DIC ASSET

ANNUAL REPORT 2010

Rheinwerk, Bonn

Vahrenwalder Welle, Hanover

Rizzastraße, Koblenz

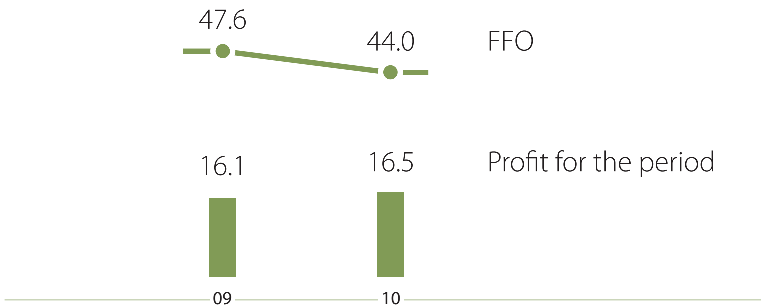
Lilienthalstraße, Hallbergmoos

DIC ASSET AG AT A GLANCE

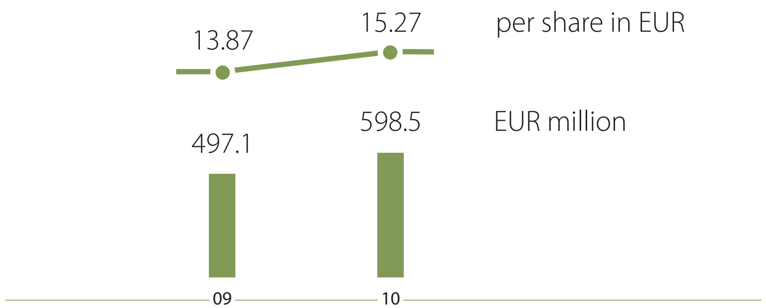
Key operating figures in EUR million	**2010**	2009		H2 2010	H1 2010	
Gross rental income	**124.9**	133.6	-7%	60.8	64.1	-5%
Net rental income	**113.9**	123.8	-8%	55.5	58.4	-5%
Property disposal proceeds	**81.2**	15.2	+434%	62.7	18.5	+239%
Total revenues	**228.8**	171.3	+34%	134.9	93.9	+44%
Profit on disposal of properties	**5.1**	1.5	+240%	4.5	0.6	+650%
Funds from operations (FFO)	**44.0**	47.6	-8%	22.0	22.0	0%
EBITDA	**105.4**	110.8	-5%	53.5	51.9	+3%
EBIT	**74.6**	80.3	-7%	38.3	36.3	+6%
EBDA	**47.3**	46.6	+2%	25.4	21.9	+16%
Profit for the period	**16.5**	16.1	+2%	10.2	6.3	+62%
Investments	**17.2**	74.2	-77%	6.3	10.9	-42%
Cash flow from operating activities	**37.7**	38.7	-3%	22.3	15.4	+45%
Balance sheet data in EUR million	**31.12.2010**	31.12.2009		31.12.2010	30.06.2010	
Equity ratio in %	**28.6**	24.0	+19%	28.6	25.2	+14%
Investment property	**1,718.2**	2,024.2	-15%	1,718.2	2,001.6	-14%
Net asset value	**598.5**	497.1	+23%	598.5	--	--
Debt	**1,462.9**	1,682.7	-13%	1,462.9	1,690.3	-13%
Total assets	**2,050.0**	2,213.4	-7%	2,050.0	2,259.4	-9%
Per share in EUR	**2010**	2009		H2 2010	H1 2010	
FFO (diluted)*	**1.18**	1.47	-20%	0.56	0.62	-10%
EBDA (diluted)	**1.27**	1.43	-11%	0.65	0.62	+5%
Basic/diluted earnings*	**0.44**	0.49	-10%	0.26	0.18	+44%
Net asset value*	**15.27**	13.87	+10%	15.27	--	--

* Previous year adjusted to the effect from the capital increase

FFO AND PROFIT FOR THE PERIOD EUR million



NET ASSET VALUE



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Ulrich Höller (Chief Executive Officer) and
Prof. Dr. Gerhard Schmidt (Chairman of the Supervisory Board)

Dear Shareholders,
Business Partners and
Friends of our Company,

Following a difficult year for the entire global economy in 2009, 2010 was characterised by an increasingly stabilising upturn. In the final quarter, it even reached the real estate industry, which is traditionally late in feeling the effects of economic cycles. A growing number of transactions revived the market, which had been quiet until then. Demand for commercial rented property also increased once more, which was reflected, not least, in a stabilisation in rentals. We not only consider the second half of 2011 as a positive harbinger for the forthcoming financial year 2011 but it also made an important contribution to earnings, allowing us to close the financial year 2010 far better than we had expected at the beginning of the year or even forecast during the rest of the year.

DIC Asset AG has exploited opportunities to exceed the result achieved in 2009 with a sound overall result. We can point above all to another strong operating performance. The key facts are:

- At EUR 44.0 million, FFO exceeded the forecast indicated.
- At EUR 132 million, more than twice as many properties we sold in 2010 as in the previous year.
- The letting volume was also significantly increased up to the year-end: the result was that 256,600 sqm have been let.
- Overall, the profit for the period rose to EUR 16.5 million in 2010.

We have not only used the year 2010 to achieve good results under increasingly difficult conditions; we have, at the same time, positioned the company to take on a leading role in the upturn:

▷ **Establishing an additional business segment**
Another stable mainstay was added to our business model in the form of the special funds segment and successfully placed the first product, the "DIC Office Balance I", with long-term-focused investors.

▷ **Sustainable income and stable values**
The operations focus on our portfolio with its high-earning properties and sustainable cash flow. It combines a broad range of opportunities resulting from the various segments in which we invest with considerable risk diversification. The stable value and high quality of our properties has been highlighted on numerous occasions: both the disposals and the real estate valuation confirmed our market values.

▷ **Long-term financing**
Our property portfolio is based on firm foundations thanks to the long-term nature of our financing. Our company is therefore in a position to adopt a strategic approach in order to create value.

▷ Options for corporate growth

We pursue opportunities for healthy, long-term growth at all levels. Our active property management is focused on consistently adding value to properties and guarantees organic growth. Since October 2010, we have had an additional investment segment: with our DIC Office Balance I special fund, we invest in top-quality core properties, together with investors. At the same time, we carry out acquisitions and disposals for the fund and provide operational property management.

We should like our shareholders to participate as usual in the success achieved in 2010 and in our company's prospects: we shall propose payment of an increased dividend of EUR 0.35 per share to the General Shareholders' Meeting.

In 2011, we shall look forward from the stable level of operations we have achieved. We shall enter a new market cycle with ambitious goals:

- We see opportunities for our company for portfolio growth in all our investment segments. Thanks to our successful disposals, we have a liquidity "cushion" that will give us considerable room for manoeuvre in pursuing the path of growth. We expect to feature more as a purchaser than as a vendor over the next few months.
- In a positive letting market, we will be able to focus more on finding new tenants for our space. This will improve the quality of our portfolio and contribute to realise the potential for generating income and adding value. We are assuming that vacancies in the portfolio will reduce over the next few years and that rentals will increase as a result. As an active asset manager, we shall, of course, also undertake disposals in future to realise additional profits.
- With both major project developments, namely MainTor and Opera Offices, we are in a position – thanks to good preparation – to adjust to the market as it gains momentum. At present, we are stepping up our marketing activities. With both projects – provided that an appropriate level of pre-letting has been achieved – we expect construction activities to start this year.

From now on we are setting down a visible marker of our continuous development with our positioning in the way we present ourselves externally. The united presence of the umbrella brand and the logo will strengthen the perception of the entire DIC Group on the German real estate market in future.

Overall, we see extraordinary upside potential for real estate stocks in 2011 and subsequent years too, particularly for shareholders and investors. As before, the relevant indices suggest that German real estate stocks still have considerable ground to make up compared with their international competitors. It should not be forgotten either that the net asset value – the intrinsic worth – of companies remains considerably higher than their stock market value in many cases; these are signs that give grounds for expecting shares to perform well. And DIC Asset AG will do all it can to ensure that you too will be able to benefit from the potential available.

Your continuing trust, dear Shareholders, is confirmation that we are focusing on the correct strategic cornerstones, with our sound approach and long-term growth targets. We should therefore like to take this opportunity to express our thanks to you. We are also grateful to our employees for their exemplary performance, which made the success of 2010 possible. We are very optimistic with regard to the next few months and are looking forward, together with you, to an exciting year for DIC Asset AG.

Yours sincerely,

Prof. Dr. Gerhard Schmidt
Chairman of the Supervisory Board

Ulrich Höller
Chief Executive Officer

THE SHARE

Strong second half for the DIC Asset share

In 2010, the performance of both the global economy and global equity markets was such that people could almost forget the price falls and bad news of the financial crisis. Thanks, most notably, to the newly industrialising countries continuing their rapid growth, industrial production returned to close to normal levels in Germany among other countries. Share indices throughout the world reacted with rising prices. However, caution remains the watchword generally, as the continuing volatility affecting prices demonstrates. Risks resulting from changes in exchange rates, banks' capital resources and the risk of countries and companies becoming insolvent are being very closely monitored. The German share indices, the DAX and SDAX, rose by 16% and as much as 46% respectively in 2010. The EPRA Developed Europe, which is the index for the major listed real estate stocks in Europe, performed slightly less strongly, rising by 12%.

A good start to 2010 led our share to the annual high of EUR 9.60. The equity market was subsequently depressed until the middle of the year with real estate shares being viewed particularly negatively as a consequence of the debt crisis in the European Union. Our share also trended down under these circumstances. Despite the problems, a premium over the issue price was maintained at all times during the capital increase in March and April 2010. Together with the general fall in the market, the share fell to its annual low of EUR 5.30 by May 2010. Thereafter, the DIC share started to recover rapidly. Initially, it made up ground against a market that was still flat but gradually the recovery was given additional impetus by increasingly positive sentiment on the equity market, the buoyant economic situation and our stable, positive earnings. The upward trend was maintained throughout the second half albeit with slight setbacks caused by the volatile market. Our share ended 2010 up 2% on its value at the beginning of the year, at EUR 8.34.

On 2 March 2011, the market capitalisation of DIC Asset AG stood at approximately EUR 422 million.

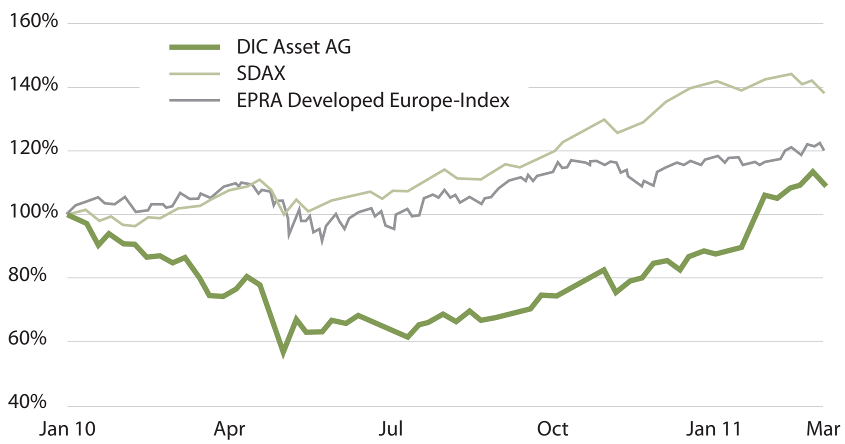
Shareholders increase their holdings: capital increase considerably oversubscribed

In March 2010, we carried out a capital increase amounting to 25% of the shares from authorised capital in which only existing shareholders were invited to participate. By opting not to allow subscription via the stock exchange, we were able to complete the capital measure quickly and effectively and, at the same time, enable all our shareholders to participate in line with their respective shareholdings. The performance of the share during the subscription period and the substantial subscription ratio of over 85% reflect the high levels of trust among our shareholders. There was very strong interest in the shares which were not subscribed, with the total oversubscription equating to 4.4 times the entire capital measure.

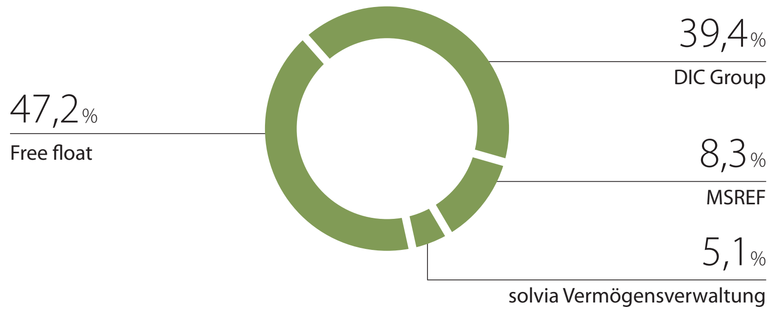
Shareholder structure virtually unchanged

The shareholder structure has only changed very slightly as a result of the capital increase. The DIC Group now holds 39.4% of the shares, followed by MSREF with 8.3% (previously 10.4%) and then solvia Vermögensverwaltung with 5.1%. The free float stands at 47.2%. According to the voting rights notifications in our possession, we know of no other shareholders, who hold more than 10% of the share capital directly or indirectly. The voting rights announcements have been published on our website.

MARKET TREND JANUARY 2010 – MARCH 2011



SHAREHOLDER STRUCTURE



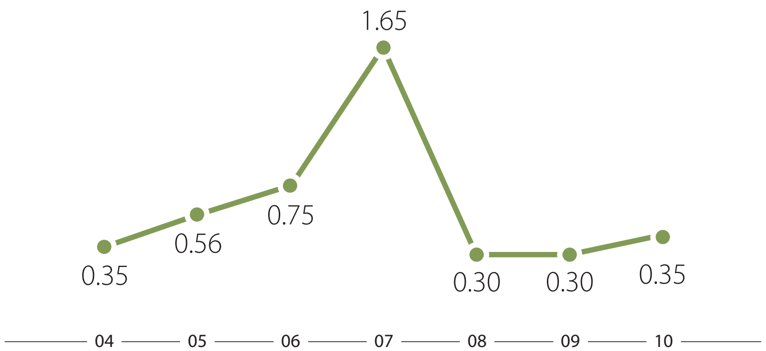
Dividend will be increased

In setting the dividend, we are guided primarily by DIC Asset AG's operating profit. The company's current condition and anticipated market trends are included in the assessment. The solidity and resilience of operations is one of our key strategic starting points. We would like to let our shareholders benefit appropriately from the successful result and the targets achieved in 2010. The Board of Directors will therefore propose payment of a dividend of EUR 0.35 per share (in total EUR 13.7 million) to the General Shareholders' Meeting for the financial year 2010 and will thus maintain the continuous payments of previous years. At the same time, against the background of the successful financial year, the improvement in transaction volume and the currently much improved business situation, we are increasing the dividend sharply – by some 17%. The dividend payment equates to an attractive return of 4.2% on the annual closing price.

General Shareholders' Meeting

As in previous years, the General Shareholders' Meeting took place in Frankfurt am Main, last year on 5 July 2010. The Board of Directors presented the results of the financial year 2009 and current business developments. With 73% of the share capital represented, the shareholders present decided on the dividend payment and elected the members of the Supervisory Board Russell Platt and Bernd Wegener for a further period in office. The actions of the Board of Directors and Supervisory Board for the past fiscal year were ratified. The creation of authorised capital in the amount of EUR 19.5 million was also agreed by a large majority.

DIVIDEND PER SHARE EUR



Communication with the capital market

We also adhered to our policy of open and transparent communication with the capital market in 2010 and in some areas even increased the level of information, in order to offer shareholders even better basic information for deciding to invest in our company. We have expanded the Investor Relations area of our website, we are providing, inter alia, more detailed reports on current analysts' recommendations and offer additional financial material and corporate presentations. Generally, we talk to our shareholders, investors and analysts regularly and promptly about news within DIC Asset AG. We have also continued to hold roadshows for institutional and private investors with the same frequency. Because of the importance of providing information, the Investor Relations team reports directly to the Board of Directors.

Target group-oriented relationship management in IR

One of the areas in which our investor relations work was concentrated was our participation in 15 investors' conferences and roadshows for institutional investors in eight countries. The Board of Management and the IR team have once again explained DIC Asset AG's business model and provided an assessment of DIC Asset AG's current and future performance in a total of more than 200 discussions with shareholders, investors and analysts. Also important for us is annual participation at the Real Estate Share Initiative specialist conference in Frankfurt am Main, at which we, together with companies from the sector, make the advantages of an investment in real estate shares accessible to a broad public. We also explained the figures for the financial year and quarterly figures in detail and answered questions in several telephone conferences immediately following their publication.

IMPORTANT IR DATES IN THE 2010 FINANCIAL YEAR

First Quarter	
25.02.2010	HSBC Real Estate & Infrastructure Conference, Frankfurt
09.03.2010	Publication of the Annual Report 2009, telephone conference
March 2010	Roadshows in Frankfurt, Amsterdam, London, New York
Second Quarter	
10.05.2010	Publication of Interim Report Q1/2010, telephone conference
17.05.2010	Roadshow Paris
26.05.2010	Kempen European Property Seminar 2010, Amsterdam
10.06.2010	Morgan Stanley European Property Conference 2010, London
Third Quarter	
05.07.2010	General Shareholders' Meeting for the 2009 financial year
17.08.2010	Publication of Interim Report Q2/2010, telephone conference
25.08.2010	Commerzbank German General Industries Conference, Frankfurt
02.-03.09.2010	EPRA Annual Conference 2010, Amsterdam
21.09.2010	UniCredit German Investment Conference, Munich
Fourth Quarter	
07.10.2010	Société Générale 5th Pan European Real Estate Conference, London
19.10.2010	Real Estate Share Initiative, Frankfurt
09.11.2010	Publication of Interim Report Q3/2010, telephone conference
16.11.2010	Roadshow Frankfurt
23.11.2010	Roadshow Brussels
14.12.2010	Roadshow Geneva

Analysts' reports: share recommended by the majority

Our IR work also concentrates on discussions with analysts. We are getting a remarkable response here: 15 German and international financial institutions are now monitoring our company on a regular basis. In March 2001, ten analysts recommend buying the share – this equates to a share of around 70%. Only two banks recommend holding the share while another recommends selling it. The updates of analysts' assessments are published promptly on our website.

Institution	Analyst
ABN AMRO	Michiel de Jonge
Bankhaus Lampe	Frank Neumann
Berenberg Bank	Kai Klose
Commerzbank	Thomas Rothäusler (from April 2011)
DZ Bank	Hasim Sengül
HSBC	Thomas Martin
HSH Nordbank	Stefan Goronczy
Kempen & Co	Thomas van der Meij
Metzler	Jochen Schmitt
Silvia Quandt	Ralf Grönemeyer
Société Générale	Marc Mozzi
Solventis	Ulf van Lengerich
UniCredit	Burkhard Sawazki
Viscardi	Robert Willis
WestLB	Dr. Georg Kanders

ANALYSTS' COVERAGE

BASIC DATA ON THE DIC ASSET SHARE

Number of shares	39,187,498 (no-par bearer shares)
Share capital in EUR	39,187,498
WKN/ISIN	509840/DE0005098404
Ticker symbol	DAZ
Free float	47.2%
Key indices	SDAX, EPRA, DIMAX
Exchanges	Xetra, all exchanges in Germany
Deutsche Börse segment	Prime Standard
Most recent capital increase	March 2010, 25% increase in the share capital

KEY FIGURES IN EUR (1)

		2010	2009
Earnings per share (basic/diluted)(3)	EUR	0.44	0.49
Net asset value per share (3)	EUR	15.27	13.87
FFO per share (3)	EUR	1.18	1.47
Price/Earnings ratio		18.95	15.67
Dividend per share	EUR	0.35	0.30
Dividend yield (2)		4.2%	3.7%
52-week high	EUR	9.60	9.60
52-week low	EUR	5.30	2.65
Annual closing price		8.34	8.15
Average number of shares	Thsd.	37,228	32,470
Market capitalisation (2)	EUR million	327	255
Price on 02.03.2011	EUR	10.78	

(1) In each case closing prices in Xetra trading
(2) In relation to annual closing price in Xetra trading
(3) Previous year adjusted for the capital increase

FINANCIAL CALENDAR 2011

First Quarter	
15.03.2011	Publication of the Annual Report 2010
17.-18.03.2011	Roadshow London, Amsterdam, New York

Second Quarter	
05.04.2011	Deutsche Bank Real Estate Conference, Frankfurt
12.05.2011	Publication of Interim Report Q1 2011
17.-18.05.2011	Roadshow Scandinavia
24.05.2011	Metzler Real Estate Day, Frankfurt
25.-26.05.2011	Kempen European Property Seminar, Amsterdam

Third Quarter	
05.07.2011	General Shareholders' Meeting for the 2010 financial year, Frankfurt
11.08.2011	Publication of Interim Report Q2 2011
01.-02.09.2011	EPRA Annual Conference, London
07.-08.09.2011	Bank of America Merrill Lynch Global Real Estate Conference, New York

Fourth Quarter	
04.-06.10.2011	Expo Real, Munich
06.10.2011	Société Générale Pan European Real Estate Conference, London
19.10.2011	Real Estate Share Initiative, Frankfurt
15.11.2011	Publication of Interim Report Q3 2011

Thanks to strong rental income and efficient cost structures, the company continued to deliver positive FFOs and profits in each quarter of 2010.

SUBSTANTIAL EARNINGS

» Positive results are even more enjoyable when they are achieved consistently. «

Stable values, substantial earnings – looking back at our results since the establishment of the company, we can say without any reservations that DIC Asset AG is a winner you can count on.

Built on a sound portfolio which generates substantial cash flow and is complemented by selected opportunistic investments that offer particular potential, we exploit the ups and downs of the markets continuously to the benefit of our shareholders.

As a result, the company has to date posted a profit 27 quarters in a row and has paid an attractive dividend year after year.

MANAGEMENT REPORT

Highlights of the 2010 financial year

- **At EUR 44 million, even the latest raised FFO forecast has been exceeded**
- **Disposal volume more than doubled to EUR 132 million**
- **Successful start for the first DIC special fund**
- **Profit for the period of EUR 16.5 million**
- **Increased dividend of EUR 0.35 per share proposed**

With a profit for the period of EUR 16.5 million, we closed 2010 far better than expected at the beginning of the financial year. The year-on-year increase in earnings, the operating success, the increase in transaction volume and the success we have achieved in setting our strategic agenda mean we can look back on the year with satisfaction.

For the real estate sector, 2010 started in difficult circumstances, which improved incrementally at the end of the year thanks to the support provided by the economy. We increased our rental earnings compared with the previous year and upgraded the quality of the portfolio even in the face of tough competition. With the fund placement, which we achieved in October with the first closing, we have broadened our investment spectrum, developed new, regular sources of income and acquired additional investors for DIC Asset AG.

At EUR 44.0 million, operating profit, FFO, is once more slightly up on our recent expectations, which had already risen. Since we were also once again able to place larger properties in our disposals, we more than doubled the previous year's figure, at EUR 132 million. The profit on the sale of properties rose sharply to EUR 5.1 million (previous year: EUR 1.5 million). This year’s market valuation of our real estate assets (including our investments in co-investments) was positive with an increase of 1.1%, the portfolio market value stands at around EUR 2.0 billion as at 31 December 2010. The net asset value per share also rose to EUR 15.27 (previous year: EUR 13.87 taking account of the higher number of shares and the net cash inflow from the capital increase in Q1 2010), most notably as a result of the increase in market values, a higher profit and the capital increase.

We would like our shareholders to participate in the successful result in 2010, with an increased dividend of EUR 0.35 per share (previous year: EUR 0.30).

COMPANY AND ENVIRONMENT

OPERATIONS AND BUSINESS PROCESSES

▷ Overview

DIC Asset AG is a real estate company that has specialised in high-income German commercial real estate. It invests in real estate, manages and optimises its portfolio through its own asset and property management team and sells properties once it has succeeded in increasing their value. Its portfolio of 288 properties is concentrated on office property. The market value of its real estate assets totals some EUR 2.0 billion. This makes DIC Asset AG one of the largest listed real estate companies in Germany.

▷ Investment for the portfolio or optimisation

We acquire properties with long leases offering attractive rental yields and continuous cash flow to be held long-term in our Core plus portfolio. We also invest in properties, whose value we can increase through short or medium-term measures for the Value added portfolio. In the Co-Investments segment, we invest, through minority interests, in two real estate segments, which will complement our direct portfolio well. These are, firstly, opportunistic investments, which have a higher risk profile but offer extraordinary income opportunities. Secondly, we acquire first-class core properties for our new Funds business segment. As a result, this investment segment, which previously did not meet our primary investment criteria, is now open to us as well. Consequently, we now cover the complete risk/reward range for real estate investments.

▷ Local property management

DIC Onsite, the company's own property manager, manages and optimises our properties with some 85 employees. In so doing, it maintains close contact with our tenants via six branches located in the areas where the portfolio is concentrated. The asset and property management team looks after our existing tenants with day-to-day property-related issues as well as special projects. In addition to success in letting properties quickly, it aims to achieve a high level of tenant loyalty. Technical measures are coordinated and optimised from a central office. This is how we secure our rental income and also achieve regular revenues from property management as part of our co-investments.

▷ Long-term orientation in our portfolio optimisation

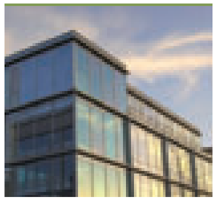
We also work continuously at optimising our portfolio through long-term lets, repositioning or modernisation. By taking over responsibilities at management level, we have strengthened the organisational significance of portfolio management further. In the case of more extensive project developments, we make use of the expertise within the DIC Group. In addition to this, we optimise ongoing cash flow and, in so doing, focus on the corresponding financing structures at all times.

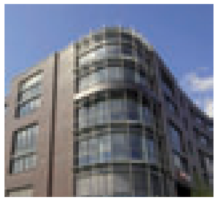
▷ Disposals as part of the business model
As an active asset manager, we sell selected properties whenever attractive opportunities arise so as to optimise the portfolio with regard to its regional focus and types of use. With the disposals, we realise profits, optimise our portfolio so as to maximise its earnings long-term and generate funds for new investments or to optimise the capital structure.

▷ Design and management for the Funds business segment
In our Funds business segment, DIC Asset AG combines its expertise in real estate and investment as a co-investor and service provider. Strategically we design suitable special fund and investment structures and acquire investors (including foundations, insurance companies, pension funds and private asset managers) as long-term partners for DIC Asset AG. We identify suitable, first-class core properties, which match the investment criteria of the special fund and carry out the purchase, the financial structuring and the sale of properties. Operationally speaking, the properties are managed by the branches of our tried and tested property manager DIC Onsite. DIC Asset AG receives regular management fees for these services in addition to regular dividends from investments in the fund.

REGIONAL MARKETS LESS VOLATILE COMPARED TO METROPOLISES

Overview of space, vacancy ratio and rent levels 2010; in brackets: changes against 2008





	BOCHUM	BONN	HANOVER	MANNHEIM
Office space inventory in sqm million	▲ 1.52 sqm mn (+0.07)	▲ 3.18 sqm mn (+0.03)	▲ 4.27 sqm mn (+0.07)	▲ 1.94 sqm mn (+0.03)
Vacancy ratio	▼ 6.1% (+0,5)	▲ 3.5% (-0.5)	▼ 4.9% (+0.1)	▲ 6.2% (-0.8)
Average rent in EUR/sqm/month	▷ 9.00 EUR (0.00)	▼ 10.10 EUR (-0.40)	▼ 9.40 EUR (-0.10)	▼ 9.90 EUR (-0.70)

Locations

We operate regional branches in the areas where our property portfolio is concentrated, to achieve the most dynamic, efficient and responsive on-site management of our tenants and properties possible. Most of our employees are therefore involved in property management in the branches in Frankfurt am Main, Mannheim, Berlin, Hamburg, Düsseldorf and Munich. The Board of Directors and the head office of DIC Asset AG, together with the portfolio management, are located in Frankfurt am Main, from where central strategic, management and administrative functions are carried out and the whole Group is managed.

Competitive position and disposal market

▷ Acquisitions

When acquiring properties, we compete equally with local, national and international companies. The intensity of competition is dependent, among other things on economic factors, the situation in the industry and the availability of capital. In the past financial year, activity among international investors in particular picked up once more. Our regional presence and detailed market knowledge give us a clear edge, particularly over our international competitors. In the past two years, we concentrated primarily on portfolio management to secure cash flow. There were also hardly any attractive investment opportunities within our investment spectrum.

FRANKFURT

▲ 11.94 sqm mn (+0.33)

▼ 15.1% (+1.2)

▼ 22.00 EUR (-2.00)

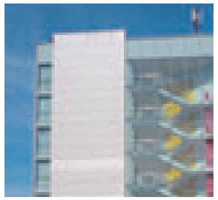
HAMBURG

▲ 13.19 sqm mn (+0.44)

▼ 9.6% (+2.9)

▲ 13.50 EUR (+1.00)

DÜSSELDORF



▲ 8.87 sqm mn (+0.31)

▼ 11.5% (+2.1)

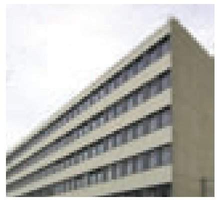
▼ 14.00 EUR (-0.40)

MUNICH

▲ 19.76 sqm mn (+0.48)

▼ 9.8% (+0.7)

▲ 15.50 EUR (+1.20)



▷ Letting and property management

To conclude tenancy agreements successfully, our services must prevail against properties which are comparable in terms of location, quality or prices. Competition varies depending on location and is particularly fierce in major cities. It is therefore an elementary prerequisite to success that services are tailored precisely to meet customers' requirements. Our property management service gives us the edge in terms of customer loyalty, speed of reaction and proximity to the market through our on-site presence, particularly with regard to investors from outside the area. We support the approach centrally through communication and marketing services. In 2010, our strategy again secured us substantial letting volume through more tenancies being extended and stable new lettings.

▷ Disposals

In selling properties, we are pitted against market players offering properties in comparable income and risk categories, of comparable quality and offering a comparable return. Thanks primarily to our long-term financing, we are in a position to be selective in our disposals and to adjust to market conditions. Demand for larger properties only firmed more significantly at the end of 2010. We therefore concentrated initially on smaller, more marketable properties and intensified our disposals activities in line with the upward trend. Thanks to our disposals team's market knowledge and relationships within the sector, we sold property for EUR 132 million in 2010.

▷ Special funds

In 2010, we structured our first special fund, "DIC Office Balance I", for institutional investors and placed it successfully. With this product, we are competing with providers of comparable long-term investment opportunities, particularly special funds governed by German legislation. Despite tough competition, we were able to establish our fund both rapidly and successfully, due among other things to our attractive initial portfolio offering immediate dividends and the service provided by our established property management and investment expertise. Our 20% investment also demonstrates to our investors that our interests will be consistent with theirs over the long-term.

MANAGEMENT AND SUPERVISION

Board of Directors

The Board of Directors of DIC Asset AG manages the company's business. It establishes strategy, runs the company, carries out corporate planning and installs effective and adequate risk management systems. The Board of Directors consists of two members. Each member of the Board of Directors is responsible for an area within the company laid down in the rules of procedure.

Supervisory Board

The Board of Directors works closely with the Supervisory Board when making any important commercial decisions and keeps it informed regularly and when required of all business developments and strategic issues. The Supervisory Board is the statutory control and supervisory body and, as such, advises the Board of Directors in relation to commercial decisions, supervises its operations and decisions with the help of the Audit Committee, and is authorised to make decisions in specific situations. The Supervisory Board of DIC Asset AG consists of six members. During 2010, it held a total of four ordinary joint meetings with the Board of Directors, plus seven telephone meetings.

Statement on corporate governance and additional disclosures

The Statement on Corporate Governance was published on the DIC Asset AG website at www.dic-asset.de and can be accessed there at any time. The statement is also included in the section on corporate governance. Further information on corporate governance such as the composition and working procedure of the Board of Directors and Supervisory Board can also be found there. The remuneration report containing individual information on the compensation of the Board of Directors and Supervisory Board is also given there.

We explain our control system and its processes in detail in the Risk Report and, in particular, in the comments on the internal control system.

STRATEGY AND MANAGEMENT

GROUP STRATEGY: A FOCUSSED BUSINESS MODEL

___ Direct and indirect investment in attractive real estate segments
___ Development of a high-yield, robust portfolio
___ Value is added from the company's own resources
___ New Funds business segment will build on tried and tested strengths

Business model in brief

DIC Asset AG specialises in commercial real estate, particularly office properties in Germany. We strive to achieve growth in all areas, which will promote our company in a way that maximises its earnings on a sound basis that is sustainable in the long-term. Our investment strategy aims to develop our quality-oriented, high-earning and regionally diversified portfolio in different yield and risk classes. We look after our tenants directly and increase the value of our properties through our in-house property management service. Through our proximity to our tenants and regional markets, we acquire a key edge in terms of location and expertise over national and international competitors from outside the area.

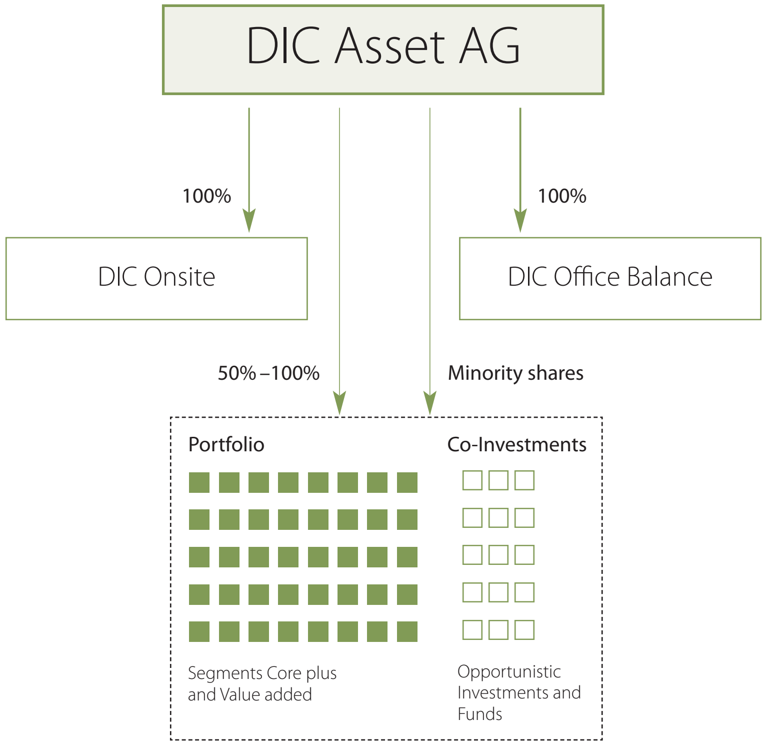
In 2010, we succeeded in consolidating strategic aspects of our business model:

- Another good letting result will have a long-term impact in improving the quality of our portfolio.
- We have strengthened and improved the organisation of both DIC Asset AG's portfolio management and DIC Onsite's asset and property management.
- The launch of our first real estate special fund broadens our activities and is a future growth area, both in terms of assets and income.
- Through the capital increase in March, our shareholders have provided us with new funds for long-term development.
- We have optimised our financing structure long term, including by means of long-term renewals and exploiting the favourable level of interest rates.

Strategic group structure

The Group is managed by DIC Asset AG as the parent company. All management functions are combined here. Principal tasks include setting corporate strategy (in particular, the investment, portfolio management and disposals strategy), corporate financing, risk management and the management of property management. Responsibility for corporate communication including contacts with the capital market and shareholders is also located at Group level.

CORPORATE STRUCTURE



Apart from DIC Asset AG, two subsidiaries are entrusted with operations and local responsibility respectively: DIC Onsite organises property management with six regional branches and DIC Office Balance is responsible for the Funds business segment. The respective managers at the Group companies and subsidiaries ensure, in close consultation with the Board of Directors, that Group targets are implemented in their respective market environment, having adjusted them to the particular features of the sub-markets for which they are responsible. In particular, the fact that our property management is carried out in such close proximity to the market allows us to optimise cash flow and profitability.

The Group has 85 indirect and direct holdings in total. In most cases, these are property holding companies, via which the Group's operations are presented. These property companies are combined and managed through intermediate holding companies. A complete overview of the investments is provided the appendices 1-3 of the notes to the consolidated financial statements on the pages 185 ff.

An impressive concept fully
placed within a short time:
our first special fund
"DIC Office Balance I"

» And from there it was a logical step to establish a new segment with special funds. «

The Funds business segment builds on the strengths of DIC Asset AG.

DIC Asset AG has demonstrated that it has expertise and ability in investment and property management. The quality of our management is an asset in itself, which we are now mobilising for our new segment Special Funds. With our first special fund, "DIC Office Balance I", we are offering institutional investors the opportunity to invest in top quality properties in metropolitan areas. We shall supply our tried-and-tested services for the fund – as a service offering regular income. We also have a 20% stake in the fund.

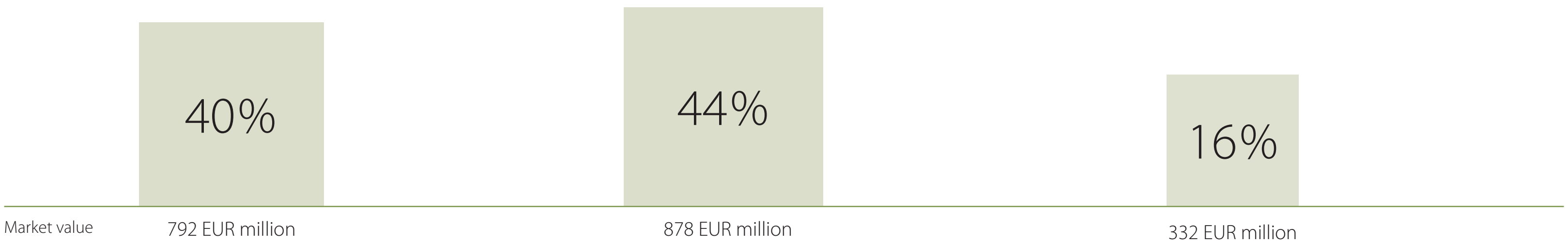
With the establishment of the first special fund, we have acquired a growth area, which will drive DIC Asset AG further forward along its chosen path.

Segments and business areas

We conduct our activities in three segments: these are distinguished by investments with different risk and reward characteristics and by the level of the investment. Our segments now cover the investment spectrum of the cyclical real estate sector in its entirety.

Properties generating substantial cash flow in the Core plus segment are intended to be held long-term, the Value added segment encompasses more management-intensive properties with short- to-medium-term optimisation potential. The Co-Investments segment contains investments with minority shares in complementary real estate segments. These include opportunistic investments and – since 2010 – our Funds business segment, through which we invest in first-class core properties. We also generate stable, long-term income from the Co-Investments segment.

SEGMENTS OVERVIEW AND PORTFOLIO STRATEGY



Core plus

- Attractive and stable rental yield, continuous cash flow
- Long term investment horizon

Value added

- Objects with short- or mid-term potential for value creation
- Medium risk/return profile and mid-term investment horizon

Co-Investments

OPPORTUNISTIC INVESTMENTS

- High value creation potential through new positioning
- Income from investments and services

SPECIAL FUNDS

- Core property investments in major cities
- Income from investments and services

Financing strategy

Irrespective of investment plans and the current situation on the capital market, we pursue the aim of having sufficient access to a range of different financing sources at all times. Current operations and investments in the portfolio are financed primarily from existing cash flow and partly from financing and credit lines. To develop the company and increase our room for manoeuvre financially, we carried out a capital increase of over 25% of the share capital in March 2010, which provided us with funds of EUR 47 million. We intend to use these funds and other cash flows to optimise the capital structure long-term and for selective growth when attractive opportunities arise. In the financial year 2010, we optimised our financing structure and by adjusting our financing to the current advantageous interest rate environment, we strengthened our financing base significantly. These measures will extend the average term of our liabilities and will also have a long-term impact through a tangible reduction in interest payments.

Detailed information on the capital increase and shareholder structure as well as on equity investments can be found in the "Share" section on page 7.

Core elements of our strategic focus

___ **Our employees: the basis of our success**
___ **A balanced real estate portfolio**
___ **Concentration on adding value**
___ **Sound financial management**
___ **Earnings-oriented growth**
___ **Capital growth through disposals**

▷ Our employees are the basis of our success

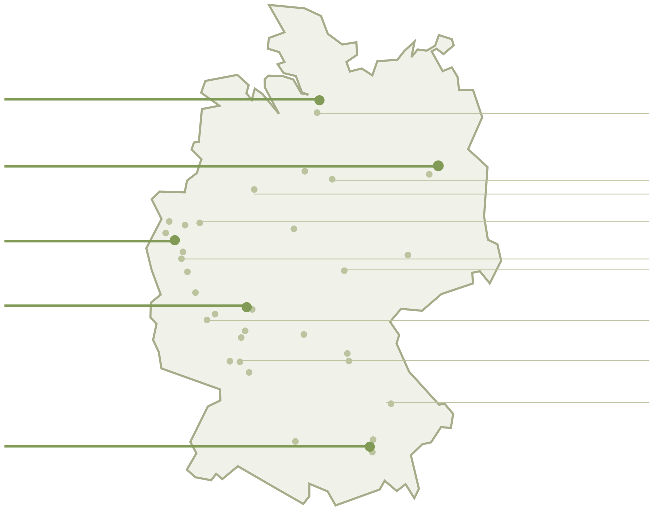
DIC Asset AG's success is attributable to the employment of qualified and motivated staff on a broad basis. Thanks to our many years of expertise in investment and disposals as well as in structuring transactions and investment models, we secure advantages in the purchase and sale of real estate and in attracting investors. We view our intensive networking in the regional and national real estate industry as a precondition for successful property management and good letting results. To do this, we employ people with leadership experience as well as highly-qualified specialists and talented young staff and promote our employees in accordance with their skills as part of our personnel development programme.

BALANCED PORTFOLIO DISTRIBUTION

Real estate assets of DIC Asset AG

49 %

in office metropolises

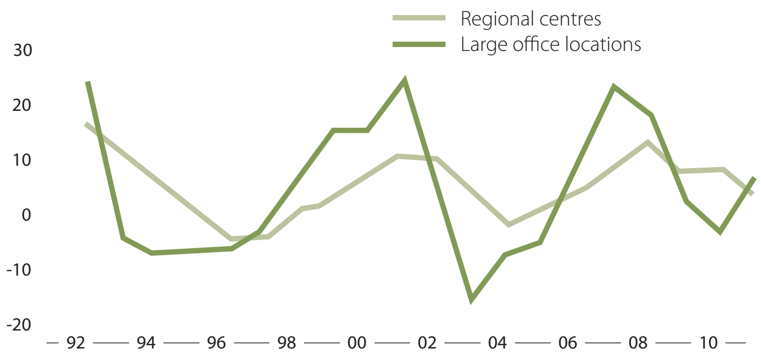


51 %

in regional centres

MORE POTENTIAL IN METROPOLISES

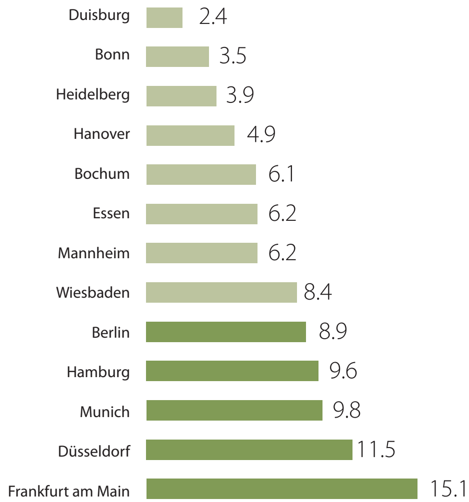
German Property Index, total return in %



Source: RIWIS

HIGHER STABILITY IN REGIONAL CENTRES

Vacancy rate in %



DIC Asset AG´S real estate is distributed on locations with various attributes. Chances and risks are well balanced.

▷ Our balanced and profitable real estate portfolio provides stability

Our portfolio consists of properties offering substantial rental yields, which in addition to covering the financing and administrative expenses involved generate an attractive profit solely through keeping them in the portfolio. The focus is on office space. At the same time, we take care to ensure a balance of various properties in the portfolio, which allows both attractive opportunities and avoids risk being concentrated. Through our on-site presence, our in-house property management service gives us a regionally diversified mix of investments including attractive real estate locations outside the major conurbations. Our policy of letting to groups of tenants from many independent sectors is another key factor in the resilience of our real estate portfolio.

▷ We focus on adding value and boosting profitability

All our activities are focused on appreciation. We control and manage the entire value added chain and the deployment of resources – from acquisition to property management and ultimately to disposal. We pursue a network approach and benefit from proximity to our properties, tenants and the regional markets. We exploit the potential of our properties and holdings through long-term leases, upgrades or redevelopments. As a result, we secure and increase key components of our cash flow and our profitability. At the same time, with the aim of continuously increasing our profitability, we improve our operational services by optimising our processes.

▷ Sound financial management protects and strengthens our company

Our portfolio is based on a sustainable financing architecture: in principle, we agree our financing on a long-term basis and focus it on the respective portfolio and property objectives. In this connection, our portfolio of high-yield properties, which generate easily calculable, steady cash flow, offers a reliable basis for the investment of external capital. We agree attractive terms for these borrowings and hedge them adequately against any increases in interest rates. In addition to credit lines, we use current profits from letting and disposal gains to finance longer-term focused measures to add value. In this connection, we maintain excellent, longstanding business relationships with numerous large German banks that finance real estate.

▷ We pursue earnings-oriented growth to develop the company

Profitable corporate development and long-term portfolio growth are a fundamental part of our corporate strategy and identity. We act opportunistically and, in so doing, ensure that risk is always spread soundly and appropriately. Both direct investments in the Core plus and Value added segments and minority holdings in Co-Investments are core components of the growth strategy. Via our real estate network, we are in a position to complete acquisitions in off-market transactions, in many cases as an exclusive bidder.

▷ We realise capital growth through disposals

As an active asset manager, we also realise gains and sell properties once their value has been increased by repositioning them and letting them on long-term leases, for example. Here, we are pursuing a long-term strategy in optimising the portfolio to maximise earnings.

COMPANY MANAGEMENT

Internal planning and management system

Our management system aims to increase the value of DIC Asset AG in the interests of shareholders, employees and business partners and to achieve profitable growth in disposals without incurring disproportionate corporate risk. DIC Asset AG is managed by the members of the Board of Directors. The Board of Directors coordinates the operational implementation of strategic targets with the regional managers and the respective managers at specialist level.

Planning process

A planning and budgeting process that is built on detailed planning at individual property and portfolio level (bottom-up planning) and is finalised via the targets set (as top-down planning) provides the basis for setting and managing objectives at Group level.

- Detailed business plans for the respective properties and portfolios are prepared at individual property level; these include expected rental income, costs, investments and gross income.
- In the next stage, targets are set for operational real estate management and action plans, which, among other things, take planned disposals, investment in properties and the portfolio as well as project developments into account.
- The operational implementation of the property strategies is also planned, including recording letting and management services, anticipated costs and measures to optimise income and expenses.
- The property and portfolio-based business plans are completed as part of the integrated planning process in which issues of personnel capacity, financing and liquidity are considered.

The consolidated Group planning is based on the individual plans of the separate property and portfolio companies, strategic measures by the Group as well as on the Board of Directors' assessment of overall conditions. Group planning is revised annually and adjusted to current expectations regarding the market situation and changes thereto.



Integration of risks and opportunities

The targets recorded are supplemented by findings from risk management and by specific opportunities. This is firstly carried out at property and portfolio level and then aggregated to Group level. Planned developments and actual earnings are regularly checked and monitored by means of controlling and risk management measures.

Leading operating indicators

We use leading operating indicators for our operating policy decisions in order to exploit opportunities rapidly and avoid possible undesirable developments. The early warning system that is a component of our risk management ensures that risk management is embedded in our organisation. Market information and corporate data, including estimates of market growth, interest rate forecasts, tenancy agreements concluded as well as the expiry and termination of tenancy agreements as part of our monthly letting forecast serve as key leading operating indicators.

Management using key figures

DIC Asset AG is managed by the Board of Directors on the basis of aggregated earnings from the individual investments and portfolios. The internal control system, which is part of the risk management process and is explained in detail from page 85 serves as the fundamental instrument for monitoring and managing the achievement of the company's targets. Routine management is supplemented by additional or event-driven investigations.

Key management variables and targets

In order to monitor the agreed targets, we use specific income-oriented key figures, which we check through regular reports. In this regard, the operating profit from real estate management (funds from operations, FFO), the increase in value from property management (including letting volume and the increase in rental income or change in vacancies) and funds from operations after deducting taxes, related to capital employed (return on equity, ROE), are of the utmost importance. In the case of disposals-oriented opportunistic co-investments, the internal rate of return (IRR) is also used as a key figure. Deviations are analysed promptly and management measures are established in regular meetings with the Board of Directors and the respective managers.

GENERAL ECONOMIC CONDITIONS

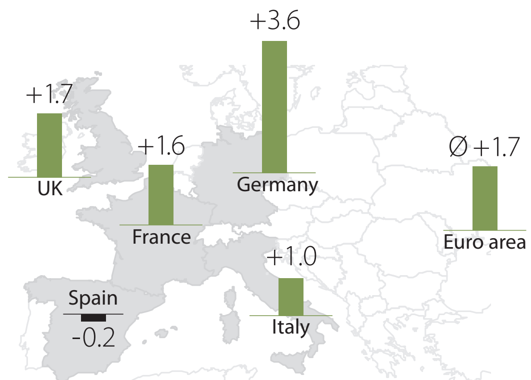
MACROECONOMIC TRENDS

Rapid upsurge in exports is driving the German economy

The recovery in the German economy made great progress in 2010, clawing back much of the ground lost as a result of the crisis. At the beginning of January 2011, the Federal Statistical Office announced year-on-year growth in real gross domestic product (GDP) of 3.6%. This is the most rapid growth achieved since Reunification in 1990. In 2009, real gross domestic product shrank by 4.7%.

