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original text in German language is authoritative**

Consolidated Financial Statements
for the Financial Year 2020
according to § 315e HGB by
International Financial Reporting Standards

Independent Auditor's report

Diok RealEstate AG

Köln

Diok RealEstate AG

Consolidated balance sheet at December 31, 2020

in EUR	Notes	31.12.2020	31.12.2019
Assets			
Non-current assets			
Intangible assets		6,574.00	9,284.00
Property, plant & equipment		245,841.43	302,718.00
Investment properties	8.1	206,260,000.00	205,572,786.29
Loans	8.2	3,746,148.29	3,731,148.29
Other non-current assets		1,000.00	0.00
Deferred tax claims	8.9	9,860.90	118,019.10
Non-current assets, total		210,269,424.61	209,733,955.68
Current assets			
Trade receivables	8.3	526,208.86	121,916.70
Income tax receivables		174,593.24	215,239.41
Other current receivables and assets	8.4	1,013,781.52	1,143,776.99
Cash	8.5	9,126,092.91	3,479,527.47
Current assets, total		10,840,676.53	4,960,460.57
Non-current assets held for sale	8.6	5,038,710.77	230,000.00
Total assets		226,148,811.91	214,924,416.25
Equity and Liabilities			
Equity			
Subscribed capital	8.7	23,431,820.00	23,431,820.00
Reserve		-17,385,625.47	-17,385,625.47
Consolidated balance sheet result		28,494,155.53	30,517,917.11
Equity attributable to the shareholders of the parent entity		34,540,350.06	36,564,111.64
Minority shares	8.8	3,262,766.97	3,160,572.11
Equity, total		37,803,117.03	39,724,683.75
Non-current liabilities			
Deferred tax liabilities	8.9	9,413,489.73	9,407,867.26
Bond	8.10	39,489,182.56	33,725,314.12
Financial loans	8.11	127,895,873.41	102,923,850.71
Other non-current liabilities	8.13	41,624.15	92,467.72
Non-current liabilities, total		176,840,169.84	146,149,499.82
Current liabilities			
Financial loans	8.11	8,787,640.51	25,407,594.88
Trade liabilities		334,473.68	1,015,081.07
Income tax liabilities	8.12	334,192.40	80,918.07
Other current liabilities	8.13	1,800,912.32	2,546,638.66
Current liabilities, total		11,257,218.91	29,050,232.68
Current liabilities held for sale	8.6	248,306.12	0.00
Total of Liabilities and Equity		226,148,811.91	214,924,416.25

Diok RealEstate AG

Consolidated statement of comprehensive income for the period
from January 1 to December 31, 2020

in EUR	Notes	01.01. - 31.12.2020	01.01. - 31.12.2019
Income from property management		13,156,094.64	7,084,982.32
Expenses from property management		<u>-3,582,852.88</u>	<u>-1,725,412.13</u>
Earnings from property management	9.1	9,573,241.76	5,359,570.19
Personnel expenses	9.2	-1,066,344.15	-963,734.91
Other operating income	9.3	266,867.98	104,336.26
Other operating expenses	9.4	-2,618,909.89	-1,895,607.76
Depreciation of PPE and amortisation of intangible assets		-109,805.93	-90,906.65
Measurement result of investment properties	8.1	<u>740,532.40</u>	<u>38,177,903.82</u>
Earnings before interest and taxes		6,785,582.17	40,691,560.95
Financial income	9.5	231,767.29	157,704.62
Financial expenses	9.6	<u>-8,508,474.76</u>	<u>-5,743,711.73</u>
Earnings before taxes		-1,491,125.30	35,105,553.84
Income taxes	9.7	<u>-430,441.42</u>	<u>-5,193,654.23</u>
Group earnings / Total consolidated earnings		<u>-1,921,566.72</u>	<u>29,911,899.61</u>
Of the Group earnings, there is attributable to:			
Shareholders of the parent company		-2,023,761.58	29,037,755.21
Minority shareholders		102,194.86	874,144.40
Of the total consolidated earnings, there is attributable to:			
Shareholders of the parent company		-2,023,761.58	29,037,755.21
Minority shareholders		102,194.86	874,144.40

Diok RealEstate AG

Consolidated cash flow statement for the period from
January 1 to December 31, 2020

in EUR	Notes	01.01. - 31.12.2020	01.01. - 31.12.2019
Earnings before interest and taxes	10.	6,785,582.17	40,691,560.95
Non-cash expenses/income:			
Measurement result of investment properties		-740,532.40	-38,177,903.82
Booking out of deposits of investment properties		970,001.76	0.00
Depreciation of PPE and amortisation of intangible assets		109,805.93	90,906.65
Change in working capital:			
Change in receivables and other current assets		-388,769.26	-549,646.19
Change in operating liabilities		-461,608.81	636,603.76
Operating cash flow		6,274,479.39	2,691,521.36
Interest paid and incidental costs of finance		-7,887,378.54	-7,405,336.92
Interest received		125,260.43	982,675.73
Payments of income tax		-22,845.58	-53,548.82
Cash flow from operating activity		-1,510,484.29	-3,784,688.65
Disbursements for investment properties		-7,579,514.01	-98,087,634.26
Payments received from changes of purchase prices of investment properties		800,000.00	0.00
Payments received from sales of investment properties		242,960.00	0.00
Disbursements for the extension of non-current loans		-15,000.00	-1,511,000.00
Disbursements for investments in other non-current assets		-1,000.00	0.00
Payments received from loan redemptions		380,000.00	13,600.00
Disbursements for investments in property, plant & equipment and in intangible assets		-41,423.72	-135,099.82
Cash flow from investing activity		-6,213,977.73	-99,720,134.08
Payments received from the issue of bonds		5,635,767.96	22,638,000.00
Payments received from the take-up of financial loans		31,800,000.00	80,272,300.00
Disbursements for redemption of financial loans		-23,921,653.79	-195,298.22
Disbursements for redemption of financial liabilities		-75,632.98	-70,099.11
Cash flow from financing activity		13,438,481.20	102,644,902.67
Net change in cash		5,714,019.17	-859,920.06
Cash at beginning of period		3,479,527.47	4,339,447.53
Cash at end of period	8.5	9,193,546.64	3,479,527.47
Cash at the end of period related to non-current assets held for sale	8.6	67,453.73	0.00

Diok RealEstate AG

Statement of changes in Group equity for the period
from January 1 to December 31, 2020

in EUR	Subscribed Capital	Reserve	Consolidated balance sheet profit	Equity attributable to the shareholders of the parent entity	Minority shares	Total Equity
Balance at 1.1.2019	23,431,820.00	-17,385,625.47	1,480,161.90	7,526,356.43	731,189.69	8,257,546.12
Group earnings	0.00	0.00	29,037,755.21	29,037,755.21	874,144.40	29,911,899.61
Change in scope of consolidation	0.00	0.00	0.00	0.00	1,555,238.02	1,555,238.02
Balance at 31.12.2019	23,431,820.00	-17,385,625.47	30,517,917.11	36,564,111.64	3,160,572.11	39,724,683.75
Group earnings	0.00	0.00	-2,023,761.58	-2,023,761.58	102,194.86	-1,921,566.72
Balance at 31.12.2020	23,431,820.00	-17,385,625.47	28,494,155.53	34,540,350.06	3,262,766.97	37,803,117.03

Diok RealEstate AG, Cologne

Notes to the financial statements for the business year 2020

1. GENERAL INFORMATION

Diok RealEstate AG (hereinafter: Diok AG) as the parent company of the Group is domiciled in Germany at Kleingedankstrasse 11a in Cologne. The Company is filed in the commercial register of the municipal court of Cologne under the number HRB 91529. The financial year is the same as calendar year.

The business activity of Diok AG and the subsidiaries included in the consolidated financial statements (hereinafter also: Diok Group) is concentrated on the purchase, the management and the sale of landed property. All the property concerned is commercial in nature.

The consolidated financial statements were approved by the management board on March 15, 2021

2. BASES OF THE ACCOUNTING SYSTEM

2.1 Bases of the preparation of the financial statements

The consolidated financial statements of Diok AG have been prepared in conformity with International Financial Reporting Standards (IFRS) as applicable in the EU.

The consolidated financial statements comprise the financial statements of Diok AG and its subsidiaries at December 31st of each business year.

The financial statements of the subsidiaries were prepared using uniform accounting and measurement methods at the same balance sheet date as for the financial statements of the parent entity. The type-of-expenditure format has been used for the statement of comprehensive income.

The financial statements are prepared in euro, which is the functional currency of the Group.

