of 1.5 % and the outlook for the next two years as normal after an economic boom lasting several years.

GDP GROWTH RATES IN GERMANY
year-on-year change in %



Sources: Federal Statistical Office, *forecast ifo institute

German economy growing despite stress factors

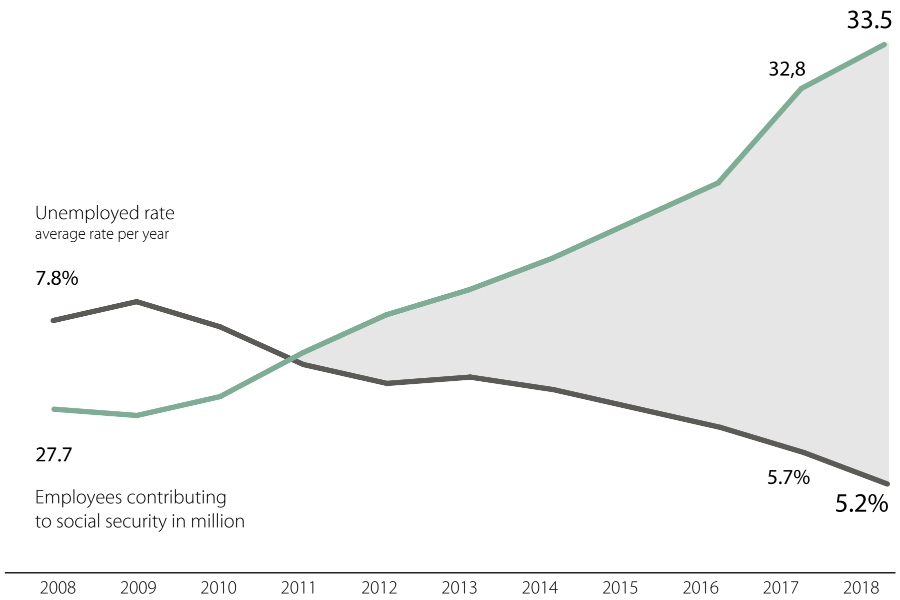
German gross domestic product grew by 0.4 % in the first quarter of 2018, by 0.5 % in the second quarter and initially hardly seemed to be affected by the international trade dispute, the discussion surrounding punitive tariffs and other political differences. Economic output then contracted by 0.2 % quarter-on-quarter in the third quarter. Two extraordinary factors weighed on events in Germany: firstly, the German automotive industry's problems connected with new test procedures and managing the diesel crisis, and secondly, inland shipping restrictions on significant supply routes for production logistics due to abnormally low water levels. The German economy then recorded moderate growth of 0.3 % in the fourth quarter. While corporate investments provided much of the positive momentum for the year as a whole, investments in residential construction also expanded significantly.

Different sensitivities depending on degree of globalisation

Over the course of the year, sentiment indicators showed a growing awareness of the high degree of international uncertainty and waning momentum in the global economy. In December 2018, the ifo Business Climate Index fell for the fourth successive month to 101.0, its lowest level since December 2016. The business climate cooled considerably in both the manufacturing and service sectors; sentiment only remained at a very high level in the construction industry.

The risk of a global economic downturn resulting from the trade dispute between the world's largest economies is primarily impacting major industrial groups, companies with global interdependencies and their suppliers. The latest figures indicate weak exports from German companies after a boom lasting several years. However, in a year-on-year comparison of foreign trade figures, imports rose by 3.6 % in November, suggesting higher domestic demand and that the domestic economy represents a growing share of economic activity. Leading German economic research institutes revised their earlier projections for economic growth during the 2018 calendar year and corrected their 2019 outlook downwards. Economists see a further escalation of trade conflicts and the continued lack of clarity over the future of economic relations between the United Kingdom and the EU as key risks. In a European context, France's abandonment of reforms triggered by the protest movement and a further destabi-

LABOUR MARKET TREND IN GERMANY



Sources: Federal Employment Agency, Federal Statistical Office

lisation of the Turkish economy represent additional burdens. Tighter financing conditions are affecting players in emerging markets with uncertain economic prospects, and the risks of changes in capital flows could very quickly trigger chain reactions in globally interconnected markets.

However, economic researchers also stress that fears of a recession in relation to Germany are exaggerated and that the pace of growth in the German economy is simply normalising after an economic boom lasting several years. As a result, the GDP forecasts issued in December 2018 range between 1.1 % and 1.8 % for 2019 and between 1.6 % and 2.0 % for 2020.

➲ Domestic economy and employment growth driving the economy

Domestic demand is expected to remain a driving force for future growth – particularly consumer spending and construction expenditure. The expansive service sector and labour market momentum are also continuing to contribute to the positive outlook. Employment levels and employment subject to social security contributions once again grew substantially in 2018. The annual average number of people in gainful employment rose by 562,000 to 44.83 million year-on-year. The majority of new jobs were created in sectors subject to social insurance contributions. This figure grew by 705,000 jobs or 2.2 % compared to the previous year. This rise was primarily driven by manufacturing and qualified business services, while the only sectors to record a decline in jobs were financial and insurance services, which have exhibited headcount reduction trends for some time due to digitalisation and cost pressure, and temporary employment. The German government expects employment to continue rising in Germany over the next few years. According to its autumn forecasts presented in mid-October 2018, the number of people in gainful employment is expected to rise by just over 1.3 million by 2020, with unemployment falling by around 400,000 and the unemployment rate declining to 4.8 % during that time.

➲ ECB indicates gradual return to normality in monetary policy

To remove uncertainty from the market, the ECB decided to provide a longer-term base rate outlook in June 2018, in which it stated that it expects base rates to remain unchanged until at least summer 2019. 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 2018. The penalty rate on commercial banks’ deposits with the ECB also remained unchanged at 0.4 %. On the other hand, the ECB steadily reduced its billion-euro government and corporate bond purchase programme (“quantitative easing”). The ECB halved monthly bond purchases from EUR 30 billion to EUR 15 billion in September, and at its meeting on 13 December 2018 it decided to end the programme at the end of 2018 after a total volume of around EUR 2.6 trillion in bond purchases. This further underlines the fact that the ECB does not wish to unsettle the market with abrupt turnarounds. The ECB will remain active on the bond market by reinvesting funds from expiring securities beyond the date of the first interest rate hike. Contrary to expectations that a gradual withdrawal from the bond purchase programme would cause government bond yields to increase, the turnaround for German Bund yields failed to materialise. At the end of the year, fears of a cooldown in the global economy drove increasing numbers of investors towards what are perceived as safe government bonds. Yields on ten-year Bunds fell to an annual low of 0.24 % at the end of December.

Sector trends

➲ Rental market: continued space absorption and rising rents

Revenue in the German office rental market stabilised once again after a weaker first quarter, while the rising employment rate was reflected in robust demand for space and a further drop in vacancies. According to observations by real estate brokers JLL, letting revenue is limited by the steadily shrinking supply of space. Not every inquiring company can be provided with suitable space, causing revenue per square metre to fall by around 6.5 % year-on-year. The striking shortage of space in central locations caused rents to rise, with the low completion volumes of recent years not really helping to ease the situation. Office vacancy rates fell by double-digit percentages within a year in every one of the seven real estate strongholds. The cumulative vacancy rate decreased by 110 basis points year-on-year to 3.6 %.

JLL expects 2019 completion figures to continue falling to around 3.5 % before reaching the bottom of the current cycle. Researchers anticipate rising completion volumes due to increased building activity over the next few quarters. While only 927,000 square metres or around 10 % more office space was completed in 2018 compared to the previous year, current forecasts suggest that 1.68 million square metres of new space will come onto the market in 2019 and around 2.10 million square metres in 2020. Due to the high level of demand, a majority (71 %) of the space expected in 2019 is already occupied by pre-letting, while around 60 % of the space expected in 2020 is still available. Of approximately 3.93 million square metres of office space currently under construction or being refurbished, around 44 % is still available to meet the demand for office space. According to JLL estimates, brisk construction activity can go some way to relieving the shortage of space. However, it is also interesting to note that completion dates are often postponed due to the high capacity utilisation of construction companies and tradesmen, long approval times and the continuing rise in construction and expansion costs.

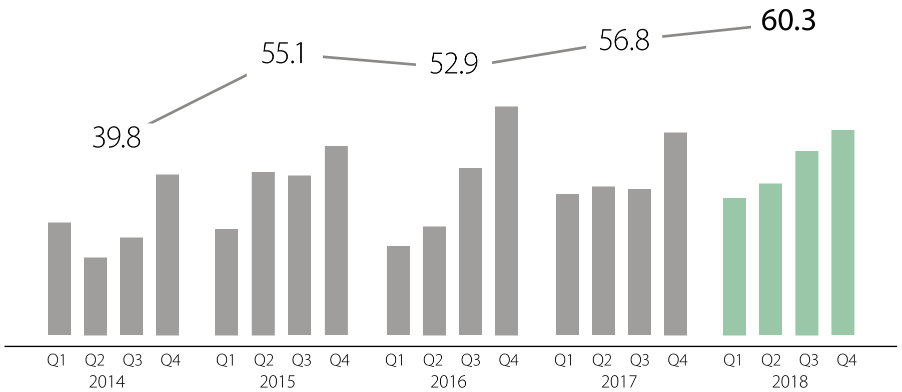
Rents continued to rise, fuelled by the supply shortage. According to JLL, rents increased by an average of 6.4 % within 12 months. This was due to different dynamics: Rents in secondary locations rose significantly more sharply than those in prime city centre locations. According to market experts, secondary and tertiary locations achieved significantly higher growth rates – of 23 % and 26 % respectively – than top locations during the last five years. As space becomes increasingly scarce, rents in the top locations have risen, reaching a level that real estate firms believe will lead users to steadily switch to alternatives in peripheral locations. For 2019, JLL expects further rent growth on average, albeit at a slightly lower rate of 3.5 %.

➲ Investment market: upward trend remains intact

While all European locations suffered from political uncertainty over the past 12 months, the German investment market once again proved robust. As in the previous year, when difficulties in forming a government in Germany generally did not cause greater irritation in the real estate investment market, the commercial real estate investment market recorded a new record year amid considerable political and economy uncertainty. Fourth-quarter revenue took transaction volumes beyond the EUR 60 billion mark for the first time in 2018 at EUR 60.3 billion, exceeding the previous year's figure by around 6 %.

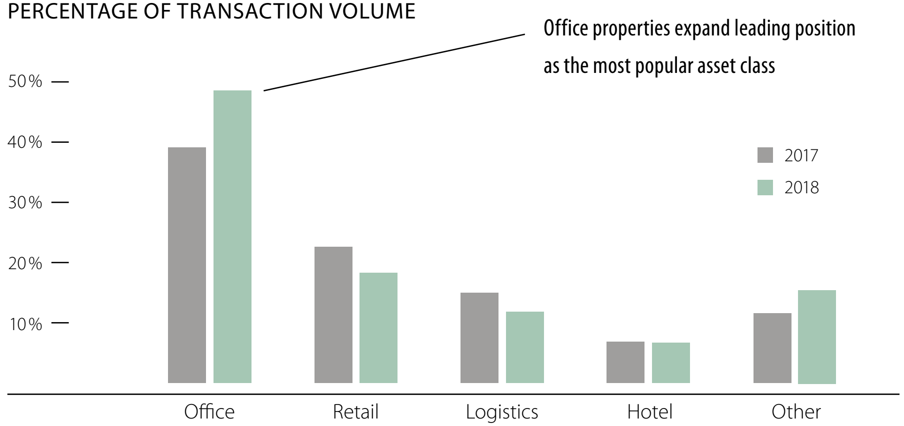
Foreign investor activity was responsible for around 42 % of transaction volume in 2018. Their share in transaction volumes once again increased in the last quarter of the year in particular, with investors from other European countries and Asia joining the traditional sources of capital of the USA and the United Kingdom in investing in the German market.

TRANSACTION VOLUME OF GERMAN COMMERCIAL REAL ESTATE
in EUR billion



Source: JLL

PERCENTAGE OF TRANSACTION VOLUME

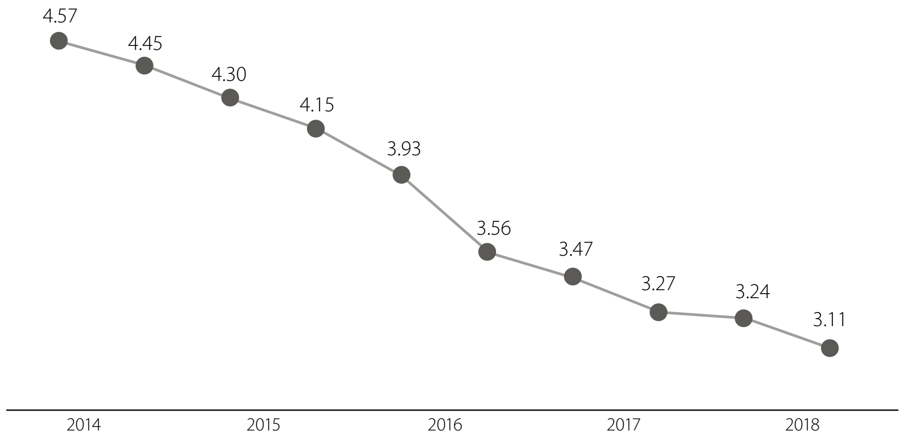


Source: BNP PARIBAS REAL ESTATE

As in previous years, offices were investors' preferred asset class with a share of just under 50%. The performance of the office rental market in the top seven locations is reflected in the investment market. By the middle of the year, there was already greater demand for submarkets slightly away from city centre sites in A-locations, vacant properties and lease agreements with short terms, while according to JLL, risk premiums and the gap to prime yields contracted to a historic low. This is due to the shift in investment preferences among investors towards products and locations that do not meet the previous criteria for prime property but still have potential to meet the desired target returns by using appropriate management measures and entering into new contracts at higher rents. As a result, manage-to-core properties were in demand in 2018 as asking prices rose significantly.

At the end of the year, the average prime yield in the top seven cities was 3.11%, down from 3.27% in the previous year. Combined with strong rental growth, the value of office properties in the top seven locations rose by around 12% in 2018. In 2019, JLL anticipates average growth of around 4% for the overall office property market in the hotspots due to continuing yield compression.

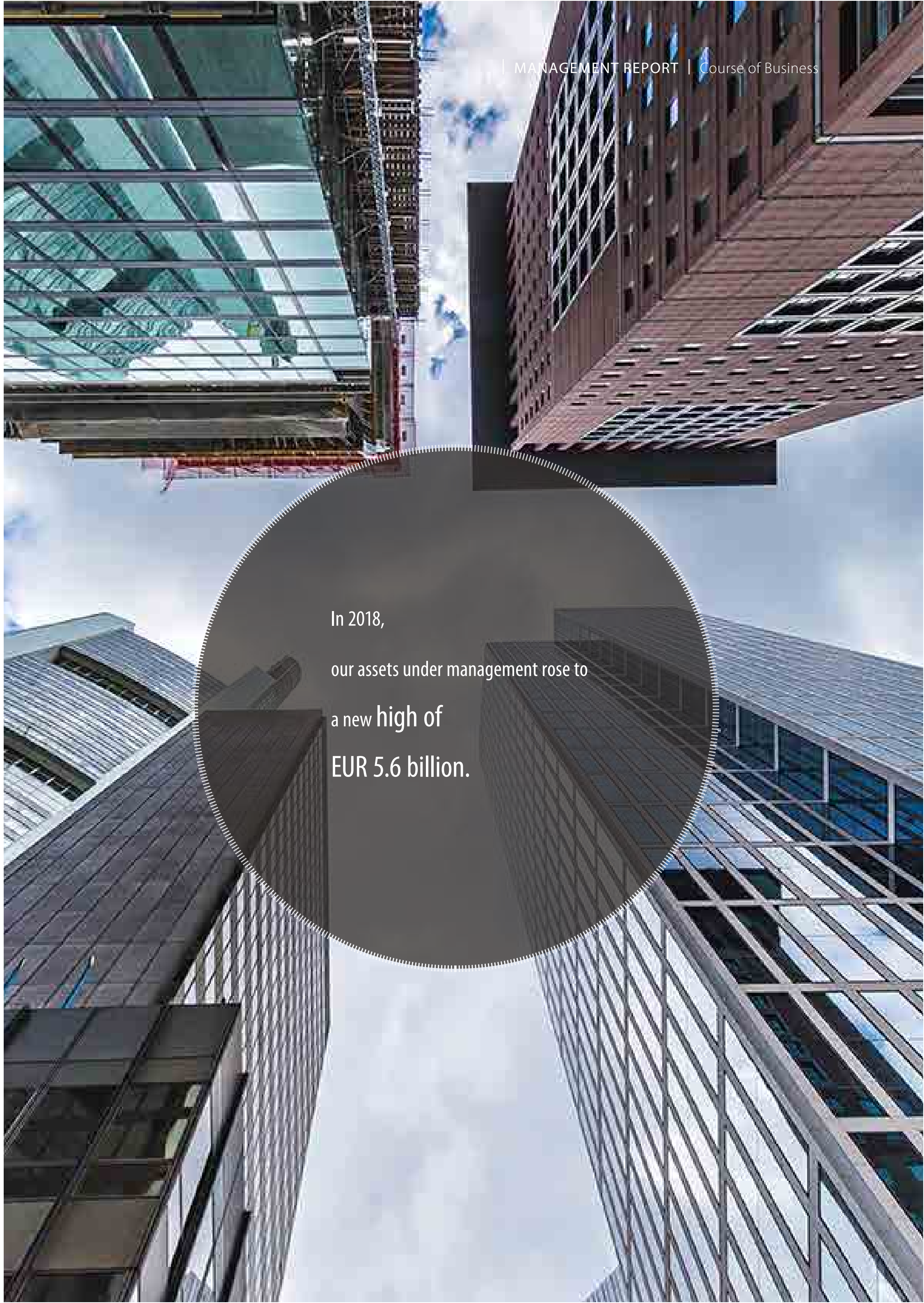
PRIME YIELDS FOR OFFICES IN PRIME LOCATIONS
Aggregated initial yield in the Big 7 in %



Source: JLL

COURSE OF BUSINESS

- Growth in assets under management in all segments
- Transaction volume reaches record level of over EUR 1.2 billion
- Longer contract terms for leases signed
- Vacancy rate in own portfolio reduced by 2.3 percentage points to 7.2 %
- Market value of Commercial Portfolio up by around 10 % on a like-for-like basis
- High-yield new acquisitions for the Company's own portfolio to enhance future rental income
- Trading platform successfully established in the fund business, high contribution to earnings from transaction fees
- Two new funds launched
- Sale of joint ventures completed
- Agreement reached to sell TLG equity investment
- Services without own capital investment (third-party business) significantly expanded

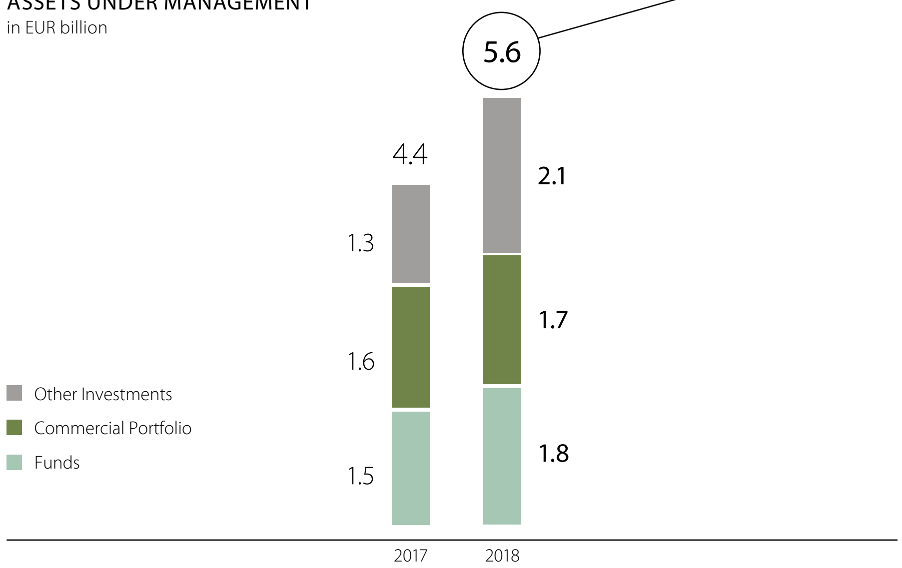


DEVELOPMENT OF REAL ESTATE ASSETS UNDER MANAGEMENT

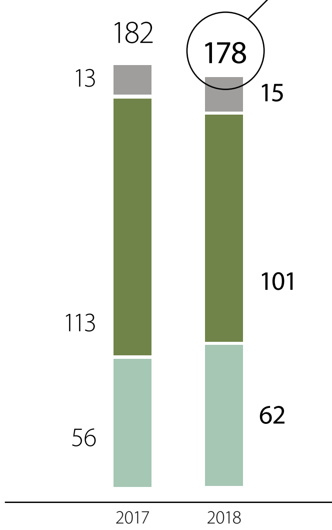
As at the reporting date of 31 December 2018, our real estate assets under management comprised 178 properties with total space of around 1.9 million sqm. The value of these assets, including our third-party business, increased to EUR 5.6 billion. Of this figure, approximately EUR 1.7 billion is attributable to the directly held Commercial Portfolio, EUR 1.8 billion to fund properties and EUR 2.1 billion to the segment Other Investments, which mainly includes our growing third-party business in addition to our investment in the almost-completed MainTor project development and strategic investments.

Slightly lower number of properties with a substantially higher value illustrates the focused improvement in quality of our commercial real estate management platform.

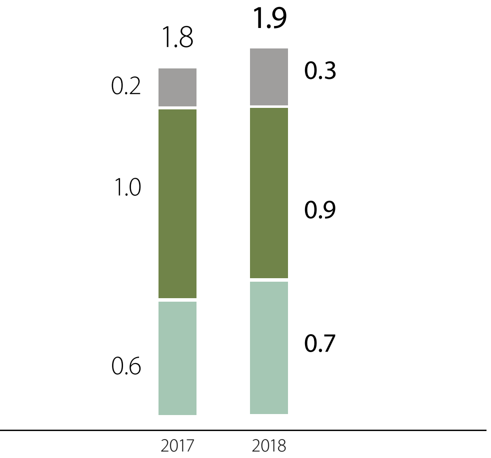
ASSETS UNDER MANAGEMENT
in EUR billion



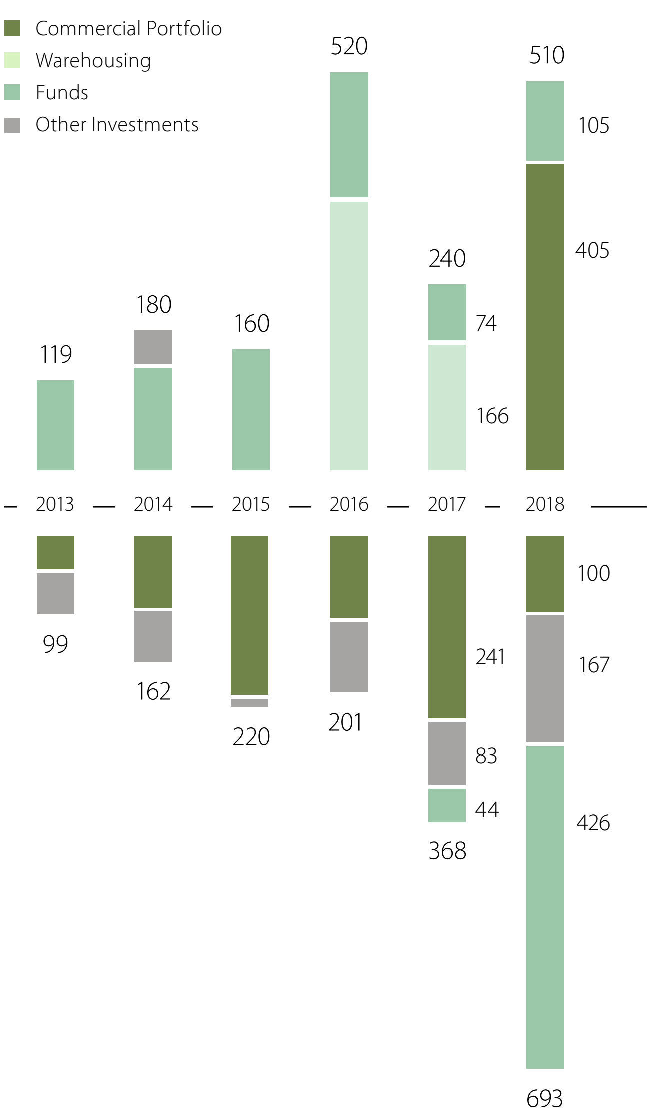
NUMBER OF PROPERTIES



RENTAL SPACE
in million sqm



ACQUISITION VOLUME in EUR million



SALES VOLUME in EUR million

ACQUISITION

in EUR million	Notarisations in 2018	Notarisations in 2018 Transfer of possession, benefits and associated risks in 2018	Notarisations in 2017 Transfer of possession, benefits and associated risks in 2018
Commercial Portfolio	405	105	-
Warehousing	-	-	59
Funds	105	54	44
Other Investments	-	-	-
Total	**510**	**159**	**103**

Transaction volume of around EUR 1.2 billion

In the 2018 financial year, we succeeded in conducting all of our planned acquisitions and sales amid an intensely competitive market environment and handled a record total of around EUR 1.2 billion in acquisitions and sales. This is the highest transaction volume generated in the history of DIC Asset AG so far and demonstrates the level of experience and comprehensive transaction expertise available in our team.

SALES

in EUR million	Notarisations in 2018	Notarisations in 2018 Transfer of possession, benefits and associated risks in 2018	Notarisations in 2017 Transfer of possession, benefits and associated risks in 2018
Commercial Portfolio	100	73	17
Funds*	426	426	-
Other Investments	167	7	23
Total	**693**	**506**	**40**

* including sale of share certificates

➲ 2018 acquisition volume exceeds target range at around EUR 510 million

Acquisitions with a total volume of approximately EUR 510 million were completed across all segments, thus exceeding the target range of EUR 450-500 million. This was primarily due to EUR 405 million in high-yield acquisitions for the Company's own portfolio. Of the six acquisitions for the Commercial Portfolio, three were transferred into our portfolio with a combined investment volume of around EUR 105 million before the reporting date, with the transfer of another property expected to take place in the second quarter of 2019. We contractually secured two properties with a combined investment volume of approximately EUR 256 million as part of a long-term forward deal; the transfer of these properties is expected to take place after completion in early 2020 and early 2021 respectively. We expect to transfer two new acquisitions notarised in December with a volume of approximately EUR 51 million into fund assets in the first quarter of 2019. Acquisitions for funds made up a smaller part of new additions during the year under review at around EUR 105 million, as we had already constructed the start-up portfolios for our new funds using properties secured during the previous year.

➲ Warehousing properties utilised as planned:
Three new acquisitions completed in the previous year with a combined volume of around EUR 166 million were used to form start-up portfolios for new funds. As part of the warehousing processes, these properties were temporarily managed in the Company's own portfolio in 2018. During this phase, we received the full rental income from the management of these properties.

➲ Sales transactions totalling almost EUR 700 million structured in line with market requirements

Sales transactions with a total volume of approximately EUR 693 million across all segments reflect our active approach to continually optimising how we deploy our capital and expertise when making investments. In the Commercial Portfolio, the sales volume for portfolio optimisation was close to the planned figure of EUR 100 million. We also completed sales with a total volume of approximately EUR 426 million as part of our active fund management mandate. We sold the three joint venture properties (EUR 167 million) in our segment Other Investments as planned; the transfer of the final property will be completed during 2019.