Buoyant demand for German industrial products on the global markets remained the mainstay of Germany's economic recovery. With an increase of 14.2%, exports, which were responsible for the sharp fall in the crisis-ridden year of 2009, were now the driving force behind the rapid upturn. Investment in equipment was also far greater than in the previous year (+9.4%). Consumption also contributed additional positive impetus. In the fourth quarter of 2010, seasonally-adjusted GDP is likely to have risen some 0.4% compared with the previous quarter.

GDP GROWTH RATES IN EUROPE IN 2010 in %

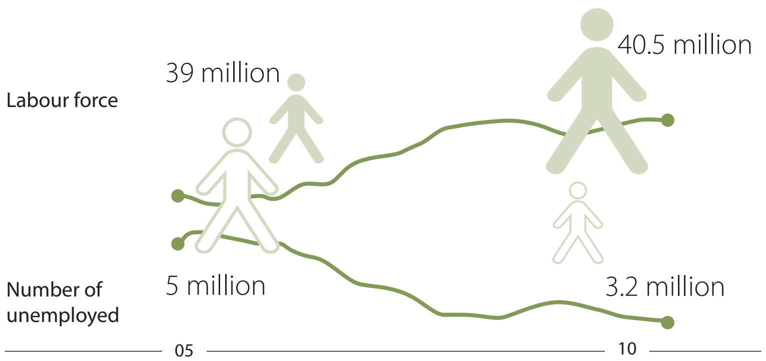


Source: OECD, eurostat

Employment market still positive

The economic upturn had a gratifying impact on the employment market in 2010: gainful employment and employment subject to social insurance contributions increased on average in 2010, while unemployment fell. In 2010, there were 40.5 million people employed in Germany, which is 0.2 million people more than a year ago. The number of unemployed fell to 3.2 million on average (previous year: EUR 3.4 million). The unemployment rate averaged 7.7%, falling 0.5 percentage points compared with the previous year. The number of people working short-time also fell sharply from 1.0 million to 0.2 million.

DEVELOPMENT OF EMPLOYMENT MARKET IN GERMANY



Financial market affected by the sovereign debt crisis

2010 was characterised by uncertainties regarding the soundness of government finances in some euro area countries. However, the financial markets also viewed the high levels of government borrowing in the USA and the Federal Reserve's monetary policy strategy (quantitative easing) critically. The fragile condition of government finances in Greece and the banking sector in Ireland required extensive stabilisation measures by the EU, together with the involvement of the International Monetary Fund.The key interest rate for the euro area has remained very low, at 1.0%, since May 2009 because of the persistent instability affecting the financial sector. In 2010, the Governing Council of the ECB also agreed a purchase programme for government debt and other exceptional monetary policy measures to improve the stability of the market.

Financing options somewhat easier

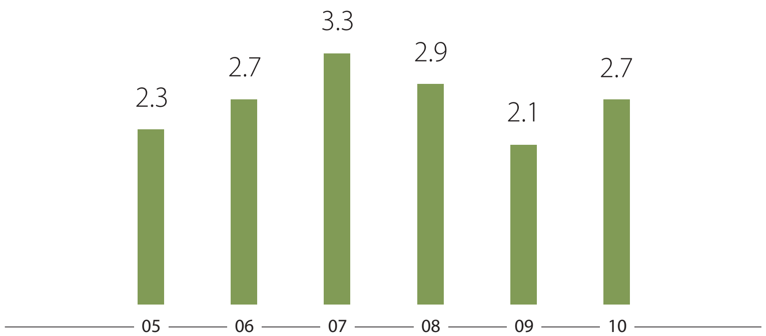
In 2010, lending criteria did not reach their previous level – despite the low level of interest rates. As a result of banks' efforts to rebuild their capital resources, lending policy was more stringent with substantial premiums being required as part of financing conditions, particularly with regard to risk margins. In the second half of the year, lending criteria eased somewhat for corporate customers, for the first time since the beginning of the financial crisis, a fact that was also reflected directly in the increasing transaction volume of real estate investments.

SECTOR TRENDS

Letting market seems to have recovered

With growth of some 26% to a figure of 2.7 million sqm for letting volume in the major office locations, the office letting market was able to continue the level of previous years in 2010. Relocation plans were again implemented more frequently as confidence in the stability of the economic upturn increased. This means that the volume achieved stands within the average of the last five years. Positive growth rates were reported in all six major office locations (Berlin, Düsseldorf, Frankfurt, Hamburg, Munich and Stuttgart). Düsseldorf closed the year with the best performance, posting growth of +56%, while Munich fared worst, with an increase of +11%. We identified a similarly positive trend at most of our medium-sized and smaller office locations.

LETTING VOLUME IN MAJOR GERMAN OFFICE MARKETS in sqm million



Source: Jones Lang LaSalle

Major rentals predominate in the major locations

When considering the growth rate, note must be taken of the particular impact of major rentals: there were ten deals, which together accounted for some 450,000 sqm. This means a share of just under 17% of the total volume across all six cities being considered. We have never seen a figure of this size in the past ten years.

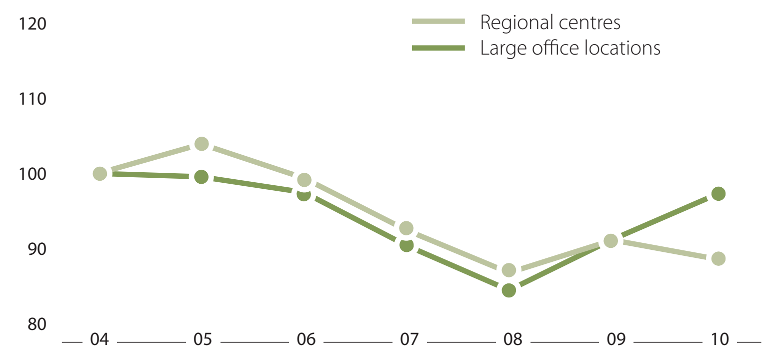
Fewer incentives needed to complete deals

Tenants seeking to relocate are concentrating on central locations in their search for space and expect high quality fixtures and fittings. This concentration in demand once again led to a slight increase in rental prices in the limited top end of the market in 2010. However, other segments of the market remained excluded from this positive trend in prices. The general growth in demand is, however, also having a positive impact across the market: for instance, we are seeing a general decline in the incentives required to conclude longer tenancies.

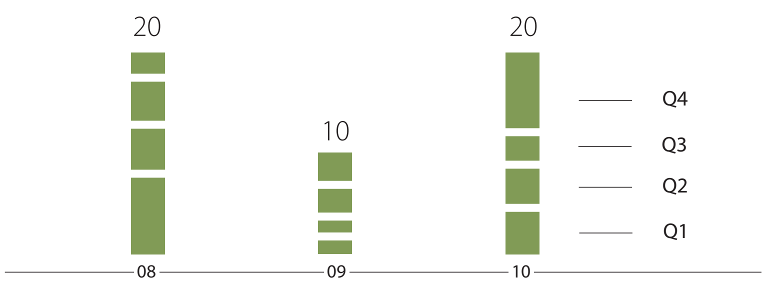
Overall, vacancies are still increasing in 2010
At the end of 2010, some 8.5 million sqm was vacant in the major office locations, with the vacancy rate increasing by 0.7 percentage points to 10.6%. Only in Berlin did vacancies fall slightly. New construction is partly responsible for the rise in vacancies. In 2010, new space totalling approximately 1.1 million sqm, which is the same volume as the previous year, came on the market. Despite this figure being less than excessive and there being little speculative project development, this had an impact on vacancies. The number of completions is likely to fall sharply in 2011, by around 20%, since fewer new projects were started in 2010.

Investment market: earnings doubled
The positive economic mood also boosted the investment market for German commercial real estate in 2010. With transactions totalling around EUR 20 million, the value of properties bought and sold was twice that of the previous year. With this figure, the market virtually regained the level of 2008. In the process, the strong final spurt at the year end, in particular, made a material contribution: in the fourth quarter, properties worth some EUR 6 billion changed hands, which is far more than in the quarters since 2007.

TREND IN PEAK RENTALS EUR per sqm, index 2004



TRANSACTION VOLUME OF GERMAN COMMERCIAL REAL ESTATE EUR billion



Source: JLL, BNPRE

Increase in volume per investment

The majority of transactions continue to involve small to medium-sized properties – some 90% of all transaction activities related to properties worth up to EUR 50 million. However, the average value of the properties involved doubled from EUR 16 million to EUR 31 million. Acquisitions were driven, in particular by well-capitalised investors: closed-end funds accounted for just under 20% of total transaction volume and banks, insurance companies and pension funds for 14%. Because of the absence of high-yield alternative investments, private investors' involvement remained at a remarkable level of around EUR 1 billion (around 5%).

Office and retail property are the preferred purchases

At 40%, office properties ranked top of the investor favourites, helped by a few large-volume transactions. They were followed closely by retail properties, which were extraordinarily popular with investors during the year and accounted for 39% of all transactions. While the market was mainly dominated by investors from Germany in the previous year, international investors featured more actively, accounting for a transaction volume of EUR 7 billion. Properties in Berlin and Hamburg were particularly sought after. Overall, more than half the volume traded, at EUR 10 billion, was concentrated the seven main conurbations.

Core properties as an investment target: highly sought after and expensive

The focus on first class core properties again dominated events in 2010. While peak rentals in the office segment remained stable, the peak return on core properties fell to 5.1% at the year-end, which represents a fall of 35 basis points. There were no significant changes in the rental prices payable for other classes of office property, although, the supply of properties with a higher risk profile was not pronounced either. Strong interest in retail properties also triggered diminishing returns in this segment in 2010.

Thanks to the economic recovery, we expect a busy year on the real estate market in 2011 with the rental market trending upwards and broader, more attractive investment opportunities beyond core properties. We describe our expectations in detail in the section entitled "Opportunities and Forecast".

HELBINGSTRASSE, HAMBURG

Specialist property let more effectively
▷ The ideal tenant found
▷ Space optimised and rental income increased

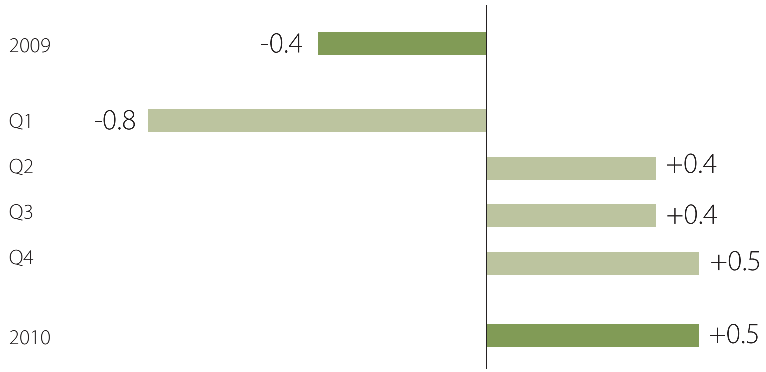
We were able to considerably optimise the office property with a lettable area of 2,800 sqm following the departure of the previous tenant. Among other things, the design of the property lent itself to use as retail space. With the permit to use the space for retail purposes, we were able to persuade a wholesaler to rent the building. Rental income increased by 18% in total compared with the previous tenancy.

BUSINESS DEVELOPMENT

In view of the increased uncertainty affecting our planning at the end of 2009, our plans contained additional risk assumptions. Since the market developed more positively than in our planning scenario, we updated some of our forecast figures in the course of the year and provided information on these changes promptly. We were able to exceed the previous year's letting result and more than double the disposal volume planned at the beginning of the year, thanks to the improvement in the market situation. In terms of FFO too, we were able to slightly exceed the latest increased forecast.

GROWTH IN RENTAL INCOME

like-for-like in %



REAL ESTATE MANAGEMENT

___ Letting volume increased once more
___ Positive trend in rental income (like-for-like)
___ Occupancy rate stable at 86%

Despite conditions generally remaining intensely competitive, we let 256,600 sqm in our portfolio – a further step in the steady improvement in the quality of our portfolio. In 2010, growth was again driven by extending agreements with existing tenants, which also underlines our tenants' satisfaction with our properties and the service they receive. We were able to pick up on the level of the previous year in terms of our new tenancies. Overall, the success of our work in property management is reflected in increasing rental income (in a like-for-like comparison) and a stable occupancy rate.

The occupancy rate in the portfolio remains stable – thanks to a strong letting performance of 256,600 sqm.

STABLE OCCUPANCY RATE

»To succeed in letting,
it's not enough merely to talk the talk,
you also have to be able to listen.«

Proximity to tenants and markets – an acute understanding is fundamental to the conclusion of our tenancy agreements.

We manage our properties and tenants from six branches. This means that – unlike other purely financial investors – we operate on-site and maintain active networks in the regional environment. This gives us early access to relevant information and projects and an excellent starting position. Our marketing abilities and tenant focus ensure our success in reaching our targets: with satisfied tenants in our properties and new tenants who we win over with individually tailored offers.

Letting volume expanded to 256,600 sqm

In 2010, our letting volume amounted to 256,600 sqm, 4% up on the previous year. This is a particular success because, when considered on the whole, conditions for our letting operations in the individual branches were challenging and tenants were still cautious in implementing plans to relocate or move to larger premises. Extensions to our existing tenancy agreements saw a strong 12% increase to 153,400 sqm, while new tenancies virtually matched the level of the previous year, at 103,200 sqm.

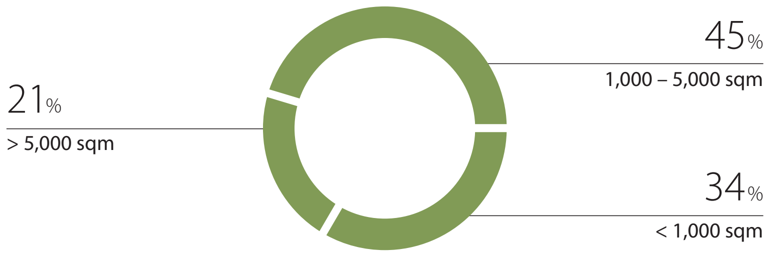
Balanced structure in lettings

We concluded some 370 tenancy agreements in total in 2010. The average agreement came to some 700 sqm. The average term for new tenancies amounted to approximately five years – bucking the trend towards shorter tenancy agreements. Larger volume agreements also contributed to the strong result: the ten largest agreements totalled 70,500 sqm. These included a print system manufacturer and service provider in Hanover, which leased or re-leased a total of more than 18,000 sqm, Schwab Versand (Frankfurt area) with new tenancies and extensions to existing tenancy agreements of 12,000 sqm, as well as BMW (Munich) with an extension to the tenancy agreement for more than 8,800 sqm.

LETTING VOLUME AND STRUCTURE in sqm on signature

	2010	2009
Office	**159,900**	145,300
Retail	**22,700**	32,700
Other commercial	**67,700**	60,200
Residential	**6,300**	7,300
Total	**256,600**	245,500
Parking (units)	**2,020**	1,990

LETTING: SIZE RANGES



A slight improvement in like-for-like rental income

The increase in letting volume was also associated with higher annual rental revenues: annualised rental income from lettings was some 9% up on 2009, at around EUR 27 million.

The positive impact of our intensive letting activities is apparent in the like-for-like comparison of rental income. This examination concentrates on properties in the portfolio in 2009 and 2010. Properties, which were purchased or sold as well as those that classify as project developments, were not included. This reveals the impact of letting activity. In 2010, like-for-like rental income rose by 0.5% to EUR 124.5 million. As a result, an initial fall in the first quarter of 2010 was clearly offset by increasing momentum during the rest of the year.

Portfolio figures kept stable

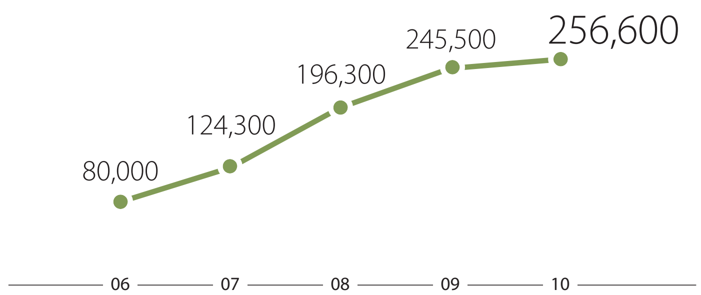
The average term remaining on our tenancy agreements fell slightly by 0.2 years to 5.4 years. This was largely attributable to the fact that existing tenancies were often renewed for shorter terms. The rental per square metre remained stable at EUR 10.40 per sqm.

On the reporting date of 31 December 2010, the occupancy rate amounted to 86% and consequently virtually matches the level of the previous year. In 2010, disposals of portfolio properties primarily involved properties with above-average occupancy rates, which had a negative impact of some 0.6 percentage points. Overall, however, we have been able to achieve our objective of keeping the occupancy rate stable, at 86-87%, in 2010.

10 LARGEST TENANCY AGREEMENTS

Company	sqm	City
Ricoh Germany	**18,000**	Hanover
Schwab Versand	**12,000**	Langenselbold
BMW	**8,800**	Munich
Amgen	**7,300**	Munich
PIN Mail	**6,100**	Berlin
Free and Hanseatic City of Hamburg	**5,200**	Hamburg
VdS Schadenverhütung	**3,800**	Cologne
COMTAS Composite	**3,700**	Hamburg
HEITEC AG	**3,700**	Erlangen
Financial Court of Hesse	**3,700**	Kassel

LETTING VOLUME in sqm

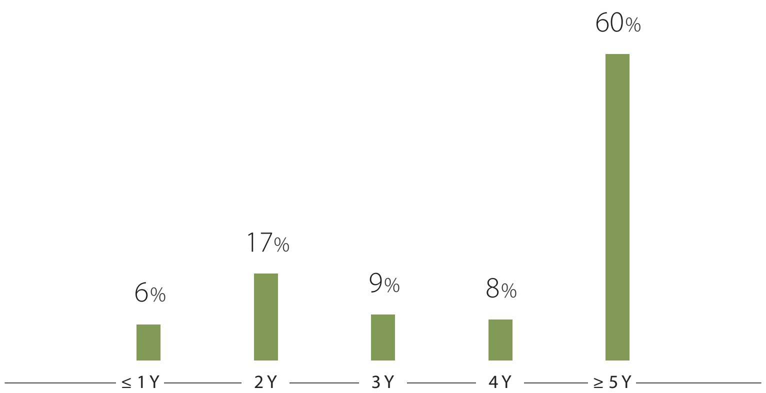


An improvement in the leases expiring in 2011

Agreements worth some EUR 7.4 million will expire in 2011. At the beginning of 2010, this figure still stood at EUR 15.4 million and was reduced by 52% well ahead of their expiring in 2010 through excellent letting activity. Around 17% (previous year: 12%) of the total rental volume will expire in 2012. In the last two challenging years, we have been keen to concentrate on extending existing tenancies. These were mostly based on shorter terms than new tenancy agreements and thus impacted on the structure of expiring tenancies. The figures for expiring tenancies were also affected by the disposal of properties with long lease periods. We shall push longer-term new tenancy agreements and extensions to existing tenancies as the market picks up and significantly reduce the amount of tenancies expiring in the following year in good time, as in 2010.

The low level of expiring tenancies for 2011, at 6%, means that this year we will be able to focus specifically on those tenancies expiring in 2012.

EXPIRING TENANCIES Rental income volume in %*

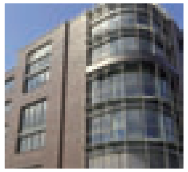


*without revolving contracts

P6, MANNHEIM

1A retail space expanded
▷ Consolidation of individual retail areas
▷ Property upgrade and sale

When it was purchased, the property had three small retail areas facing Mannheim's central shopping street; however, the largest retail area in the property only had display windows facing a side street. To improve the quality of the space, we combined the three retail areas and remodelled them. We were able to let the large 1A retail space long-term to a well-known retail chain at a considerably increased rent before successfully concluding the disposal of the property in the fourth quarter of 2010. As a result, we immediately achieved the increase in value.



"VAHRENWALDER WELLE", HANOVER

Fully let after 12 months
▷ Repositioning following departure of key tenants
▷ New tenants found and existing tenants extended

The large office building with a floor area of just under 20,000 sqm was occupied by two key tenants for a long time. The vacancy rate amounted to just under 40% following the termination of one tenancy agreement. We modernised the building and, by repositioning it with marketing support, found three new tenants for the vacant space within a year. The existing tenant also expanded its premises and extended its tenancy agreement until 2015. As a result of the letting activities, we are once again matching the previous level of rental income.

AM HANDELSHOF, WÜRZBURG

Perfect use of potential space
▷ Expansion of open spaces
▷ Fully let after new tenants are found

The retail property is predominantly let to a large grocery group. To create space for a suitable additional retail tenant, we developed and implemented a utilisation concept which allows maximum use of the retail space, obtaining the requisite construction permit in the process. We increased the lettable area by 11% to 10,000 sqm. The property is fully let following the conclusion of the new tenancy agreement and, in the process, rental income has been increased by 21%.

PORTFOLIO

___ Disposals of EUR 132 million
___ Slight increase in market value
___ Portfolio volume reduced through disposals and the launch of the fund
___ Portfolio market value stands at EUR 2,002 million

At the end of 2010, our real estate portfolio contained 288 properties with a pro rata total lettable area of 1.2 million sqm. We exploited the upturn in the market environment to place 29 properties worth EUR 132 million successfully and, in the process, exceeded their most recent market values. The portfolio properties generate annual rental income (including the co-investments) of EUR 128.9 million. Our success in letting and the start of the upward trend in the market were apparent in the regular valuation of the portfolio by the surveyors at the end of the year: the market value of the real estate holdings has increased by 1.1%. As at 31 December 2010, our entire portfolio had a market value of around EUR 2,001.8 million.

PORTFOLIO OVERVIEW

	Core plus 2010	Value added 2010	Co-Investments 2010	**Total 2010**	Total 2009
Lettable area in sqm *	383,300	598,100	189,700	**1,171,100**	1,274,500
Market value of real estate assets in EUR million *	792.5	877.6	331.7	**2,001.8**	2,192.2
Number of properties	43	119	126	**288**	318
Residual terms in years	6.6	4.1	5.3	**5.4**	5.6
Occupancy rate	93%	81%	85%	**86%**	87%
Rental income per sqm in EUR	12.10	9.30	9.70	**10.40**	10.40
Annualised rental income in EUR million *	53.2	56.1	19.6	**128.9**	142.4
Average rental yield	6.7%	6.5%	6.6%	**6.6%**	6.6%

* pro rata

Changes to the portfolio following the launch of the fund

Five properties from our portfolio were selected for the initial portfolio of the DIC Office Balance I special fund. The fund invests in first-rate properties let on long-term leases generating strong cash flows. The investments are located in rapidly growing major cities in Germany. With the launch of the fund, the portfolio in the Core Plus segment was reduced by five properties with a total area of around 85,000 sqm, annual rental income of approximately EUR 13.8 million and a volume of approximately EUR 211 million.

Market value of our real estate holdings increases by 1.1%

Each of our properties in the portfolio was examined by independent surveyors as part of the annual market valuation on the reporting date, namely 31 December 2010. The market value of our real estate holdings was 1.1% up on the previous year's result. Following one acquisition during the year, disposals, the spin-off to the fund and, finally, capital growth, the pro rata market value of our portfolio totalled EUR 2,001.8 million compared with EUR 2,192.2 million at the end of 2009. The net asset value rose sharply by 10% to EUR 598.5 million. The net asset value per share amounted to EUR 15.27 (previous year: EUR 13.87, taking account of the larger number of shares and the net cash inflow following the capital increase in the first quarter of 2010).

The market value is based on a disposals-oriented consideration and is the estimated transaction amount at which a property would change hands between the purchaser and vendor under normal conditions on the date of the valuation. Having bottomed out last year, the turnaround and a general upward trend for the market was apparent in 2010.
The calculation of market values is based on a dynamic calculation of their present values (discounted cash flow method). Generally a holding period of ten years with regular cash flows followed by the disposal of the property is assumed here. The cash flows are discounted by the discounting rate, which consists of a risk-free interest rate and a property-specific risk premium. By and large, the surveyors have used conservative assumptions when valuing the properties. The current yield on fixed income federal bonds with a term of 9-10 years, which have a ten-year average return of 3.87%, serves as the risk-free interest rate. The property-specific risk premium amounts to between 2.25% and 2.50%. Overall, this results in a discounting rate of between 6.25% and 6.50%.

CHANGES IN MARKET VALUE EUR million

Portfolio market value as at 31.12.2009	2,192.2
+ Acquisitions/additions	5.0
- Disposals	-216.3
+/- Impact of valuation (+1.1%)	20.9
Portfolio market value as at 31.12.2010	2,001.8

We record our assets at cost less depreciation, which is why the change in market value has no direct impact on the balance sheet. The section on the asset position provides more information on how our properties are reported.

Additions to the portfolio

In February 2010, we acquired a retail property in Pfungstadt with a volume of some EUR 5.0 million and a lettable area of 3,400 sqm. The acquisition complements and optimises our existing retail centre in the locality. The space is let long-term to well-known retail companies.

Disposal volume more than doubled

The transaction volume of disposals registered in 2010 totalled EUR 132 million without taking account of the investment. This is more than double the previous year's figure (EUR 60 million), which is attributable to the increase in the volume of property that we were able to place, most notably in the second half of the year, in a more buoyant market. With the disposals proceeds we achieved, we exceeded market values by 6% on average.

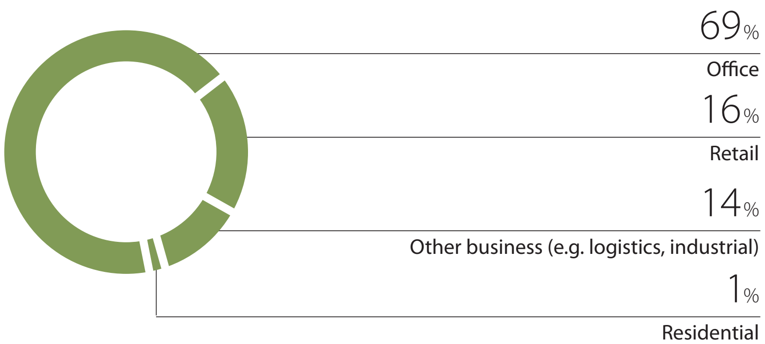


The momentum in the market at the year-end is particularly apparent when the figures are considered on a quarterly basis: in the fourth quarter, we achieved the highest level of disposals per quarter in 2010 with a volume of EUR 65 million. The two biggest properties, two office and business properties in Flensburg (EUR 29 million) and Mannheim (EUR 17 million), were also sold in the fourth quarter. Our disposal volume per transaction averaged EUR 7.0 million during the year compared with EUR 3.3 million in the previous year.

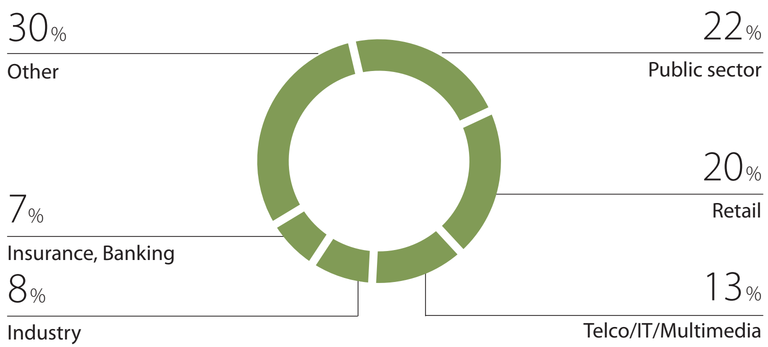
CLEAR FOCUS, BROADLY BASED POSITION

▷ **Investments in commercial real estate, focus on office**
▷ **Supplemented by attractive types of other use**
▷ **Broad diversification with tenants from various sectors**

TYPES OF USE
by rents paid (as at 31 December 2010)



MAIN TENANTS
by rents paid (as at 31 December 2010)




At EUR 132 million,
DIC Asset AG achieved
more than twice
the disposal volume
of the previous year.

SUCCESSFUL DISPOSALS

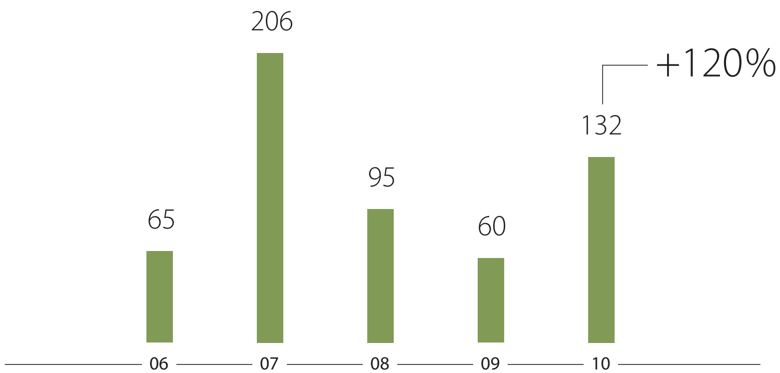
» The large number of successful disposals speaks for the quality of the portfolio and the confidence in the market. «

Our success in transactions is also evidence of the quality of our portfolio: on average we exceeded the latest market values by 6%.

A successful transaction requires two partners who see eye-to-eye with each other. We concluded a large number of deals last year and were able to achieve a substantial disposal volume – a sure sign that our company is well networked and enjoys considerable confidence in the market, and that the German commercial real estate market deserves its excellent reputation.

Our success in selling is evidence of successful real estate activities – and, at the same time, forms the basis for new investments in an attractive market.

DISPOSAL VOLUME EUR million



Profits from disposals significantly increased

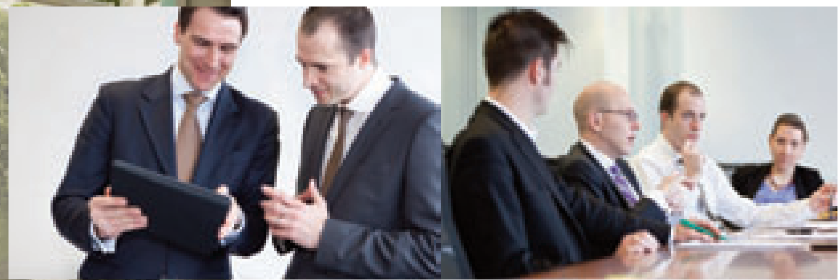
From our directly held properties in the Core plus and Value added segments, we sold 19 properties with pro rata disposal volume of EUR 81.2 million. The disposal volume amounted to EUR 5.1 million. Twelve properties worth a total of EUR 31.5 million were sold from opportunistic co-investments, in which we hold minority interests, and credited to the income statement.

PROJECT DEVELOPMENTS

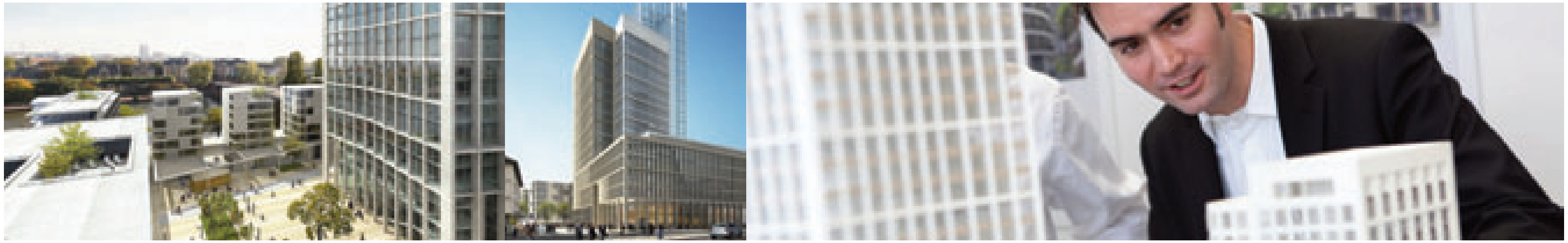
___ Marketing of the MainTor and Opera Offices
___ Project volume of around EUR 560 million

We are involved in project developments via co-investments, which reposition suitable properties on the market through major structural work. By positioning properties in a higher quality segment of the market or increasing the lettable area, we can increase their value considerably. We can also exploit the cyclical movements in real estate markets to our advantage through project developments by preparing projects in periods when the market is weaker so that we are able to offer an attractive product when markets pick up. The aim of our project developments is to sell properties at far better prices having increased their value. We minimise existing risks by making the execution of projects dependent on adequate levels of pre-letting.

We are currently involved in two major projects where planning is already far advanced and they are now the subject of intensive marketing campaigns.

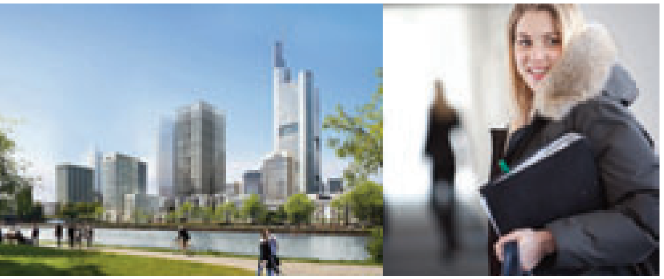


In late summer 2011, DIC will make some 4,000 sqm available as an exhibition space for parts of the exhibition marking the Museum of Modern Art's 20th anniversary at the MainTor site. Parallel to the exhibition, preparations for the demolition of the building on the front section of the site will be started.



MainTor in Frankfurt

With an investment volume of approximately EUR 500 million, the DIC Group will construct an open and lively quarter on one of the most attractive development sites in Frankfurt's city centre. The MainTor project development is designed as an extension to the Frankfurt banking quarter ("The Riverside Financial District"). It will allow historic routes from the city centre to the river Main again and provides for a central square. Three towers will be constructed – the 100 metre high "WinX" and two towers of 64 metres each – in the banking quarter. The development is completed by the revitalisation of an existing building. While the towers will be used almost entirely as office space, smaller residential buildings will supplement the variety of uses for the site. Extensive sustainability issues are being taken into account in the construction, which makes the MainTor project one of the large sustainable developments in Germany. We currently have a 40% stake in this property via our Co-Investments segment.



▷ Potential value added

- Space increased from 64,000 sqm to 108,000 sqm (+40%)
- Development of an urban neighbourhood in an absolutely unique position next to the Main
- Positioning as premium space in the banking quarter (Riverside Financial District)

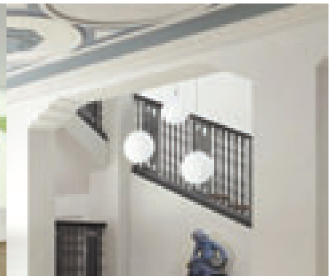
▷ Status

The legally binding zoning plan by the City of Frankfurt has been in place since the spring. Our entire preparatory planning process has been concluded. Initial preparatory work for implementing the project on the existing structure will take place in 2011 following the departure of the current tenant. Pre-letting of the office towers on the site has begun. The point at which construction will start is flexible thanks to the optimised breakdown and will be based on the tenancy agreements that have been concluded.

The OpernPalais, a classic
Schumacher building
on the Opera Boulevard,
is being respectfully
redeveloped for modern use.

Opera Offices and OpernPalais/Hamburg

Our project development activities in Hamburg involve two properties of very different character, which are being constructed in the immediate vicinity of the Hamburg State Opera. With its façade curved around an atrium, the Opera Offices building offers exceptional, modern office space in the best inner-city location. The OpernPalais is a sensitive redevelopment of a stylish, listed administrative building designed by the renowned architect Fritz Schumacher, which offers office space with traditional charm. The development will also be enhanced by the large-scale optimisation and development of the entire quarter. The Opera Boulevard Business Improvement District, which DIC Asset AG assists with its activities, envisages traffic calming and wide pavements, among other things.



▷ Potential value added

– Space increased to 12,800 sqm (+60%)
– Opening up of the ground floor for 1A retail space extending to the new Opera Boulevard
– Repositioning in the attractive Hamburg market

▷ Status

Construction permits for both projects, which are worth some EUR 57 million, have been issued. The planning phase is complete and marketing has started for both properties. Both properties are prepared for construction to start following successful pre-letting, meaning that no delays are expected.

DIC is promoting outstanding developments with ideas and marketing expertise.

» Developing distinctive projects to a precise schedule. «


Moving beyond the familiar to reinvent properties

The DIC Group develops properties in places where the combination of market and property potential offers extraordinary opportunities for adding value.

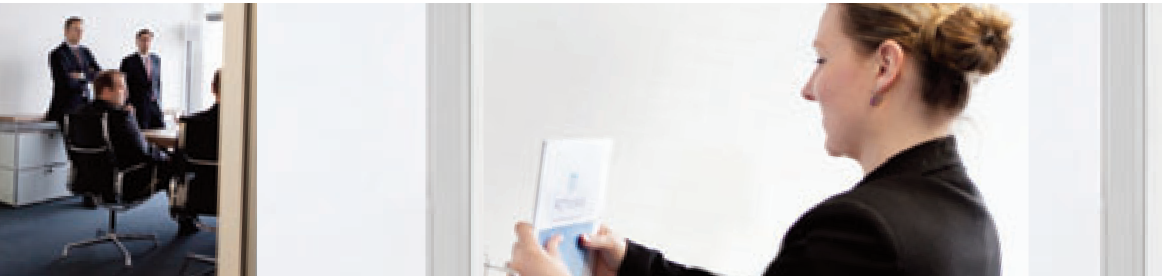
These include the delicate refurbishment of listed buildings, repositioning buildings or even complex new urban developments. In planning, construction and marketing, we rely on detailed market and competition analyses – and on our team's many years of experience and unrivalled flair.

SUSTAINABILITY

Our portfolio includes 288 properties with a total lettable area of 1.9 million sqm and real estate assets of EUR 3.1 billion in total. It is estimated that some 53,000 people work in our premises every day. The environment is affected by these business activities because, among other things, energy is consumed, carbon dioxide is released and waste is produced. As a real estate company which ranks among the major property owners in Germany, we have a position that obliges us to adopt a long-term focus in dealing with our assets, tenants, business partners, employees and residents.

Strategic sustainability issues

As a real estate company with a long-term investment horizon, we are geared to dealing with resources and the environment in a sustainable manner. As a result, we minimise risks, encourage existing business and open up new opportunities for business. In our entrepreneurial decisions and processes, we therefore take account of ecological and social requirements and, wherever possible, forego the opportunities for short-term gains in favour of fundamental possibilities for optimisation. We are endeavouring gradually to integrate sustainability in our company's concerns – both strategically and in organisational terms – and to make it the aim of all our employees. This also means dealing with our employees, customers and business partners in a fair and responsible manner.



Our strategic approach includes the fact that we

- are guided by environmental, security and social standards;
- include sustainability issues in checking and implementing business operations;
- maintain good relationships with customers and suppliers that have a long-term impact;
- communicate openly with relevant stakeholders.

Management and scrutiny through key indicators

We regularly examine whether our commercial activity is consistent with our understanding of sustainability and use various systems and indicators for this purpose. To this end, we make use of corporate figures, industry-wide benchmarks and examples of best practice.

In the area of environment and building efficiency, we are guided by comparable figures from industry studies (including the Oscar Study) and pursue our investments in measures to improve efficiency. In the area of employees, employment and social standards and our attraction as an employer are a priority; we use feedback from staff and management appraisals here and assess the quality of applications for employment. Tenant satisfaction is the product, firstly, of discussions with tenants and secondly, of our letting results. Finally, financial figures serve as indicators for economic and financial sustainability.

Economic sustainability

We strive to make DIC Asset AG a company that operates economically, that will endure and through its services creates lasting values for the benefit of shareholders, employees and business partners and makes a positive contribution to the community.

▷ Investment in permanent value creation

We concentrate on securing and increasing the value of our real estate portfolio. This is achieved through investments in the portfolio, which increase the useful life, the energy efficiency of the buildings, their fixtures and fittings and ultimately their attractiveness, but also through the use of means which optimise our property management services and contribute to achieving high levels of tenant satisfaction. In recent years, we have developed a network of offices across Germany and also pressed ahead strongly with ensuring that tenants constitute the focus of our property management by investing in personnel structures.

▷ Our tenants' satisfaction

Our tenants' satisfaction is one of the elementary conditions for long-term success. Tenancy agreements are mostly agreed over a period of several years meaning that we can benefit from a good landlord-tenant relationship over a long period. This is why we started to offer personal, direct and local support to our tenants in 2006. We review our customer relationships regularly, through discussions with tenants among other things. The tenant-focused optimisation of our organisation, by ensuring that our staff specialise in companies of a certain size or within a certain industry for example, is also part of this strategy.

OPTIMISATION OF WASTE DISPOSAL

In 2010, we made significant improvements to the waste disposal at properties managed by one branch. Following an analysis of the quantities of and frequency with which waste was disposed of at the properties, we are able to save time and the number of trips by optimising the logistics of the waste disposal process. This allows waste to be disposed of in the most efficient and environmentally friendly manner possible, initially at 16 properties. The system is to be gradually expanded to further properties.

▷ Long-term financing

Our aim of creating economically sustainable structures is also clearly evident in our long-term financing. By designing a resilient financing architecture, we create the basic condition for sound operations focused on long-term targets. This foundation allows us to pursue real estate strategies with a horizon of several years, which are not directly adversely affected by short-term changes in the market. We also create clear and fair structures for our business partners on which they can focus their activities. For example, non-recourse financing protects the investments of our capital partners from adverse effects caused by factors outside the property in which they have invested.

▷ Consistent dividend policy

With our investment, the management and letting of our property portfolio, we strive for an attractive return on the capital invested. In the process, we would like our shareholders, who invest in the DIC Asset AG business model, to receive an appropriate share of our success. The payment of a regular dividend also facilitates permanent access to the capital market.

WILHELMINENSTRASSE, DARMSTADT

Measures:
The existing windows were completely renovated throughout the building. By exchanging the windows for double and triple-insulated glazing, we were able to significantly improve insulation in accordance with ENEV 2010, the Energy Savings Ordinance for buildings.

Effect:
By installing modern windows, the building becomes more attractive to the user. We expect to save some 15% of total energy costs per year through the insulation.

Investment and amortisation:
The benefits of the measure, which cost some EUR 1.2 million, are to be found in the improvement in the fittings, the enhancement in quality of use for our tenants and in the increase in the value of the property.

Corporate and social sustainability

▷ Employees: satisfaction and development opportunities

In our company, which numbers 110 employees in total and features a flat hierarchy and small teams, we consider that complex organisational and personnel-related structures are not necessary in order to determine whether employment and social standards are complied with. However, DIC Asset AG's flat hierarchical structure means that our managers can always be in a position to assess whether employees are treated fairly, whether they are promoted in line with their abilities and what development opportunities there are for them. Our wage policy can keep pace with the wages offered by our competitors. In filling vacancies, we are guided by the principles of equality but – because of our structures – the highest priority is attached to skills, personal suitability and the ability to work in a team. We offer flexible working hours, particularly to support young mothers returning to work after maternity leave.

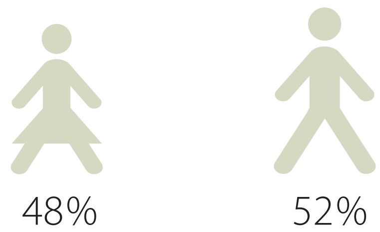
You can find more information in the "Our employees" section on page 65.

▷ Society: charitable and social involvement

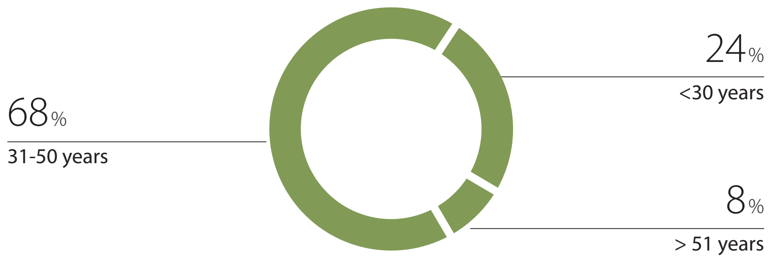
Together with our properties, we are part of the social and daily lives of many people. We also assume social responsibility or become involved even if this does not contribute directly to financial success:

- Since 2009, as a local company, we have been supporting Frankfurt's Goethe House. The museum was faced with reducing opening hours because of budgetary issues. Through our support we are allowing the people of Frankfurt and visitors to the city access to the world-famous museum seven days a week as usual. We also sponsor the Klingspor Museum in Offenbach.

PROPORTION OF FEMALE AND MALE EMPLOYEES



AGE PROPORTION OF EMPLOYEES AS AT 31.12.2010



- We support initiatives that aim at reviving and enhancing habitats or economic areas – whether regionally or locally. This includes supporting the Frankfurt Rhine Main economic initiative or the initiative for the Industriehof Frankfurt quarter in its work, both through financial contributions and by providing personnel.
- In 2010, we started supporting the Cologne Butzweiler-Ossendorf initiative. This is working on financing the construction measures to extend a tram link. This would allow employees working for our tenants in property nearby to use the public transport system when it is completed.
- We are also involved in associations and organisations in the sector with the aim of embedding sustainability-related issues, such as transparency, reporting and communication with investors in the real estate sector even more firmly. Among others, we are therefore a member of the German Property Federation (ZIA), the European Public Real Estate Association (EPRA) and the German Investor Relations Association (DIRK), Initiative Immobilien-Aktie, Initiative Corporate Governance der deutschen Immobilienwirtschaft.

BADENSCHE STRASSE, BERLIN

Measures:
Some 3,000 sqm were developed within the property and prepared for occupation by a new tenant. In the process, we installed an effective system for supplying fresh air and removing waste air at least three times an hour. The system also recovers heat.

Effect:
We use a system for air exchange, which – with the help of heat recovery – reduces the amount of total heating energy required by some 40-50%.

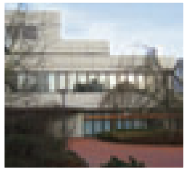
Investment and amortisation:
The additional investment for the purpose of recovering heat will pay for itself after approximately 2.5 years.

INVOLVEMENT IN ASSOCIATIONS AND INITIATIVES

Ecological sustainability

Properties make a material contribution to the general consumption of energy and greenhouse gas emissions. The efficient and environmentally friendly operation of our existing properties is therefore of great interest both for us and for our tenants. We are constantly in discussion with tenants regarding the economical consumption of energy in our properties and show them ways to optimise their consumption. We combine processes and operations, such as waste disposal and maintenance measures, in terms of their logistics to ensure that an efficient and, at the same time, cost-saving service can be provided. Many of our properties are located in close proximity to public transport and can therefore be easily accessed by our employees.

In 2010, we decided – as a first step – in three of our six branches to use electricity supplied completely from renewable sources of energy (green electricity) in future for a majority of the properties managed. We are therefore making an ecologically sensible contribution, which is also in the interests of our tenants, and as a result are contributing to reducing CO^2 emissions. In 2011, we shall therefore gradually supply other properties managed by our six branches in Germany with "green" energy from a certified supplier of green electricity.



CARLO-MIERENDORFF-STRASSE, GIESSEN

Measures:
The system installed for heating and cooling was technologically outdated. By installing an electric control unit, the temperature is now regulated more efficiently and used more effectively.

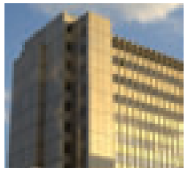
Effect:
The savings in the amount of gas energy required are approximately 65%.

Investment and amortisation:
Thanks to the significant reduction in energy costs and fact that servicing is no longer required, the investment of some EUR 230,000 will have paid for itself in a little more than two years.

▷ Measures within our portfolio

We are not the only ones, in our capacity as a property manager, to benefit from streamlined processes and optimal property management. Reasonable growth in ancillary leasing costs, the so-called "second rental", contributes directly to our tenants' commercial success. We therefore strive to manage our properties efficiently, with additional benefits from the tenants' perspective, at all times. This is an important factor in generating customer loyalty and will increase the likelihood of tenants remaining with us.

Where possible, we invest in long-term technical and structural measures which have a sustained impact on the use of resources. In addition to potentially reducing and optimising energy consumption in the long-term and impacting positively on the environment, both ourselves and our tenants will benefit from a partial reduction in ancillary costs.



KURT-SCHUMACHER-ALLEE, HAMBURG

Measures:
In agreement with the energy supplier, we converted the heating supply from the former steam-based system to one based on hot water.

Effect:
This hot water used in this type of heating is less than the steam used for the old system, resulting in a reduction in the running energy costs. The energy consumed is therefore used more effectively, which helps to reduce CO_2 emissions.

Investment and amortisation:
Based on an initial assessment, the investment of approximately EUR 45.000 will be paid off in the medium term.

▷ Fundamental measures in the case of project developments
From the outset, we take account of sustainability issues when planning the redevelopment of buildings. We do this in such a way that the long-term impact is as environmentally sustainable as possible. The issue of sustainability is also becoming more and more of a priority on the part of users. Our employees in the project development team continue to prepare for the technical aspects of sustainability through training sessions and attending conferences.

Specialised technical planners are involved in the planning process at an early stage so as to recognise and transform potential. It is precisely by considering sustainability issues in the planning stages that we can make a positive impact on the energy efficiency of the building by implementing innovative ideas and using cutting-edge technologies. The requisite investments are repaid by generating a higher basic rent and significantly reducing ancillary costs. We aim to achieve sustainability certification for all project developments.

Two examples:

- Consideration is given to extensive sustainability issues when developing a major quarter such as the MainTor project. The first phase of construction, namely the MainTor Porta, will therefore be awarded a Gold DGNB (Deutsche Gesellschaft für nachhaltiges Bauen e.V. = German Society for Sustainable Construction) certificate.
- We plan to use an existing main sewer on the MainTor site, which will carry waste water at a relatively constant temperature throughout the year. In this way, we can save large amounts of the resultant demand for primary energy by using this waste water heat to generate energy.