2.2 Accounting rules to be applied for the first time in the business year 2020

In the business year 2020 the Diok Group applied the following new or revised standards and interpretations for the first time:

a) Amendment IAS 1 and IAS 8 – Definition of “material”

The amendments to IAS 1 and IAS 8 with regard to the definition of "material" are intended to tighten the concept and indeed unify the different definitions in the Framework and the standards themselves. Materiality is now defined as follows: If there is a reasonable expectation that the omission, the erroneous modelling or the disguise of information may influence the decisions of a primary user based on a set of multipurpose financial statements and the financial information contained therein about an enterprise, then this information is material. The first-time application of these amendments has not led to any material effects on the consolidated financial statements of the Diok Group.

b) Amendment IFRS 3 – Definition of a business operation

The amendments contain an adjusted definition of a business operation with the purpose of clarifying the relevant three elements. The trigger for the amendment was uncertainty in some cases about whether what was being acquired was a business operation. The first-time application of these amendments has not led to any material effects on the consolidated financial statements of the Diok Group.

2.3 Accounting rules which are not yet mandatory

The IASB has approved some amendments to standards which are to be applied from January 1, 2021, or later. It is not expected that these amendments will have any material effect on the consolidated financial statements of the Diok Group. Therefore, there is here no enumeration or description of these amendments.

3. PRINCIPLES OF CONSOLIDATION

Subsidiaries are defined as all enterprises which are controlled by Diok AG. The Group is said to control an enterprise when it is exposed to variable profits, or has a right to such, and it has the ability to influence these profits through its influence on the enterprise. As a general rule, control is accompanied by a voting share of more than 50 percent. In judging whether there is control, one consideration is the existence and effect of voting rights such that these can be exercised at present or could be obtained.

Subsidiaries are fully consolidated from the time that control has passed to the parent enterprise. They are de-consolidated when the control ends.

All material subsidiaries are included in the consolidated financial statements (see 4. Scope of consolidation).

In the case of company acquisitions, a judgement is made (see 6. Principal discretionary decisions and estimates) whether what is involved is a corporate merger under IFRS 3 or only the acquisition of a group of assets and debts as an aggregate without these possessing the quality of an enterprise.

Company acquisitions in the meaning of IFRS 3 are treated using the purchase method. This involves the acquisition costs being allocated to the purchased, individually identifiable assets, debts and contingent liabilities in accordance with their fair values at the time of purchase. Any remaining asset difference is recognised as goodwill, and any remaining liability difference is recognised in the income statement. Incidental costs of acquisition are recorded as expenses in the income statement.

Interests in the net assets of subsidiaries which are not attributable to Diok AG are presented separately under equity as interests of minority shareholders. In calculating the portion of the Group result which is due to the minority shareholders, consideration is also given to consolidation bookings which have an effect on the income statement. Interests of minority shareholders in partnerships are presented as a separate item under liabilities.

The acquisition of property companies which do not constitute enterprises in the meaning of IFRS 3 is modelled as the direct purchase of an aggregate of assets – in particular of buildings. Here the acquisition costs are assigned to the individually identifiable assets and debts on the basis of their fair values. Therefore the acquisition of property companies does not lead to any asset or debt difference arising from the capital

consolidation. The sale of property companies is modelled, therefore, as the sale of an aggregate – in particular of buildings.

For purposes of the consolidated financial statements, amounts due, owed and earnings within the Group are eliminated as part of the debt or expense & income consolidation. Expenses and income which have arisen from internal group transfers of assets are also eliminated.

4. SCOPE OF CONSOLIDATION

The scope of consolidation, including the parent enterprise, comprises 21 entities, which are consolidated in full. The scope of consolidation has changed as follows:

Number	2020	2019
Status 01.01	21	9
Additions	0	12
Disposals	0	0
Status 31.12	21	21

The additions in the prior year were nine newly formed capital companies and three property-holding companies, which were acquired through purchases of interests. Of the nine newly formed entities, four had acquired properties in the business year 2019, two companies had concluded property purchase contracts prior to the balance sheet date, and two companies were held as shelf companies. A further company was intended as a holding company for fixtures and similar.

At December 31, 2020, the scope of consolidation of Diok AG was as follows:

No.	Company	Domicile	Share in %	Held by No.	Activity
Fully consolidated enterprises:					
1.	Diok RealEstate AG	Cologne			Holding
2.	Diok Asset GmbH	Cologne	100	1	Holding
3.	Diok Bochum GmbH	Cologne	94.9	2	-{}-Bestandshaltung
4.	Diok Freiberg GmbH	Cologne	94.9	2	Management
5.	Diok Hattingen GmbH	Cologne	94.9	2	Management
6.	Diok Neuss GmbH	Cologne	94.9	2	Management
7.	Diok Ulm GmbH	Cologne	94.9	2	Management
8.	Diok nrw GmbH	Cologne	100	2	Management
9.	Diok Neu-Ulm GmbH	Cologne	100	2	Management
10.	Diok Würselen GmbH	Cologne	100	2	Management
11.	Diok EP Aachen GmbH	Cologne	94.9	2	Management
12.	Diok Köln GmbH	Cologne	100	2	Management
13.	Diok Magdeburg GmbH	Cologne	100	2	Management
14.	Diok Gelsenkirchen GmbH	Cologne	100	2	Management
15.	Diok Offenbach GmbH	Cologne	94.9	2	Management
16.	Diok Hallbergmoos GmbH	Cologne	94.9	2	Management
17.	Diok Ratingen GmbH	Cologne	100	2	Shelf company
18.	Diok Minden GmbH	Cologne	100	2	Management
19.	Diok Betriebs GmbH	Cologne	100	2	Operating company
20.	Diok Dietzenbach GmbH	Cologne	100	2	Shelf company
21.	Diok Dortmund GmbH	Cologne	100	2	Shelf company

Diok AG also has a 50% participation in Diok Assekuranzmakler GmbH & Co. KG, Düsseldorf, which was established in 2019. Since this company did not engage in any business activity of substance in 2020, for reasons of materiality it has not been consolidated.

5. ACCOUNTING AND MEASUREMENT PRINCIPLES

5.1 Measurement of fair value

The fair value is the price which, in a well-ordered transaction, would have been received at the measurement date between market participants for the sale of an asset or received for the transfer of a debt. In measuring the fair value it is assumed that the transaction in which the sale of the asset or the transfer of the debt takes place

- is the main market for the asset or the debt, or
- is the most advantageous market for the asset or the debt, where there is no principal market.

The Group must have access to the principal market or to the most advantageous market. The fair value of an asset or a debt is measured on the basis of assumptions that market participants would use for determining the price of the asset or debt. Here it is assumed that the market participants act in their own best economic interest.

The Group applies valuation techniques which are appropriate under the pertinent circumstances and for which sufficient data is available to measure the fair value. Here the application of observable inputs is to be held as high as possible and that of unobservable inputs kept as low as possible.

All assets and debts for which the fair value is determined or presented in the financial statements are classified using the fair value hierarchy described below; this classification is based on the input parameter of the lowest level which is material for the measurement of the fair value.

- Level 1: Prices listed (without adjustment) in active markets for identical assets or debts.
- Level 2: Valuation methods in which input parameters of the lowest level material for the measurement of the fair value are observable directly or indirectly on the market.
- Level 3: Valuation methods in which input parameters of the lowest level which is material for the measurement of the fair value cannot be observed.

In the case of assets and debts which are recognised in the financial statements on an iterative basis the Group determines whether re-groupings have taken place between the levels of the hierarchy by reviewing the classification at the end of the reporting period, this classification being based on the input parameters of the lowest level for which the measurement of the fair value is material.

5.2 Intangible assets and property, plant & equipment

On initial recognition, individually acquired intangible assets are measured at cost. After initial recognition, intangible assets with a limited useful life are amortised straight-line over their probable useful life, which is generally three to five years, and are examined for impairment as soon as there is evidence of this. Impairments of intangible assets are taken to the income statement under amortisation of intangible assets.

Property, plant and equipment is recognised at cost less accumulated scheduled depreciation and accumulated impairment expenses. The acquisition costs comprise the expenditure that is directly attributable to the purchase. Subsequent acquisition or manufacturing costs are only capitalised when it is probable that they will lead to the company receiving an economic benefit.

Repairs and maintenance are recognised as expenses in the statement of comprehensive income in the year when incurred. The depreciation is recorded straight-line using estimated useful lives of, generally, three to fifteen years. The depreciation methods and useful lives are reviewed at each balance sheet date and adjusted if required. The book values of the property, plant and equipment are reviewed for impairment as soon as there is evidence that the book value exceeds the recoverable amount.

Gains and losses from the disposals of assets are determined as differences between the net sales revenues and the book value; they are recorded in the income statement.

Intangible assets and property, plant & equipment constitute about 0.1 % of the assets and are therefore of very subordinate importance in the Group of Diok AG; hence there are no further remarks here.

5.3 Investment properties

Investment properties comprise all buildings which are held long-term in order to obtain rental income or increases in value and are not intended to be used themselves or held for sale in the course of ordinary business.