EUR 1.2 billion:

DIC Asset AG's largest annual transaction volume to date

➲ Regional development: moderate change, stabilising allocation

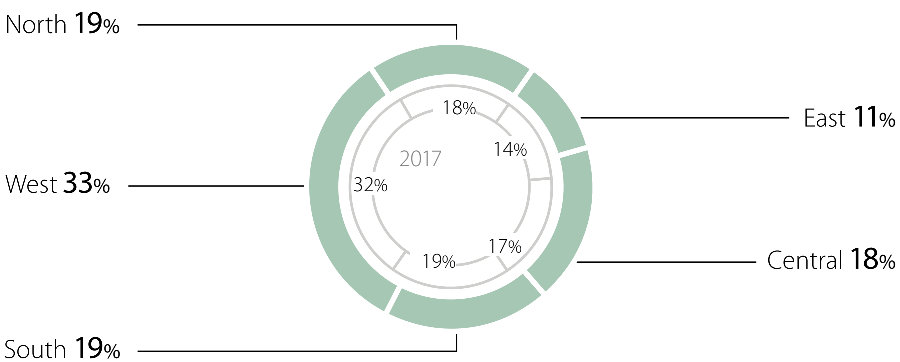
The regional diversification of the rental space shifted slightly compared to the previous year as a result of the acquisitions and sales that took effect during the financial year. The East region reduced its share by three percentage points, while the share by space of the Central, North and West regions each increased by one percentage point at the reporting date. While gross rental yields fell in all regions, they remained at a much higher level than the overall market observed by real estate research analysts at JLL. Greater emphasis on regions at the lower end of the compression range resulted in a moderate reduction in our regional allocation from 5.9 % to 5.4 % on average. For comparison, JLL reported an average office prime yield of 3.11 %, and an average of 3.44 % for top properties in submarkets outside the top locations.

On the whole, the stabilising effect of regional allocation across Germany of our investment strategy for the overall portfolio is once again reflected in the relatively attractive overall yield.

A detailed overview of key portfolio figures by region with a year-on-year comparison can be found in the Overview section on page 196.

REGIONAL STRUCTURE OF OVERALL PORTFOLIO

by rental space, excluding project developments, warehousing and third-party properties



Duisburg: DB Netz AG controls several important railway hubs in North Rhine-Westphalia in a three-shift cycle from its operations centre on Hansastraße. In 2018, we extended this lease with Germany's railway until 2035.

REAL ESTATE MANAGEMENT

Higher letting performance in Commercial Portfolio and for funds

After reporting an excellent total letting performance in 2017, our real estate management team focused effectively on continuing to reduce vacancies and thus utilising the significant potential within our real estate assets.

With a total rental volume of 264,400 sqm (previous year: 273,600 sqm), leases were signed representing annual rental income of approximately EUR 35.7 million (previous year: approximately EUR 40.2 million). Based on annualised rent, almost three quarters (73%) of the leases signed were attributable to lease renewals (previous year: 45%).

After significant large leases were concluded in the segment Other Investments in the previous year, letting performance in 2018 was divided equally between the Commercial Portfolio and Funds segments, with the volume of signed contracts rising in both segments. In the Commercial Portfolio, letting performance increased by EUR 1.5 million to EUR 17.5 million in annualised rents. Letting performance rose even further in the Funds segment, climbing by more than 50% from EUR 12.0 million in the previous year to EUR 18.2 million in the 2018 financial year.

Sustainably successful leases with longer lease terms

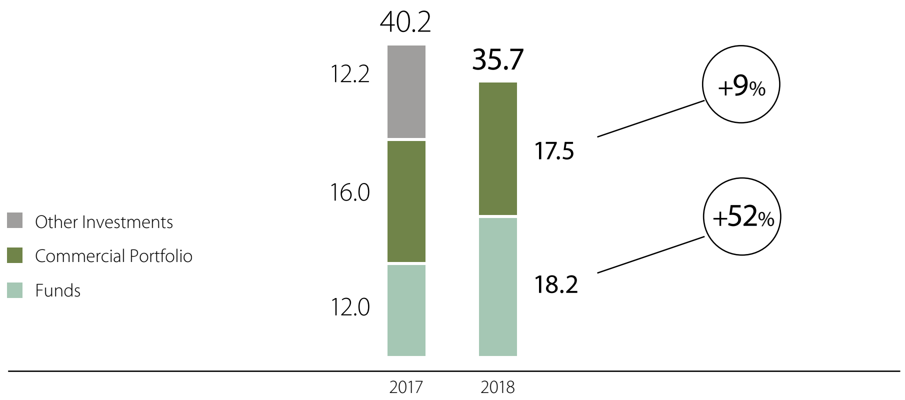
Our lettings team were highly successful in entering into leases with longer terms during 2018, increasing the average term of new leases from 8.7 years to an average of 10.6 years in the Funds segment (from 6.4 to 6.5 years in the Commercial Portfolio). In the case of lease renewals, we signed considerably longer leases with existing tenants in the Commercial Portfolio in particular at higher average rents (EUR 11.18/sqm; previous year: EUR 10.63/sqm) and extended the average lease term from 3.3 years to 9.5 years. These successful letting activities, combined with our tenants' proven stability, is causing the value of our real estate to rise significantly; for more information, see the "Market valuation" section on page 60.

LETTING VOLUME BY TYPES OF USE

	in sqm		annualised in EUR million	
	2018	2017	**2018**	2017
Office	**218,700**	205,400	**31.3**	34.4
Retail	**13,700**	15,700	**2.4**	2.2
Storage/logistics	**23,800**	38,000	**1.5**	2.5
Further commercial	**7,000**	12,300	**0.4**	0.9
Residential	**1,200**	2,200	**0.1**	0.2
Total	**264,400**	273,600	**35.7**	40.2
Parking	**2,190 units**	2,285 units	**1.2**	1.4

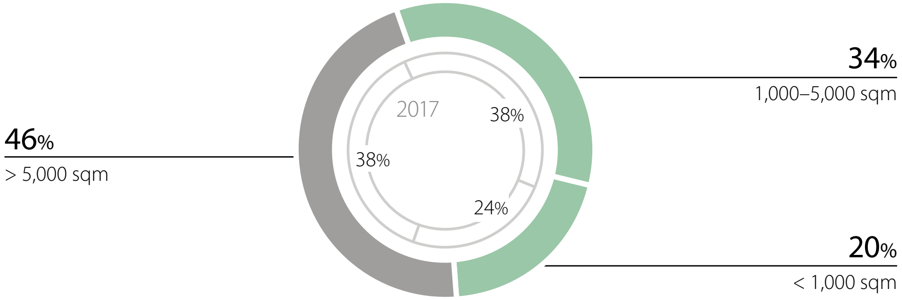
LETTING VOLUME BY SEGMENT

annualised in EUR million



LETTING VOLUME STRUCTURE

based on leased space in sqm – Commercial Portfolio and Funds



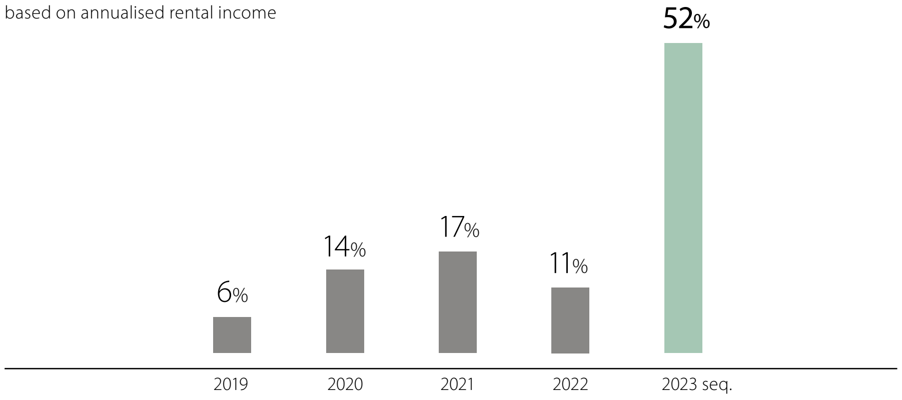
TOP 5 NEW LETTINGS

			sqm	years
Land Niedersachsen	Funds	Hannover	9,900	20.3
BG BAU	Commercial Portfolio	Frankfurt	6,000	15.0
Maintrans Intern. Sped. GmbH	Commercial Portfolio	Langenselbold	5,800	10.0
Deutsche Bahn AG	Commercial Portfolio	Duisburg	3,600	10.0
Stadt Essen	Funds	Essen	3,600	10.0

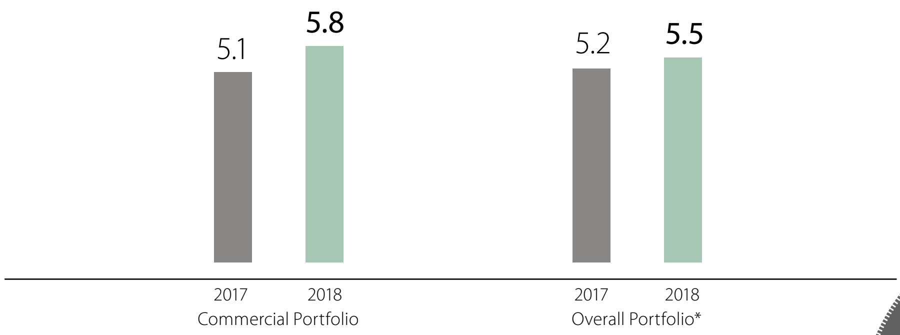
TOP 5 RENEWALS

			sqm	years
Deutsche Bahn AG	Commercial Portfolio	Duisburg	23,100	15.0
Allianz Deutschland AG	Funds	Leipzig	12,200	5.0
Freie und Hansestadt Hamburg	Commercial Portfolio	Hamburg	11,300	6.0
eBay GmbH Office	Funds	Berlin-Kleinmachnow	8,100	5.0
SiNN GmbH	Funds	Trier	7,400	5.8

LEASE MATURITIES
based on annualised rental income



WEIGHTED AVERAGE LEASE TERM
in years



*without third-party business, warehousing and repositioning properties

In 2018, leases were not only signed over longer average terms but also for ever-larger spaces. Almost half of the rental volume in square metres comprised rental spaces measuring more than 5,000 sqm (previous year: 38 %).

More long-term leases in portfolio, available space significantly reduced

The effective lettings activities carried out in 2018 played a major role in reinforcing the long-term profitability of our portfolio. The long end of the remaining term yield curve steepened considerably, with more than half of our leases running for more than five years (previous year: 43 %).

In the Commercial Portfolio, the average lease term rose from 5.1 years to 5.8 years, while the average lease term for the overall portfolio increased from 5.2 years to 5.5 years. This was due to both ongoing letting activities and our successful asset management efforts combining strategic acquisitions and sales.

Hannover, Mailänder Straße: The State School Authority of Lower Saxony will be located at the Expo Plaza for more than 20 years.

COMMERCIAL PORTFOLIO

As at the reporting date, our Commercial Portfolio comprised 101 properties (previous year: 113) with a market value of approximately EUR 1.7 billion (previous year: EUR 1.6 billion).

➲ New additions aimed at growing the Commercial Portfolio

During the year under review, we made high-yield acquisitions with a total volume of approximately EUR 405 million for our Commercial Portfolio.

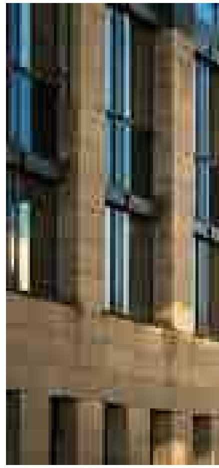
When deciding which properties to acquire, we focus on the properties' future potential in terms of structure, development opportunities and, most importantly, location.

- These activities began in May 2018 with the acquisition of a recently-completed office property in Leverkusen with 13,300 sqm of fully-let space for around EUR 52 million (total investment cost), which benefits from its excellent location and quality. The tenant is pronova BKK, one of Germany's largest health insurance providers.

- In August, we acquired 'Palais Kronberg', a 12,800 sqm multitenant office building in Kronberg im Taunus, a prime location in the centre of the Rhine-Main metropolitan area. The property is fully let to reputable companies and offers good potential for optimal management thanks to its location and structure.

- In the same month, we contractually secured the Infinity Office in Düsseldorf. Once this forward deal with an expected total volume of around EUR 164 million (total investment cost) has been completed, we will have acquired a new build for our Commercial Portfolio that represents an ideal addition to the portfolio due to its outstanding location – which will become more attractive over time – and its finishing standard and pre-letting in particular.

With a WALT of 16.76 years, the long-term tenant at our new addition in central Leverkusen is one of the largest company health insurance providers in Germany, which has 640 employees based at this office.



Düsseldorf, Kennedydamm, between the city and the airport: Bankhaus Lampe is the main tenant of the Infinity Office.

Palais Kronberg: Office property with far-reaching views and an exceptional location. This striking building has a highly flexible layout and three separate large entrances.

- At the start of December, we announced the successful completion of a forward deal with an expected total investment cost of around EUR 90 million to acquire a new build project near Kurfürstendamm in Berlin. This eight-storey building in the Halensee district of Berlin will have around 16,000 sqm of rental space finished to a high standard after its completion in early 2021. The German capital has been experiencing above-average economic growth for years, and this property gives us the opportunity to participate in what is a highly attractive office market for both users and investors.

- At the end of December, we purchased a property in Karlsruhe. This office building, centrally located opposite the main railway station, boasts exceptional infrastructure links. The recently modernised seven-storey building contains around 10,700 sqm of lettable space that is currently fully occupied. The WALT is 10.7 years. The location and resulting potential of this office were key purchasing criteria due to Karlsruhe's reputation as an important IT hub in Germany.

Bahnhofplatz, Karlsruhe: This recently modernised building in a central location opposite the main railway station is fully let.

➲ Sales

During the 2018 financial year, we successfully sold ten non-strategic properties and thus further optimised the Commercial Portfolio using the healthy profits that resulted from approximately EUR 100 million in sales. On average, the income generated from these sales was 17 % higher than the most recently determined market values.

➲ Portfolio quality enhanced significantly

Annualised rental income rose from EUR 95.5 million to EUR 97.6 million during the 2018 financial year. Our focused letting activities made up a substantial proportion of this growth, with a 2.7 % increase in like-for-like rental income from EUR 89.9 million to EUR 92.3 million. The weighted average lease term improved considerably from 5.1 years to 5.8 years, while the EPRA vacancy rate dropped by 2.3 percentage points from 9.5 % to 7.2 % by the end of 2018.

➲ Repositioning in the portfolio: Kaiserpassage Frankfurt scheduled to reopen shortly, redevelopment of Darmstadt Regional Council building underway

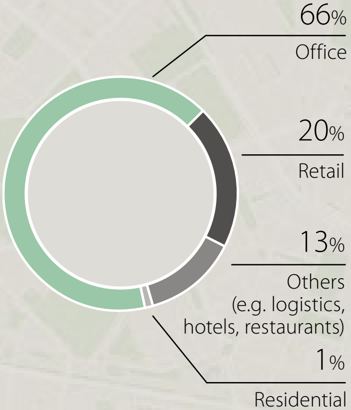
The redesign of Frankfurt's Kaiserpassage that began in December 2016 has since been completed, and the previous and new tenants, who have signed long-term contracts, have now moved into modernised rental space totalling around 9,700 sqm. We signed leases for 97 % of the hotel and retail space in this vibrant and – thanks in part to our involvement – increasingly attractive district before the redevelopment began, and it is now fully let.

In the fourth quarter of 2018, we began construction work to modernise the "Wilhelminenhaus" in Darmstadt after successfully signing an agreement with the State of Hesse and organising temporary premises. Comprising 25,000 sqm of rental space in a prominent position on Luisenplatz, this administration building forms a striking part of Darmstadt Regional Council. In a redevelopment scheduled to last approximately 18 months, the building will be completely renovated and made accessible and more energy-efficient, thus improving the functionality and atmosphere of the building for both civil servants and citizens. The State of Hesse has signed a lease that runs until 2040.

Forward deal acquisition with investment volume of around EUR 90 million: The office property planned for the economically significant location of Berlin will satisfy high demand for contiguous space with flexible space layouts equipped to a high technical standard. Its completion is planned for early 2021.

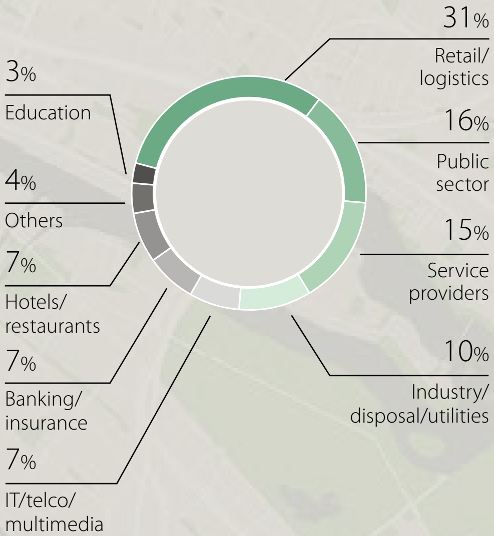
TYPE OF USE COMMERCIAL PORTFOLIO

Basis: annualised rental income



SECTORS* COMMERCIAL PORTFOLIO

Basis: annualised rental income



* new sector categorisation from 30 June 2018 (Chamber of Industry and Commerce sector key)

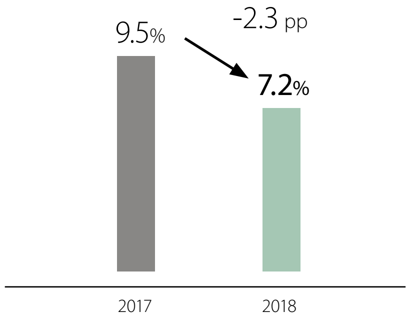
COMMERCIAL PORTFOLIO DEVELOPMENT*

	2018	2017
Number of properties	**101**	113
Market value in EUR million	**1,696.8**	1,639.2
Rental space in sqm	**884,000**	911,600
Annualised rental income in EUR million	**97.6**	95.5
Average rent in EUR per sqm	**9.64**	9.32
WALT in years	**5.8**	5.1
EPRA vacancy rate in %	**7.2**	9.5
Gross rental yield in %	**5.9**	6.4

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

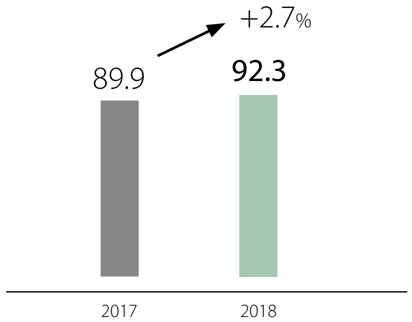
EPRA VACANCY RATE

as at 31 December*



LIKE-FOR-LIKE RENTAL INCOME

based on annualised rental income in EUR million



* without project developments and warehousing

➲ Market valuation: Value of portfolio increases by around EUR 160 million excluding transactions

External experts regularly determine the market value of our properties as at the end of each year. This value 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 in our Commercial Portfolio was EUR 159.4 million, a change of 10.4 %. Making allowance for acquisition, sales, investments and the measurement gain, the market value of the Commercial Portfolio amounted to EUR 1,696.8 million, an increase of 3.5 % compared with the previous year (EUR 1,639.2 million). The EPRA net asset value (EPRA NAV) rose by 21 %, from EUR 900.0 million to EUR 1,085.8 million. The EPRA NAV per share was EUR 15.40 after EUR 13.12 in the previous year.

CHANGES IN MARKET VALUE OF THE COMMERCIAL PORTFOLIO in EUR million

Market value as at 31 December 2017	**1,639.2**
Acquisitions	107.7
Sales	-209.5
Measurement gains (10.4 %)	159.4
Market value as at 31 December 2018	**1,696.8**

We invested a total of EUR 23.1 million in the properties of the Commercial Portfolio during the financial year. The measurement gains of the entire managed portfolio amount to 13.2 %.

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 p. 134.

FUND BUSINESS

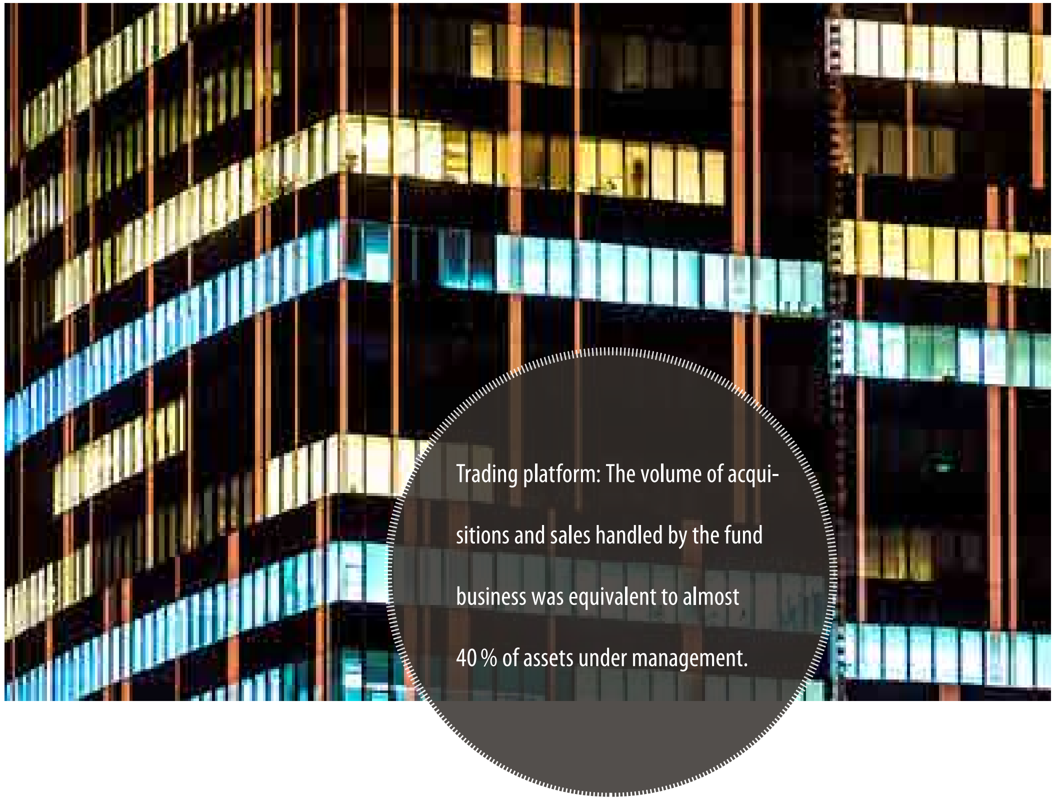
For our institutional investors, we structure investment products with attractive distribution yields in the German commercial real estate market. Our equity share in these funds usually ranges from 5 to 10 %. As a service provider, DIC Asset AG also performs asset and property management and is structuring and implementing the sales and purchases. We increase income in the fund business through active fund management.

➲ Trading platform established, innovative exit option created

In 2018, we continued to push ahead very successfully with our strategy of establishing the fund business on the market as a trading platform. In March 2018, we successfully placed a fund under our management with a renowned institutional investor as part of a sale of share certificates. Launched in 2012, the DIC HighStreet Balance special fund, in which we held an equity interest of 5 %, continually generated returns for its investors in excess of the target return of 5.0 %. The share certificate sale represented an attractive exit opportunity for fund investors, not least in terms of transaction cost efficiency. This enabled investors to save around EUR 13 million in incidental sales costs. We earned management fees of approximately EUR 5.9 million for successfully preparing and executing the transaction. In addition, two properties from DIC Office Balance I and DIC Office Balance III funds with a volume of around EUR 192 million were sold at an excellent price.

➲ Seventh and eighth special funds launched

We launched our seventh open-ended special alternative investment fund (AIF) – the fifth in the successful DIC Office Balance series – after the end of the first half-year. DIC Office Balance V invests in commercial real estate in German metropolitan areas and has a target investment volume of EUR 350–400 million. An attractive start-up portfolio acquired in advance for the fund in December 2017 was included in the new fund with a planned annual target return of 4.0–4.5 %. The properties with a volume of around EUR 130 million were temporarily managed in warehousing.



The DIC Metropolregion Rhein-Main fund was structured at the end of September. The eighth open-ended special alternative investment fund (AIF) focuses on commercial real estate investments in the Frankfurt-Rhine-Main region, one of Germany's strongest economic regions with a high degree of industry diversification. The projected distribution yield is between 3.5 % and 4.5 %. In addition to investments in office, retail and mixed-use commercial real estate, additional types of use such as hotel and light city logistics are also considered; we can use our valuable home advantage here, with our strong regional presence and proximity to the market.

➲ Five acquisitions underpin growth strategy

In addition to the inclusion of warehousing properties, we acquired five properties with a total volume of approximately EUR 105 million for existing funds in 2018:

- In the first half of the year, we acquired an office building for the DIC Office Balance IV fund on the Eschborn-Süd commercial campus that has become significantly more attractive since Deutsche Börse relocated to the district. With around 6,600 sqm of rental space, the building includes both traditional office space let to IT service providers and business consultancy firms and showroom space that can be used as an order centre given the building's good nationwide transport links. We also acquired a property in Mannheim for the DIC Office Balance IV fund with 6,500 sqm of space that is fully let to companies in the technology and healthcare sectors. At the end of October, we acquired a third property for DIC Office Balance IV, a building in Fürth with approximately 10,200 sqm of space. The combined volume (total investment cost) of these three acquisitions was approximately EUR 54 million.

- At the end of the year, we acquired a fully let 8,400 sqm property in Eschborn for the DIC Office Balance V special fund launched in June 2018. The office building is leased to a total of 12 tenants, with property developer Aurelis and office services provider Regus Management renting the largest spaces. The WALT is 4.3 years. The purchase price (total investment cost) was EUR 25.8 million.

- In December 2018, we acquired a property in Cloppenburg as an addition to the DIC Retail Balance I retail fund that is also in the investment phase. The property is a retail park with long-term anchor tenant Kaufland and a connected shopping gallery with various retailers. The property has an weighted average lease term of approximately 13.7 years. This fully let retail park with 6,700 sqm of total space was completed at the end of 2017. The purchase price (total investment cost) was EUR 25.2 million.

Eschborn (OB IV): Traditional offices and generous showroom space under one roof

Fürth (OB IV):
This traditional industrial loft space, formerly the location of Quelle's IT department, is now home to appealing office and medical practice space.

Cloppenburg (RB I): Kaufland with a hypermarket and other shops and service providers for everyday essentials.

Mannheim (OB IV):
Property with state-of-the-art technology leased to companies in future-oriented sectors such as tele-medicine, chemical engineering and energy technology.

Eschborn (OB V): Includes company headquarters of property developer Aurelis

Funds

Top exits: Berlin, "Rosenthaler Höfe" and "eBay Campus"

➲ Top sales in Berlin

DIC Asset AG's first fund, DIC Office Balance I, sold its Rosenthaler Höfe property in September as part of a structured bidding process. Located at Hackescher Markt in central Berlin with approximately 13,000 sqm of space fully leased to German software manufacturer SAP, the property was part of the start-up portfolio in 2010. The significant purchase price premium on the property's market value enabled the fund's long-standing investors to profit considerably from positive developments in the German capital's office market. The transaction volume was well into the triple-digit million-euro range. In 2018, Berlin was the most expensive German location in the office segment, with prime yields below 3%.

The sale of the eBay Campus in Berlin/Kleinmachnow enabled the DIC Office Balance III fund to benefit from the positive market performance in the capital region as well. The building ensemble comprising three office and commercial buildings with rental space of 19,300 sqm is fully let to the main tenant eBay.

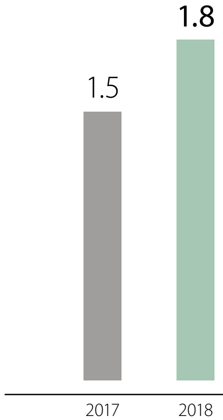
Funds

Top development: Wiesbaden, Frankfurter Straße

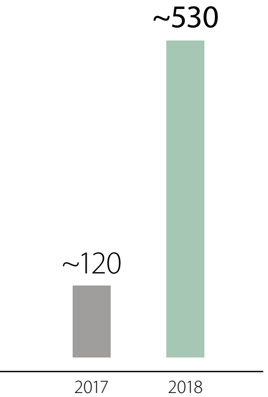
➲ Top development in Wiesbaden

We are currently renovating a 25,000 sqm administration building in Wiesbaden for a public-sector tenant. We had already repositioned the property, which formed part of the DIC Office Balance I start-up portfolio, before finalising the expiry of the contract of former major tenant AXA. The construction work carried out to adapt the property's technology and fixtures and furnishing to meet the demands of the next tenant had a total investment volume of approximately EUR 33 million.