OUR EMPLOYEES

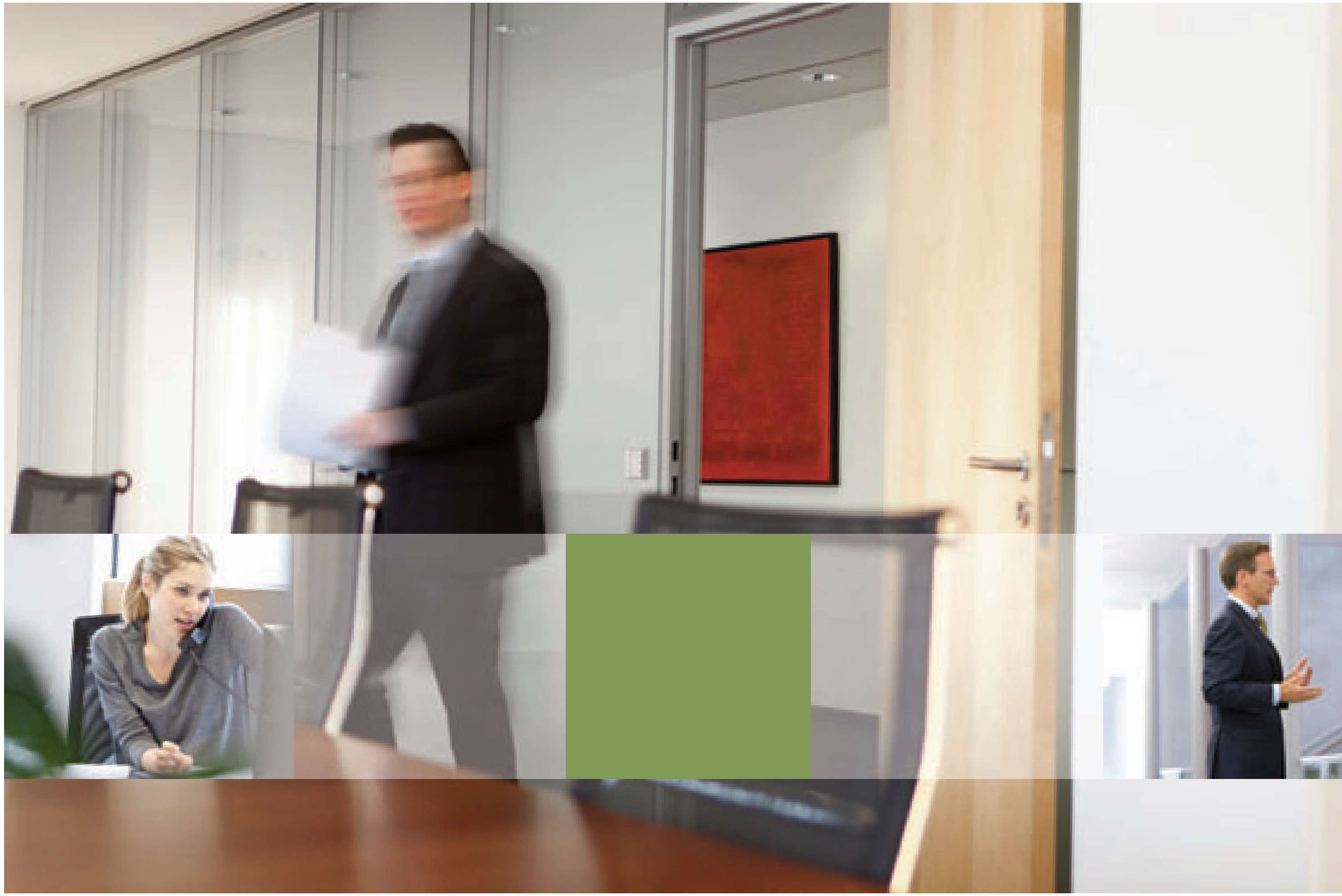
The knowledge, performance and commitment of our employees are the basis of our company's success. We can only achieve our ambitious targets if we have highly qualified and motivated employees who represent our company successfully and confidently to tenants and business partners.

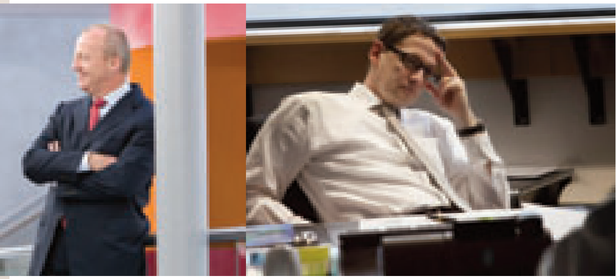
Personnel development driven forward

In 2010, we have focused, in particular, on enhancements to our personnel development system. We use defined analytical tools and processes here, in order to recognise competencies in our staff systematically and to support them long-term in developing these competencies further. These analyses are also used to discover and foster employees with particular talents ("high potentials"). We are also working on providing a sound basis for job interviews and staff appraisals by using standardising elements in the assessment of competences and ensuring that assessments are consistent and easily understood by our employees. Our managers undergo a continuous training programme lasting 2.5 years aimed at developing competencies systematically.

Overall, the aim of personal development is to foster our employees and improve their qualifications as well as generating long-term loyalty based on employee-satisfaction. We support our employees in their personal further development and advancement and invest in disseminating knowledge and skills. Specific training sessions are offered in each specialist area (such as on changes to IFRS in Accounting or on the issue of sustainability in Project Development) as well as company-wide training in languages or presentational skills.

At DIC Asset AG, personnel development is both a local and a central duty. We support our managers in their personnel-related responsibilities in the respective unit and provide them with the requisite tools, including through training sessions. Measures taken by head office ensure that talents are discovered and fostered and are able to develop their potential throughout the Group.





Innovation as an ongoing duty: DIC fosters the fruitful exchange of ideas and stimuli above and beyond day-to-day business. Among other things, it does this through involvement in various organisations, training programmes and as a partner for cultural facilities and events.

AN INNOVATION-FRIENDLY CORPORATE CULTURE

» Approaching new issues with an open-mind: a simple formula which has proved its worth long-term.«

DIC Asset AG is well equipped for further successful growth because it fosters an organisation that is open to change.

DIC Asset AG is one of the large listed real estate companies in Germany but without the disadvantages of a "large company". We focus on lean structures, the ongoing exchange of ideas and the requisite flexibility to strive for the best solution at all times.

We strive to empower our employees to display and develop their ideas and potential. The resulting speed in decision-making and flexibility in responding to opportunities is important – it allows us to be faster in taking any decisive steps.

Boosting our competitive position as an employer

One of the most important tasks of our personnel management team is to enthuse high performing staff about our company and to retain them long-term. We appreciate and encourage entrepreneurial thought and action, the ability to act on one's own initiative, flexibility and specialist knowledge. In order to appeal to talented and highly qualified candidates, we would like to boost the perception of DIC Asset AG as an excellent employer. In competition for young talent with impressive academic qualifications, we emphasize our advantages, particularly compared with large national and international groups – these include flat hierarchies, short referral procedures, the assumption of responsibility at an early stage and the ability to make one's own decisions. One approach here is to establish contact with students at an early stage. We are therefore investing in collaborations with selected technical universities and universities that specialise in real estate, we give lectures at various academic institutions and maintain close contacts with academic staff and institutions.

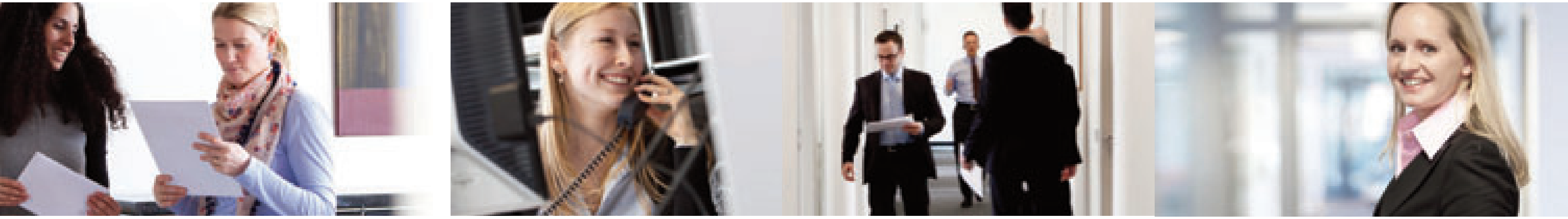
We offer training

We invest in training young people and also view this as an important socio-political contribution. An employee was trained in all aspects of the real estate industry at our Frankfurt office in 2010. We also offer students, in particular, the option of internships in all areas of the company.

Incentives and rewarding performance

Salary payments consist of basic income, supplementary benefits and performance-related components. The performance-related component is based on achieving strategic, operational and individual targets. As a result, we encourage and support a focus on performance and an awareness of entrepreneurial issues – depending on the area of responsibility of the individual employee. In setting salary levels, we are guided by the salaries offered in the industry and by our competitors.

In 2010, DIC Asset AG paid a total of EUR 9.4 million to its employees. Of this figure, performance-related compensation amounted to EUR 0.9 million, social security contributions, pensions and other benefits totalled EUR 1.2 million.



Employee numbers stable

On average in 2010, DIC Asset AG employed 110 staff, four more than in 2009. On the reporting date of 31 December 2010, there were 110 people working in the company across the Group. This is two fewer than at the end of the previous year. The majority of our employees work in property management on directly adding value to our properties at our subsidiary DIC Onsite. It operates throughout Germany with six branches located in areas where our portfolio is concentrated. DIC Asset AG is managed from Frankfurt am Main, as the location of the Board of Directors, and central management and administrative duties are also carried out there.

NUMBER OF EMPLOYEES

	31.12.2010	31.12.2009
Portfolio/fund management, investment	**10**	8
Asset and property management	**85**	89
Group and administration	**15**	15
Total	**110**	112

FINANCIAL INFORMATION

REVENUES AND RESULTS

- **FFO stands at EUR 44.0 million**
- **Further improvement in operating efficiency**
- **Significant increase in disposal profit**
- **Profit for the period up on the previous year, at EUR 16.5 million**

Our earnings situation was stable in 2010, since, as planned, we were able to offset falling rental incomes by making savings in expenses and by increasing the disposal profits. The fall in the level of rental income is attributable to the restructuring of our portfolio caused by the fund placement and to disposals. Thanks to more efficient operations, we were able to achieve higher earnings than in 2009 while reducing expenses. At the end of the year, we achieved a profit for the period of EUR 16.5 million, which is slightly up on the previous year.

Lower rental income, as planned

At EUR 124.9 million, gross rental income was EUR 8.7 million (-7%) down on the previous year's figure. Net rental income totalled EUR 113.9 million, which is EUR 9.8 million (-8%) less than in 2009. The main reasons for the fall in rental income are the termination of medium and larger individual tenancy agreements (effect: EUR -3.6 million), disposals (effect: EUR -2.0 million) and the loss of rental income following the launch of our special fund and the deconsolidation of properties in the fourth quarter (effect: EUR -2.9 million).

Property disposals driving total revenues up

Since we were able to sell far more properties, disposal proceeds increased more than four-fold by EUR 66.0 million to EUR 81.2 million. This is also the main reason for the rise of EUR 57.5 million (+34%) in total revenues to EUR 228.8 million.

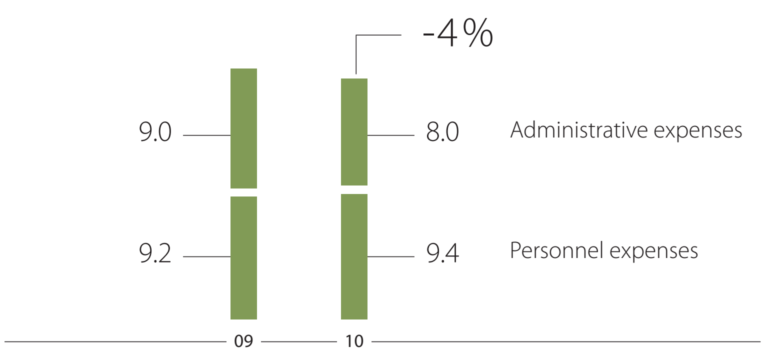
EARNINGS OVERVIEW EUR million

	2010	2009	
Rental income	**124.9**	133.6	-7%
Revenues from the disposal of properties	**81.2**	15.2	+434%
Other income	**22.7**	22.5	+1%
Total revenues	**228.8**	171.3	+34%

OVERVIEW OF OPERATING EXPENSES EUR million

	2010	2009	
Administrative expenses	**-8.0**	-9.0	-11%
Personnel expenses	**-9.4**	-9.2	+2%
Total operating expenses	**-17.4**	-18.2	-4%
Income from property management	**3.5**	3.3	+6%
Less operating expenses	**-13.9**	-14.9	-7%
Gross rental income	**124.9**	133.6	-7%
Ratio of operating expenses to gross rental income	**11.1%**	11.1%	

OPERATING EXPENSES EUR million



Income from property management expanded
For the first time since October 2010, income from property management has also been making its stable contribution to profits with regular revenues from services for the special fund (2010: EUR 0.2 million). In total, income from property management fees was slightly up on the previous year, at around EUR 3.5 million, despite the reduction in the portfolio.

More efficient property management
Our efforts to increase efficiency with regard to operating costs are having an impact: we have been able to reduce administrative expenses significantly, by EUR 1.0 million (-11%) to EUR 8.0 million. At the same time, we succeeded in keeping personnel expenses of EUR 9.4 million at virtually the same level as the previous year. As a result, together these two operating cost items are EUR 0.8 million (-4%) below the previous year's figure – despite increased letting and sales activities. Consequently, at 11.1%, the ratio of personnel and administrative expenses (excluding income from managing property for third parties) to gross rental income is stable compared with the previous year, despite the reduction in income.

FFO at a high level
FFO (Funds from Operations), which reflects the cash flows from portfolio management, fell by EUR 3.7 million (-8%) to EUR 44.0 million. The decline in rental income in the financial year was largely cushioned by reduced financing expenses and greater efficiency in managing the portfolio. FFO per share

DERIVATION OF FFO EUR million

	2010	2009	
Net rental income	**113.9**	123.8	-8%
Administrative expenses	**-8.0**	-9.0	+11%
Personnel expenses	**-9.4**	-9.2	+2%
Result of other operating income/expenses	**0.2**	0.3	-33%
Income from real estate management fees	**3.5**	3.3	+6%
Result from associates	**7.8**	7.5	+4%
Net financing costs	**-64.0**	-69.1	+7%
Funds from Operations	**44.0**	47.6	-8%

decreased from EUR 1.47 (adjusted to capital increase) to EUR 1.18. FFO per share, without adjustment to the capital increase, amounted to EUR 1.54 in 2009.

Sharp increase in profits on disposals

Profits on disposals of directly held properties have more than doubled, by EUR 3.6 million to EUR 5.1 million. Apart from the increased number of smaller disposals, the larger volume transactions, which took place in more friendly environment at the end of the year, contributed to this in particular. The two largest transactions (Flensburg and Mannheim), totalling EUR 45.6 million, resulted in a profit of EUR 3.8 million.

A fund contribution for the first time from Co-Investments

Profits from associates – these are the profits from our Co-Investments – rose by EUR 0.3 million (+4%) to EUR 7.8 million, most notably due to higher disposals than in the previous year and the result of the first DIC special fund. The profit contains contributions to profits from the letting of real estate by our opportunistic co-investments (EUR 6.1 million), our fund investment (EUR 0.3 million) and from disposals of twelve properties (EUR 1.4 million).

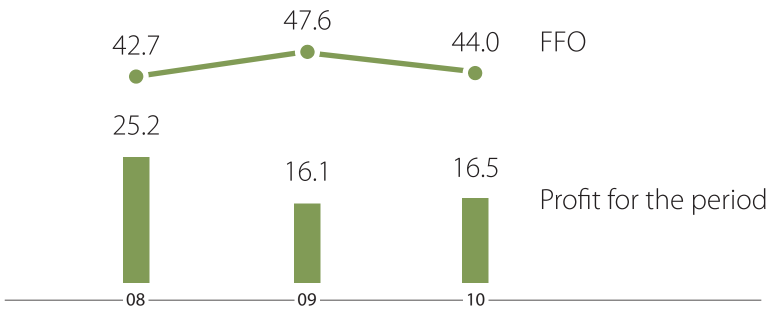
Financing expenses fall sharply

As a result of renewing loans at low interest rates, cutting liabilities and the generally low level of interest rates, we have reduced interest expenditure by EUR 4.2 million (-6%) to EUR 70.4 million. Thanks to higher cash and cash equivalents provided by the capital increase and loans, interest income was up on the previous year. Overall, net financing costs improved by EUR 5.0 million (+7%) to EUR -64.0 million.

Slight increase in profit for the period: EUR 16.5 million

Thanks to the increase in disposal profits and the reduction in operating expenses and net financing costs, we were able to more than offset the fall in rental income. As a result, our profit for the period increased slightly by EUR 0.3 million (+2%) to EUR 16.5 million. Earnings per share amount to EUR 0.44 compared with EUR 0.49 in the previous year. Earnings per share in the previous year (not taking account of the capital increase) came to EUR 0.52.

FFO AND PROFIT FOR THE PERIOD EUR million



OVERVIEW OF RESULTS EUR million

	2010	2009	
FFO	**44.0**	47.6	-8%
EBITDA	**105.4**	110.7	-5%
EBIT	**74.6**	80.3	-7%
EBDA	**47.3**	46.6	2%
Profit for the period	**16.5**	16.1	+2%
Profits for the period per share (EUR) *	**0.44**	0.49	-10%
FFO per share (EUR) *	**1.18**	1.47	-20%
FFO per share (EUR)	**1.18**	1.54	-23%

* Effect of the capital increase in the first quarter of 2010 taken into account in previous year's number

Impact of the fund placement on the earnings situation

As a result of the fund being structured and the properties being deconsolidated in October 2010, rental income of EUR 2.9 million was lost. This was matched by additional income of EUR 0.2 million from services and investment income from associates of EUR 0.3 million and the loss of interest expenses of EUR 1.8 million. Interest expenses will also decrease due to loans being renewed on more favourable terms.

Segment results

Rental income was divided between the Core plus segment with EUR 64.8 million (previous year EUR 68.3 million) and the Value added segment with EUR 60.1 million (previous year EUR 65.3 million). The reductions as against the previous year resulted mainly from disposals and the expiry of larger and medium-sized individual tenancies. The fund placement also impacted on the Co-Investments segment where no rental income accrued because of the minority holdings.

The results of all segments for 2010 are characterised first and foremost by current letting activities as well as disposal profit. Earnings before tax (EBT) in the Core plus segment totalled EUR 7.1 million (previous year EUR 7.2 million), and EUR 2.1 million (previous year EUR 5.5 million) in the Value added segment. Earnings before tax in the Co-Investments segment stood at EUR 9.4 million (previous year EUR 8.0 million).

FINANCIAL POSITION

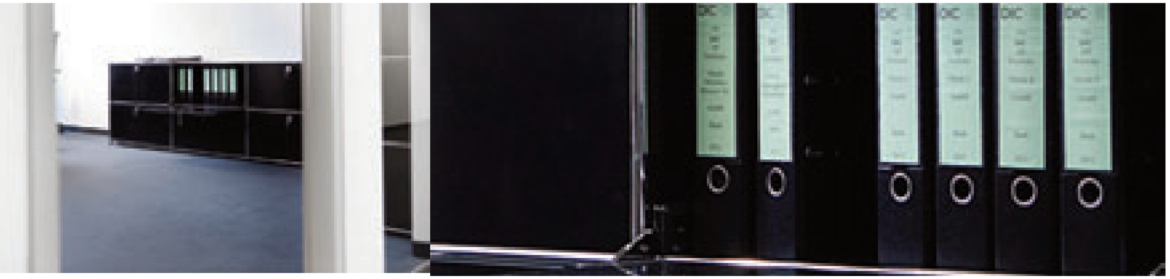
- **Sharp reduction in financing expenses**
- **Renewals improve the interest and maturity structure of liabilities**
- **Interest rate environment exploited to secure attractive terms**

In 2010, we reinforced the stable foundation of our financing architecture long-term with the aim of ensuring a constant supply of liquidity and long-term sustainable financing. We used the reflux of capital following disposals and from the launch of our first fund, to restructure liabilities – by exploiting the low level of interest rates – long-term and to reduce debt. Success is already evident: we have markedly improved the maturity structure of our loans at the end of the year and, at the same time, achieved cost savings in the area of operating finance.

Financial management and basic principles
The primary aim of our financial management at Group level is to ensure solvency at all times and, in the process, to maintain financial independence. We also establish stable, long-term financing structures, which provide positive and permanent support for the development of our business and give us a crucial degree of freedom in strategic decisions.

Management of our financing is organised centrally within DIC Asset AG and covers all subsidiaries and property companies. As a result, our internal and external payment transfers are cost-effective. We are therefore able to optimise our liquidity management, optimise our capital structure and reduce our external borrowings to the minimum.

We always conclude financing on a long-term basis to achieve the greatest possible stability and, in so doing, focus on congruency with the targets at property and portfolio level. We achieve greater stability and security in our planning by hedging against increases in interest rates. Liabilities are always agreed at normal market conditions and are constantly reviewed to see if there is potential for optimisation.



Our strategic finance partners and shareholders in the company also support our development in the area of financing and minimise the financing risk in respect of procuring external capital. We are currently making use of this strategic collaboration in the form of a loan from Provinzial Rheinland amounting to EUR 8.7 million. We maintain good business relationships with various partner banks and avoid being heavily dependent on individual financial institutions.

Launch of the fund has a positive impact on the financial position

The operational launch of our first special fund in October 2010 significantly improved the financial structure of DIC Asset AG:

- The transfer of properties together with the newly agreed fund financing allowed us to repay debt amounting to some EUR 170 million.
- After offsetting our 20% investment in the fund, we generated a significant net cash inflow of some EUR 14.4 million.
- At the same time, we extended the portfolio financing in respect of the properties remaining in our possession, amounting to EUR 104 million, until the end of 2017 on more favourable terms.
- The volume of short to medium-term debt (term of less than 3 years) was reduced by some EUR 240 million – a fall of 37%.

DEBT EUR million

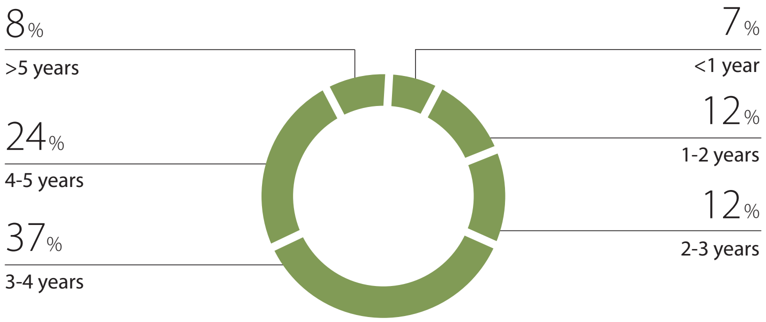
	2010	2009
Debt (short and long-term)	**1,376.1**	1,588.9
Other liabilities	**86.8**	93.8
Total debts	**1,462.9**	1,682.7
Debt ratio	**71.4%**	76.0%
Equity ratio	**28.6%**	24.0%
Interest coverage ratio	**162%**	166%

Debt reduced

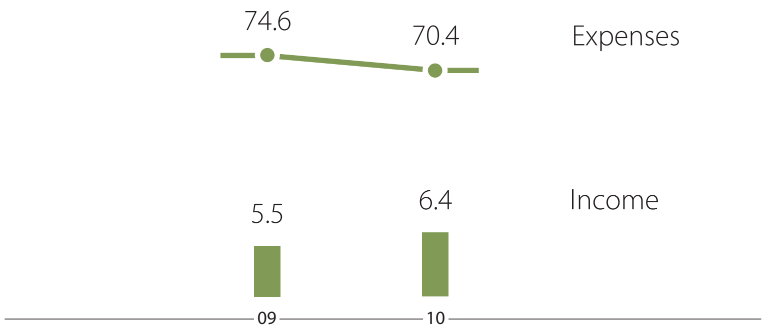
As at 31 December 2010, our debts came to EUR 1,376.1 million, which is EUR -212.8 million less, in net terms, than at the end of 2009. These consist primarily of loans with banks. In 2010, we repaid debt totalling EUR 202.4 million following disposals, the spin-off to the fund and scheduled repayments. New debt of EUR 7.3 million was raised.

OPTIMISATION OF EXPIRING DEBT

Financial debt as at 31.12.2010



FINANCIAL RESULT EUR million



Financial debt principally agreed long-term

At around 69%, the vast majority of our debts have a term of more than three years. 7% is due to be refinanced in the next twelve months (not included are repayments after disposals). As at 31 December 2010, the average term of the liabilities came to around 4 years.

Financing costs are hedged against increases in interest rates

Over 80% of all our debt carries a fixed interest rate or is hedged against an increase using simply structured derivative interest rate hedging instruments. This gives us long-term security in our planning and prevents interest rate risks. Possible changes in the interest rate do not impact on income but only on the equity reported in the balance sheet. 19% of our liabilities – primarily short-term in nature – are agreed at variable rates. In 2010, we benefited greatly from the low level of interest rates via the variable portion.

Net financing costs optimised once more

As at 31 December 2010, the average interest rate on all liabilities was 4.30%, 30 basis points lower than a year ago (4.60%). In 2010, we renewed a total of four portfolio financing measures amounting to some EUR 370 million, which reduces financing costs and also improves the maturity structure. The financing expenses of EUR 70.4 million consist of interest payments (EUR 35.0 million), hedging expenses (EUR 33.4 million) and other expenses (EUR 2.0 million). In 2010, we achieved savings of EUR 4.0 million compared with the previous year by reducing debt, renewals and the portion of financing charged at variable interest rates. The interest coverage ratio (ICR), the ratio of net rental income to interest payments, remains at a high level at 162% (previous year: 166%).

Financing commitments fulfilled in full

In principle, we conclude long-term financing for our acquisitions before we conclude purchase agreements, which is congruent with the respective targets for property development. As a result, we create a sustainable structure and avoid breaching financial covenants. Financial covenants are a normal requirement in the market and lay down the achievement of financial ratios, such as the Loan to Value (LtV) ratio. We complied with all financing commitments, including the LtV covenants, at the reporting date. The new financing arrangements entered into in 2010 do not contain any LtV covenants, at present, the LtV covenants have also been waived for a further two years or so for a portfolio financing totalling some EUR 440 million.

Liquidity planning remains particularly important

The events of the financial crisis clearly highlighted the fact that in extraordinary situations a constant supply of liquidity is of vital importance for companies' continued existence. Because of the continuing uncertainties on the financial market, our attention remains focused on liquidity planning to the same degree. As part of the budget process, which is based on the business plans for the individual properties, we compile an annual liquidity plan, which is supplemented by a weekly liquidity status report. The steadiness of our cash flow from rental income allows us to make a detailed liquidity forecast against which the deployment of funds can be targeted very precisely. DIC Asset AG was able to fulfil its payment obligations at all times during the reporting year. As at 31 December 2010, free liquidity amounts to EUR 117.3 million. The increase of EUR 78.5 million is the result of the cash inflow following the capital increase, the launch of the fund and of disposals.

Other information

There are no forms of off-balance sheet financing. The consolidated financial statements reflect all forms of the company's financing. More detailed information on financing such as the terms of loans or information on derivative financial instruments are provided in the Notes.

Constant investment in the portfolio

In 2010, we made investments totalling EUR 17.2 million. The overwhelming majority, at EUR 12.1 million, was concentrated on investment in existing properties and matched the level of the previous year. In particular, it involved refurbishments and improvements to fixtures and fittings in connection with lettings. We invested EUR 5.1 million in the acquisition of a new property. The total figure is divided between the Core plus segment, which accounted for EUR 3.9 million, and the Value added segment, which accounted for EUR 13.3 million. In the previous year, we invested a total of EUR 74.2 million, of which EUR 62.5 million in acquisitions and EUR 11.7 million in the portfolio.

As at 31 December 2010, the company has investment commitments of EUR 3.2 million for work on portfolio properties, of which some EUR 1.6 million will be invested in 2011. DIC Asset AG has sufficient funds to meet these obligations from its own resources.

OVERVIEW OF CASH FLOW EUR million

	2010	2009
Profit for the period	**16.5**	16.1
Cash flow from operating activities	**37.7**	38.7
Cash flow from investing activities	**201.5**	-58.5
Cash flow from financing activities	**-160.8**	12.2
Net changes in cash and cash equivalents	**78.5**	-7.6
Cash and cash equivalents as at 31 December	**117.3**	38.8

Cash flow statement: a surge in liquidity

The cash inflow from operations of EUR 37.7 million in 2010 was only slightly down, namely EUR 1.0 million, on the level of the previous year. The lower net operating profit was almost entirely offset by the sharp reduction in interest payments.

At EUR 12.1 million, we maintained the level of investment in the portfolio compared with the previous year with the aim of optimising the fixtures and fittings and the quality for new and existing tenants. In 2010, we only invested slightly in external growth, purchasing only one new property. Cash flow from investment activities is therefore characterised, most notably, by the disposal of properties following sales and the fund placement (totalling EUR 265.9 million). Among other things, the increase in other investments of EUR 25.3 million was associated with the 20% investment in our special fund. In total, the cash inflow from investing activities amounted to EUR 201.5 million compared with a cash outflow for investments of EUR 58.5 million in the previous year.

In net terms, we needed no additional funds to finance our activities: cash flow from financing activities stood at EUR -160.8 million. It is dominated by the loan repayment of EUR 202.4 million, mainly related to the establishment of our first fund. As a result of the capital increase we received funds of EUR 47.0 million. Thanks to lower levels of investment, we raised far less new finance, at EUR 7.3 million, in 2010 than in the previous year. The dividend payment was also less significant.

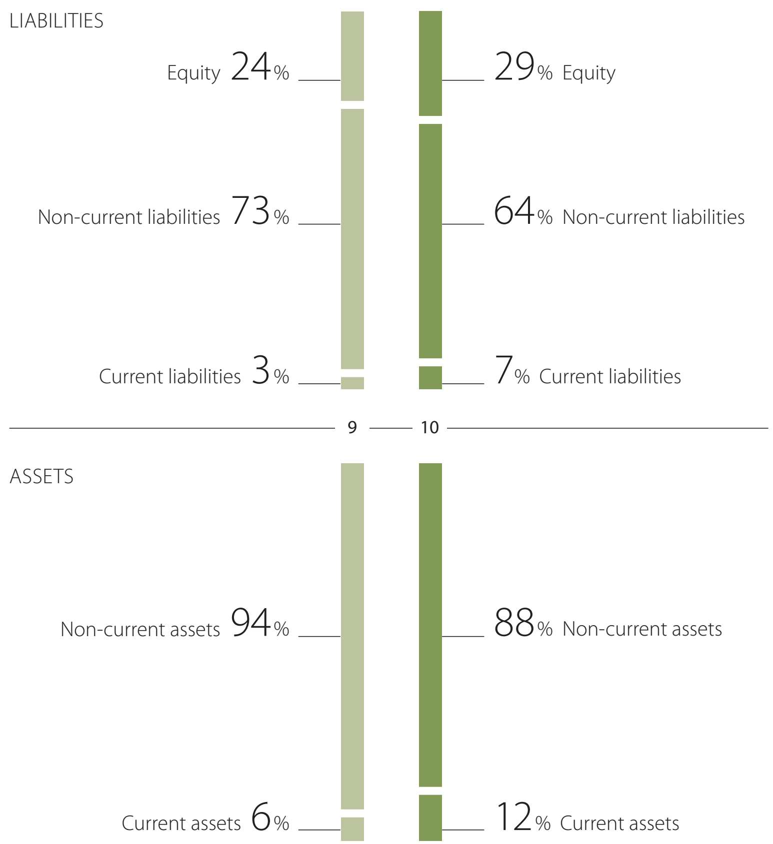
Overall, we increased our liquid funds significantly in 2010: as at 31 December 2010, cash and cash equivalents, at EUR 117.3 million, were EUR 78.5 million up on the previous year.

ASSET POSITION

___ **Equity ratio increases to around 29%**
___ **Portfolio-focused investment at EUR 12.1 million**
___ **Net asset value at EUR 15.27 per share**

The asset position of DIC Asset AG improved in various respects in 2010. Disposals and the launch of our first fund in the fourth quarter had the greatest effect on the asset position: we used the inflow of capital to repay liabilities and to increase the equity ratio by 4.6 percentage points in total to 28.6%. Disposal proceeds (without fund) of EUR 81.1 million during the year were also used to reduce debt. Disposal proceeds per property had already suggested as much but the market valuation of our real estate on 31 December 2010 had slightly positive results and provided further confirmation of our balance sheet values. At the year-end, the net asset value stood at EUR 598.5 million (+20% compared with the previous year).

BALANCE SHEET STRUCTURE



OVERVIEW OF THE BALANCE SHEET EUR million

	2010	2009
Total assets	**2,050.0**	2,213.4
Non-current assets	**1,803.1**	2,072.6
Current assets	**246.8**	140.8
Equity	**587.1**	530.7
Non-current liabilities	**1,307.4**	1,605.0
Current liabilities	**155.5**	77.8
Equity ratio in %	**28.6**	24.0
Debt ratio in %	**71.4**	76.0

Balance sheet value confirmed

We report our real estate at cost less depreciation and consciously opt not to report it at market value in order to be able to pursue a sound, calm and long-term asset policy. The acquisition values are reviewed every year within the framework of the impairment test required under IFRS to establish whether extraordinary impairment charges are required. As a criterion for comparison with our valuation in the balance sheet, we are guided by the value in use, which reflects the value of a property irrespective of its intended use. We believe this consideration is the viewpoint that best reflects our medium to long-term portfolio strategy involving intensive management and adding value through repositioning and development measures. By contrast, a market value has a rather short-term basis, since it primarily represents the sale value on the balance sheet date. No adjustments to real estate assets were required under the impairment tests. As at 31 December 2010, the market value of our real estate included in the balance sheet was EUR 1,673.3 million.

Fund launch impacts on the asset situation

In the fourth quarter, five selected properties were transferred to the initial portfolio of DIC Office Balance I. Since then, we have held minority shares of 20% via our investment in the fund. This had the following impact on the Group assets of DIC Asset AG:

- Properties worth EUR 214 million were deconsolidated, in return shares in associates rose by EUR 27.6 million.
- We used cash inflows of EUR 173 million to optimise liabilities including improving maturities and obtaining more favourable conditions.
- As a result of these changes, the equity ratio increased sharply by some two percentage points.

We hold further shares amounting to some 12% indirectly via a joint venture with our finance partner Provinzial ("ProDIC"), in which we each hold 50%, that did not have to be consolidated. In the meantime, these shares have been sold on in their entirety as planned.

Assets: real estate assets reduced
As at 31 December 2010, total assets were 7% down on the previous year, at EUR 2,050.0 million.

At the end of 2010, real estate held for investment totalled EUR 1,718.2 million. The difference of EUR 306.0 million is largely attributable to the deconsolidation of five fund properties following their transfer (EUR 214.3 million) and disposals (EUR 76.0 million). By contrast, the acquisition of one property and investment in the portfolio only increased assets very slightly. Shares in associates – our Co-Investments segment is involved here – rose sharply by EUR 35.7 million in total to EUR 64.7 million. This is primarily attributable to our 20% investment in our special fund (EUR +27.6 million).

In total, non-current assets amounted to EUR 1,803.1 million as at 31 December 2010. The assets are spread across the segments as follows: Core plus accounts for EUR 834.0 million, while EUR 955.5 million is attributable to Value added and EUR 98.4 million to Co-Investments.

At the end of 2010, current assets rose by EUR 106.0 million (+75%) to EUR 246.8 million. This is attributable, primarily, to the inflow of liquidity from disposals (EUR 44.9 million), the capital increase (EUR 47.0 million), the fund placement (EUR 14.4 million) and an increase in receivables from related parties (EUR 18.8 million). The latter is due, in particular, to loans granted to the joint venture ProDIC. As at 31 December 2010, credit balances with banks amounted to EUR 117.3 million (previous year EUR 38.8 million).

Equity ratio increased to 29%
In 2010, equity rose by some EUR 56.4 million (+11%) to EUR 587.1 million. This was caused, most notably, by the capital increase (EUR 46.4 million), the improvement in the negative hedging reserve and the increase of EUR 4.6 million in retained earnings as well as the reduction in total assets. Overall, the equity ratio rose by 4.6 percentage points to 28.6%.

Debt reduced
At the end of 2010, non-current liabilities fell by EUR -297.6 million (-19%) to EUR 1,307.4 million. We used the cash inflows from disposals and the fund placement to reduce non-current liabilities. Current liabilities increased by EUR 77.8 million (+100%) to EUR 155.5 million. This is primarily attributable to the increase in current interest-bearing debt (EUR +83.0 million), mainly because of funds from property disposals which have not yet been returned.

Liabilities to related parties fell by EUR 4.0 million because of loan repayments to joint venture partners.

Liabilities are divided predominantly between the Core plus segment, which accounted for EUR 676.6 million, and the Value added segment, which accounted for EUR 760.2 million.

NET ASSET VALUE EUR million

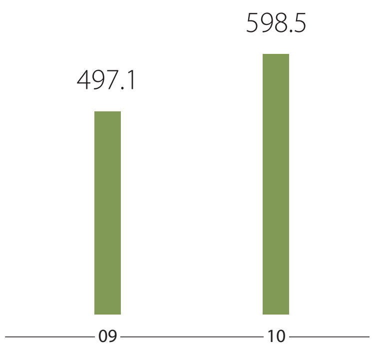
	31.12.2010	31.12.2009
Market values / real estate	**1.673,3**	1.924,4
Market values / investments	**65,9**	36,8
+/- other assets/liabilities incl. minority interests	**235,4**	124,8
Net loan commitments at carrying amount	**-1.376,1**	-1.588,9
Net asset value (NAV)*	**598,5**	497,1
NAV/share*	**15,27**	13,87

* 2009, taking account of the higher number of shares and the net cash inflow following the capital increase in early 2010

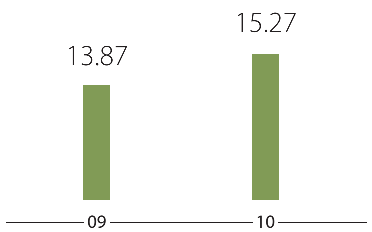
Net Asset Value increased sharply

As at 31 December 2010, the net asset value of DIC Asset AG stood at EUR 598.5 million. The ratio gives the real value of all tangible and intangible assets less liabilities. Compared with the previous year, we increased the net asset value sharply, by EUR 101.4 million. The capital increase in March 2010, the 20% investment in our special fund as well as retained earnings were the main contributing factors to this. The fall in the real estate market value following disposals and the deconsolidation of the fund properties was offset by the repayment of the financing associated therewith and the increase in the market value of portfolio properties. The net asset value per share amounted to EUR 15.27 (previous year: EUR 13.87, taking account of the higher number of shares and the net cash inflow following the capital increase).

NET ASSET VALUE
EUR million



NET ASSET VALUE per share
EUR million



Other information

▷ Impact of balance sheet policy on the economic position

In the financial year, no options were exercised, facts presented in the balance sheet or changes made to discretionary decisions which – if treated differently – would have had a material impact on the earnings, asset and financial position.

▷ Non-financial performance indicators

Apart from factors such as an efficiently and well managed organisation, the following non-financial performance indicators play a major part in the sustained success of DIC Asset AG. These assets are not quantifiable and cannot, therefore, be reported in the balance sheet. These are values, which constitute clear competitive advantages and which are attributable to many years' operations, honed skills and extensive networking within the market. These include:

- Motivated and committed managers and employees (more on p. 65 ff)
- Competitive and organisational advantages from our Germany-wide property management service (DIC Onsite) (more on p. 35 ff)
- Long-standing relationships with highly satisfied tenants (more on p. 35 ff and on p. 58 ff)
- Established, trusting cooperation with service providers
- Trusting partnerships with strategic finance and capital partners (p. 59)
- Cooperation with analysts, journalists, the media and the capital market (on p. 6 ff)

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 the asset position overall. You can find more detailed information in the Notes on p. 130. The DIC brand ranks among the intangible assets that are not capitalised in the balance sheet. We have enhanced it further in the reporting year and consequently reinforced the image of our Group companies vis-à-vis our competitors.

RISK REPORT

THE RISK MANAGEMENT SYSTEM OF DIC ASSET AG

The risk management system is a fundamental component of our principles of management and supervision in the Group. It supports DIC Asset AG in achieving its goals. It protects the Group from critical situations and secures its continued existence in the long term in the interests of its management, employees and investors. The fact that it is integrated within our organisation and is mandatory for all parts of the business and all employees should ensure that risks are recognised promptly and can be countered in an appropriate and prompt manner. The internal control system – as an important component – is integrated in the superordinated risk management system.

Risk management examined and optimised on an ongoing basis
During the financial year 2010, we revised the risk management system intensively and enhanced it, particularly in the area of tax auditing.

We make fiscal considerations and assumptions on the basis of our understanding of business, including when structuring sales or in calculations and budgets – whether at business plan level or for the Group as a whole. The actual fiscal assessment may turn out differently, which represents a financial risk. To supply auditing offices with information and persuade them with cogent arguments, we document our position. We have reconsidered, expanded and restructured the underlying processes here.

Risk early warning system
The risk early warning system within the risk management system is designed to record all relevant risks and their causes, to quantify them and communicate them, so as to be able to execute optimal countermeasures to eliminate or manage risk at an early stage. We adjust the risk early warning system to changes in the environment (such as changes in the interest rate environment) promptly. The early warning system is assessed by the auditor with regard to its effectiveness. Responsibility for identifying, reporting, assessing and managing risks has been decentralised and lies with the specialist level. With regard to real estate, DIC Asset AG receives information right down to property level. This is provided rapidly via its asset and property management teams. Risk review processes, summary reporting and risk control processes are carried out centrally.

Risk identification
We have defined material business risks both within the company and in relation to the market and the sector for all levels of responsibility to ensure a standardised and comprehensible approach. The risks are analysed systematically as an integral part of general operations.

Risk analysis and communication
Each employee is required to deal with risks and opportunities in a deliberate and autonomous fashion, within the framework of his powers. If an employee identifies a risk, it is assessed with regard to the probability of it occurring and the potential loss established. Newly occurring risks entailing a substantial financial impact are notified immediately. The Board of Directors and the Supervisory Board as well as the decision-making bodies will be kept informed regularly and, if necessary, on an ad hoc basis, via established reporting channels. As a result, we are in a position to take appropriate measures to manage risk in good time. Longer-term risks are integrated in the strategic planning process.

Risk management and control
If necessary, the respective specialist managers, together with the Board of Directors, decide on an appropriate strategy for managing the risks. Controlling monitors the operating success of risk management and communicates changes from the planned development in good time.

Risk management documentation
The existing guidelines, procedures, instruments, areas of risk and responsibilities are documented in writing and are continually expanded. A document summarises the key elements of the normal cycle introduced as part of the risk management system. On this basis, binding instructions on the standard conduct to be adopted across the Group in dealing with risks are conveyed to employees tailored to their specific responsibilities.

INDIVIDUAL RISKS

A risk is often also matched by opportunities. For example, investments in new properties may perform less well than planned but may also perform better than forecast. We examine the key opportunities facing DIC Asset AG separately in the "Opportunities and forecast" section starting on page 107.

Overview

External risks

- Macroeconomic risks
- Sector-specific risks
- Regulatory and political risks
- Legal risks

Financial risks

- Interest rate risks
- Financing and liquidity risks
- Valuation risks
- Fiscal risks

Strategic risks

- Acquisition risks
- Risks from growth targets
- Project development risks

Operational risks

- Letting risks
- Personnel-related risks
- IT risks

External risks

▷ Macroeconomic risks

A period of economic weakness constitutes a short to medium-term risk for growth in sales and earnings. This risk relates primarily to the share of our sales revenue from finding new tenants for vacant office space or extending tenancy agreements that are expiring. The company is also exposed to risk from the possible insolvency of tenants in an economic downturn. To minimise this risk, we concentrate particularly on long-term leases to top-quality tenants, on spreading rental income across a large number of different tenants, investing in rapidly growing regions and our professional property management service. For 2011, we are currently assuming that the economic recovery in Germany will continue, which is why we consider there is little likelihood of a deterioration in the economy in the next twelve months. If it occurred, this could have a slightly to moderately serious negative financial impact on the current financial year.

▷ Sector-specific risks

Risks within the real estate sector are the result of various trends.

In the letting market an oversupply of space can lead to price pressures, a loss of margin and vacancies. Prices may also come under pressure if the letting market weakens as a result of economic factors. We minimise this risk on the one hand by the intensive examination of investments; on the other hand, in our subsidiary DIC Onsite, we have an asset and property management organisation operating across Germany which is able to implement appropriate actions rapidly and can achieve a high letting volume – even in difficult markets – through its proximity to tenants and properties.

Continuing tensions in the financial system may – as in the past two years – represent a further risk. If stringent financing conditions block the transactions market, this may be detrimental to our sales targets, in particular. This risk would not signify any major problems in the medium-term, since our business plans at property and portfolio level are always long-term in their focus and planned sales can be postponed to a future date.

For 2011, we are currently assuming that the probability of the sector suffering negative growth is low. This would have a slightly to moderately serious financial impact.

▷ Regulatory and political risks

DIC Asset AG may be affected by risks resulting from changes in framework conditions and statutory or quasi-statutory provisions. Usually changes of this kind require a lead time, which allows sufficient time to adjust. However, in exceptional situations such as the financial crisis or the sovereign debt crisis facing some European countries, the government may also provide rapid support. For financial year 2011, we expect government support of the EU countries facing payment difficulties to continue at present. We consider the risk of changes that would affect the German economy to be unlikely for the next twelve months. We assess the possible financial impact as low.

▷ Legal risks

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 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 by third parties. Ongoing legal disputes involve outstanding rental payments almost without exception. Provisions are created for this, if necessary, and the value of receivables from defaulting tenants adjusted if applicable. There are no material legal disputes, which could constitute a considerable risk, either pending or foreseeable at present. From our viewpoint, the legal disputes currently being actively conducted will result in more opportunities than risks. We consider the risk that passive proceedings are not covered by a provision to be unlikely and the financial impact to be low.

Overall, we therefore estimate the legal risk and the financial impact as low.

Financial risks

▷ Interest rate risks

Significant changes in interest rates can impair DIC Asset AG's profitability, liquidity and financial position as well as its opportunities for expansion. Derivative financial instruments are used on a case by case basis to hedge the interest rate risk and to minimise interest rate volatility. In the past financial year, we hedged some 81% of our financing volume. The variable financing portion is subject to a cash flow risk, which expresses the uncertainty of future interest payments. As at 31 December 2010, the average interest rate amounts to 4.30%. Within the next twelve months, some 7% of the financing volume is due to be refinanced. We are using the still low level of interest rates for restructuring interest rate swaps or extending loans. Risks to the balance sheet, which will have an impact on equity, may arise from interest rate derivatives concluded as a cash flow hedge. Risks to the income statement may result from interest-rate derivatives that are not reported under hedge accounting rules. As at 31 December 2010, these have a nominal volume of EUR 3 million and a negative market value of EUR 0.1 million.

We expect interest rates to rise slightly in 2011 but the impact on our cash flow will only be minor because of the interest rate hedges that have been agreed. In balance sheet terms, an increase in interest rates would lead to a reduction in the negative hedging reserve in equity.

▷ Financing and liquidity risks

DIC Asset AG's real estate portfolio is financed on a property or portfolio basis. Financial risks from individual properties or portfolios do not therefore have a direct impact on the Group as a whole (non-recourse financing).

DIC Asset AG has agreed a manageable number of credits with financial covenants (loan agreement clauses containing requirements with regard to financial ratios). A breach of these financial ratios can have negative financial effects. Compliance with them is monitored continuously and providently through risk management in the Treasury Division. Deviations from fixed threshold values identified through ongoing sensitivity analyses are presented to the Board of Directors without delay and the type and scope of the countermeasures to be taken are determined.

The Group's liquidity risk consists of it not being able to meet existing or future payment obligations because it has insufficient cash at its disposal or having to accept disadvantageous financing conditions in the event of any liquidity crunch. To ensure the solvency of the Group at all times and its financial flexibility, long-term credit lines and liquid funds are managed and kept in readiness on the basis of financial planning covering several years as well monthly rolling liquidity planning, thereby preventing bottlenecks. DIC Asset AG's financing and liquidity requirements for its operations are secured long-term and are based on the substantial, long-term cash flow that can be planned from our investments. The conclusion of affordable long-term financing was, and is, a material condition for all new acquisitions.

Overall, we rate the probability and impact of financing and liquidity risks as moderate.

▷ Credit risks

A credit risk consists of the loss of cash and cash equivalents or earnings, particularly when counterparties are not in a position to fulfil their obligations or assets decline in value. To keep this risk as low as possible, contracts for derivative financial instruments and financial transactions are only concluded with financial institutions which have a high credit rating or are affiliated to a deposit guarantee fund.

In its operations, DIC Asset AG is exposed to a default risk through non-payment of its rental income. In essence, we minimise this risk by carrying out regular analyses of creditworthiness and through intensive scrutiny of new tenancy agreements and renewals. Account is taken of default risks through value-adjustments. The maximum theoretical default risk consists of the book value of the financial assets recognised in the balance sheet.

We assume that there is little probability of credit risks occurring in the next twelve months. The possible financial impact would be low to moderate.

▷ Valuation risks

The market value of our real estate assets is established annually by neutral surveyors in accordance with international guidelines. The market valuation is subject to fluctuations, which can be influenced by external factors, such as a deterioration in macroeconomic framework conditions, fluctuations in interest rates as well as a fall in the level of interest rates, and by qualitative factors, such as the condition and position of the property. A fall in market values can have repercussions on fixed assets, the balance sheet structure and on financing conditions. The intrinsic value of the real estate assets is also a material basis for the intrinsic value of the investments in property companies presented in the annual financial statements of DIC Asset AG. To minimise risk, we pursue a balanced diversification of our real estate portfolio and aim to secure and increase the intrinsic value of our properties by concentrating consistently on tenants' requirements and monitoring the market and its demands.