At the time of addition, the investment properties are recognised at their acquisition and manufacturing costs including incidental costs of acquisition. In subsequent periods the investment properties are measured at their fair values. The costs of ongoing maintenance are recorded in the statement of comprehensive income as expenses. Modernisation measures (upgrades) which exceed the ongoing maintenance are capitalised if it is probable that the company will receive an economic benefit from them. The measurement results are stated in the statement of comprehensive income in the item "Measurement result of investment properties".

Investment properties are not traded on an active market, but measured on the basis of input factors which are based on non-observable market data (level 3).

The fair value of investment properties is determined generally on the basis of expert reports by external specialists, who use current market data with the aid of recognised measurement methods. This means that income value methods are applied (cf. comments on the measurement procedures under 8.1). If there is a notarially documented contract on the sale of a property held as a financial investment prior to the preparation of the financial statements, the purchase price agreed is used as the basis for the determining the fair value.

Investment properties are retired when they are sold or no longer used permanently and no future economic benefit is expected from their disposal. Gains or losses from any sale or closure are recorded in the year of sale or closure. The gain or loss is the difference between the sales price and the book value plus any selling expenses.

Properties are transferred from the inventory of investment properties to another balance sheet item when there is a change in use which is documented by the beginning of own use or the beginning of actions with the intention of sale.

5.4 Financial assets

All financial assets in the Diok Group are measured at adjusted acquisition cost in accordance with IFRS 9.4.1.2. These are mainly lendings to third parties and receivables from rents or incidental rental costs, which moreover do not materially affect the net assets, financial position and results of operations of the Diok Group. This leads to a reduction in the length of this report.

All lendings are held until maturity; inflows contain solely interest payments and redemptions.

All financial assets are retired when the contractual rights to cash flows from the financial asset expire or the rights to retain the cash flows are transferred together with all material risks and opportunities derived from ownership of the financial asset.

Financial assets count among current assets if their date of maturity does not exceed a period of twelve months from the balance sheet date.

Otherwise they are presented as non-current assets. The effective interest method is only applied if the asset presents a maturity of more than twelve months.

5.5 Impairments of financial assets

On account of its business model and the mix of its tenants the Group is not exposed to any great risk of impairment. Where an individual commercial tenant dominates in the rental income from a property, there is continual control of the creditworthiness of that tenant. The adjustments are measured in the amount of the credit losses to be expected over the term, except for the following adjustments, which are measured in the amount of the expected credit losses over 12 months:

- bonds which present a low risk of default at the balance sheet date, and
- other debt instruments including bank balances where the default risk has not significantly increased since initial recognition.

Impairments for trade receivables (rental receivables, receivables from the sale of property and contractual assets) are consistently measured in the amount of the credit loss expected over their term on the basis of adjustment matrices commonly used in the sector. The lendings are monitored continually for recoverability, whereby, in future, extension of lendings will have a noticeably lower significance in the balance sheet.

For reasons of their immateriality, impairments of financial assets as defined by IFRS 9 are not presented as a separate item in the Group statement of comprehensive income but under other operating expenses (trade

receivables) or financial expenses (other debt instruments). The impairment of financial assets are presented separately in the Notes to the Group financial statements.

Impairments of financial assets, which are measured at adjusted acquisition cost, are deducted from the gross book value of the assets. In the case of bonds which are measured at fair value with adjustments in other earnings, the impairment from the other earnings is reclassified to profit or loss.

The gross book value of a financial asset is written down if, after appropriate estimate, the Group does not assume that the financial asset will be wholly or partly recoverable. Any payments subsequently received for previously retired amounts are recorded as other operating income.

5.6 Means of payment (Cash)

Means of payment in the Group balance sheet comprises bank deposits.

5.7 Long-term assets and debts held for sale

A non-current asset or a group of assets to be sold is classified as "held for sale" if the pertinent book value is to be realised by a sales transaction rather than continued use, if the asset can be sold without delay, and if the sale is assumed to be highly probable. Measurement is at the lower of book value and fair value less selling expenses. Within the balance sheet these assets or groups of assets as well as any associated debts are presented separately. Debts are classified as "held for sale" if they are associated with an asset held for sale and are adopted by a purchaser.

Diok AG recognises property held as financial investments as being assets held for sale if, at the balance sheet date, there exist notarial purchase contracts or declarations signed by both parties of intent to sell or buy but, by contract, ownership will only be transferred in the subsequent period. Initial recognition is at the contractually agreed sales price and subsequently at the fair value after deduction of selling expenses, where this is lower.

In determining the fair value of the non-current assets and debts held for sale, level 1 input factors are used.

5.8 Provisions

Provisions are set up for legal or constructive obligations to third parties which have their origin in the past and whose due date or amount are uncertain, if it is likely that the fulfilment of the obligation will lead to an outflow of resources from the Group, and if it is possible to make a reliable estimate of the amount of the obligation. The Group forms a provision for loss-making transactions if the expected use from the contractual claim is lower than the inevitable costs of the obligation to fulfil the contract. Measurement is at the best estimate of the present obligation at the balance sheet date. Non-current provisions are recognised at the settlement amount discounted to the balance sheet date.

5.9 Liabilities

Loan liabilities, bond liabilities and other liabilities are recognised initially at their fair value after deduction of transaction expenses. After initial recognition, the liabilities are measured using the effective interest method at adjusted acquisition costs.

Financial liabilities are retired when they have been redeemed, i.e. when the obligations stated in the contract have been met, been revoked or have expired.

Liabilities are classified as current if the Group does not have the unconditional right to postpone the redemption to a time at least twelve months after the balance sheet date.

5.10 Taxes

The actual tax refund claims and tax debts are measured at the amount at which a refund from or payment to the tax authorities is expected. For this, the tax rates and laws are applied which are in force at the balance sheet date.

In accordance with IAS 12, deferred taxes are recognised for all temporary differences between the tax basis of the assets and liabilities and their book values in the IFRS financial statements as well as on tax loss carry-forwards.

Deferred tax assets for tax loss carry-forwards are recognised, account being taken of the minimum taxation, at the amount at which the realisation of the associated tax benefits against future tax profits is likely (balance sheet recognition in the amount at least of the deferred tax liabilities). The loss carry-forwards exist solely in Germany and therefore they are not subject to forfeit. For this reason there is here no specification of the maturity structures of the non-capitalised loss carry-forwards.

The tax rates on which the calculation of the deferred taxes are based were determined on the basis of the statutory regulations which are currently valid.

For Group companies a tax rate was assumed of 15.0 percent for corporation tax, 5.5 percent for the solidarity surcharge and 16.625 percent for municipal trade tax. Deferred tax claims for temporary differences and also for tax loss carry-forwards were recognised at the amount at which it is likely that the temporary differences can be offset against future taxable income, taking into account the minimum taxation. Probable effects from the extended curtailment of the income from the rental of own landed property on domestic municipal trade tax were taken account of in the measurement of the deferred taxes.

No deferred taxes are formed on temporary tax asset or tax liability differences in connection with interests in the Group companies as long as the Group can control their reversal and will not reverse them in the foreseeable future.

Deferred tax claims and tax debts are offset against each other if (i) the Group has a claim, recoverable by law, to offset the actual tax refund claims against the actual tax debts and if (ii) these relate to income taxes of the same tax subject and if (iii) those income taxes are imposed by the same tax authority.

5.11 Costs of outside capital

Costs of outside capital are recorded as expense in the period in which they are incurred. The application of IAS 23 does not give rise to any effects since the relevant assets (buildings) are already recognised at their fair value.

5.12 Lease relationships

In connection with the rental of buildings the Group is both a lessor and a lessee.

At the beginning of the contract the Group judges whether the contract constitutes or contains a lease. This is the case if the contract gives entitlement to control the use of an identifiable asset against payment of remuneration for a certain period. In order to judge whether a contract contains the right to control an identifiable asset, the Group uses the definition of a lease under IFRS 16.

As lessee

An analysis of the leases identified, in particular, the following kinds of contract where the Diok Group has entered obligations as a lessee and has obtained a right of use in an asset:

- Rental contracts for office premises
- Rental contract for vehicle parking spaces
- Leases for motorised vehicles

At the provision date, the Group recognises an asset for the right of use which has been granted and a lease liability. The right of use is measured initially at acquisition cost, which corresponds to the initial measurement of the lease liability, and adjusted by payments made on or prior to the provision date plus any initial direct costs as well as the estimated costs for dismantling or removal of the underlying asset or to restore the underlying asset to the location at which this is, less any leasing incentives received.

Subsequently the right of use from the provision date until the end of the lease period is amortised straight-line unless the ownership of the underlying asset will pass at the end of the term of the leasing relationship to the Group or else the costs of the right of use provide for the Group to exercise a purchase option. In this case, the right of use is amortised over the useful life of the underlying asset, this useful life being determined in accordance with the rules for property, plant & equipment. In addition, the right of use is corrected continually by impairments, where necessary, and adjusted by certain revaluations of the lease liability.