FUNDS VOLUME
in EUR billion,
assets under management

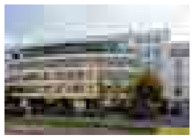


TRANSACTION VOLUME
in EUR million



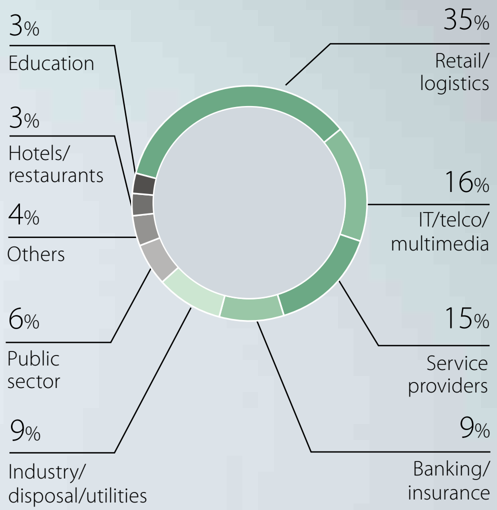
Significant increase in income from higher transaction revenue

By establishing itself as a trading platform, the fund business reported a slight net increase in total volume and a sharp rise in transaction volume in 2018 due to intensive acquisition and sales activities. At the reporting date, assets under management in the Funds segment totalled EUR 1.8 billion, up 20% (previous year: EUR 1.5 billion). The volume handled totalled around EUR 530 million, equivalent to almost 30% of assets under management in the fund business. As a result, the dramatic growth in transaction fees made an important contribution to the sharp rise in real estate management fees in the fund business (+67%) in 2018.

Circulation	2010	2012	2014	2015	03/2017	09/2017	06/2018	09/2018
								
	DIC Office Balance I	DIC HighStreet Balance	DIC Office Balance II	DIC Office Balance III	DIC Office Balance IV	DIC Retail Balance I	DIC Office Balance V	DIC Metropolregion Rhein-Main Fonds
AuM (in EUR million)	c. 377	c. 230	c. 355	c. 293	c. 192	c. 180	c. 130	c. 43
Target volume (in EUR million)	400–450	200–250	300–350	c. 330	c. 240	c. 250	350–400	c. 250
Target yield	c. 6.0%	c. 5.0%	4.5–5.0%	4.5–5.0%	4.5–5.0%	c. 5.0%	4.0–4.5%	3.5–4.5%
Phase	Management	Management	Management	Management	Investment	Investment	Investment	Investment

SECTORS* FUNDS

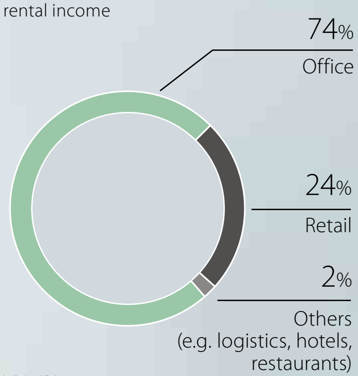
Basis: annualised rental income



* new sector categorisation from 30 June 2018 (Chamber of Industry and Commerce sector key)

TYPE OF USE

Basis: annualised rental income



OTHER INVESTMENTS

In addition to strategic investments and the growing third-party business, the segment Other Investments (EUR 2.1 billion) includes our investment in the MainTor project development in Frankfurt, which is about to be finalised. In 2018, we disposed of the joint venture properties we still held, having leveraged in some cases significant appreciation potential through refurbishment and repositioning.

➲ Joint ventures completely scaled back

In February 2018, two joint venture properties were transferred after their sale was notarised in December 2017. During the year, we sold our remaining three joint venture commitments as planned with a total volume of EUR 167 million. Two of the properties were transferred to their buyers in 2018, while the transfer of the final joint venture property is expected to take place once renovations are completed in the second half of 2019. As a result, we achieved our target of completely scaling back our joint ventures during the year under review.

➲ TLG investment: high contribution to earnings ensured in 2018 and 2019

In 2018, we received EUR 10.2 million in dividend income from the investment in TLG Immobilien AG that we increased to around 15 % during the financial year. In December, we reached agreements with Ouram Holding S.à.r.l. and the Bedrock Group concerning the sale of our shares in TLG Immobilien AG totalling approximately 14 % of its share capital. The purchase price volume is in the region of EUR 376 million. The agreement with Ouram relates to a block of shares totalling approximately 6 % of share capital, while the agreement with Bedrock concerned an equity stake of around 8 %. We expect this transaction to be completed in the first half of 2019. The significant profit generated by this transaction will have a direct impact on our retained earnings in 2019. The sale proceeds will be used for the further growth of

DIC Asset AG. As part of this agreement, we will also receive the dividend payable on our shares that TLG distributes for 2018. As a result, we generated highly attractive investment income and opened up new opportunities for dynamic growth with the considerable funds we have freed up.

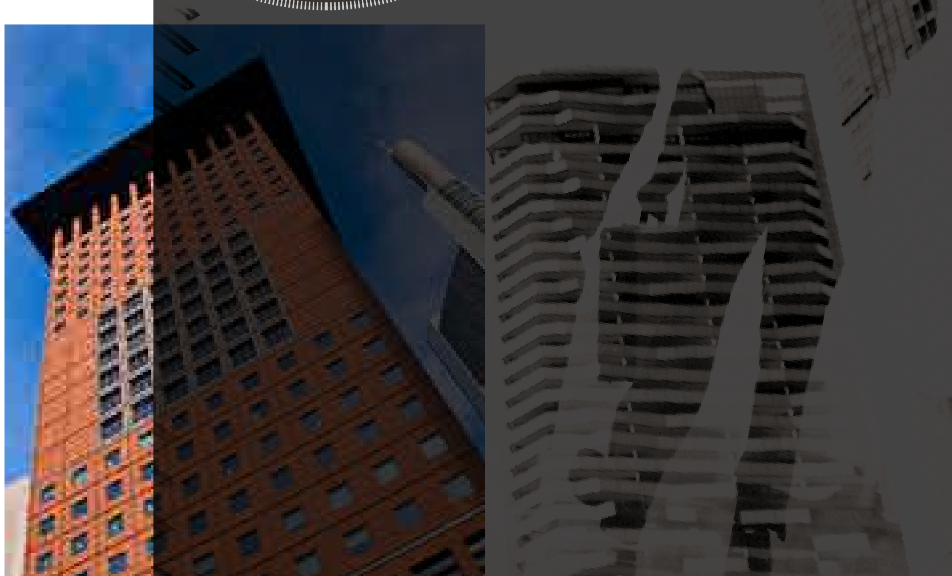
➲ MainTor project development: WINX transfer expected in second half of 2019

Lease agreements have been signed for all remaining available office and commercial space at the WINX Tower in Frankfurt, which is currently in its final phase. Long-term leases begin in the fourth quarter of 2019. The sixth and last construction phase of the MainTor site, totalling around 42,000 sqm, will be transferred to the end investor at that point. We will fully conclude our investment in this major project development upon completion of the WINX Tower and concentrate on repositioning properties in our own portfolio.

➲ Growing third-party business with real estate management services

In 2018, we were able to significantly expand our real estate management services business for third parties and take on additional assignments. As a result, assets under management in the third-party business doubled to approximately EUR 1.7 billion (previous year: approximately EUR 0.8 billion), spread across 13 properties with rental space of 0.3 million sqm (2017: eight properties, 0.2 million sqm rental space). We are generating additional current income from managing landmark properties such as the Japan Center and the IBC in Frankfurt am Main. Our proven real estate expertise meant there was growing demand for our services during the financial year and more extensive mandates were issued, further boosting the significance of the third-party business.

In 2018, our assets under management doubled in the third-party business. Revenue from our services increased to EUR 1.5 million (previous year: EUR 1.3 million) and continues to rise.



PRIORITIZING 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 once again wins EPRA Silver Award

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 six time when our latest Sustainability Report was presented with the EPRA Silver Award – just as in the previous year. With this award, the European Public Real Estate Association (EPRA) acknowledged the transparent reporting and exemplary implementation of the EPRA Best Practice Recommendations, which aim to ensure continuity and comparability of reporting for investors in the European real estate sector.

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

Sustainability milestones

- Integration of sustainability in the future business strategy
- Continual implementation of the latest Global Reporting Initiative standards (GRI Standards), including additional information on the real estate sector (CRESS) in sustainability reports, as well as consideration of and reconciliation to EPRA industry standards
- Introduction and continued updating of Compliance Guidelines for employees (most recently 2018)
- Appointment of a Compliance Officer and establishment of an anonymous whistleblower system for employees
- 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 Furthermore, a significant proportion of tenants has now switched to carbon-neutral green electricity.
- 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 76 % of the Commercial Portfolio)
- Excluding portfolio changes (like-for-like), the indirect power consumption in the analysed portfolio was reduced by 4.6 % and water consumption by 1.4 % during the period from 2015 to 2017.
- Regular involvement in various sustainability initiatives and participation in sustainability surveys, including annual participation in the Carbon Disclosure Project (current score of D as of January 2019)

Sustainability in portfolio development

- The Wilhelminenhaus in Darmstadt is being completely renovated, remodelled and energetically improved for the long-term tenant. The property will be equipped with a large photovoltaic system on the roof, better thermal insulation as well as new windows and a new sun protection system. The goal is to achieve energy savings of around 40 percent and to cover a quarter of the building's electricity demand with renewable energy going forward.

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.

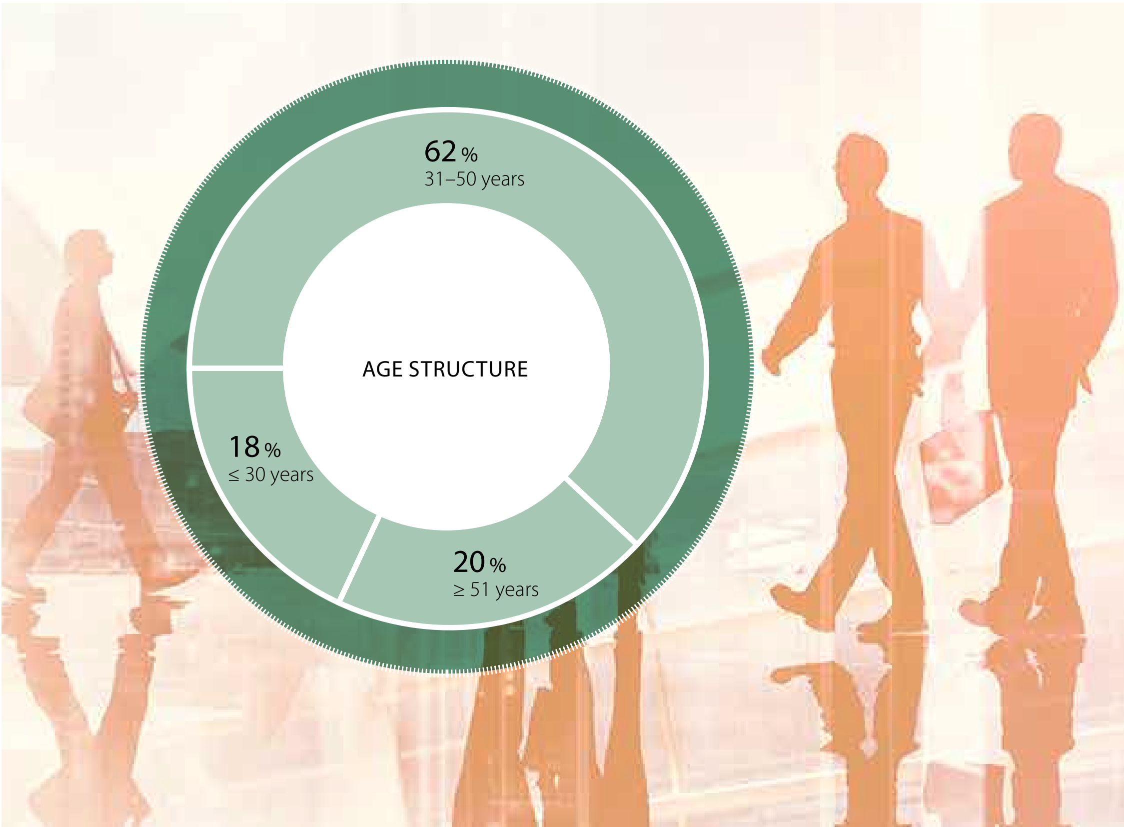
Employer brand

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.

On 9 June 2018, our Company took place with its own stand for the eighth time in the IZ-Karriereforum job fair organised by Immobilien Zeitung. In the Casino building located on the Westend Campus at Goethe University Frankfurt, our colleagues gave interested students an insight into the various business areas of DIC Asset AG. With around 350 visitors, the job fair was once again very well attended this year. The event also provided us with the ideal platform to make new contacts and inspire candidates to pursue a role within DIC Asset AG. The next IZ-Karriereforum takes place on 25 May 2019.

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.



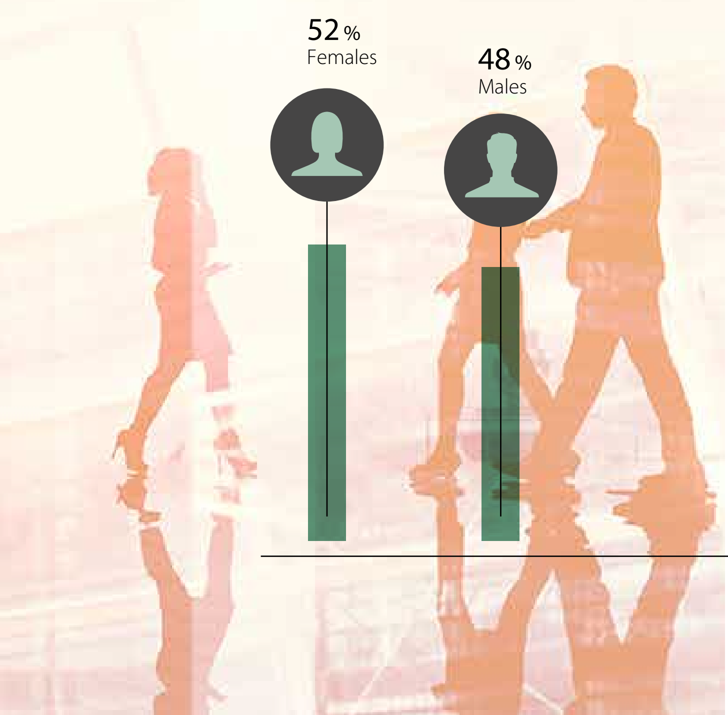
On 26 April 2018, we took part in Girls' Day, the largest career guidance project for schoolgirls, for the second time. As part of the event, pupils learned more about apprenticeships and study programmes in the property sector and had the opportunity to meet women in leadership roles. The Girls' Day is part of a federal initiative entitled "Klischeefrei – Nationale Kooperationen zur Berufs- und Studienwahl" ("Free from Stereotypes – National Collaborations for Career and Study Choices"). The aim of the initiative is to encourage young people across Germany to choose careers and studies that fit with their own interests regardless of gender stereotypes.

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 2018, a total of EUR 15.8 million was spent on employees. This figure includes performance-related remuneration of EUR 1.7 million, corresponding to a share of approximately 11 %. Social security taxes, pension contributions and other additional benefits amounted to a total of EUR 2.1 million.

During the 2018 financial year, the number of employees in portfolio management, investment and funds, and in asset and property management rose to 141. As in previous years, the Company expanded its capacity to support the dynamic growth of its real estate assets under management and the fund business, enhance its property expertise and accelerate the implementation of strategies and plans. As a result of the decline in the number of employees in administration, the total number of staff decreased to 186 employees as at 31 December 2018.

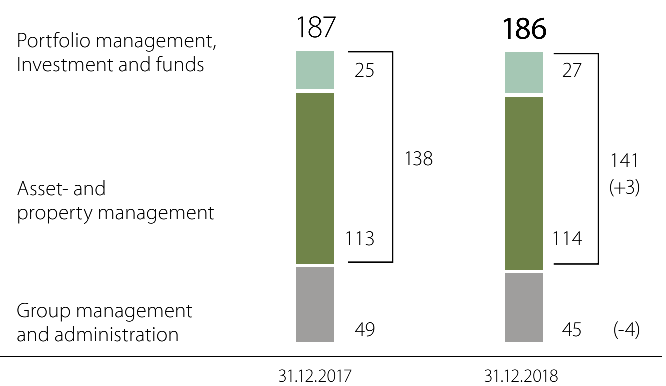
PROPORTION
FEMALE/MALE EMPLOYEES



Diversity

Our company promotes diversity. As at 31 December 2018, 52 % 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.

NUMBER OF EMPLOYEES



FINANCIAL INFORMATION

REVENUE AND RESULTS OF OPERATIONS

- FFO reaches a record high of EUR 68.0 million, up 13 % year-on-year
- Gross rental income of EUR 100.2 million exceeds the upper end of the forecast of EUR 98-100 million raised at the start of October
- Real estate management fees increase significantly by 62 % to EUR 33.6 million
- Operating costs fall 5 % to EUR 30.3 million

The 2018 financial year was a highly successful one for DIC Asset AG. After three strong quarters, the Group raised its forecast for its key performance indicator – operating profit from real estate management (funds from operations, FFO) – at the start of October. Due to the exceptional performance of our trading platform in the fund business and the associated sharp rise in transaction-related management income in the Funds segment in particular, the forecast for FFO in 2018 was lifted from a range of EUR 62–64 million to EUR 68 million. These expectations were confirmed by the significant 13 % growth in FFO to a record high of EUR 68.0 million at the end of the year.

Rental income once again exceeds expectations

Gross rental income also exceeded the forecast raised from EUR 95-98 million to EUR 98-100 million during the year. This positive result is primarily due to successful asset management activities that enabled us to increase rental income from the Company's own portfolio by 2.7 % on a like-for-like basis. Additional rental income from acquired properties and the fact that the transfer of several properties from the portfolio took longer than planned, meaning that the Company continued to receive rental income for longer than originally forecast, also helped us to report a very healthy profit for the period. Gross rental income fell by 9 % year-on-year from EUR 109.7 million to EUR 100.2 million, while net rental income decreased from EUR 93.1 million to EUR 84.7 million as planned due to sales and the transfer of warehousing properties into the funds.

Higher returns amid lower sales proceeds

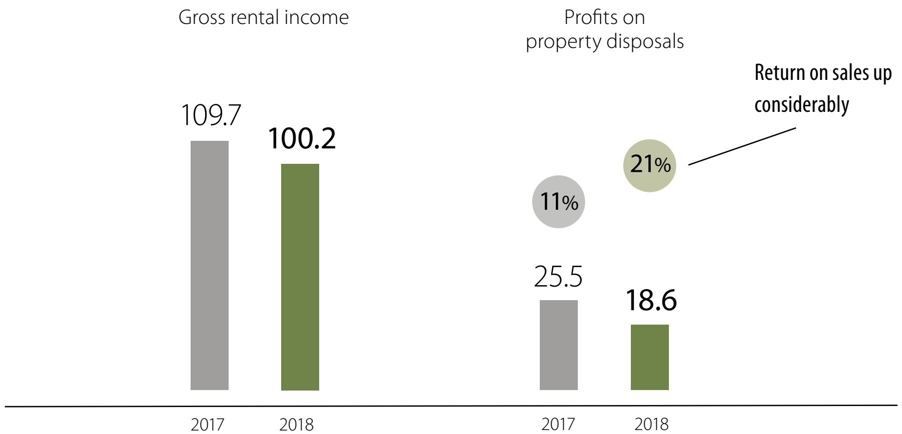
After recording a high volume of sales aimed at the strategic optimisation of our Commercial Portfolio in previous years, we reduced this volume considerably by 62 % in 2018 to EUR 86.8 million (2017: EUR 229.5 million). Sales profits totalled EUR 18.6 million (2017: EUR 25.5 million) and thus fared much better on a comparative basis (down 27 %). As a result, we were able to significantly improve our return on sales (sales profits in relation to net sales proceeds) from around 11 % in 2017 to approximately 21 % in 2018.

OVERVIEW OF INCOME

in EUR million	2018	2017	
Gross rental income	100.2	109.7	-9 %
Real estate management fees	33.6	20.8	+62 %
Proceeds from sales of property	86.8	229.5	-62 %
Other income	21.0	21.9	-4 %
Total income	241.6	381.9	-37 %

INCOME FROM THE COMMERCIAL PORTFOLIO

in EUR million



Funds: trading platform ensures significant rise in real estate management fees

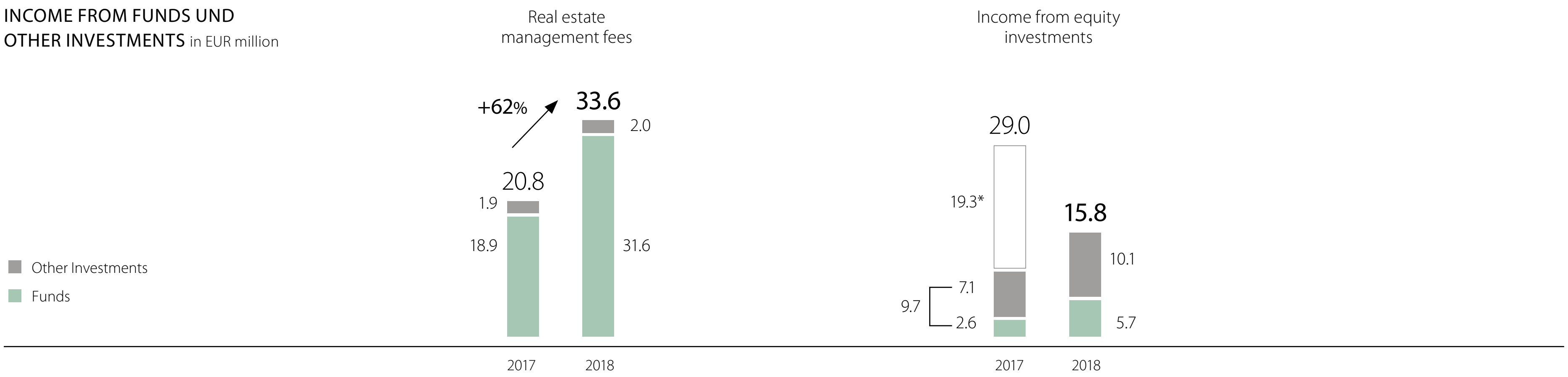
We grew real estate management fees considerably by 62 % to EUR 33.6 million (2017: EUR 20.8 million). As a result, revenue from management services in the Funds segment increased by EUR 12.7 million to EUR 31.6 million (previous year: EUR 18.9 million). This was largely due to growing transaction momentum on the trading platform, which increasingly generates income from the sale of fund properties in addition to attractive acquisition and structuring fees. In the first quarter of this year, we sold share certificates in the DIC HighStreet Balance special fund on attractive terms, enabling us to generate additional fees in the process. At the end of the year, we completed the sale of two properties from the DIC Office Balance I and DIC Office Balance III special funds, resulting in high transaction-related fees. Overall, we recorded a sharp increase in transaction proceeds during the financial year to EUR 20.2 million (previous year: EUR 9.4 million), while structuring proceeds from the launch of the DIC Office Balance IV and DIC Retail Balance I funds was the primary source of real estate management fees in the Funds segment during the previous year. In the segment Other Investments, proceeds from services provided to third parties rose further compared to the previous year to EUR 1.5 million (2017: EUR 1.3 million), while proceeds from services associated with our joint venture portfolios – which are being scaled back – remained unchanged.

Share of the profit of associates dominated by rise in fund and dividend income

Excluding the previous year's non-recurring effect of EUR 19.3 million (from the exchange of shares in WCM Beteiligungs- und Grundbesitz-AG for shares in TLG Immobilien AG), the share of the profit of associates increased from EUR 9.7 million to EUR 15.8 million. In 2018, investment income in the segment Other Investments totalled EUR 10.1 million and mainly includes the EUR 10.2 million dividend received from the TLG investment. The share of the profit from joint ventures had an offsetting effect. Profit from fund investments more than doubled from EUR 2.6 million in the previous year to EUR 5.7 million due to the success of the trading platform.

The FFO-related share of the profit of associates excluding project developments and sales rose by EUR 4.8 million year on year to EUR 16.6 million (2017: EUR 11.8 million).

INCOME FROM FUNDS UND OTHER INVESTMENTS in EUR million



* Non-recurring effect from the exchange of WCM AG shares for TLG AG shares

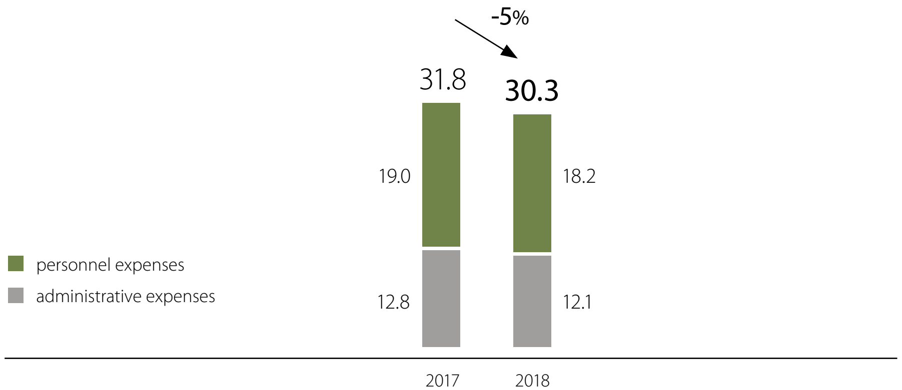
➲ Operating costs reduced by 5 %

In 2018, both personnel and administrative costs decreased by a total of EUR 30.3 million, down 5 % compared to the previous year (2017: EUR 31.8 million). In terms of personnel, we shifted the focus towards our operational departments in the fund business and transaction and real estate management (141 employees vs. 138 in the previous year) by continually optimising our processes while at the same time keeping the overall number of employees practically unchanged (186 employees vs. 187 in the previous year). In the previous year, administrative costs were primarily influenced by legal and consulting costs associated with the further expansion of the fund business. Administrative costs fell 5 % to EUR 12.1 million, largely due to the discontinuation of these costs.

➲ Interest expenses rise slightly due to bond issue and top-up

In 2018, net interest income worsened slightly year-on-year to EUR -36.8 million (2017: EUR -35.1 million), primarily as a result of the EUR 50 million increase in the 17/22 corporate bond to EUR 180 million in March 2018 and the successful placement of the fifth 18/23 corporate bond in October 2018 with a volume of EUR 150 million, which will primarily refinance the bond due in 2019. The scheduled repayment of the EUR 100 million 2013 bond in July had an offsetting effect. Loan repayments from sales totalling EUR 270 million had a similarly positive impact on net interest income, and were partly offset by borrowings of EUR 123 million resulting from acquisitions.

OPERATING COSTS
in EUR million



NET INTEREST INCOME

in EUR million	2018	2017	Δ
Interest income	9.3	8.7	7 %
Interest expenses	-46.1	-43.8	5 %
Net interest income	-36.8	-35.1	-5 %

FFO rises considerably by 13 % to EUR 68.0 million

The momentum of the fund business and the increasing quality of the Commercial Portfolio prompted us to raise the forecast for FFO, which reflects the income from current real estate management, from EUR 62–64 million to EUR 68 million in October after three strong quarters. This forecast was lifted due to successful asset and property management activities, higher rental income after later-than-planned sales, additional income from acquisitions and, in particular, highly successful transaction activities on the trading platform in the fund business. We were able to confirm the higher forecast with an FFO of EUR 68.0 million at the end of the year (2017: EUR 60.2 million). In addition to the aforementioned factors, the 5 % reduction in operating costs also contributed to this EUR 7.8 million increase.

As a result, the FFO margin (FFO in relation to gross rental income) increased by around 13 percentage points to 68 % year-on-year. In 2018, FFO per share amounted to EUR 0.97 after EUR 0.88 in the previous year, with an increased average number of 1,380,221 shares.

Consolidated profit remains at a very high level

At EUR 47.6 million, consolidated profit was below the previous year's figure (2017: EUR 64.4 million), primarily as a result of the non-recurring effect of swapping shares in WCM Beteiligungs- und Grundbesitz-AG for shares in TLG Immobilien AG. In 2018, earnings per share amounted to EUR 0.68 (2017: EUR 0.93) with an increased average number of 1,380,221 shares.