To quantify possible valuation risks, sensitivity calculations were carried out by external surveyors as at 31 December 2010. These assessed the impact of changes in the discounting and capitalisation rates on the market values of DIC Asset AG.

Sensitivity consideration Change of real estate market values

Szenarios: change of capitalisation rate	Szenarios: change of discounting rate		
	+0.25%	0%	-0.25%
+0.25%	EUR -73.4 mn	EUR -34.8 mn	EUR +2.7 mn
0%	EUR -37.6 mn	0	EUR +36.5 mn
-0.25%	EUR -4.4 mn	EUR +32.2 mn	EUR +67.7 mn

Basic parameter:

■ Market value of real estate on the balance sheet	EUR 1,673 mn
■ Applied	Discounting rate: 6.25% - 6.50% Capitalisation rate: 5.25% - 13.00%

The sensitivity analysis shows, by way of example, how market values react to changes in the discounting rate and capitalisation rate. If, for example, the discounting rate increases by 25 basis points, market values will fall by EUR 37.6 million. If the capitalisation rate rises at the same time, the fall will increase to EUR 73.4 million.

Because we report in accordance with the cost model (IAS 40.30), fluctuations in fair values do not impact directly on the balance sheet and the income statement but only when the fair values or values in use fall below the carrying amounts reported.

In view of the economic upturn that was already apparent in 2010 and the associated recovery in the real estate sector, we expect that there will be very little likelihood – apart from individual cases – of depreciation risks in 2011. The consequences to be expected of any falls in value would be moderate.

Strategic risks

▷ Acquisition risks

In the case of acquisitions, particularly larger-scale portfolios, there are medium to long-term risks in overvaluing potential income as well as undervaluing future cost increases and rental risks. We reduce this risk prior to any purchase being made by means of extensive due diligence and the preparation of risk-oriented business plans, which are adjusted on an ongoing basis in line with cost and earnings trends. Ongoing property management also contributes to reducing risk. We estimate this risk and its financial repercussions for 2011 as low.

▷ Risks from growth targets

We are aiming to carry out acquisitions of EUR 200-300 million in the next few months. We have also incorporated these growth targets in our business planning for 2011. We have planned additional rental income of some EUR 7 million through acquisitions for 2011, which will therefore also have an impact on the Group result. The risk of not meeting our acquisition target entirely and the possible financial repercussions would be moderate for 2011.

▷ Project development risks

The overwhelming majority of our project development activities are arranged on a long-term basis, which is why risks to the company's income are posed, most notably, by changes to market conditions and time delays. To reduce this risk, we only carry out development projects where suitable tenants have been found in advance. We also enter into long-term financing arrangements at an early stage and implement a stringent system of project and cost controls. We endeavour to spread risk appropriately by involving partners in the projects and through contractual agreements. Specifically, there is a risk with regard to the "MainTor" project that construction at our joint venture will start later than planned because of a lack of pre-letting and that we shall therefore have to make interest payments under the agreed financing for longer than planned. In principle, the project is financed up to 2012 through the portfolio loans, independently of any pre-letting being agreed.

On the basis of current and planned project developments for the next twelve months, we estimate this risk as low for 2011 and its potential financial impact as moderate too.

Operational risks

▷ Letting risks

Letting risks involve the non-payment of rent caused by existing tenants not being sufficiently creditworthy and profitability risks caused by a lack of profitable new tenancy agreements or renewals.

We avoid non-payment of rent by letting and leasing our properties to companies with good credit ratings and through the property management provided by our subsidiary DIC Onsite. In addition, when deciding on acquisitions, we minimise the risk of non-payment of rent through an intensive analysis of properties, the market, locations and tenants. Generally, we aim for long-term tenancy agreements and are already taking measures in good time to extend tenancy agreements and find new tenants. In the process, we try to avoid being dependent on a few major tenants, who could exert their market power, particularly in difficult market situations. In 2011 and 2012, the ten largest tenants will account for 36-38% of total agreed rentals. These tenants are all prestigious and, in most cases, highly creditworthy tenants primarily from the public sector, telecommunications industry and the retail sector. With the exception of Deutsche Bahn AG and its subsidiaries, no tenant accounts for more than 5% of total rental volume.

In financial year 2011 and 2012, tenancy agreements with a volume of some EUR 7.4 million and EUR 18.1 million respectively may end. Additional income of EUR 5.2 million comes from tenancy agreements, which have no fixed end dates but which are periodically extended. We assume that, as in previous years, the majority of these can be extended or let to new tenants through letting activities. Should we fall short of these targets for new tenancy agreements by 10% in 2011, this would lead to potential loss in rent of around EUR 2 million based on our average rental and an assumed probability of this occurring of 50%.

There is a general risk of rental income decreasing in 2011 and 2012. However, thanks to our letting strategy and the monitoring opportunities in property management, we view the risk and possible repercussions as moderate.

▷ Personnel-related risks

Competent, committed and motivated employees are a key component in DIC Asset AG's future successful development and the achievement of its strategic goals. There are risks for DIC Asset AG, most notably, in losing high-performers of this kind and in attracting suitable new employees at management level. To minimise these risks, we focus in particular on systematic personnel marketing, practice-oriented promotion of young talent, targeted

professional training and the promotion of staff with particular potential in order to position DIC Asset AG as an attractive employer. Key positions are regularly analysed with regard to forward-looking succession planning and suitable candidates are prepared for these roles. Additional elements include target-group oriented support and advice as well as attractive incentive systems. This means that we improve our position in the growing competition for specialist staff and managers. We therefore consider more serious problems and personnel-related risks to be unlikely and the financial impact to be low.

▷ IT risks

A loss of the database or a longer failure in the systems used could lead to our operations being considerably disrupted. We have protected ourselves against IT risks through our own network, modern hard and software solutions and safeguards against attacks. Structural security measures are in place to protect the computer centre. All data are backed up daily in an external data depository. Detailed rules on access rights ensure that employees can only access the systems and documents they need in order to carry out their work. Overall, we therefore consider IT risks to be unlikely and their possible consequences to be moderate.

OVERALL RISK ASSESSMENT: NO THREAT

As part of the risk management process, the Finance department combined the risks identified by the respective specialist departments to produce an overview of the Group's total risk exposure. With regard to the individual risks listed in this report – taking account of the probability of their occurring and the potential financial impact – and the aggregate total risk, the management assumes that these risks cannot directly jeopardise the company's future development. As a result, the overall risk profile of DIC Asset AG has not changed materially compared with the previous year.

However, the situation on financial markets remains strained, particularly with regard to the continuing critical financing requirement of some European countries and the high levels of public sector debt in the USA. The resultant developments and their potential repercussions on the German economy and its companies cannot be predicted at present.

INTERNAL CONTROL SYSTEM

General

The internal control system (ICS) and the risk management system with regard to DIC Asset AG's financial reporting process encompass all guidelines, procedures and measures aimed at ensuring that the financial reporting is effective, cost-effective and compliant and guaranteeing compliance with the relevant legal provisions. The internal control system consists of two areas, namely control and monitoring. In organisational terms, the Treasury, Controlling and Accounting divisions are responsible for control.

The monitoring measures consist of elements incorporated in the process and external independent elements. Among others, 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 employees in the second management tier, for instance) as well as specialised Group departments such as Controlling or Legal perform monitoring and control functions as part of the various processes.

The Board of Directors and the Supervisory Board (in particular the Audit Committee) as well as a firm of auditors are involved in the monitoring system with various checks that are independent of the company's processes. The audit of the Group's financial statements represents a key measure in the controlling measures that are independent of the company's processes, which is supplemented by additional audits such as the audit carried out by the fiscal authorities.

With regard to the company's financial reporting, the risk management system focuses on recognising the risks of inaccurate bookkeeping, financial accounting and reporting in good time, on assessing them and communicating them. Further comments on the risk management system are provided under the heading "risk management" in the risk report in the notes to the consolidated financial statements.

Use of IT

The software used to record accounting transactions in the individual companies consists of established standard sector solutions in the majority of cases. The correctness of the programs and interfaces used is regularly examined and verified. Accounting-related interfaces are checked by the Group auditor as part of the audit. The results of the audit of the IT systems include concrete recommendations for increasing the security of the systems and for enhancing the expertise of the employees responsible for the systems. The entire IT system, including the bookkeeping and the accounting, is protected against unauthorised access.

Ensuring that the financial reporting is correct and reliable
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 are recognised, measured and reported accurately in the consolidated financial statements. The accounting documents provide a reliable and comprehensible information base.

The pertinent statutory reporting rules are supplemented by the International Financial Reporting Standards (IFRS) and recommendations such as EPRA and applied by DIC Asset AG as uniform measurement and reporting principles throughout the Group. This also encompasses regulations pertaining to the balance sheet, income statement, cash flow statement and segment reporting. The reporting rules regulate in detail the formal requirements for the consolidated financial statements, such as stipulating the companies to be included in the scope of consolidation and the content of the reports to be prepared by the individual companies. Internal regulations governing settlement practice within the Group, for instance, are also provided.

At Group level, control encompasses, most notably, the analysis and, if necessary, adjustment of the separate financial statements submitted taking into account the findings of the auditors and the discussions held with them. Impairment tests carried out centrally, in particular, the annual review of the market value of all real estate carried out by independent surveyors ensure that the valuation 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.

Qualificatory statements
Even tried and tested and established systems such as DIC Asset AG's internal control system and risk management system cannot exclude errors and infringements entirely, meaning that absolute security with regard to the accurate, complete and prompt recording of data in Group financial reporting cannot be guaranteed. Non-recurring transactions that occur outside any routine or that may occur time-critically at the end of an accounting period hold a certain potential risk. Risks may also arise from the scope for discretion that employees have in recognising and measuring assets and liabilities. A certain 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.

OTHER DISCLOSURES

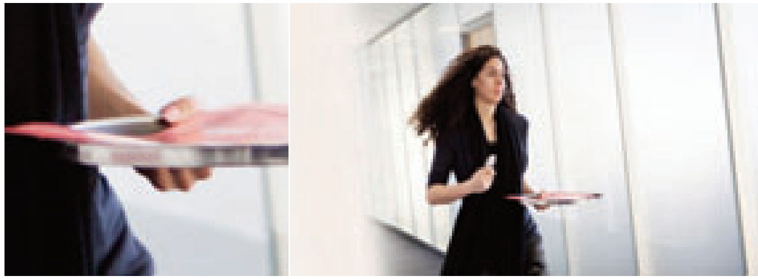
SEPARATE FINANCIAL STATEMENTS OF DIC ASSET AG

Results of operations, Financial and Asset position

DIC Asset AG is the holding and management company of the DIC Asset Group. In essence, its operational real estate activities are organised via the property companies. DIC Asset AG's earnings situation is therefore influenced primarily by its involvement in its investments. The soundness of its investments emerges from the net assets and financial position of the property companies and is secured, in particular, by their real estate assets. DIC Asset AG prepares its separate financial statements in accordance with the HGB.

While profits from the further placement of treasury shares of EUR 2.3 million accrued in the previous year, the past financial year's figures were depressed by the costs of the capital increase of EUR 0.9 million. Subsidiaries were also furnished with more equity, which meant that interest income from affiliates decreased by EUR 2.1 million.

The company's equity amounted to EUR 644.7 million as at 31 December 2010, some EUR 45.3 million more than in the previous year. Equity was reduced in particular by the dividend payment in mid-2010, which was considerably more than offset by the profit for the period and the capital increase. Overall, we report an increased commitment to our related parties (shares, receivables and liabilities), meaning that total assets have increased by EUR 78.4 million (+11%). The equity ratio therefore decreased by three percentage points to 79%.



SUPPLEMENTARY REPORT

The shares in the DIC Office Balance I special fund, which had provisionally been held in a joint venture with Provinzial, were sold to third party investors in the first quarter of 2011. As a result all the shares in this fund have been placed.

Apart from these transactions, no further material transactions were resolved, initiated or implemented in the post-balance sheet period under review, i.e. the period between the balance sheet date and the date of release of the consolidated financial statements by the Board of Directors on 2 March 2011.

AFFILIATES

Report on relationships to affiliates
The Board of Directors has prepared a separate report on relationships to affiliates in accordance with § 312 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.

TAKEOVER-RELATED DISCLOSURES

The following disclosures in accordance with §§ 289 para. 4, 315 para. 4 HGB reflect the circumstances as of the balance sheet date. The following explanation of these disclosures also meets the requirements for an explanatory report under § 176 para. 1 sentence 1 AktG.

Composition of the subscribed capital
The subscribed capital in the amount of EUR 39,187,498.00 consists of 39,187,498 bearer shares in the form of no-par shares. There are no other classes of shares. All shares have the same rights and obligations. Each share gives entitlement to 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 rights and obligations tied to the shares are shown in detail in the terms of the Stock Corporation Act [AktG], in particular §§ 12, 53a ff., 118 ff. and 186.

Restrictions affecting voting rights or the transfer of shares
In May 2009, solvia Vermögensverwaltungs GmbH acquired 1,474,022 shares from DIC Asset AG, which came from one of the company’s share buy-back programmes. Both sides agreed a commitment clause under which solvia Vermögensverwaltungs GmbH will, in principle, keep the block of shares until 31 December 2010 at least.

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

Statutory provisions and the requirements of the Articles of Incorporation on the appointment and dismissal of members of the Board of Directors and the amendment of the Articles of Incorporation
The appointment and dismissal of members of the Board of Directors is based on §§ 84, 85 AktG and § 7 of the Articles of Incorporation (version dated 05 July 2010). Pursuant to § 7 para. 1 of the Articles of Incorporation, the Board of Directors is composed of at least one person. The Articles do not contain any special arrangements for the appointment or dismissal of individual members or all members of the Board of Directors. The Supervisory Board has the power of appointment and dismissal. It appoints members of the Board of Directors 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 § 84 para. 1 sentence 3 AktG.

Amendments to the Articles of Incorporation are made pursuant to §§ 179, 133 AktG and § 5, § 9 para. 6 and § 14 of the Articles of Incorporation (version dated 05 July 2010). The Articles of Incorporation have not exercised the option of imposing further requirements for amendments to the Articles. Unless prevented by statute, the general shareholders' meeting adopts resolutions by a simple majority of votes cast and, if the law prescribes a majority of shares besides a majority of votes, by a simple majority of the share capital in place when the resolution is made. The Supervisory Board has the power to make amendments to the Articles of Incorporation if only the wording is affected.

The Board of Directors' powers to issue and redeem shares
The powers of the company's Board of Directors to issue and redeem shares are all based on resolutions to that effect by the General Shareholders' Meeting, the content of which is shown below.

▷ Authority to acquire treasury shares
By resolution of the ordinary General Shareholders' Meeting of 5 July 2010, the Board of Directors is authorised until 4 January 2012 to acquire treasury shares of up to 10% of the company's share capital existing at the time the resolution is made. At no time may the acquired shares together with other treasury shares in the possession of the company or allocated to it under the §§ 71a ff. AktG represent more than 10% of the share capital. The authorisation may not be used for the purpose of trading in treasury shares. The authorisation may be exercised as a whole or in instalments, once or more than once, for one or more purposes, by the company or by companies dependent on or majority-owned by it, or by third parties acting on their behalf or on behalf of the company.

At the Board of Directors' option, and with the prior consent of the Supervisory Board, shares may be acquired through the stock exchange or through a public offering directed to all shareholders or a public invitation to all shareholders to submit offers for sale. If the shares are acquired on the stock exchange, the purchase price per share paid by the company (excluding transaction ancillary costs) may not be more than 10% over or under the price determined on the trading day by the opening auction in the Xetra trading system (or a comparable successor system) on the Frankfurt Stock Exchange. If they are acquired by a public bid directed to all shareholders or a public invitation to submit such a bid directed to all shareholders, the purchase price offered per share (excluding transaction ancillary costs) in the event of a public bid directed to all shareholders or, in the event of a public invitation to submit such a bid directed to all shareholders, the margins of the purchase price spread (excluding transaction ancillary costs) set by the company may not be more than 10% over or under the average closing prices of the company's shares in the Xetra trading system (or a comparable successor system) on the Frankfurt Stock Exchange over the last five trading days before the day of the public announcement of the public bid or the public invitation to submit a bid.

If there are significant differences from the relevant price after the publication of a public offering directed to all shareholders or a public invitation to all shareholders to submit offers to sell, the offering or the invitation to submit offers to sell may be adjusted. In this case the average of the closing price of the company's shares in the Xetra trading system (or a comparable successor system) on the Frankfurt Stock Exchange over the last five trading days before the public announcement of any adjustment will be used as a basis.

The volume of the public offering directed to all shareholders or the public invitation to all shareholders to submit offers for sale may be limited. If, in the case of a public offering or a public invitation to submit offers for sale, the volume of offered shares exceeds the planned buyback, the acquisition may take place in relation to the subscribed or offered shares in each case; the shareholders' right to tender their shares in relation to their holdings is excluded in this respect. A preferential acceptance of smaller numbers up to 100 offered shares per shareholder and commercial rounding to avoid arithmetical fractions of shares can be provided for. A possible, more extensive option on the

part of shareholders is excluded in this respect. The public offering directed to all shareholders or the public invitation to all shareholders to submit offers for sale may stipulate further conditions.

The Board of Directors is authorised, with the prior consent 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 withdrawn without a further resolution of the General Shareholders' Meeting being required for the withdrawal or its execution. They may also be withdrawn by the simplified procedure without capital reduction by adjusting the pro rata mathematical amount of the remaining shares in the company's share capital. If they are withdrawn by the simplified procedure, the Board of Management is authorised to amend the number of shares in the Articles of Association. (ii) The shares may also be disposed of in a way other than through the stock exchange or by an offer directed to all shareholders if the purchase price payable in cash is not significantly lower than the market price of essentially equivalent shares already quoted. The number of shares sold in this way together with the number of new shares that were sold during the life of this authorisation under the exclusion of subscription rights in accordance

with § 186 para. 3 sentence 4 AktG or issued from authorised capital, and the number of shares that can be created through the exercise of option and/or conversion rights or the fulfilment of conversion obligations arising from warrant bonds and/or convertible bonds issued during the life of this authorisation under the exclusion of subscription rights in accordance with § 186 para. 3 sentence 4 AktG, does not exceed 10% of the share capital. (iii) The shares may be sold for a contribution in kind for the purpose of acquiring businesses, parts of businesses, corporate interests or other assets in connection with a planned acquisition or as part of mergers of businesses. (iv) The shares may be used to fulfil subscription and exchange rights on the basis of the exercise of conversion and/or option rights or conversation obligations, which were granted or imposed within the framework of convertible bonds and/or bonds with warrants on the basis of the authorisation to issue convertible bonds and/or bonds with warrants resolved by the Shareholders' General Meeting on 5 July 2010.

As at 31 December 2010, the company holds no treasury shares. It has not made use of the authorisation described above.

Authorised capital

By resolution of the ordinary Shareholders' General Meeting of 5 July 2010, the Board of Directors was authorised, with the Supervisory Board's approval, to increase the share capital of the Company by 4 July 2015 by one or more issues of new individual bearer shares for cash and/or contributions in kind by up to EUR 19,590,000.00 (authorised capital).

In principle, shareholders are to be granted subscription rights here. The new shares can be accepted by one or more financial institutions specified by the Board of Directors or companies within the meaning of § 186 para. 5 sentence 1 AktG , subject to the obligation that they offer them to the shareholders for subscription (indirect subscription right). The Board of Directors is, however, authorised to exclude shareholders' subscription rights with the approval of the Supervisory Board,

(i) to exclude fractions from shareholders' subscription rights;

(ii) if the new shares are issued against cash contributions and the issue price of the new shares is not significantly lower than the stock exchange price of previously issued shares with the same terms at the time of the issue of the shares. The number of the shares sold in this way together with the number of other shares that have been issued or sold during the life of this authorisation under the exclusion of subscription rights in direct or corresponding application of § 186 Para. 3 Sentence 4 AktG [Aktiengesetz – German Stock Corporation Act], and the number of shares that can be created through the exercise of option and/or conversion rights or the fulfilment of conversion obligations arising from bonds with warrants and/or convertible bonds that have been issued during the life of this authorisation under the exclusion of subscription rights in accordance with

§ 186 Para. 3 Sentence 4 AktG, does not exceed 10% of the share capital, neither at the time it became effective nor at the time this authorisation was exercised;

(iii) if the capital increase against contributions in kind takes place for the purpose of acquiring businesses, parts of businesses, corporate interests or other assets in connection with a planned acquisition or as part of mergers of businesses;

(iv) if it is necessary to grant holders or creditors of bonds with warrants and convertible bonds with option and/or conversion rights or conversion obligations, which were or will be issued by the company or Group companies in which the company holds 100% directly or indirectly, subscription rights to new shares in the amount that they would be entitled to as shareholder after exercise of their option or conversion rights or after fulfilment of conversion obligations.

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

▷ Contingent capital

The Board of Directors is authorised by resolution by the General Shareholders' Meeting on 5 July 2010 to issue, with the consent of the Supervisory Board, bearer convertible bonds and/or bonds with warrants (together, "bonds") on one or more occasions up to 4 July 2015 in a total nominal amount of up to EUR 300,000,000.00 and to grant conversion or option rights (with an obligation to convert too) to bearer shares in the company representing a proportionate amount of the share capital of up to EUR 19,590,000.00 in total to holders of bonds subject to the precise terms of the convertible bond or bond with warrants conditions (together “bond conditions”). Bonds may only be issued in exchange for payment of cash.

The bonds can be issued in euros or, subject to the limit of the corresponding value, in another legal foreign currency, such as that of an OECD country. They can also be issued by Group companies in which the company holds a direct or indirect 100% interest; in a case of this kind the Board of Directors is authorised, with the Supervisory Board's approval, to guarantee the bonds and to grant holders conversion or option rights (with an obligation to convert too) to the company's bearer shares.

As a general rule, the shareholders have a subscription right, i.e. the convertible bonds and/or bonds must, as a general rule, be offered to the company’s shareholders for subscription. The bonds can be accepted by one or more financial institutions or companies within the meaning of § 186 para. 5 sentence 1 AktG, subject to the obligation that they offer them to the shareholders for subscription (indirect subscription right). If bonds are issued by a Group company, the company will ensure that the company's shareholders are granted subscription rights accordingly.

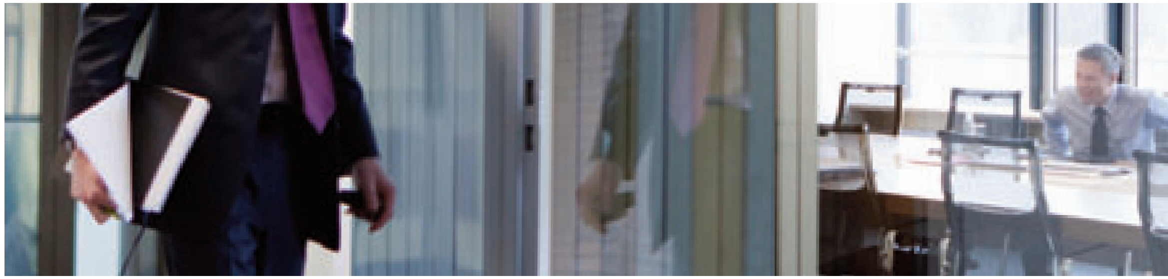
The Board of Directors is, however, authorised to exclude shareholders’ subscription rights to bonds with the approval of the Supervisory Board,

- for fractions resulting from the proportionate subscription right;
- if, after proper examination, the Board of Directors takes the view that the issue price is not materially below the theoretical market value of the bonds calculated in accordance with recognised financial mathematical methods. However, this authorisation to exclude the subscription right only applies to bonds with a conversion or option right (with an obligation to convert too) to shares, to which in aggregate a proportionate amount of no more than 10% of the share capital is attributable at the time the issue takes effect or at the time the above authorisation is exercised, whichever value is lower. The proportionate amount of the share capital, which is attributable to shares issued during the life of this authorisation as part of a capital increase excluding the subscription right in accordance with § 186 para. 3 sentence 4 AktG or disposed of as acquired treasury shares during the life of this authorisation other than via the stock exchange or through an offer to all shareholders in corresponding application of § 186 para. 3 sentence 4 AktG must be taken into account in this ceiling of 10% of the share capital.
- If it is necessary to grant holders or creditors of bonds with warrants and convertible bonds with option and/or conversion rights or conversion obligations, which were or will be issued by the company or Group companies in which the company holds 100% directly or indirectly, subscription rights to bonds in the amount that they would be entitled to as shareholders after exercise of their option or conversion rights or after fulfilment of conversion obligations.

In the case of the issuance of bonds with warrants, each individual bond will have one or more option certificates which entitle the holder to obtain bearer shares in the company in accordance with the terms and conditions of the option to be determined by the Board of Directors. The term of the option may not exceed the term of the bond with warrants. There may also be a provision that fractions can be combined and/or settled in cash. In the case of the issuance of convertible bonds, holders will receive the right to exchange their individual bonds for bearer shares in the company in accordance with the terms and conditions established by the Board of Directors for the convertible bond. The ratio for the conversion results from dividing the nominal amount or the issuing price of an individual bond which is less than the nominal amount by the determined conversion price for one bearer share in the company and can be rounded up or rounded down to a full integer; furthermore, an additional payment to be rendered in cash can be determined if applicable. There may also be a provision that fractions can be combined and/or settled in cash. § 9 para. 1 AktG and § 199 AktG are unaffected.

The convertible bond conditions may also envisage a conversion obligation at the end of the term (or at an earlier date). The proportion of the share capital of the company's shares to be issued for each individual bond on conversion may not exceed the nominal value of the individual bond. § 9 para. 1 AktG and § 199 AktG are unaffected. The convertible bond or bond with warrants conditions may provide for the company's right to grant creditors of the bond new shares or the company's treasury shares in whole or in part instead of paying any monetary amount that is due. In each case, the shares are credited with a value, which subject to the precise terms of the bond conditions equals the average of the closing price of the company's shares (rounded up to whole cents) in the Xetra trading system (or a comparable successor system) on the Frankfurt Stock Exchange over the last ten trading days before declaration of the conversion or exercise of the option. The convertible bond or bond with warrants conditions may also both stipulate that in the event of conversion or the option being exercised, the company's treasury shares may also be granted. They may also envisage the company not granting the persons entitled to convert or exercise their options shares in the company but the equivalent value in cash of the shares that would otherwise have to be supplied. Subject to the precise terms of the bond conditions, the equivalent value per share equals the average of the closing price of the company's shares (rounded up to whole cents) in the Xetra trading system (or a comparable successor system) on the Frankfurt Stock Exchange over the last ten trading days before declaration of the conversion or exercise of the option.

The conversion or option price set must – even if the following regulations on anti-dilution are applied – be at least 80% (inclusive) of the average closing price of the company's share in the Xetra trading system (or a comparable successor system) on the Frankfurt Stock Exchange in the last ten trading days before the day of the Management Board's resolution on the issue of convertible bonds and/or bonds with warrants by the Management Board or – in the event of a subscription right being granted – at least 80% (inclusive) of the average closing price of the company's share in the Xetra trading system (or a comparable successor system) on the Frankfurt Stock Exchange in the period from the beginning of the subscription period until the third day before the announcement of the final conditions in accordance with § 186 para. 2 sentence 2 AktG.



If the company increases its share capital, granting a subscription right to its shareholders, during the conversion or option period or issues additional convertible bonds or bonds with warrants or grants or guarantees conversion rights or options and grants holders of existing conversion rights or options no subscription right to these, as they would be entitled as shareholders following the exercise of the conversion right or option or the fulfilment of their conversion obligations, or the share capital is increased through a capital increase from reserves, the convertible bond or bond with warrants conditions will ensure that the economic value of the existing conversion rights or options will be unaffected in that the conversion rights or options will be adjusted to preserve their value, to the extent that the adjustment is not already regulated by law. This will apply mutatis mutandis in the event of the capital being reduced or other capital measures, of restructuring, of control being obtained by third parties, an extraordinary dividend or other comparable measures, which may lead to the value of the share being diluted. § 9 para. 1 AktG and § 199 AktG are unaffected.

The Board of Directors is authorised, with the consent of the Supervisory Board, to prescribe further details concerning the issuing and structuring of the bonds, in particular, the interest rate and type of interest payment, issue price, term and denomination, provisions on protection against dilution, conversion or option period as well as the conversion and option price or the Board of Directors can do so in agreement with the management bodies of the Group companies issuing the bonds.

To service conversion and option rights or obligations arising from bonds issued on the basis of the authorisation by the General Shareholders' Meeting on 5 July 2010 up to 4 July 2015, the share capital was conditionally increased by up to EUR 19,590,000.00 by the issue of up to 19,590,000 individual bearer shares (contingent capital 2010).

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

Major agreements on condition of a change of control as a result of a takeover bid

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

This includes a loan agreement with Provinzial Rheinland Lebensversicherung AG that provides for a cancellation right for the lender if Deutsche Immobilien Chancen AG & Co. KGaA ceases to hold at least a 30% interest in the equity of the company.

In addition, DIC Asset AG is a partner in several joint ventures with Morgan Stanley Real Estate Funds (MSREF) on the one hand and DIC Capital Partners (Germany) GmbH & Co. KGaA on the other hand. The respective joint venture partner will be 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.

Indemnity agreements entered into with members of the Board of Directors or employees in the case of a takeover bid

In the case of a change of control, a member of the Board of Directors will be entitled to extraordinary termination of the employment contract. A case of change of control will be in place if a shareholder holds at least the majority of the voting rights represented in the general shareholders' meeting and at the time of the conclusion of the employment contract, that shareholder did not hold more than 20% of the share capital of the company, or the company concludes an affiliation agreement as an independent company or is integrated into or merged with another company. A Board member exercising his right to terminate is entitled receive a payment of twice his total annual earnings in the financial year prior to the change of control. If the remaining period of his contract of employment is less than two complete years, the equivalent of two years' total earnings is replaced by a proportion of two years' total annual earnings calculated pro rata over the shorter period remaining.

Other information

The other disclosures in accordance with §§ 289 para. 4, 315 para. 4 HGB refer to circumstances that do not exist at DIC Asset AG. There are no shareholders with special rights conferring supervisory powers nor are there any voting controls by employees with shares in the company's capital.

OPPORTUNITIES AND FORECAST

OPPORTUNITIES FOR OUR BUSINESS MODEL

Our business model and the activities and market positioning of DIC Asset AG may be positively influenced by events and developments. We pursue these opportunities actively within the boundaries of that which is feasible. If we can exploit them, then they will boost our business development significantly. However, these opportunities are not included in our profit planning, since they cannot be clearly forecast, influenced or quantified.

Improvement in general economic conditions
Overall, the macroeconomic environment and the real estate sector have done better than previously expected. Resulting deviations, such as an unexpectedly high letting volume, rental increases across the board or substantial disposals would have a positive impact on DIC Asset AG and its activities.

Special funds: higher income
Our Funds business segment is available to those of our investors who wish to increase their investment or for other investors wishing to invest. Established structures are now in place following the start of operations in October 2010 and investment by renowned capital partners. This can simplify the further expansion of the fund and the launch of additional funds. Growth in this area will give DIC Asset AG the opportunity, in particular, to generate investment income as well as constant inflows from management fees for investment and property management services.

Securing favourable interest rates
The low level of interest rates currently offers opportunities for concluding deals on good terms and improving our interest costs long-term. We are therefore involved in regular negotiations with financing institutions. If we succeed in renewing financing earlier than scheduled or agreeing attractive hedging terms, we can benefit from a long-term improvement in our interest costs.

More opportunities for acquisitions

In the last two years, a marked aversion to risk characterised the investment objectives of almost all investors. As a result, virtually the only properties traded were fully let on long tenancy agreements and located in the best positions and excessive demand pushed prices up. More opportunistic properties, which are of interest primarily to property managers with proven expertise, disappeared almost entirely from the market. With the recovery in the transaction market, more attractive opportunities for acquisition could also emerge for DIC Asset AG, which will allow growth that maximises our earnings.

Stronger growth

As part of our corporate strategy, we pursue growth that maximises our earnings. In this connection, we constantly examine and develop options that will attract new investors for our business model or expand existing equity partnerships. In the past two years, we have proven that our business model also withstands stresses and is attractive to investors. A successful equity increase could expand and accelerate our planned growth considerably.

Completion of project developments

If we succeed in finding sufficient numbers of long-term tenants for pre-letting our project developments, we can also complete substantial projects on a sound basis. The value added produced as a result can open up extraordinary potential income.

Opportunities from property market values

In a reviving market environment with rising property market values, DIC Asset AG has the opportunity to increase undisclosed reserves which can be realised when properties are sold. Our net asset value would also increase as a result, which can lead to a more attractive stock market valuation. Finally rising market values will minimise the risk from financial covenants.

FORECAST

- **Forecast rental income of around EUR 112-115 million**
- **Reduction in vacancies of up to 1 percentage point**
- **Disposal volume of between EUR 80 and 100 million**
- **FFO between EUR 40 and 42 million expected**

Overall view

Our aim in 2011 is to achieve the operating earnings of the previous year and to develop strategically through acquisitions. We expect that the recovery in the economy as a whole will boost the performance of the real estate sector. Both the transaction market and the letting market are likely to continue their positive trend. Operationally speaking, we are well positioned in property management through our regional presence to exploit the improvement in opportunities for letting to develop our portfolio. Rental income will not be able to pick up on the previous year's level because of the fund placement. Over the next few months, we expect opportunities for growth from acquisitions, in particular, which may take place in all our real estate segments.

With our longstanding strategy, we are soundly placed to cope with downturns in the economy and to exploit any opportunities that are available. Through our services along the entire value added chain, we leverage potential in our portfolio through our in-house property management service. Investment in a range of real estate segments and locations gives us a considerable degree of risk diversification. We view our strategic positioning as a resilient competitive advantage, particularly with regard to international investors, which contributes to our maintaining our long-term growth targets even in difficult conditions. We shall not make any fundamental changes to DIC Asset AG's basic focus and sales markets in the next few months. Rather, from our position, we wish to concentrate on exploiting opportunities for growth in a rising market. To this end, among other things, we have created a new business segment with our special funds, which will broaden our activities.

Economic environment

Substantial demand for German industrial products on the global markets will remain the mainstay of the German economy in 2011. Against the background of an easing in the momentum of global economy, the IWH (Institut für Wirtschaftsforschung Halle) is expecting growth in GDP of 3.0%, meaning that pre-crisis levels of total macroeconomic output would be achieved at the end of the year and, consequently, production capacity will be utilised as normal. Impetus from exports is also having an increasing impact on domestic consumption: among other things, the positive trend on the employment market, investment in necessary replacements and expansion that will now pay off and residential construction driven by the low level of interest rates will contribute to this. Corporate lending criteria have eased somewhat for the first time since the beginning of the financial crisis. At present, the policy of low interest rates can be expected to continue over the next few months because of the turbulence in the public finances of some EU countries.

Trends in the real estate sector

Traditionally, there is a delay of some 12 to 18 months in the reaction of the letting market to economic trends. We therefore expect a more benign letting market with tenants being increasingly prepared to move in 2011. This would have a positive impact on our business, firstly because competition would become somewhat less intense. There have been signs that the level of rental incentives needed to conclude tenancy agreements is starting to fall in recent months. The trend will continue in 2011 before any increase in rentals can be reported. For the market as a whole, brokers' analysts expect space let to match the level of the previous year, although it will be characterised less by large individual deals than supported by widespread letting of smaller and medium-sized properties.

Together with the continuing economic recovery and positive developments on the employment market, we are expecting increasing diversity in activities on the transaction market. Interest among international investors in the reliable and robust German market has risen in recent months. The more benign letting market could once again trigger increasing enthusiasm for property classes outside the Core segment among investors – and consequently among vendors as well. We therefore expect increasing numbers of opportunistic investments in properties with shorter tenancy agreements and more boldness in taking on challenges in asset management. Brokers' analysts expect a slight increase in transaction volume of over EUR 20 billion for the market as a whole.

Better conditions for letting overall

A more cheerful letting market will also help our letting activities. Through our local presence and direct contacts with tenants, we are in a good starting position to service increasing demand. In 2011 – for the first time for a long time – the opportunities for finding new tenants can be expected to be more positive than in previous years. We aim to exploit this intensively. We are also planning to generate a major share of our letting income from renewing existing tenancies – which was an indication of the excellent customer loyalty we achieved in 2010 too. In 2011, we expect to be able gradually to optimise the quality of our portfolio following the last two challenging years and to be able to offset falls caused partly by the recession. Overall, we are planning letting volume at the level of the previous year and an increase in the occupancy rate of up to one percentage point to 87%.

Growth is the aim for the coming months

Opportunities for acquisition by our company will occur more frequently in 2011, since events on the transaction market are likely to be more varied. Through our broad positioning in the value added chain – from efficient property management to repositioning through project development – we are well placed for attractive growth from individual properties as well as mixed portfolios. In 2011, we are planning growth in all our real estate segments and to carry our far more acquisitions than disposals. We are aiming to expand both our directly held properties and our co-investments with minority shares. At the same time, first-class properties let on long tenancy agreements will be added to our DIC Office Balance I special fund. Within the framework of our current liquidity, we are planning indirect and direct investment of some EUR 200 to 300 million in total. If the market picks up further, we could also be in a position to make more investments.

Expansion in the new Funds business segments

We shall endeavour to expand and develop the Funds business segment through new investments over the next few years. Initially, we shall concentrate on the development of the first special fund DIC Office Balance I in 2011. With the new business segment we have created an additional segment in recent months, with which we shall make our strengths accessible to interested investors. The funds business will also give us a broader base for corporate growth. Via our special fund DIC Office Balance I, our capital partners are able to participate in investments in top-class qualities, let long-term, in the metropolitan areas of Germany. We are also in a position to launch another special fund, if there is sufficient demand from investors.

Regular disposals planned

We expect normal conditions in the transaction market in the current year and consequently continuing good opportunities for placing our properties based on increasing investor activity. Both large-volume properties and properties from outside the Core segment should become more sought after once more. As before, we benefit from our flexibility with disposals: we are not forced to sell at specific times, but can approach the market in a targeted manner when conditions offer optimal returns. We expect to achieve disposal volume of around EUR 80 to 100 million in 2011.

Assumptions on which the profit forecast is based and comments thereon

Our forecast is based on the following material assumptions:

- The Germany economy will continue to recover and the trend in employment will be positive. Lending criteria will improve.
- The forecast upward trend in all segments of the letting market will take place and rentals will ease accordingly.
- Loss of rental income through insolvency will remain at the current low level.
- We shall be able to keep the occupancy rate stable at least.
- We shall be able to achieve our planned external growth in 2011.

In declaring our forecast figures, we are concentrating on results that we can manage and consequently influence. For this reason, we are refraining from our specific forecast of the profit for the period. The precise amount of the profit for the period is dependent, among other things, on whether we can acquire or sell properties in our various segments with majority or minority interests.

Expected sales and earnings position in the next two years

Since the start of the financial crisis in 2008, forecasts have been less certain than previously in view of the monetary extent of the assorted rescue packages and their incalculable long-term effects. Currently, the sovereign finance crisis in the EUR is increasing the uncertainty surrounding forecasts. This is why our planning also includes additional risk assumptions for this year. The forecast may differ materially from actual results if underlying assumptions are not fulfilled or other developments occur.

On the basis of the existing portfolio and an occupancy rate of 87%, we are expecting rental income of between EUR 112 and 115 million depending on the success and the timing of acquisitions. Here, rental income from acquisitions of around EUR seven million has been taken into account for financial year 2011. We are assuming that operating expense structures will be comparable with the previous year and expect interest expenses of around the level of the previous year on the basis of the agreed interest-rate hedges. Overall, we expect operating income, namely FFO, of between EUR 40 and 42 million in 2011.

Outlook 2012

Subject to a further economic recovery and the implementation of acquisition and sales targets, in 2012 we are expecting positive growth in sales and earnings – increasing the level of 2011.

Expectations with regard to the financial position

At present, our ongoing operations require no major external financing in net terms. Key factors influencing liquidity in the current year are expected to be portfolio investment, the dividend payment for the financial year 2010 and the inflow of cash from disposals. All liquidity requirements and commitments from the financing for 2011 are – if predictable – met. Our liquidity will allow us to exploit opportunities for external growth as part of our growth planning above and beyond current operations in 2011. We shall endeavour to achieve growth both through direct investments and co-investments in 2011. In these cases, we may raise additional external funds and, if applicable, equity.

Dividend policy

We would like our shareholders to share continuously in the respectable profits and the performance of DIC Asset AG. We are therefore pleased to be able to continue this practice for the financial year 2010, which has been a success despite all the challenges facing us. We shall also continue our consistent and attractive dividend policy this year. We shall propose payment of an increased dividend of EUR 0.35 per share (in total EUR 13.7 million) for the financial year 2010 to the Supervisory Board. This equates to a dividend yield of 4.2% at the end of 2010. As in the previous year, we shall be guided by the figure for funds from operations and the company's current condition and our shareholders shall participate commensurately in the success of DIC Asset AG.

For the next financial year too, we also wish to base the dividend on the growth in funds from operations taking account of the company's condition and the general economic conditions. On the basis of our forecast for 2011, we are expecting a dividend at least in line with that of the previous year.

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CONSOLIDATED PROFIT AND LOSS ACCOUNT for the period from 1 January 2010 to 31 December 2010 in TEUR

	Notes	2010	2009
Total revenues		**228,767**	171,320
Total expenses		**-154,216**	-90,975
Gross rental income	1	**124,941**	133,607
Ground rents	2	**-773**	-782
Service charge income on principal basis	3	**17,719**	18,445
Service charge expenses on principal basis	3	**-19,415**	-21,235
Other real estate related operating expenses	4	**-8,531**	-6,283
Net rental income		**113,941**	123,752
Administrative expenses	5	**-8,008**	-8,984
Personnel expenses	6	**-9,409**	-9,159
Depreciation and amortisation	7	**-30,818**	-30,440
Management fee income	8	**3,543**	3,372
Other income	9	**1,397**	735
Other expenses	10	**-1,213**	-433
Net other income		**184**	302
Investment property disposal proceeds	11	**81,167**	15,161
Carrying value of investment property disposal	11	**-76,049**	-13,661
Profit on disposal of investment property		**5,118**	1,500
Net operating profit before financing activities		**74,551**	80,343
Share of the profit of associates	12	**7,812**	7,478
Net financing costs	13	**-64,036**	-69,136
Profit before tax		**18,327**	18,685
Income tax expense	14	**-2,484**	-3,190
Deferred income tax expense	14	**622**	634
Profit for the period		**16,465**	16,129
Attributable to equity holders of the parent		**16,380**	16,069
Attributable to minority interest	15	**85**	60
Basic (= diluted) earnings per share (EUR)	16	**0.44**	0.49

CONSOLIDATED BALANCE SHEET as at 31 December 2010 in TEUR

ASSETS	Notes	31.12.2010	31.12.2009
Investment property	17	**1,718,215**	2,024,225
Office furniture and equipment	18	**519**	567
Investments in associates	19	**64,670**	28,946
Intangible assets	21	**255**	221
Deferred tax assets	14	**19,465**	18,652
Total non-current assets		**1,803,124**	2,072,611
Receivables from sale of property	22	**7,967**	67
Trade receivables	23	**2,635**	4,500
Receivables due from related parties	24	**105,682**	86,876
Income taxes receivable	25	**7,442**	6,079
Other receivables	26	**3,955**	2,619
Other current assets	27	**1,876**	1,808
Cash and cash equivalents	28	**117,292**	38,826
Total current assets		**246,849**	140,775
Total assets		**2,049,973**	2,213,386

EQUITY AND LIABILITIES	Notes	31.12.2010	31.12.2009
Equity			
Issued capital	29	**39,187**	31,350
Share premium	29	**569,288**	530,747
Hedging and translation reserve	29	**-51,111**	-56,489
Retained earnings	29	**28,243**	23,620
Total shareholders´equity		**585,607**	529,228
Minority interests	15	**1,473**	1,450
Total equity		**587,080**	530,678
Liabilities			
Non-current interest-bearing loans and borrowings	30	**1,239,804**	1,535,582
Deferred tax liabilities	14	**9,508**	9,396
Derivatives	20	**58,116**	60,052
Total non-current liabilities		**1,307,428**	1,605,030
Current interest-bearing loans and borrowings	30	**136,278**	53,272
Trade payables	31	**3,451**	3,177
Liabilities to related parties	24	**18**	4,020
Provisions	32	**22**	24
Income taxes payable	33	**2,864**	4,253
Other liabilities	34	**12,832**	12,932
Total current liabilities		**155,465**	77,678
Total liabilities		**1,462,893**	1,682,708
Total equity and liabilities		**2,049,973**	2,213,386

CONSOLIDATED STATEMENT OF CASH FLOW for the Financial Year 2010 in TEUR

	2010	2009
Operating activities		
Net operating profit before interest and taxes paid	**86,972**	97,765
Realised gains/losses on disposals	**-5,118**	-1,500
Depreciation and amortisation	**30,818**	30,440
Movements in receivables, payables and provisions	**536**	6,150
Other non-cash transactions	**-4,984**	-12,512
Cash flow generated from operations	**108,224**	120,343
Interest paid	**-69,274**	-77,888
Interest received	**4,002**	3,947
Income taxes paid	**-5,235**	-7,694
Cash flow from operating activities	**37,717**	38,708
Investing activities		
Proceeds from sale of investment property	**255,480**	34,176
Disposal of subsidiaries	**10,444**	0
Acquisition of subsidiaries	**0**	-1,191
Acquisition of investment property	**-5,068**	-62,505
Capital expenditure on investment property	**-12,107**	-11,723
Acquisition/disposal of other investments	**-25,285**	-2,214
Loans on other entities	**-21,841**	-14,972
Acquisition	**-106**	-97
Cash flow from investing activities	**201,517**	-58,526
Financing activities		
Procceds from the issue of share capital	**47,025**	0
Proceeds from other non-current borrowings	**7,269**	49,469
Repurchase/disposal of own shares	**0**	7,311
Repayment of borrowings	**-202,356**	-35,148
Payment of transaction costs	**-950**	0
Dividends paid	**-11,756**	-9,405
Cash flow from financing activities	**-160,768**	12,227
Net increase in cash and cash equivalents	**78,466**	-7,591
Cash and cash equivalents at 1 January	**38,826**	46,417
Cash and cash equivalents at 31 December	**117,292**	38,826

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY for the Financial Year 2010 in TEUR

	Issued capital	Share premium	Reserve for treasury shares	Reserve for cash flow hedges	Retained earnings	Total shares equity	Minority interest	**Total**
Status as at 31 December 2008	31,350	528,450	-4,977	-39,521	16,956	532,258	1,537	**533,795**
Profit for the period					16,069	16,069	60	**16,129**
Losses from cash flow hedges*				-16,005		-16,005		**-16,005**
Losses from cash flow hedges from associates*				-963		-963		**-963**
Comprehensive income				-16,968	16,069	-899	60	**-838**
Dividends 2008					-9,405			**-9,405**
Repurchase of own shares			-2,270			-2,270		**-2,270**
Disposal of own shares		2,297	7,247			9,544		**9,544**
Repayment of minority interest						0	-147	**-147**
Status as at 31 December 2009	31,350	530,747	0	-56,489	23,620	529.228	1,450	**530,678**
Profit for the period					16,380	16,380	85	**16,465**
Gains from cash flow hedges*				1,721		1,721		**1,721**
Gains from cash flow hedges from associates*				3,656		3,656		**3,656**
Comprehensive income				5,377	16,380	21,757	85	**21,842**
Dividends 2009					-11,756	-11,756	0	**-11,756**
Capital increase	7,837	38,541				46,378		**46,378**
Repayment of minority interest						0	-62	**-62**
Status as at 31 December 2010	39,187	569,288	0	-51,111	28,243	585,607	1,473	**587,080**

* net of deferred tax

STATEMENTS OF COMPREHENSIVE INCOME

for the Period from 1 January to 31 December 2010 in TEUR

	2010	2009
Fair value of hedge instruments		
Cash flow hedges	1,721	-16,005
Cash flow hedges from associates	3,656	-963
Recorded directly in equity	5,377	-16,968
Profit for the period	16,465	16,129
Comprehensive income	21,842	-838
Equity holders of the parent	21,757	-898
Minority interest	85	60
Deferred tax on hedges		
Cash flow hedges	-9,203	-9,470
Cash flow hedges from associates	-291	-781

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INFORMATION ON THE COMPANY

DIC Asset AG (the "company"), its subsidiaries and its proportionately consolidated joint ventures ("DIC Asset" or the "Group"), are active in the area of asset and portfolio management.

Shares in the company 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 District Court of Frankfurt am Main (HRB 57679), has its registered office in Frankfurt am Main, Eschersheimer Landstr. 223.

These consolidated financial statements were approved for publication by the Board of Directors on 2 March 2011.

PRINCIPLES UNDERLYING THE CONSOLIDATED FINANCIAL STATEMENTS

Application of International Financial Reporting Standards
Under European Parliament and European Council Directive (EC) 1606/2002 on the application of international accounting standards (EU Directive) of 19 July 2002, all capital-market oriented companies with registered offices in the European Union are required to prepare their consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) for financial years beginning on or after 1 January 2005.

The consolidated financial statements for the 2010 financial year have been prepared in accordance with IFRS and incorporate all standards of the International Accounting Standards Board (IASB) valid as at 31 December 2010 as well as the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) valid for the financial year in the form in which they have been adopted by the EU. DIC Asset AG has also prepared its consolidated financial statements in accordance with § 315a Para. 1 HGB (Handelsgesetzbuch – German Commercial Code) to be applied in accordance with German commercial law.

Accounting and valuation methods
The accounting and valuation methods applied in the disclosures and the Notes to the consolidated financial statements in financial year 2010 are based on the same accounting and valuation methods applied in the consolidated financial statements in financial year 2009. The effects of any changes made are explained in the corresponding section of these notes.

The annual financial statements for the companies included in the consolidated financial statements are based on uniform accounting and measurement principles. As a basic principle, the same accounting and valuation methods are applied at the level of the associated companies and the joint ventures of DIC Asset. Valuations based on tax regulations are not incorporated into the consolidated financial statements.

