DIC ASSET

ANNUAL REPORT 2011

DIC ASSET AG AT A GLANCE

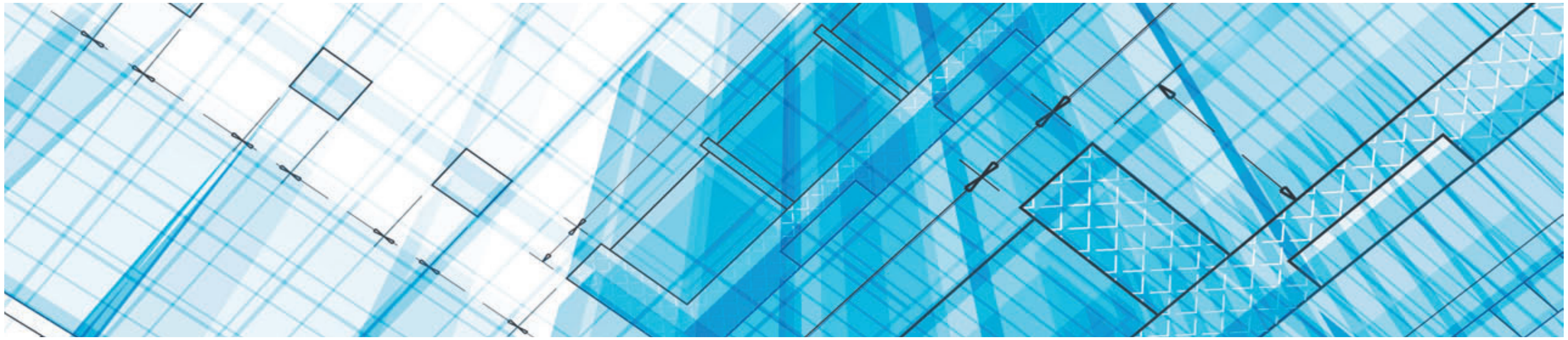
Key operating figures in EUR million	2011	2010		H2 2011	H1 2011	
Gross rental income	116.7	124.9	-7%	60.2	56.5	+7%
Net rental income	106.8	113.9	-6%	54.6	52.2	+5%
Fees from real estate management	5.3	3.5	+51%	3.0	2.3	30%
Property disposal proceeds	17.7	81.2	-78%	8.4	9.3	-10%
Total revenues	157.3	228.8	-31%	81.3	76.0	+7%
Profit on disposal of properties	1.7	5.1	-67%	1.1	0.6	+83%
Share of the profit from associates	2.4	7.8	-69%	1.5	0.9	+67%
Funds from operations (FFO)	40.6	44.0	-8%	20.5	20.1	+2%
EBITDA	95.9	105.4	-9%	50.0	45.9	+9%
EBIT	66.2	74.6	-11%	34.4	31.8	+8%
Profit for the period	10.6	16.5	-36%	4.4	6.2	-29%
Cash flow from operating activities	38.4	37.7	+2%	19.1	19.3	-1%

Balance sheet data in EUR million	31.12.2011	31.12.2010		31.12.2011	30.06.2011	
Equity ratio in %	27.8	28.6	-0.8 pp	27.8	30.5	-2.7 pp
Investment property	1,902.1	1,718.2	+11%	1,902.1	1,810.2	+5%
Net asset value	682.6	598.5	+14%	–	–	
Liabilities	1,624.0	1,462.9	+11%	1,624.0	1,497.6	+8%
Total assets	2,248.1	2,050.0	+10%	2,248.1	2,155.2	+4%

Per share in EUR	2011	2010		H2 2011	H1 2011	
FFO*	0.92	1.15	-20%	0.45	0.47	-4%
Basic/diluted earnings*	0.24	0.43	-44%	0.10	0.14	-29%
Net asset value	14.93	15.27	-2%			

* Previous year adjusted to the effect from capital increase

CONTENT



DEAR SHAREHOLDERS,
BUSINESS PARTNERS,
EMPLOYEES AND FRIENDS,

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

The German economy started off benign in 2011 as the upturn continued. The second half of the year was increasingly overshadowed by the worsening international sovereign debt crisis, whose impact was felt first by the financial markets and then, in the fourth quarter, by the economy as a whole. Against this backdrop, it is all the more pleasing that 2011 represented yet another successful financial year for DIC Asset AG, and one in which it fully met all of the objectives set at the start of the year. The key developments in 2011 were:

- We improved the profitability of our portfolio with a very good letting result and reduced the vacancy rate significantly, by nearly 2 percentage points.