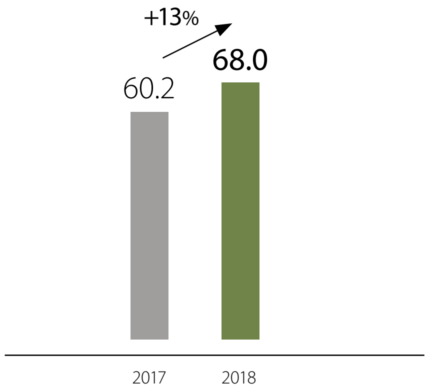
Segment results

The definition of our segments follows internal reporting and management. Key operating figures and information on sales and earnings for the segments can be found from page 150. Key balance sheet figures are not shown.

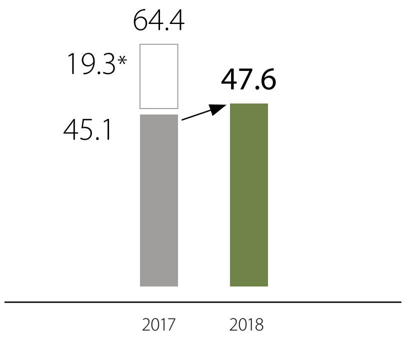
RECONCILIATION TO FFO

in EUR million	2018	2017	Δ
Net rental income	**84.7**	93.1	-9 %
Administrative expenses	**-12.1**	-12.8	-5 %
Personnel expenses	**-18.2**	-18.1	1 %
Other operating income/expenses	**-0.1**	0.2	>-100 %
Real estate management fees	**33.6**	20.8	62 %
Share of the profit or loss of associates without project developments and sales	**16.6**	11.8	41 %
Net interest income	**-36.5**	-34.8	-5 %
Funds from operations	**68.0**	60.2	13 %

FFO
in EUR million



PROFIT FOR THE PERIOD
in EUR million



* Non-recurring effect from the exchange of WCM AG shares for TLG AG shares

FINANCIAL POSITION

- Financing structure optimised further
- New bond worth EUR 150 million with 3.5 % coupon successfully placed
- Corporate bond 17/22 topped up by EUR 50 million to EUR 180 million
- Average interest rate stable at low 1.8 %
- 88 % of financing at fixed interest rates
- 13/18 bond repaid as planned in July in the amount of EUR 100 million

➲ 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. For the first time, we have also included an insurance company in our financing strategy. We have a large number of business relationships with various partner banks and insurance companies. 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. 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 segments Funds and Other Investments, we realised a financing volume (new borrowings and repayments) of approximately EUR 1,099 million in 2018, following a financing volume of some EUR 530 million that had been rearranged the previous year.

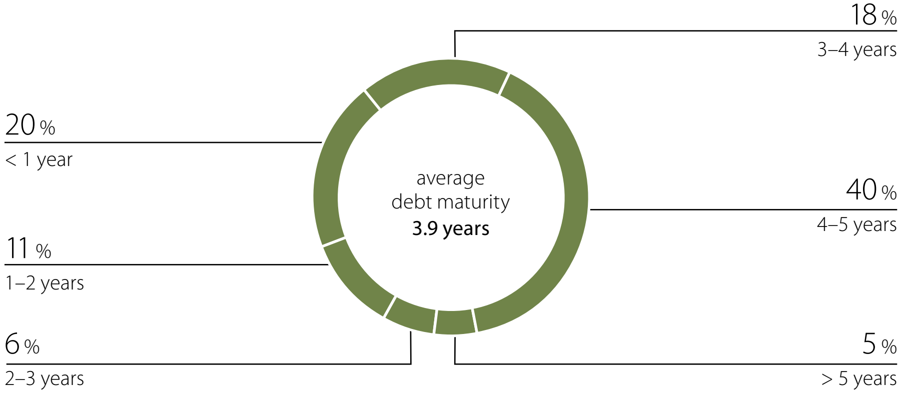
The warehousing financing in place at the start of the year was completely repaid on 30 June 2018 and 30 September 2018, respectively, by launching the DIC Office Balance V and DIC Metropolregion Rhein-Main funds.

FINANCING ACTIVITIES IN THE COMMERCIAL PORTFOLIO IN 2018

in EUR million	
New loans	205
Repayment of loans	289
Issue and topping-up of the bond	200
Repayment of the bond	100
Loans arranged for forward deals (non-cash in 2018)	150

At EUR 1,481.1 million, the financial debt shown on the balance sheet as at 31 December 2018 was up EUR 27.8 million year-on-year following refinancing and repayments. The large majority (66 %) of the financial debt consists of bank loans, whereas the remaining portion (34 %) is attributable to funds from our bonds. Across all segments, loan repayments recognised in 2018 totalled EUR 377 million, of which EUR 225 million were unscheduled repayments following sales.

DEBT MATURITIES
as at 31.12.2018



➲ Remaining maturities kept at comfortable level by increasing, issuing and repaying bonds

In March 2018, we successfully increased the 17/22 bond issued in 2017 by EUR 50 million to EUR 180 million or 102 % of the issue price. In July, we repaid our 13/18 bond as planned for EUR 100 million. In October 2018, we successfully placed another bond on the capital markets with an issue volume of EUR 150.0 million. The bond has a term of five years and a coupon of 3.50 % p.a. It was primarily issued to refinance the 14/19 bond issued in 2014 and subsequently increased to EUR 175.0 million with 4.625 % interest. The issuance of the new 3.50 % bond was highly successful and enabled us to increase its volume from EUR 50.0 million to a total of EUR 150.0 million on the day of the placement. As a result, the Company was able to secure the refinancing of its existing bond ahead of schedule.

By repaying the 13/18 bond in the middle of the financial year and issuing the new 18/23 bond, we have further stabilised the average maturity of our financial debt. The average remaining maturity of our liabilities – including the bonds – was 3.9 years at the end of December 2018, down from 4.6 years in the previous year. Adjusted for the 4.625 % bond issued in 2014, the average remaining maturity was 4.5 years at the end of the year. About 80 % of all financing has a maturity of more than one year.

➲ 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. 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.

➲ Stable low average interest rate

The average interest rate across all liabilities to banks was 1.8 % as at 31 December 2018 and thus remains low and stable (previous year: 1.8 %).

The interest cover ratio (ICR, the ratio of EBITDA to net interest income) is at a similarly high level to the previous year at 333 % (2017: 389 %). In the previous year, we reported the interest cover ratio as the ratio of net rental income to interest expense, which we no longer consider appropriate due to the establishment of our hybrid business model and associated growth in the fund and third-party businesses as well as the resulting rise in income from real estate management (ratio of net rental income to interest expense in 2018: 184 %; 2017: 213 %).

➲ 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 143.

➲ 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 2018, DIC Asset AG was at all times able to meet its payment obligations. As at 31 December 2018, available liquidity amounted to around EUR 253.7 million. The Company also has unused bank credit lines and guarantee facilities in the amount of EUR 108.6 million at its disposal.

➲ Cash flow driven by operating activities, transactions and bonds

The cash inflow for the financial year is primarily driven by strong cash flow from operating activities, proceeds from sales, acquisitions, loan repayments and borrowings as part of acquisitions and sales, and the increase, issuance and repayment of corporate bonds. The positive cash flow from operating and investing activities was more than offset by the cash outflow from financing activities, leading to an overall cash inflow of EUR 84.5 million (previous year: EUR 49.6 million).

Cash generated from operations rose despite lower rental income, particularly due to the highly positive revenue trend in the fund business, and thus reflects the Company's strong operational profitability and hybrid business model. Overall, cash flow from operating activities rose +10 % year-on-year to EUR 61.9 million (previous year: EUR 56.5 million).

On the one hand, cash flow from investing activities resulted from successful sales in 2018, which generated a cash inflow of EUR 100.1 million, while also seeing an additional EUR 53.4 million in cash inflows, particularly as part of the transfer of warehousing properties into our new funds. On the other hand, the acquisition of properties for our Commercial Portfolio (EUR 103.2 million) and investments in existing properties within the Commercial Portfolio totalling EUR 23.4 million led to a cash outflow. Overall, we recorded a positive cash flow from investing activities of EUR +24.5 million (2017: EUR +37.4 million). The investments made in the Commercial Portfolio during the year under review reflect our hybrid corporate strategy and take into account the strategic alignment of properties in the Commercial Portfolio.

Cash flow from financing activities in 2018 was dominated by the topping-up of the bond we issued last year by a nominal EUR 50 million as well as the issuance of an additional EUR 150 million corporate bond. We also repaid the bond issued in 2013 with a volume of EUR 100 million. Cash flow from financing activities was only slightly negative at EUR -1.8 million compared to EUR -44.3 million in the previous year due to the repayment of financing in the wake of property sales. In total, we repaid loans of EUR 377.3 million, while we raised EUR 304.6 million in new loans. A total of EUR 24.6 million in dividend payments was distributed to the shareholders in the financial year (previous year: EUR 27.4 million).

Cash and cash equivalents increased year-on-year by EUR 84.9 million to EUR 286.9 million.

CASHFLOW

in EUR million	2018	2017
Consolidated profit	47.6	64.4
Cash flow from operating activities	61.9	56.5
Cash flow from investing activities	24.5	37.4
Cash flow from financing activities	-1.8	-44.3
Net changes in cash and cash equivalents	84.5	49.6
Acquisition-related addition	0.4	0.0
Cash and cash equivalents as at 31 December	286.9	202.0

NET ASSETS

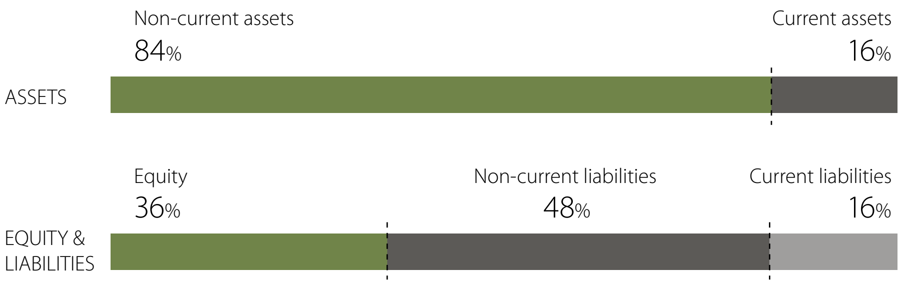
- **Real estate assets rise to EUR 1,459.0 million**
- **Loan-to-value (LTV) ratio reduced to 53.1 % due to high measurement gains**
- **EPRA net asset value up +21 % to EUR 1,085.8 million**
- **High acceptance of the scrip dividend strengthens equity**
- **Reported equity increased by EUR 67.0 million (+8 %)**
- **Equity ratio up from 35.4 % to 36.0 %**

During the financial year, net assets were primarily impacted by the acquisition of additional properties for the Commercial Portfolio, the disposal of assets and corresponding liabilities as part of the DIC Metropolregion Rhein-Main and DIC Office Balance V funds launched during the year under review, as well as net payments received from our bond transactions. Real estate assets in the Commercial Portfolio increased by 2 % overall as a result of the positive balance of acquisitions and sales. The strong earnings contributions and measurement gains on our financial investments, as well as the increase in equity generated by the scrip dividend, also had a positive effect on net assets. EPRA net asset value broke through the EUR 1 billion mark for the first time, rising by 21 % year-on-year to EUR 1,085.8 million (previous year: EUR 900.0 million).

➲ 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 higher of fair value and value in use, which reflects the value of a property under its intended use. In 2018, impairment testing did not result in any adjustments to real estate assets.

BALANCE SHEET STRUCTURE



➲ Optimised balance sheet structure

As at 31 December 2018, total assets were EUR 2,490.1 million, EUR 148.8 million (6%) above the previous year-end figure. Investment property (our existing properties in the Commercial Portfolio segment) was carried at EUR 1,459.0 million at the end of 2018 compared with EUR 1,437.2 million in the previous year. The EUR 21.8 million (+2%) change is primarily due to additions resulting from acquisitions, which were more than offset by sales aimed at portfolio optimisation.

Investments in associates decreased from EUR 90.8 million to EUR 87.0 million due to the sale of shares in the DIC HighStreet Balance fund in particular. Positive earnings contributions, particularly from our funds, and additional investments in our fund business had an offsetting effect. We made acquisitions for the fund business totalling approximately EUR 105 million during the financial year as well as transferring approximately EUR 106 million of our balance sheet from warehousing into new funds, which was shown on the balance sheet in non-current assets held for sale. As a result of capitalised interest and payments for loans granted for equity contributions to refinancing and bridge financing for project developments, loans to related parties in non-current assets rose by EUR 20.1 million to EUR 130.2 million. By contrast, the corresponding receivables in current assets fell by EUR 1.3 million to EUR 9.4 million. Other investments increased by EUR 92.0 million to EUR 382.6 million, particularly due to additional acquisitions and measurement gains of EUR 290.6 million at the end of the year. At the start of December 2018, DIC Asset AG signed agreements for the sale of an equity stake totalling approximately 14% of the voting rights in the share capital of TLG Immobilien AG after increasing its own position. This transaction is expected to close in the first half of 2019. Overall, non-current assets rose by 7% or EUR 130.9 million to EUR 2,086.5 million as at the 2018 reporting date (2017: EUR 1,955.6 million).

Current assets also increased by EUR 17.9 million or 5% to EUR 403.6 million. Other receivables rose by EUR 9.2 million in total, particularly as a result of successful sales from our funds by the end of the year and the fee income associated with these transactions. Cash and cash equivalents grew by EUR 84.9 million to EUR 286.9 million, primarily due to increasing the 17/22 bond issued in 2017 by EUR 50.0 million at the start of the year as well as issuing an additional 18/23 bond totalling EUR 150.0 million in October 2018. The scheduled repayment of the 13/18 bond issued in 2013 totalling EUR 100.0 million and the EUR 24.6 million dividend distribution had an offsetting effect. The EUR 61.6 million decrease in non-current assets held for sale on the reporting date to EUR 63.3 million was primarily driven by properties transferred to the fund products issued in 2018.

➲ Equity increased due to strong consolidated profit and measurement gains

Equity rose from EUR 828.9 million by EUR 67.0 million to EUR 895.9 million (+8%), particularly as a result of the strong consolidated profit for the year of EUR 47.6 million. Measurement gains made by the shares and the associated increase in reserves for financial instruments classified as measured at fair value through other comprehensive income totalling EUR 30.9 million had a similarly positive effect. The dividend distributed in 2018 amounted to EUR 43.9 million, of which EUR 13.7 million was an extraordinary dividend for the non-recurring income generated by exchanging shares in WCM Beteiligungs- und Grundbesitz AG for shares in TLG Immobilien AG. A total of EUR 24.6 million was actually distributed to shareholders. The voluntary non-cash dividend led to a EUR 1.9 million increase in issued capital and raised capital reserves by EUR 17.0 million after deducting the costs incurred. The reported equity ratio increased again by 0.6 percentage points to 36.0% compared with the previous year's figure of 35.4%. We reduced the loan-to-value ratio (LTV ratio) by 3.9 percentage points from 57.0% to 53.1%, particularly as a result of the increase in property values.

BALANCE SHEET OVERVIEW

in EUR million	31.12.2018	31.12.2017
Total assets	2,490.1	2,341.3
Total non-current assets	2,086.5	1,955.6
Total current assets	403.6	385.7
Equity	895.9	828.9
Non-current loans and borrowings	1,181.0	1,109.6
Current loans and borrowings	300.1	296.1
Other liabilities	113.1	106.7
Total liabilities	1,594.2	1,512.4
Reported equity ratio	36.0 %	35.4 %
Loan to value*	53.1 %	57.0 %
EPRA NAV	1,085.8	900.0

* 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.

EPRA NET ASSET VALUE

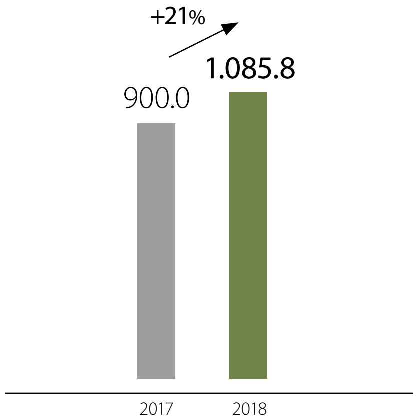
in EUR million	31.12.2018	31.12.2017
Carrying amount of properties	1,459.0	1,437.2
Property acc. to IFRS 5	25.2	117.3
Fair value adjustment	212.6	84.7
Fair value of properties*	1,696.8	1,639.2
Fair value of associates	121.9	122.3
+/- other assets/liabilities*	748.3	591.8
Net loan liabilities	-1,481.1	-1,453.3
EPRA net asset value (EPRA NAV)	1,085.8	900.0
Number of shares (thousand)	70,526	68,578
EPRA NAV per share in EUR	15.40	13.12
EPRA NNNAV per share in EUR	15.55	13.58

*incl. non-controlling interests

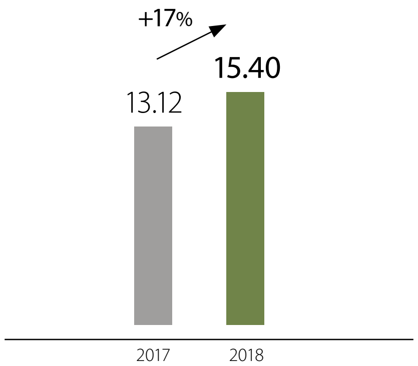
➲ EPRA net asset value up 21 % to EUR 1,086 million

The EPRA net asset value (EPRA NAV) is equal to the value of all tangible and intangible assets less liabilities. The EPRA NAV was EUR 1,085.8 million at the end of 2018, and the EPRA NAV per share amounted to EUR 15.40 compared with EUR 13.12 in the previous year. The EPRA triple net asset value (EPRA NNNAV) (see notes p. 133) per share totalled EUR 15.55 (2017: EUR 13.58).

EPRA NET ASSET VALUE
in EUR million



EPRA NET ASSET VALUE PER SHARE
in EUR



Other disclosures

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

In 2018, 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 151.

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

REPORT ON POST-BALANCE SHEET DATE EVENTS

In early January, the acquisition of a property in Bremen for the Commercial Portfolio was notarised. The transfer of possession, benefits and associated risks is expected for the first quarter of 2019.

In late January, the sale of one property from the Commercial Portfolio was notarised. The transfer of possession, benefits and associated risks is expected in the first quarter of 2019.

Also in late January, a loan in the amount of EUR 55 million was fully repaid.

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. Since 2013, a compliance guideline for the DIC Asset Group has been in place. A Compliance Officer was appointed and the whistleblower system for reporting misconduct and violations was set up. 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. 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. DIC Asset AG provides central information on its website on the handling of personal data in accordance with the European General Data Protection Regulation.

- 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 first- and second-tier management, for instance) as well as specialised Group departments such as Controlling 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 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. The Group'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, among other things, 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 our 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/ Repositioning in the portfolio

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.

According to experts, the German economy is in the late stage of the upturn that has continued since 2013 and recorded weaker growth of 1.5 % year-on-year in 2018 (2017: 2.2 %) due to numerous domestic and global stress factors. While corporate investments provided much of the positive momentum for the year as a whole, investments in residential construction also expanded significantly. Numerous economic researchers recently revised their forecasts downwards for the next two years but still expect the upturn to continue overall in 2019 and 2020. In 2019 we expect Germany to experience weaker growth compared to 2018 that could reach 1.1 % according to ifo Institute forecasts. Domestic demand is expected to remain a driving force for growth – particularly consumer spending and construction expenditure. The expansive service sector and labour market momentum are also contributing to the positive outlook. Employment growth is expected to continue in 2019, albeit with reduced momentum.

Nevertheless, this positive domestic environment faces a number of uncertainties. In particular, a possible intensification of the global trade conflict, continuing lack of clarity over the United Kingdom's exit from the EU with the risk of a hard Brexit, and the vulnerability of many emerging markets with high levels of foreign debt all pose economic risks amid more restrictive monetary policy with deteriorating financing conditions. In contrast, opportunities will arise from a possible resolution of the trade dispute between the USA and China in particular.

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 has deteriorated only insignificantly for us compared with the previous year. Our portfolio is highly diversified and includes 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 among 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 continued to decline to an average of 3.11 % across all top seven locations, with yields in Berlin remaining below the 3 % mark at 2.90 % in 2018.

Although falling yields could 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 changes in Europe resulting from Brexit 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 continue to expect the rental market to remain stable in 2019. Completions are coming to market with high pre-letting rates and, given the persistently strong demand amid declining supply, this is not expected to lead to an oversupply of attractive space and a corresponding drop in prices. In the transaction market, we see opportunities rather than risks on the selling side in 2019 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, this is unlikely to change in 2019.

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 2019, 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 2018, 88 % (previous year: 88 %) 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 an additional EUR 1.7 million. As at 31 December 2018, the average interest rate across all liabilities to banks amounted to 1.8 % (previous year: 1.8 %). 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 March and October 2018, we made the most of the market's windows of opportunity to refinance ourselves in the bond market ahead of schedule, and in March 2018 we topped up our 2017/2022 bond by EUR 50 million at 102 % of its nominal value. Together with our established banking partners, we successfully placed another 2018/2023 corporate bond with a coupon of 3.5 % in October 2018. As a result of the oversubscribed order book, we generated a volume of EUR 150 million, well above our original target of EUR 100 million. At 3.5 %, the interest rate remains very attractive, particularly compared to the maturing 2014/2019 bond currently subject to 4.625 % interest. In addition to ensuring the repayment of EUR 175 million from the 2014/2019 bond, the most recent transaction also once again lowered the average cost of DIC Asset AG's liabilities. We further reduced the average interest cost by repaying the EUR 100 million 5.250 % bond from 2013 in full and on schedule in July 2018.

DIC Asset AG secured new financing for acquisitions during 2018. The Company selected its banking partners in a competitive process that weighed up conditions, structure, transaction security and timing. Three fund properties held for warehousing were financed in the first half of 2018 and transferred to new funds during the year. The existing warehousing facilities were repaid once these properties were transferred. No properties are currently being managed in warehousing. In addition to the banking market, DIC Asset AG also used the insurance market as an alternative source of financing in 2018, for example to finance the forward acquisition of the Infinity Office in Düsseldorf, the financing and interest rate for which had already been secured when the relevant agreement was signed. The overall new financing volume for loans secured by real estate for DIC Asset AG totalled approximately EUR 352 million.

We expect interest rates to rise slightly while remaining low in 2019, 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 Asset AG will once again make use of available sources of financing in 2019 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, 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 2018. 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 109 million at its disposal.

In the current interest rate landscape, we have 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 37.7 million. If the capitalisation rate increases at the same time by 25 basis points, the drop will increase to EUR 85.7 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

Scenarios for change in capitalisation rate

Scenarios for change in discounting rate	+0.25 %	0 %	-0.25 %
+0.25 %	-85.7 EUR million	-37.7 EUR million	+16.0 EUR million
0 %	-50.1 EUR million	+/-0.0	+54.9 EUR million
-0.25 %	-12.9 EUR million	+38.3 EUR million	+94.3 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 2019. 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 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 2019.

> Funds

DIC Asset AG designs funds and investment structures for institutional investors. It typically invests up to 10 % in the funds as a co-investor, thereby achieving regular investment income. In addition, the Funds segment generates recurring 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. Successful transactions can have a positive effect on our earnings, as it might be possible to generate performance-based exit fees.

Another risk could be that we lose our reputation as a provider of institutional fund products, 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 eight funds: the DIC HighStreet Balance and DIC Retail Balance I retail funds, the DIC Office Balance I, DIC Office Balance II, DIC Office Balance III, DIC Office Balance IV and DIC Office Balance V office funds, and the Metropolregion Rhein-Main regional fund. During the 2018 financial year, the fund volume increased to the current figure of about EUR 1.8 billion, primarily as a result of launching two new funds and the appreciation of existing funds. More funds are scheduled to become operational in 2019. The DIC High-Street Balance fund, which was sold in 2018 by way of a sale of share certificates, was managed for third parties until the end of 2018.

Thanks to our expertise, our 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 increasing our focus on re-positioning efforts 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 in respect of 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 started modernising the Kaiserpassage in Frankfurt as a project development within our portfolio to reposition the property. Lease agreements were signed for 97 % of the around 9,700 square metres of rental space even before remodelling began. The remaining space was handed over to a food retailer after the end of the reporting period in January 2019.

The “Junges Quartier Obersendling” joint venture property, which was sold in 2018 as a forward deal during the project development phase, will see a 40,000-sqm space to be leased on a long-term basis to the City of Munich 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; completion and handover to the buyer is planned for 2019.

We are also pursuing a larger project development with our 40 % MainTor investment property in Frankfurt – with a total volume of around EUR 800 million.

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 for all of the 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 2019. 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 associated with project developments consist primarily of meeting deadlines and budget targets and the resulting effects on letting and sales or resulting income in the event of not meeting them.

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 2019.

Operations

> Acquisition and sales planning

Our planning for 2019 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”) or from the requirements to obtain consent from investors in the fund business, we consider it unlikely that we will have to deviate substantially from our planning for 2019. 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 in our own portfolio and in the fund business.. 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 2018, around 43% 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 2019, tenancy agreements in the Commercial Portfolio with a volume of EUR 10.5 million may end, while leases generating income of EUR 9.8 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 2019 is not re-let, this would result in a maximum loss of income of approx. EUR 1.1 million when assuming an annualised rent total of approx. EUR 10.5 million.

Thanks to our effective real estate management platform, we maintain a regional focus on our tenants and seek to achieve long-term tenant loyalty. Overall, we consider the letting risks in our portfolios 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 continue in the course of 2019.

> 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.

During the 2016 financial year, the internal data centre was relocated to an external provider, thereby 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 2018 financial year. The following factors made a particular contribution here:

- Project development risks: DIC Asset AG is now involved in just two major project developments. In the high-volume "MainTor" project development (40 % equity interest), five of the six construction phases have now been transferred to their final investors; the final WINX subproject is progressing and is expected to be completed in by the end of 2019. The second project development in Munich (20 % equity interest) has been sold and is expected to be completed in the second half of 2019. Instead of major project developments, repositioning activities within the Commercial Portfolio are increasingly moving to the fore.

- Strategic risks: With completion of the major project developments now in sight and joint ventures in the segment Other Investments 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, the growing fund business and our third-party business.

- Financing risks: We have reduced our financing risks in the medium term as a result of implementing the refinancing of our Commercial Portfolio in January 2017 and the resulting significant reduction in financing costs, the increased maturity of our financial debt and increased future cash flows from lower levels of debt servicing.

- Tenant credit risk: The signing of numerous agreements with new and existing tenants continued to strengthen our tenant base and led to positive like-for-like rental income growth in the Commercial Portfolio in 2018.

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

However, momentum in the global economy slowed during the year due to the escalation of the trade dispute between the USA and China in particular, while the general mood in the economy worsened. There is a risk that flagging economic growth in the sales markets for Germany's export-oriented industrial sector, particularly China, may also have an adverse impact on the economic outlook for Germany. Uncertainty over Brexit is giving rise to additional unpredictability, which could lead to increasing political and economic disintegration across Europe.

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

REPORT ON EXPECTED DEVELOPMENTS

Achievement of objectives for 2018

We comfortably achieved all and significantly exceeded several of the forecasts for our key performance indicators set at the start of the year, prompting us to lift our forecasts for the gross rental income and FFO financial indicators during the year.

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. As in the previous year, when difficulties in forming a government in Germany generally did not lead to greater irritation, the German investment market proved highly attractive to domestic and foreign investors. Despite considerable political and economic uncertainty, the commercial real estate investment market recorded a new record year and exceeded the previous year's transaction volume by around 6% at EUR 60.3 billion. We also more than doubled our activities on the transaction market to around EUR 1.2 billion in 2018 (previous year: EUR 608 million). In doing so, we exceeded the acquisition volume forecast of EUR 450-500 million set at the start of the year with a volume of approximately EUR 510 million as at 31 December 2018. This was primarily due to the fact that we made use of opportunities to enhance the long-term profitability and significantly improve the quality of our Commercial Portfolio with a total volume of more than EUR 400 million. On the sales side, we successfully met our target sales volume of EUR 100-120 million from the Commercial Portfolio with a volume of around EUR 100 million and thus continued to push ahead with the sale of non-strategic properties and portfolio optimisation.