With the exception of certain items, such as shares valued under the equity method, derivative financial instruments and hedging reserves, the consolidated financial statements are prepared in accordance with the historical cost principle. The valuation methods used are described in detail on page 127 ff.

The separate financial statements of the consolidated companies were prepared as at the reporting date of the consolidated financial statements.

Structure of the balance sheet and the income statement
The consolidated balance sheet is prepared in line with IAS 1 (Presentation of Financial Statements) using a classified balance sheet structure. Under this method, assets to be realised within twelve months of the balance sheet date and liabilities due within one year of the balance sheet date are generally reported as current assets/liabilities.

The income statement was prepared following the plan suggested by the European Public Real Estate Association (EPRA).

For purposes of clarity, individual items have been summarised in the income statement and on the balance sheet; an explanation is provided in the notes.

The consolidated accounts were prepared in Euro. Unless noted otherwise, all amounts are expressed in thousands of Euro (TEUR). For computational reasons, rounding differences from the exact mathematical values calculated (in TEUR, percent etc.) may occur in tables and cross-references.

Changes in the presentation

We have amended the segmentation in part with regard to the allocation of individual properties. As a result, earnings before tax (EBT) in the amount of EUR 0.2 million were reallocated from the Value added segment to the Core plus segment compared with the presentation in the previous year.

New standards and interpretations

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

The following standards and interpretations were applied for the first time in the financial year. Their application had no impact on the Group's asset, financial or earnings situation. Some additional information was required in the notes.

▷ IAS 1 "First-time Adoption of IFRS"
The revisions to IAS 1 concern the classification of convertible bonds as current or non-current.

▷ IFRS 1 "First-time Adoption of IFRS"
Additional exceptions for first-time adoption.

▷ IFRS 2 "Share-based Payment"
The revisions to IFRS 2 concern the reporting of share-based remuneration with cash compensation within a group of companies.

▷ IFRS 3 (Revised) "Business Combinations"
The revisions concern the reporting of company acquisitions, in particular the scope of application and the reporting of the acquisition of shares on a gradual basis.

▷ IFRS 8 "Operating Segments"
The revisions concern more detailed information on segment assets, in particular regarding the valuation of the assets and liabilities of a segment subject to reporting requirements.

▷ IFRS 27 (Revised) "Consolidated and Separate Financial Statements"
Revised provisions on the reporting of transactions with non-controlling shareholders of a group and on reporting in the event of a loss of control of a subsidiary.

▷ IFRIC 15 "Agreements for the Construction of Real Estate"
IFRIC 15 tackles the issue of the conditions under which companies deal with the construction of real estate. It also covers the conditions under which they must apply IAS 11 and IAS 18 and at what point the sales revenues are to be realised.

▷ Annual revision procedure II
Improvements to IFRS (Annual Improvement Project 2007-2009 [AIP 2009]) including:

– IFRS 5: Scope of disclosures in the notes on affected assets and on discontinued business segments;
– IIAS 7: Consideration of certain disbursements in cash flow from investment activities
– IIAS 36: Clarification of the performance of the impairment test at segment level

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

The International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) have adopted additional standards and interpretations whose application is not yet required for financial year 2010, or which have not yet been recognised by the EU.

Standard or interpretation		Obligatory application for companies whose financial year follows the calendar year:	Endorsegment	
			Issued on	Planned for
IAS 24	Related Party Disclosures	2011	19.07.2010	
IFRIC 14	Prepayments of a Minimum Funding Requirement	2011	19.07.2010	
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments, and revision of IFRS 1, Adoption of International Financial Reporting Standards	2011	23.07.2010	
	Improvements to IFRS	2011		2011
IFRS 7	Financial Instruments Disclosures	2011		2011
IFRS 1	Severe Hyper inflation and Removal of Fixed Dates	2012		TBD
IAS 12 Assets	Deferred Tax: Recovery of Underlying	2012		TBD
IFRS 9	Financial Instruments	2013		Decision postponed

▷ IAS 24 "Related Party Disclosures"
The revised IAS 24 contains revised definitions of related parties.
Furthermore, disclosure obligations for companies controlled or significantly influenced by governments are revised with respect to such companies' relations with other companies controlled or significantly influenced by the same government. The revisions are required to be applied retrospectively for the first time in financial years beginning on or after 1 January 2011. As things stand, these revisions will have no material impact on the presentation of the Group's assets, financial or earnings situation or of its cash flow.

▷ IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments"
IFRIC 19 contains guidelines for the reporting of "debt for equity swaps", whereby a company renegotiates the terms of a financial liability with the creditor, with the creditor accepting shares or other equity instruments of the company as full or partial repayment of the financial liability. IFRIC 19 clarifies that:

- the company's equity instruments are deemed to be part of the "compensation paid" to repay the financial liability and

- the equity instruments issued are valued at their fair value. If it is impossible to calculate this fair value reliably, the equity instruments are to be valued at the fair value of the repaid liability.

- The difference between the book value of the repaid financial liability and of the initial valuation amount of the equity instruments is reported in the company's current income statement.

This revision must be applied retroactively for the first time in financial years beginning on or after 1 July 2010. It is not expected to have any material impact on the presentation of the Group's asset, financial or earnings situation or of its cash flow.

▷ Annual revision procedure III
On 6 May 2010, the IASB published its "Annual Improvements to IFRS 2008-2010". This standard encompasses revisions to six International Financial Reporting Standards (IFRS) and one interpretation (IFRIC). Insofar as nothing to the contrary is prescribed in individual cases, the revisions enter into force and are obligatory for reporting years beginning on or after 1 January 2011. DIC Asset AG is examining the impact that these will have on the consolidated financial statements.

▷ "Financial Instruments: Disclosures"
The revisions will give readers of financial reports a better insight into transactions involving the transfer of financial assets. The revisions are to be applied to financial years beginning on or after 1 July 2011. Earlier application is permitted.

In the first year of application, no comparative disclosures are required. The Group does not currently expect these revisions, insofar as they are adopted by the EU, to have a material impact on the presentation of its financial statements.

▷ IAS 12 "Income Tax"
Main focus: Deferred Tax: Recovery of Underlying Assets

Establishment of an exception according to which deferred tax assets and liabilities on

- real estate held as financial investments (investment properties) valued at fair value (application of the model of the fair value in accordance with IAS 40) and

- investment properties valued at fair value reported for the first time within the scope of a company acquisition – insofar as these are also to be reported at fair value within the framework of the subsequent valuation.

are to be valued as the fiscal consequences of a sale, unless the reporting party can provide clear evidence that it will - realise the asset's book value in full through utilisation.

The revised version is required to be applied for financial years beginning on or after 1 January 2012; voluntary earlier application is permitted. As the Group reports its investment properties at cost less depreciation, these revisions, insofar as they are adopted by the EU, will have no impact on the consolidated financial statements.

▷ IFRS 9 "Financial Instruments"
The IASB has published requirements for reporting financial instruments. These requirements supplement IFRS 9 and conclude the phase of classification and evaluation the IASB project to replace IAS 39 "Financial Instruments Recognition and Measurement".

IFRS 9 revises the provisions on classification and valuation of financial instruments, whereby in future only the valuation categories "at cost less depreciation" and "at fair value" will apply to financial assets and financial liabilities. Under the new regulations, a company that has opted to report its financial liabilities using the fair value option must report the portion of the changes in the fair value resulting from the change in the company's own credit risk as other income from equity and not in the income statement.

The revisions are required to be applied retroactively for the first time in financial years beginning on or after 1 January 2013. Earlier application is only permitted if the provisions stipulated in IFRS 9 for financial assets are applied at the same time.

As things stand, the Group does not expect the application of this addition, insofar it is adopted by the EU in this form, to have a material impact on the presentation of its financial statements.

The Group does not plan to apply the revisions before it becomes obligatory to do so for the first time in accordance with the provisions on transition as stipulated by the IASB.

CONSOLIDATION METHODS

Capital is consolidated in accordance with IFRS 3, "Business Combinations", by offsetting the book values of holdings against the proportional revalued equity of subsidiaries on the date of their acquisition. Assets and liabilities are recognised at their fair values. In accordance with IFRS 3, goodwill arising from business combinations is no longer amortised by means of scheduled amortisation, but rather is subject to an annual impairment test.

Negative goodwill resulting from the review is recognised on the income statement after a review has been completed. Undisclosed accruals and provisions and undisclosed liabilities are carried forward during subsequent consolidation in accordance with the corresponding assets and liabilities.

Intragroup profits and losses, sales, expenses and revenue and intragroup receivables and payables are eliminated. In the DIC Asset AG Group, trade payables and accruals are recorded at customary market conditions. The effects on income tax of consolidation processes affecting income are accounted for and deferred taxes are recognised. Joint ventures are consolidated on a proportional basis using the same principles.

The consolidated financial statements include the transactions of subsidiaries of which DIC Asset AG holds a controlling interest, either directly or indirectly, or if, because of its economic control, it benefits from the activities of the companies in question, normally through a 50% or greater interest. Subsidiaries are consolidated from the date on which the possibility of control exists, and ends if there is no more possibility of control.

Profits from subsidiaries acquired or disposed of during the course of the financial year were included in the consolidated income statement accordingly from the date on which the acquisition entered into force or until the effective date of disposal.

Operational joint ventures in accordance with IAS 31 (Interests in Joint Ventures) are consolidated proportionately in accordance with the interest held in the joint ventures.

In contrast, participations in which DIC Asset AG exercises significant influence but not joint management – on the basis of an interest of between 20% and 50% - are valued using the equity method (associates). For holdings valued under the equity method, costs are increased or reduced annually in the amount of the corresponding change in shareholder's equity of the equity holding of DIC Asset AG in accordance with IAS 28.

During initial consolidation of holdings under the equity method, negative goodwill arising from the initial consolidation is treated in accordance with the principles of full consolidation. Profits and losses resulting from transactions between Group companies and associates are eliminated in accordance with the Group holdings in the associate.

SCOPE OF CONSOLIDATION

As at 31 December 2010, in addition to DIC Asset AG, a total of 120 (previous year 123) subsidiaries were included in the consolidated financial statements (see appendix 1 to the notes on p. 185). Subsidiaries are companies in which DIC Asset AG, as the parent company, exercises a controlling influence in the form of a direct or indirect majority of the voting rights in the company.

With retroactive economic effect from 31 December 2010, the three inactive companies AP Objekt Oberursel GmbH, AP Objekt Wiesbaden GmbH and AP Objekt Mainz GmbH were merged with AP Portfolio GmbH.

The three inactive companies DIC 25 Unkel GmbH, DIC 25 Herborn-Selbach GmbH and DIC 25 Trier GmbH were sold within the DIC Group.

On 15 November 2010, DIC 26 Portfolio GmbH sold its shares in DIC 26 Flensburg GmbH to the Aberdeen Group. DIC Asset AG holds a 100% stake in DIC 26 Portfolio GmbH. The income statement was included accordingly in the consolidated financial statements up to the point the shares were transferred. The assets and liabilities thus deducted are explained in more detail in the cash flow statement on page 152.

22 (previous year 22) joint ventures were proportionately consolidated in accordance with IAS 31 (see appendix 2 of the notes on p. 186). The joint ventures in the DIC Asset Group

consist of two contractual parties, which either perform activities jointly or administer assets under joint management or administer jointly managed units.

The joint ventures had the following effect on the assets and liabilities and the income and expenses of the Group:

TEUR	2010	2009
Current assets	**6,954**	12,813
Non-current assets	**92,204**	109,525
Current liabilities	**4,871**	37,081
Long-term liabilities	**70,847**	61,839
Net assets	**23,440**	23,418
Income	**9,306**	9,951
Expenses	**8,297**	7,874
Annual profit	**1,009**	2,078

The joint ventures are using the same accounting and valuation methods as DIC Asset AG.

DIC Asset holds shares in 13 companies (previous year 11) for strategic reasons, which are included as associates in accordance with IAS 28.13 in the financial statements of DIC Asset Group using the equity method (see appendix 3 of the notes on p. 186).

DIC Asset AG holds 1.2% of DIC HI Portfolio GmbH and DIC Hamburg Portfolio GmbH and its respective subsidiaries directly, and 18.8% indirectly via DIC Opportunistic GmbH.

The following table shows a summary of the aggregated income and expenses as well as the assets and liabilities of the associates in the DIC Asset consolidated financial statements.

TEUR	2010	2009
Assets	**1,373,211**	1,326,548
Debt	**1,177,155**	1,183,288
Net assets	**196,056**	143,260
Income	**160,659**	144,556
Expenses	**132,699**	117,789
Annual profit	**27,960**	26,767

SUMMARY OF KEY ACCOUNTING AND VALUATION METHODS

Sales and other operating income

Sales from letting and leasing as well as income from property management are realised, after deducting any reductions in income, in line with the tenancies, if the payments are fixed by contract or can be reliably determined and settlement of the related claims is likely.

Income from the sale of real estate

The realisation of earnings from sale transactions (e.g. investment property) is strictly recognised at the time of the transfer of risk, that is, at the time of the transfer of possession, rights and obligations, rather than at the time of entry into the land register, or when the service is provided, less discounts and rebates.

This does not apply to contract revenue resulting from the application of the percentage-of-completion method when certain development projects are sold.

Investment property

Investment property is accounted for at cost less depreciation. Where they can be assigned directly to the construction or acquisition of a qualifying asset, debt costs are capitalised over the period during which all work is essentially concluded in order to prepare the qualifying asset for its intended use or sale. Otherwise, debt costs are recorded directly under expenses. No debt costs were recognised in the 2010 financial year. The rate of debt costs was 2.58% in the previous year.

Land is not depreciated. Buildings are depreciated on a straight-line basis over their useful lives as follows. 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 centres	40
Parking facilities, underground parking facilities	40

The property of the company is treated as a financial investment, since property trading itself is not considered to be part of regular business activity. Due to the valuation at cost less depreciation, the fair value of investment properties is to be stated in the notes (text number 17). The fair value is determined in accordance with internationally recognised evaluation methods, e.g. the discounted cash flow method, or derived from available sales contract offers and/or from the current market price of comparable properties.

Plant and equipment
Property, plant and equipment are recorded at cost less depreciation. Debt costs are not recognised as part of costs in equity. Property, plant and equipment are depreciated on a straight-line basis. The useful life of property, plant and equipment is normally between three and 13 years.

Investments
Holdings measured under the equity method are recognised at their proportional equity using the amortised cost method.

"Available-for-sale" interests are included, and measured at fair value, provided this value can be determined reliably. If no such value is available, they are recognised at cost.

Intangible assets
Intangible assets are recorded at cost less depreciation. All intangible assets have a specific useful life and are thus amortised. Business software is amortised over three years; the useful life of concessions and other rights is normally ten years.

Receivables and other assets
Receivables and other assets, except for derivative financial instruments, are measured at cost less depreciation.

If there is any doubt as to whether receivables are recoverable, they are recognised at their lower realisable amount. In addition to any individual impairment charges that may be required, in the case of identifiable risks, lumped individual impairment charges are created from the general credit risk.

In the case of trade receivables, it is assumed that the nominal amount less impairment charges corresponds to the fair value.

Impairments in receivables are partly taken into account using impairment accounts. The decision on whether a default risk is to be depicted via an impairment account or a direct reduction in the receivable depends on the reliability of the assessment of the risk situation.

Cash and cash equivalents
Cash and cash equivalents includes cash and cash at banks that is available within three months as well as term deposits that are available within three months.

Provisions
Provisions take into account all recognisable obligations as at the balance sheet date that are based on past events and for which the amount or final maturity is uncertain. Provisions are recognised only on the basis of a legal or constructive 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 amounts required to clear the obligations and are not offset against reimbursement rights.

Share-based payments
Share price oriented compensation paid in the Group is reported in line with IFRS 2 "Share-based Payments". The "virtual share options" are share-based remuneration transactions with cash compensation, which are measured at fair value each balance sheet date. Remuneration expense

accrues proportionally taking account of the services provided pro rata temporis during the waiting period and is recorded in the income statement until it becomes non-forfeitable.

This estimate is based on the Black-Scholes option pricing model.

Liabilities
With the exception of derivative financial instruments, liabilities are recognised at their repayment or fulfilment amounts or, applying the effective interest rate method, at cost less depreciation.

Financial liabilities are classified as current liabilities if the liability will be settled within twelve months of the balance sheet date.

Deferred taxes
Deferred taxes arising from temporary differences between IFRS accounts and the tax balance sheets of the separate companies and from consolidation are recognised separately. Deferred tax assets also include tax reduction claims resulting from the anticipated use of existing tax loss carryforwards in subsequent years. They are capitalised if the realisation of these loss carryforwards is reasonably certain.

Deferred taxes are calculated on the basis of the tax rates that apply or that are expected to apply based on current legislation at the date on which they are realised. Deferred taxes are not discounted.

In financial year 2010, the corporate tax rate totalled 15% plus the solidarity surcharge of 5.5% of the corporate tax charge. This resulted in an actual corporate tax rate of 15.8%. Including trade tax of 16.1%, the total tax rate equalled 31.9%.

Actual taxes
Actual tax refund claims and tax liabilities for the current period and previous periods are measured using the expected amount of a refund from the tax authorities or the expected amount of a payment to the tax authorities.

Insofar as is evident, sufficient tax provisions have been set aside for potential tax liabilities in the future. 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
Derivative financial instruments are recognised as assets or liabilities. Irrespective of their purpose, all derivative financial instruments are measured at fair value. They are initially accounted for on their date of origin. The Group does not conclude any derivative transactions for speculative purposes. Insofar as the preconditions are met, these are reported as a cash flow hedge, i.e. to hedge the risks arising from fluctuating payment streams.

On conclusion of the transaction, the Group documents the hedging relationship between the hedging instrument and the underlying transaction, the aim of the risk management and the underlying strategy. In addition, the assessment of whether the derivatives used in the hedging relationship compensate the changes in fair value or the cash flows of the underlying transactions very effectively is documented at the beginning of the hedging relationship and continuously thereafter.

The effective part of changes in the market value of derivatives, which are destined to hedge payment streams of fixed obligations and constitute qualified hedges (IAS 39.88) are, in principle, recorded under equity with no effect on income. On the other hand, the ineffective part of changes in value is recorded directly in the income statement. Amounts recorded in equity are reclassified in the income statement and recognised as income or expenditure in the period in which the hedged underlying transaction affects earnings.
When a hedging instrument expires, is sold or the hedging transaction no longer fulfils the criteria for hedge accounting, the accumulated profit or loss remains in equity and is only recorded in the income statement when the underlying transaction occurs. If the future transaction is no longer expected to occur, the accumulated profits or losses, which were recorded directly in equity, are to be reclassified in the income statement immediately.

Changes to fair values of derivative instruments, which do not fulfil the criteria of a hedging relationship (hedge accounting), are recorded directly in the income statement and recognised as profit or loss.

Movements in the reserve for cash flow hedges in equity are presented in the statement of changes in equity and in the list of recorded income and expenses.

Leasing
Whether or not an agreement incorporates a leasing relationship is decided based on the economic content of the agreement at the time it was concluded. The decision requires an assessment of whether fulfilment of the contractual agreement depends on the use of a specific asset or specific assets and whether the agreement includes a right to make use of the asset. A reassessment after the leasing relationship has come into force can only be made under the preconditions stipulated in IFRIC 4.

Leases where a material proportion of the benefit and the risks of owning the leased property remain with the lessor are classified as **operating leases**. Payments received or made under an operating lease are recorded in the income statement over the term of the lease. Tenancy agreements for properties are regarded as leases in this sense.

Leases where the lessee bears the material risks and the benefits arising from the leased property are classified as **finance leases**. The Group does not enter into this type of lease.

Currency conversion
The functional currency of all consolidated subsidiaries and joint ventures is the euro. Foreign-currency transactions are converted at the exchange rate on the day of the transaction. Profits and losses from the settlement of such transactions and from the conversion of monetary assets and liabilities as at the balance sheet date are included in the income statement.

Balance sheet items expressed in foreign currencies are valued at the exchange rate on the balance sheet date. Foreign-currency losses of TEUR 1,156 (previous year: foreign-currency losses of TEUR 206) are recorded in other operating expenses.

Earnings per share
The undiluted earnings per share are calculated by dividing the share of the profit for the period allotted to the shareholders of DIC Asset AG by the weighted average and the number of shares outstanding. Shares newly issued or repurchased during a period are taken into consideration pro rata temporis for the period in which they are in circulation.

In the first quarter of 2010, a capital increase aimed exclusively at existing shareholders was performed. There was no trading in subscription rights.

Up to 7,837,499 new shares were offered for subscription to the shareholders at a price of EUR 6.00 at a ratio of 4:1. The weighted average of the shares in circulation had to be recalculated for 2010 and 2009 in accordance with IAS 33.26 and IAS 33.27 (b). The number of shares now to be taken into consideration for 2009 of 32,469,642 (+1,119,643) equates to the relation between the share price of EUR 7.25 per share (3 march 2010) and the theoretical fair value per share after subscription rights (EUR 7) calculated on the basis of the number of ordinary shares valid as at 30 december 2009 (31,349,999 shares).

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

The principal areas affected by assumptions and estimates are as follows:

- the determination of the economic useful lives of assets held as fixed assets,
- the calculation of discounted cash flows as well as the discounting and capitalisation interest rates used in impairment tests,
- the calculation of the fair values and present values of minimum lease payments,
- the reporting and valuation of provisions,
- the realisability of receivables and
- 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. Actual values may deviate from the assumptions made and estimates.

NOTES TO THE INCOME STATEMENT

1. Rental income
Consolidated rental income fell by TEUR 8,666 (6.5%) from TEUR 133,607 to TEUR 124,941 in the financial year 2010. This fall results, among other things, from the sale of properties in 2009, which included the disposal of leases with an annualised annual rental income of TEUR 908. Furthermore, the property sales transacted during 2010 with a pro rata value of TEUR 1,088 as well as leases not extended or extended with some lower average rents also caused rental income to decrease. The largest lease not being extended has an annual volume of EUR 3.2 million. On the back of intensive marketing activities, numerous new leases were concluded over the past financial year. The volume of rental income attributable to these leases is approximately TEUR 6,399 per year.

2. Ground rents
These are ground rents for the Odin portfolio properties in Munich Grünwald (TEUR 320), Duisburg (TEUR 60) and Hamburg (TEUR 67), the Augusta portfolio properties in Konstanz (TEUR 101), Ludwigshafen (TEUR 56) and Edingen-Neckarhausen (TEUR 18) as well as for the Value6 portfolio property in Moers (TEUR 104), the RMN portfolio property in Hemsbach (TEUR 36) and for the Ruhr portfolio's Stadtbadgalerie property in Bochum (TEUR 11). In general, the amounts and structure are unchanged in comparison with the previous year.

3. Income and expense from operating and ancillary costs
Recognised costs include current expenses in connection with the properties or services rendered for the properties and buildings, including property tax. For the most part, these expenses may be assigned to the tenants as ancillary leasing costs (operating expenses, heat etc.).

The income from operating and ancillary costs assigned to tenants fell by TEUR 726 (4%), the expenses from operating and ancillary costs rose by TEUR 1,820 (9%).

This trend is due in part to the cost optimisation measures in the area of assignable costs. These include in particular savings of TEUR 397 made through the signing of new insurance contracts; as well as framework agreements for gas supply and waste disposal (TEUR 184), which also benefit our tenants.

With the exception of one property in the Augusta Portfolio, rental income was realised in the case of all investment property. Operating expenses directly attributable to the one property were not significant in the financial year, amounting to TEUR 70 (previous year: TEUR 70).

4. Other property-related operating expenses
Other property-related operating expenses include costs which cannot be passed to tenants and which are also not passed on in accordance with exemption clauses agreed in tenants' contracts. The costs that cannot be passed on include repair costs, maintenance expenses, administrative costs and ancillary costs resulting from vacant space.

In the 2010 financial year, the abovementioned expenses increased by TEUR 2,248 (36%) from TEUR 6,283 to TEUR 8,531. Among other factors, the rental and ancillary cost expenditure arising from the rental of an underground car park (TEUR 917), the increase in vacancy costs of TEUR 741 as against the previous year, from TEUR 2,963 to TEUR 3,704, and the increase of TEUR 464 in non-assignable operating costs for previous years had a material impact here.

As in the previous year, the capitalisation of external brokers' leasing commission for finding new tenants for vacant space, amounting to TEUR 585, and insurance payments amounting to TEUR 77, had an exonerated impact.

5. Administrative expenses
Compared with the previous year administrative expenses are made up as follows:

TEUR	**2010**	2009
Legal and consulting fees	**1,810**	2,444
Rental and ancillary costs	**948**	882
Accounting and administration fee	**659**	687
Recruitment and other personnel costs	**553**	85
Automobile costs	**543**	518
Auditing costs	**510**	517
Ancillary financing costs	**489**	586
Marketing	**470**	453
External services	**397**	735
Insurance/contributions and taxes	**345**	256
EDP costs	**261**	250
Remuneration of Supervisory Board	**204**	204
Rental and leasing costs for plant and equipment	**121**	173
Other	**698**	1,194
Total	**8,008**	8,984

The increase in legal and consulting fees is primarily connected with the surveyors' fees for the valuation of the real estate portfolio required at the balance sheet date of TEUR 550 (previous year: TEUR 750), advice on rental law (TEUR 490; previous year: TEUR 282), guarantee advice (TEUR 121; previous year: TEUR 242) and other issues relating to agreements (TEUR 180; previous year: TEUR 287). The previous year was affected by aperiodic effects from 2008.

Marketing costs primarily include costs for the preparation of reports and presentations and the preparation and publication of the annual report.

In the financial year the company granted compensation of a total of EUR 204,476.10 to members of the Supervisory Board. Additional details, particularly disclosures in accordance with § 314 Para. 1 No. 6 Letter (a), are provided in the Statement on Corporate Governance.

The following fees were incurred for the services supplied by the auditors of the financial statements Rödl & Partner GmbH, Wirtschaftsprüfungsgesellschaft, Steuerberatungsgesellschaft, Nürnberg, in financial years 2010 and 2009:

TEUR	**2010**	2009
Audits of the financial statements	**435**	442
Other auditors' activities	**75**	75
Total	**510**	517

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 prescribed by law.

The fees for other auditors' activities relate in particular to the audit review of the interim financial statements in accordance with IFRS.

6. Personnel expenses
Personnel expenses are composed of the wages and salaries of the staff of DIC Asset AG and DIC Onsite GmbH of TEUR 8,634 (previous year: TEUR 8,424), as well as the related social security taxes of TEUR 1,166 (previous year: TEUR 1,028).

At TEUR 9,409, personnel expenses have remained more or less at the previous year's level. Above all, the increase of TEUR 250 is due to changes in personnel, provisions for bonuses and share price oriented remuneration.

The number of employees has fallen from 112 employees at the end of 2009 to 110 employees at the end of 2010. On average over the year, 20 members of staff were employed at DIC Asset AG and 90 at DIC Onsite.

Details of the Board of Directors' remuneration pursuant to § 314 Para. 1 No. 6 Letter a Sentences 5 to 9 HGB (German Commercial Code) are given in the Statement on Corporate Governance.

7. Depreciation on intangible assets held as fixed assets and property, plant and equipment
Depreciation and amortisation primarily affect recognised real estate and, to a lesser extent, office furniture and equipment and intangible fixed assets. Amortisation and depreciation rose by TEUR 378 (1%) from TEUR 30,440 to TEUR 30,818 compared with the previous year. This increase was caused in part by the expanded assessment base due to Capex/TI measures as well as letting-related changes to building use and the resulting increase in the depreciation and amortisation rate.

8. Result from real estate management fees
The income relates to property and asset management, leasing and disposition fees charged by DIC Asset AG and DIC Onsite GmbH to the following consolidated companies:

TEUR	**2010**	2009
Deutsche Immobilien Chancen Beteiligungs AG	**1,289**	1,413
DIC HI Portfolio GmbH	**778**	695
DIC Hamburg Portfolio GmbH	**395**	527
DIC Office Balance I GmbH	**248**	0
DIC MSREF FF Südwest Portfolio GmbH	**190**	182
DIC MSREF HT Portfolio GmbH	**172**	44
DIC MSREF Berlin Portfolio GmbH	**151**	102
DIC MSREF HMDD Portfolio GmbH	**123**	138
DIC Onsite GmbH's external Customers	**83**	132
DIC MSREF Fraspa Portfolio GmbH	**60**	13
DIC MSREF Berlin GmbH (ebay)	**25**	18
Deutsche Immobilien Chancen Objekt Coburg GmbH	**21**	9
Deutsche Immobilien Chancen AG & Co. KGaA	**8**	6
ARCA Siebte Vermögens- und Verwaltungs GmbH	**0**	93
Total	**3,543**	3,372

With the exception of DIC Onsite GmbH's external customers, transactions with related parties within the meaning of IAS 24.9 are involved.

9. Other operating income
Other operating income is made up as follows:

TEUR	**2010**	2009
Income from non-monetary benefits	**244**	241
Release of individual impairment charges on receivables	**689**	59
Elimination of statute-barred liabilities	**125**	32
Other	**339**	435
Total	**1,397**	767

Other operating income primarily contains income from additional services performed for tenants (e.g. deconstruction work performed under the terms of a tenant's lease) as well as income from out-of-court settlements and insurance payments.

10. Other operating expenses
This item consists chiefly of the foreign currency losses of TEUR 1,156 (previous year: TEUR 206) arising in this year from the valuation on the reporting date of two loans in Swiss francs (nominal amount as at 31 December 2010 CHF 8,366,454.52), taken out in 2003 by the companies Gewerbe-

park Langenfeld West 3 GmbH & Co. KG and DIC Objekt Frankfurt 1 GmbH & Co. KG respectively. It also contains aperiodic expenses amounting to TEUR 109.

11. Profit from disposal of investment property
Boosted by the positive performance of the transaction market and by strategic sales within the scope of portfolio adjustment, the Group has achieved profits from the disposal of investment property (excluding fund properties) amounting to TEUR 5,118 (previous year: TEUR 1,500).

In 2010, the company sold a total of 19 individual properties. twelve of these properties came from the Berlin portfolios (TEUR 23), of which one had already been registered in late 2009, five properties from the Augusta portfolio (TEUR 3,989) and one property each from the DIC 26 (TEUR 706) and Fraspa (TEUR 339) portfolios. The following properties were sold, among others:

– Holm-Südergraben, Flensburg
– P6, Mannheim
– Q7, Mannheim
– O7, Mannheim
– Börsenplatz 5, Frankfurt.

The disposal proceeds include one-off income from the sale of the power grid for a property in Wiesbaden amounting to TEUR 132. Selling costs of TEUR 220 (previous year: TEUR 190) were offset against the disposal.

12. Share of the profit from associates
This item refers to the profit and loss to be assumed in accordance with the equity method for the following associates:

TEUR	**2010**	2009
DIC MainTor Zweite Beteiligungs GmbH & Co. KG	**6,494**	5,991
DIC MSREF FF Südwest Portfolio GmbH	**1.360**	1.052
DIC MSREF HT Portfolio GmbH	**484**	573
DIC MSREF HMDD Portfolio GmbH	**377**	356
DIC Office Balance I (share in the fund)	**241**	0
ProDIC GmbH	**97**	0
DIC Opportunistic GmbH	**-1,221**	- 490
DIC MainTor Verwaltungs GmbH	**-13**	0
DIC Development GmbH	**-9**	- 2
DIC GMG GmbH	**-6**	- 2
DIC MainTor III GmbH	**8**	0
Result from associates	**7,812**	7,478

In 2010, the result from associates was influenced, among other things, by carefully selected sales from the DIC Hamburg portfolio, the DIC MSREF HMDD portfolio and the DIC MSREF Hochtief portfolio. A total of twelve properties were sold, two of which had been registered back in late 2009. The proceeds from sales in 2010 amount to TEUR 31,139 (previous year: TEUR 37,289); DIC Asset AG's pro rata capital amounted to TEUR 1,365 (previous year: TEUR 324).

A property from the DIC Helena portfolio was sold by means of a notarial agreement dated 14 December 2010. The property will not be transferred to the purchaser in financial terms until some time in 2011. The same applies to a property from the DIC Primo portfolio. The notarial agreement for this property was signed on 30 July 2010. For technical processing reasons, the transfer of rights and obligations has been postponed until 2011.

13. Net financing costs
The item is made up as follows:

TEUR	**2010**	2009
Interest income	**6,416**	5,513
Interest expense	**-70,452**	- 74,649
Net financing costs	**-64,036**	- 69,136

Overall, the negative net financing costs decreased by TEUR 5,100 (7%) compared with the same period in the previous year.

The reduction in interest expense is directly linked to the low level of interest rates throughout the year, from which the Group has benefited in the case of its variable-rate financing instruments (19%), as well as the reduced loan volume.

The expense from the amortisation of processing fees arising in connection with financial liabilities stood at TEUR 1,075 (previous year: TEUR 1,260) in the financial year.

The financial results presented include income of TEUR 105 (previous year: TEUR 424) from the valuation of derivative financial instruments (interest-rate swaps and caps) at fair value as well as an expense item totalling TEUR 164 due to an ineffective swap.

14. Income taxes

TEUR	2010	2009
Current tax expense	**-2,484**	-3,190
Deferred tax income	**622**	634
Total income tax expense	**-1,862**	-2,556

Current income taxes exclusively affect profits subject to taxation of consolidated subsidiaries and DIC Asset AG. The current tax expense is composed primarily of corporate taxes incl. solidarity surcharge (TEUR 1,944) and trade taxes on earnings (TEUR 540). On 31 December 2010, DIC Asset AG again reports a tax loss carryforward for the purposes of trade taxes of TEUR 1,645. Because of the use of trade tax loss carryforwards, the Group's parent company only accrued current trade tax expenses to a limited extent (TEUR 8).

The decrease in expenses for current income taxes is due primarily to the taxation of the Group's parent company DIC Asset AG. The deferred taxes result from timing differences between tax balance sheet values and IFRS balance sheet values and from existing income tax loss carryforwards and interest carryforwards under thin cap rules. Deferred taxes are calculated on the basis of the tax rates that apply or will apply at the date they are realised. The corporate tax rate of 15%, the solidarity surcharge of 5.5% and the company-specific trade income tax rates are taken into account in calculating domestic deferred taxes.

Deferred tax income compares with the previous year as follows:

TEUR	2010	2009
Deferred taxes on tax loss carryforwards	**+638**	+2,588
Deferred taxes on real estate valuations	**+293**	-1,582
Deferred taxes on derivatives	**-5**	-135
Deferred taxes on capitalising "rent-free periods"	**-99**	-50
Deferred taxes on equity transaction costs	**-303**	+37
Deferred taxes on other adjustments	**+98**	-224
Total	**+622**	+634

Deferred tax claims and liabilities can be classified into the following issues:

TEUR	**31.12.2010**		31.12.2009	
	active	passive	active	passive
Loss carryforwards	**9,051**	**0**	8,412	0
Investment properties	**0**	**9,139**	336	9,123
Derivative financial instruments	**9,242**	**0**	9,537	0
Long-term interest-bearing debt	**0**	**0**	0	15
Other	**1,172**	**369**	367	258
Total	**19,465**	**9,508**	18,652	9,396

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

TEUR	2010	2009
Pre-tax Group results	**18,327**	18,685
Applicable statutory tax rate (in %)	**31.93%**	31.93%
Expected tax expense	**5,851**	5,965
Deviations from tax rate		
Effects from differences in levy rates, staggered tariffs, tax-free amounts (trade tax)	**-194**	-132
Difference in deferred tax rate/income tax rate	**-661**	-1,055
Tax effects from deviations in the tax assessment base		
Effects from Group losses with no effect on taxes	**5,392**	2,396
Effects from multiple tax amortisations of the real estate portfolio	**-440**	-1,488
Effects from the expanded reduction for income from real estate management	**-3,134**	-2,239
Effects from tax results from subsidiaries	**7**	0
Effects from tax-free financial investment sales (95% tax free)	**-183**	0
Effects from non-deductible interest expenses	**0**	-163
Consolidation activity excluding deferred tax	**-4,399**	-1,992
Effects from tax loss carryforwards	**1,050**	95
Permanent differences	**799**	448
Other deviations	**49**	444
Recognition of deferred taxes	**-1,466**	410
Aperiodic effects	**-809**	-133
Actual total tax expense	**1,862**	2,556

The target tax rate to be applied was determined on the basis of the tax rates that applied in Germany in 2010 and 2009. A tax rate of 31.925% was taken as a basis here. This is calculated from a nominal corporate tax rate incl. solidarity surcharge of 15.825% and a nominal trade tax rate of 16.10%. The trade tax rate is based on a levy rate of the City of Frankfurt of 460%.

15. Profit allocated to other shareholders

Profits allocated to minority shareholders of TEUR 85 (previous year TEUR 60) were credited to minority interests in equity from the results of the financial year. The complete changes in the profits and losses owing to minority interest can be found in the consolidated statement of changes in equity.

16. Earnings per share, Net Asset Value (NAV) and NAV per share

In accordance with IAS 33.12, earnings per share are calculated from the Group profit after minority interests and the number of the shares in circulation on an annual average.

In accordance with IAS 33.26, the weighted average of the ordinary shares in circulation during the period and all other periods presented must be corrected if an event occurs that changes the number of ordinary shares in circulation without effecting a change in resources. In accordance with IAS 33.27 (b), this is the case if a free element, e.g. the issue of subscription rights, is granted to shareholders on the issue of shares.

EUR	2010	2009	2009
Group profit for the period after minority interests	**16,380,056**	16,068,859	16,068,859
Weighted average number of shares issued	**37,228,123**	30,872,029	32,469,642
Basic (= diluted) earnings per share	**0.44**	0.52	
Basic earnings per share at new number of shares			0.49

The new share quantity to be taken into account for 2009 is calculated based on the free element in a ratio of 3.57% applied to the number of ordinary shares before the capital increase (31,349,999).

For 2010, the Board of Directors will propose a dividend in the amount of TEUR 13,716 (EUR 0.35 per share). The entire dividend will be subject to capital gains tax. This is expected to come to TEUR 3,617. These dividends will not be recorded as a liability in accordance with IAS 10 in these consolidated financial statements.

In accordance with the recommendation of the European Public Real Estate Association (EPRA), the net asset value (NAV) is calculated as at 31 December 2010 and 31 December 2009 as follows:

TEUR	31.12.2010	31.12.2009
Book value of the real estate	**1,718,215**	2,024,225
Value difference at fair value		
Core plus	**-23,534**	-57,009
Value added	**-21,372**	-42,802
	-44,906	-99,811
Market value of the real estate	**1,673,309**	1,924,414
Carrying value Co-Investments	**64,670**	28,946
Value difference at fair value	**1,189**	7,884
Market value of the interests	**65,859**	36,830
+/- other assets/liabilities	**236,880**	126,154
Net credit liabilities at book value	**-1,376,082**	-1,588,854
Minority interests	**-1,473**	-1,450
NAV	**598,494**	497,094
Deferred taxes on the difference between fair value/book value	**-746**	5,336
NNAV	**597,748**	502,430
Difference in value as compared to fair value of net credit liabilities	**-32,406**	-43,298
NNNAV	**565,343**	459,132
NAV/share	**15.27**	13.87
NNAV/share	**15.25**	14.00
NNNAV/share	**14.43**	12.90

With the capital increase performed on the basis of the resolution of 12 March 2010, 39,187,498 shares carried dividend rights. As because the new shares began participating in profits in 2009, the NAV for 2009 was calculated taking into account the higher number of shares after the capital increase.

There have been the following changes to reporting in comparison with the previous year:

TEUR	31.12.2009 before capital increase	31.12.2009 after capital increase
NAV/share	15.86	13.87
NNAV/share	16.03	14.00
NNNAV/share	14.65	12.90

NOTES TO THE BALANCE SHEET

17. Investment property

TEUR	2010	2009
Cost		
As at 1 January	**2,109,166**	2,077,970
Additions resulting from acquisitions	**4,994**	33,550
Additions resulting from subsequent expenditures	**9,564**	11,626
Disposals	**303,486**	13,980
As at 31 December	**1,820,238**	2,109,166
Depreciation		
As at 1 January	**84,941**	55,050
Additions	**30,448**	30,243
Disposals	**13,366**	352
As at 31 December	**102,023**	84,941
Book value 31 December	**1,718,215**	2,024,225
Book value 1 January	**2,024,225**	2,022,920
Fair value	**1,673,309**	1,924,414

Investment properties are valued at cost when they are added to the portfolio. Transaction costs are included when they are valued for the first time. The cost model in accordance with IAS 40.56 is used for subsequent valuations. Here, investment properties are valued in accordance with the provisions of IAS 16, i.e. at cost less scheduled and unscheduled depreciation as well as appreciation.

The fair values of investment property, which are calculated in addition, are based entirely on the findings of the independent valuer contracted for this purpose, Cushman & Wakefield, which has undertaken a valuation in accordance with internationally recognised standards. The calculation of market values is based on a dynamic calculation of their present values, the discounted cash flow method. A cash flow period of ten years is generally taken, at the end of which the property is assumed to be sold. The discounting rate recognised for the valuation comprises a risk-free rate, which can be derived from the 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.

When carrying out impairment tests on investment properties in accordance with IAS 36, the composite book values for property and buildings are compared with the market values of the properties determined by surveyors. The comparison is based on gross market values, i.e. excluding transactions costs which may accrue in the event of the properties actually being sold. In addition, parameters specific to the company were used when calculating comparative values. These parameters take account of the value in use of the properties within corporate use. In this respect, the important factor is, in particular, planning for the retention of the property in the Group as well as resultant anticipated cash flows. An objective asset-specific capitalisation rate is also calculated in accordance with the criteria of IAS 36.A17.

As at 31 December 2010, the costs included interest on debt capital of TEUR 2,499, unchanged from the previous year.

18. Office furniture and equipment

TEUR	2010	2009
Cost		
As at 1 January	**1,025**	936
Additions	**39**	89
Disposals	**0**	0
As at 31 December	**1,064**	1,025
Depreciation		
As at 1 January	**458**	295
Additions	**119**	163
Disposals	**32**	0
As at 31 December	**545**	458
Book value 31 December	**519**	567
Book value 1 January	**567**	641

19. Shares in associates

TEUR	2010		2009	
	Share of voting rights	Book value	Share of voting rights	Book value
Interest in:				
DIC MainTor Zweite Beteiligungs GmbH & Co. KG	**40.0%**	**24,137**	40.0%	17,336
DIC Office Balance I (Fund)	**17.0%**	**27,494**	0%	0
DIC MSREF FF Südwest Portfolio GmbH	**20.0%**	**4,263**	20.0%	4,269
DIC MSREF HT Portfolio GmbH	**20.0%**	**3,573**	20.0%	3,711
DIC MSREF HMDD Portfolio GmbH	**20.0%**	**3,202**	20.0%	3,257
DIC Opportunistic GmbH	**20.0%**	**1,818**	20.0%	293
ProDIC GmbH	**50.0%**	**113**	0%	0
DIC BW Portfolio GmbH	**20.0%**	**59**	20.0%	0
DIC MainTor Verwaltungs GmbH	**40.0%**	**5**	40.0%	8
DIC Development GmbH	**20.0%**	**4**	20.0%	64
DIC GMG GmbH	**20.0%**	**2**	20.0%	8
		64,670		28,946

In the fourth quarter of 2010, the DIC Group directly acquired 20% of the "Office Balance I" fund via DIC Office Balance GmbH and indirectly 12.2% in the same fund via ProDIC GmbH.

20. Derivative financial instruments

Interest-rate swaps and interest-rate caps were concluded. Within the framework of the swap contracts it uses, the Group pays fixed interest on a specific capital sum and in return receives variable interest on the same capital sum. These interest rate swaps offset the effects of future changes in interest rates on the cash flows of the variable interest-bearing investments.

In the case of the caps, in exchange for the payment of a premium, the seller guarantees the purchaser an upper interest-rate limit for a specified capital amount and a specified term. If the reference interest rate exceeds the upper interest-rate limit, the seller offsets the difference for the period in question.

At the balance sheet date, the following derivative financial instruments were held:

TEUR	**31.12.2010**		31.12.2009	
	Nominal volume	Fair value	Nominal volume	Fair value
Assets				
Interest-rate hedge agreements (caps)	**10,000**	**171**	0	0
Liabilities				
Interest-rate hedge agreements (swaps)	**880,463**	**58,116**	1,006,368	60,052

The book values of the derivatives are equivalent to their market values.

In principle, contracts for derivative financial instruments and financial transactions are only concluded with major banks to keep credit risks as low as possible.

The nominal and fair values of the interest-rate hedge agreements are as follows:

TEUR	**31.12.2010**		31.12.2009	
	Nominal volume	Fair value	Nominal volume	Fair value
Assets (caps)				
DIC MSREF Berlin Portfolio GmbH (pro rata)	**10,000**	**171**	0	0
Passiva (Swap)				
DIC AP Portfolio GmbH	**337,800**	**21,229**	355,100	19,058
DIC Objekt Braunschweig GmbH	**12,155**	**147**	12,399	405
DIC Objekt Nürnberg GmbH	**21,638**	**660**	22,024	1,077
DIC Objekt Hannover GmbH	**18,595**	**568**	18,926	925
DIC OP Portfolio GmbH	**260,000**	**23,907**	273,000	19,923
DIC VP Portfolio GmbH	**86,500**	**5,273**	86,500	6,712
DIC 26 Portfolio GmbH	**71,000**	**3,685**	112,000	5,974
DIC RMN Portfolio GmbH	**21,475**	**1,345**	21,794	1,545
DIC MSREF Berlin Portfolio GmbH (pro rata)	**21,300**	**13**	19,000	175
DIC DP Portfolio GmbH	**0**	**0**	47,000	3,209
DIC Objekt Köln 1 GmbH	**0**	**0**	8,625	212
DIC RP Portfolio GmbH	**30,000**	**1,289**	30,000	837
	880,463	**58,116**	1,006,368	60,052

As at 31 December 2010, negative market values of TEUR 48,816 (previous year: TEUR 50,372) after the deduction of deferred taxes were recorded in equity. The interest-rate hedge agreements have terms of between six months and five years.

TEUR	Nominal	Fair value
Term < 1 year	58,116	1,498
Term 1 to 5 years	822,347	56,618

The derivative financial instruments reported for DIC RMN Portfolio GmbH include one (previous year: two) interest-rate hedge agreement concluded in 2002 with a nominal volume of TEUR 2,975, for which the rules of hedge accounting are not applied. Accordingly, the expenses and revenues arising from the changes in the fair value of the interest-rate hedge agreements are reported on the income statement (cf. notes under 13. Net financing costs).

In financial year 2010, there were interest-rate hedge agreements with a total nominal volume of TEUR 430,148 (previous year: TEUR 632,628) at holding companies in which DIC Asset AG holds 20% and 40% indirectly and directly, which were concluded to hedge future variable cash flows. The property companies pay fixed-interest rates between 3.010% and 4.785%, which are matched against interest at 1-month or 3-month Euribor rates. The expenses and revenues arising from the hedging of future cash flows are recorded by the property companies under equity with no effect on income. DIC Asset AG records its share of the changes recorded directly in the equity of the associates of TEUR -2,531 (previous year: TEUR -5,414) after deducting deferred taxes in Group equity in accordance with IAS 28.39.

21. Intangible assets
The amount stated relates to rights to use of a cafeteria in the business park in Ulm and software.

TEUR	2010	2009
Cost		
As at 1 January	**468**	384
Additions	**122**	84
Disposals	**2**	0
As at 31 December	**588**	468
Amortisation		
As at 1 January	**247**	188
Additions	**86**	59
Disposals	**0**	0
As at 31 December	**333**	247
Book value 31 December	**255**	221
Book value 1 January	**221**	196

22. Receivables from the sale of real estate
This item contains a remaining current purchase price claim from 2010 of TEUR 7,950 (previous year: TEUR 67).

23. Trade receivables
These are primarily receivables from operating and ancillary costs. All receivables are due within a year.

In financial year 2010, impairment charges were applied to trade receivables of TEUR 1,210 (previous year: TEUR 1,393).

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

TEUR	2010	2009
As at 1 January	**1.393**	401
Additions	**603**	1.123
Use	**97**	72
Release	**689**	59
As at 31 December	**1.210**	1.393

In addition, receivables amounting to TEUR 1,251 (previous year: TEUR 1,141) were written off.

As at the balance sheet date, there were no further overdue receivables that were not value-adjusted.

24. Receivables from related parties
The receivables result predominantly from the granting of loans. In general, an average interest rate of 4.5% to 9.25% p.a. applies to the loans. Relations with related parties are described in detail under item "Legal transactions with companies with significant influence" on page 159.

The value shown in the balance sheet relates to:

TEUR		31.12.2010 Receivables	31.12.2010 Liabilities	31.12.2009 Receivables	31.12.2009 Liabilities
DIC Opportunistic GmbH	b)	**24,342**	**0**	21,427	0
Deutsche Immobilien Chancen AG & Co. KGaA	a)	**21,470**	**0**	20,236	0
DIC MainTor Zweite Beteiligungs GmbH & Co. KG	b)	**13,666**	**0**	12,379	8
ProDIC GmbH	b)	**13,563**	**0**	0	0
DIC Hamburg Portfolio GmbH	b)	**12,101**	**0**	12,051	0
DIC HI Portfolio GmbH	b)	**7,495**	**0**	7,101	1
DIC MSREF Frankfurt Portfolio GmbH	c)	**2,674**	**0**	5,241	0
DIC MSREF Berlin Portfolio GmbH	c)	**2,117**	**0**	2,447	0
DIC MSREF HMDD Portfolio GmbH	b)	**2,102**	**0**	1,538	56
DIC MSREF FF Südwest GmbH	b)	**1,845**	**0**	1,187	0
DIC MSREF HT Portfolio GmbH	b)	**1,499**	**0**	647	428
Deutsche Immobilien Chancen Beteiligungs AG	a)	**849**	**0**	808	26
MSREF Sparks B.V.	a)	**827**	**0**	781	0
DIC MSREF Berlin GmbH	c)	**415**	**0**	864	0
DIC Projektentwicklung GmbH & Co. KG	a)	**350**	**0**	0	21
DIC Office Balance I	b)	**296**	**0**	0	0
DIC MainTor GmbH	b)	**0**	**0**	108	0
MSREF Quick GmbH & Co. Verwaltungs KG	a)	**0**	**0**	0	2,443
MSREF V Daffodil Holding B.V.	a)	**0**	**0**	0	909
DIC Projekt Frankfurt 1 GmbH & Co. KG	a)	**0**	**0**	0	106
Other		**71**	**18**	61	22
Total		**105,682**	**18**	86,876	4,020

a) Related party under IAS 24.9a(ii)
b) Related party under IAS 24.9b
c) Related party under IAS 24.9c

25. Receivables from income taxes
The figure reported relates to imputable taxes and corporate tax reclaims.

26. Other receivables
The "other" receivables listed above include a receivable arising from a legal settlement with the seller of the Augusta portfolio totalling TEUR 197.