- We increased income from our property management services by over 50% to more than EUR 5 million, mainly thanks to the new services for our special fund.

- We switched to growth mode and took some key steps to strengthen our earnings base with an acquisition volume of some EUR 300 million.

- The marketing of two sub-projects for the MainTor district development represents a successful start for DIC to this first-class project development in Frankfurt.

- Our profit for the period stands at EUR 10.6 million. The fall in comparison with the previous year is attributable to three factors in particular, which we had accounted for in our plans for 2011: a smaller portfolio than the previous year, lower income from Co-Investments and reduced sales volume.

- At around EUR 41 million, FFO, a key ratio indicating the earnings capacity of our portfolio management, was again at a high level and entirely matched our forecasts. This positive operating result has enabled us to propose that our shareholders be paid a stable, high dividend of EUR 0.35 per share, which can be realised with slightly over half being tax-exempt.

Following a six-month positive price trend, our share was not spared the impact of the widespread market slump from July 2011 onwards, thus reflecting developments in the real estate segment as a whole. There are many reasons for this: the general reticence among investors towards buying shares for one, but also the critical view taken of real estate shares in general due to their proximity to the crisis-stricken finance and banking sector. This means that, unfortunately, the 2011 financial year does not yet reflect DIC Asset AG's positive business development. Since the end of 2011, however, we have experienced a return to recovery, which has seen virtually all analysts issue positive recommendations for our share.

DIC Asset AG is a real estate share, which is characterised by the potential for above-average returns. Reliable evidence of this is the fact that we have been able to post a profit quarter by quarter without interruption since we went public. Our portfolio of 280 properties is let long term to tenants with high credit ratings, which generate a sustained and substantial cash flow. We work solely in Germany, one of the world's strongest national economies. And we use our own staff to manage our properties via our branches; this gives us efficiency and proximity to the market.

These are all concrete advantages that make our share stand out from other real estate shares and which we highlight through clear and comprehensive communications. Since its flotation, DIC Asset AG has steadily continued its positive development: our assets under management alone has grown gradually from some EUR 300 million to EUR 3.3 billion. We are increasingly managing this enlarged portfolio on a regional basis via our branch network and are therefore expanding our reporting structure to include a regional perspective. This is allowing us to offer our shareholders and the capital market greater transparency.

We intend to consistently improve the quality and profitability of our property portfolio in 2012. We shall rely on our tried and tested in-house property management in this regard and plan to further reduce the vacancy rate. We shall also exploit opportunities for attractive acquisitions. With its clear strategic positioning, DIC Asset AG is well placed to confront the competition and we will take the opportunities that present themselves in the interests of our shareholders. We are expecting a marked improvement in the result for 2012 and are planning to increase FFO by some 10%.

We should like to thank all our staff for their commitment in 2011, which has played a crucial role in our company's good result.