The high volume of acquisitions for the Commercial Portfolio enabled us to generate additional rental income during the year. In addition to the fact that the transfer of several properties took place later than planned – which meant that Company continued to receive rental income for longer than originally forecast – this contributed to a 2.7% like-for-like rise in rental income resulting in gross rental income of EUR 100.2 million. As a result, we raised the rental income forecast of EUR 95 to 98 million that we set at the start of the year to EUR 98-100 million in October 2018.

The growing momentum of our trading platform in the fund business, which increasingly generates income from the sale of fund properties in addition to attractive acquisition fees, became very apparent in 2018. The sharp increase in transaction income over the past financial year, particularly from the sale of fund properties, resulted in the FFO contribution from the fund business significantly exceeding expectations. This, together with higher gross rental income expectations, prompted us in October to lift our full-year FFO guidance from the original EUR 62-64 million to EUR 68 million. In addition to the momentum in the fund business and the increasing quality of the Commercial Portfolio, the planned reduction in operating costs also helped us to reach our FFO forecast of EUR 68.0 million as at 31 December 2018.

Overall assessment for 2019

We expect a stable environment overall for DIC Asset AG in financial year 2019. Our hybrid business model enables us to react quickly and flexibly to changing business conditions.

In 2018, strong letting performance and an acquisition volume of more than EUR 400 million meant we once again considerably improved the diversification, stability and profitability of the Commercial Portfolio and are thus generating a stable long-term cash flow. In addition to further growth in assets under management through acquisitions – some of which have already been secured – we are increasingly focusing on development measures in 2019 to leverage additional potential in the Commercial Portfolio and improve its quality.

In the fund business, we created the possibility of increasing our transaction activities and flexibly adapting them to each particular market situation by continuing to establish our trading platform. We are planning to further expand both the fund business and the third-party business – which provides asset and property management services to third parties – and thus also anticipate an increase in income from the segments Funds and Other Investments in 2019.

Macroeconomic environment in 2019

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.

According to experts, the German economy is in the late stage of the upturn that has continued since 2013 and recorded weaker growth of 1.5 % year-on-year in 2018 (2017: 2.2 %). Two extraordinary factors in particular contributed a cooling of the economy: the German automotive industry's problems connected with new exhaust gas test procedures and inland shipping restrictions on significant supply routes for production logistics due to abnormally low water levels. While corporate investments provided much of the positive momentum for the year as a whole, investments in residential construction also expanded significantly. In light of growing international uncertainty and political risks, and an imminent slowdown in the global economy, the mood within the German economy deteriorated at the end of the year. In December 2018, the ifo Business Climate Index fell for the fourth successive month to 101.0, its lowest level since December 2016. The business climate cooled considerably in both the manufacturing and service sectors; sentiment only remained at a very high level in the construction industry.

Leading German economic research institutes had also recently revised their forecasts downwards for the next two years but still expect the upturn to continue overall in 2019. They point out that fears of a recession are exaggerated and that the pace of growth in the German economy is simply normalising after an economic boom lasting several years. However, the economic outlook is impacted by numerous uncertainties. This poses economic risks, particularly if the global trade conflict were to escalate. In Europe, the continuing lack of clarity over the United Kingdom's exit from the EU, including the risk of a hard Brexit, and the recent political situation in France are putting a strain on the economic climate. An unexpected increase in interest rates, particularly in the USA, could lead to tighter financing conditions and changes in capital flows, which would particularly affect emerging markets with high levels of foreign debt. On the other hand, a resolution in the trade dispute between the USA and China could give a boost to the global economy.

Although Germany's export-driven industry is only expected to grow slightly in 2019 due to deteriorating economic conditions in its sales markets, the German economy is likely to continue its expansion for the seventh successive year. The upturn is being driven by construction and consumer spending, which continue to benefit from a very healthy labour market, rising real income and advantageous financing conditions. In 2019, we are expecting weaker economic growth of around 1.1 % compared to the previous year in line with figures from the ifo Institute for Germany.

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, JLL and Savills, in addition to the indicators from our own business.

The office rental markets continue to benefit from the strong domestic economy and associated employment growth. With take-up of around 4 million sqm in the top seven cities, 2018's results were the second-best of all time, albeit down 6.5 % from the exceptionally strong previous year. Estate agents attribute this decline to the growing shortage of adequate office space and not to a slowdown in demand, As reinforced by the 10 % rise in net absorption to 1.2 million sqm. Although completion volumes increased by around 8 % compared to the previous year, the vacancy rate declined by almost 1.1 percentage points to 3.6 %. High demand and scarce supply caused both prime and average rents to rise strongly by around 7 % in 2018.

Estate agents' analysts expect revenue to decline yet remain at a high level in 2019. The increasing lack of availability of office space in sought-after central locations is viewed as a limiting factor for the rental markets. Further – albeit less dynamic – growth in the German economy is ensuring continued employment growth which, together with excess demand, should ensure that demand for space remains high. Taking into account a projected completion volume of around 1.7 million sqm for 2019, of which more than 70 % has already been pre-let or taken up by owner-occupiers, the vacancy rate is expected to fall slightly once again to 3.5 %. Even prime rents in the top seven cities are expected to increase at least slightly before rising completion volumes help to ease the situation and ensure that the bottom of the cycle can be reached. The shortage of space and the sharp increase in prime rents is increasingly triggering a switch to peripheral locations, meaning that rents have risen much faster in B and C locations over the past five years than in A locations. This trend is set to continue in 2019.

In 2018, the German real estate investment market reinforced its appeal as a safe haven for both domestic and foreign investors. Transaction volumes rose by more than 6 % year-on-year, reaching an all-time high of around EUR 60 billion. Offices remained the most popular asset class with a share of around 50 %, and the top seven locations dominated transaction activity with a share of around 55 % of transactions. Amid waning momentum, prime yields for office properties in the top seven cities fell by a further 26 basis points to 3.11 %. Prime yields in the warehouse and logistics segment recorded the strongest decline by dropping 40 basis points to 4.1 %, fuelled by momentum and the strong outlook for online retail. For the first time since 2010, a segment recorded an increase in yields, as the return on shopping centres climbed by 20 basis points.

After years of unbridled optimism in the German real estate market, there was a noticeable change of mood among real estate investors at the end of the year. It is becoming increasingly clear that Germany's economy is in the late stage of a protracted upturn and that disruptive factors are increasing. According to a Union Investment study, European real estate investors are heading into 2019 with only modest expectations. Despite this, real estate in Germany remains the preferred target for European investors, who believe the overall conditions here are the best across all types of use.

The overall environment is expected to deteriorate slightly in 2019 due to numerous economic and political risks. Although leading research institutes revised their forecasts for the German economy downwards over the course of the year, they continue to point to growth, albeit at around 1.1 %. This will likely continue to have a positive impact on the labour and rental markets. On the downside, the monetary policy stimuli that helped to fuel the sustained upturn on the real estate markets are weakening. After the Fed called an end to its zero interest rate policy as far back as the end of 2015 and raised the funds rate three times from 2.25 %-2.50 % in 2018, the ECB decided to end its long-running bond purchase programme in December 2018, having previously announced that they would keep interest rates at their historic low until at least the end of summer 2019. Depending on how the economic situation and inflation develop, the ECB's key interest rate could be raised in 2019 for the first time since it was cut to 0 % in March 2016.

Nevertheless, investors should maintain their focus on the German commercial real estate market and transaction volumes will remain at a high level despite a slight decline. The robustness of the German economy, the lack of alternative investments and the interest rate policy of the ECB continue to contribute to the attractiveness of the German commercial real estate market for financially sound institutional investors such as insurance companies and pension funds. Due to the price level reached, yield compression is expected to ease off in the top locations, while market players could increasingly take the opportunity to realise increases in value achieved in recent years and thus counteract the limiting shortage of products in the core area. We have already started this process with our high sales volumes in the last two years. Due to the extremely low returns in the core area, we expect to achieve significant appreciation as a result of the shift in focus from core properties to more management-intensive real estate.

Expected trend in the key performance indicators of DIC Asset AG

➲ Growth in all segments

We expect further growth in assets under management in 2019. We are planning to acquire a volume of approx. EUR 500 million overall.

➲ Realisation of attractive profits on sales

With a strong investment market and interest rates set to remain low in 2019, we can see good opportunities for continuing to leverage our properties' potential by developing our portfolio properties, reducing vacancy rates, raising rental income on a like-for-like basis and thus creating additional value. We will market selected properties when a suitable occasion arises in order to realise attractive sales profits and strategically optimise our portfolio. We are targeting sales across all segments with a volume of between EUR 200 and 230 million for 2019.

➲ Expected revenue and results of operations in 2019

As a result of the significant improvement in the quality of the Commercial Portfolio in the financial year ended and based on planned letting performance and taking into account planned sales, we expect gross rental income from the Commercial Portfolio to remain stable at between EUR 98 and 100 million.

The expansion of the third-party business and transaction activities in the fund business should enable us to achieve additional growth of the trading platform in 2019. Due to the exceptionally positive trend in transaction fees, our plan is to achieve stable current income from property management as we expand our business amid a "normalised" conditions. We expect operating profit to exceed the previous year's figure in 2019 with FFO of between EUR 70 and 72 million (approx. EUR 0.99-1.01 per share).

➲ Expected financial position in 2019

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 2019. It is expected that portfolio investments, the dividend distribution for the 2018 financial year, the repayment of the 14/19 bond scheduled for 2019, and the cash inflow from sales will represent the most significant factors influencing liquidity in 2019.

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:

- Global trade conflicts do not expand significantly
- There will be no major escalations of geopolitical tensions
- 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 German economy will not drift into a recession and employment market will remain robust
- The rental market will remain stable
- Rental defaults caused by bankruptcies will remain low
- Inflation will not see an unexpectedly high increase
- The ECB will not abruptly end its 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

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 2018 were mainly determined by our fund business, which once again made a significant contribution to investment income in 2018. Commercial Portfolio investees also contributed to investment income at the DIC Asset AG level. Transactions in particular had a positive effect on their bottom lines. The sale of shares in TLG Immobilien AG ("TLG") and dividend payments received from it also positively impacted investment income. Overall, our investment income of EUR 46.5 million was only slightly below the previous year's figure of EUR 49.9 million. In the previous year, investment income was dominated by the result from the exchange of shares in WCM Beteiligungs- und Grundbesitz-AG ("WCM") for shares in TLG Immobilien AG.

At EUR 5.1 million, revenue and other income were down slightly compared with the previous year's figure of EUR 6.3 million. They mainly relate to revenue from consulting and other services provided to subsidiaries. The EUR 1.5 million reduction in personnel expenses compensated for the EUR 1.1 million decrease in revenue and other income and, in particular, the EUR 0.4 million increase in other operating expenses triggered by the increase in the bond issued in 2017 and the issuance of a new bond. At EUR -18.0 million, earnings before interest, taxes and investment income were on a par with the prior-year figure of EUR -18.0 million. Interest expenses in connection with our bonds amounted to EUR 17.9 million (previous year: EUR 15.8 million). This increase is attributable to the March 2018 EUR 50.0 million increase of our bond launched in 2017 and the issuance of a new EUR 150.0 million bond in October 2018. The EUR 100.0 million bond launched in 2013 was repaid on schedule in July 2018.

The positive interest balance vis-à-vis subsidiaries and investees and income from long-term loans totalled EUR 23.1 million during the year under review (previous year: EUR 26.9 million). This decline from the previous year is primarily attributable to a change in interest rates. Overall, DIC Asset AG again achieved a very good net income for the year of EUR 33.5 million (previous year: EUR 43.2 million). The previous year was impacted particularly by the positive non-recurring effect resulting from the swapping of WCM shares for TLG shares. All of this means that we once again concluded a successful financial year.

Investments in affiliated companies, investees and loans totalled EUR 557.4 million as at the reporting date, a marginal drop of EUR 10.1 million (-1.8 %). This was primarily due to a reduction in investments in affiliated companies and a decrease in other investments.

Receivables from affiliated companies and investees rose significantly by EUR 79.1 million (+11.3 %) to EUR 780.6 million. The corresponding liabilities increased by EUR 52.0 million to EUR 167.4 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 2018, rose by EUR 17.0 million, from EUR 1,153.6 million to EUR 1,170.6 million (+1.5 %). Bank balances grew by EUR 99.4 million to EUR 223.3 million, mainly due to the net inflow of funds from bonds.

The Company's equity increased to EUR 870.2 million (+1.0 %). Mainly as a result of increasing the bond launched in 2017 from EUR 130.0 million to EUR 180.0 million and the issuance of an additional EUR 150.0 million bond in October 2018, borrowings rose by EUR 154.8 million to EUR 698.6 million (+28.5 %). The scheduled repayment of the bond issued in 2013 in the amount of EUR 100 million in the middle of the financial year had an offsetting effect. The reported equity ratio thus fell to 55.5 % (previous year: 61.3 %).

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

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

For 2018, we had forecast net income for the year on a par with 2016 of around EUR 28 million. We significantly exceeded this target during the financial year with net income of EUR 33.5 million, primarily as a result of gains from transactions with our shares in TLG.

Subject to stable economic development, our subsidiaries meeting their acquisition and sales targets and continual growth in the fund business, we are forecasting net income for 2019 at the prior-year level. 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 70,526,248.00 consists of 70,526,248 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 2018, the Company held no treasury shares. It has not made use of the authorisation described above.

> Authorised capital

The Management Board was 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). After a portion of authorised capital was utilised subject to the granting of pre-emptive rights to the shareholders in April 2018, the remaining authorised capital at the reporting date amounts to EUR 32,340,372.00. As a rule, the shareholders are to be granted a pre-emptive right when authorised capital is utilised. 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.

> 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 2014 corporate bond (ISIN DE000A12T648) issued by the Company with a volume of EUR 175 million (matures September 2019), the 2017 corporate bond (ISIN DE000A2GSCV5) issued by the Company with a volume of EUR 180 million (matures July 2022) as well as the 2018 corporate bond (ISIN DE000A2NBZG9) issued by the Company with a volume of EUR 150 million (matures October 2023) 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	2018	2017
Total income		**241,603**	381,883
Total expenses		**-164,667**	-305,316
Gross rental income	1	**100,189**	109,666
Ground rents		**-810**	-1,253
Service charge income on principal basis	2	**20,438**	21,140
Service charge expenses on principal basis	2	**-22,941**	-22,967
Other property-related expenses	3	**-12,186**	-13,517
Net rental income		**84,690**	93,069
Administrative expenses	4	**-12,113**	-12,828
Personnel expenses	5	**-18,204**	-19,010
Depreciation and amortisation	6	**-29,577**	-31,013
Real estate management fees	7	**33,639**	20,818
Other operating income	8	**585**	754
Other operating expenses	8	**-730**	-705
Net other income		**-145**	49
Net proceeds from disposal of investment property	9	**86,752**	229,505
Carrying amount of investment property disposed	9	**-68,106**	-204,023
Profit on disposal of investment property		**18,646**	25,482
Net operating profit before financing activities		**76,936**	76,567
Share of the profit or loss of associates	10	**15,829**	28,996
Interest income	11	**9,266**	8,701
Interest expense	11	**-46,098**	-43,787
Profit/loss before tax		**55,933**	70,477
Current income tax expense	12	**-6,241**	-5,856
Deferred tax expense	12	**-2,079**	-209
Profit for the period		**47,613**	64,412
Attributable to equity holders of the parent		**47,691**	63,592
Attributable to non-controlling interest		**-78**	820
Basic (=diluted) earnings per share (EUR) *	13	**0.68**	0.93

* calculated with the new average number of shares in accordance with IFRS

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

in EUR thousand	2018	2017
Profit/loss for the period	**47,613**	64,412
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Fair value measurement of hedging instruments		
Cash flow hedges	0	95
Cash flow hedges of associates	0	111
Items that shall not be reclassified subsequently to profit or loss		
Gains/losses on financial instruments measured at fair value through other comprehensive income	**43,124**	35,466
Fair value measurement of hedging instruments		
Fair value hedges	**1,243**	0
Other comprehensive income*	**44,367**	35,672
Comprehensive income	**91,980**	100,084
Attributable to equity holders of the parent	**92,058**	99,264
Attributable to non-controlling interest	**-78**	820

* after tax

CONSOLIDATED BALANCE SHEET as at 31.12.2018

Assets in EUR thousand	Notes	**31.12.2018**	31.12.2017
Investment property	14	**1,459,002**	1,437,214
Office furniture and equipment	15	**554**	578
Investments in associates	16	**86,988**	90,799
Loans to related parties	17	**130,206**	110,143
Other investments	18	**382,578**	290,575
Intangible assets	19	**266**	436
Deferred tax assets	12	**26,877**	25,837
Total non-current assets		**2,086,471**	1,955,582
Receivables from sale of investment property		**515**	13,816
Trade receivables	20	**4,182**	4,484
Receivables from related parties	21	**9,382**	10,721
Income tax receivables	22	**11,353**	10,887
Other receivables	23	**26,406**	17,243
Other current assets	24	**1,545**	1,681
Cash and cash equivalents	25	**286,903**	201,997
		340,286	260,829
Non-current assets held for sale	26	**63,294**	124,867
Total current assets		**403,580**	385,696
Total assets		**2,490,051**	2,341,278

Equity and liabilities in EUR thousand	Note	31.12.2018	31.12.2017
EQUITY			
Issued capital	27	70,526	68,578
Share premium	27	749,816	732,846
Hedging reserve	27	1,243	0
Reserve for financial instruments classified as at fair value through other comprehensive income	27	69,515	38,628
Retained earnings	27	1,275	-14,763
Total shareholders' equity		892,375	825,289
Non-controlling interest		3,546	3,624
Total equity		895,921	828,913
LIABILITIES			
Corporate bonds	28	323,372	298,567
Non-current interest-bearing loans and borrowings	28	857,601	810,992
Deferred tax liabilities	12	16,674	13,347
Total non-current liabilities		1,197,647	1,122,906
Corporate bonds	28	174,450	99,618
Current interest-bearing loans and borrowings	28	125,681	196,530
Trade payables	30	2,149	1,245
Liabilities to related parties	21	16,104	15,252
Derivatives	29	14,847	0
Income tax payable	31	8,627	2,912
Other liabilities	32	54,625	26,334
		396,483	341,891
Liabilities related to non-current assets held for sale	26	0	47,568
Total current liabilities		396,483	389,459
Total liabilities		1,594,130	1,512,365
Total equity and liabilities		2,490,051	2,341,278

CONSOLIDATED statement of cash flows for the period from 1 January to 31 December

in EUR thousand	2018	2017
OPERATING ACTIVITIES		
Net operating profit before interest and taxes paid	78,399	98,819
Realised gains/losses on disposals of investment property	-18,646	-25,482
Depreciation and amortisation	29,577	31,013
Changes in receivables and other assets	34,420	10,567
Other non-cash transactions	-20,909	-23,987
Cash generated from operations	102,841	90,930
Interest paid	-41,476	-33,583
Interest received	1,118	1,709
Income taxes paid/received	-629	-2,533
Cash flows from operating activities	61,854	56,523
INVESTING ACTIVITIES		
Proceeds from disposal of investment property	100,053	219,561
Dividends received	10,200	4,049
Acquisition of investment property	-103,190	-109,200
Capital expenditure on investment properties	-23,398	-19,627
Acquisition/disposal of other investments	53,388	-48,642
Loans to other entities	-12,420	-8,513
Acquisition/disposal of office furniture and equipment, software	-151	-201
Cash flow from investing activities	24,482	37,427
FINANCING ACTIVITIES		
Proceeds from the issue of corporate bond	201,000	130,000
Repayment of non-controlling interest	0	-714
Proceeds from other non-current borrowings	304,630	1,210,341
Repayment of borrowings	-377,340	-1,355,641
Repayment of corporate bond	-100,000	0
Deposits	0	3,000
Payment of transaction costs	-5,547	-3,923
Dividends paid	-24,561	-27,430
Cash flows from financing activities	-1,818	-44,367
Acquisition related increase in cash and cash equivalents	388	0
Net changes in cash and cash equivalents	84,518	49,583
Cash and cash equivalents as at 1 January	201,997	152,414
Cash and cash equivalents as at 31 December	286,903	201,997

For information on the consolidated statement of cash flows see page 149

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in EUR thousand	Issued capital	Share premium	Hedging reserve	Reserve for financial instruments classified as at fair value through other comprehensive income	Retained earnings	Total shareholders' equity	Non-controlling interest	**Total**
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*								
Items that may be reclassified subsequently to profit or loss								
Gains/losses on cash flow hedges			95			95		**95**
Gains/losses on cash flow hedges from associates			111			111		**111**
Gains/losses on financial instruments classified as measured at fair value through other comprehensive income				35,466		35,466		**35,466**
Comprehensive income			206	35,466	63,592	99,264	820	**100,084**
Dividend distribution 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**
Profit/loss for the period					47,691	47,691	-78	**47,613**
Other comprehensive income*								
Items that shall not be reclassified subsequently to profit or loss								
Gains/losses on financial instruments classified as measured at fair value through other comprehensive income				43,124		43,124		**43,124**
Gains/losses on the sale of financial instruments classified as measured at fair value through other comprehensive income				-12,237	12,237	0		**0**
Gains/losses from fair value hedges			1,243			1,243		**1,243**
Comprehensive income			1,243	30,887	59,928	92,058	-78	**91,980**
Dividend distribution for 2017					-43,890	-43,890		**-43,890**
Issuance of shares through capital increase in kind	1,948	17,381				19,329		**19,329**
Transaction costs of equity transactions		-411				-411		**-411**
Balance at 31 December 2018	70,526	749,816	1,243	69,515	1,275	892,375	3,546	**895,921**

* Net of deferred taxes

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

NOTES TO THE 2018 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 05 February 2019 and approved by the Supervisory Board.

SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The consolidated financial statements for the 2018 financial year were prepared in accordance with the International Financial Reporting Standards applicable as at 31 December 2018 (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 2018 are based in principle on the same accounting policies applied in the consolidated financial statements in financial year 2017. 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 2018).

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 2018:

> 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 have been effective for annual periods beginning on or after 1 January 2017; the amendments to IFRS 1 and IAS 28 have been effective for annual periods beginning on or after 1 January 2018. They were endorsed by the EU on 7 February 2018.

These amendments do not have any transitional effects.

> 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 has replaced IAS 39 Financial Instruments: Recognition and Measurement. 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 new provisions of IFRS 9 change the criteria for the classification of financial instruments. They also introduce a new impairment model. The rules applying to hedge accounting have also been revised. 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. DIC Asset applies the new accounting rules for the first time as of 1 January 2018 without adjusting the comparative period figures.

There are no material changes to the classification for DIC Asset. The equity instruments previously classified as available for sale are classified as at fair value through other comprehensive income when IFRS 9 is applied for the first time. Financial instruments which had been classified as loans and receivables in accordance with IAS 39 are classified as financial instruments carried at amortised cost. The classification of financial liabilities remains unchanged when IFRS 9 is applied for the first time.

The amended impairment model in accordance with IFRS 9 has no material effects on the consolidated financial statements.

The Group has applied the disclosure requirements concerning the notes pursuant to IFRS 7 amended with the introduction of IFRS 9 accordingly in these financial statements.

> 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. Due to the business model of DIC Asset AG, this will have no material effects on the recognition and measurement of revenue.

> 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. There will be no changes for DIC Asset.

> 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. They were endorsed by the EU on 14 March 2018. There will be no changes for DIC Asset.

> 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. They were endorsed by the EU on 26 February 2018. There will be no changes for DIC Asset.

> 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. It was endorsed by the EU on 28 March 2018. There will be no changes for DIC Asset.

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 2018, or which have not yet been adopted by the EU.

> 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. They have not yet been endorsed by the EU.

> 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.

The definition of leases at the lessor corresponds to the provisions of IAS 17.

The standard will be effective on 1 January 2019. It was endorsed by the EU on 31 October 2017.

As part of a Group-wide contract analysis, DIC Asset reviewed the existing leases in which the Group acts as lessee for possible adjustment effects. Based on this analysis, DIC Asset does not expect the first-time application of IFRS 16 to have any material effects on the consolidated financial statements. First-time application is expected to take place using the modified retrospective approach.

> 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. They were endorsed by the EU on 22 March 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. It was endorsed by the EU on 23 October 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. It has not yet been endorsed by the EU.

> Annual Improvements to IFRSs: 2015-2017 Cycle
On 12 December 2017 the IASB issued Annual Improvements to IFRS Standards 2015–2017 Cycle. The amendments in the 2015–2017 cycle relate to the following three standards:

> IFRS 3 and IFRS 11: Clarification of the accounting treatment of previously held interests in joint operations in the event that joint control is obtained for the first time. If an investor obtains sole control for the first time, the previously held interests must be remeasured. If, on the other hand, only joint control is acquired, there is no need for a remeasurement.

> IAS 12: Clarification on accounting for tax effects of financial instruments classified as equity. This clarified that all income tax consequences of dividends should be reported in operating profit/loss, regardless of how they arise.

> IAS 23: Borrowing Costs on Completed Qualifying Assets The amendments clarify that after a qualified asset is ready for its intended use or sale, outstanding borrowing for this asset is available for financing other assets.

The amendments are effective from 1 January 2019. They have not yet been endorsed by the EU.

> Amendments to IAS 19: Plan Amendment, Curtailment or Settlement
The IASB published amendments to IAS 19 on 7 February 2018. The amendments to IAS 19 now specifically stipulate that after a mid-year amendment, curtailment or settlement of a defined benefit pension plan, the current service cost and net interest for the remainder of the reporting period after the change must be remeasured using updated assumptions. In addition, the amendments include clarification of the effects of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling. The amendments are effective from 1 January 2019. They have not yet been endorsed by the EU.

> Revised Conceptual Framework for Financial Reporting
On 29 March 2018 the IASB released a revised version of the Conceptual Framework. The amendment includes revised definitions of assets and liabilities as well as new guidelines on measurement and derecognition, presentation and disclosure. Subject to planned adoption by the EU in 2019, the updated references in the individual standards are applicable from 1 January 2020.

> Amendments to IFRS 3: Definition of a Business
The IASB published amendments to IFRS 3 regarding the definition of a business on 22 October 2018. The aim of the amendments is to more clearly delineate in the future whether an entity has acquired a business or a group of assets. Changes to the appendix, application guidance and illustrative examples clarify the three elements constituting a business. The amendments are effective for annual periods beginning on or after 1 January 2020. They have not yet been endorsed by the EU.

> Amendments to IAS 1 and IAS 8: Definition of Material
On 31 October 2018 the IASB released amendments covering the definition of "material" in financial statements. The amendments relate to IAS 1 and IAS 8. Along with additional application guidance, the amendments make it easier for companies preparing IFRS financial statements to make materiality judgements. In addition, the amendments ensure that the definition of material is consistent across all IFRS Standards. The amendments are effective for annual periods beginning on or after 1 January 2020. They have not yet been endorsed by the EU.

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 business model. Both revenue and income from property management are recognised net of sales allowances when the performance obligation vis-à-vis the contractual partner is satisfied.

Proceeds from the sale of investment property

Revenue from disposals (e.g. investment property) is recognised when control transfers to the buyer. Depending on the respective purchase agreement, revenue is commonly realised at the time of delivery or acceptance, which in turn corresponds to the time that possession, benefits and associated risks are transferred. This normally occurs upon payment of the purchase price.

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 financial assets are carried at amortised cost if the following two criteria are met:

- The business model for managing these financial instruments involves holding them to collect the underlying contractual cash flows (business model assessment) and
- the contractual cash flows generated consist solely of principal and interest (contractual cash flow test).

These financial assets are subsequently measured using the effective interest method subject to the impairment rules in IFRS 9.5.5 ff.

If the business model and/or contractual cash flow criteria are not fulfilled, measurement is at fair value in accordance with the classification guidelines in IFRS 9.4.1, either through profit or loss, or in other comprehensive income. Debt instruments measured at fair value through other comprehensive income are also subject to the impairment guidelines in IFRS 9.5.5 ff.