TEUR	2010	2009
Deposits	**2,017**	1,424
"Rent-free period" receivables	**1,291**	665
Value added tax	**349**	241
Creditors with debit balances	**27**	153
Other	**271**	136
	3,955	2,619

27. Other assets
This item mainly includes prepaid ground rents (TEUR 1,328; previous year: TEUR 1,808), other costs paid in advance and the premium for the interest-rate cap concluded in 2010 (see Derivative Financial Instruments, p. 139).

28. Bank balances with banks and cash on hand
Bank balances and cash on hand are available for use by the company and are not subject to any restrictions.

29. Equity

a. Subscribed capital

The capital increase agreed on 12 March 2010 resulted in the subscribed capital of the parent company DIC Asset AG increasing from TEUR 31,350 to TEUR 39,187 as at the balance sheet date. 7,837,499 new shares were issued, meaning that it now consists of 39,187,498 bearer shares in the form of no-par shares, each of which represents an interest in the capital stock of EUR 1.00. There are no other classes of shares. All shares have the same rights and obligations. Each share gives entitlement to one vote at the General Shareholders' Meeting.

b. Authorised capital

With the resolution of the Ordinary General Shareholders' Meeting of 5 July 2010, the Board of Directors was authorised to increase the share capital of the company by 4 June 2015 by one or more issues of new individual bearer shares for cash and/or contributions in kind by up to EUR 19,590,000.00 (authorised capital), with the Supervisory Board's approval.

Shareholders are to be granted subscription rights here. The new shares can also be accepted by one or more financial institutions or companies within the meaning of § 186 Para. 5 Sentence 1 German Stock Corporation Act (AktG) as specified by the Board of Directors, subject to the obligation that they offer them to the shareholders (indirect subscription right). The Board of Directors is, however, authorised to exclude shareholders' subscription rights with the approval of the Supervisory Board,

(i) to remove fractional amounts from the shareholders' subscription right;

(ii) if the new shares are issued against cash contributions and the issue price of the new shares is not significantly lower than the market price of the shares already listed that enjoy essentially the same terms. The number of shares sold in this way, combined with the number of other shares that have been issued or sold with subscription rights excluded in direct or indirect application of § 186 Para, 3 Sentence 4 AktG, and the number of shares that can be created through the exercise of option and/or conversion rights or the fulfilment of conversion obligations from option and/or conversion debentures that have been issued over the duration of this authorisation with subscription rights excluded in accordance with § 186 Para. 3 Sentence 4 AktG do not exceed 10% of share capital, neither at the time this authorisation becomes effective nor at the time when it is exercised;

(iii) if the capital increase is carried out against contributions in kind for the purpose of the acquisition of companies, parts of companies, interests in companies or other assets associated with the purpose of the acquisition or within the scope of business combinations;

(iv) if it is necessary in order to grant holders or creditors of options and convertible bonds with option and/or conversion rights or conversion obligations which have been or are still to be issued by the company or group companies in which the company holds a 100% stake, either directly or indirectly, a subscription right on new shares to the extent that they would be entitled to after exercising the option or conversion rights or after fulfilment of conversion obligations as a shareholder.

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

c. Contingent capital

By virtue of the resolution of the General Shareholders' Meeting of 5 July 2010, the Board of Directors is authorised to grant, with the approval of the Supervisory Board, bearer bonds with warrants or convertible bonds (together, "bonds") on one or more occasions up to 4 July 2015 in a total nominal amount of up to EUR 300,000,000.00 and to grant conversion or option rights to holders of bonds (including with a conversion obligation) on bearer shares in the company representing a proportionate amount of the share capital of up to EUR 19,590,000.00 in total subject to the precise terms of the option or convertible bond conditions (together also "bond conditions"). The bonds can only be issued against cash payment. The bonds can be issued in Euro or – subject to the limit of the corresponding equivalent value – in a foreign legal currency, e.g. the currency of an OECD country. They can also be issued by group companies in which the company holds a 100% stake either directly or indirectly; in such a case, the Board of Directors is entitled, with the approval of the Supervisory Board, to assume the guarantee for the bonds and to grant the holders conversion or option rights (including with a conversion obligation) on bearer shares in the company.

As a basic principle, the shareholders have a subscription right, i.e. the convertible and warrant bonds are in principle to be offered to the company's shareholders for subscription. The bonds can also be accepted by one or more financial institutions or companies within the meaning of § 186 Para. 5 Sentence 1 AktG, subject to the obligation that they offer them to the shareholders (indirect subscription right). If bonds are issued by a Group company, the company assumes the granting of the corresponding subscription right.

The Board of Directors is, however, authorised, with the Supervisory Board's approval, not to grant shareholders the right to subscribe to the bonds,

(i) for fractional amounts arising from the subscription ratio;

(ii) insofar as the Board of Directors, having undertaken a proper examination, concludes that the issue price is not significantly lower than the theoretical market value of the bonds calculated using recognised methods of financial mathematics. This authorisation to exclude a subscription right does not, however, apply to bonds with a conversion or option right (including with a conversion obligation) on shares to which is attributed at most a proportional amount of 10% in total of the existing share capital at the time of its entry into force or at the time of the exercising of this authorisation, whichever is lower. This upper limit of 10% of share capital must include the proportional amount of share capital attributed to shares, which were issued over the duration of this authorisation within the scope of a capital increase under the exclusion of subscription rights as per § 186 Para. 3 Sentence 4 AktG or which were sold as acquired treasury shares over the duration of this authorisation in a manner other than via a stock exchange or via an offer to all shareholders with the application mutatis mutandis of § 186 Para. 3 Sentence 4 AktG;

(iii) if it is necessary in order to grant holders or creditors of bonds with warrants and convertible bonds with option and/or conversion rights or conversion obligations which have been or are still to be issued by the company or group companies in which the company holds a direct or indirect 100% stake a subscription right to bonds to the extent that they would be entitled to as a shareholder after exercising the option or conversion rights or after fulfilment of conversion obligations.

In the case of the issue of warrant bonds, each individual bond will have one or more option certificates which entitle the holder to obtain bearer shares of the company in accordance with the terms and conditions of the option to be determined by the Board of Directors. The term of the option right cannot exceed the term of the warrant bond. There may also be a provision that fractions can be combined and/or settled in cash. In the case of the issue of convertible bonds, holders are entitled to exchange their individual bonds for bearer shares in the company subject to the precise terms of the convertible bond conditions to be defined by the Board of Directors. The conversion ratio is calculated by dividing the nominal amount or the issue amount of an individual bond, whichever is lower, by the fixed conversion price for a bearer share in the company, and can be rounded up or down to the nearest whole number; furthermore, an additional cash payment may also be determined. There may also be a provision that fractions can be combined and/or settled in cash. § 9 para. 1 Para. 199 AktG and § 199 AktG remain unaffected.

The convertible bond conditions may also provide for a conversion obligation at the end of the term (or earlier). The proportional amount of the share capital of the ordinary shares in the company to be issued for individual bond may not exceed the nominal amount of the individual bond. § 9 para. 1 Para. 199 AktG and § 199 AktG remain unaffected. The convertible or warrant bond conditions may grant the company the right to grant new shares or treasury shares in the company to the bond creditors instead of some or all of the payment of a sum due. In each case, the shares are credited with a value which, subject to the precise terms of the bond conditions, corresponds to the average, rounded up to the nearest full cent, of the closing price of the company's shares in the Xetra trading system (or a comparable successor system) on the Frankfurt Stock Exchange over the last ten trading days before announcement of the conversion or exercising of an option. Furthermore, the conversion or warrant bond conditions can determine in each case that, in the case of conversion or exercising of an option, treasury shares in the company can also be granted. Moreover, it can be stipulated that the company does not grant shares in the company to the parties entitled to a conversion or an option but pays the equivalent value in cash of the shares, which would otherwise have been delivered. Subject to the precise terms of the bond conditions, the equivalent value per share corresponds to the average, rounded up to the nearest full cent, of the closing price of the company's shares in the Xetra trading system (or a comparable successor system) on the Frankfurt Stock Exchange over the last ten trading days before announcement of the conversion or exercising of an option.

The conversion or option price to be determined in each case must – including in the case of the application of the following regulations governing protection against dilution – be at least 80% of the average of the closing price of the company's shares in the Xetra trading system (or a comparable successor system) on the Frankfurt Stock Exchange over the last ten trading days before the day of the resolution on the issue of convertible or warrant bonds by the Board of Directors, or – in the case of the granting of a subscription right – at least 80% of the average of the closing price of the company's shares in the Xetra trading system (or a comparable successor system) on the Frankfurt Stock Exchange in the period from the start of the subscription period to the third day before announcement of the final terms and conditions in accordance with § 186 Para. 2 Sentence 2 AktG (inclusive).

If the company increases its share capital during the conversion or option period and grants a subscription right to its shareholders, or issues additional convertible or warrant bonds or grants or guarantees conversion or option rights and does not grant the holders of existing conversion or option rights a subscription right in this regard as would be due to them on exercising of the conversion or option right or on fulfilment of their conversion obligation as a shareholder, or if the share capital is increased via a capital increase from company funds, the convertible or warrant bond conditions will ensure that the financial value of the existing conversion or option rights is unaffected by adjusting the conversion or option rights, preserving their value, insofar as the adjustment is not already obligatory under the law. This shall apply mutatis mutandis to a capital reduction or other capital measures, restructuring measures, the seizure of control by third parties, an extraordinary dividend or other comparable measures that could lead to dilution of the value of the share. § 9 para. 1 Para. 199 AktG and § 199 AktG remain unaffected.

To service conversion or option rights or conversion or option obligations as part of bonds issued by authorisation of the General Shareholders' Meeting of 5 July 2010 until 4 May 2015, the company's share capital was conditionally increased by up to EUR 19,590,000.00 by the issue of up to 19,590,000 individual bearer shares (contingent capital 2010).

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

d. The Board of Directors' powers to issue and redeem shares

▷ Authority to acquire treasury shares

By resolution of the ordinary General Shareholders' Meeting of 5 July 2010, the Board of Directors is authorised until 4 January 2012 to acquire treasury shares of up to 10% of the company's share capital existing at the time the resolution is made. At no time may the acquired shares together with other treasury shares in the possession of the company or allocated to it under §§ 71a ff. AktG represent more than 10% of the share capital. The authorisation may not be used for the purpose of trading in treasury shares. The authorisation may be exercised as a whole or in instalments, once or more than once, for one or more purposes, by the company or by companies dependent on or majority-owned by it, or by third parties acting on their behalf or on behalf of the company.

At the Board of Directors' discretion, and with the prior consent of the Supervisory Board, shares may be acquired through the stock exchange or through a public offering directed to all shareholders or a public invitation to all shareholders to submit offers for sale. If the shares are acquired on the stock exchange, the purchase price per share paid by the company (excluding transaction ancillary costs) may not be more than 10% over or under the price determined on the trading day by the opening auction in the Xetra trading system (or a comparable successor system) on the Frankfurt Stock Exchange. If they are acquired by a public offering directed to all shareholders or a public invitation to submit such an offering directed to all shareholders, the purchase price offered per share (excluding transaction ancillary costs) in the event of a public offering directed to all shareholders or, in the event of a public invitation to submit such an offering directed to all shareholders, the margins of the purchase price spread (excluding transaction ancillary costs) set by the company may not be more than 10% over or under the average closing prices of the company's shares in the Xetra trading system (or a comparable successor system) on the Frankfurt Stock Exchange over the last five trading days before the day of the public announcement of the public offering or the public invitation to submit an offering.

If there are significant differences from the relevant price after the publication of a public offering directed to all shareholders or a public invitation to all shareholders to submit offers to sell, the offering or the invitation to submit offers to sell may be adjusted. In this case the average of the closing price of the company's shares in the Xetra trading system (or a comparable successor system) on the Frankfurt Stock Exchange over the last five trading days before the public announcement of any adjustment will be used as a basis.

The volume of the public offering directed to all shareholders or the public invitation to all shareholders to submit offers to sell can be restricted. Insofar as, In the case of a public offering or a public invitation to submit offers to sell, the volume of the offered shares exceeds the planned repurchase volume, 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 excluded. A preferential acceptance of smaller numbers up to 100 offered shares per shareholder can be stipulated, as can a rounding on the grounds of sound business practice to avoid arithmetic fractions of shares. To this extent, any further right of the shareholders to offer shares is excluded. The public offering directed to all shareholders or the public invitation to all shareholders to submit offers for sale may stipulate further conditions.

The Board of Directors is authorised, with the prior consent 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 withdrawn without a further resolution by the General Shareholders' Meeting being required for the withdrawal or its execution. They may also be withdrawn by the simplified procedure without capital reduction by adjusting the pro rata mathematical amount of the remaining shares in the company's share capital. If they are withdrawn by the simplified procedure, the Board of Directors is authorised to amend the number of shares in the Articles of Association. (ii) The shares may also be disposed of in a way other than through the stock exchange or by an offering directed to all shareholders if the purchase price payable in cash is not significantly lower than the market price of the already listed shares that enjoy essentially the same terms. The number of the shares sold in this way together with the number of new shares that were issued during the life of this authorisation from authorised capital under the exclusion of subscription rights in accordance with § 186 Para. 3 Sentence 4 AktG [Aktiengesetz – German Stock Corporation Act], and the number of shares that can be created through the exercise of option and/or conversion rights or the fulfilment of conversion obligations arising from warrant bonds or convertible bonds and or participation rights that were issued during the life of this authorisation under the exclusion of subscription rights in accordance with § 186 Para. 3 Sentence 4 AkG, does not exceed 10% of the share capital. (iii) The shares can be sold against contributions in kind for the purpose of the acquisition of companies, parts of companies, interests in companies or other assets associated with the purpose of the acquisition or within the scope of business combinations. (iv) The shares may be used to exercise conversion and/or subscription rights on the basis of the exercising of conversion and/or option rights or the fulfilment of conversion obligations which are granted or imposed within the scope of convertible or warrant bonds on the basis of the authorisation issued by the General Shareholders' Meeting of 5 July 2010 to issue convertible and/or warrant bonds.

As at 31 December 2010, the company holds no treasury shares. It has not made use of the authorisation described above.

e. Capital reserves

The capital reserve totals TEUR 569,288 (previous year: TEUR 530,747). The increase of TEUR 38,541 is the result of the capital increase performed in early 2010.

f. Hedging reserve

The reserve contains the effects of hedge accounting, which have no impact on results.

At the balance sheet date, subsidiaries' cash flow hedge agreements resulted, after the deduction of deferred taxes of TEUR 9,203 (previous year: TEUR 9,470) in unrealised losses of TEUR 48,816 (previous year: loss of TEUR 50,372), while associates' cash flow hedge agreements resulted, after the deduction of deferred taxes of TEUR 291 (previous year: TEUR 780) in unrealised losses of TEUR 1,547 (previous year: TEUR 5,414) (cf. 20 Derivative Financial Instruments).

The change is primarily the result of fluctuations in the interest rate level as well as lower nominal volumes.

g. Retained earnings

In accordance with the German Commercial Code, the result of the annual financial statements of DIC Asset AG compiled in accordance with the German Commercial Code is definitive for payments to DIC Asset AG's shareholders. The reconciliation of the Group profit for the period with retained earnings is shown in the following table:

TEUR	2010	2009
Profit for the period	**16,465**	16,129
Profit/loss carryforwards	**24,857**	18,193
Other reserves	**-1,237**	-1,237
Dividend payouts	**-11,757**	- 9,405
Profit attributable to minority interests	**- 85**	- 60
Consolidated retained earnings	**28,243**	23,620

30. Interest-bearing debt

The fair value of fixed-rate debt is based on discounted cash flows calculated on the basis of interest rates from the yield curve of 31 December 2010. When calculating the fair value, the current market trend was taken into account in accordance with IAS 39 AG78, meaning that the margin on financial instruments has increased from 0.97% to 1.25%.

The book values of variable-rate debt are roughly equivalent to their fair values.

The maturities of variable-rate and fixed rate-debt are as follows:

TEUR	31.12.2010 Book value	31.12.2010 Fair value	31.12.2009 Book value	31.12.2009 Fair value
Long-term (> 1 year) interest-bearing debt				
Variable-rate debt	**182,804**	**182,804**	148,599	148,599
Fixed-rate debt	**1,057,001**	**1,074,986**	1,386,983	1,424,352
Total	**1,239,805**	**1,257,790**	1,535,582	1,572,951
Short-term (< 1 year) interest-bearing debt				
Variable-rate debt	**48,854**	**48,854**	46,054	46,054
Fixed-rate debt	**87,423**	**101,843**	7,218	13,147
Total	**136,277**	**150,697**	53,272	59,201
	1,376,082	**1,408,487**	1,588,854	1,632,152

TEUR	31.12.2010 Total variable-rate debt	31.12.2010 Total fixed-rate debt	31.12.2010 Weighted interest rate in % (fixed-rate debt)	31.12.2009 Total variable-rate debt	31.12.2009 Total fixed-rate debt	31.12.2009 Weighted interest rate in % (fixed-rate debt)
< 1 year	**48,854**	**87,423**	**4.86%**	46,054	7,218	4.73%
1 - 5 years	**167,490**	**963,183**	**4.90%**	121,777	1,058,255	4.79%
> 5 years	**15,314**	**93,818**	**2.84%**	26,822	328,728	5.05%
	231,658	**1,144,424**		194,653	1,394,201	

Interest rates on the variable-rate debt were adjusted regularly. Interest-rate adjustment dates are based on the 1-month or 3-month Euribor plus an average margin of 0.97% (previous year: 0.93%). Fixed-rate debt carries an average interest rate of about 4.62% (previous year: 4.85%).

As in the previous year, with the exception of a liability vis-à-vis Provinzial Rheinland Lebensversicherung AG of TEUR 8,750 (previous year TEUR 8,750), the interest-bearing debt was secured entirely through charges over property in the year under review. The loan from Provinzial Rheinland Lebensversicherung AG was primarily secured through rights and claims from holdings in the share capital and common stock of the property companies of the Fraspa portfolio.

31. Trade payables

Trade payables amounting to TEUR 3,451 (previous year: TEUR 3,177) resulted from deferred ancillary costs (TEUR 1,934; previous year: TEUR 1,319) and from the use of services. They are due within a year.

32. Provisions

The company has individual legal disputes with former and current shareholders of DIC Asset AG that are connected with actions for rescission and similar actions by individual minority shareholders. TEUR 22 (previous year: TEUR 24) has been set aside for the costs of the legal disputes.

33. Income taxes payable

TEUR	31.12.2010	31.12.2009
Trade tax	**805**	1,308
Corporate tax	**2,059**	2,945
	2,864	4,253

34. Other liabilities

TEUR	31.12.2010	31.12.2009
Provisions for outstanding invoices and operating costs	**3,588**	2,623
Deposits	**2,189**	1,676
Advance rent payments received	**1,844**	1,640
Profit-sharing	**1,158**	1,240
Value added tax	**1,084**	1,229
Auditing costs	**452**	456
Share-based payments	**393**	308
Property transfer tax	**362**	386
Supervisory Board remuneration	**204**	265
Holidays	**189**	168
Tax consultancy costs	**158**	189
Tenant allowances DP Berlin	**0**	1,279
Other	**1,211**	1,473
	12,832	12,932

The provisions for outstanding invoices include, among other things, the surveyors' fees for the annual real estate valuations, for consultancy work and other services as well as assignable and non-assignable ancillary fees for 2010 which are still to be invoiced.

The performance-related compensation agreement with the Members of the Board of Directors is treated by the company as a share price oriented compensation model. At the end of 2010, both Members of the Board of Directors hold options on 155,000 so-called "virtual shares" of the company. These options may not be exercised by Members of the Board of Directors until they have been on the board of DIC Asset AG for three or four years. As at 31 December 2010, the company estimates the fair value per option at EUR 5.35 for Mr Höller and EUR 3.22 for tranche I and EUR 2.95 for tranche II for Mr Koch. This valuation is based on the Black-Scholes option pricing model.

The critical parameters for this valuation model are the share price on the balance sheet date of EUR 8.34, the exercise price of EUR 2.90 for Mr Höller and, in accordance with the new contractual agreement, EUR 6.00 for Mr Koch, the standard deviation from the expected share price return of 37.11% and the annual term-dependent risk-free interest rate of 0.42%; 0.73% and 1.23%. Volatility as measured by the standard deviation from the expected share price returns is based on statistical analyses of the daily share price over the last two years.

Due to the reduction in the exercise price from EUR 20.00 to EUR 6.00 (Mr. Koch) and the additional options granted, TEUR 115 was recognised as an expense in the year under review. This represents a transaction with a related party as defined in IAS 24.9d. Additional details, particularly disclosures pursuant to § 314 Para. 1 No. 6 Letter (a) Sentences 5 to 9 HGB, are provided in the management report.

Liabilities arising from Supervisory Board compensation are liabilities to members of the Supervisory Board and are consequently recognised as liabilities to related parties within the meaning of IAS 24.9d. For information on the individual members, see "Related party disclosures" and the details on Supervisory Board compensation in the Management report.

35. Additional notes on financial instruments

Financial instruments are contractual agreements that incorporate claims on cash and cash equivalents. In accordance with IAS 32 and IAS 39, these include non-derivative as well as derivative financial instruments. Non-derivative financial instruments include in particular cash and cash equivalents, trade payables and receivables, and loans and advances. Derivative financial instruments comprise interest-rate hedging instruments.

TEUR	Valuation category acc. with IAS 39	**Book value 31.12.10**	Valuation in accordance with IAS 39			**Fair value 31.12.10**
			Cost (less deprecia-tion)	Fair value recognised in equity	Fair value recognised in profit or loss	
ASSETS						
Receivables from the sale of real estate	LaR	**7,967**	7,967			**7,967**
Trade receivables	LaR	**2,635**	2,635			**2,635**
Receivables from related parties	LaR	**105,682**	105,682			**105,682**
Other receivables	LaR	**3,955**	3,955			**3,955**
Other assets	FAHfT	**171**	171			**171**
Other assets	LaR	**1,876**	1,875			**1,876**
Liquid funds	LaR	**117,292**	117,292			**117,292**
Total	LaR	**239,407**	239,407			**239,407**
LIABILITIES						
Long-term interest-bearing debt	FLAC	**1,239,804**	1,239,804			**1,257,790**
Derivative financial instruments with hedge relationship	n.a.	**58,116**		57,993	123	**58,116**
Current debt	FLAC	**136,278**	136,278			**150,697**
Trade payables	FLAC	**3,451**	3,451			**3,451**
Liabilities to related parties	FLAC	**18**	18			**18**
Other liabilities	FLAC	**12,832**	12,832			**12,832**
Total	FLAC	**1,392,383**	1,392,383			**1,424,788**

The values for the previous year are as follows:

TEUR	Valuation category acc. with IAS 39	**Book value 31.12.09**	Valuation in accordance with IAS 39			**Fair value 31.12.09**
			Cost (less deprecia-tion)	Fair value recognised in equity	Fair value recognised in profit or loss	
ASSETS						
Receivables from the sale of real estate	LaR	**67**	67			**67**
Trade receivables	LaR	**4,500**	4,500			**4,500**
Receivables from related parties	LaR	**86,876**	86,876			**86,876**
Other receivables	LaR	**2,619**	2,619			**2,619**
Other assets	LaR	**1,808**	1,808			**1,808**
Liquid funds	LaR	**38,826**	38,826			**38,826**
Total	LaR	**134,696**	134,696			**134,696**
LIABILITIES						
Long-term interest-bearing debt	FLAC	**1,535,582**	1,535,582			**1,572,951**
Derivative financial instruments with hedge relationship	n.a.	**60,052**		59,842	210	**60,052**
Current debt	FLAC	**53,272**	53,272			**59,201**
Trade payables	FLAC	**3,177**	3,177			**3,177**
Liabilities to related parties	FLAC	**4,020**	4,020			**4,020**
Other liabilities	FLAC	**12,932**	12,932			**12,932**
Total	FLAC	**1,608,983**	1,608,983			**1,652,281**

The fair value of a financial instrument is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. If financial instruments are listed on an active market, the respective price represents this value. For unlisted bonds, liabilities to banks, promissory note loans and other non-current financial liabilities, the fair value is calculated as the present value of future cash flows, taking account of interest rates customary on the market as applied to the corresponding maturities.

Due to the short terms of cash and cash equivalents, trade payables and receivables and other current receivables and liabilities, it is assumed that the fair value corresponds to the book value in each case.

The tables on the left show the book values, valuations and fair values for the individual financial assets and liabilities for each individual category of financial instruments and link these to the corresponding balance sheet items. The main valuation categories for the Group in accordance with IAS 39 are Available-for-Sale Financial Assets (AfS), Financial Assets Held for Trading (FAHfT), Loans and Receivables (LaR) and Financial Liabilities Measured at Amortised Cost (FLAC).

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

in TEUR	Interest income **2010**	Interest income 2009	Interest expense **2010**	Interest expense 2009
Financial assets at cost less depreciation (LaR)	6,416	5,513		
Financial liabilities at cost less depreciation (FLAC)			37,061	38,871

Financial instruments recognised at fair value are divided into several valuation levels in accordance with IFRS 7. These are financial instruments that

- Level 1: are valued at current market prices in an active market for identical financial instruments,
- Level 2: are valued at current market prices in an active market for comparable financial instruments or with valuation models whose key input factors are based on observable market data, or
- Level 3: are valued using input factors not based on observable market prices.

Net gains and losses from financial instruments are as follows:

TEUR	**Fair value** 31.12.2010	Level 1	Level 2	Level 3
Assets at fair value – recognised as profit or loss				
Rated as such on first valuation	171		171	
Liabilities at fair value – no effect on income				
Derivative financial instruments with hedge relationship	57,993		57,993	
Liabilities at fair value – recognised as profit or loss				
Derivative financial instruments with hedge relationship	123		123	

Net gains and losses from financial instruments are as follows:

TEUR	**2010**	2009
Financial assets (FAHfT)	**18**	0
Derivative financial instruments	**- 23**	210

Net gains and losses from financial liabilities at cost less depreciation are made up of gains from the swap not underlying the cash flow hedge (TEUR 123) and the losses from elimination and the ineffective portion from cash flow hedges (TEUR -164).

NOTES TO THE CASH FLOW STATEMENT

The cash flow statement shows how the Group's cash and cash equivalents have changed in the course of the reporting year as a result of cash inflows and outflows. Pursuant to IAS 7 Cash Flow Statements, cash flows are separated into those derived from operating activities and those derived from investment and financing activities.

The funds in the cash flow statement include all liquid funds shown on the balance sheet, i.e. cash on hand and credit balances with banks that can be made available within three months. As at 31 December 2010, the use of these funds was not subject to any restrictions.

Cash flows from investment and financing activities are calculated on the basis of payments. Investing and financing activities that did not result in changes in cash or cash equivalents are not included in the cash flow statement.

The cash flow from operating activities is indirectly derived from the profit for the period before interest and income tax. Interest paid and received and income tax paid are presented separately in "Cash flows from operating activity".

Besides a large number of property-related measures, which mainly serve to improve, modernise and protect the property portfolio, investment in new properties – such as the addition to the RMN portfolio – are primarily aimed at expanding the property portfolio. Cash flows from the acquisition and disposal of investment properties, which arise in this connection, were shown in cash flow from investing activities. Investing activities also include cash flows from the acquisition and disposal of plant and equipment, shares in associates, investments and intangible assets. Cash flows from the granting and repayment of short-term loans to associates are also reported here.

Cash flow from financing activities is characterised by the inflow of funds in the wake of the capital increase (EUR 47 million), the raising of non-current loans, in particular to finance the expansion of the RMN portfolio (EUR 4 million) and payments for Capex and TI measures (EUR 12.1 million) as well as cash outflows for the scheduled repayment of loans and unscheduled repayments in connection with sales (EUR 202.4 million) and dividend payments for financial year 2009 (EUR 11.8 million).

During the 2010 financial year, DIC 26 Flensburg GmbH, which had previously been fully consolidated was sold. In this transaction, the following assets and liabilities were assumed by the purchaser:

TEUR	2010
Investment property	**27,681**
Liquid funds	**71**
Other current assets	**121**
Current debt	**-130**
Book profits	**715**
Total disposal volume	**28,458**
Less: disposed of cash	**-71**
Cash inflow from disposal of companies	**28,387**

The purchase price for DIC 26 Flensburg GmbH was paid fully in cash.

SEGMENT REPORTING

The segment report is structured in line with IFRS "Operating Segments", following the management approach. It corresponds to internal reporting to the main decision-maker and is done on the basis of the operational business segments in which DIC Asset AG operates. Within the Group, the division between segments is based on the potential added value of investments and on the percentage of shares held. The key performance indicators are EBITDA and EBIT.

As a basic principle, the segment information is based on the same accounting methods as the consolidated financial statements.

The real estate portfolio of DIC Asset AG is composed of the segments "Core plus portfolio" (Core plus), "Value added portfolio" (VAD) and "Co-Investments". The "Other" segment primarily includes the Group's parent company.

Core plus portfolio
The Core plus segment includes the proprietary portfolio held on a long-term basis and offering stable, attractive rental yields and generating a continuous cash flow for the company.

Value added portfolio
The Value added segment contains the properties with a medium-term investment focus, with which the potential for added value can be generated through suitable measures such as optimising the usage concept, refurbishment or optimising the letting status.

Co-Investments
The Co-Investments segment includes the new special fund business unit as well as the opportunistic real estate investments made by the DIC Group with a higher risk/return profile, in which DIC Asset AG generally holds a 20% stake. While the special funds segment focuses on attractive core investments in key business locations, the opportunistic investments are repositioned on the market through project developments, the renewal of leases and refurbishment work, and then sold on as part of an individual business plan.

Segment reporting 2010

TEUR	Core plus	VAD	Co-Inv.	Other	Group
Rental income	64,828	60,113	0	0	124,941
Proceeds from disposals	17,029	64,138	0	0	81,167
Profits from disposals	1,955	3,163	0	0	5,118
EBITDA	57,971	50,857	259	-3,718	105,369
EBIT	42,254	36,049	259	-4,011	74,551
Profit from associates	0	0	7,812	0	7,812
EBT	7,123	2,142	9,375	-313	18,327
Taxes					-1,862
Profit for the period					16,465

Segment assets and segment debts are reconciled as follows with Group assets and Group debt:

Segment assets	843,048	955,479	33,743	126,126	1,958,396
Shares in associates			64,670		64,670
Income tax claims					26,907
Consolidated total assets					2,049,973
Segment liabilities	676,722	760,177	962	12,660	1450.521
Income tax owed					12,372
Group liabilities					1,462,893
Segment investment	3,508	11,847	0	39	15,355
Depreciation	15,717	14,808	0	293	30,818

The following interest income and expense was incurred by each segment during the 2010 financial year:

TEUR	Core plus	VAD	Co-Inv.	Other	Group
Interest income	468	280	1,305	4,363	6,416
Interest expense	- 35,599	- 34,187	0	- 666	- 70,452

As part of the analysis of our investments for potential added value, the segment allocation of individual properties was adjusted. This resulted in the changes to last year's statement between the segments at the expense of the Value added segment and in favour of the Core plus segment vis-à-vis our reporting in 2009.

The effects of the changes are shown in a separate column in the following table.

Segment reporting 2009

TEUR	Core plus	VAD	Co-Inv.	Other	Group (new)	Change
Rental income	68,296	65,311	0	0	133,607	1,792
Proceeds from disposals	2,425	12,736	0	0	15,161	0
Profits from disposals	264	1,236	0	0	1,500	0
EBITDA	59,900	56,248	-681	-4,684	110,783	1,775
EBIT	44,273	41,681	-681	-4,930	80,343	1,160
Profit from associates			7,478		7,478	
EBT	7,205	5,479	7,999	-1,998	18,685	183
Taxes					- 2,556	
Profit for the period					16,129	

Segment assets and segment debts are reconciled as follows with Group assets and Group debt:

Segment assets	1,027,593	1,043,161	14,849	74,106	2,159,709	36,896
Shares in associates				28,946	28,946	
Income tax claims					24,731	
Consolidated total assets					2,213,386	
Segment liabilities	817,361	846,271	22	5,405	1,669,059	27,717
Income tax owed					13,649	
Group liabilities					1,682,708	
Segment investment	34,954	10,222	0	0	45,176	
Depreciation	16,242	13,951	0	247	30,440	

The following interest income and expense was incurred by each segment during the 2009 financial year:

TEUR	Core plus	VAD	Co-Inv.	Other	Group (new)	Change
Interest income	551	217	1,201	3,544	5,513	7
Interest expense	-37,618	-36,420	0	-611	-74,649	970

The company is active in a single geographical segment (Germany). Therefore the company does not report on its operating activities by geographic location.

Leasing

The Group is the lessor in a number of operating leases (rental agreements) of the most varied kind via investment property, from which it generates the majority of its income and earnings.

As of the balance sheet date, investment properties with a book value of TEUR 1,718,215 (previous year: TEUR 2,024,225) were let under the Group's operating leasing. DIC Asset AG will receive the following minimum lease payments, which are calculated as cash values, from existing leases with third parties:

TEUR	**2010**	2009
Up to 1 year	**102,428**	121,202
1 to 5 years	**259,572**	317,648
Over 5 years	**141,526**	194,583
	503,526	633,433

The substantial change in the expected minimum leasing payments is a result of the sale of properties and the associated leases during the financial year.

The minimum lease payments include net rental income to be collected up to the agreed lease expiration date or by the earliest possible date of termination on the part of the lessee, regardless of whether notice of termination or non-renewal of a lease is actually expected.

In 2010, there were conditional lease payments (IAS 17.4) amounting to TEUR 522 from two leases.

The total expenses for operating leases in which the company is the lessee were TEUR 435 (previous year: TEUR 174). The operating lease agreements primarily involve leased vehicles. DIC Asset AG will make the following minimum lease payments for existing operating leases not subject to termination.

TEUR	**2010**	2009
Up to 1 year	**234**	68
1 to 5 years	**201**	106
Over 5 years	**0**	0
	435	174

REPORTING ON RISK MANAGEMENT

The Group is exposed to various financial risks – credit risk, liquidity risk and interest rate risk – in connection with its operating activities.

Explanations of the risk management system and the business risks are given in the company's management report under "Risk management". We are making the following supplementary notes on individual risks within the scope of IFRS 7:

Credit risk
A credit risk is the unexpected loss of cash and cash equivalents or income. This is especially the case if the debtor is not fully able to meet his obligations by the due date or if the assets serving as collateral lose value. We limit risk by carrying out regular analyses of creditworthiness, especially in connection with new tenancies, reletting and debtor management. There is no risk clustering in respect of credit risks insofar as, with the exception of two tenants from the public sector, no single tenant is responsible for more than 5% of our gross rent. The maximum default risk is represented by the book value of the financial assets recognised in the balance sheet. See paragraph 23 for value adjustments on customer receivables.

In the case of derivative financial instruments, the Group is exposed to a credit risk which arises through the non-fulfilment of contractual agreements on the part of the counterparties. This risk is minimised in that transactions are only concluded with counterparties with a high credit rating or which is a member of a deposit insurance fund. In the case of derivative financial instruments, the default risks correspond to their positive fair values.

At the reporting date, the maximum counterparty risk with one single counterparty stands at EUR 412 million.

Liquidity risk
The Group-wide financial planning instruments, among other things, help to establish the liquidity situation in good time. The liquidity planning is responsible for ensuring that unforeseen financing requirements can be serviced alongside planned financing requirements. The maturities of financial assets and liabilities as well as estimates of the cash flow from operating activities are included in short- and medium-term liquidity management.

The liquidity risk to which the DIC Asset Group is exposed is made up of obligations under contractually agreed interest and principal payments for original financial liabilities and the liquidity risk from derivative financial instruments at fair value at the balance sheet as follows. Furthermore, risks exist in the case of loans which are scheduled for extension and where extension may not prove possible as well as due to delays in sales activities.

Cash and cash equivalents amounting to TEUR 117,292 (previous year: TEUR 38,826) is available to cover the liquidity requirement. Furthermore, the Group has overdraft facilities for Capex and TI measures that it has not yet used. These amount to a total of TEUR 16,114 (previous year: TEUR 16,348).

Provisionally, the financial liabilities will result in the following (not discounted) payments over the coming years:

TEUR	**2011**	2012 to 2015	2016 and after
Non-derivative financial liabilities			
Long-term interest-bearing debt	**27,011**	1,210,184	119,950
Current debt	**139,247**	0	0
Trade payables	**3,451**	0	0
Liabilities to related parties	**18**	0	0
Other liabilities	**12,832**	0	0
Derivative financial liabilities	**31,919**	64,785	0
	214,478	1,274,969	119,950

The values for the previous year are as follows:

TEUR	**2010**	2011 to 2014	2015 and after
Non-derivative financial liabilities			
Long-term interest-bearing debt	**38,296**	1,276,278	363,581
Current debt	**54,601**	0	0
Trade payables	**3,177**	0	0
Liabilities to related parties	**4,020**	0	0
Other liabilities	**12,932**	0	0
Derivative financial liabilities	**32,704**	91,643	5,074
	145,730	1,367,921	368,655

Interest rate risk

Interest rate risks arise as a result of market-driven fluctuations in interest rates or margins on new borrowings and renewals of loans. The Group's interest rate risk is mainly the result of debt, loans and interest-bearing investments. Some of the financial liabilities have a fixed interest rate and thus match the cash flows from rents, meaning that the impact of fluctuations in market interest rates can be predicted in the medium term. The variable financial liabilities are hedged with derivative financial instruments, primarily payers swaps. Here, variable interest rate payments are exchanged for fixed-rate interest payments and thus protected against changes in interest rates; cf. text number 20.

To optimise the interest result, an average of 19% of the financial debt was subject to variable interest-rate payments in the financial year 2010.

In accordance with IFRS 7, interest rate risks are presented by way of sensitivity analyses. These show the effects of changes in market interest rates on interest payments, interest income and expense, other income components and, in the case of derivatives with a hedge relationship, the effects on the hedging reserve in equity and the fair value of these derivatives. The interest rate sensitivity analyses are based on the assumption that changes in market interest rates of primary financial instruments with fixed interest rates only affect income if these are measured at their fair value. As such, all financial instruments with fixed interest rates that are carried at amortised cost are not subject to interest rate risk as defined in IFRS 7. Sensitivity analyses were therefore performed only for financial derivatives (swaps and caps) and variable interest-bearing financial liabilities for which there are no attributable interest-rate hedges. The effects of a market interest rate being increased or decreased by 100 basis points on each balance sheet date would have the following implications for income and equity after taking deferred taxes into consideration:

TEUR	**2010**		2009	
	+100 bp	**-100 bp**	+100 bp	-100 bp
Effect on income from variable interest-bearing financial debts	**+ 2,525**	**- 2,525**	+ 1,945	- 1,945
Effect on income from financial derivatives (caps)	**+ 563**	**+ 56**	-	-
Effect on equity from financial derivatives (swaps)	**+ 25,129**	**- 15,027**	+ 32,008	- 34,318

CONTINGENCIES AND OTHER FINANCIAL COMMITMENTS

DIC Asset AG issued a guarantee bond vis-à-vis Deutsche Pfandbriefbank (legal successor of HRE) to the amount of its 20% holding in DIC HI Portfolio GmbH in which it undertook a maximum guarantee of a total of TEUR 2,000 pro rata on the basis of a loan agreement between DIC HI Portfolio GmbH and HRE.

In addition, a letter of comfort was issued for the subsidiaries of the subsidiary incorporated "at equity", DIC MSREF HMDD Portfolio GmbH, regarding the 20% holdings of outstanding liabilities on the borrowers' part in the amount of TEUR 13,488.

DIC Asset AG has issued a pledge declaration in the amount of TEUR 15,000 vis-à-vis the Stadt- und Kreissparkasse Erlangen with the purpose of securing claims against ProDIC GmbH.

A sublease relationship is in place between Deutsche Immobilien Chancen AG & Co. KGaA and DIC Asset AG as well as its wholly owned subsidiary DIC Onsite GmbH, which since 1 August 2007 has resulted in a payment obligation of TEUR 150 net per year for DIC Asset AG and TEUR 111 for DIC Onsite GmbH. The agreement remains in effect until 31 October 2014. If the lease agreement is not terminated in writing at least twelve months prior to expiration, it is automatically extended by an additional twelve months.

Additional financial obligations arise from operating lease agreements for vehicles in which the company is the lessee. See "Leasing", p. 155.

As at 31 December 2010, investment obligations exist for measures to portfolio properties amounting to EUR 3.2 million, of which approximately EUR 1.6 million are to be invested in 2011. Of the EUR 1.3 million that was placed in 2010, EUR 0.4 million had been offset by 31 December 2010.

Capital management
The main objective of capital management is to ensure that the Group retains its ability to repay its debts and its financial stability 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.

TEUR	**2010**	2009
Equity	**587,080**	530,678
Total assets	**2,049,973**	2,213,386
Equity ratio	**28.6%**	24.0%

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.

The increase in the equity ratio is due, among other things, to the sale of investment properties and the resulting reduction in total assets as well as to the capital increase.

Related party disclosures
Related parties include the 22 proportionately consolidated companies as well as the 13 companies incorporated at equity (see "Scope of consolidation").

Due to their significant influence, the following companies and persons are related parties:

– Deutsche Immobilien Chancen AG & Co. KGaA
– Group companies of Deutsche Immobilien Chancen AG & Co. KGaA
– 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")
– DIC Capital SE
– Prof. Dr. Gerhard Schmidt

Additional related parties are the Supervisory Board, the Board of Directors, executives and close relatives of these individuals.

The company has filed a dependent company report on its relationships to these related parties. This report lists all legal transactions conducted by the company or its subsidiaries with, at the behest of or in the interest of affiliates over the past financial year, as well as all other measures taken or omitted by the company at the behest of or in the interest of these companies over the past financial year. The report concludes with the following statement:

"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."

An overview of legal transactions and relations with related parties is shown below.

LEGAL TRANSACTIONS WITH COMPANIES WITH SIGNIFICANT INFLUENCE

Deutsche Immobilien Chancen AG & Co. KGaA
There are connections between the personnel ("double mandate") of Deutsche Immobilien Chancen AG & Co. KGaA and its sole general partner, Deutsche Immobilien Chancen Beteiligungs AG, at the level of the Board of Directors and Supervisory Board. One of the three members of the Board of Directors of the company, Mr Ulrich Höller, is also a member of the Board of Directors of Deutsche Immobilien Chancen Beteiligungs AG, whose board also consists of two additional members. Since March 2006, the member of the Board of Directors Ulrich Höller has had employment contracts with both Deutsche Immobilien Chancen Beteiligungs AG and the company. Each of these companies pays 50% of Mr Höller's fixed compensation. In addition, there is variable compensation related to the performance of the companies of the Deutsche Immobilien Chancen AG & Co. KGaA Group and the DIC Asset Group, as well as options for shares of Deutsche Immobilien Chancen AG & Co. KGaA and compensation based on the share price of DIC Asset AG. There is also an overlap of personnel in the Supervisory Board of DIC Asset AG, Deutsche Immobilien Chancen AG & Co. KGaA and Deutsche Immobilien Chancen Beteiligungs AG in the person of Prof. Dr. Gerhard Schmidt and Klaus-Jürgen Sontowski who are also indirectly significant limited shareholders in Deutsche Immobilien Chancen AG & Co. KGaA. In addition, Prof. Dr. Gerhard Schmidt is also the indirect majority shareholder of its sole general partner, Deutsche Immobilien Chancen Beteiligungs AG.

The company currently provides general property and building management services (including re-letting services) as well as services related to technical building management for a total of 66 properties, including some in which Deutsche Immobilien Chancen AG & Co. KGaA has a controlling interest. In 2009, the total amount of compensation collected by the company for these services was TEUR 3,543 (previous year: TEUR 3,372). Of this, a total of TEUR 7 (previous year TEUR 7) was compensation paid by the companies of the Deutsche Immobilien Chancen AG & Co. KGaA Group.

The company has made an overdraft facility available to Deutsche Immobilien Chancen AG & Co. KGaA, on which interest has been set at 6% p.a., to be payable in arrears. As security for any part of the loan used, Deutsche Immobilien Chancen AG & Co. KGaA has pledged to the company its 10% interest in Deutsche Immobilien Chancen Objekt Ulm 1 Erweiterung GmbH & Co. KG. As at 31 December 2010, the portion of this overdraft facility that had been used equalled TEUR 16,954 (previous year: TEUR 15,994). DIC Asset AG received interest credits in the amount of TEUR 960 (previous year TEUR 905) in the reporting period for the day-to-day money made available. The agreed terms were no worse than those which the company would have obtained for a comparable monetary investment. For this reason, performance and consideration were the same for each transaction.

Deutsche Immobilien Chancen AG & Co. KGaA has a current account relationship with some of the DIC Asset AG subsidiaries which is offset with reference to the reporting date. The Deutsche Immobilien Chancen AG & Co. KGaA companies shown in the table receive interest credits for the loans made available in the following amounts:

TEUR	**2010**	2009
Deutsche Immobilien Chancen Objekt Ulm 1 GmbH & Co. KG	**0**	20
Deutsche Immobilien Chancen Objekt Ulm 1 Erweiterung GmbH & Co. KG	**64**	61
DIC Objekt Frankfurt 1 GmbH & Co. KG	**75**	72
Gewerbepark Langenfeld West 3 GmbH & Co. KG	**124**	117

In addition, a sublease relationship is in place between Deutsche Immobilien Chancen 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 as Deutsche Immobilien Chancen AG & Co. KGaA acts as the general tenant for all space rented by DIC Group companies 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 recharged at the same price per square metre, which is a component of the general rental agreement of Deutsche Immobilien Chancen AG & Co. KGaA. For 2010, rent paid to Deutsche Immobilien Chancen AG & Co. KGaA amounted to TEUR 261 (previous year TEUR 261). DIC Asset AG considered the rental interest to be at the normal rate for the location and appropriate. Renting space at another company would not have resulted in lower expenses. As a result, performance and consideration were also the same in this case.

DIC Projektentwicklung GmbH & Co. KG

DIC Projektentwicklung GmbH & Co. KG, in which Deutsche Immobilien Chancen AG & Co. KGaA has 100% interest, provides various services for DIC Asset AG. Included here are all services related to technical building management (e.g., defect removal, rebuilding management, maintenance) to be provided by the company itself or on the basis of active service agreements with the company to various property companies. In addition, DIC Projektentwicklung GmbH & Co. KG has assumed all accounting and other administrative functions, including IT services, for the company and its subsidiaries.

Compensation for services related to accounting, finance, controlling and administration were calculated on the basis of expenditures and compensated in the amount of TEUR 18 in 2010 (previous year TEUR 18) for services rendered for the benefit of DIC Asset AG and TEUR 641 (previous year TEUR 669) for services for the benefit of the companies of the DIC Asset group.

DIC Projektentwicklung GmbH & Co. KG also performs services in the field of technical real estate management for DIC Onsite GmbH, a 100% subsidiary of DIC Asset AG. These are project management services for a major construction project that will provisionally take three years from 2010 to 2012. DIC Onsite GmbH is making use of the development expertise of the DIC Group to coordinate and supervise the construction work and to ensure that project budgets, quality requirements and deadlines are met.

The remuneration amounts to 4.9% of gross construction costs including ancillary costs and non-deductible withholding tax. As the services performed in 2010 have not yet been invoiced, a provision of TEUR 54 was set aside as at 31 December 2010 for continuation of the construction work. DIC Asset AG regarded this level of remuneration as appropriate. Purchasing these services on the market would not have resulted in lower expenses.

An agreement of 28 December 2009 was also in place for 2010 between DIC Projektentwicklung GmbH & Co. KG and DIC MainTor GmbH, in which DIC Asset AG held, either indirectly or directly, a 40% stake as at the balance sheet date, for the provision of consultancy services
in conjunction with designing and structuring a development project on the so-called MainTor site, according to which DIC Projektentwicklung GmbH & Co. KG was permitted to make use of the services of DIC Asset AG, among others, to fulfil its duties.

The remuneration that DIC Asset AG received from DIC Projektentwicklung GmbH & Co. KG for services rendered stood at TEUR 310 in 2010 (previous year: TEUR 0). DIC Asset AG regarded this level of remuneration as appropriate; performing these services for third-party companies would not have resulted in higher earnings. As a result, performance and consideration were also the same in this case.

DIC Opportunistic GmbH
In accordance with a loan agreement of 17 December 2008 and addendum no. 7 of 30 June 2010, DIC Asset AG has granted a loan to DIC Opportunistic GmbH. As at 31 December 2010, this loan amounts to TEUR 14,352 (previous year: TEUR 12,323). It has a fixed term until 30 June 2011 and an interest rate of 7.25% p.a. For the funds made available, DIC Asset AG received interest credited in the year under review of TEUR 1,029 in total (previous year: TEUR 802). The terms agreed were no worse than the terms the company would have secured for a comparable cash investment. As a result, performance and consideration were the same for every transaction.

In an agreement of 1 April 2008, DIC OF Reit 2 GmbH (100% subsidiary of DIC Asset AG) granted a loan to DIC Opportunistic GmbH. The loan has an unlimited term and an interest rate of 8% p.a. Interest is payable quarterly in arrears. As at 31 December 2010, the loan amounts to TEUR 9,990 (previous year: TEUR 9,105). In the 2010 financial year, interest of TEUR 722 (previous year: TEUR 239) was charged for the granting of the loan. The terms agreed were no worse than the terms the company would have secured for a comparable cash investment. As a result, performance and consideration were the same for every transaction.