Yours sincerely,

Prof. Dr. Gerhard Schmidt
Chairman of the Supervisory Board

Ulrich Höller
Chief Executive Officer

THE SHARE

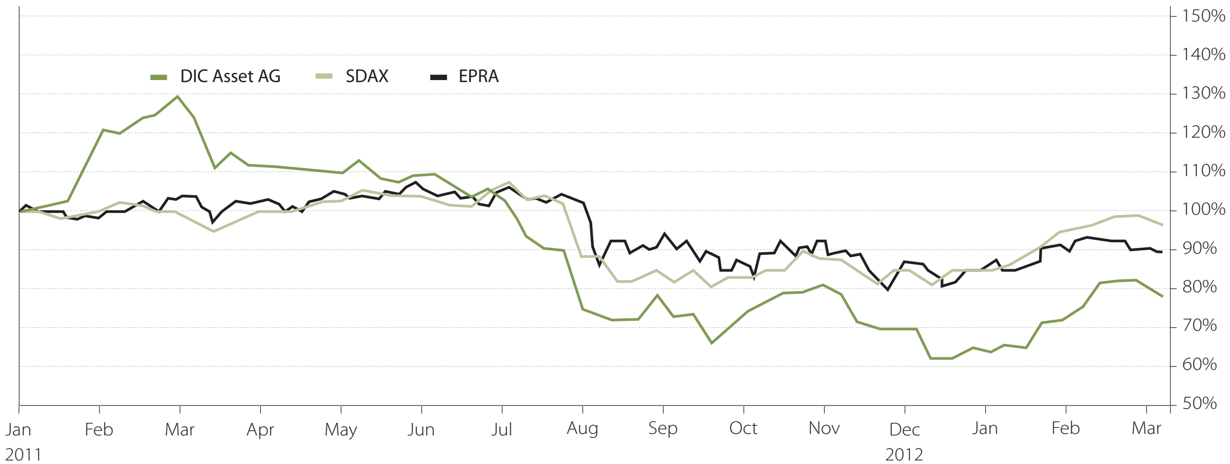
Sovereign debt crisis has a significant impact on the stock market year

The start of financial year 2011 was still clearly characterised by the above-average positive recovery in the global economy. The first significant slump in global share markets was caused by the earthquake in Japan in March and concerns regarding the Fukushima nuclear power station disaster. However, share prices quickly recovered and a positive mood prevailed into the summer of 2011 with stable figures.

In August, the precipitation of the sovereign debt crisis in Europe and the USA sparked off a dramatic fall in financial markets. After bailing out Greece, Portugal and Ireland, the European Central Bank (ECB) started buying Italian and Spanish government bonds. In the USA, a government default was only barely avoided, with the consequence that the country's credit rating was downgraded.

Share markets recovered slightly from this low by the end of the year, although they remained strained due to the unresolved sovereign debt problems and the insufficient equity reserves of the banking sector. The DAX reached an overall low of 5,072 points in September and ended 2011 down 15% at 5,898 points. The SDAX and EPRA Developed Europe-Index, the largest listed real estate funds in Europe, also closed with a fall of 15%.

MARKET TREND



DIC Asset share: a strong start before falling behind the market

Our share still significantly outperformed the market in the first quarter of 2011 and reached its high to date of EUR 10.88 on 3 March 2011. The increase was later slowed by negative market developments, influenced amongst other things by the nuclear disaster in Japan. Following the capital increase the share trended sideways along with the market while remaining highly volatile.

As share prices around the world fell sharply in the summer of 2011 as a result of the downgrade to the USA rating and the European sovereign debt crisis, our share was heavily affected, along with many other smaller stocks and shares from the financial sector.

Due to its high level of borrowed capital, a much more negative outlook reigned in the fourth quarter for shares in the real estate sector than for the market as a whole. Accordingly, industry securities in the sector were unable to keep pace with the slight market rises towards the end of the year. In parallel with the negative trend in the EPRA sector index, our share price fell to the annual low of EUR 4.90 on 21 December.

The DIC Asset share closed 2011 at EUR 5.36, totalling a fall of 36% compared with the start of the year. As at 31 December 2011, the market capitalisation of DIC Asset AG stood at EUR 245 million.

Successful capital measures for growth course

In March 2011 we increased share capital from authorised capital by 17%. The capital increase was directed exclusively at our existing shareholders and was supported by the vast majority of them, with a high subscription rate of 88%. There was significant interest in the shares which were not accepted, and the total offers for EUR 266 million represented around 4.4 times the entire capital offering. By avoiding stock market trading in subscription rights we were able to conclude the capital offering quickly and in a cost-efficient manner. The performance of the share during the subscription period and the substantial demand reflect the high levels of trust among our shareholders. The cash injection from the capital increase amounted to around EUR 52 million.

In order to structure our financing more broadly, in May 2011 we issued an unsubordinated, unsecured corporate bond with an interest rate of 5.875% p.a. and a term of five years. Overall, we acquired some EUR 70 million from the bond issue. Since mid-May 2011, the bond has been traded over the counter at the Frankfurt Stock Exchange in the Entry Standard for bonds segment. We view this instrument as a sensible supplement to our financing portfolio for the future.