Financial assets, except financial assets measured at fair value through profit or loss, contract assets in accordance with IFRS 15, lease receivables, loan commitments and financial guarantees are subject to the impairment model within the meaning of IFRS 9.5.5. According to this approach, the Group must recognise a loss allowance on these assets based on the expected credit loss. The expected credit loss is the difference between the contractually agreed cash flows and the expected cash flows, measured at present value and applying the original effective interest rate. Expected cash flows also include proceeds from short hedges and other loan collateral that is an integral part of the relevant contract.

As a rule, expected credit losses are recognised in three levels. For financial assets which have not experienced a significant increase in credit risk since initial recognition, a loss allowance in the amount of the expected 12-month credit loss is recognised (Level 1). Where a significant increase in credit risk has occurred, the expected credit loss for the remaining lifetime of the asset is determined (Level 2). The Group generally assumes that a significant increase in credit risk has occurred if payments are 30 days in arrears. This principle can be refuted if reliable and justifiable information indicates in individual cases that credit risk has not increased. If there is objective indication of impairment, the underlying assets must be assigned to Level 3.

The Group applies the simplified method in accordance with IFRS 9.5.15 to trade receivables. In this approach, the loss allowance always equals the lifetime expected credit loss for the asset. For further details on calculating loss allowances, see the reporting on risk management.

For other assets subject to the amended impairment model in IFRS 9 and to which the general approach is applied, the expected credit loss is measured by grouping financial assets on the basis of common credit risk characteristics, and considering individual default information and existing collateral.

The Group generally assumes a default has occurred when contractual payments are more than 90 days in arrears. In addition, in individual cases, other internal and external information may be considered that indicates that contractual payments cannot be paid in full. Financial assets are derecognised when there is no reasonable expectation that future payments will be made.

Other assets are carried at amortised cost.

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 as part of its hedging of interest rate risks.

Derivative financial instruments are shown as a financial asset or financial liability and measured at fair value through profit or loss. 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.

Provided that the requisite criteria are met, derivatives used for hedging interest rates are recognised as cash flow hedges if this concerns the hedging of cash flows. 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 as hedges compensate for changes in the cash flows of the hedged items is documented at the beginning of the hedge and continuously thereafter.

The effective portion of changes in the fair value of derivatives designated as cash flow hedges is recognised through other comprehensive income in the reserve for cash flow hedges in equity. Gains or losses from the ineffective changes in value, on the other hand, are recognised directly through 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 are 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.

In individual cases, DIC Asset uses derivatives as fair value 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 as hedges compensate for changes in the cash flows of the hedged items is documented at the beginning of the hedge and continuously thereafter.

The gain or loss on derivatives designated as a hedging instrument in a fair value hedge is recognised through profit or loss. In the case of hedges of equity instruments measured through other comprehensive income, the changes in value are recognised in other comprehensive income. The hedging gain or loss on the hedged item results in an adjustment of the carrying amount of the hedged item and is generally recognised in profit or loss. In the case of equity instruments measured through other comprehensive income, the corresponding changes in value are recognised in other comprehensive income. Amounts recognised in other comprehensive income are never recognised in profit or loss.

Derivatives which do not meet the criteria for hedge accounting are classified as at Fair Value through Profit or Loss or as Financial Liabilities at Fair Value through Profit or Loss (FLFVtPL) in accordance with the IFRS 9 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 2018, a total of 136 (2017: 148) subsidiaries were included in the consolidated financial statements in addition to DIC Asset AG (see appendix 1 to the notes, p. 186 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.

Thirteen companies were merged and three companies were newly formed in the course of optimising the Group's structure. Equity interests in three companies were reduced; these are no longer included in consolidation. One company was acquired during the financial year and consolidated for the first time.

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 15 (2017: 14) 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. 188).

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

Investments that represent an equity instrument as defined by IAS 32 are measured at fair value through other comprehensive income and allocated to the category „At Fair Value through other Comprehensive Income". Any changes in the fair value are shown in other comprehensive income. In this case, if the instrument is derecognised, it is not subsequently reclassified to profit or loss but reclassified to retained earnings. Dividends from these instruments, on the other hand, are recognised as investment income in profit or loss. 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 2017 and 2018 showed the following EPRA earnings:

in EUR thousand	2018	2017
IRFS profit	47,691	63,592
EPRA adjustments		
Market value change or depreciation of investment property	29,407	30,561
Profit/loss on disposal of investment property	-18,646	-25,482
Tax on disposal of investment property	2,951	4,033
Amortisation of intangible assets	170	452
Changes in the fair value of financial instruments and other	0	0
Other non-recurring effects	332	1,349
Deferred taxes in connection with EPRA adjustments	-385	-1,271
Contributions from Co-Investments (project development and sales)	818	-17,141
Non-controlling interests	-78	820
EPRA earnings	62,260	56,913
EPRA earnings per share	0.89	0.83

INCOME STATEMENT DISCLOSURES

1. Gross rental income

Gross rental income decreased by EUR 9,477 thousand, primarily driven by disposals of property in 2017 and 2018 by EUR 7,335 thousand and EUR 3,218 thousand, respectively. Acquisitions made in 2017 and 2018 resulted in an increase in gross rental income of EUR 3,547 thousand and EUR 1,864 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 5,557 thousand. Rental income of EUR 4,127 thousand was lost due to the termination of leases.

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 2,503 thousand (2017: EUR 1,827 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.

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	2018	2017
Legal and consulting costs	2,897	3,631
Rental and ancillary costs	2,249	1,987
Marketing/investor relations	1,271	1,438
Ancillary financing costs	947	607
Insurance/contributions and levies	786	703
Input tax loss	662	591
Vehicle costs	581	597
Recruitment and other personnel costs	496	540
Auditing costs	486	491
IT costs	433	517
Supervisory Board remuneration	401	413
External services	418	269
Other	486	1,044
Total	12,113	12,828

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 6 thousand. Further details, especially disclosures in accordance with section 314 (1) no. 6 letter a HGB, are provided on page 177 et seq. in the corporate governance section of the remuneration report, which is an integral part of the management report.

The following fees were incurred for the services supplied by the auditors of the financial statements Rödl & Partner GmbH, Wirtschaftsprüfungsgesellschaft, Steuerberatungsgesellschaft, Nuremberg, in financial years 2018 and 2017:

in EUR thousand	2018	2017
Financial statements auditing services	380	415
Other assurance services	106	76
Total	486	491

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

The other assurance services include, in particular, the preparation of two letters of comfort in the context of issuing and tapping bonds as well as the review of the half-yearly IFRS financial statements.

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 as well as the related social security contributions in the total amount of EUR 15,757 thousand (2017: EUR 16,597 thousand). The social security contributions totalling EUR 2,105 thousand (2017: EUR 2,121 thousand) include EUR 1,001 thousand (2017: EUR 1,000 thousand) in contributions to the statutory pension fund. At EUR 18,204 thousand, personnel expenses are lower than in the previous year (2017: EUR 19,010 thousand). The prior-year figure included non-recurring personnel expenses of EUR 900 thousand.

The average number of employees fell from 180 in 2017 to 174 in 2018. Averaged over the year, DIC Asset AG had 58 employees, while DIC Onsite GmbH had 106 employees and DIC Fund Balance GmbH had 10 employees.

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 on page 177 et seq. in the corporate governance section of the remuneration report, which is an integral part of the management report.

6. Depreciation and amortisation

Depreciation and amortisation of EUR 29,577 thousand (2017: EUR 31,013 thousand) primarily concerns the recognised properties and, to a lesser extent, office furniture and equipment and intangible fixed assets. This item was affected by acquisitions, sales in the previous and current year, and investments made 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 its subsidiaries, particularly by DIC Onsite GmbH to the following non-consolidated companies:

in EUR thousand	2018	2017
DIC Office Balance I	11,638	2,918
DIC HighStreet Balance	7,279	1,329
DIC Office Balance II	2,746	2,537
DIC Office Balance III	3,130	2,788
DIC Office Balance IV	1,553	3,676
DIC Retail Balance I	1,177	5,598
DIC Office Balance V	4,074	0
Deutsche Immobilien Chancen AG & Co. KGaA and subsidiaries	364	306
DIC MSREF HMDD Portfolio GmbH	185	249
DIC MSREF HT Portfolio GmbH	324	217
DIC MSREF FF Südwest Portfolio GmbH	72	129
DIC MainTor GmbH	119	176
Other third parties	978	895
Total	33,639	20,818

8. Other operating income and expenses

Other operating income mainly includes income from non-monetary benefits of EUR 350 thousand (2017: EUR 350 thousand) resulting from the use of a company car, and income from of liability remunerations of EUR 157 thousand (2017: EUR 130 thousand).

Other operating expenses mainly comprise prior-years' costs to sell and costs for transferring entities to the funds amounting to EUR 531 thousand (2017: EUR 535 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 18,646 thousand (2017: EUR 25,482 thousand). This corresponds to a return on sales of 21 % (2017: 11 %).

Sales costs of EUR 3,031 thousand (2017: EUR 11,430 thousand) were deducted from the sales proceeds of EUR 89,783 thousand (2017: EUR 240,935 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 as well as investment income and amounts to EUR 15,829 thousand (2017: EUR 28,996 thousand).

The year-on-year decrease is primarily attributable to 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. In 2018, the dividend of EUR 10.2 million received from TLG Immobilien AG made a significant contribution. The share of the profit or loss of associates also includes contribution from the existing DIC Office Balance I, DIC Office Balance II, DIC Office Balance III, DIC Office Balance IV, DIC Office Balance V, DIC HighStreet Balance (until 31 March 2018) and DIC Retail Balance I funds, 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 1,120 thousand in the financial year (2017: EUR 1,632 thousand). The decrease is mainly due to the early repayment of refinancing in the previous year.

Effective interest expense of EUR 20,591 thousand (2017: EUR 17,926 thousand) results from the corporate bonds.

12. Income tax

in EUR thousand	2018	2017
Current taxes	-6,241	-5,856
Deferred tax income/expense	-2,079	-209
Total	-8,320	-6,065

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 3,831 thousand (2017: EUR 3,365 thousand) and trade tax amounting to EUR 2,410 thousand (2017: EUR 2,491 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 54.3 million (2017: EUR 52 million) and on trade tax loss carryforwards amounting to EUR 98.9 million (2017: EUR 103 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	2018	2017
Tax loss carryforwards	-1,459	0
Real estate valuation	460	2,516
Derivatives	0	197
Bond issuance	-1,099	-758
Other adjustments	19	-2,164
Total	-2,079	-209

Deferred tax assets and liabilities can be classified as follows:

in EUR thousand	31.12.2018		31.12.2017	
	Assets	Liabilities	Assets	Liabilities
Loss carryforwards	19,332	0	20,791	0
Investment properties	7,294	13,604	4,694	11,464
Derivatives	0	20	0	0
Capital transactions	229	3,002	343	1,829
Other	22	48	9	54
Total	26,877	16,674	25,837	13,347

Deferred taxes on the items included in other comprehensive income amount to EUR -1,088 thousand (2017: EUR -548 thousand), of which EUR -20 thousand (2017: EUR 0 thousand) is attributable to the movements in the Group's fair value hedges and EUR -1,068 thousand (2017: EUR -548 thousand) to the fair value changes of the financial instruments measured at fair value through other comprehensive income.

No deferred taxes were recognised on temporary differences in connection with shares in subsidiaries (outside basis differences) totalling EUR 13.0 million (2017: EUR 12.9 million) and on temporary differences in connection with associated companies totalling EUR 1.1 million (2017: EUR 0.9 million).

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

in EUR thousand	2018	2017
Consolidated profit before tax	55,933	70,478
Applicable statutory tax rate (in %)	31.925	31.925
Anticipated tax expense	17,857	22,500
Increase or decrease in the tax liability through:		
Trade tax reduction and differing tax rates	-7,608	-6,716
Tax-free income	0	-7,718
Non-deductible expenses	5,654	8,583
Effects of associates	-5,053	-9,257
Effects of unrecognised tax losses	-3,331	-2,848
Taxes for previous periods	257	1,450
Other effects	544	71
Current total tax expense	8,320	6,065

The anticipated tax rate was determined on the basis of the tax rates applicable in Germany in 2018 and 2017. 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	2018	2017
Consolidated profit/loss after non-controlling interests	47,691,041.75	63,592,143.04
Average number of shares issued	69,957,968	68,577,747
Basic earnings per share	**0.68**	0.93

For 2018, the Management Board will propose a dividend in the amount of EUR 33,853 thousand (EUR 0.48 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 (scrip dividend). Of this figure, an amount of EUR 3,328 thousand will be subject to capital gains tax, which is estimated to be EUR 878 thousand. In accordance with IAS 10, the dividend is not recognised as a liability in these consolidated financial statements.

Following the recommendation of the European Public Real Estate Association (EPRA), the net asset value (NAV) as at 31 December 2018 and 31 December 2017 is calculated as follows:

in EUR thousand	31.12.2018	31.12.2017
Carrying amount of investment properties	1,459,002	1,437,214
Investment properties in accordance with IFRS 5	25,166	117,338
Fair value adjustment	212,604	84,648
Fair value of properties *	1,696,772	1,639,200
Carrying amount of associates	86,988	90,799
Fair value adjustment	34,887	31,546
Fair value of associates	121,875	122,345
+/- other assets/liabilities	757,230	597,050
Net loan liabilities at carrying amount	-1,481,104	-1,405,707
Net loan liabilities in accordance with IFRS 5	0	-47,568
Non-controlling interests	-8,946	-5,365
EPRA NAV	1,085,827	899,955
Deferred taxes on fair value adjustments	-39,165	-18,388
EPRA NNAV	1,046,662	881,567
Fair value of financial instruments	54,667	38,628
Fair value adjustment of net loan liabilities	-4,969	11,223
EPRA NNNAV	1,096,360	931,418
EPRA NAV/share	15.40	13.12
EPRA NNAV/share	14.84	12.85
EPRA NNNAV/share	15.55	13.58

* incl. non-controlling interests and IFRS 5 properties

BALANCE SHEET DISCLOSURES

14. Investment property

in EUR thousand	2018	2017
Cost		
As at 1 January	1,669,895	1,803,263
Additions resulting from acquisitions	103,190	0
Additions from investment in expansion	23,398	19,786
Reclassification as "held for sale"	-32,213	35,723
Disposals	-62,617	-188,877
As at 31 December	1,701,653	1,669,895
Depreciation and amortisation		
As at 1 January	232,681	219,831
Additions	28,609	29,767
Reclassification as "held for sale"	-7,047	-12,490
Disposals	-11,592	-4,427
As at 31 December	242,651	232,681
Carrying amount on 1 January	1,437,214	1,583,432
Carrying amount on 31 December	1,459,002	1,437,214
Fair value *	1,696,772	1,639,200

* 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 2018 are presented below:

in EUR thousand	Fair value 31.12.2018	Quoted prices in active markets for identical assets (level 1)	Material other observable inputs (level 2)	Material unobservable inputs (level 3)
Investment property in Germany	1,696,772			1,696,772

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 1.46 % (2017: 0.30 % to 1.77 %). The property-specific risk premium was between 1.54 % and 7.54 % (2017: between 1.98 % and 6.23 %). The average discount rate was 3.00 % to 9.00 % (2017: 3.75 % to 8.00 %).

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 3.75 % and 6.50 % (2017: 4.25 % and 7.00 %) 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 higher of fair value and 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 95 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

Scenarios: changes of capitalisation rate

Scenarios: changes of discount rate	+0.25 %	0 %	-0.25 %
+0.25 %	-114.2 EUR million	-44.8 EUR million	+32.5 EUR million
0 %	-70.8 EUR million	+/-0.0	+79.6 EUR million
-0.25 %	-25.8 EUR million	+46.8 EUR million	+129.1 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 114.2 million. If the interest rates were to fall by the same amount, the value in use would rise by EUR 129.1 million.

As at 31 December 2018, acquisition costs included borrowing costs of EUR 735 thousand (2017: EUR 334 thousand). In financial year 2018, borrowing costs of EUR 401 thousand were capitalised (2017: EUR 334 thousand). The rate of borrowing costs was 2.28 % (2017: 2.86 %).

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 41.8 million for 2019 and 2020 (2017: EUR 7.6 million). Obligations from purchase agreements amount to EUR 0.3 million (2017: EUR 1.1 million). There are also financial obligations totalling EUR 237.0 million resulting from agreements to secure investment property in Berlin and Düsseldorf.

15. Office furniture and equipment

in EUR thousand	2018	2017
Cost		
As at 1 January	2,238	2,052
Additions	151	200
Disposals	-1	-14
As at 31 December	2,388	2,238
Depreciation and amortisation		
As at 1 January	1,660	1,470
Additions	175	200
Disposals	-1	-10
As at 31 December	1,834	1,660
Carrying amount on 1 January	578	582
Carrying amount on 31 December	554	578

16. Investments in associates

The associates as at 31 December 2018 are listed in the following table. The equity investments and/or voting rights in the companies listed below are all held directly by the Group.

in EUR thousand	31.12.2018		31.12.2017	
Interest in:	**Share of voting rights**	**Carrying amount**	Share of voting rights	Carrying amount
DIC Office Balance I (fund)	**12.5 %**	**22,180**	12.5 %	18,672
DIC Office Balance II (fund)	**0.0 %**	**9,490**	0.0 %	9,553
DIC Office Balance III (fund)	**5.9 %**	**7,564**	5.9 %	7,414
DIC Office Balance IV (fund)	**7.2 %**	**3,064**	8.7 %	2,939
DIC Office Balance V (fund)	**11.1 %**	**3,817**	0.0 %	0
DIC Retail Balance I (fund)	**8.3 %**	**5,878**	9.1 %	5,643
DIC HighStreet Balance (fund)*	**0.0 %**	**0**	0.0 %	6,773
DIC Metropolregion Rhein-Main (fund)	**45.0 %**	**1,303**	0.0 %	0
DIC MainTor Zweite Beteiligungs GmbH & Co. KG	**40.0 %**	**28,316**	40.0 %	27,798
DIC MSREF HT Portfolio GmbH	**20.0 %**	**3**	20.0 %	3,605
DIC MSREF FF Südwest Portfolio GmbH	**20.0 %**	**5,192**	20.0 %	5,909
DIC MSREF HMDD Portfolio GmbH	**20.0 %**	**2**	20.0 %	2,311
Other		**179**		182
Total		**86,988**		90,799

* until 31.03.2018

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 Office Balance V	DIC Metropolregion Rhein-Main	Other associates	**2018 total**	**2017 total**
Assets	539,746	501,222	373,364	225,592	161,276	114,301	73,365	25,913	145,574	2,060,353	1,990,777
Liabilities	489,726	205,051	127,193	1,548	33,126	228	421	75	125,504	982,872	941,881
Net assets	50,020	296,171	246,171	224,044	128,150	114,073	72,944	25,838	20,070	**1,077,481**	1,048,896
Income	12,044	99,218	16,590	11,084	4,238	5,668	286	241	6,487	**155,856**	114,972
Expenses	15,564	16,133	12,290	909	1,906	461	152	39	4,553	**52,007**	62,361
Profit for the year	-3,520	83,085	4,300	10,175	2,332	5,207	134	202	1,934	**103,849**	52,610

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 Office Balance V, DIC Retail Balance I, DIC Metropolregion Rhein-Main.

The Group holds a 9.8 % interest (DIC Office Balance I), a 4.6 % interest (DIC Office Balance II), a 3.3 % interest (DIC Office Balance III), a 2.5 % interest (DIC Office Balance IV), a 4.6 % interest (DIC Retail Balance I), a 40.7 % interest (DIC Office Balance V) and a 44.4 % interest (DIC Metropolregion Rhein-Main) in the capital of funds and/or 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 in the section entitled "Legal transactions with related parties" on p. 158 for a description of the terms.

in EUR thousand	IAS 24.9	2018	2017
DIC Opportunistic GmbH	b (ii)	36,831	32,855
Deutsche Immobilien Chancen AG & Co. KGaA	b (ii)	30,089	29,213
DIC MainTor GmbH	b (ii)	40,130	24,281
DIC MainTor Zweite Beteiligungs GmbH & Co. KG	b (ii)	23,156	21,591
DIC MSREF HMDD Portfolio GmbH	b (ii)	0	2,203
Total		130,206	110,143

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 values of EUR 352,154 thousand (2017: 259,549 thousand) and EUR 30,424 thousand (2017: EUR 31,026 thousand), respectively.

19. Intangible assets

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

in EUR thousand	2018	2017
Cost		
As at 1 January	3,161	2,931
Additions	0	230
Disposals	0	0
As at 31 December	3,161	3,161
Amortisation		
As at 1 January	2,725	2,273
Additions	170	452
Disposals	0	0
As at 31 December	2,895	2,725
Carrying amount on 1 January	436	658
Carrying amount on 31 December	266	436

20. Trade receivables

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

For an explanation of expected credit losses or impairments, please refer to the explanatory notes on credit risk in our risk management reporting.

21. Receivables from and liabilities to related parties

The receivables result predominantly from the granting of loans. An 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. 158.

The value shown in the balance sheet relates to:

in EUR thousand		**31.12.2018**		31.12.2017	
	IAS 24.9	**Receivables**	**Liabilities**	Receivables	Liabilities
DIC MSREF HT Portfolio GmbH	b (ii)			605	
DIC MSREF FF Südwest GmbH	b (ii)	**1,853**	**791**	1,717	791
DIC MSREF HMDD Portfolio GmbH	b (ii)		**272**		272
DIC MainTor GmbH	b (ii)	**115**	**8,897**	56	8,520
DIC Opportunistic GmbH	b (ii)	**4,685**	**1,170**	5,980	1,117
DIC MainTor Zweite Beteiligungs GmbH & Co. KG	b (ii)		**3,656**		3,450
Deutsche Immobilien Chancen Beteiligungs AG	b (ii)	**46**		18	
Deutsche Immobilien Chancen AG & Co. KGaA	b (ii)	**883**	**525**	1,361	379
DIC MainTor III GmbH	b (ii)		**738**		696
DIC Office Balance II (fund)	b (ii)	**202**		69	
DIC Office Balance III (fund)	b (ii)	**1,291**		450	
DIC Office Balance IV (fund)	b (ii)	**81**		55	
DIC Retail Balance I (fund)	b (ii)	**9**		9	
DIC Office Balance V (fund)	b (ii)	**6**			
DIC Starwood Immobilien GmbH	b (ii)			91	
Other	b (ii)	**211**	**55**	310	27
Total		**9,382**	**16,104**	10,721	15,252

22. Income tax receivables

The figure reported relates to withholding taxes and corporation and trade tax.

23. Other receivables

in EUR thousand	2018	2017
Receivables from unbilled services	13,208	939
Deposits	3,916	3,720
"Rent-free period" receivables	1,801	1,576
Value added tax	1,689	4,356
Receivables from insurance compensations	868	825
Recovery of special repayments	2,513	0
Receivables from future amounts due	0	5,000
Other	2,411	827
Total	26,406	17,243

24. Other current assets

This item takes into account prepaid ground rents of EUR 1,188 thousand (2017: EUR 1,204 thousand) and other prepaid costs, such as insurance premiums.

25. Cash and cash equivalents

Of the existing cash and cash equivalents, EUR 33,176 thousand is subject to short-term restrictions on disposal beyond the end of the reporting period.

26. Non-current assets held for sale

At year-end 2018, the sale of two properties from the Commercial Portfolio was notarised. Possession, benefits and associated risks of this property will be transferred in 2019. These properties were reclassified to non-current assets held for sale.

In addition, shares in the DIC Office Balance V and DIC Metropolregion Rhein-Main funds, which are to be sold in the course of next year, are reported under non-current assets held for sale.

Profits of EUR 4,776 thousand arose in 2018 in connection with the non-current assets held for sale item from the previous year (2017: EUR 467 thousand).

27. Equity

a. Issued capital

The subscribed capital in the amount of EUR 70,526,248.00 (2017: EUR 68,577,747.00) consists of 70,526,248 (2017: EUR 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 was 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). After a portion of authorised capital was utilised subject to the granting of pre-emptive rights to the shareholders in April 2018, the remaining authorised capital at the reporting date amounts to EUR 32,340,372.00. As a rule, the shareholders are to be granted a pre-emptive right when authorised capital is utilised. 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.

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 purchased 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 2018, 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 749,816 thousand at the reporting date (2017: EUR 732,846 thousand). It contains the premium from the issuance of shares. The year-on-year rise results from the capital increase in kind carried out in connection with the scrip dividend.

f. Hedging reserve

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

g. Reserve for financial instruments classified as measured at fair value through other comprehensive income

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 and other comprehensive income with consolidated retained earnings is shown in the following table:

in EUR thousand	31.12.2018	31.12.2017
Retained earnings/loss brought forward	-14,763	-50,925
Consolidated profit for the year	47,613	64,412
Dividend payment	-43,890	-27,430
Profit attributable to non-controlling interests	78	-820
Amount reclassified from the provision for financial instruments classified as measured at fair value	12,237	0
Consolidated retained earnings	1,275	-14,763
of which profits from the income statement	-10,962	0
of which profits from other comprehensive income	12,237	0

The dividend payment for 2017 and 2016 amounted to EUR 0.64 and EUR 0.40 per share, respectively.

28. Interest-bearing loans and borrowings

in EUR thousand	31.12.2018		31.12.2017	
	Carrying amount	Fair value	Carrying amount	Fair value
Long-term (> 1 year) interest-bearing loans and borrowings				
Variable-rate loans and borrowings	73,838	74,065	–	–
Fixed-rate loans and borrowings	1,107,135	1,106,778	1,109,559	1,097,245
	1,180,973	1,180,843	1,109,559	1,097,245
Short-term (< 1 year) interest-bearing loans and borrowings				
Variable-rate loans and borrowings	110,183	111,228	168,166	168,576
Fixed-rate loans and borrowings	189,948	194,004	175,550	176,231
	300,131	305,232	343,716	344,807
Total	1,481,104	1,486,075	1,453,275	1,442,052

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 2018. 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	31.12.2018			31.12.2017		
	Total variable-rate loans and borrowings	Total fixed-rate loans and borrowings	Weighted interest rate (fixed-rate loans and borrowings)	Total variable-rate l oans and borrowings	Total fixed-rate loans and borrowings	Weighted interest rate (fixed-rate loans and borrowings)
< 1 year	110,183	189,948	4.51 %	168,166	175,550	5.13 %
1–5 years	73,838	1,026,033	2.33 %	–	648,149	2.68 %
> 5 years	–	81,102	1.71 %	–	461,410	1.96 %
Total	184,021	1,297,083		168,166	1,285,109	

Interest rates on the variable-rate loans and borrowings were adjusted regularly. Interest-rate adjustment dates are based on the 3-month Euribor rate plus an average margin. An average interest rate of 1.89 % (2017: 1.81 %) is used for the variable-rate loans and borrowings, while an average interest rate of around 2.59 % (2017: 2.70 %) 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 101.9 % at the reporting date. The price the bond issued in July 2017 with a nominal volume of EUR 180 million was 100.4 % at the reporting date. The bond issued in October 2018 with a nominal volume of EUR 150 million was quoted at 100.0 % at the reporting date.

The interest-bearing loans and borrowings were secured by land charges – with two exceptions: EUR 497,823 thousand for our corporate bonds (2017: EUR 398,185 thousand) and EUR 88,000 thousand in current liabilities.

29. Derivatives

At the reporting date, one derivative financial instrument was held:

in EUR thousand	31.12.2018		31.12.2017	
	Notional amount	**Fair value**	Notional amount	Fair value
Liabilities				
Share option	**n/a***	**14,847**	0	0

* The existing share option concerns the writer position of a call option for 6,196,377 shares in TLG AG.

At 31 December 2017, no derivative financial instruments were held.

in EUR thousand	31.12.2018		31.12.2017	
	Notional amount	**Fair value**	Notional amount	Fair value
Term ≤ 1 year	**n/a**	**14,847**	0	0
Term > 1 year	**0**	**0**	0	0

The Group entered into a short position of a call option for 6,196,377 shares in TLG AG to hedge the fair value of the shares in TLG AG shown under Other investments.

The following effects result from the hedge:

in EUR thousand				
Type of hedge	Notional amount	Carrying amount	Change in value	Balance sheet item
Share option	n/a	14,847	1,243	Derivatives

The following effects result from the hedged item:

in EUR thousand				
Type of hedged item	Carrying amount	Balance sheet item	Change in value in the current financial year	Cumulative change in value
Equity investment	161,106	Other investments	8,799	8,799

No ineffectiveness from hedges is shown in the income statement in the current financial year.