DIC HI Portfolio GmbH
In a loan agreement of 12 December 2008 and addendum no. 2 of 30 June 2010, DIC Asset AG and its subsidiary DIC OF Reit 2 GmbH granted a loan to DIC HI Portfolio GmbH with a fixed term to 30 June 2011. As at 31 December 2010, this loan amounts to TEUR 6,645 (previous year: TEUR 6,165). For the funds made available, DIC Asset AG receives interest at a rate of 7.25% p.a. Furthermore, interest of 6% p.a. or 8% p.a. is charged on current account balances amounting to TEUR 801 (previous year: TEUR 661). In the 2010 financial year, interest credited accrued in the amount of TEUR 534 in total (previous year: TEUR 904). The terms agreed were no worse than the terms the company would have secured for a comparable cash investment. As a result, performance and consideration were the same for every transaction.

DIC Hamburg Portfolio GmbH
In a loan agreement of 28 February 2008 and addendum no. 1 of 21 December 2010, DIC Asset AG and its subsidiary DIC OF Reit 2 GmbH granted a loan to DIC Hamburg Portfolio GmbH with a fixed term to 31 December 2011. As at 31 December 2010, this loan amounts to TEUR 11,999 (previous year: TEUR 11,489). For the funds made available, DIC Asset AG receives interest at a rate of 7.25% p.a. Furthermore, interest of 8% p.a. is charged on current account balances amounting to TEUR 218 (previous year: TEUR 223). In the 2010 financial year, interest credited accrued in the amount of TEUR 875 in total (previous year: TEUR 885). The terms agreed were no worse than the terms the company would have secured for a comparable cash investment. As a result, performance and consideration were the same for every transaction.

DIC Opportunity Fund GmbH
DIC Asset AG provides property management services for DIC Opportunity Fund GmbH, in which Deutsche Immobilien Chancen AG & Co. KGaA has a 100% interest, for the management of properties held directly or indirectly through holdings by DIC Opportunity Fund GmbH on the basis of an agreement dated 29 May 2004, revised on 6 January 2005. From 31 December 2005, the agreement will be extended for an additional year if notice of termination is not given by one of the parties at least two months before the end of the year. The agreement may also be terminated, subject to a notice period of four weeks to the month end, if the shareholder structure of DIC Opportunity Fund GmbH undergoes fundamental changes. The amount of the fee is 1% of the annual net rent of the properties involved. The fee totalled TEUR 0 in 2010 (previous year TEUR 9).

With the sale of the property on 19 December 2008 and the transfer of possession, rights and obligations on 30 April 2009, the last property for which DIC Asset AG was to provide services under the abovementioned agreements was sold, meaning that, since May 2009, no further remuneration is to be paid by DIC Opportunity Fund GmbH.

Deutsche Immobilien Chancen Beteiligungs AG
For the years 2003 to 2005, DIC Asset AG has pledged to reimburse Deutsche Immobilien Chancen Beteiligungs AG, the sole general partner of Deutsche Immobilien Chancen AG & Co. KGaA, 50% of the costs that are incurred by Deutsche Immobilien Chancen Beteiligungs AG in connection with the employment of members of the Board of Directors who work for the company, exclusively or not. With the exception of fringe benefits, since the beginning of 2006, all members of the Board of Directors of DIC Asset AG have been compensated for their activities for Deutsche Immobilien Chancen Beteiligungs AG exclusively through it. The amount of reimbursement for the fringe benefits granted to Mr Ulrich Höller was TEUR 15 (previous year TEUR 13) for the financial year 2010.

Under the "German Investment Program Agreement" dated 29 July 2004 and the "Investment and Shareholder Agreement" dated 7 June 2005, certain joint ventures of DIC Asset AG (namely, DIC MSREF Frankfurt Portfolio GmbH, DIC MSREF Objekt Hamburg GmbH, DIC MSREF Berlin GmbH, DIC MSREF Berlin Portfolio GmbH, DIC MainTor GmbH (formerly DIC MSREF Weißfrauenstraße GmbH), DIC MSREF HMDD Portfolio GmbH, DIC MSREF HT Portfolio GmbH and DIC MSREF FF Südwest Portfolio GmbH and their respective wholly owned property companies receive various services from Deutsche Immobilien Chancen Beteiligungs AG. Accordingly, the above-named companies and Deutsche Immobilien Chancen Beteiligungs AG have entered into agreements for the provision of various management services as well as commissions on the leasing and divestiture of real property, in each case at the time of establishment of these MSREF joint ventures. Moreover, special compensation arrangements have been established with DIC MSREF Frankfurt Portfolio GmbH, DIC MSREF HMDD Portfolio GmbH, DIC MSREF HT Portfolio GmbH and DIC MSREF FF Südwest Portfolio GmbH for re-leasing services. In addition, an agreement regarding development fees for DIC MainTor GmbH, DIC MSREF HMDD Portfolio GmbH, DIC MSREF HT Portfolio GmbH and DIC MSREF FF Südwest Portfolio GmbH was also concluded.

With the Sale and Transfer Agreement of 17 August 2009, the company – together with DIC Opportunity Fund and DIC Capital Partners (Germany) GmbH & Co. KGaA – indirectly and directly acquired the share of 50% in DIC MSREF Weißfrauenstraße GmbH held by MSREF V Lily Holding B.V. on 11 September 2009. The company's name was then changed from DIC MSREF Weißfrauenstraße GmbH to DIC MainTor GmbH. The company now holds a direct and indirect stake of 40% in DIC MainTor GmbH; the remaining 60% is held indirectly by DIC Opportunity Fund (30%) and DIC Capital Partners (Germany) GmbH & Co. KGaA (30%). The existing service agreements were continued unchanged.

Under the current asset management agreements, MSREF joint ventures are to provide the following compensation to Deutsche Immobilien Chancen Beteiligungs AG:

- Base management fee: 0.5% to 3% of annual net rent;
- Leasing fee (equates to a leasing commission): 2.5 net monthly rental payments or one net monthly rental payment, if an outside broker is involved;
- Disposition fee (equates to a sales commission): 1% to 3% of the sales price after transaction costs if no outside broker is involved, and 0.3% to 1.5% of the sales price after transaction costs if an outside broker is involved;
- Tenant improvement fee (equates to a fee for re-leasing services): 3.5% to 5% of the internal and external costs that arise from renovation for a new tenant (particularly for planning and renovation) or negotiable on the basis of this expense;
- Development fee – for project development services through to initial leasing: dependent on expenses or market-rate compensation.

In 2010 and 2009, the following compensation was paid to Deutsche Immobilien Chancen Beteiligungs AG, in which MSREF holds 25.1% of the share capital, in each case excluding sales tax:

Recipient of service (amounts in EUR)		Base mgm. fees	Leasing fees	Dispos. fees	TI/Devel. fees	Total
DIC MSREF Frankfurt Portfolio GmbH	**2010**	**19,943**	**18,825**	**107,625**	**0**	**146,393**
	2009	16,374	13,002	73,125	100,000	**202,501**
DIC MSREF Berlin GmbH	**2010**	**94,738**	**0**	**0**	**0**	**94,738**
	2009	94,410	0	0	0	**94,410**
DIC MainTor GmbH (formerly DIC MSREF Weißfrauenstraße GmbH)	**2010**	**294,000**	**0**	**0**	**0**	**294,000**
	2009	294,000	0	0	0	**294,000**
DIC MSREF HMDD Portfolio GmbH	**2010**	**68,205**	**0**	**146,500**	**70,000**	**284,705**
	2009	68,074	0	18,000	0	**86,074**
DIC MSREF HT Portfolio GmbH	**2010**	**67,556**	**0**	**99,250**	**0**	**166,806**
	2009	71,470	0	157,500	0	**228,970**
DIC MSREF FF Südwest Portfolio GmbH	**2010**	**121,532**	**16,250**	**0**	**0**	**137,782**
	2009	124,315	0	0	0	**124,315**
DIC MSREF Berlin Portfolio GmbH	**2010**	**72,592**	**86,574**	**522,787**	**0**	**681,953**
	2009	81,348	92,144	296,088	0	**469,580**
Overall totals	**2010**	**738,566**	**121,649**	**876,162**	**70,000**	**1,806,376**
	2009	749,991	105,146	544,713	100,000	**1,499,850**

Aside from its Board of Directors, Deutsche Immobilien Chancen Beteiligungs AG has no employees of its own. For the purpose of providing the services assigned to it in accordance with the Asset Management Agreement, it, for its part, makes use of services rendered by DIC Asset AG. Under an agreement of 16 November 2005 (supplemented by five addenda as a result of newly acquired portfolios), DIC Asset AG charges fees to Deutsche Immobilien Chancen Beteiligungs AG, the amount of which depends on whether the MSREF joint venture has contracted third-party service providers, with the approval of the Company.

In particular, the agreement provides for compensation for services related to portfolio and asset management in the amount of 2% of the net annual rent or 0.5% of the net annual rent if an external management company is involved. Assistance with leasing is compensated in the amount of 1.5 times the agreed net monthly rent – or 0.75 times the agreed net monthly rent if an external broker was involved. The compensation paid for sales assistance equals 0.3% to 1.5% of the realised proceeds – or 0.15% to 0.75% of the realised proceeds if an external broker was involved. Individual properties and project developments may be subject to case-by-case arrangements. On the basis of this agreement, the DIC Asset AG charged Deutsche Immobilien Chancen Beteiligungs AG the following amounts for services related to MSREF joint ventures for 2010 and 2009, in each case excluding sales tax:

Recipient of service (amounts in EUR)		**Asset mgm. fees**	**Leasing fees**	**Dispos. fees**	**Total**
DIC MSREF Frankfurt Portfolio GmbH	**2010**	**17,443**	**13,421**	**53,813**	**84,676**
	2009	14,499	9,508	36,563	**60,570**
DIC MSREF Berlin GmbH	**2010**	**15,790**	**0**	**0**	**15,790**
	2009	15,735	0	0	**15,735**
DIC MainTor GmbH (formerly DIC MSREF Weißfrauenstraße GmbH)	**2010**	**196,000**	**0**	**0**	**196,000**
	2009	196,000	0	0	**196,000**
DIC MSREF HMDD Portfolio GmbH	**2010**	**34,103**	**0**	**73,250**	**107,353**
	2009	34,037	0	9,000	**43,037**
DIC MSREF HT Portfolio GmbH	**2010**	**32,528**	**0**	**49,625**	**82,153**
	2009	34,172	0	78,750	**112,922**
DIC MSREF FF Südwest Portfolio GmbH	**2010**	**60,766**	**9,750**	**0**	**70,516**
	2009	62,158	0	0	**62,158**
DIC MSREF Berlin Portfolio GmbH	**2010**	**36,296**	**58,575**	**228,050**	**322,920**
	2009	40,674	64,253	148,148	**253,075**
Overall totals	**2010**	**392,925**	**81,745**	**404,737**	**879,407**
	2009	397,275	73,761	272,461	**743,497**

The amount charged under this agreement by the company to Deutsche Immobilien Chancen Beteiligungs AG totalled TEUR 879 in the financial year 2010 (previous year: TEUR 743).

DIC Capital Partners (Europe) GmbH
The company has granted to DIC Capital Partners (Europe) GmbH (formerly DIC Beteiligungs GmbH), which indirectly controls Deutsche Immobilien Chancen Beteiligungs AG as the general partner of Deutsche Immobilien Chancen AG & Co. KGaA, a loan in the amount of TEUR 700 at an interest rate of 4.5% p.a. (payable annually in arrears). The loan is unlimited and was valued at TEUR 460 (previous year: TEUR 440) as at 31 December 2010. To secure the company's loan repayment and interest claims against DIC Capital Partners (Europe) GmbH, DIC Capital Partners (Europe) GmbH has assigned to the company its claims against Deutsche Immobilien Chancen Objekt Mozartstraße 33a GmbH for dividends and the repayment of a loan.

Under the "Shareholder Agreements" dated 27 November 2006 and 9 May 2007, two other joint ventures of DIC Asset AG, namely, DIC Hamburg Portfolio GmbH and DIC HI Portfolio GmbH, and their respective wholly owned property companies receive various services from Deutsche Immobilien Chancen Beteiligungs AG. DIC Hamburg Portfolio GmbH and DIC HI Portfolio GmbH are opportunistic co-investments in which DIC Asset AG has a 20% interest (1.2% directly and 18.8% indirectly through DIC Opportunistic GmbH). Other investors are Deutsche Immobilien Chancen AG & CO. KGaA with a 30% interest which is held by its wholly owned subsidiary DIC Opportunity Fund GmbH (1.8% directly and 28.2% indirectly through DIC Opportunistic AG) and DIC Capital Partners (Germany) GmbH with a 50% interest (3% directly and 47% indirectly through DIC Opportunistic GmbH).

Accordingly, the above-named joint venture and Deutsche Immobilien Chancen Beteiligungs AG have entered into "Asset Management Agreements" for the provision of various management services as well as commissions on the leasing and divestiture of real property, in each case at the time of establishment of these joint ventures. Moreover, special compensation arrangements have been established with DIC Hamburg Portfolio GmbH for re-leasing services and an agreement regarding development fees has been concluded.

Under the existing service agreements ("Asset Management Agreements") these DICP joint ventures are to provide the following compensation to Deutsche Immobilien Chancen Beteiligungs AG:

- Base management fee: 1% of annual net rent;
- Leasing fee (equates to a leasing commission): 2.5 net monthly rental payments or one net monthly rental payment, if an outside broker is involved;
- Disposition fee (equates to a sales commission): 0.75% to 2.5% of the sales price after transaction costs if no outside broker is involved, and 0.5% to 1.5% of the sales price after transaction costs if an outside broker is involved;
- Tenant improvement fee (equates to a fee for re-leasing services): 3.5% to 4% of the internal and external costs that arise from renovation for a new tenant (particularly for planning and renovation) or negotiable on the basis of this expense;
- Development fee – for project development services through to initial leasing: dependent on expenses or market-rate compensation.

In 2010 and 2009, the following compensation was paid to Deutsche Immobilien Chancen Beteiligungs AG, in which MSREF holds 7.5% of the share capital, in each case excluding sales tax:

Recipient of service (amounts in EUR)		Base mgm. fees	Leasing fees	Dispos. fees	TI/Devel. fees	Total
DIC Hamburg Portfolio GmbH	**2010**	**85,001**	**34,890**	**396,600**	**0**	**516,491**
	2009	96,350	90,655	318,548	0	**505,552**
DIC HI Portfolio GmbH	**2010**	**220,709**	**0**	**0**	**0**	**220,709**
	2009	227,147	0	106,350	0	**333,497**
Overall totals	**2010**	**305,710**	**34,890**	**396,600**	**0**	**737,200**
	2009	323,497	90,655	424,898	0	**839,050**

As, aside from its Board of Directors, Deutsche Immobilien Chancen Beteiligungs AG has no employees of its own in the property management sector, for the purpose of providing the services assigned to it hereunder, it makes use of DIC Asset AG materials and personnel.

DIC Asset AG charges fees to Deutsche Immobilien Chancen Beteiligungs AG, the amount of which depends on whether, with the approval of the company, the DICP joint venture has contracted third-party service providers.

In particular, the amount of the fee for services related to portfolio and asset management is 0.5% of the net annual rent. Assistance with leasing is compensated in the amount of 1.5 times the agreed net monthly rent – or 0.75 times the agreed net monthly rent if an external broker was involved. The compensation paid for sales assistance equals 0.38% to 1.25% of the realised proceeds – or 0.25% to 0.75% of the realised proceeds if an external broker was involved. Individual properties and project developments may be subject to case-by-case arrangements. On the basis of this agreement, DIC Asset AG charged Deutsche Immobilien Chancen Beteiligungs AG the following amounts for services related to DICP joint ventures for 2010 and 2009, in each case excluding sales tax:

Recipient of service (amounts in EUR)		Asset mgm. fees	Leasing fees	Dispos. fees	Total
DIC Hamburg Portfolio GmbH	**2010**	**42,500**	**25,112**	**231,891**	**299,503**
	2009	48,175	55,781	159,604	**263,560**
DIC HI Portfolio GmbH	**2010**	**110,355**	**0**	**0**	**110,355**
	2009	113,574	0	53,175	**166,749**
Overall totals	**2010**	**152,855**	**25,112**	**231,891**	**409,858**
	2009	161,749	55,781	212,779	**430,309**

Morgan Stanley Real Estate Funds (MSREF)
Together with the companies of the MSREF Group, DIC Asset AG has acquired interests in investment properties, including:

- a portfolio acquired from the Frankfurter Sparkasse, which is held via DIC MSREF Frankfurt Portfolio GmbH and its four wholly owned subsidiary property companies, under agreements dated 22 December 2004;
- the so-called "eBay-Campus", which is held by DIC MSREF Berlin GmbH and its three wholly owned subsidiary property companies under agreements dated 23 August 2005;
- properties transferred from MEAG, which are held by DIC MSREF HMDD Portfolio GmbH and its eight wholly owned subsidiary property companies, under agreements dated 14 December 2005;
- properties acquired from Hochtief, which are held by DIC MSREF HT Portfolio GmbH and its ten wholly owned subsidiary property companies, under agreements dated 24 May 2006;
- properties transferred from the Falk group, which are held by DIC MSREF FF Südwest Portfolio GmbH and its six wholly owned subsidiary property companies, under agreements dated 16 August 2006; and
- a portfolio acquired from the Landesbank Berlin, which is held via DIC MSREF Berlin Portfolio GmbH and its twelve wholly owned subsidiary property companies, under agreements dated 16 December 2006;

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

The company holds an interest in the property companies of the FF Südwest portfolio, the HT portfolio and the properties transferred from MEAG at 20% each indirectly through the portfolio companies. In addition, aside from the 50% stake in each of the divisions of the MSREF group, the company holds a 30% indirect interest in DIC Opportunity Fund GmbH. The company holds an indirect interest in the property companies for the MainTor site of 40%; the remaining 60% is held by the MSREF group (50%), DIC Opportunity Fund (30%) and DIC Capital Partners (Germany) GmbH & Co. KGaA (30%).

With respect to the distribution of profits, the DIC shareholders are entitled to equity return-based profits paid in advance, which, in the case of an equity return in the amount of 17.5%, amount to 10% of profits and reach their maximum amount of 30% of profits at equity returns of 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 call for neither fixed terms nor collateral security. With regard to the balances existing as of the balance sheet dates, see „24. Receivables from related parties" on p. 141.

Forum European Realty Income II L.P. (Forum)
On 11 July 2008, Deutsche Immobilien Chancen AG & Co. KGaA, Forum European Realty Income S.a.r.l. and Forum European Realty Income II L.P. (hereinafter referred to as "Forum") entered into two agreements on the issue of convertible bonds. Forum is therefore extending its existing convertible bond by a further three years while at the same time taking up an additional convertible bond also with a term of three years and the option to convert 1.52 million DIC Asset AG shares, which are to be provided by Deutsche Immobilien Chancen AG & Co. KGaA. In return, Forum has transferred its holding of 4.9% to the DIC Group.

As a result of its accession to an agreement between Deutsche Immobilien Chancen AG & Co. KGaA and Forum of 18 September 2005, the company is also entitled and obligated vis-à-vis Deutsche Immobilien Chancen AG & Co. KGaA to acquire a 40% share in the so-called "opportunistic investments" of Deutsche Immobilien Chancen AG & Co. KGaA.

Due to the interest of 50% from other financial investors (such as MSREF) in opportunistic investments, the company's equity share amounts to 20% in total.

ProDIC GmbH
In accordance with an addendum to a loan agreement of 20 October 2010, DIC Asset AG has granted ProDIC GmbH a short-term loan amounting to EUR 13.6 million. This loan has an interest rate of 9.25% insofar as the interest on the loan does not cause the borrower to report a negative net result (annual result under commercial law plus carryforwards).

Transactions with executives
Legal transactions with executives and their close relatives were entered into only to an insignificant extent.

Remuneration of the Board of Directors and Supervisory Board
The remuneration of management in key positions in the Group, which is subject to disclosure requirements under IAS 24, encompasses the remuneration of the current Board of Directors and the Supervisory Board.

The members of the Board of Directors were remunerated as follows:

TEUR	**2010**	2009
Fixed remuneration	938	1,000
Profit sharing	412	235
Stock-based remuneration	85	406
Other	68	69
Total	1,503	1,710

For more details of the Board of Directors' remuneration, please see the Remuneration Report on page 177.

The members of the Supervisory Board were remunerated as follows:

TEUR	**2010**	2009
Fixed remuneration	105	105
Profit sharing	89	89
Other	10	10
Total	204	204

Further details, in particular information in accordance with § 285 Sentence 1 No. 9 letter a Sentences 5 to 9 HGB, are given in the management report.

The Chairman of the Supervisory Board of the company, Prof. Dr. Gerhard Schmidt, is a partner in the firm of lawyers Weil, Gotshal & Manges LLP. This firm received compensation for legal advisory services, which was reported under expenses, in the amount of TEUR 24 for the financial year 2010 and TEUR 23 for the financial year 2009.

Shareholder structure

Deutsche Immobilien Chancen AG & Co. KGaA, Frankfurt am Main, directly and indirectly, holds a minority stake of 35.43% (previous year: 39.4%) in DIC Asset AG. The corresponding announcement pursuant to § 20 AktG has been submitted to the company.

OTHER DISCLOSURES

Announcements pursuant to § 160 AktG

The existing announcements pursuant to § 21 Para. 1 German Securities Trading Act (WpHG) concerning direct and indirect investments in the issued capital of DIC Asset AG are listed in appendix 4 to the notes.

Events after the balance sheet date

The shares in the special fund DIC Office Balance I, which had been held provisionally in a joint venture together with Provinzial, were sold to third-party investors in the first quarter of 2011. All of the shares in this fund have therefore been placed.

Another property from the Helena portfolio was sold for EUR 1.4 million by means of a notarised agreement dated 18 February 2011. The transfer of title and the benefits and obligations associated therewith is planned for the first quarter of 2011. DIC Asset AG will receive 20% of the sales proceeds.

Apart from these transactions, no further material transactions were resolved, initiated or implemented in the post-balance sheet period under review, i.e. the period between the balance sheet date and the date of release of the consolidated financial statements by the Board of Directors on 2 March 2011.

Employees

In 2010 the Group had an average of 110 employees (previous year: 106 employees).

Corporate Governance Report

The declaration regarding the German Corporate Governance Code pursuant to § 161 AktG has been submitted and is available to shareholders at any time on the website http://www.dic-asset.de/investor-relations/cg/index.php.

Supervisory Board

The members of the Supervisory Board are:

Prof. Dr. Gerhard Schmidt (Chairman),
Attorney, Glattbach

Mr Klaus-Jürgen Sontowski (Deputy Chairman),
Businessman, Nuremberg

Mr Michael Bock, Member of the Board of Management of Provinzial Versicherungsanstalten der Rheinprovinz AG, Düsseldorf

Mr Hellmar Hedder, Head of Real Estate Portfolio Management, VersAM Versicherungs-Assetmanagement GmbH, Münster

Mr Russell C. Platt, Chief Executive Officer Forum Partners Europe (UK) LLP, London/UK

Mr Bernd Wegener FRICS, Principal Head of the Real Estate Management Division at the Versicherungskammer Bayern (Bavarian Insurance Chamber), Munich

At the same time, the members of the Supervisory Board served on the following additional supervisory boards and supervisory bodies:

Prof. Dr. Gerhard Schmidt	– Grohe AG, Hemer: Chairman of the Supervisory Board – Grohe Beteiligungs GmbH, Hemer: Chairman of the Supervisory Board – TDF Media Broadcast GmbH, Bonn: Member of the Supervisory Board – TTL Information Technology AG, Munich: Member of the Supervisory Board – Deutsche Immobilien Chancen Beteiligungs AG, Frankfurt am Main: Chairman of the Supervisory Board * – Deutsche Immobilien Chancen AG & Co. KGaA, Frankfurt am Main: Chairman of the Supervisory Board * – DIC Capital Partners (Germany) GmbH & Co. Kommanditgesellschaft auf Aktien, Munich: Chairman of the Supervisory Board * – DIC Capital Partners Beteiligungs GmbH, Munich: Chairman of the Supervisory Board ** – DIC Capital Partners (Germany) Verwaltungs GmbH, Munich: Chairman of the Supervisory Board ** – DIC Capital Partners (Germany) III Verwaltungs GmbH, Munich: Chairman of the Supervisory Board ** – DIC Capital Partners (Germany) III GmbH & Co. KGaA, Munich: Chairman of the Supervisory Board * – DICP Asset Management Beteiligungsgesellschaft mbH & Co. KGaA, Munich: Chairman of the Supervisory Board ** – DIC Opportunistic GmbH, Frankfurt am Main: Chairman of the Supervisory Board * – DIC Development GmbH, Frankfurt am Main: Chairman of the Supervisory Board *
Klaus-Jürgen Sontowski	– GRR AG, Erlangen: Chairman of the Supervisory Board – Deutsche Immobilien Chancen AG & Co. KGaA, Frankfurt am Main: Deputy Chairman of the Supervisory Board – Deutsche Immobilien Chancen Beteiligungs AG, Frankfurt am Main: Deputy Chairman of the Supervisory Board
Michael Bock	– Kapitalbeteiligungsgesellschaft der Deutschen Versicherungswirtschaft AG, Berlin: Deputy Chairman of the Supervisory Board – DIC Capital Partners Beteiligungs GmbH, Munich: Member of the Supervisory Board ** – DIC Capital Partners OpCo (Germany) Verwaltungs GmbH, Munich: Member of the Supervisory Board ** – DICP Capital SE, Munich: Member of the Supervisory Board – GRR AG, Erlangen: Deputy Chairman of the Supervisory Board – MEDICLIN Aktiengesellschaft, Frankfurt: Member of the Supervisory Board
Russell C. Platt	– DIC Capital Partners Beteiligungs GmbH, Munich: Member of the Supervisory Board ** – DIC Capital Partners (Germany) Verwaltungs GmbH, Munich: Member of the Supervisory Board ** – South Asian Real Estate Ltd, India: non-executive Chairman of the Management Board – Duet India Hotels Asset Management Limited, Mauritius: Member of the Supervisory Board – Crown Westfalen Bank AG, Bochum: Member of the Supervisory Board

* Membership as defined in § 100 Para. 2 Sentence 2 AktG
** Supervisory Board not formed on the basis of legal requirements

Board of Directors

The members of the Board of Directors are:

Mr Ulrich Höller (Chairman),
CEO, Master of Economics, Real Estate economist (ebs), Chartered Surveyor FRICS, Dreieich-Buchschlag

Mr Markus Koch, CFO (Deputy Chairman),
Master of Business Administration, Elz.

Mr Ulrich Höller was a member of the bodies/supervisory bodies of the following companies in the 2010 financial year:

- DIC Beteiligungs AG, Frankfurt: Chief Executive Officer
- DIC Opportunistic GmbH, Frankfurt: Member of the Supervisory Board
- DIC Onsite GmbH, Frankfurt: Chairman of the Supervisory Board
- DIC Capital Partners OpCo (Germany) GmbH & Co. KGaA, Munich: Member of the Supervisory Board
- ZIA Zentraler Immobilien Ausschuss, Berlin: Vice President and Member of the Board of Directors

Responsibility Statement

To the best of our knowledge and belief we warrant that, in accordance with the accounting principles to be applied, the consolidated financial statements convey a picture of the Group's assets, liabilities, financial position and earnings that reflects actual circumstances and that business development including results and the position of the Group are presented in such a way in the Group report as to give a picture that corresponds to actual circumstances and describes the material opportunities and risks of the Company's and the Group's anticipated development over the rest of the financial year.

Frankfurt am Main, 2 March 2011

The Board of Directors

Ulrich Höller | Markus Koch

AUDITORS' REPORT

We have audited the consolidated financial statements prepared by the DIC Asset AG, Frankfurt am Main, comprising the balance sheet, the profit and loss account, statement of comprehensive income, statement of changes in equity, cash flow statement and the notes to the consolidated financial statements, together with the group management report, which is combined with the management report of the parent company, for the business year from January 1 to December 31, 2010. The preparation of the consolidated financial statements and the combined group management report in accordance with IFRS as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a (1) HGB are the responsibility of the parent Company's Board of Management. Our responsibility is to express an opinion on the consolidated financial statements and the combined group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the combined group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the combined group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the Company´s Board of Management, as well as evaluating the overall presentation of the consolidated financial statements and the combined group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU, the additional requirements of German commercial law pursuant to § 315a (1) HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The combined group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Nuremberg, March 2, 2011

Rödl & Partner GmbH

Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Hübschmann	Danesitz
Wirtschaftsprüfer	Wirtschaftsprüfer
(German public auditor)	(German public auditor)

CORPORATE GOVERNANCE AT DIC ASSET AG

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CORPORATE GOVERNANCE REPORT AND DECLARATION OF CONFORMITY

The Board of Directors files a report – on behalf of Supervisory Board as well – 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 § 289a HGB.

Information on corporate governance practices

DIC Asset AG attaches great value to corporate governance. The Board of Directors and Supervisory Board consider they have an obligation to ensure the company's continued existence and the generation of sustained value added through responsible corporate governance that is focused on the long-term. Good corporate governance also includes dealing with risks in a responsible manner. The Board of Directors makes sure that risks are adequately managed and controlled in the company (see too the comments in the Risk Report) and ensures that the company complies with the law as well as the recommendations of the German Corporate Governance Code in accordance with the annual Declaration of Conformity. The company's internal control, reporting and compliance structures are continuously revised, enhanced and adjusted to changes in framework conditions.

In our opinion, more sophisticated corporate governance tools, such as in-house corporate governance principles or compliance guidelines, are not required at present because of the company specific circumstances. Should the implementation of additional tools become necessary on the basis of future developments, the Board of Directors and Supervisory Board will react without delay.

Current Declaration of Conformity

The Board of Directors and Supervisory Board regularly address issues of good corporate governance. In particular, they have familiarised themselves with the new elements innovations in the German Corporate Governance Code and have dealt with the question of compliance with the recommendations in financial year 2010. The consultation process resulted in the adoption of an updated annual Declaration of Conformity dated 9 December 2010, which has been made permanently accessible to the public on the company's website.

“The Board of Directors and Supervisory Board declare that DIC Asset AG complied with the recommendations of the Government Commission on the German Corporate Governance Code as published on 6 June 2008 from the date of submission of its previous Declaration of Conformity on 3 December 2009 until 2 July 2010 and since 3 July 2010 has complied with and will continue to comply with the recommendations as published on 26 May 2010. The following exceptions applied or apply:

- Since 1 July 2010, the D&O insurance policy for the Supervisory Board has provided for deductible in accordance with the provisions of § 93 para. 2 AktG (clause 3.8 of the Code). Up to this date, the company made use of the transition periods admissible under law and refrained from a premature adjustment to the insurance policy.

- In filling management functions and the composition of the Board of Directors and Supervisory Board of DIC Asset AG, the Board of Directors and the Supervisory Board will be guided by the company's interests and the legal requirements in future and in the process focus on the candidate's technical and personal qualifications – irrespective of his or her gender. In this respect, in deviation from clause 4.1.5 and clause 5.1.2 sentence 1 of the Code, it will not, as a matter of priority, strive to achieve appropriate participation by women with regard to filling management functions and the composition of the Board of Directors. Accordingly, in deviation from clause 5.4.1 of the Code, the specific targets specified by the Supervisory Board for its own composition, do not envisage an appropriate participation by women, as a priority, and a target of this kind is not taken into account, as a matter of priority, in the Supervisory Board's nominations for elections to the General Shareholders' Meeting.

- The members of the Board of Directors have been promised performance-related payments (profit-sharing bonuses) and options on so-called "virtual" shares as variable remuneration components. In accordance with Clause 4.2.3 Paragraph 2 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 correspondingly higher or lower, or may not be made at all. When they exercise the options, the Members of the Board of Directors 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 3 of the Code, these options on virtual shares were not and are not based on "demanding, relevant comparison parameters" within the meaning of the Code. We are of the opinion that incorporating additional comparison parameters will not bring about any greater motivation or sense of responsibility.

- When concluding Management Board contracts, care should be taken to ensure that payments made to Members of the Management Board upon the prior termination of their work for the Management Board without good cause should not exceed two years' pay, including ancillary benefits (severance cap), and should remunerate no more than the residual term of the contract of employment. In deviation from clause 4.2.3 paragraph 4 of the Code, no severance cap was or is agreed when contracts are concluded with the Board of Directors. An agreement of this kind runs counter to the basic understanding of a Management Board contract that is routinely concluded for the duration of the period of appointment and can, in principle, not be terminated ordinarily. In addition, we believe that a cap to the severance payment in the event of work for the Board of Directors ending prematurely without good cause is, in practice, not automatically enforceable unilaterally by the company. In the event of a Board of Directors contract being terminated prematurely by mutual agreement, we shall endeavour to take account of the recommended course of action.

- 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 is 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 5.4.6 paragraph 1 of the Code, the Deputy Chairman of the Supervisory Board was not and is not considered in the remuneration of the Supervisory Board. Insofar as our experience to date has shown that the number of occasions on which deputisation has been required is small, we regard separate remuneration as unnecessary.

- In slight deviation from clause 7.1.2 of the Code, the half-year financial report was not made publicly accessible within 45 days of the end of the reporting period due to an unavoidably tight schedule. We have published all other quarterly reports and the consolidated financial statements within the deadlines recommended by the Code and intend to maintain this in the future.

Frankfurt am Main, 9 December 2010
Board of Directors and Supervisory Board of DIC Asset AG"

MODUS OPERANDI AND COMPOSITION OF THE BOARD OF DIRECTORS AND SUPERVISORY BOARD

Dual management structure
As required under Germany company law, the dual management structure of DIC Asset AG, as a listed public limited company, consists of a Board of Directors and a Supervisory Board. There is rigid separation of the two boards – both in terms of personnel and function – allowing each of them to perform its different duties independently. The duty of the Board of Directors is to manage the company autonomously, that of the Supervisory Board is to monitor this.

Close cooperation between the Board of Directors and Supervisory Board
The Board of Directors and the Supervisory Board work closely together in the interests of the company. This ensures that optimal use is made of the professional expertise of the Board members and speeds up decision-making processes. The Board of Directors keeps the Supervisory Board regularly, promptly and comprehensively informed of strategy, planning, risk exposure and risk management as well as current business developments.

The Board of Directors performs its management role as a collegiate body. It puts forward strategic proposals and targets, discusses them with the Supervisory Board and ensures that they are implemented. In the process, it is bound to the company's interests and committed to the sustained increased in its value as well as the needs of shareholders, customers, employees and other groups associated with the company. The members of the Board of Directors are jointly responsible for managing the entire business. Notwithstanding their overall responsibility, the individual Board members run the departments allocated to them by resolution of the Board of Directors autonomously. The allocation of duties between the members of the Board is clear from the business allocation schedule. The Board of Directors has a quorum if at least the majority of its members participate in the resolution and adopt its resolutions by a simple majority. In the event that the Board of Directors consists of more than two members, the Chairman/Spokesman, will have the casting vote if the votes are equal.

The Supervisory Board appoints and dismisses members of the Board of Directors and works with the Board of Directors to ensure long-term succession plans are in place. In the case of certain defined measures of material significance – such as major capital investments – the rules of procedure for the Board of Directors stipulate that the approval of the Supervisory Board is necessary. The Supervisory Board has also issued rules of procedure for its work. The Chairman of the Supervisory Board coordinates the work of the Supervisory Board, chairs its meetings and protects its interests externally. A summary of the type and scope of the Supervisory Board's activities in financial year 2010 is given in the Board's report.

Composition of the boards
When filling the Board of Directors and the Supervisory Board as well as management functions in the Group, attention is focused, as a matter of priority, on the perception of the knowledge, skills and professional experience needed for the tasks to be performed. Considerations regarding gender are of subordinate significance here.

The Board of Directors of DIC Asset AG consists of two members with Ulrich Höller as Chairman (CEO) and with Markus Koch who is responsible for Finance and Controlling (CFO) as Deputy Chairman.

The Supervisory Board of DIC Asset AG consists of six members, who are all elected by the Shareholders' General Meeting. The Supervisory Board has elected a Chairman and a Deputy Chairman from its midst. Members of the Supervisory Board are elected for a term of office until the end of the general shareholders' meeting that ratifies the actions of the Supervisory Board for the fourth financial year from the start of the term of office. The financial year in which the term of office starts is not included in this calculation. The current terms of office of incumbent Supervisory Board members end at different times because they were appointed at different times.

Please refer to the Notes to the consolidated financial statements with regard to the actual membership of the Supervisory Board and the disclosures in accordance with § 285 No. 10 HGB.

Aims of the Supervisory Board with regard to its composition
Taking account of the company's specific situation, the Supervisory Board has specified objectives for its composition. The most important objective relates to the eligibility of the Supervisory Board members: the Supervisory Board is to be filled in such a way that competent monitoring of and advice to the Board of Directors is guaranteed. As a whole the Supervisory Board should have the requisite knowledge, skills and experience to perform its tasks. In the process, the individual qualifications of individual members may complement

each other in achieving this objective. Independence and the avoidance of conflicts of interest are also important objectives for the Supervisory Board: a sufficient number of independent members should belong to the Supervisory Board. The recommendations of the German Corporate Governance Code are complied with in respect of independence and conflicts of interest. Finally, the Supervisory Board takes account of the age limit rule specified in the rules of procedure for the Supervisory Board in its composition. This stipulates that as a rule only persons, who are not yet 70, should be proposed for election to the Supervisory Board. The Supervisory Board may also include one or more members, who are particularly qualified with regard to international requirements. However, in view of DIC Asset AG's focus on the German property market, the Supervisory Board has opted not to stipulate the aspect of internationality as an objective.

At present, the membership of the Supervisory Board complies with the statutory objectives. All members are professionally and personally qualified; they include an independent financial expert and a member with an international background. The Board includes an adequate number of independent members, who are not related to the company or its Board of Directors in any professional or personal capacity, which would give rise to a conflict of interests. Former members of the Board of Directors of DIC Asset AG are not represented in the Supervisory Board.

Disclosure of conflicts of interest

Each member of the Board of Directors and the Supervisory Board discloses any possible conflicts of interest to the Supervisory Board. When the Supervisory Board makes decisions regarding contracts with Supervisory Board members pursuant to § 114 AktG, the member concerned does not participate in the decision.

Effectiveness of the Supervisory Board's work

The Supervisory Board regularly examines its own effectiveness. This examination takes the form of a company-specific questionnaire, which is evaluated without delay. The results are discussed and the findings are then incorporated into the Board's future operations.

A committee for more effective working

The Supervisory Board has created an Audit Committee from amongst its members, which supports the Supervisory Board in performing its functions and reports regularly to the entire Supervisory Board. In particular, the Audit Committee deals with issues relating to the monitoring of the financial reporting process, the effectiveness of the internal control system, the risk management system and compliance. It assesses and monitors the independence of the auditors and determines the focus of the audit in consultation with them. The Audit Committee meets when events merit this.

The Audit Committee has the following three members:

- Michael Bock (Chairman of the Audit Committee)
- Prof. Dr. Gerhard Schmidt
- Hellmar Hedder

The Chairman of the Audit Committee is an independent financial expert and has particular knowledge and experience in the areas of financial reporting and the auditing of financial statements from his professional work as the CFO of Provinzial Rheinland Versicherung AG. There are currently no plans to create additional committees.

D&O insurance policy

There is a Directors & Officers insurance policy for members of the Board of Directors and Supervisory Board (D&O insurance policy). It provides insurance for claims for damages by the company, shareholders or third parties, which may be asserted on the basis of breaches of the duty of care by the Boards. DIC Asset AG bears the costs of the insurance policy. Since 1 July 2010, the members of the Board of Directors and Supervisory Board have had to pay a deductible in the event of a claim.

REMUNERATION REPORT

Remuneration system for the Board of Directors
The Supervisory Board sets the total remuneration of individual members of the Board of Directors and regularly reviews the remuneration system for the Board of Directors. The requirements of the law on the appropriateness of Board of Directors remuneration (VorstAG) are taken into account when extending contracts with the Board of Directors.

The relationship between total remuneration and the tasks of each member of the Board, their personal achievements, the economic situation, the success and future prospects of DIC Asset AG is appropriate and is also appropriate taking account of the remuneration paid in comparable companies and the compensation paid to other people working for the company. At the same time, remuneration is focused in such a way that it is competitive.

The remuneration of the Board of Directors is made up of three components: it includes (i) a fixed remuneration and ancillary benefits, (ii) a variable remuneration that is dependent on the achievement of specific targets (short-term performance-related component) and (iii) a share-based component (long-term incentive component).

▷ Fixed remuneration and ancillary benefits
The fixed remuneration is paid in equal monthly instalments. The ancillary benefits consist of the provision of a company car, a mobile telephone and insurance subsidies, for accident and medical insurance, in particular.

▷ Variable, performance-related compensation
The Board of Directors' variable, performance-related remuneration (profit-sharing) is based on the operating results of the DIC Asset Group and, consequently and therefore takes account of both positive and negative developments.
A positive operating result for the DIC Asset Group is prerequisite for the granting of profit-sharing for members of the Board of Directors, whose Board of Directors contract was extended after enactment of the VorstAG. The amount of profit-sharing 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 profit-sharing. The amount of profit-sharing is limited to 70% of the fixed remuneration. The Supervisory Board decides on profit-sharing once a year up to 31 May of the following year. Payment of profit-sharing takes place on the last bank working day of the month in which the Supervisory Board decides on profit-sharing.
For members of the Board of Directors, whose Board of Directors contract was concluded or extended before enactment of the VorstAG, profit-sharing is supposed to amount to at least 50% of the fixed remuneration if the DIC Asset Group has achieved satisfactory operating earnings (EBT). The Supervisory Board decides on profit-sharing once a year up to 30 April of the following year. Payment of profit-sharing takes place on the last bank working day of the month in which the Supervisory Board decides on profit-sharing.

▷ Share-based remuneration as a long-term incentive
In addition, members of the Board of Directors hold options on so-called "virtual" shares in DIC Asset AG, which also take account of both positive and negative developments. The number of the options granted to a member of the Board of Directors is set by contract for each individual member of the Board of Directors.

The options are fictitious and do not give any right to purchase shares but grant the right to a cash payment. When exercising the options, Board members receive payments to the amount of the share price less EUR 2.90 (Mr Höller) or EUR 6.00 (Mr Koch) for each virtual share. The exercise of the options is linked to a specific number of years' service as a Board member (vesting period). The duration of the vesting period is regulated by contract for each individual member of the Board of Directors and amounts to between 22 and 46 months. The share price is calculated from the average of the closing prices in a reference period of ten trading days before the option is exercised. The market value of the options on 31 December 2010 amounted to EUR 0.4 million.

▷ Termination of Board membership
With the exception of a Board contract covering the eventuality of a change of control, the Board contracts do not contain an express undertaking to provide a severance payment. Contrary to the recommendation given in section 4.2.3 of the German Corporate Governance Code, no agreement has been made that payments, including fringe benefits, to Board members who leave the Board early without good cause should not exceed the value of two years' remuneration (settlement cap) and should not reimburse more than the remaining period of the contract of employment.

In the event of a change of control, the chairman of the Board Ulrich Höller has the right to prematurely terminate his contract of employment. In exercising his right to terminate Mr Höller is entitled to receive a payment of twice his total annual earnings in the financial year prior to the change of con-

REMUNERATION OF THE BOARD OF DIRECTORS EUR

	Fixed remuneration	Profit sharing	Share-based remuneration*	Other**	**Total 2010**	Total 2009
Ulrich Höller	400,000.00	200,000.00	124,600.00	3,368.40	**727,968.40**	758,513.64
Markus Koch	350,000.00	175,000.00	27,400.00	43,683.09	**596,083.09**	590,993.88
Dr. Jürgen Schäfer	187,500.00	37,500.00.00	-66,600.00	20,687.31	**179,087.31**	361,047.84
Total	937,500.00	412,500.00	85,400.00	67,738.80	**1,503,138.80**	1,710,555.36

* In addition to the appreciation in the stock options in existence as of 31 December 2010, stock-based compensation also includes the value of the options of Messrs Höller and Koch exercised in the past financial year

** Other remuneration includes non-monetary benefits from personal use of a company car and insurance subsidies

VIRTUAL SHARE OPTIONS 2010

	No. of shares in existence	Earliest possible exercise date
Ulrich Höller	85,000	31.12.2011
Markus Koch	35,000	31.07.2012
Markus Koch	35,000	31.07.2014
Total	155,000	

trol. If the remaining period of his contract of employment is less than two complete years, the equivalent of two years' total earnings is replaced by a proportion of two years' total annual earnings calculated pro rata over the shorter period remaining.

If a Board member dies during the term of his contract with the Board of Directors, in the case of Mr Höller, the fixed annual salary and, in the case of Mr Koch, the total 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 Board member died. If a Board member becomes permanently incapable of working during the term of his Board of Directors contract, the contract will end three months after the end of the half-year in which his permanent incapacity was established. In the event of illness, remuneration will be paid to the Board member for a term of six months, however, at the latest until the contract ends.

Remuneration in financial year 2010

In addition to his work for DIC Asset AG, the chairman of the Board of Directors Ulrich Höller held the same position for Deutsche Immobilien Chancen Beteiligungs AG in financial year 2010.

The total remuneration of the members of the Board of Directors granted by DIC Asset AG amounted to EUR 937.500,00 in financial year 2010.

Remuneration of members of the Supervisory Board

Supervisory Board remuneration is based on § 10 of the articles of incorporation of DIC Asset AG. Each member receives remuneration appropriate to his work, which is made up of fixed and variable performance-related remuneration. Supervisory Board members receive a fixed remuneration of EUR 15,000 for each full year of membership. As a variable, performance-dependent fee, each member receives EUR 2,556.46 for each percentage point of dividend over the rate of seven percent, calculated on the amount of equity, that is distributed, but no more than EUR 12,782.30. The Chairman receives double the fixed and variable compensation. In addition to the remuneration, each member of the Supervisory Board receives reimbursement of his expenses, including Value Added Tax.

REMUNERATION OF THE SUPERVISORY BOARD EUR

	Fixed remuneration	Variable remuneration	Committee membership remuneration	**Total 2010**	Total 2009
Prof. Dr. Gerhard Schmidt (Chairman)	30,000	25,565	2,500	**58,065**	58,065
Klaus-Jürgen Sontowski (Deputy Chairman)	15,000	12,782	–––	**27,782**	27,782
Michael Bock	15,000	12,782	5,000	**32,782**	32,782
Hellmar Hedder	15,000	12,782	2,500	**30,282**	30,282
Russell C. Platt	15,000	12,782	–––	**27,782**	27,782
Bernd Wegener	15,000	12,782	–––	**27,782**	27,782
Total	105,000	89,475	10,000	**204,475**	204,475

For membership of a committee of the Supervisory Board, which has met at least once during the financial year, the members of the Supervisory Board also receive compensation of EUR 2,500 per committee for each full financial year of their membership of this committee, but not exceeding EUR 5,000 in total. The Chairman of a Supervisory Board committee receives twice this additional compensation.

During the financial year 2010, total remuneration of the members of the Supervisory Board amounted to TEUR 204. In addition, for financial year 2010 EUR 24,000 (previous year: EUR 23,000) in fees for services received was paid to the legal office of Weil, Gotshal & Manges LLP, in which Prof. Dr. Gerhard Schmidt is a partner.

Directors' transactions in the financial year 2010

Under § 15a of the German Securities Trading Act (WpHG), persons holding management positions must disclose the acquisition or disposal of shares in DIC Asset AG and any related financial instruments where these exceed EUR 5,000 in a calendar year. In financial year 2010, DIC Asset AG received and published notification of the purchase of 916 shares as part of the capital increase by subscription rights the Deputy Chairman of the Board of Directors Markus Koch.

Shares held by members of the Board of Directors and Supervisory Board

The number of shares in the company or related financial instruments held directly or indirectly (under the terms of § 15a WpHG) by members of the Board of Directors and the Supervisory board is less than one percent of the shares issued. However, 39.36% of the voting rights in DIC Asset AG are attributed to the Chairman of the Supervisory Board, Prof. Dr. Gerhard Schmidt, in accordance with § 22 para. 1 sentence 1 No. 1 WpHG, which are held by Deutsche Immobilien Chancen AG & Co. KGaA and its subsidiaries DIC ML GmbH and DIC Opportunity Fund GmbH as well as DIC Dritte Beteiligungs GmbH & Co. KG.

OTHER DISCLOSURES

Shareholders and Shareholders' General Meeting
In the Shareholders' General Meeting, shareholders of DIC Asset AG make use of their rights. The ordinary Shareholders' General Meeting takes place once a year. Every shareholder, who registers in good time, is entitled to take part in the Shareholders' General Meeting, to vote with his registered shares and to pose questions to the Board of Directors. Each share gives entitlement to one vote in the ballots.

Transparent communication
We issue a detailed report each quarter on business developments and the position of its assets, finances and earnings. In addition, we keep the public informed of developments in the company and news about the company through the use of a variety of media. Insider information that could have a significant influence on the share price is published immediately in the form of ad-hoc announcements. Our website is an important tool for supplying information to shareholders, investors and the general public. On our website, we provide financial reports as well as ad-hoc and other announcements in both German and English. A newsletter keeps interested investors up to date and the financial calendar provides information on important dates. All interested investors can also contact the staff in Investor Relations and Corporate Communications via the website or direct by e-mail.

Financial reporting and auditing
DIC Asset AG prepares its consolidated financial statements in accordance with International Financial Reporting Standards (IFRS), taking account of the recommendations of EPRA, while separate financial statements are compiled in accordance with HGB. The financial statement for the whole year is drawn up by the Board of Directors and verified by the Supervisory Board, as are the quarterly and half-yearly reports. The Supervisory Board proposes an auditor on the recommendation of the Audit Committee that is then chosen by the Shareholders' General Meeting. The auditor makes a statement of independence to the Supervisory Board.