In total, the two capital raising initiatives brought in around EUR 122 million, significantly bolstering our capital base. This enabled us to implement acquisitions for 2011 quickly, with flexible financing and under attractive credit terms.

BASIS DATA ON THE DIC ASSET SHARE

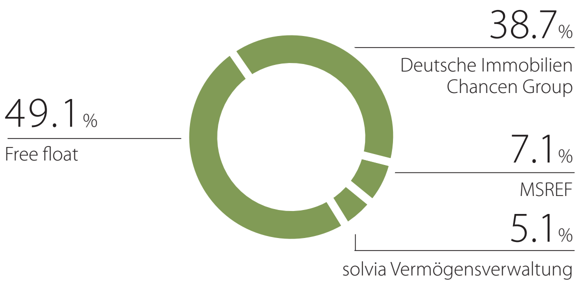
Number of shares	45,718,747 (no-par bearer shares)
Share capita	45,718,747 EUR
WKN / ISIN	509840 / DE0005098404
Ticker symbol	DAZ
Free float	49.1%
Key indices	SDAX, EPRA, DIMAX
Exchanges	Xetra, all exchanges in Germany
Deutsche Börse segment	Prime Standard
Most recent capital increase	March 2011, 17% increase in the share capital

KEY FIGURES (1)

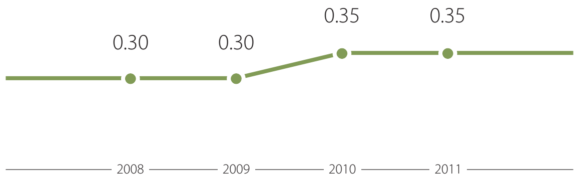
		2011	2010
Earnings per share (basic/diluted)(3)	EUR	0.24	0.43
Net asset value per share	EUR	14.93	15.27
FFO per share (3)	EUR	0.92	1.15
Dividend per share	EUR	0.35	0.35
Dividend yield (2)		6.5%	4.2%
FFO yield (2)		17.2%	13.8%
Annual closing price		5.36	8.34
52-week high	EUR	10.88	9.60
52-week low	EUR	4.90	5.30
Average number of shares	Thsd.	44,279	37,228
Market capitalisation (2)	EUR million	245	327
Price on 12.03.2011	EUR	6.59	

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

SHAREHOLDER STRUCTURE



DIVIDEND PER SHARE EUR



INVESTMENT PROFILE FOR DIC ASSET AG

- Clear focus on the German commercial real estate market
- Balanced investments in major office centres and strong business regions
- Steady income flows from rent and management fees
- Profitable portfolio with high FFO and long-term secured cash flow
- Attractive results from sales and co-investments
- Balanced financing structure, solid interest cover ratio
- Broad diversification of income across regions and tenant classes
- In-house real estate management with 100 experienced employees at local level
- Ongoing and attractive dividend policy
- Experienced management with strong track record
- Complete investment range covering all property profiles

Shareholder structure largely unchanged
The capital increase had only a minor impact on the shareholder structure. The DIC Group now holds 38.7% of the shares, followed by MSREF with 7.1% (previously 8.3%) and then solvia Vermögensverwaltung with 5.1%, a figure which has remained unchanged. The free float increased slightly to 49.1 (previously 47.2%). We are not aware of any other shareholders which directly or indirectly hold more than 10% of share capital. We publish all available voting rights announcements on our website.

Dividend remains stable
One of our strategic targets is the management of a solid portfolio which generates attractive returns on an ongoing basis and protects against risks due to its broad diversification. Accordingly, the annual dividend is based above all on the operating profit from real estate management. The company's current position and the market trend forecast are additional factors. In 2011, we met our results targets in full and, moreover, implemented strategically important measures for successful future development and initiated future-oriented projects. For financial year 2011 the Management Board therefore proposes to the General Shareholders' Meeting a dividend payment of EUR 0.35 per share (totalling EUR 16.0 million). We are thus continuing our consistent dividend policy in 2011. The dividend payment corresponds to an attractive return of 6.5% on the closing price which can be realised with around 52% being tax-exempt. In view of the stable outlook, therefore, we are allowing our shareholders to share adequately and significantly in the success of DIC Asset AG despite the slight fall in operating result on the previous year.