Initially the lease liability is discounted to present value of the lease payments which, at the provision date, have not yet been made, the discount rate being the interest rate which is implicit in the lease relationship or, if this cannot be determined readily, using the Group's interest rate for incremental outside capital. The Diok Group uses an incremental borrowing rate of interest as the discount rate.

The lease payments which are measured in the lease liability comprise: fixed payments; variable payments; amounts which will probably have to be paid on account of a residual value guarantee; the exercise price of a purchase option if the Group is sufficiently certain it will exercise this option; lease payments for any prolongation, if the Group is sufficiently certain it will exercise this option; and penalty payments for a premature termination of the lease relationship unless the Group is sufficiently certain that it will not terminate prematurely.

The lease liability is measured at the adjusted book value using the effective interest method. It is re-measured if the future lease payments change on account of a change in the index or interest rate; if the Group adjusts its estimate of the probable payments in connection with a residual value guarantee; if the Group changes its estimate of the exercise of a purchase, prolongation or termination option; or if a lease payment which is de facto fixed, changes. In the case of such a re-measurement of the lease liability, the book value of the right of use is adjusted accordingly or, if the book value of the right of use has fallen to zero, the adjustment is recorded in the income statement.

In the balance sheet Diok AG presents rights of use which do not satisfy the definition of a building held as a financial investment under property, plant & equipment and presents lease liabilities under the other liabilities. Rights of use to investment properties which under IAS 40 are measured at their fair value, are themselves measured at the fair market value and presented under investment properties.

Diok AG has resolved not to recognise rights of use and liabilities for leases involving low-value assets and short-term leases. The Group recognises the payments connected with these leasing relationships as expense over the term of the leases.

The table below summarises the effects of the application of IFRS 16 on the relevant items in the Group balance sheet at December 31, 2020, and in the statement of comprehensive income for the period from January 1 to December 31, 2020, as well as the Group cash flow statement for the period from January 1 to December 31, 2020.

Effects on the consolidated balance sheet, Group statement of comprehensive income and Group cash flow statement in TEUR	Without application of IFRS 16	Adjustment	With application of IFRS 16
Property, plant and equipment	178	68	246
Other non-current liabilities	0	42	42
Other current liabilities	1,741	60	1,801
Expenses from property management	-3,585	2	-3,583
Other operating expenses	-2,698	79	-2,619
Depreciation of property, plant & equipment	-35	-75	-110
Financial expenses	-8,502	-6	-8,508
Cash flow from operating activity	-1,586	76	-1,510
Cash flow from financing activity	13,514	-76	13,438

As lessor

When the Group acts as a lessor it classifies at the beginning of the contract each relationship as either a finance lease or an operating lease. In order to classify each leasing relationship, the Group has undertaken an overall estimate whether the lease transfers all material risks and opportunities which are associated with ownership of the underlying asset. If this is the case the leasing relationship is classified as a finance lease; if not, it is an operating lease. In deciding this, the Group takes into consideration certain indicators such as whether the leasing relationship covers the greater portion of the economic useful life of the asset.

The Diok Group rents out the buildings held as investment properties. On the lessor side, these leasing relationships are classified as operating leases. Lease payments from operating leases are recorded straight-line under income from property management (net rental income).

At the beginning of the contract, or in the event of a change to a contract which contains a leasing component, the Group divides the contractually agreed remuneration on the basis of the relative individual sales prices. If an agreement contains leasing and non-leasing components, the Group applies IFRS 15 to separate the contractually agreed remuneration. A distinction is made between non-lease components of the ongoing debt relationship – these involve operating costs which the tenant must reimburse to the Diok Group (the subject of IFRS 16) – and those in which the Diok Group has an obligation to render a performance (the subject of IFRS 15). Hence the revenues from the on-charging of expenses for land tax and building insurance now come under the scope of IFRS 16, alongside net rental income.

The Group applies the retirement and impairment rules of IFRS 9 to the net investment in the leasing relationship.

5.13 Realisation of income and expense

The income from the rental of buildings (net rental revenue) results from lease relationships; it is recorded period for period in conformity with the rules of the underlying contracts. The rental receivables and income

are recorded when they are fixed contractually and it is probable that the economic benefit will flow to the Group. Since the net rents are paid monthly in advance, the rental receivables are due immediately.

The income from the on-charging of running costs are recorded periodically in line with the rendering of the pertinent performances, i.e. with transfer of availability of the service to the tenants. This presupposes that there are contractual agreements with the tenants and that it is probable that the specified consideration will be received. The running costs and their on-charging is accounted for using the "Principal" method. The expenses relating to the running costs and the corresponding income from on-charging to tenants are presented, without offsetting, in the statement of comprehensive income. The liabilities from the advance payments of incidental (i.e. running) costs are offset against the receivables for the services which have not yet been invoiced; the net amount is presented under "Other current receivables and assets" or "Other current liabilities". The advance payments by tenants for running costs fall due monthly together with the net rents and are payable immediately.

Other income is recorded if it is probable that the economic benefit will flow to the Group and the amount of the income can be determined reliably.

Interest income and expense are recognised in the income statement over the remaining term in proportion with the remaining receivable or liability.

Expenses are recorded as soon as caused economically.

5.14 Earnings per share

The shares of Diok AG are held privately and are not traded publicly. Therefore the results per share have not been calculated.

5.15 Currency translation

The consolidated financial statements are in euro. The euro is the currency of the primary economic environment in which the Group operates and is therefore the functional currency. The Group does not have any foreign subsidiaries; there is therefore no other functional currency which might give rise to effects on the consolidated financial statements.

5.16 Cash flow statement

The cash flow statement describes the development of the payments streams of the Group during the reporting period. In the consolidated financial statements, the cash flow from operating activity is determined using the indirect method, with earnings before tax and interest (EBIT) being adjusted by non-cash items and adding cash items. The cash flow statement describes the cash flow from operating activity, from investing activity and from financing activity.

6. PRINCIPAL DISCRETIONARY DECISIONS AND ESTIMATES

In drawing up the consolidated financial statements the Management Board makes estimates and assumptions on expected future developments on the basis of the circumstances prevailing at the balance sheet date. The resulting estimates may deviate from what later transpires. In this case, the assumptions and the book values of the assets or debts are adjusted as necessary.

Assumptions and estimates are reviewed continually; they are based on experience and other factors, including expectations about future events which in the circumstances seem reasonable.

In its application of the accounting and measurement methods, the Board has made the following estimates which influence materially the amounts stated in the consolidated financial statements:

- Market values of investment properties are based on the findings of specialists commissioned for this purpose. This measurement is based on the discounted future income surpluses, i.e. the present value of future cash flows. For purposes of measurement the experts estimate factors such as future rental income, vacancy rates, maintenance and improvements as well as any applicable land interest rates, all of which directly affect the fair value of the properties.
- The calculation of impairment of financial assets is also subject to estimates. In this connection the risks of default on financial assets must be judged and estimates made of the credit losses to be expected.
- Deferred taxes: The Board takes decisions on the basis of its current planning of the extent to which it will be possible to use future loss carry-forwards. The criteria are, therefore, expected tax profits of the pertinent company, which correlate largely with the fair value of the properties held by that company.
- Various assumption need to be made in relation to provisions about the probability of occurrence and the amount of the utilisation. Here consideration is given to all information available at the time the balance sheet is prepared.

In its application of the accounting and measurement methods, the Board has made the following discretionary decisions which influence materially the amounts stated in the consolidated financial statements:

- Diok AG has specialised in the acquisition of commercial properties in off-market transactions. This means that properties are often purchased when the seller is subject to exceptional circumstances. In connection with such transactions, Diok AG decides whether the property was purchased on the principal market as under IFRS 13 or whether the purchase was on a non-transparent (bidders') market. Where the purchase took place on a non-transparent market, Diok AG examines whether, under IFRS 13, the property would have obtained a higher price on the principal market.
- With regard to the properties held by the Group, the Board must decide at each balance sheet date whether they should be held long-term for rental or purposes of an increase in value, or for sale. Depending on this decision, the properties are presented under investment properties or under long-term assets to be sold. This decision is one of judgement since it is not possible to predict opportunities for a specially advantageous sale of properties held long-term for rental or for purposes of value increase.
- When property companies are acquired, a decision must be made whether this constitutes the purchase of a business operation. If, alongside the assets and debts, an operating business (integrated group of activities) is taken over, this is a company merger. An integrated group of activities is considered to be, for example, asset and property management, receivables management and accounting. A further indicator that it is an operating business which is being taken over is whether the purchased entity has employees.

- In the initial recognition of financial instruments a decision must be made on which measurement category they belong to.