REPORT OF THE SUPERVISORY BOARD

In financial year 2010, the Supervisory Board regularly and diligently monitored the management of DIC Asset AG by the Board of Directors and provided advice and support both on strategic corporate development and significant individual measures.

Over the course of the financial year, the Board of Directors provided the Supervisory Board with information on all material issues involved in corporate planning, on the position and development of the Company and the Group, and on the risk situation, the internal control system, risk management and compliance as well as significant business events. This took place regularly, promptly and comprehensively through written and oral reports. Deviations from planned business development were explained in detail by the Board of Directors. The Supervisory Board was involved in all essential decisions at an early stage and – to the extent necessary and in the interests of the Company – gave its approval after examining and discussing them in depth.

In 2010, the Supervisory Board met for four ordinary meetings and a further seven extraordinary meetings. The extraordinary meetings were held as telephone conferences. No members of the Supervisory Board attended fewer than half of the meetings. The Chairman of the Supervisory Board was also notified of material developments and decisions by the Board of Directors between the meetings. The members of the Board of Directors participated in all of the meetings.

At the meetings, the Board of Directors explained the operational business development (in particular, letting and sales activities), the trend in sales and results and the Group's financial position, with each issue then being discussed jointly. The Supervisory Board was always provided with the reports of the Board of Directors and – if necessary – the requisite written drafts of the resolutions that formed the basis for consultation and decisions in the Supervisory Board, in sufficient time to prepare for meetings and resolutions. The Supervisory Board was informed of particularly important business events by the Board of Directors in detail and always without delay. If necessary, decisions were made using the written resolution procedure, which does not require the physical presence of the members.

Focal points of the meetings of the Supervisory Board

▷ March 2010

The ordinary meeting focused on the results of the previous meeting of the audit committee, which were debated and discussed in detail. The annual financial statements of DIC Asset AG for financial year 2009 were approved and the consolidated financial statements were agreed. The agenda for the 2010 General Shareholders' Meeting was discussed and the report of the Supervisory Board to the General Shareholders' Meeting was approved. The Board of Directors also explained the key points of the Group's planning for 2010 including the profit forecast, which was subsequently discussed. Business development so far in the first quarter, the planned structuring of funds, measures taken to refinance borrowing and possible capital measures were also the subject of discussion. In the absence of the Board of Directors, the Supervisory Board set the variable remuneration of the Board of Directors for the past financial year.

At two extraordinary Supervisory Board meetings, the body unanimously decided to approve an increase in the Company's share capital by EUR 7,837,499 from EUR 31,349,999 to EUR 39,187,498 from authorised capital. The new shares were offered to the Company's shareholders for purchase.

▷ April 2010

At an extraordinary Supervisory Board meeting, the resolutions for the ordinary General Shareholders' Meeting of the Company on 5 July 2010 were discussed and approved.

▷ May 2010

At an extraordinary Supervisory Board meeting, the Board of Directors reported on business development and the results of the first quarter of 2010. The report for the first quarter was approved for publication following the subsequent discussion.

▷ June 2010

At the ordinary meeting, the Board of Directors presented the probable results of the second quarter of 2010. In addition, the implemented and planned activities in lettings and sales were explained. The implementation status of the targets set at last year's strategy meeting was also explained. In the same way, acquisitions, project developments, sales activities and scenarios for profit planning for 2011 were explained and discussed in a plenary meeting. Discussions also covered Supervisory Board-approved agreements between the Company and Weil, Gotshal & Manges LLP on special legal advisory services, as well as issues relating to D&O insurance.

▷ August 2010
At an extraordinary meeting, the Board of Directors presented the results for the second quarter of 2010 and the first half of 2010. The reasons for increasing the forecast were also presented. After subsequent further discussion, the half-year financial report was agreed and cleared for publication by the Supervisory Board.

▷ September 2010
At an extraordinary Supervisory Board meeting, the body decided to extend the appointment of Mr Markus Koch as Deputy Chairman and a member of the Board of Directors and to extend his employment contract until 30 September 2014. In this connection, the Supervisory Board discussed the regulations of the German Act on the Appropriateness of Executive Remuneration (VorstAG) in detail and reviewed the system of remuneration for the Board of Directors.

At the ordinary meeting, the Board of Directors presented the preview of results for the third quarter of 2010 and all of financial year 2010 and provided information on the status of equity raising for the planned fund. After discussion, the Supervisory Board approved the proposed implementation and launch of the fund in October. The Board of Directors also explained the current status of the financing discussions on the development of the MainTor project as well as the other ongoing negotiations. After discussion, the Supervisory Board approved the planned course of action. In addition, the strategy for 2011 and subsequent years regarding market assessment and the possible development of the Company were presented by the Board of Directors.

▷ November 2010
At the extraordinary meeting, the Board of Directors summarised the results of the first nine months and explained the planned communication of the placement of the first DIC special fund. Following the subsequent discussion, the Supervisory Board approved the planned course of action in the reports and cleared the documents relating to the quarterly report for publication.

▷ December 2010
At the ordinary meeting, the Board of Directors presented the preview of results for the fourth quarter of 2010 and all of financial year 2010. In addition, operational planning for 2011, profit and balance sheet planning and possible purchasing activities were explained. In a comparison of the planning with figures from previous years, conclusions were presented and discussed. The Board of Directors also presented the current status of the MainTor project. The Supervisory Board discussed the updating of the German Corporate Governance Code and set specific targets for its composition, which are described in more detail in the corporate governance report. A decision was also taken on the annual declaration of conformity.

Report by the audit committee
The Supervisory Board has established an audit committee to ensure that work is allocated and carried out efficiently. It deals in particular with the financial statements, risk management (including the internal control system) and compliance. The chairman of the audit committee provided regular, detailed reports on the committee's work to the plenary meetings of the Supervisory Board.

Mr Michael Bock, chairman of the audit committee, is an independent financial expert and has particular knowledge and experience in the areas of financial reporting and the auditing of financial statements as the CFO of Provinzial Rheinland Versicherung AG. Additional members are the Chairman of the Supervisory Board, Prof. Dr. Gerhard Schmidt, and Mr Hellmar Hedder.

The audit committee met twice in 2010. The meeting in January 2010 focused on real estate valuation. With particular consideration of the auditing focal points determined beforehand by the audit committee in coordination with the auditor, the annual and consolidated financial statements for financial year 2009 along with the summarised management report and Group management report, as well as the associated audit reports, were examined and discussed in detail at the meeting in February 2010 in the presence of the auditor. In this context, the audit committee also received reports on risk management and the risk early warning system as well as the internal control system. Recommendations were approved for the resolutions of the Supervisory Board on the accounting documents for financial year 2009 and the proposed choice of auditor for financial year 2010. The audit committee was satisfied of the independence of the proposed auditor beforehand.

Corporate governance reviewed, declaration updated
During the year under review, the Supervisory Board had regular dealings with the Company's corporate governance. The Supervisory Board issued the current declaration of conformity with the recommendations of the German Corporate Governance Code pursuant to § 161 AktG together with the Board of Directors in December 2010 and made it available on the Company's website.

The Board of Directors provides a detailed report – on behalf of the Supervisory Board as well – on corporate governance in the "Report on corporate governance" section of the annual report. The declaration of conformity is also reproduced there in full.

Conflicts of interest avoided
Each member of the Supervisory Board discloses any possible conflicts of interest to the Supervisory Board. If the Supervisory Board made decisions on consultancy agreements with the law firm of the Chairman of the Supervisory Board in accordance with § 114 AktG, the Chairman of the Supervisory Board abstained in the vote on the resolution. No other conflicts of interest were reported in financial year 2010.

Annual and consolidated financial statements audited and approved
The Board of Directors prepared the annual financial statements for financial year 2010 in accordance with the HGB, the consolidated financial statements in accordance with IFRS and the management report summarised with the Group management report. These items were audited by Rödl & Partner GmbH Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Nuremberg, appointed as auditors at the 2010 General Shareholders' Meeting, and an unqualified audit opinion was issued for each of them.

The audit committee first checked the submitted documents in order to prepare for the decision of the Supervisory Board on these documents. The auditor participated in the meeting of the audit committee in February 2011 at which the documents were discussed, reporting on the significant findings of his audit and reporting that there were no essential weaknesses of internal control and risk management relating to the financial reporting process. He was available to answer the committee's questions. There were also no circumstances that could suggest any bias on the part of the auditor. On this basis, the audit committee compiled a report on its work and issued recommendations for the Supervisory Board's resolutions.

The Supervisory Board audited the annual and consolidated financial statements for financial year 2010, the management report summarised with the Group management report and the Board of Directors' proposal for the distribution of profits. These documents and the reports of the auditor and audit committee were presented to all members in good time and discussed in detail and examined at the Supervisory Board meeting on 2 March 2011. The chairman of the audit committee provided information on the significant content and results of the audit committee's preliminary audit to the entire Supervisory Board at its meeting. As he had done previously in the audit committee, the auditor also reported on the material findings of his audit and answered questions.

The Supervisory Board concurred with the results of the auditor's audit. On the basis of its own audit, the Supervisory Board established that it has no cause for objections. Accordingly the Supervisory Board approved the annual and consolidated financial statements prepared by the Board of Directors in line with the recommendation of the audit committee. The annual financial statements of DIC Asset AG are hereby approved.

Proposed distribution of profits
In connection with the proposal for the distribution of profits by the Board of Directors, the Supervisory Board also discussed the balance sheet policy and financial planning in the audit committee and the entire Supervisory Board. On the basis of its own audit, the Supervisory Board supports the proposal on the distribution of profits by the Board of Directors.

Relationships with affiliates reviewed
The Board of Directors prepared a report on relationships with affiliates for financial year 2010. The auditor has audited this report, reported on its findings in writing and issued the following unqualified audit opinion:

> "According to our properly considered audit and evaluation, we confirm that
>
> 1. the actual information in the report is correct,
> 2. in the legal transactions mentioned in the report, under the circumstances known at the time they were undertaken, the consideration paid by the Company was not disproportionately high."

The Board of Directors' report and the auditor's report were also made available to the individual members of the Supervisory Board in a timely manner. These reports were examined and discussed in depth in the meetings of the audit committee and the Supervisory Board. The auditor participated in these meetings and reported on the material findings of his audit.

The Supervisory Board approved the Board of Directors' report on relationships with affiliates and also seconded the result of the audit of the report by the auditor. As a result of its own audit, the Supervisory Board established that it had no reason to object to the declaration made by the Board of Directors on the relationships with affiliated companies, presented at the end of the report.

Auditor proposed
The audit committee recommended to the Supervisory Board that it propose to the General Shareholders' Meeting the commissioning of Rödl & Partner GmbH Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft to audit the annual financial statements and consolidated financial statements for financial year 2011 and to review the interim report. On the basis of this recommendation, the Supervisory Board adopted a proposal to this effect for submission to the General Shareholders' Meeting.

Composition of the Board of Directors and the Supervisory Board
Dr Jürgen Schäfer (COO) stepped down from the Board of Directors upon the expiry of his employment contract on 30 September 2010. The Supervisory Board would like to thank Dr Schäfer for his successful work for DIC Asset AG.

At the proposal of the Supervisory Board, the General Shareholders' Meeting on 5 July 2010 re-elected Mr Russell Platt and Mr Bernd Wegener to the Supervisory Board for a term up to the end of the General Shareholders' Meeting which ratifies the actions of the Supervisory Board for financial year 2014.

The Supervisory Board would like to thank the Board of Directors and employees for their dedication and hard work during the past financial year.

Frankfurt am Main, 2 March 2011

The Supervisory Board
Prof. Dr. Gerhard Schmidt
- Chairman -

Appendix 1 to the notes on the consolidated financial statements

Consolidated subsidiaries

Name and registered office of company	Interest (%)*
DIC Asset Beteiligungs GmbH, Erlangen	100.0
DIC Office Balance GmbH, Frankfurt	100.0
DIC Objekt Neumarkt GmbH, 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 Dreieich GmbH, Frankfurt am Main	100.0
DIC Objekt Darmstadt GmbH, Frankfurt am Main	100.0
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 RMN Objekt 2 GmbH, Frankfurt am Main	99.4
DIC RMN Objekt 3 GmbH, Frankfurt am Main	100.0
DIC Objekt Köln 1 GmbH, Frankfurt am Main	100.0
DIC Objekt Nürnberg GmbH, Frankfurt am Main	100.0
DIC Objekt Hannover GmbH, Frankfurt am Main	100.0
DIC RP Portfolio GmbH, Frankfurt am Main	100.0
DIC RP Objekt Bochum GmbH, Frankfurt am Main	100.0
DIC RP Objekt Essen GmbH, Frankfurt am Main	100.0
DIC OP Objekt Betriebsvorrichtungs GmbH, Frankfurt am Main	100.0
DIC RP Objekt Stadtbadgalerie Bochum 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 Coblitzweg 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. 1 GmbH, Frankfurt am Main	100.0
DIC AP Objekt Königsberger Str. 29 GmbH, Frankfurt am Main	100.0
DIC AP Objekt Mainz GmbH, Frankfurt am Main	100.0
DIC AP Objekt P6 GmbH, Frankfurt am Main	100.0
DIC AP Objekt Stuttgarter Str. 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 4 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

Name and registered office of company	Interest (%)*
DIC AP Objekt 7 GmbH, Frankfurt am Main	100.0
DIC AP Objekt 8 GmbH, Frankfurt am Main	100.0
DIC AP Objekt Konstanz GmbH, Frankfurt am Main	100.0
DIC AP Objekt Wiesbaden GmbH, Frankfurt am Main	100.0
DIC AP Objekt Oberursel 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
WACO Projektmanagement AG, Luxemburg	100.0
DIC Asset AP GmbH, Frankfurt am Main	100.0
DIC Asset OP GmbH, Frankfurt am Main	100.0
DIC Asset DP GmbH, Frankfurt am Main	100.0
DIC OF Reit 1 GmbH, Frankfurt am Main	100.0
DIC OF Reit 2 GmbH, Frankfurt am Main	100.0
DIC OP Portfolio GmbH, Frankfurt am Main	100.0
DIC OP Objekt Darmstadt GmbH, Frankfurt am Main	100.0
DIC OP Objekt Duisburg GmbH, Frankfurt am Main	100.0
DIC OP Objekt Düsseldorf GmbH, Frankfurt am Main	100.0
DIC OP Objekt Hamburg GmbH, Frankfurt am Main	100.0
DIC OP Objekt Hannover GmbH, Frankfurt am Main	100.0
DIC OP Objekt Leverkusen GmbH, Frankfurt am Main	100.0
DIC OP Objekt Mannheim GmbH, Frankfurt am Main	100.0
DIC OP Objekt Marl GmbH, Frankfurt am Main	100.0
DIC OP Objekt München-Grünwald GmbH, Frankfurt am Main	100.0
DIC OP Objekt Objekt 1 GmbH, Frankfurt am Main	100.0
DIC OP Objekt Objekt 2 GmbH, Frankfurt am Main	100.0
DIC OP Objekt Objekt 3 GmbH, Frankfurt am Main	100.0
DIC OP Objekt Objekt 4 GmbH, Frankfurt am Main	100.0
DIC VP Portfolio GmbH, Frankfurt am Main	100.0
DIC VP Objekt Bonn GmbH, Frankfurt am Main	100.0
DIC VP Objekt Köln ECR GmbH, Frankfurt am Main	100.0
DIC VP Objekt Köln Silo GmbH, Frankfurt am Main	100.0
DIC VP Objekt Düsseldorf Nordstraße GmbH, Frankfurt am Main	100.0
DIC VP Objekt Düsseldorf Nürnberger Straße GmbH, Frankfurt a. M.	100.0
DIC VP Objekt Moers GmbH, Frankfurt am Main	100.0
DIC VP Objekt Neubrandenburg GmbH, Frankfurt am Main	100.0
DIC VP Objekt Saalfeld GmbH, Frankfurt am Main	100.0
DIC VP Betriebsvorrichtungs GmbH, Frankfurt am Main	100.0
DIC DP Portfolio GmbH, Frankfurt am Main	100.0
DIC DP Wiesbaden Frankfurter Straße 50 GmbH, Frankfurt am Main	100.0
DIC DP Wiesbaden Frankfurter Straße 46-48 GmbH, Frankfurt a. M.	100.0
DIC DP Hamburg Halenreie GmbH, Frankfurt am Main	100.0

Name and registered office of company	Interest (%)*
DIC DP Düsseldorf Erkrather Straße GmbH, Frankfurt am Main	100.0
DIC DP Mönchengladbach Stresemannstraße GmbH, Frankfurt a. M.	100.0
DIC DP Berlin Rosenthalerstraße GmbH, Frankfurt am Main	100.0
DIC DP Langenselbold Am Weiher GmbH, Frankfurt am Main	100.0
DIC DP München Hanauer Straße GmbH, Frankfurt am Main	100.0
DIC DP Halbergmoos Lilienthalstraße GmbH, Frankfurt am Main	100.0
DIC DP Objekt 1 GmbH 6 Co.KG, Frankfurt am Main	100.0
DIC DP Objekt 2 GmbH, Frankfurt am Main	100.0
DIC DP Objekt 3 GmbH, Frankfurt am Main	100.0
DIC DP Objekt 4 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 DP Betriebsvorrichtungs GmbH, Frankfurt am Main	100.0
DIC 25 Portfolio GmbH, Frankfurt am Main	100.0
DIC 25 Betriebsvorrichtungs GmbH, Frankfurt am Main	100.0
DIC 26 Portfolio GmbH, Frankfurt am Main	100.0
DIC 26 Leipzig GmbH, Frankfurt am Main	100.0
DIC 26 Regensburg GmbH, Frankfurt am Main	100.0
DIC 26 Flensburg GmbH, Frankfurt am Main **	100.0
DIC 26 Frankfurt-Taunusstraße GmbH, Frankfurt am Main	100.0
DIC 26 Frankfurt-Kaiserstraße GmbH, Frankfurt am Main	100.0
DIC 26 München GmbH, Frankfurt am Main	100.0
DIC 26 Langenhagen GmbH, Frankfurt am Main	100.0
DIC 26 Erfurt GmbH, Frankfurt am Main	100.0
DIC 26 Bonn 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 26 Köln GmbH, Frankfurt am Main	100.0
DIC 26 Betriebsvorrichtungs GmbH, Frankfurt am Main	100.0
DIC MainTor Real Estate 1 GmbH, Frankfurt am Main	100.0
DIC Objekt Braunschweig GmbH, Frankfurt am Main	94.8
DIC Objektsteuerung GmbH, Frankfurt am Main	94.8
Deutsche Immobilien Chancen Objekt Mozartstr. 33a GmbH, Erlangen	94.0
DIC Objekt Frankfurt 1 GmbH & Co. KG, Frankfurt am Main	94.0
Gewerbepark Langenfeld West 3 GmbH & Co. KG, Bielefeld	99.2
Deutsche Immobilien Chancen Objekt Ulm 1 Erweiterung GmbH, Erlangen	90.0
Deutsche Immobilien Chancen Objektbeteiligungs GmbH, Erlangen	90.0
DIC Onsite GmbH, Mannheim	100.0

* Interest relates to share of voting rights
** The shares in DIC 26 Flensburg were sold with effect from 24.00 on 15 November 2010

Overview
Appendix 2 of the notes on the consolidated financial statements

Joint ventures with proportionate consolidation:

Name and registered office of company	Interest (%)*
DIC MSREF Berlin GmbH, Frankfurt am Main	50.0
DIC Objekt Berlin 1 GmbH, Frankfurt am Main	50.0
DIC Objekt Berlin 2 GmbH, Frankfurt am Main	50.0
DIC Objekt Berlin 3 GmbH, Frankfurt am Main	50.0
DIC MSREF Frankfurt Portfolio GmbH, Frankfurt am Main	50.0
DIC MSREF Frankfurt Objekt Zeil GmbH, Frankfurt am Main	50.0
DIC MSREF Frankfurt Objekt Hasengasse GmbH, Frankfurt am Main	50.0
DIC MSREF Frankfurt Objekt Börsenplatz GmbH, Frankfurt am Main	50.0
DIC MSREF Frankfurt Objekt 3 GmbH, Frankfurt am Main	50.0
DIC MSREF Berlin Portfolio GmbH, Frankfurt am Main	50.0
DIC Berlin Portfolio Objekt Bundesallee GmbH, Frankfurt am Main	50.0
DIC Berlin Portfolio Objekt Hardenbergstraße GmbH, Frankfurt a. M.	50.0
DIC Berlin Portfolio Objekt Berliner Straße GmbH, Frankfurt am Main	50.0
DIC Berlin Portfolio Objekt Frankfurt GmbH & Co. KG, Frankfurt a. M.	50.0
DIC Berlin Portfolio Objekt Arnulfstraße GmbH, Frankfurt am Main	50.0
DIC Berlin Portfolio Objekt Badensche Straße GmbH, Frankfurt a. M.	50.0
DIC Berlin Portfolio Objekt Cottbus GmbH, Frankfurt am Main	50.0
DIC Berlin Portfolio Objekt 1 GmbH, Frankfurt am Main	50.0
DIC Berlin Portfolio Objekt 2 GmbH, Frankfurt am Main	50.0
DIC Berlin Portfolio Objekt 3 GmbH, Frankfurt am Main	50.0
DIC Berlin Portfolio Objekt 4 GmbH, Frankfurt am Main	50.0
DIC Berlin Portfolio Objekt 5 GmbH, Frankfurt am Main	50.0

* Interest relates to share of voting rights

Overview
Appendix 3 to the notes on the consolidated financial statements

Indirect and direct holdings of 20%, 40% and 50%

Name and registered office of company	Interest (%)*
DIC MainTor GmbH, Frankfurt am Main	40.0
DIC MainTor Porta GmbH, Frankfurt am Main	40.0
DIC MainTor Primus GmbH, Frankfurt am Main	40.0
DIC MainTor Südareal 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	20.0
DIC GMG GmbH, Frankfurt am Main	20.0
WACO Beteiligungs GmbH, Frankfurt am Main	20.0
DIC MSREF HMDD Portfolio GmbH, Frankfurt am Main	20.0
DIC MSREF HMDD Objekt Düsseldorf GmbH, Frankfurt am Main	20.0
DIC MSREF HMDD Objekt Essen GmbH, Frankfurt am Main	20.0
DIC MSREF HMDD Objekt Frankfurt GmbH, Frankfurt am Main	20.0
DIC MSREF HMDD Objekt Radolfzell GmbH, Frankfurt am Main	20.0
DIC MSREF HMDD Objekt 1 GmbH, Frankfurt am Main	20.0
DIC MSREF HMDD Objekt 2 GmbH, Frankfurt am Main	20.0
DIC MSREF HMDD Objekt 3 GmbH, Frankfurt am Main	20.0
DIC MSREF HMDD Objekt 4 GmbH, Frankfurt am Main	20.0
DIC MSREF HT Portfolio GmbH, Frankfurt am Main	20.0
DIC MSREF HT Objekt Düsseldorf GmbH, Frankfurt am Main	20.0
DIC MSREF HT Objekt Erfurt GmbH, Frankfurt am Main	20.0
DIC MSREF HT Objekt Hamburg GmbH, Frankfurt am Main	20.0
DIC MSREF HT Objekt Krefeld GmbH, Frankfurt am Main	20.0
DIC MSREF HT Objekt Mannheim GmbH, Frankfurt am Main	20.0
DIC MSREF HT Objekt Mörfelden-Walldorf GmbH, Frankfurt am Main	20.0
DIC MSREF HT Objekt Neu-Ulm GmbH, Frankfurt am Main	20.0
DIC MSREF HT Objekt Saarbrücken GmbH, Frankfurt am Main	20.0
DIC MSREF HT Objekt Weimar 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, Frankfurt am Main	20.0
DIC MSREF FF Südwest Objekt München 2 GmbH, Frankfurt am Main	20.0
DIC MSREF FF Südwest Objekt Nürnberg GmbH, Frankfurt am Main	20.0
DIC MSREF FF Südwest Objekt Würzburg GmbH, Frankfurt am Main	20.0
DIC MSREF FF Südwest Objekt Heilbronn GmbH, Frankfurt am Main	20.0
DIC MSREF FF Südwest Objekt Mainz GmbH, Frankfurt am Main	20.0
DIC BW Portfolio GmbH, Frankfurt am Main	20.0
DIC Development GmbH, Frankfurt am Main	20.0
ProDIC GmbH, Frankfurt am Main	50,0
DIC Opportunistic GmbH, Frankfurt am Main	20.0
DIC HI Portfolio GmbH, Frankfurt am Main	20.0
DIC HI Objekt Berlin Landsbergerstraße GmbH, Frankfurt am Main	20.0
DIC HI Objekt Frankfurt Theodor-Heuss-Allee GmbH, Frankfurt a. M.	20.0
DIC HI Objekt Hamburg Kurt-Schumacher-Allee GmbH, Frankfurt a. M.	20.0

Name and registered office of company	Interest (%)*
DIC HI Objekt Hamburg Steindamm GmbH, Frankfurt am Main	20.0
DIC HI Objekt Koblenz Frankenstraße GmbH, Frankfurt am Main	20.0
DIC HI Objekt Koblenz Rizzastraße GmbH, Frankfurt am Main	20.0
DIC HI Objekt Köln GmbH, Frankfurt am Main	20.0
DIC HI Objekt Neu-Isenburg GmbH, Frankfurt am Main	20.0
DIC HI Objekt Ratingen GmbH, Frankfurt am Main	20.0
DIC HI Objekt Schaumainkai GmbH, Frankfurt am Main	20.0
DIC HI Objekt 1 GmbH, Frankfurt am Main	20.0
DIC HI Objekt 2 GmbH, Frankfurt am Main	20.0
DIC HI Objekt 3 GmbH, Frankfurt am Main	20.0
DIC HI Objekt 4 GmbH, Frankfurt am Main	20.0
DIC HI Objekt 5 GmbH, Frankfurt am Main	20.0
DIC HI Objekt 6 GmbH & Co. KG, Frankfurt am Main	20.0
DIC HI Objekt 7 GmbH, Frankfurt am Main	20.0
DIC HI Objekt 8 GmbH, Frankfurt am Main	20.0
DIC HI Objekt 9 GmbH, Frankfurt am Main	20.0
DIC HI Objekt 10 GmbH, Frankfurt am Main	20.0
DIC HI Objekt 11 GmbH, Frankfurt am Main	20.0
DIC HI Objekt 12 GmbH, Frankfurt am Main	20.0
DIC HI Objekt 13 GmbH, Frankfurt am Main	20.0
DIC HI Objekt 14 GmbH, Frankfurt am Main	20.0
DIC HI Objekt 15 GmbH, Frankfurt am Main	20.0
DIC HI Betriebsvorrichtungs GmbH, Frankfurt am Main	20.0
DIC Hamburg Portfolio GmbH, Frankfurt am Main	20.0
DIC Hamburg Objekt Dammtorstraße GmbH, Frankfurt am Main	20.0
DIC Hamburg Objekt Ernst-Mantius-Straße GmbH, Frankfurt a. M.	20.0
DIC Hamburg Objekt Großmannstraße GmbH, Frankfurt am Main	20.0
DIC Hamburg Objekt Harburger Ring GmbH, Frankfurt am Main	20.0
DIC Hamburg Objekt Marckmannstraße GmbH, Frankfurt am Main	20.0
DIC Hamburg Objekt Schädlerstraße GmbH, Frankfurt am Main	20.0
DIC Hamburg Objekt Schlossstraße GmbH & Co.KG, Frankfurt a. M.	20.0
DIC Hamburg Objekt Schwenkestraße GmbH, Frankfurt am Main	20.0
DIC Hamburg Objekt 1 GmbH, Frankfurt am Main	20.0
DIC Hamburg Objekt 2 GmbH, Frankfurt am Main	20.0
DIC Hamburg Objekt 3 GmbH, Frankfurt am Main	20.0
DIC Hamburg Objekt 4 GmbH, Frankfurt am Main	20.0
DIC Hamburg Objekt 5 GmbH, Frankfurt am Main	20.0
DIC Hamburg Objekt 6 GmbH, Frankfurt am Main	20.0
DIC Hamburg Objekt 7 GmbH, Frankfurt am Main	20.0
DIC Hamburg Objekt 8 GmbH, Frankfurt am Main	20.0
DIC Hamburg Objekt 9 GmbH, Frankfurt am Main	20.0
DIC Hamburg Objekt 10 GmbH, Frankfurt am Main	20.0

Announcements on voting rights in financial year 2010
Appendix 4 to the notes on the consolidated financial statements

Announcements pursuant to § 160 Para. 1 No. 8 AktG

a. DIC Dritte Beteiligungs GmbH & Co. KG, 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% and 5% on 31 December 2010 and now amounts to 7.86% (corresponding to 3,080,657 votes).

b. DIC Dritte Beteiligungsverwaltung 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% and 5% on 31 December 2010 and now amounts to 7.86% (corresponding to 3,080,657 votes). 7.86% of these voting rights are to be assigned to the company (corresponding to 3,080,657 votes) pursuant to § 22 Para. 1 Sentence 1 No. 1 WpHG. Assignment is conducted via a company controlled by DIC Dritte Beteiligungsverwaltung GmbH, namely DIC Dritte Beteiligungs GmbH & Co. KG, whose share of voting rights in DIC Asset AG, Frankfurt am Main, totals 3% or more.

c. Morgan Stanley, Wilmington, Delaware, USA, acting in its own name and on behalf of the subsidiaries listed below, informed us pursuant to § 21 Para. 1 and § 24 WpHG that

- MSREF V, LLC, Wilmington, Delaware, USA fell below the level of 10% of voting rights in DIC Asset AG, Frankfurt am Main, Germany on 6 April 2010 and now holds 8.32% of voting rights (3,262,022 shares, each with a voting right); and

- MSREF V Cosmos B.V., Amsterdam, Netherlands, fell below the level of 10% of voting rights in DIC Asset AG, Frankfurt am Main, Germany on 6 April 2010 and now holds 8.32% of voting rights (3,262,022 shares, each with a voting right). These shares of voting rights are to be assigned in full by MSREF V Marble B.V. to MSREF V Cosmos B.V. pursuant to § Para. 1 Sentence 1 No. 1 WpHG; and

- MSREF V International Holdings Coöperatif, U.A., Amsterdam, Netherlands, fell below the level of 10% of voting rights in DIC Asset AG, Frankfurt am Main, Germany on 6 April 2010 and now holds 8.32% of voting rights (3,262,022 shares, each with a voting right). These shares of voting rights are to be assigned in full by MSREF V Cosmos B.V. and MSREF V Marble B.V. pursuant to § Para. 1 Sentence 1 No. 1 WpHG; and

  – Morgan Stanley Real Estate Fund V International-TE, L.P., Wilmington, Delaware, USA,
  – Morgan Stanley Real Estate Fund V International-T, L.P., Wilmington, Delaware, USA,
  – Morgan Stanley Real Estate Investors V International, L.P., Wilmington, Delaware, USA,
  – Morgan Stanley Real Estate Fund V Special International, L.P., Wilmington, Delaware, USA,

  fell below the level of 10% of voting rights in DIC Asset AG, Frankfurt am Main, Germany on 6 April 2010 and now hold 8.32% of voting rights (3,262,022 shares, each with a voting right). These voting rights are to be assigned by MSREF V International Holdings Coöperatif, U.A., MSREF V Cosmos B.V. and MSREF V Marble B.V. to the abovementioned companies in each case pursuant to § 22 Para. 1 Sentence 1 No. 1 WpHG; and

- MSREF V International-GP, LLC, Wilmington, Delaware, USA fell below the level of 10% of voting rights in DIC Asset AG, Frankfurt am Main, Germany on 6 April 2010 and now holds 8.32% of voting rights (3,262,022 shares, each with a voting right). These voting rights are to be assigned in full to MSREF V, LLC pursuant to § 22 Para. 1 Sentence 1 No. 1 WpHG by

  – Morgan Stanley Real Estate Fund V International-TE, L.P.
  – Morgan Stanley Real Estate Fund V International-T, L.P.
  – Morgan Stanley Real Estate Investors V International, L.P.
  – Morgan Stanley Real Estate Fund V Special International, L.P.
  – MSREF V International Holdings Coöperatif, U.A.
  – MSREF V Cosmos B.V.
  – and MSREF V Marble B.V.

and

- MSREF V, LLC, Wilmington, Delaware, USA fell below the level of 10% of voting rights in DIC Asset AG, Frankfurt am Main, Germany on 6 April 2010 and now holds 8.32% of voting rights (3,262,022 shares, each with a voting right). These voting rights are to be assigned in full to MSREF V, LLC pursuant to § 22 Para. 1 Sentence 1 No. 1 WpHG by

  – MSREF V International-GP, LLC
  – Morgan Stanley Real Estate Fund V International-TE, L.P.
  – Morgan Stanley Real Estate Fund V International-T, L.P.
  – Morgan Stanley Real Estate Investors V International, L.P.
  – Morgan Stanley Real Estate Fund V Special International, L.P.
  – MSREF V International Holdings Coöperatif, U.A.
  – MSREF V Cosmos B.V.
  – and MSREF V Marble B.V.

and

- MSREF V Inc., Wilmington, Delaware, USA fell below the level of 10% of voting rights in DIC Asset AG, Frankfurt am Main, Germany on 6 April 2010 and now holds 8.32% of voting rights (3,262,022 shares, each with a voting right). These voting rights are to be assigned in full to MSREF V Inc. pursuant to § 22 Para. 1 Sentence 1 No. 1 WpHG by

  – MSREF V, LLC
  – MSREF V International-GP, LLC
  – Morgan Stanley Real Estate Fund V International-TE, L.P.
  – Morgan Stanley Real Estate Fund V International-T, L.P.
  – Morgan Stanley Real Estate Investors V International, L.P.
  – Morgan Stanley Real Estate Fund V Special International, L.P.
  – MSREF V International Holdings Coöperatif, U.A.
  – MSREF V Cosmos B.V.
  – and MSREF V Marble B.V.

and

- Morgan Stanley, Wilmington, Delaware, USA fell below the levels of 15% and 10% of voting rights in DIC Asset AG, Frankfurt am Main, Germany on 7 April 2010 and now holds 8.33% of voting rights (3,265,468 shares, each with a voting right). Pursuant to § 22 Para. 1 Sentence 1 No. 1 WpHG, 8.32% of these voting rights (3,262,022 shares, each with a voting right) are to be assigned by

  – MSREF V Incorporated
  – MSREF V, LLC
  – MSREF V International-GP, LLC
  – Morgan Stanley Real Estate Fund V International-TE, L.P.
  – Morgan Stanley Real Estate Fund V International-T, L.P.
  – Morgan Stanley Real Estate Investors V International, L.P.
  – Morgan Stanley Real Estate Fund V Special International, L.P.
  – MSREF V International Holdings Coöperatif, U.A.
  – MSREF V Cosmos B.V.
  – and MSREF V Marble B.V.

  and 0.009% (3,446 shares, each with a voting right) are to be assigned pursuant to § 22 Para. 1 Sentence 1 No. 1 WpHG.

d. DIC Beteiligungsgesellschaften GbR, Frankfurt am Main, informed us pursuant to § 21 Para. 1 WpHG that its share of voting rights in DIC Asset AG exceeded the level of 3 % and 5% on 9 April 2010 and now stands at 7.87% (3,085,657 voting rights).

e. APG Algemene Pensioen Groep N.V., Heerlen, Netherlands, informed us pursuant to § 21 Para. 1 WpHG that its share of voting rights in DIC Asset AG (ISIN: DE0005098404) exceeded the level of 3 % on 1 July 2009 and now stands at 3.48% (1,089,760 voting rights).

f. 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 amounts to 39.37% (corresponding to 12,342,634 votes. 39.37% of these voting rights are to be assigned to the company (corresponding to 12,342,634 votes) 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.

g. solvia Vermögensverwaltungs GmbH, Wolfenbüttel, 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% and 5% on 20 May 2009 and now totals 5.11% (1,602,522 voting rights).

   F. Rehm, Germany, informed us pursuant to § 21 Para. 1 WpHG that his share of voting rights in DIC Asset AG, Frankfurt am Main, exceeded the levels of 3% and 5% on 20 May 2009 and now totals 5.11% (1,602,522 voting rights). 5.11% of these voting rights are assigned to him as voting rights (1,602,522 voting rights) pursuant to § 22 Para. 1 Sentence 3 No. 1 WpHG via solvia Vermögensverwaltungs GmbH, Wolfenbüttel, Germany, whose share of voting rights totals 3% or more.

h. 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.

   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.

i. DIC ML GmbH, Frankfurt am Main, 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 10% on 9 July 2008. DIC ML GmbH's share of voting rights now totals 9.19% (corresponding to 2,881,668 votes).

j. DIC Opportunity Fund GmbH, Frankfurt am Main, informed us pursuant to § 21 Para. 1 WpHG that its share of voting rights in

DIC Asset AG, Frankfurt am Main, exceeded the level of 3% on 14 July 2008. DIC Opportunity Fund GmbH's share of voting rights now totals 4.85% (corresponding to 1,519,000 votes).

k. 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 are to be assigned to the company (corresponding to 4,400,668 votes) 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.

l. 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 are to be assigned to the company (corresponding to 12,342,634 votes) 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.

m. 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 are to be assigned to the company (corresponding to 12,342,634 votes) 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.

n. DIC Capital Partners (Europe) GmbH, 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 are to be assigned to the company (corresponding to 12,342,634 votes) 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.

o. 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.

p. 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 are to be assigned to the company (corresponding to 12,342,634 votes) 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.

q. European Investors Inc., New York, USA, also informed us pursuant to § 21 Para. 1 WpHG that its share of voting rights in DIC Asset AG, Frankfurt am Main, exceeded the level of 5% on 17 January 2008 and now stands at 5.04% (1,581,134 voting rights). Of these, 5.04% (1,581,134 voting rights) are to be assigned to European Investors Inc. pursuant to § 22 Para. 1 Sentence 1 No. 6 WpHG.

r. Stichting Pensioenfonds ABP, Heerlen, Netherlands, informed us pursuant to § 21 Para. 1 Sentence 1 WpHG that its share of voting rights in DIC Asset AG, Frankfurt am Main exceeded the level of 3% on 4 October 2007 and now amounts to 3.23% (which equates to 921,580 voting rights).

s. 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

Asset management
Value-orientated running and/or optimisation of properties through leasing management, repositioning or modernisation

At equity method
Method of determining the (company's) value based on discounted future cash flows

Cash flow
Measure that shows the net inflow of cash from sales activities and other current activities during a given period

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”

Change of control clause
Contractual provision in the event of a takeover by another company

Corporate governance
Rules for sound, responsible business management. The aim is for management in line with values and standards in accordance with shareholders and other interested groups. The annual declaration of conformity to the German Corporate Governance Code provides a tool to assess the corporate governance

Debt ratio
Ratio of external capital to total capital as shown on the balance sheet

Derivative financial instruments
Derivative financial instruments, or derivatives, are reciprocal contracts, whose price determination is generally based on the trend of a market-dependent underlying security (e.g. shares or interest rates). They are used for various reasons, including hedging financial risks

EBIT
Earnings before Interest and Taxes

EBITDA
Earnings before Interest, Taxes, Depreciation and Amortisation

EPRA index
EPRA (European Public Real Estate Association) index family, used internationally, that details the performance of the world's largest listed real estate companies

Fee
Payment for services to third parties or payment obligation as a result of using third-party services

FFO (Funds from operations)
Operating result from real estate management before depreciation and amortisation, taxes and profit from sales and development projects and dividend income

Financial covenants
Financial covenants (credit clauses) are conditions set up by financial institutions when financing real estate portfolios and are are tied to achieving of key financial figures (such as debt ratio, interest service cover ratio or debt service cover ratio – ISCR, DSCR) during the term

Hedge (Cash flow hedge, Fair value hedge)
Agreement of a contract to safeguard and compensate for financial risk positions

IFRS (International Financial Reporting Standards)
IFRS have applied to listed companies since 1.1.2005. This should facilitate worldwide comparability of capital market-orientated companies. The focus is on information that is easy to understand and fair is paramount, ahead of protection of creditors and risk-related matters

Impairment test
Obligatory periodic comparison under IFRS of market and book values and the assessment of potential signs of a sustained impairment in the value of assets

Interest swap
With interest swaps, counterparties exchange cash flows from fixed and variable loans. This enables interest rate risks within corporate financing to be hedged

Joint venture
Legally independent joint-venture company, in which two or more companies are involved

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

NAV (Net asset value)
Represents the intrinsic value of a company. This is calculated from the value of assets minus liabilities

Operating leasing
Term connected with international valuation rules. It describes a periodic lease agreement that is not fully amortised by the lessor's financing costs

Peak rent
The peak rent is the highest possible rent that could be expected in the market for a fictitious, top-quality, superbly equipped office unit in the best location

Percentage of completion method
The percentage of completion method is used in long-term project developments to assess the profit based on the degree of completion (performance progress)

Prime Standard
Segment of the Frankfurt Stock Exchange with the greatest relevance and degree of regulation

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

Real estate special funds
Real estate special funds are open-ended real estate funds, which are launched solely for institutional investors (such as insurance companies, pension funds, benefit funds, foundations, etc.)

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

QUARTERLY FINANCIAL DATA 2010

EUR million	Q1 2010	Q2 2010	Q3 2010	**Q4 2010**
Rental income	31.7	32.4	31.6	**29.2**
Investment property disposal proceeds	1.5	17.0	4.7	**58.0**
Total revenues	38.4	55.5	42.0	**92.9**
EBITDA	25.3	26.6	26.0	**27.5**
EBIT	17.6	18.7	18.1	**20.2**
FFO	10.9	11.1	11.2	**10.8**
Profit before depreciation	10.5	11.4	11.2	**14.2**
Profit for the period	2.8	3.5	3.3	**6.9**
Earnings per share in EUR, basic/diluted	0.09	0.09	0.08	**0.18**
Cash generated from operating activities	7.6	7.8	12.4	**9.9**
Market value of investment property *	2,195.3	2,177.4	2.169.4	**2,001.8**
Total assets	2,257.9	2,259.4	2.231.4	**2,050.0**
Equity	573.4	569.2	562.1	**587.1**
Equity ratio in %	25.4	25.2	25.2	**28.6**
Total liabilities	1,684.5	1,690.3	1,669.3	**1,462.9**
Debt ratio in %	74.6	74.8	74.8	**72.4**

* Acquisitions during the year are taken into account at the cost of acquisition

MULTI-YEAR OVERVIEW

EUR million	2006	2007	2008	2009	**2010**
Rental income	38.4	93.6	134.5	133.6	**124.9**
Investment property disposal proceeds	64.5	122.9	49.9	15.2	**81.2**
Total revenues	110.9	236.2	207.1	171.3	**228.8**
EBITDA	37.0	99.8	125.0	110.8	**105.4**
EBIT	28.5	80.0	97.0	80.3	**74.6**
FFO	21.8	44.6	42.7 (1)	47.6	**44.0**
Profit before depreciation	23.5	55.9	53.2	46.6	**47.3**
Profit for the period	15.0	36.1	25.2	16.1	**16.5**
Earnings per share in EUR, basic/diluted	0.85	1.25	0.80	0.49	**0.44**
Cash generated from operating activities	23.9	28.7	37.2	38.7	**37.7**
Market value of investment property *	1,275.3	2,187.5	2,161.8	2,192.2	**2,001.8**
Total assets	1,343.7	2,121.5	2,214.8	2,213.4	**2,050.0**
Equity	534.0	612.7	533.8	530.7	**587.1**
Equity ratio in %	39.7	28.9	24.1	24.0	**28.6**
Total liabilities	809.7	1,508.8	1,681.0	1,682.7	**1,462.9**
Debt ratio in %	60.3	71.1	75.9	76.0	**72.4**
Net Asset Value	608.2	722.2	492.8	497.1	**598.5**
Net Asset Value per share in EUR	21.34	23.04	16.23	13.87 (2)	**15.27**
Dividend per share in EUR	0.75	1.65	0.30	0.30	**0.35**

(1) excluding the profit from syndication of development
(2) taking account of the higher number of shares and the net cash inflow from the capital increase in Q1 2010

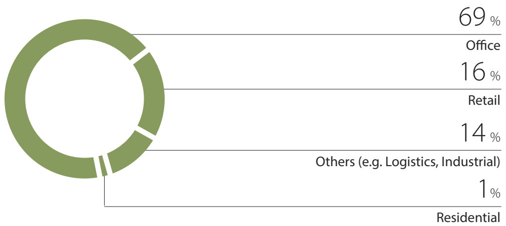
PORTFOLIO OVERVIEW

	Core plus 2010	Value added 2010	Co-Investments 2010	**Total 2010**	Total 2009
Number of properties	43	119	126	**288**	318
Portfolio volume in EUR million *	792.5	877.6	331.7	**2,001.8**	2,192.2
Portfolio proportion	40%	44%	16%	**100%**	100%
Net annual rent in EUR million *	53.2	56.1	19.6	**128.9**	142.4
Lettable area in sqm *	383,300	598,100	189,700	**1,171,100**	1,274,500
Rental income per sqm in EUR	12.10	9.30	9.70	**10.40**	10.40
Occupancy rate	93%	81%	85%	**86%**	87%

* Pro rata

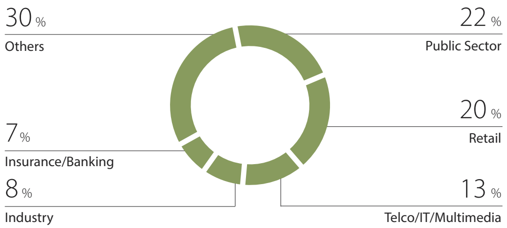
FORMS OF USE

Basic: Rental income as at 31. December 2010



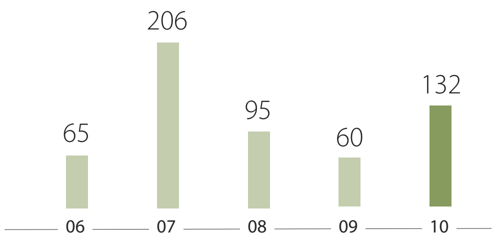
MAIN TENANTS

Basic: Rental income as at 31. December 2010



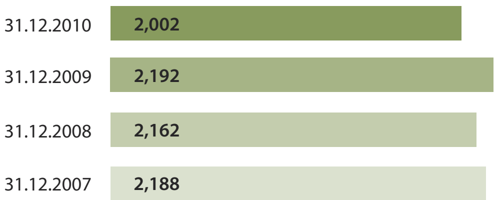
DISPOSALS

EUR million



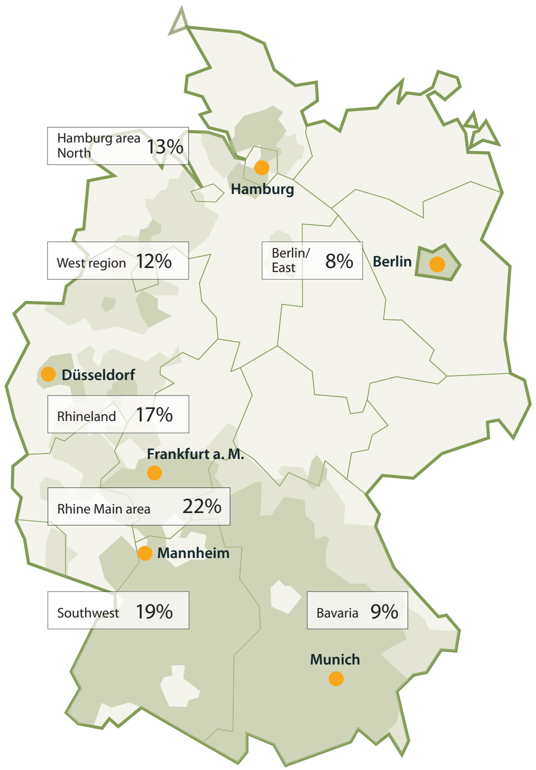
GROWTH OF PORTFOLIO VOLUME

EUR million



REGIONAL DISTRIBUTION OF PROPERTIES

in lettable area in sqm



- Branches
- Region with excellent economic performance
- Region with good economic performance

(based on regional ranking of "Initiative Neue Soziale Marktwirtschaft")

CORE PLUS SEGMENT

- Attractive and stable rental yield for continuous cash flow
- Long term investment horizon

EUR million	**2010**	2009	**Δ**
Rental income	64.8	68.3	-3.5
EBT	7.1	7.2	-0.1
Market value of investment property	792.5	992.4	-199.9

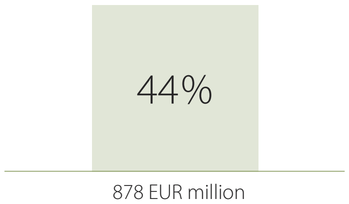
Market value of investment property
EUR million as of 31.12.2010

VALUE ADDED SEGMENT

- Objects with short- or mid-term potential for value creation
- Medium risk/return profile and mid-term investment horizon

EUR million	**2010**	2009	**Δ**
Rental income	60.1	65.3	-5.2
EBT	2.1	5.5	-3.4
Market value of investment property	877.6	930.1	-52.5

Market value of investment property
EUR million as of 31.12.2010



SEGMENT CO-INVESTMENTS

OPPORTUNISTIC INVESTMENTS

- High value creation potential through new positioning
- Income from investments and services

SPEZIALFONDS

- Core property investments in major cities
- Income from investments and services

EUR million	**2010**	2009	**Δ**
EBT	9.4	8.0	+1.4
Market value of investment property	331.7	269.7	+62.0

Market value of investment property
EUR million as of 31.12.2010

BOARD OF DIRECTORS

Ulrich Höller, 45
Chairman of the Board, CEO

Markus Koch, 48
Board Member, CFO

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Forward-looking statements
This annual report contains disclosures which relate to future developments. These statements constitute assessments which we have reached on the basis of information available to us at present. Should the assumptions on which the statements are based not be fulfilled or risks – as addressed in the Risk Report – occur, the actual results may deviate from the results expected at present.

Note
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DIC ASSET