General Shareholders' Meeting
The General Shareholders' Meeting was held on 5 July 2011 in Frankfurt am Main. The Management Board presented the results of financial year 2010, explained current business performance and answered questions from shareholders. With 74% of the share capital represented, the shareholders present resolved to make a dividend payment and elected Dr. Michael Peter Solf to the Supervisory Board for the duration of one term in office. The actions of the Management Board and the Supervisory Board were formally approved for the previous financial year. All the points on the agenda were agreed in line with the proposal by the Management Board, including the creation of authorised capital of around EUR 22.9 million.

Open capital market communication

The target of our investor relations work is open, transparent and fair financial market communication with all market participants. Due to the importance of information requirements, the Investor Relations Department reports directly to the Management Board. We provide comprehensive and prompt information which is objective as possible regarding our strategy and all events which are relevant for the capital market relating to DIC Asset AG. In 2011 a particular focus of our work was on preparations for the capital increase and the bond issue.

Information requirements from the capital market are constantly increasing. We therefore extended the extent and level of our information in 2011 because we would like to offer our shareholders an even better basis on which investment decisions can be made. Furthermore, in addition to the quarterly publications, we update information in the Investor Relations area of our website, for example making more detailed information available concerning current analyst judgments and offering company presentations.

Target-group focused contact in IR

In 2011 we participated in 22 investor conferences and roadshows with institutional investors in seven different countries. In total, the Management Board and the IR Team once again held more than 200 discussions with shareholders, investors and analysts. When doing so it was important for us to inform existing investors of current developments at DIC Asset AG and to convince potential investors of our business model and to secure new shareholders. We also explained the figures for the financial year, the quarterly figures and the bond issue in detail and answered questions in several telephone conferences immediately following publication of the relevant information. The three following events were particularly special:

▷ EPRA Annual Conference and association activities

As in previous years, we took part in the well-known EPRA Annual Conference and held numerous discussions with investors and analysts. As part of our membership of EPRA, we work to raise awareness of German listed real estate companies. We used a panel discussion at the 2011 conference to further this aim. CEO Ulrich Höller, as a Member of the Management Board of EPRA, is also committed to promoting these issues. He was elected to this committee in September 2011 and is its sole German member.

▷ DIC Investors' Day

In October 2011 we organised an Investors' Day for the first time, inviting investors, finance partners and industry players. The event included panel discussions with opinion leaders from the economic and political worlds as well as the presentation of the MainTor district development in a special event for investors and analysts on the following day. The opportunity to engage in direct dialogue with the Management Board, senior managers, business partners and other market participants was very well received. Thanks to its success and reception we shall be repeating this meeting regularly and establishing it as a fixed industry appointment.

▷ Real Estate Share Initiative

At this annual conference for investors and industry experts, we and other German listed real estate companies explain the benefits of investing in real estate shares to investors and the general public. The platform, which has now established itself throughout Europe, offers an ambitious programme of technical presentations, panel discussions and the opportunity to engage in discussions with investors.

IR ACTIVITIES 2011

First Quarter	
DIC Analysts' Evening	Frankfurt
Berenberg Bank Roadshow	Zurich
HSBC Real Estate and Construction Conference	Frankfurt
Roadshows on annual financial statements Frankfurt, London, Amsterdam, New York, Paris	
Second Quarter	
Deutsche Bank Real Estate Conference	Frankfurt
Solventis Aktienforum	Frankfurt
Investors' conference Property Investor Europe ("Property Breakfast")	London
Metzler Immobilientag	Frankfurt
Kempen European Property Seminar	Amsterdam
Third Quarter	
Solventis Roadshow	Munich
Berenberg Bank Roadshow	Vienna
UniCredit Roadshow	London
EPRA Annual Conference	London
Kempen & Co. Roadshow	Chicago
BoA Merrill Lynch Global Real Estate Conference	New York
UniCredit German Investment Conference	Munich
Fourth Quarter	
Société Générale Pan European Real Estate Conference	London
Real Estate Share Initiative Conference	Frankfurt
DIC Investors' Day	Frankfurt
West LB Deutschland Conference	Frankfurt

Prize for the Annual Report

In the world's largest Annual Report competition, the LACP Vision Awards, last year's Annual Report was given a platinum award as one of the most successful reports internationally. Consequently, DIC Asset AG was ranked first in the real estate sector for the second time and ranks among the top 20 annual reports from over 5,000 reports submitted worldwide.