7. SEGMENT REPORTING

Although Diok is not classified as a “capital market oriented” enterprise in the meaning of § 254d HGB (German Commercial Code), IAS 33 imposes on IFRS consolidated financial statements the publication of segment reporting if outside or equity capital is traded on an exchange in the meaning of IFRS (which also includes over-the-counter or similar marketplaces) or if there is segmentation for internal reporting purposes.

Diok AG does not report internally by segment, and therefore segment reporting is not possible. Further information which is required under IFRS 8 is also inapplicable. Although it is possible that the sale of a building may mean that within one year a material turnover is obtained from a single customer, it cannot be inferred from this that there is any dependency.

8. EXPLANATIONS ON THE CONSOLIDATED BALANCE SHEET

8.1 Investment properties

Investment properties are recognised at their fair values. The fair values in the period under review developed as follows:

in EUR	2020	2019
Book values at 01.01	205,572,786.29	63,950,000.00
Purchases (+)	5,211,756.85	102,996,457.73
Other additions (+)	1,462,886.22	678,424.74
Fair value increases (+)	4,376,279.62	38,177,903.82
Fair value decreases (-)	-3,635,747.22	0.00
Disposals / Purchase price reductions (-)	-1,782,961.76	0.00
Reclassification (-)	-4,945,000.00	-230,000.00
Book values at 31.12	206,260,000.00	205,572,786.29

The investment properties are encumbered with land charges as collateral for financial loans. The property portfolio of the Diok Group consists solely of commercial buildings. A number of rental contracts expired at the end of the reporting period. The Board is at an advanced stage in its negotiations with potential tenants such that renewed rental of substantial surfaces is expected in the course of 2021.

The purchases in the reporting period relate to the acquisition of a commercial property in Minden and subsequent purchase costs for properties acquired in the prior year. The purchases in the prior year related to eight commercial buildings: in Aachen, Gelsenkirchen, Hallbergmoos, Cologne, Magdeburg, Neu-Ulm, Offenbach and Würselen. Moreover, in the prior year advance payments were made for two commercial properties, one in Minden and the other in Ratingen.

As in the prior year, the other additions relate to upgrades to property already held.

In the reporting period, increases of EUR 4.4 million in current value and decreases of EUR 3.6 million in current value led to a measurement result of EUR 0.8 million (prior year: EUR 38.2 million), which was recorded as earnings in the statement of comprehensive income. The present value reductions relate, in the amount of EUR 2.1 million, to a property which was sold at the beginning of 2021 and was measured at the purchase price that had been contractually agreed as at the balance sheet date; and, in the amount of EUR 1.1 million, to a

property where the rental contract had expired as at the balance sheet date and where value-enhancing investments were planned for a new tenancy.

The disposals / purchase price reductions relate, in the amount of EUR 1.0 million, to an advance payment which was retired during the reporting period because the purchase was aborted, and in the amount of EUR 0.8 million to purchase price reductions received on account of some defects which had been ascertained.

The reclassification of EUR 5.0 million relates to the commercial property in Freiberg, which was sold with a notarially documented purchase contract from December 2020. The transaction was completed in January 2021.

The fair value (level 3 of the fair value measurement on the basis of valuation models) of individual buildings was determined on the basis of discounted income surpluses, i.e. using the capitalised value method in conformity with the “Immobilienwertermittlungsverordnung” regulation (abbreviated to ImmoWertV). The fair value of the investment properties is derived from the income and outgoings; it is discounted using a risk-adjusted land interest rate. Separately from the determination of the market value of the buildings there is a measurement of the land value.

The following table shows the main assumptions which were used to measure the fair value of the investment properties using the present value of future cash flows:

Range	31.12.2020	31.12.2019
Market rent in EUR	4.00 – 12.00	4.00 - 11.50
Land interest rate in %	3.60 – 5.53	3.60 - 6.50
Residual useful life in years	35 - 45	35 - 45
Maintenance costs EUR / square metre	9.20 - 12.20	9.15 - 12.29

The ranges quoted do not take into consideration any outliers. The assumptions applied in the valuation of the properties were made by the independent expert on the basis of his many years of experience.

The land interest rate, the pertinent rents and the duration of use were identified as the main value drivers influenced by the market. The effects of any fluctuations of these parameters are modelled below in isolation from each other. Interactions between the parameters are possible, but due to their complexity cannot be quantified.

31.12.2020	Land interest rate		Rent		Useful life	
	-0,5%- points	0.5%- points	-10,0%	+10,0%	-5 years	+5 years
Changes in value						
in TEUR	17,200	-15,090	-17,950	18,070	-9,570	7,840
in %	8.3	-7.3	-8.7	8.7	-4.6	3.8

31.12.2019	Land interest rate		Rent		Useful life	
	-0,5%- points	0.5%- points	-10,0%	+10,0%	-5 years	+5 years
Changes in value						
in TEUR	16,620	-14,760	-17,700	17,640	-9,290	7,630
in %	8.1	-7.2	-8.7	8.6	-4.5	3.7

8.2 Loans

in EUR	2020	2019
Book values at 01.01	3,731,148.29	2,220,148.29
Additions (+)	15,000.00	1,511,000.00
Disposals (-)	0.00	0.00
Book values at 31.12	3,746,148.29	3,731,148.29

Non-current lendings relate to loans to minority shareholders which were granted in connection with the joint purchase transactions. A loan of EUR 2.2 million has a term until the middle of 2023, when it is to be redeemed in full. This loan bears interest at 4.45% p.a. The other lendings relate in the amount of EUR 1.5 million to three loans granted in 2019, which bear interest at 7.0% p.a. and with terms until April 30, 2024, and December 31, 2024. The loans were issued with the purpose of obtaining interest income; there was no trade, nor is any trade planned.

8.3 Trade receivables

Trade receivables derive solely from rental and do not bear interest. Of the trade receivables, prior to consideration of adjustments, an amount of TEUR 629 was overdue as at the balance sheet date (prior year: TEUR 172). Adjustments are formed on the basis of the age structure and depending on whether the tenants concerned are current or former tenants. At December 31, 2020, the adjustments on trade receivables came to TEUR 102 (prior year: TEUR 50).

8.4 Other current receivables and assets

Other non-current receivables and assets are composed as follows:

in EUR	31.12.2020	31.12.2019
Running costs still to be invoiced less advance payments	375,732.17	307,829.08
Outstanding incoming payments from the issue of bonds	310,209.86	6,977.82
Interest receivables from non-current lendings	145,612.13	55,670.65
Tax receivables (value added tax)	3,207.07	164,451.66
Loans to shareholders	0.00	380,000.00
Receivables from price adjustments on share purchases	0.00	117,954.43
Insurance claims	0.00	40,843.29
Other current assets	179,020.29	70,050.06
Total	1,013,781.52	1,143,776.99

With regard to loans to shareholders, reference is made to the more detailed explanations under paragraph 13.3 "Disclosures on related enterprises and persons".

8.5 Means of payment (Cash)

The cash of TEUR 9,126 (prior year: TEUR 3,480) consists entirely of bank deposits available at short notice.

8.6 Long-term assets and debts held for sale

With notarial purchase of contract of December 17, 2020, Diok Asset sold all its interests in Diok Freiberg. The transaction was completed in January 2021. The assets and debts sole were reclassified accordingly as at the balance sheet date and are composed as follows:

in EUR	31.12.2020	31.12.2019
Investment properties	4,945,000.00	230,000.00
Other current receivables and assets	26,257.04	0.00
Means of payment (Cash)	67,453.73	0.00
Non-current assets held for sale	5,038,710.77	230,000.00
Financial loans	206,008.92	0.00
Trade liabilities	4,764.70	0.00
Other current liabilities	37,532.50	0.00
Debts held for sale	248,306.12	0.00

8.7 Equity

The nominal capital of Diok AG is EUR 23,431,820.00. It is divided into 9,373,728 registered no-par shares.

At the balance sheet date Diok AG did not have any approved or conditional capital nor did it hold any treasury shares.

The interests of the minority shareholders relate to capital and earnings portions of third parties in the fully consolidated companies in which the participation of Diok AG or its subsidiaries is less than 100%.

8.8 Minority shares

At December 31, 2020, a portion of TEUR 3,263 (prior year: TEUR 3,161) related to the minority shareholders; it is shown under equity.