30. Trade payables

Of the trade payables amounting to EUR 2,149 thousand (2017: EUR 1,245 thousand), EUR 340 thousand (2017: EUR 346 thousand) results from deferred service charges and from the use of services. They are due within one year.

31. Income tax payable

in EUR thousand	31.12.2018	31.12.2017
Trade tax	**4,307**	2,912
Corporation tax	**4,320**	0
Total	**8,627**	2,912

32. Other liabilities

in EUR thousand	31.12.2018	31.12.2017
Advances received	21,479	0
Invoices outstanding	13,850	11,305
Deposits	3,905	3,729
Obligations under purchase contracts	3,455	0
Bonuses	2,702	2,620
Security deposits	1,652	1,483
Holiday pay und other personnel-related expenses	1,132	1,322
Value added tax	826	867
Share-based payment	686	525
Advance rent payments received	592	528
Auditing costs	494	601
Supervisory Board remuneration	395	395
Tax consultancy fees	341	318
Other	3,116	2,641
Total	54,625	26,334

The advances received are related to the agreements of the sale of shares in TLG Immobilien AG.

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 2018, the current and former members of the Management Board held options on 315,000 (2017: 315,000) phantom stocks of the Company. 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 2018, the Company measured the fair value at EUR 3.19 for Ms Wärntges, at EUR 2.90 for Mr von Mutius, at EUR 2.98 for Mr Hasselbring and at EUR 3.19 for Mr Karaduman (Management Board member until 30 September 2017). The Black-Scholes option pricing model is used for the measurement.

The critical parameters for this valuation model are the share price at the reporting date of EUR 9.07, (2017: EUR 10.53), the exercise price of EUR 5.88 in each case, the standard deviation from the expected share price return of 15.80 % (2017: 14.78 %) 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.

A total of 155,000 phantom stock options were exercisable at the reporting date. The fair value of all options granted (including former members of the Management Board) amounted to EUR 686 thousand at the reporting date (2017: EUR 525 thousand). As a result, a total of EUR 161 thousand (2017: EUR 362 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" on page 158 et seq. For information on individual members, see the details on Supervisory Board remuneration in the remuneration report.

33. 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 measurement or option pricing model) 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 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 IFRS 9 measurement categories relevant for the Group are: Financial assets at fair value through OCI (FVOCI), Financial assets measured at amortised cost (FAAC), and Financial liabilities measured at amortised cost (FLAC).

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, or the sale price due to the existing contracts. Changes in fair value at the end of the reporting period amounted to EUR +30,887 thousand. Please refer to page 133 et seq. for the valuation of real estate assets.

in EUR thousand	IFRS 9 measurement category	Carrying amount 31.12.18	Measurement in acc. with IFRS 9		Fair value 31.12.18
			Amortised cost	Fair value through other comprehensive income	
Assets					
Other investments	FVOCI	382,578		382,578	382,578
Other loans	FAAC	130,206	130,206		130,206
Receivables from sale of investment property	FAAC	515	515		515
Trade receivables	FAAC	4,182	4,182		4,182
Receivables from related parties	FAAC	9,382	9,382		9,382
Other receivables	FAAC	26,406	26,406		26,406
Other current assets	FAAC	1,545	1,545		1,545
Cash and cash equivalents	FAAC	286,903	286,903		286,903
Total	FAAC	459,139	459,139		459,139
Liabilities					
Derivatives	n/a	14,487		14,487	14,487
Corporate bond	FLAC	497,822	497,822		508,958
Non-current interest-bearing loans and borrowings	FLAC	857,601	857,601		850,123
Current loans and borrowings	FLAC	125,681	125,681		126,994
Trade payables	FLAC	2,149	2,149		2,149
Related party liabilities	FLAC	16,104	16,104		16,104
Other liabilities	FLAC	54,625	54,625		54,625
Liabilities related to financial investments held for sale	FLAC	0	0		0
Total	FLAC	1,553,982	1,553,982		1,558,953

The figures for the previous year are as follows:

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 through other comprehensive income	
Assets					
Other 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**

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

in EUR thousand	Interest income		Interest expense	
	2018	2017	**2018**	2017
Financial assets measured at amortised cost (FAAC, previous year: LaR)	**9,266**	8,701		
Financial liabilities measured at amortised cost (FLAC)			**-40,205**	-38,861

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 2018, the division into measurement levels is as follows:

in EUR thousand	**Fair value 31.12.2018**	Level 1	Level 2	Level 3
Assets at fair value – recognised in other comprehensive income				
Other investments	**382,578**	352,154		30,424

The figures for the previous year are 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				
Other investments	**290,575**	259,549		31,026

Changes in Level 3 financial instruments are as follows:

in EUR thousand	**2018**	2017
01.01.	**31,026**	23,664
Addition	**0**	6,229
Measurement gains/losses	**-602**	1,133
31.12.	**30,424**	31,026

Net gains and losses on financial instruments are as follows:

in EUR thousand	2018	2017
Financial assets measured at fair value through other comprehensive income (FVOCI) - equity instruments	30,887	
Available-for-sale financial assets (AfS)		35,466
Financial assets measured at amortised cost (FAAC)	401	
Loans and receivables (LaR)		712

The net gains and losses consist of the changes in the fair value of financial assets recognised through other comprehensive income (equity instruments, FVOCI), as well as expenses and income for expected credit losses (previous year: valuation allowances) from the financial assets measured at amortised cost (FAAC).

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 unpaid interest and 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 is broken down into the segments Commercial Portfolio, Funds and Other Investments.

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.

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 declined from EUR 47.1 million to EUR 43.5 million due to lower rental income resulting from sales and inclusion in new funds. The growth of AuM in this segment underscores our growth strategy and our hybrid business model.

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. In particular, the establishment of our trading platform coupled with a EUR 12.7 million increase in real estate management fees nearly tripled the FFO contribution of this segment year on year. Assets under management increased to EUR 1.8 billion, reflecting the strategic growth in this segment.

Project developments, joint ventures and financial investments are grouped in the segment Other Investments. The decrease in FFO over the prior year was mainly attributable to higher interest expense due to the investment in expanding our TLG holding. Real estate management fees in this segment performed positively, particularly in the third-party business.

SEGMENT REPORTING

in EUR million	2018				2017			
	Commercial Portfolio	Funds	Other Investments	Total	Commercial Portfolio	Funds	Other Investments	Total
Key earnings figures								
Gross rental income (GRI)	100.2			**100.2**	109.7			**109.7**
Net rental income (NRI)	84.7			**84.7**	93.1			**93.1**
Profits on property disposals *	18.6			**18.6**	25.5			**25.5**
Real estate management income		31.6	2.0	**33.6**		18.9	1.9	**20.8**
Share of the profit or loss of associates		5.7	10.1	**15.8**		2.6	26,4**	**29.0**
Net interest income	-28.5	-1.0	-7.3	**-36.8**	-29.9	-1.4	-3.8	**-35.1**
Funds from Operations (FFO)	43.5	22.7	1.8	**68.0**	47.1	8.6	4.5	**60.2**
Segment assets								
Number of properties ***	101	62	15	**178**	113	56	13	**182**
Assets under Management (AuM) in EUR million***	1,697	1,800	2,149	**5,646**	1,639	1,494	1,266	**4,399**
Rental space in sqm ***	893,538	676,853	289,791	**1,860,182**	957,529	613,358	202,926	**1,773,813**

* not relevant for FFO
** of which EUR 17.1 million is not relevant for FFO
*** not proportionate / based on 100%, incl. project developments and repositioning properties

RECONCILIATION BETWEEN THE MARKET VALUE IN 2018 AND THE CARRYING AMOUNT OF INVESTMENT PROPERTIES

in EUR million	2018	2017
Market value, AuM, total	5,646	4,399
Less Other Investments	2,149	1,266
Less Funds	1,800	1,494
Less fair value difference	213	85
less IFRS 5 properties	25	117
Total	1,459	1,437

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 1,459,002 thousand (2017: EUR 1,437,214 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	2018	2017
< 1 year	93,225	98,400
1–5 years	270,459	262,136
> 5 years	175,180	102,225
Total	538,864	462,761

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 2018, the Group had leases primarily for retail and gastronomy space involving a revenue-dependent, in some cases index-linked rent agreement. The Group generated rent of EUR 4,561 thousand (2017: EUR 4,477 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 2018, please refer to note 1. Maintenance expenses included in other property-related expenses were as follows:

in EUR thousand	2018	2017
Properties with which rental income is generated	1,555	1,840
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 2,095 thousand (2017: EUR 1,786 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 three years. DIC Asset AG will make the following minimum lease payments for existing non-cancellable operating leases:

in EUR thousand	2018	2017
< 1 year	2,000	1,765
1–5 years	6,106	5,765
> 5 years	361	2,759
Total	8,467	10,289

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 page 87 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, receivables from related parties) 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. Leases are only signed with counterparties with excellent credit standing. Credit ratings are analysed and updated on each reporting date. To this end, the available credit information is reviewed for significant deterioration. Contractual partners without any record of late payments are assigned to Risk Level I. Delayed payments or non-payment of outstanding receivables are generally considered to increase credit risk significantly and in some cases are already subject to litigation (Risk Level II). Receivables that appear uncollectible, e.g. because of insolvency, are classified in the highest risk level (Risk Level III). This principle can be refuted if reliable and justifiable information indicates in individual cases that credit risk has not increased. Based on the relevant risk level assignment, valuation allowances are recognised in the amount of the expected credit loss.

Receivables from related parties exist mainly in the form of loans granted. The creditworthiness of these contractual partners is monitored continuously. Due to the existing collateral and the assets of the contractual partners, the expected credit losses in this context are regarded as insignificant. 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 applies in particular to bank balances. The credit risk of these contractual partners is subject to regular monitoring. To minimise risk, the Group enters into transactions only with counterparties that have a high credit rating or are members of a deposit protection fund.

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 2018, there were guarantees amounting to EUR 160,752 thousand (2017: EUR 199,976 thousand). The share attributable to DIC Asset AG as at the reporting date amounts to EUR 128,140 thousand (see disclosures on contingent liabilities).

Based on the risk classifications, the carrying amounts per risk level are as follows:

in EUR thousand		2018		
	Trade receivables	Loans to related parties	Receivables from related parties	Bank balances
Risk level I	3,314	130,206	9,382	286,903
Risk level II	868	-	-	-
Risk level III	-	-	-	-
Total	**4,182**	**130,206**	**9,382**	**286,903**

Valuation allowances on trade receivables changed as follows:

in EUR thousand	2018	2017
As at 1 January	1,734	1,206
Additions	614	1,114
Use	-303	-184
Reversal	-213	-402
As at 31 December	**1,832**	1,734

The change in valuation allowances is attributable to the ongoing measurement of receivables. Additions relate mainly to additions to Levels 2/3.

For all other assets subject to the impairment model according to IFRS 9.5.5, there were no material expected credit losses.

The maximum credit risk is equal to the carrying amounts of the financial assets recognised in the balance sheet.

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.

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 (ICR), 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 2018 financial year. We expect no covenant violations in 2019.

Cash and cash equivalents totalling EUR 286,903 thousand (2017: EUR 201,997 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 108,628 thousand (2017: EUR 43,849 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 255 million (2017: EUR 266 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	**2019**	2020 to 2023	2024 and after
Non-derivative financial liabilities			
Non-current interest-bearing loans and borrowings	**19,974**	1,198,880	88,063
Current loans and borrowings	**320,857**		
Trade payables	**2,149**		
Related party liabilities	**16,104**		
Other liabilities	**54,626**		
Derivative financial liabilities	**0**	0	0
Total	**413,710**	1,198,880	88,063

The figures for the previous year are as follows:

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 – properties 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. As at the 31 December 2018 reporting date, the Group had no interest rate derivatives.

In order to hedge the fair value of the shares in TLG AG shown under Other Investments, the Company entered into a short position on a call option during the financial year (see page 144).

The following table shows the notional amounts and remaining terms of derivatives at the end of the reporting period.

in EUR thousand	2018		2017	
	Notional amount	Fair value	Notional amount	Fair value
Term ≤ 1 year	n/a	14,847	0	0
Term 1-5 years	0	0	0	0
Term > 5 year	0	0	0	0

As at 31 December 2018, 88% (2017: 88%) of the Group's loans and borrowings carried a fixed interest rate 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% (2017: 12%) of financial debt at variable interest rates in financial year 2018.

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 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	2018		2017	
	+100 Bp	-100 Bp	+100 Bp	-100 Bp
Effect on earnings from variable-rate loans and borrowings	-1,723	+1,705	-1,065	+337

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

There are no realisable market risks for the option on TLG Immobilien AG shares due to the fixed sales over the term of the option.

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	53,000	53,000
Directly enforceable guarantee	Thoma Aufzüge GmbH	Claims from the MT Porta construction project	30	30
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
Guarantee pursuant to section 648 BGB	Dodel Metallbau GmbH	Claims, Junges Quartier Obersendling construction project	648	648
Payment bond	ED.Züblin AG	MT Panorama construction project	1,666	1,666
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
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	140	28
Payment bond	Cummins Deutschland GmbH	Kaiserpassage Frankfurt construction project	132	132
Cost overrun / debt service guarantee	Deutsche Hypothekenbank (Actien-Gesellschaft)	Regional Council Darmstadt construction project	5,000	5,000
Payment bond	Schwitzke Project GmbH	Regional Council Darmstadt construction project	2,974	2,974
Performance surety bond	Ferox	Regional Council Darmstadt construction project	1,033	1,033

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 with a fixed term until 31 March 2024 is in place between DIC Asset AG and Deutsche Immobilien Chancen AG & Co. KGaA, which acts as the general tenant for the Group, for the premises in the MainTor Primus building. DIC Asset AG subleased upper levels two to seven in that building. This agreement triggers annual payments of EUR 1,209 thousand, plus EUR 191 thousand in advance payments of service charges. The sublease agreement on the space on the first floor was terminated early as at 31 October 2018, and Deutsche Immobilien Chancen AG & Co. KGaA subleased the space on the eighth floor to another tenant.

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. 151 et seq. 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. 134 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	2018	2017
Equity	895,921	828,913
Total assets	2,490,051	2,341,278
Reported equity ratio	36.0%	35.4%

The reported equity ratio increased by 0.6 percentage points year-on-year.

RELATED PARTY DISCLOSURES

Entities and individuals classified as related parties

Related parties include the 15 (2017: 14) 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 services related to general property and building management (including re-letting services), technical building management as well as accounting, finance and controlling for a total of 19 properties in which DIC AG & Co. KGaA has a direct or indirect equity interest. In 2018, the total remuneration received by the Company for these services amounted to EUR 33,639 thousand (2017: EUR 20,818 thousand). Of this, a total of EUR 364 thousand (2017: EUR 306 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 TTL Real Estate GmbH in the amount of EUR 222 thousand (22% of the ordinary shares). As at 31 December 2018, EUR 30,089 thousand of this credit line had been utilised (2017: EUR 29,213 thousand). For the money made available, DIC Asset AG received interest income in the amount of EUR 876 thousand in the reporting year (2017: EUR 851 thousand). The loan is shown under non-current loan and borrowings in the balance sheet.

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 2018, rent paid to DIC AG & Co. KGaA by DIC Asset AG and DIC Onsite AG amounted to EUR 1,319 thousand (2017: EUR 1,057 thousand) and EUR 218 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 agreement dated 17 December 2008 and the addenda thereto, DIC Asset AG has granted a loan to DIC Opportunistic GmbH. As at 31 December 2018, this loan amounted to EUR 36,831 thousand (2017: EUR 32,855 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. Based on an addendum dated 18 October 2018, the term was extended to 31 December 2019 with respect to a partial amount of EUR 15 million, and to 31 December 2020 with respect to the remaining amount. The loan has an interest rate of 5.75% p.a. DIC Asset AG received interest income in the amount of EUR 2,003 thousand in the reporting period (2017: EUR 1,973 thousand) in respect of this loan agreement.

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 nominally EUR 30 million to finance the corresponding construction stage of our project development. The loan has an interest rate of 7.25% p.a. In accordance with the addendum dated 6 December 2018, it has a term ending 31 December 2020. 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 40,130 thousand including accrued interest (2017: EUR 24,281 thousand). Total interest income of EUR 3,398 thousand (2017: EUR 3,159 thousand) was recognised in the 2018 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 4 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 4 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 4 October 2017 to the loan agreement dated 4 July 2008. As at 31 December 2018, the loan balance was EUR 23,156 thousand (2017: EUR 21,591 thousand). DIC Asset AG received interest income in the amount of EUR 1,565 thousand in the reporting period (2017: EUR 1,460 thousand) in respect of this loan agreement.

DIC Office Balance I, DIC Office Balance II, DIC Office Balance III, DIC Office Balance IV, DIC Office Balance V, DIC Retail Balance I and DIC HighStreet Balance

As a result of an agency agreement regarding asset and property management, the Group generated income from real estate management fees of EUR 11,638 thousand (2017: EUR 2,918 thousand) for services provided to the DIC Office Balance I fund, of EUR 2,746 thousand (2017: EUR 2,537 thousand) for services provided to the DIC Office Balance II fund, of EUR 3,130 thousand (2017: 2,788 thousand) for services provided to DIC Office Balance III, of EUR 1,533 thousand (2017: EUR 3,676 thousand) for services provided to DIC Office Balance IV, of EUR 4,074 thousand (2017: EUR 0 thousand) for services provided to DIC Office Balance V, of EUR 1,177 thousand (2017: EUR 5,598 thousand) for services provided to DIC Retail Balance I and of EUR 7,279 thousand (2017: EUR 1,329 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. and EUR 28 thousand for a company that was still operational

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 2018 and 2017, 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	**2018**	**2**	**247**	**38**	**0**	**0**	**287**
	2017	10	85	76	0	0	171
DIC MSREF HT Portfolio GmbH	**2018**	**7**	**465**	**28**	**0**	**0**	**500**
	2017	22	52	54	0	0	128
DIC MSREF FF Südwest Portfolio GmbH	**2018**	**7**	**0**	**61**	**0**	**1,072**	**1,140**
	2017	23	105	82	0	789	999
Total amounts	**2018**	**16**	**712**	**127**	**0**	**1,072**	**1,927**
	2017	56	242	212	0	788	1,298

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

Under the existing service agreements ("Asset Management Agreements") the 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 2018 and 2017, 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	**2018**	**0**	**0**	**0**	**84**	**0**	**84**
	2017	0	0	0	98	0	98

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 were held by DIC MSREF HMDD Portfolio GmbH and its wholly-owned subsidiaries, under agreements dated 14 December 2005;
- properties acquired from Hochtief, which were held by DIC MSREF HT Portfolio GmbH and its 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 two wholly-owned subsidiaries, under agreements dated 16 August 2006;

(hereinafter referred to collectively as "joint ventures").

The Company indirectly holds or held 20 % in each of the property companies in the FF Südwest-portfolio, the HT portfolio and the properties acquired from MEAG via the portfolio companies. Deutsche Immobilien Chancen AG & Co. KGaA also has an indirect stake of 30 % in each company in addition to the companies of the MSREF Group, which each hold 50 %. With respect to the distribution of profits, DIC Beteiligungs AG is entitled to a profit paid in advance based on the respective internal rate of return (IRR). This profit amounts to 10 % of profits if the IRR is 17.5 % or higher and increases up to a maximum of 30 % of profits if the IRR is over 27.5 %.

The Company continues to be bound by credit agreements with the joint ventures, under which the Company acts both as lender and borrower. The underlying credit comes in the form of overdraft facilities with an agreed interest rate of 6 % p.a. in each case. Interest is payable in arrears at the end of a year or quarter or is added to the principal. The agreements do not provide for fixed terms or collateral. With regard to the balances existing as at the reporting dates, see note 17.

GEG Real Estate Management GmbH

DIC Asset AG 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.

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 1 April to 30 July 2017 and to an annual EUR 32.5 thousand from 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 1 October 2016 to 30 March 2017 and to an annual EUR 16 thousand from 1 April 2017 onward. For the 2018 financial year as a whole, DIC Asset AG received total remuneration of EUR 9 thousand (2017: EUR 99 thousand) from this agreement. The agreement to provide HR services was terminated effective 31 January 2018, and the IT share was terminated effective 31 March 2018.

GEG Real Estate Management GmbH provided support services to DIC Asset AG relating to property sales completed in 2018. In total, DIC Asset AG paid EUR 86 thousand (previous year: EUR 916 thousand) for these services in financial year 2018.

Transactions with executives

There extent of transactions with executives and their close relatives was insignificant.

Management remuneration

The remuneration of key management personnel in the Group, which is subject to disclosure requirements under IAS 24.17, encompasses the remuneration paid to the current Management Board and the Supervisory Board.

The members of the Management Board received remuneration as follows:

in EUR thousand	2018	2017
Short-term benefits	1,994	1,792
Share-based payment	142	253
Total	2,136	2,045

For more details of the Management Board's remuneration, please see the remuneration report starting on page 177 et seq., which is part of the combined management report.

The members of the Supervisory Board received remuneration as follows:

in EUR thousand	2018	2017
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 6 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 458 thousand for financial year 2018.

Shareholder structure

Deutsche Immobilien Chancen AG & Co. KGaA, Frankfurt am Main, holds a direct and indirect equity interest of 31.2 % 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

In early January 2019, the acquisition of a property in Bremen for the Commercial Portfolio was notarised. The transfer of possession, benefits and associated risks is scheduled to take place in the first quarter of 2019.

In late January, the sale of one property from the Commercial Portfolio was notarised. The transfer of possession, benefits and associated risks is expected in the first quarter of 2019.

Also in late January, a loan of EUR 55 million was fully repaid.

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 (until 16 March 2018), 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
- Mr Eberhard Vetter (since 16 March 2018), Head of Capital Investments at RAG-Stiftung, Nauheim
- 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*
	TTL Beteiligungs- und Grundbesitz AG, Munich: Chairman of the of the Supervisory Board*
	DICP Capital SE, Munich: Chairman of the Board of Directors/Managing Director**
	Novalpina Capital Group S.à.r.l., Luxemburg: Non-Executive Chairman
	Deutsche Immobilien Chancen Beteiligungs AG, Frankfurt am Main: Chairman of the Supervisory Board*
	Deutsche Immobilien Chancen AG & Co. KGaA, Frankfurt am Main: Chairman of the Supervisory Board*
	DICP Erste Family Office Beteiligungsgesellschaft mbH & Co. KGaA, Munich: Chairman of the Supervisory Board*
	DIC Capital Partners (Germany) GmbH & Co. Kommanditgesellschaft auf Aktien, Munich: Chairman of the Supervisory Board
	DICP Asset Management Beteiligungsgesellschaft mbH & Co. KGaA, Munich: Chairman of the Supervisory Board
	DIC Capital Partners (Germany) Verwaltungs GmbH, Munich: Chairman of the Supervisory Board**
	DIC Capital Partners Beteiligungs GmbH, Munich: Chairman of the Supervisory Board**
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
	S&P Commercial Development GmbH, Erlangen: Chairman of the Advisory Board
Michael Bock (until 16 March 2018)	MediClin Aktiengesellschaft, Offenburg: Member of the Supervisory Board
	TTL Beteiligungs- und Grundbesitz AG, Munich: 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
Eberhard Vetter (since 16 March 2018)	GEG German Estate Group AG, Frankfurt am Main: Member of the Supervisory Board
	Deutsche Immobilien Chancen Beteiligungs AG, Frankfurt am Main: Member of the Supervisory Board
Dr. Anton Wiegers	GRR AG, Erlangen: Member of the Supervisory Board
	Lippische Landes-Brandversicherungsanstalt, Detmold: Member of the Gewährträgerversammlung (Guarantors' Meeting)
	Savills Fund Management Holding AG, Frankfurt am Main: Vice Chairman of the Supervisory Board
	Savills Investment Management KVG GmbH, Dusseldorf: 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
  - Leifheit AG, Nassau an der Lahn:
    Member of the Supervisory Board

- Mr Dirk Hasselbring, Chief Funds Officer,
  Business Administration Graduate,
  Kronberg im Taunus

- 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

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, 5 February 2019

The Management Board

Sonja Wärntges | Dirk Hasselbring | Johannes von Mutius

INDEPENDENT AUDITOR'S REPORT

To the DIC Asset AG, Frankfurt am Main, Germany

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 of December 31, 2018, 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, 2018 to December 31, 2018, 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, 2018 to December 31, 2018. 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, 2018, and of its financial performance for the financial year January 1, 2018 to December 31, 2018, 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, subsequently referred to 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, 2018 to December 31, 2018. 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, 2018 present investment properties amounting to EUR 1,459 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, 2018 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 disposal or values 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 ourselves 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 1,459 million are covered based on the assumptions made by the fair values less costs of disposal 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.

Verantwortung des Abschlussprüfers für die Prüfung des Konzernabschlusses und des zusammengefassten Lageberichts

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 March 16, 2018. We were engaged by the supervisory board on November 19, 2018. 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).

German Public Auditor responsible for the engagement

The German Public Auditor responsible for the engagement is Karsten Luce.

Nuremberg, February 5, 2019

Rödl & Partner GmbH
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Kraus	Luce
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

Appendix to the auditor's report: Parts of the combined management report, whose contents is unaudited

We have not audited the content of the following parts of the combined management report
- the statement on corporate governance included in the section Corporate Governance of the combined management report
- the report on sustainability

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 were updated in the reporting period, 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 2018, The consultation process resulted in the adoption of an updated annual Declaration of Conformity dated 5 February 2019, 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 7 February 2017. 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 sev-

erance 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 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.

> 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, 5 February 2019

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 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 2018 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 2018 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. Prof. Dr. Ulrich Reuter as Chairman of the Audit Committee, Dr. Anton Wiegers and Eberhard Vetter. 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.

With effect from 1 July 2017, 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. A deadline of 30 June 2022 has been set for achieving these targets. With a ratio of 1/3 (33.33%), the target for the Management Board is currently exceeded. The target for the share of women on the Supervisory Board is currently not achieved with a ratio of 0%. A by-election to the Supervisory Board was held in March 2018. By proposing to the General Shareholders' Meeting to elect Mr Eberhard Vetter, the Supervisory Board focused on the professional and personal qualification of the candidate, taking into account the objectives set by the Supervisory Board for its composition and the skills profile for the Supervisory Board as a whole.

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. As of the reporting date, this target has been exceeded with a ratio of 18.18% (2/11).

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 2018.

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:
– Prof. Dr. Ulrich Reuter (Chairman of the Audit Committee)
– Prof. Dr. Gerhard Schmidt
– Dr. Anton Wiegers

The Chairman of the Audit Committee is independent and has particular knowledge and experience in financial reporting and the auditing of financial statements. 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 2018 was EUR 589 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 2018

REMUNERATION OF THE MANAGEMENT BOARD

in EUR	Fixed remuneration	Variable remuneration*	Share-price related remuneration**	Other***	**Total 2018**	Total 2017
Sonja Wärntges	520,000.00	260,000.00	58,700.00	31,516.66	**870,216.66**	726,376.42
Dirk Hasselbring	360,000.00	180,000.00	45,900.00	24,602.65	**610,502.65**	150,089.39
Johannes von Mutius	390,000.00	195,000.00	37,200.00	33,059.21	**655,059.21**	639,409.38
Aydin Karaduman (until 30.09.2017)	0.00	0.00	0.00	0.00	**0.00**	529,030.27
Total	1,270,000.00	635,000.00	141,800.00	89,178.52	**2,135,778.52**	**2,044,905.46**

* Provision as at 31 December 2018, the payment exceeding the provision amounted to EUR 20,000in the previous year
** Provision as at 31 December 2018
*** 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
Dirk Hasselbring	40,000	31.05.2020

Benefits paid to former Management Board members in financial year 2018

In the 2018 financial year, Aydin Karaduman, who left the Management Board effective 30 September 2017, received benefits totalling EUR 606,749.45, which are composed of fixed remuneration of EUR 480,000.00, variable remuneration of EUR 100,000.00 for 2017, and non-monetary benefits particularly from the private use of company cars and contributions towards insurance schemes totalling EUR 26,749.45. Since provisions had already been recognised for these benefits as at 31 December 2017, these had no effect on consolidated profit for 2018. Furthermore, the provision for the phantom stock options was increased through profit or loss by EUR 19,100.00 in 2018.