ANALYSTS' COVERAGE

Analysts recommend our shares

15 analyst firms now issue regular reports on our company. This is a high number for an SDAX registered share. We are delighted with this appraisal and associate it at least in part with our regular conversations and ongoing cooperation with analysts. For example, we regularly herald the start of the financial year with an initial meeting for analysts and are also always available for discussions and to answer questions. The vast majority of analysts currently recommend purchasing DIC Asset shares. In March 2012, 14 analysts recommend buying – corresponding to a percentage share of 93%. One institute recommends holding the share. There are currently no "sell" recommendations. We always publish up-to-date appraisals by analysts promptly on our website.

Institut	Analyst
ABN AMRO	Michiel de Jonge
Baader Bank	Andre Remke
Bankhaus Lampe	Frank Neumann
Berenberg Bank	Kai Klose
Commerzbank	Thomas Rothäusler
DZ Bank	Ulrich Geis
edgeCAPITAL	Mariya Panayotova
HSBC	Thomas Martin
Kempen & Co	Thomas van der Meij
Metzler	Jochen Schmitt
Silvia Quandt	Ralf Grönemeyer
Société Générale	Marc Mozzi
Solventis	Ulf van Lengerich
Viscardi	Robert Willis
WestLB	Dr. Georg Kanders

IR CALENDAR 2012

First Quarter		
24.01	DIC Analysts' Evening to mark the start of the year	Frankfurt
31.01	Bankhaus Lampe Roadshow	Hamburg
20.02	Close Brothers Seydler Small & Mid Caps Conference	Frankfurt
01.03	HSBC Real Estate and Construction Conference	Frankfurt
13.03	Publication of 2011 annual results	
15.03	Kempen Property Seminar	New York
20-29.03	Roadshows on the 2011 annual financial statements Frankfurt, Munich, London, Amsterdam, Zurich, Geneva	
Second Quarter		
02.-04.04	Deutsche Bank Real Estate Conference	Frankfurt
15.05	Publication of Q1 2012 results	Frankfurt
22.05	Metzler Immobilientag	Frankfurt
30.-31.05	Kempen European Property Seminar	Amsterdam
Third Quarter		
03.07	General Shareholders' Meeting	Frankfurt
15.08	Publication of Q2 2012 results	Frankfurt
05.09	Real Estate Share Initiative Conference	Berlin
06.-07.09	EPRA Annual Conference	Berlin
12.-13.09	BoA Merrill Lynch Global Real Estate Conference	New York
25.-27.09	Baader Investment Conference	Munich
Fourth Quarter		
14.11.	Publication of Q3 2012 results	Frankfurt

Contact IR
Tel. (0 69) 9 45 48 58-86
Fax (0 69) 9 45 48 58-99
ir@dic-asset.de


Immo von Homeyer
Head of Investor Relations & Corporate Communications


Peer Schlinkmann
Investor Relations Manager

MANAGEMENT REPORT

COMPANY & ENVIRONMENT

Operations and business processes

DIC Asset AG is one of the largest listed real estate companies in Germany and is focused on commercial property. Our real estate asset base comprises some 280 properties with a value of EUR 3.3 billion. We manage our properties through our own in-house real estate management operating throughout Germany with six branches.

Company locations

We operate branches in the regional areas where our real estate portfolio is concentrated, to provide efficient and rapid-response local management of our tenants and properties and to ensure that we remain well-integrated in the market. Most of our employees are therefore involved in property management at our offices in Hamburg, Berlin, Düsseldorf, Mannheim, Munich and Frankfurt am Main. The Management Board and the head office are located in Frankfurt am Main, from where central strategic, management and administrative functions are carried out and the whole Group is managed.