At the balance sheet date, there were the following non-controlling interests in the companies which had been purchased at June 1, 2018: Diok Bochum GmbH, Diok Freiberg GmbH, Diok Hattingen GmbH, Diok Neuss GmbH and Diok Ulm GmbH (known as the Nova-Portfolio; minority shares each 5.1%); and in the following companies, which were acquired in 2019: Diok EP Aachen GmbH (at 1.5.2019), Diok Offenbach GmbH (at 20.12.2019) and Diok Hallbergmoos GmbH (at 31.12.2019). The minority share in these three companies is also 5.1% in each case. The financial information for these companies is as follows:

in TEUR	Diok EP Aachen	Diok Offenbach	Diok Hallberg- moos	Nova- Portfolio
2020				
Revenues	1,031	959	1,685	4,197
Earnings from business areas to be continued	379	824	808	-7
Other earnings	0	0	0	0
Total earnings	379	824	808	-7
31.12.2020				
Non-current assets	21,850	11,900	35,700	55,325
Current assets	13,689	6,876	10,306	1,640
Non-current debts	16,383	7,012	26,387	2,813
Current debts	1,015	772	1,181	37,748
Net assets	18,141	10,992	18,438	16,404
Proportion in % held by minority shareholders	5.1%	5.1%	5.1%	5.1%
Portion held by minority shareholders in TEUR	925	561	940	837

in TEUR	Diok EP Aachen	Diok Offenbach	Diok Hallberg- moos	Nova- Portfolio
2019				
Revenues	724	22	0	4,056
Earnings from business areas to be continued	5,511	1,322	8,233	2,074
Other earnings	0	0	0	0
Total earnings	5,511	1,322	8,233	2,074
31.12.2019				
Non-current assets	21,800	11,700	35,600	55,770
Current assets	12,721	6,317	6,335	382
Non-current debts	16,280	7,414	1,528	3,129
Current debts	478	435	22,777	36,612
Net assets	17,762	10,168	17,630	16,411
Proportion in % held by minority shareholders	5.1%	5.1%	5.1%	5.1%
Portion held by minority shareholders in TEUR	906	519	899	837

The enterprises with minority shares were not subject to any restrictions.

8.9 Deferred taxes

The deferred tax claims (+) and liabilities (+) are composed as follows:

in EUR	31.12.2020	31.12.2019
Tax loss carry-forwards	2,025,184.34	1,900,363.61
Accounting for leases under IFRS 16	1,048.21	953.32
Valuation of investment properties	-10,125,421.37	-9,725,547.95
Valuation of financial liabilities	-1,304,440.01	-1,465,617.13
Total of deferred tax claims	2,026,232.55	1,901,316.93
Total of deferred tax liabilities	-11,429,861.38	-11,191,165.08
Balance	2,016,371.65	1,783,297.82
Deferred tax claims presented	9,860.90	118,019.10
Deferred tax liabilities presented	-9,413,489.73	-9,407,867.26

The change in deferred taxes is mainly due to effects on the income statement.

No deferred tax assets have been formed on corporation tax loss carry-forwards of about EUR 12.0 million (prior year: about EUR 6.8 million) or on municipal trade tax loss carry-forwards of about EUR 14.0 million (prior year: about EUR 7.3 million) since it is not sufficiently certain that they will be recoverable.

The temporary differences from results of subsidiaries which have not been distributed, for which no deferred taxes were formed, come to EUR 4.2 million (prior year: EUR 4.0 million).

8.10 Liabilities from bonds

The liabilities presented under the heading Bonds related to the corporate bond 2018/2023. A portion of the corporate bond was subscribed by the shareholder Swiss Merchant Group AG, with which there is a placement agreement. An inflow of liquidity will only occur in the case of further placement. If there is no placement to third parties by the interest rate deadline, the unplaced debt instruments will be returned.

The corporate bond is due for repayment on October 1, 2023. Interest is due annually. The corporate bond is not secured.

8.11 Financial loans

The financing loans comprise mainly liabilities in connection with the purchase and the financing of investment properties. The finance comprises fixed interest bank loans, fixed interest credit from issuing companies, and loans from third parties.

At the balance sheet date, the financing loans ran to TEUR 136,684 (prior year: TEUR 128,331) in total, of which TEUR 127,896 (prior year: TEUR 102,924) were non-current, and TEUR 8,788 (prior year: TEUR 25,408) were to be redeemed in less than one year.

The financing loans are secured principally with mortgages. Further collateral is provided in the form of assignment of rental income and insurance claims as well as the hypothecation of bank deposits. Moreover, individual finance packages are secured by sureties of Diok AG and/or Diok Asset GmbH as well as by a letter of comfort of Diok AG.

The financing loans are secured with assets as follows:

in EUR	31.12.2020	31.12.2019
Investment properties	211,205,000.00	204,620,000.00
Rental receivables	347,068.46	101,676.01
Bank deposits	935,322.50	874,653.30

8.12 Income tax liabilities

The income tax liabilities in the amount of TEUR 334 (prior year: TEUR 81) comprise tax provisions for current corporation and municipal trade tax obligations.

8.13 Other liabilities

The other liabilities are composed as follows:

in EUR	31.12.2020	31.12.2019
Deferred interest	812,045.49	695,548.71
Deferred costs	621,290.24	985,993.05
Tax liabilities	136,547.81	0.00
Lease liabilities	101,263.36	168,100.70
Rents already received for 2020	36,919.63	151,836.30
Outstanding purchase prices for shares	0.00	400,846.46
Tenants' deposits	0.00	71,335.51
Other	134,469.94	165,445.65
Total	1,842,536.47	2,639,106.38
- thereof non-current	41,624.15	92,467.72
- thereof current	1,800,912.32	2,546,638.66

The deferred costs relate mainly to hospitality, maintenance and consultancy.

The tax debts relate to value added and to wages tax.

The outstanding purchase prices for interests shown in the prior year were in connection with a purchase of interests made in December 2019; they resulted from a deposit retention and from adjustments to the final purchase price for the interests.

9. EXPLANATIONS TO THE STATEMENT OF COMPREHENSIVE INCOME

9.1 Result from property management

The income and expenses from property management are composed as follows:

in EUR	01.01. – 31.12.2020	01.01. – 31.12.2019
Net rental income	11,397,463.51	6,220,577.64
Income from the on-charging of running costs	1,636,246.03	835,688.40
Other income from property management	122,385.10	28,716.28
Income from property management – total	13,156,094.64	7,084,982.32
Running, heating and administrative costs	-2,181,565.73	-1,172,760.20
Maintenance costs	-947,807.20	-473,448.48
Costs of letting	-387,270.62	-70,653.58
Other expenses from property management	-66,209.33	-8,549.87
Expenses from property management – total	-3,582,852.88	-1,725,412.13
Result from property management	9,573,241.76	5,359,570.19

The income from property management relates entirely to investment properties.

9.2 Personnel expenses

The personnel expenses comprise:

in EUR	01.01. – 31.12.2020	01.01. – 31.12.2019
Salaries and similar	1,023,996.29	934,990.35
Social security charges	42,347.86	28,744.56
Total	1,066,344.15	963,734.91

During the reporting period, the Group employed two board members and three staff.

9.3 Other operating income

The other operating income comprises in the reporting period mainly income from the reversal of provisions (TEUR 185; prior year: TEUR 55) and income from benefits in kind (TEUR 42; prior year: TEUR 40).

9.4 Other operating expenses

In the reporting period, the other operating expenses related mainly to consultancy fees (TEUR 839; prior year: TEUR 846); to travel and hospitality expenses (TEUR 140; prior year: TEUR 217); and to publicity costs (TEUR 83; prior year: TEUR 177). In addition, in the period under review, advance payments of TEUR 965 made for a property purchase were retired because the purchase was not completed. The resulting expense is contained in the other operating expenses.

9.5 Financial income

The financial income comprises mainly interest income in connection with the long-term lendings.

9.6 Financial expenses

The financial expenses are composed as follows:

in EUR	01.01. – 31.12.2020	01.01. – 31.12.2019
Interest expenses for financing loans incl. effective interest adjustment	5,693,748.18	4,104,853.94
Interest expenses for bonds incl. effective interest adjustment	2,809,180.79	1,624,284.57
Interest expenses for other liabilities	5,545.79	14,573.22
Total	8,508,474.76	5,743,711.73

9.7 Income taxes

The income taxes are composed as follows:

in EUR	01.01. – 31.12.2020	01.01. – 31.12.2019
Current income tax expense	316,660.73	65,965.53
Deferred tax income from loss carry-forwards	-124,820.73	-1,412,862.25
Deferred tax expense from temporary differences	238,601.42	6,540,550.95
Deferred taxes	113,780.69	5,127,688.70
Total	430,441.42	5,193,654.23

The current tax expense is determined on the basis of the taxable income of the reporting year. For the financial year 2020, the aggregate tax rate for corporation tax and solidarity surcharge was 15.825 percent. Adding in the municipal trade tax of about 16.625 percent, there results a group tax rate of 32.45 (prior year: 32.45) percent. Probable effects from the extended reduction of municipal trade tax are taken into consideration in the measurement of the deferred taxes.