REMUNERATION OF THE SUPERVISORY BOARD

in EUR	Fixed remuneration	Variable remuneration	Remuneration for committee memberships	**Total 2018**	Total 2017
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 (until 16.03.2018)	6,250.00	6,250.00	2,500.00	**15,000.00**	60,000.00
Ulrich Höller	25,000.00	25,000.00		**50,000.00**	50,000.00
Prof. Dr. Ulrich Reuter	25,000.00	25,000.00	8,750.00	**58,750.00**	55,000.00
Eberhard Vetter (since 16.03.2018)	18,750.00	18,750.00		**37,500.00**	0.00
Dr. Anton Wiegers	25,000.00	25,000.00	3,750.00	**53,750.00**	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 2018. Supervisory Board members were also reimbursed travel expenses totalling EUR 6 thousand. A total of EUR 388 thousand (previous year: EUR 150 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 August and December 2018, with the Chairman of the Supervisory Board abstaining from the vote. The fees paid for services in financial year 2018 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 2018 financial year:

Date	Issuer (ISIN)	Person required to file the report	Type of transaction	Volume
18.12.2018	DIC Asset AG DE000A1X3XX4	Prof. Dr. Gerhard Schmidt Supervisory Board member	Purchase	397,354.06 EUR
21.12.2018	DIC Asset AG DE000A1X3XX4	Sonja Wärntges Management Board member	Purchase	9,000.00 EUR
21.12.2018	DIC Asset AG DE000A1X3XX4	Prof. Dr. Gerhard Schmidt Supervisory Board member	Purchase	98,699.99 EUR

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 2018 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 2018, 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 met for four ordinary meetings and held six extraordinary meetings in 2018. With the exception of one meeting, all 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 97 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. In particular, this concerned the resolutions of the Supervisory Board approving the partial utilisation of authorised capital in connection with the implementation of the scrip dividend in March/ April 2018.

Key points of deliberation at the Supervisory Board meetings

> February 2018

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 2017 were adopted and the consolidated financial statements were approved. The Supervisory Board examined the proposal on the appropriation of profit by the Management Board and endorsed the proposal. The dependent company report for financial year 2017 was also reviewed and approved. The Supervisory Board then discussed and approved the agenda and adopted the proposed resolutions for the 2018 General Shareholders' Meeting. The Supervisory Board approved the proposal presented by the Management Board to enable shareholders to choose whether they wish to receive their dividend payment in cash or in the form of new shares (scrip dividend). The written report of the Supervisory Board to the General Shareholders' Meeting was also adopted. The diversity concept for the Management Board and the skills profile and diversity concept for the Supervisory Board were also adopted in accordance with the CSR Regulation Implementation Act and the German Corporate Governance Code.

The meeting also focused on developments in the fund business; in particular, the planned sale of the "DIC HighStreet Balance" special fund as part of a sale of share certificates was discussed and the planning status of the launch of new fund products was presented.

At an additional extraordinary meeting in February, the Supervisory Board addressed strategic options for the Company's investment in TLG Immobilien AG and approved an increase in this investment following extensive consultation.

> March 2018

The 2017/22 corporate bond top-up was the main topic at the extraordinary meeting. Following a detailed discussion with the Management Board, the Supervisory Board approved a EUR 50 million increase in the corporate bond issued in July 2017 to a total volume of up to EUR 180 million.

The Supervisory Board also reviewed the remuneration system for the Management Board and defined the variable remuneration amount for the Management Board for the 2017 financial year.

> April 2018

In an extraordinary meeting, the Management Board reported on the results of the first quarter of 2018 and discussed the key performance indicators with the Supervisory Board.

In a strategy discussion, the Supervisory Board addressed options and specific actions with regard to the further growth of the fund business. For the Commercial Portfolio, the current operating figures and the target figures for 2018 were presented and the result of the due diligence of several potential acquisition properties for the company's own portfolio explained. The Supervisory Board approved the further pursuit of the acquisition plans following in-depth deliberation.

> June 2018

At an ordinary meeting of the Supervisory Board, the Management Board reported on the earnings forecast for the first half of 2018. The Supervisory Board then approved by written circular the publication of the half-yearly financial report, which was reviewed and received an unrestricted review report.

In the Funds segment, the Supervisory Board discussed the start-up portfolio and financing structure of the new DIC Office Balance V fund, which had a planned launch date of 30 June 2018. The planning status of other fund products was also explained. For the Commercial Portfolio, recent performance, large-scale letting options and the implementation status of the repositioning of the Kaiserpassage property in Frankfurt were discussed. The meeting also focused on strategic issues.

The Management Board informed the Supervisory Board about investor feedback on the topping-up of the 2017/22 corporate bond and presented the schedule, key data and term sheet for the planned new 2018/23 corporate bond. The Supervisory Board approved the implementation of plans to issue the bond on the Luxembourg Stock Exchange.

Finally, the Management Board presented its draft of the 2017 Sustainability Report. After discussing the essential key data and the environmental and social key figures, the Supervisory Board approved the publication of this report.

> August 2018

At an extraordinary meeting, the Management Board explained the results of the due diligence of additional property purchases for the Commercial Portfolio and the Supervisory Board approved the acquisition plans. The Management Board also presented a preview of the results for the first nine months of the year and the full year, focusing in particular on earnings performance in the wake of sales activities during the year. Possible effects on the full-year forecast were discussed with the Supervisory Board.

The Management Board also reported on the status of the planned issuance of the fifth corporate bond, 2018/23, which it expected to place with a volume of at least EUR 100 million and list on the Luxembourg Stock Exchange.

The Supervisory Board also addressed the performance of the investment in TLG Immobilien AG and its financial figures for the first half of 2018.

> September 2018

At the Supervisory Board's ordinary meeting, the Management Board provided details of its preview of the results for the first nine months of the year and the full year, focusing in particular on letting and transaction activities in the current financial year as well as FFO performance and the full-year forecast.

The meeting also focused on the status of the issuance of the fifth corporate bond, acquisition plans for the Commercial Portfolio and business activities in the fund business. The Management Board also explained the development of assets under management after the successful issuance of the DIC Office Balance V fund at the end of the second quarter of 2018 as well as the planned issuance of the DIC Metropolregion Rhein-Main Fund at the end of the third quarter of 2018.

> November 2018

In two extraordinary meetings, the Supervisory Board addressed the investment in TLG Immobilien AG in detail and discussed various strategic options with the Management Board. In the first meeting, the Supervisory Board approved an amendment to existing pre-emptive rights agreements and the purchase and sale of a smaller equity stake. In the second meeting, the Supervisory Board approved the commencement and, where appropriate, conclusion of negotiations with two interested parties about the sale of a larger equity stake after extensive discussions about additional courses of action and their accounting consequences.

> December 2018

At the ordinary meeting, the Management Board presented the earnings forecast for the full 2018 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 2019 were also presented and discussed.

Following the signing of two agreements regarding the sale of a block of shares totalling around 14% in TLG Immobilien AG, which are to be executed at the end of Q1/beginning of Q2 2019, the Supervisory Board also addressed the performance as well as the past and expected results of the equity investment.

The Supervisory Board then discussed and adopted the agenda items for the 2019 General Shareholders' Meeting including the renewed offer of a scrip dividend for the 2018 financial year.

Audit Committee report

The Supervisory Board established an Audit Committee to ensure that work is allocated and performed efficiently. This committee met three times in 2018. All three meetings were attended by all members of the Audit Committee.

The meeting held in February 2018 focused on the areas of emphasis of the audit and on financial reporting documents for financial year 2017. With representatives of the auditor in attendance, the meeting was devoted to a detailed analysis and discussion of the annual and consolidated financial statements for financial year 2017 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 previously defined by the Audit Committee in coordination with the auditor (especially disposals in 2017, the share swap in connection with the takeover of WCM Beteiligungs- und Grundbesitz AG by TLG Immobilien AG, the effect of the refinancing on the 2017 annual financial statements as well as the bond issue and the launch of new funds in 2017) and the key audit matters of the audit of the consolidated and single-entity financial statements (measurement of the properties and recoverability of the carrying amount of investments). The Audit Committee also dealt in detail with the internal control system and the compliance management system of DIC Asset AG.

Recommendations were approved for the Supervisory Board's resolutions concerning the financial reporting documents for the 2017 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 2018 financial year and as auditor for reviewing the 2018 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 2018 General Shareholders' Meeting.

At its constituent meeting in June 2018, the Audit Committee elected its chairman.

At the meeting in December 2018, the Audit Committee analysed the earnings forecast for 2018 and together with the representatives of the auditor specified the areas of emphasis and key audit matters for the 2018 financial year.

The Audit Committee also addressed the status of the audit of the 2017 consolidated and annual financial statements of DIC Asset AG by the German Financial Reporting Enforcement Panel (DPR) and the audit areas of emphasis for 2019 agreed with the DPR as well as their relevance for DIC Asset AG.

Corporate governance reviewed, declaration updated

The Supervisory Board again dealt with the Company's corporate governance during the reporting period. The Supervisory Board also reviewed the efficiency of the Company's activities; no specific need for action was identified.

The Supervisory Board, in conjunction with the Management Board, in February 2019 issued the current Declaration of Conformity in accordance with section 161 of the AktG on the recommendations of the German Corporate Governance Code as amended on 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 2018.

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 2018 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 2018 audited and approved

The Management Board prepared the annual financial statements for financial year 2018 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 315e 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 16 March 2018, 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 5 February 2019 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 recoverability of the carrying amount of the investments was defined as a key audit matter for auditing the single-entity 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 2018, 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 0.48 per share carrying dividend rights be distributed to the shareholders from the retained earnings of financial year 2018 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 once again 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 2018. 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

There were no personnel changes to the composition of the Management Board during the reporting period.

The following changes took place on the Supervisory Board during the reporting period:
Mr Michael Bock resigned his Supervisory Board post with effect from the end of the ordinary General Shareholders' Meeting on 16 March 2018. The Supervisory Board thanks Mr Bock for his valuable collaboration and outstanding dedication to the Company, particularly in his role as Chairman of the Audit Committee.

On 16 March 2018, the General Shareholders' Meeting elected Mr Eberhard Vetter as a new Supervisory Board member for a term of office running from the end of the General Shareholders' Meeting on 16 March 2018 until the end of the General Shareholders' Meeting that resolves to formally approve the Supervisory Board's actions for the 2021 financial year.

On 19 June 2018, the Supervisory Board appointed Dr. Anton Wiegers as a member of the Audit Committee to replace Mr Bock, and at its subsequent constituent meeting, the Audit Committee appointed Prof. Dr. Ulrich Reuter as the new Chairman of the Audit Committee.

The Supervisory Board would like to thank the Management Board as well as the staff for their work and dedication during the past financial year.

Frankfurt am Main, 5 February 2019

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 High Street 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 Berlin Heilbronner Straße GmbH & Co. KG, Frankfurt am Main	100.0
DIC Objekt Düsseldorf Schwannstraße 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. Kommanditgesellschaft auf Aktien, 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 Kronberg GmbH, Frankfurt am Main	100.0

Name and registered office of company	Interest (%) *
DIC Objekt Velbert GmbH, Frankfurt am Main	100.0
DIC Objekt Alsbach GmbH, Frankfurt am Main	100.0
DIC Objekt Alsbach 2 GmbH, Frankfurt am Main	100.0
DIC Objekt Hemsbach GmbH, Frankfurt am Main	100.0
DIC RMN Objekt 1 GmbH, Frankfurt am Main	100.0
DIC Ruhr Portfolio GmbH, Frankfurt am Main	100.0
DIC RP Objekt Bochum GmbH, Frankfurt am Main	100.0
DIC RP Objekt Essen GmbH, Frankfurt am Main	100.0
DIC RP Objekt 1 GmbH, Frankfurt am Main	100.0
DIC RP Objekt 2 GmbH, Frankfurt am Main	100.0
DIC AP Portfolio GmbH, Frankfurt am Main	100.0
DIC AP Objekt Augustaanlage GmbH, Frankfurt am Main	100.0
DIC AP Objekt Düsseldorf GmbH, Frankfurt am Main	100.0
DIC AP Objekt Insterburger Str. 5 GmbH, Frankfurt am Main	100.0
DIC AP Objekt Insterburger Str. 7 GmbH, Frankfurt am Main	100.0
DIC AP Objekt Königsberger Str. 29 GmbH, Frankfurt am Main	100.0
DIC AP Objekt Coblitzweg GmbH, Frankfurt am Main	100.0
DIC AP Objekt 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 27 Portfolio GmbH, Frankfurt am Main	100.0
DIC Objekt Leverkusen GmbH, Frankfurt am Main	94.9
DIC OP Portfolio GmbH, Frankfurt am Main	100.0

Name and registered office of company	Interest (%) *
DIC OP Objekt Darmstadt GmbH, Frankfurt am Main	100.0
DIC OP Objekt Duisburg GmbH, Frankfurt am Main	100.0
DIC OP Objekt Düsseldorf GmbH, Frankfurt am Main	100.0
DIC OP Objekt Hamburg GmbH, Frankfurt am Main	100.0
DIC OP Objekt Leverkusen GmbH, Frankfurt am Main	100.0
DIC OP Objekt Marl GmbH, Frankfurt am Main	100.0
DIC OP Objekt München-Grünwald GmbH, Frankfurt am Main	100.0
DIC OP Objekt 1 GmbH, Frankfurt am Main	100.0
DIC OP Objekt 2 GmbH, Frankfurt am Main	100.0
DIC OP Objekt 3 GmbH, Frankfurt am Main	100.0
DIC OP Objekt 4 GmbH, Frankfurt am Main	100.0
DIC 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 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 DP Portfolio GmbH, Frankfurt am Main	100.0
DIC DP Wiesbaden Frankfurter Straße 46-48 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 Objekt Bremen Grazer Straße GmbH, Frankfurt am Main	100.0
DIC DP Objekt 5 GmbH, Frankfurt am Main	100.0
DIC DP Objekt 6 GmbH, Frankfurt am Main	100.0
DIC 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

* Interest equals the share of voting rights

Name and registered office of company	Interest (%) *
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 & Co. KG,, 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 Berlin Portfolio Objekt Bundesallee GmbH, Frankfurt am Main	99.4
DIC HI Portfolio GmbH, Frankfurt am Main	92.5
DIC HI Landsberger Straße GmbH & Co. KG, Frankfurt am Main	92.5
DIC HI Objekt Frankfurt Theodor-Heuss-Allee GmbH, Frankfurt am Main	92.5
DIC HI Objekt Hamburg Kurt-Schumacher-Allee GmbH, Frankfurt am Main	92.5
DIC HI Beteiligungs 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 & 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 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 5 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**	9.8
DIC Office Balance II, Frankfurt am Main***	4.6
DIC Office Balance III, Frankfurt am Main***	0.0
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***	0.0
OB IV Düsseldorf GmbH & Co. KG, Frankfurt am Main	5.1

Name and registered office of company	Interest (%) *
OB IV München GmbH & Co. KG, Frankfurt am Main	5.1
DIC Retail Balance I, Frankfurt am Main ****	0.0
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 Office Balance V, Frankfurt am Main*****	40.7
OB V München GmbH & Co. KG, Frankfurt am Main	5.1
OB V Hamburg GmbH & Co. KG, Frankfurt am Main	5.1
DIC Metropolregion Rhein-Main, Frankfurt am Main******	41.7
MRM Eschborn GmbH & Co. KG, Frankfurt am Main	5.1
DIC MSREF HMDD Portfolio GmbH, Frankfurt am Main	20.0
DIC MSREF HT Portfolio GmbH, Frankfurt am Main	20.0
DIC MSREF FF Südwest Portfolio GmbH, Frankfurt am Main	20.0
DIC MSREF FF Südwest Objekt München 1 GmbH & Co. KG, Frankfurt am Main	20.0
DIC MSREF FF Südwest Objekt München 1 Verwaltungs GmbH, Frankfurt am Main	20.0
TLG Immobilien AG, Frankfurt am Main****	16.0
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
**** 8.3 % share of voting rights
***** 11.1 % share of voting rights
****** 45.0 % share of voting rights

Appendix 3 to the notes to the consolidated financial statements

Announcements on voting rights

Disclosures in line with section 160 (1) no. 8 AktG

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 19 April 2018.

a. Makuria Fund Ltd, Grand Cayman, Cayman Islands, informed us pursuant to section 33 (1) WpHG that on 29 January 2019 its share of voting rights in DIC Asset AG, Frankfurt am Main, fell below the threshold of 3% and amounted to 2.96% (2,084,321 voting rights) as per this date. 2.96% (2,084,321 voting rights) of these voting rights are to be assigned to Makuria Fund Ltd pursuant to section 34 WpHG.

b. Makuria Investment Management (UK) LLP, London, United Kingdom, informed us pursuant to section 33 (1) WpHG that on 29 January 2019 its share of voting rights in DIC Asset AG, Frankfurt am Main, fell below the threshold of 3% and amounted to 2.96% (2,084,321 voting rights) as per this date. 2.96% (2,084,321 voting rights) of these voting rights are to be assigned to Makuria Investment Management (UK) LLP pursuant to section 34 WpHG.

c. BlackRock, Inc., Wilmington, DE, United States of America, informed us pursuant to section 33 (1) WpHG that on 27 July 2018 its share of voting rights in DIC Asset AG, Frankfurt am Main, fell below the threshold of 3% and amounted to 2.93% (2,067,155 voting rights) as per this date. 2.93% (2,067,155 voting rights) of these voting rights are to be assigned to BlackRock, Inc., pursuant to section 34 WpHG.

d. BrightSphere Investment Group plc, London, United Kingdom, informed us pursuant to section 33 (1) WpHG that on 3 May 2018 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.

e. 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.

f. 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.

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

Acquisition volume
The total of the purchase prices for acquired real estate (with notarisation) within a reporting period.

Annualised rent
Annual rental income of a property based on current rent.

Asset management
Value-orientated operation and/or optimisation of properties through letting management, repositioning or modernisation.

Cash flow
Figure that shows the flow of cash during a given period, making a distinction between cash flow from operating, investing and financing activities.

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 (until 2018) 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.

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). At DIC Asset AG, these are used exclusively to hedge interest rate 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.

EBIT
Earnings before interest and taxes.

EBITDA
Earnings before interest and other financing activities, excluding depreciation and amortisation, including the share of the profit or loss from associates

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 Europe'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.

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.

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.

Hedge (cash flow hedge, fair value hedge)
Agreement of a contract to safeguard and compensate for the exposure to financial risk.

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 EBITDA to net interest income (previously net rental income to interest expense), also called interest coverage ratio.

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.

Joint venture
Investment properties with strategic finance partners, in which DIC Asset AG has a significant stake of up to 40% (being phased out).

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.

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".

Non-recourse financing
Financing at property or portfolio level, whereby recourse to other assets within the scope of the Group is excluded. In the case of non-recourse financing, lenders tailor their lending to the property or the portfolio, as well as the cash flow from the rental income.

Operating 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 financial reporting standards. It refers to a periodic lease without transfer of title to the leased asset for the agreed period of use. The right of use is matched by a corresponding liability.

Other Investments
The Other Investments business unit combines the management of properties in which the Company holds no equity stake (third-party business), our equity investment in TLG Immobilien AG, as well as joint ventures and participations in project developments (being phased out).

Peak rent
The peak rent is the highest possible rent that could be expected in the market for a prime quality, suitably equipped office unit in the best location.

Prime Standard
Segment of the Frankfurt Stock Exchange with the greatest relevance and degree of regulation, as well as the highest level of transparency.

Proceeds from sales of property
Pro-rata income from sales of investment property after transfer of ownership.

Property management
Complete property servicing by own efforts or by management of commercial, infrastructure and technical service providers.

Redevelopment
Redevelopment is any type of measure to develop property that is already in use.

Refurbishment
Generally, structural changes to a building aimed at improving a building's quality and/or fixtures and fittings.

Sales volume
The total of the sales prices for the sold real estate (with notarisation) within a reporting period.

Scrip dividend
A scrip dividend is distributed when the cash dividend entitlements of a shareholder are exchanged for new shares of the distributing company to be issued based on a fixed exchange ratio.

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.

Take-up (letting volume)
Rental space for which rental agreements for new tenancies or renewals have been concluded for a given period.

Value in use
Present value of future cash flows to be earned through the use of an asset. In contrast to the fair value, which is orientated towards sales and markets, the value in use reflects the specific value of the continued use of an asset from the point of view of the company.

Warehousing
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 (until 2018). Warehousing property was accounted for as "Non-current assets held for sale".

QUARTERLY OVERVIEW 2018

Key financial figures in EUR million	Q1 2018	Q2 2018	Q3 2018	**Q4 2018**
Gross rental income	24.8	25.5	24.9	**25.0**
Net rental income	20.5	22.0	21.0	**21.2**
Real estate management fees	8.9	3.3	10.7	**10.7**
Proceeds from sales of property	42.6	8.6	20.0	**15.6**
Total income	81.7	42.6	60.9	**56.4**
Profits on property disposals	6.2	4.9	2.9	**4.6**
Share of the profit or loss of associates	0.4	10.4	0.8	**4.2**
Funds from Operations (FFO)	13.6	18.4	17.0	**19.0**
EBITDA	28.2	33.1	28.2	**32.8**
EBIT	20.8	25.8	20.8	**25.4**
EPRA earnings	11.7	17.7	14.2	**18.7**
Profit for the period	9.2	14.7	10.0	**13.7**
Cash flow from operating activities	14.6	20.0	15.2	**12.1**

Balance sheet figures in EUR million	31.03.2018	30.06.2018	30.09.2018	**31.12.2018**
Loan-to-value ratio (LTV)* in %	56.2	57.3	57.3	**53.1**
Investment property	1,425.8	1,467.2	1,477.8	**1,459.0**
Total assets	2,412.2	2,427.3	2,265.4	**2,490.1**

Key figures per share in Euro	Q1 2018	Q2 2018	Q3 2018	**Q4 2018**
FFO	0.20	0.26	0.24	**0.27**
EPRA earnings	0.17	0.25	0.20	**0.27**
Earnings	0.14	0.21	0.14	**0.19**

* adjusted for warehousing

MULTI-YEAR OVERVIEW

Key financial figures in EUR million	2014	2015	2016	2017	**2018**
Gross rental income	147.5	136.7	111.2	109.7	**100.2**
Net rental income	132.2	120.4	94.5	93.1	**84.7**
Real estate management fees	5.2	7.3	21.5	20.8	**33.6**
Proceeds from sales of property	90.5	201.3	318.1	229.5	**86.8**
Total income	277.6	372.4	473.8	381.9	**241.6**
Profits on property disposals	6.8	14.9	23.2	25.5	**18.6**
Share of the profit or loss of associates	6.6	7.7	2.3	29.0	**15.8**
Funds from Operations (FFO)	47.9	49.0	47.0	60.2	**68.0**
EBITDA	128.3	126.6	114.9	136.6	**122.3**
EBIT	85.2	83.9	79.6	105.6	**92.8**
EPRA earnings	47.6	47.6	44.1	56.9	**62.3**
Adjusted profit/loss for the period	14.0	20.7	26.9	64.4	**47.6**
Profit/loss for the period	14.0	20.7	-29.4	64.4	**47.6**
Cash flow from operating activities	34.9	53.0	33.9	56.5	**61.9**

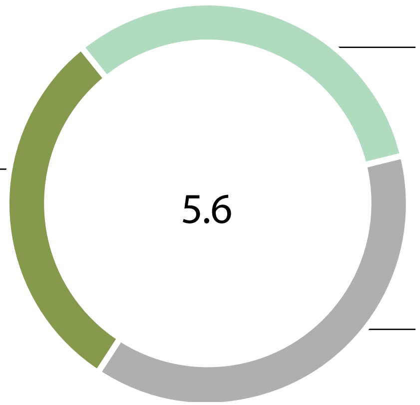
Balance sheet figures in EUR million	31.12.2014	31.12.2015	31.12.2016	31.12.2017	**31.12.2018**
Investment property	2,143.9	1,700.2	1,583.4	1,437.2	**1,459.0**
EPRA net asset value	864.8	884.1	880.0	900.0	**1,085.8**
Total assets	2,537.0	2,456.1	2,395.5	2,341.3	**2,490.1**
Equity	774.8	792.1	757.0	828.9	**895.9**
Liabilities	1,762.1	1,664.0	1,638.6	1,512.4	**1,594.1**

Key figures per share in Euro	2014	2015	2016	2017	**2018**
FFO	0.70	0.72	0.69	0.88	**0.97**
EPRA earnings	0.69	0.69	0.64	0.83	**0.89**
EPRA net asset value	12.61	12.89	12.83	13.12	**15.40**
Dividend	0.35	0.37	0.40	0.64**	**0.48***

* proposed dividend
** incl. extraordinary dividend of EUR 0.20

ASSETS UNDER MANAGEMENT

in EUR billion



Commercial Portfolio 1.7

(direct investments)

- 101 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 1.8

- 62 properties
- For institutional investors
- Core properties in major cities and regional centers

Other Investments 2.1

- 15 properties
- Third-party business
- Equity investment in project developments
- Joint Ventures (sold, transfer of possession, benefits and associated risks in 2019)

PORTFOLIO BY SEGMENTS *

		Commercial Portfolio	Funds	Other Investments	Total
Number of properties	2018	101	62	15	178
	2017	113	56	13	182
Market value in EUR million	2018	1,696.8	1,800.3	2,148.6	5,645.7
	2017	1,639.2	1,493.6	1,266.0	4,398.8
Rental space in sqm	2018	893,500	676,900	289,800	1,860,200
	2017	957,500	613,400	202,900	1,773,800

* including third-party properties

PORTFOLIO BY REGIONS *

		North	East	Central	West	South	Total
Number of properties	2018	23	18	40	53	44	178
	2017	23	22	39	53	45	182
Portfolio proportion in % by market value	2018	11 %	9 %	41 %	22 %	17 %	100 %
	2017	13 %	9 %	35 %	24 %	19 %	100 %
Rental space in sqm	2018	291,000	189,800	472,000	560,800	346,600	1,860,200
	2017	288,900	213,600	420,100	522,200	329,000	1,773,800
Annualised rental income in EUR million	2018	32.6	24.3	81.6	73.9	45.3	257.7
	2017	32.4	27.7	67.0	60.1	40.8	228.0
Average rent in EUR per sqm	2018	10.06	9.81	11.74	10.47	10.48	10.56
	2017	9.53	10.56	11.98	10.13	9.81	10.33
Weighted average lease term in years	2018	7.9	4.4	6.0	5.5	3.6	5.5
	2017	7.7	4.8	5.8	4.2	4.2	5.2
Gross rental yield	2018	5.1 %	6.1 %	5.5 %	5.5 %	5.1 %	5.4 %
	2017	6.1 %	6.7 %	6.2 %	5.8 %	5.2 %	5.9 %

* figures excluding developments and warehousing, except for number of properties, market value and rental space; 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.

We improved EPRA vacancy rate and the EPRA cost ratios compared to the previous year, particularly as a result of our ongoing portfolio optimisation process and strong rental business.

in EUR million	31.12.2018	31.12.2017	Δ
EPRA net initial yield in %*	**4.8**	4.8	0 pp
EPRA "topped up" net initial yield in %*	**4.8**	4.8	0 pp
EPRA vacancy rate in %**	**7.2**	9.5	-2.3 pp

in EUR million	2018	2017	Δ
EPRA cost ratio (incl. direct vacancy costs) in %*	**24.0**	27.7	-3.7 pp
EPRA cost ratio (excl. direct vacancy costs) in %*	**21.1**	25.2	-4.1 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

Dirk Hasselbring
Chief Funds Officer

Sonja Wärntges
Chief Executive Officer

Johannes von Mutius
Chief Investment Officer

LEGAL NOTES

DIC Asset AG

Neue Mainzer Straße 20 • MainTor
60311 Frankfurt am Main

Tel. +49 (0) 69 9454858-0
Fax +49 (0) 69 9454858-99 98

ir@dic-asset.de • www.dic-asset.de

Concept and realisation:
LinusContent AG, Frankfurt am Main
www.linuscontent.com

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).

For computational reasons, rounding differences from the exact mathematical values calculated (in EUR thousand, %, etc.) may occur in tables and cross-references.