The tax on the pre-tax profit of the Group deviates from the theoretical tax rate that results from the application of the Group tax rate of 32.45 percent as follows:

in EUR	01.01. – 31.12.2020	01.01. – 31.12.2019
Earnings before income taxes	-1,491,125.30	35,105,553.84
Expected tax result at 32.45%	483,870.16	-11,391,752.22
<u>Reconciliation through tax effects:</u>		
- Effects from the application of the extended municipal trade tax reduction	1,492,388.71	6,837,687.33
- Effects from losses which will not be used or use of loss carry-forwards not previously recognised	-1,509,772.66	-310,202.06
- Effects from modification to municipal trade tax	-361,726.30	-321,600.00
- Effects connected with the sale of a transfer of interests instead of a direct sale of property	-508,722.85	0.00
- Other effects	-26,478.48	-7,787.28
Total	-430,441.42	-5,193,654.23

10. EXPLANATIONS TO THE CASH FLOW STATEMENT

The payment flows are presented in subdivisions according to operating activity, investing activity and financing activity. For the description of the cash flow from operating activity, the indirect calculation method was chosen, whereas the cash flows from investing and financing activity were determined on the basis of payments. The cash and cash equivalents corresponds to the means of payment held.

The cash flow from operating activity in the reporting period came to TEUR minus 1,510 (prior year: TEUR minus 3,785). The cash flow from operating activity is composed mainly of payments of interest and incidental costs of finance in the amount of TEUR 7,887 (prior year: TEUR 7,405). A portion of TEUR 1,012 (prior year: TEUR 2,284) relates to the incidental costs of finance; these consist of placement costs for the bond, processing fees, legal fees, and costs for the mortgage.

In the reporting period disbursements of TEUR 7,580 (prior year: TEUR 98,088) were made for investment properties. Moreover, the cash flow from investing activity in the reporting period includes payments received from purchase price adjustments (TEUR 800; prior year: TEUR 0), from loan redemptions (TEUR 380; prior year TEUR 14) as well as from sales (TEUR 243; prior year: TEUR 0).

The cash flow from financing activity in the reporting period came to TEUR 13,438 (prior year: TEUR 102,645); it relates mainly to the issue of bonds (TEUR 5,636; prior year: TEUR 22,638) and to refinancing (TEUR 31,800; prior year TEUR 80,272). These revenues compare with disbursements for the redemption of financing loans in the amount of TEUR 23,922 (prior year: TEUR 195).

During the reporting period, cash and cash equivalents increased by TEUR 5,714 from TEUR 3,480 at the beginning to TEUR 9,194 at the end of the reporting period. Cash and cash equivalents contain the liquid funds which are available at short notice and which are not subject to any long-term restrictions on availability.

As a consequence of financing activities, the financial liabilities developed as follows in the reporting period:

Reporting period 2020

in TEUR	Initial amount 01.01.2020	Monetary change	Non-cash changes			Final amount 31.12.2020
			Change in scope of consolidatio n	Effective interest method	Reclassi- fications	
Financial loans	128,332	7,602*	0	956	-206	136,684
Bonds	33,725	4,894*	0	560	0	39,180**
Total	162,057	12,496	0	1,516	-206	175,864

* Including disbursements for incidental costs of finance

** minus claims not yet taken to income from the issue of bonds

Reporting period 2019

in TEUR	Initial amount 01.01.2019	Monetary change	Non-cash changes			Final amount 31.12.2019
			Change in scope of consolidatio n	Effective interest method	Reclassi- fications	
Financial loans	45,854	79,086*	2,575	817	0	128,332
Bonds	12,085	21,344*	0	296	0	33,725
Total	57,939	100,430	2,575	1,113	0	162,057

* Including disbursements for incidental costs of finance

11. DISCLOSURES ON FINANCIAL INSTRUMENTS AND FAIR VALUES

11.1 Additional disclosures on the financial instruments

a) Formation of categories

The classification of financial instruments which is required by IFRS 7 is performed in the Diok Group analogously to the pertinent balance sheet items. The following tables show a reconciliation of the book values for each IFRS 7 category (balance sheet item) to the measurement categories at the different cut-off dates.

in TEUR	Category under IFRS 7	Measured at amortised cost		Measured at fair value	Total Balance sheet item 31.12.2020
		Book value	Fair value	Book value	
Assets					
Loans	Aac	3,747	3,747	0	3,747
Trade receivables	Aac	526	526	0	526
Other current assets	Aac	1,014	1,014	0	1,014
Equity and Liabilities					
Liabilities from bonds	Flac	39,489	41,191	0	39,489
Financial loans	Flac	136,684	140,363	0	136,684
Trade liabilities	Flac	334	334	0	334
Other liabilities	Flac	1,843	1,843	0	1,843

Abbreviations of the IFRS 7 categories

Aac Financial assets measured at amortised cost
Flac Financial liabilities measured at amortised cost

in TEUR	Category under IFRS 7	Measured at amortised cost		Measured at fair value	Total Balance sheet item 31.12.2019
		Book value	Fair value	Book value	
Assets					
Loans	Aac	3,731	3,731	0	3,731
Trade receivables	Aac	122	122	0	122
Other current assets	Aac	1,144	1,144	0	1,144
Equity and Liabilities					
Liabilities from bonds	Flac	33,725	35,586	0	33,725
Financial loans	Flac	128,331	135,491	0	128,331
Trade liabilities	Flac	1,015	1,015	0	1,015
Other liabilities	Flac	2,639	2,639	0	2,639

Abbreviations of the IFRS 7 categories

Aac Financial assets measured at amortised cost
Flac Financial liabilities measured at amortised cost

Liabilities from the advance payments received for incidental running costs in the amount of TEUR 2,578 (prior year: TEUR 1,658) were offset against receivables for services not yet invoiced in the amount of TEUR 2,954 (prior year: TEUR 1,965); the net amount was presented in the consolidated balance sheet under other current receivables and assets.

b) Fair value figures

The fair values of the financial assets and debts for purposes of measurement or explanation in the Notes were determined on the basis of Level 3 of the Fair Value hierarchy except in the case of the bond liabilities. The fair

value of the bond liabilities was determined from the stock exchange value of the bond at the balance sheet date.

Trade receivables, other current assets and cash have short residual terms. Their book values at the cut-off date correspond, therefore, approximately to their fair values. The same applies for current financing loans, trade liabilities and other current liabilities.

The fair value of the non-current financing loans is determined by discounting the future cash flow. The discount rate is determined following a market interest rate with congruent term and risk.

c) Net result from financial assets and debts

The gains and losses from financial assets and debt are set out below:

in TEUR	Category under IFRS 7	Net result 2019			Net result 2020		
		Interes t	Income/ expense	Total	Interes t	Income/ expense	Total
Financial assets measured at cost	Aac	157	0	157	231	0	231
Financial liabilities measured at cost	Flac	-5,478	-1,113	-6,591	-6,992	-1,516	-8,508

The interest income and expense are shown under financial income and financial expenses. The expenses of the financial liabilities, measured at cost, relate to adjustments in connection with the effective interest method. These expenses are presented under financial expenses.

11.2 Financial risk management and disclosures under IFRS 7

The financial risk management is an integral part of the risk management system and therefore contributes to achieving the corporate goals. The material risks which are monitored and controlled by the Group's financial risk management are the risk of changes to interest rates, the default risk, the liquidity risk and the financing risk.

a) Interest rate risk

The Group is not currently exposed to any risk from changes to interest rates since the medium-term finance is almost exclusively at fixed rates.

b) Default risk

The default risk is the risk that a contractual party will be unable to meet its contractual payment obligations. The maximum default risk is the aggregate of the book values of the financial assets. Collateral, for example in the form of tenants' deposits, is not deducted in determining the maximum default risk since these are, as a rule, necessary to pay for refurbishment.

Control is undertaken at the Group level for the entire Group. Guidelines are in place to ensure that transactions are only entered into with business partners who in the past have demonstrated an appropriate payments behaviour. Trade receivables are mostly from tenants. In selecting tenants, emphasis is placed on perfect creditworthiness; the risk here is secured by deposits or sureties from the tenants. There are no significant concentrations in the Group with respect to possible credit risks. Depending on the property, there may be increased credit risks for commercial buildings arising from the mix of tenants.

c) Liquidity risk

The responsibility for the liquidity risk management rests with the board, that has developed an appropriate concept to control the short-term, medium-term and long-term financing and liquidity requirements. The Group controls liquidity risks by continual monitoring of the forecast and actual cash flow and tracking of the maturities of financial assets and liabilities. The purpose of the liquidity management is to ensure solvency at all times by a sufficient stock of liquidity reserves and the optimisation of liquidity within the Group.

The liquidity analyses below show the contractually agreed (non-discounted) payment streams of the original financial liabilities, including the interest payments, at the balance sheet date. The analysis includes all the financial instruments which were held at the balance sheet date. Planned payments for future new liabilities were not taken into consideration.

31.12.2020 in TEUR	Outflows of funds					
	2021	2022	2023	2024	2025	> 2025
Liabilities from bonds	2,487	2,487	43,941	0	0	0
Financial loans	13,262	16,323	84,551	1,621	8,395	29,236
Trade liabilities	334	0	0	0	0	0
Other liabilities*	1,131	15	2	2	2	35
Total	17,214	18,825	128,494	1,623	8,397	29,271

* Interest deferrals are recognised under the pertinent liabilities

31.12.2019 in TEUR	Outflows of funds					
	2020	2021	2022	2023	2024	> 2024
Liabilities from bonds	2,131	2,131	2,131	37,646	0	0
Financial loans	30,247	5,299	15,579	83,662	588	11,666
Trade liabilities	1,015	0	0	0	0	0
Other liabilities*	1,744	58	13	2	2	37
Total	35,137	7,488	17,723	121,311	590	11,703

* Interest deferrals are recognised under the pertinent liabilities

d) Financing risk

For further acquisitions the Group depends on receiving credit or the issue of further bonds. Similarly when credits expire, a prolongation or refinancing is necessary. In each case there is a risk that a prolongation may not be possible, or may only be possible on less favourable terms. Moreover, there are within the Group credit contracts for which the contractual partners have stipulated financial covenants to be abided by. If these credit stipulations or the bond conditions are violated, various sanctions may follow from the providers of capital going as far as termination of the credit or bonds. The bond and the credit contracts include the usual change-of-control clauses.

The Asset Management of the Diok Group is oriented on the observance of the Financial Covenants. Moreover, there is continual monitoring by the board of management.

12. CAPITAL CONTROL

The Group controls its capital with the purpose of maximising the income of the participants in the enterprise by optimisation of the ratio between equity and outside capital. Here it is ensured that all Group enterprises can operate under the going-concern assumption. Here the Group equity as stated in the balance sheet is an important factor.

As an Aktiengesellschaft, i.e. a company limited by shares, the Company is subject to the minimum capital requirements of German stock corporation law. Additionally, the Group is subject to the usual and sector-specific minimum capital requirements of the financial economy, in particular in the financing of specific properties. These include a cap on possible dividend payments to one percent of the comprehensive result. These minimum capital requirements are monitored continually.

The risk management reviews the capital structure of the Group at regular intervals. Key accounting figures are determined and forecast in order to meet the demands of external factors in the financial industry and to adhere to financial covenants. These figures include ratios on capital servicing for specific buildings and loan-to-value figures.

At the year end, the equity ratio stood as follows:

in TEUR	31.12.2020	31.12.2019
Equity (incl. minority shareholdings)	37,803	39,725
Balance sheet total	226,149	214,924
Equity ratio in %	16.7%	18.5%

The ratio of financing loans to the properties held as financial investments (Loan-to-value) is 64.7 percent (prior year: 62.4 percent). If the bond is included in the loan-to-value consideration, the resulting value is 83.4 percent (prior year: 78.8 percent). The investment properties concerned include the property in Freiberg with a value of TEUR 4,945 under "Non-current assets held for sale". This level of debt, which is high compared with the sector as a whole, is due to the rapid creation of a substantial commercial portfolio.

13. OTHER DISCLOSURES

13.1 Minimum payments from operating leases

In the rental of commercial properties it is normal for there to be demands for minimum payments from operating leases. Other than these, there are no claims to minimum lease payments. The minimum lease payments comprise the rental income without the running costs, which can be on-charged.

Details on operating leases in TEUR	2021 less than 1 year	2022 - 2025 1 to 5 years	from 2026 More than 5 years
Total of future minimum lease payments on account of irrevocable operating leases as lessor	8,852	26,207	13,220

Details on operating leases in TEUR	2020 less than 1 year	2021 - 2024 1 to 5 years	from 2025 More than 5 years
Total of future minimum lease payments on account of irrevocable operating leases as lessor	11,199	27,425	12,769

In the reporting period, the minimum lease payments (net rents) came to TEUR 11,397 (prior year: TEUR 6,221).

13.2 Other financial obligations and contingent relationships

At December 31, 2020, there were the following material rental and lease obligations.

in TEUR	31.12.2020	31.12.2019
Rental and lease obligations		
- Within one year	18	53
- Maturity between 1 and 5 years	1	16
- Maturity more than 5 years	0	0
Total	19	69

The financial obligations comprise only the portion of rental and lease obligations which were not accounted for using IFRS 16; at December 31, 2020, they derive mainly from consultancy agreements and lease contracts in connection with telecommunications services.

13.3 Disclosures on related entities and persons

IAS 24 "Related party disclosures" defines as related entities and persons, among others, parent enterprises and subsidiaries of a common parent company, associated enterprises, legal entities which can be influenced by management, and the management of the enterprise. Transactions between Diok AG and its consolidated subsidiaries are eliminated on consolidation and therefore are not commented on in the Notes to the financial statements.

There is no ultimate controlling party in the meaning of IAS 24.13 for the Diok Group.

The following material transactions took place between the Group and related enterprises or persons:

in TEUR	31.12.2020 Receivables / Liabilities (-)	2020 Expense/ Interest	31.12.2019 Receivables / Liabilities (-)	2019 Expense/ Interest
Diok Group as lender:				
Diok Capital GmbH (shareholder)	0	25	380	28
Diok Group as recipient:				
Swiss Merchant Group (shareholder)	0	736	0	1,237
Diok Assekuranzmakler GmbH & Co. KG (participation)	0	135	0	0

Diok AG granted the shareholder, Diok Capital GmbH, a loan with, as at December 31, 2019, a value of TEUR 380. The loan was redeemed in full during the reporting year. The loan bore interest at 7% p.a.

In connection with the placement of the bond, Swiss Merchant Group AG provided to Diok AG advice and brokerage; it received for this in the reporting period remuneration of TEUR 736 (prior year: TEUR 1,237).

Diok Assekuranzmakler GmbH & Co. KG, in which Diok AG holds 50% and which, for reasons of materiality, has not been consolidated, rendered insurance services to entities of the Diok Group during the reporting period. In this connection, insurance premiums of TEUR 135 were recorded as expense.

On the subject of the remuneration of the board, reference is made to the following paragraph.

13.4 Management board and supervisory board

The members of the management board of Diok AG in the reporting period and now are:

Daniel Grosch, merchant

Markus Drews, merchant

In the reporting period, the board received a fixed remuneration and a variable remuneration in the form of bonuses. The board members also have each a company car which can also be used for private purposes. In the reporting period, the total remuneration, including the monetary value of the availability of the cars, for both board members was, together, TEUR 737 (prior year: TEUR 683).

The board members also receive reimbursement of their travel costs and incidental expenses.

The members of the supervisory board of Diok AG in the reporting period were and are now:

- Arndt Krienen, lawyer (chairman)
- Florian Funken, merchant (deputy chairman)
- Stefan Lutz, auditor, tax advisor

In the reporting year the members of the supervisory board received remuneration of TEUR 24 (prior year: TEUR 24).

13.5 Audit fee

The auditor of the consolidated financial statements received for the business year 2020 a fee for audit services of TEUR 110.

13.6 Events after the balance sheet date

Below the main events following the balance sheet date are listed.

In January 2021 a package for EUR 34.4 million with a term of five years was concluded to refinance an existing facility. This refinancing package will lead to a reduction in the future burden of interest.

The Corona pandemic has not had any material effects on the Group's net assets, financial position or results of operations. In 2020, too, all financial packages were prolonged as required or else replaced by new packages; the financial indicators agreed were observed. As far as can be seen there has not been any sizeable reduction in property values. Nevertheless, in view of the current uncertainties, it is not possible to estimate the future effects of the pandemic on the financial and property markets.

No further circumstances arose in the period between the balance sheet date and today that would require reporting.

Cologne, March 24, 2021

Daniel Grosch
Board member

Markus Drews
Board member

Independent Auditor's report

To the Diok RealEstate AG, Köln,

Audit Opinion

We have audited the consolidated financial statements of **Diok RealEstate AG, Köln**, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31. December 2020, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from 1. January 2020 to 31. December 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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 in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31. December 2020, and of its financial performance for the financial year from 1. January 2020 to 31. December 2020.

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

Basis for the Audit Opinion

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW). Our responsibilities under those requirements are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our auditor's report. We are independent of the group entities in accordance with the requirements of German commercial and professional law, and we have fulfilled our other

German professional responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

Responsibilities of the Executive Directors and the Supervisory Board for the Consolidated Financial Statements

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 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.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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, as well as to issue an auditor's report that includes our audit opinion on the consolidated financial statements.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and in compliance with German Generally

Accepted 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.

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, 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 opinion. 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 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 or, if such disclosures are inadequate, to modify our respective audit opinion. 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 an audit opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

Hamburg, 24th of March 2021

Ebner Stolz GmbH & Co. KG

Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft

Florian Riedl
Wirtschaftsprüfer

Dirk Heide
Wirtschaftsprüfer