Active on the German real estate market

The real estate sector is the second largest industry in Germany and therefore is of major significance for the economy. Real estate accounts for a significant share of German investment assets. Compared to other European countries, the commercial property market is very heterogeneous and regionally diversified and includes many market participants of different sizes. In the five major financial centres of Frankfurt, Hamburg, Berlin, Düsseldorf and Munich, there is a high amount of office space, very high transaction volumes and liquid trade, strong competition and therefore larger movement in prices and rents, but in part also high vacancy rates. At the same time, there is a large number of medium-sized cities operating as centres for economically powerful regions. Thus, for example, metropolitan Nuremberg has a GDP of around EUR 110 billion and hosts amongst others the registered offices of the DAX listed groups Adidas and Puma. Competition is lower in these regions, transaction volumes are less marked, and hence prices and rents are relatively stable and there are lower vacancy rates.

Since we operate throughout the country via our branches, we are able to make use of the benefits and opportunities of regional centres and to diversity our real estate portfolio in a suitable manner which minimises risk.

Customer relations

Our tenants include publicly controlled companies, large national and international companies, the major German retailers and telecommunications service providers, but also many small and medium-sized companies. Through our real estate management staff, we remain in close contact with existing tenants since we are present locally and ongoing coordination and services are necessary in order to administer our properties. In doing so we obtain feedback which we then use to optimise and improve tenant satisfaction. Our regional presence also works to our benefit on the letting market. We are in constant contact with potential tenants in order to understand their needs at an early stage and to convince them to lease one of our properties. We are currently introducing a central software solution for Group-wide customer relationship management that will integrate existing individual solutions. For acquisitions and sales, we are able to rely heavily on a network of established connections with which we have already concluded transactions to the satisfaction of both parties.

STRATEGY & MANAGEMENT

DIC Asset AG has been continually developing since its IPO six years ago: The real estate assets under management have increased significantly from almost EUR 300 million at the end of 2005 to EUR 3.3 billion. In addition, we have built up a branch network with a presence in those areas of Germany where our property portfolio is concentrated and have increasingly adapted our internal management system to suit this network structure. The number of employees has risen by approximately 100 to a current total of around 125, the FFO increased to approximately EUR 41 million. To sum up: DIC Asset AG has grown on a regional basis and it has continued to develop from an organisational perspective.

Against the backdrop of this continued development, we have reviewed our , fundamental reporting principles. In future, we will be using a regional portfolio presentation, in view of the fact that our local activities are the basis of our success and because we are now increasingly managing and leading the company on the basis of regional considerations. In addition, it is important to us to place an even clearer and more unambiguous focus on the strategic strengths of our business model.

Our strategic profile in brief

DIC Asset AG specialises in commercial real estate, particularly office property, in Germany. We are currently managing real estate assets of around EUR 3.3 billion, with some 280 properties. Our investment strategy aims to develop a quality-oriented, high-yield and regionally diversified portfolio.

We look after our tenants directly and increase the value of our properties through our in-house property management service, with our own teams working from six branches. Proximity to our tenants and regional markets gives us a significant edge, when it comes to regional knowledge and expertise, over our national and international competitors who may be located far away.

The aim of our activities is to increase and secure our rental income and returns, as well as the value of our properties and co-investments. In order to achieve this aim, we monitor and manage the entire value-creation chain – from acquisition and real estate management through to sale – and the deployment of resources.

Our strategic approaches

1. **Clear focus** We invest exclusively in German commercial real estate
2. **Portfolio with strong earnings potential** We manage a high-quality, regionally diversified portfolio with a high level of cash flow
3. **Regional presence** We set up branches to maintain a presence in the areas where our property portfolio is concentrated
4. **In-house real estate management** We guarantee professional support with internal teams of experts
5. **Balanced financial structure** We secure long-term financing through equity and debt capital
6. **Internal and external portfolio growth** We exploit earnings potential in the rental and transaction market
7. **Diversified sources of income** We combine high-yield portfolio properties and attractive co-investments in a balanced manner

CLEAR FOCUS

We invest exclusively in German commercial real estate

We are one of Germany's largest commercial real estate investors, operating exclusively within the German market. Our investment focus is entirely on commercial real estate.

Our approach

The German commercial investment market is extremely attractive to both national and international investors: the robust nature of the German economy – as impressively proven by its speedy recovery from the financial crisis of 2008-2009 – has once more underlined the importance of the German commercial investment market, and how it is regarded as a comparatively "safe haven".

Capital investors from around the world consider the stability of the German market to be a sign of quality that increases in importance when times are difficult and does not become less attractive when there are signs of positive growth.

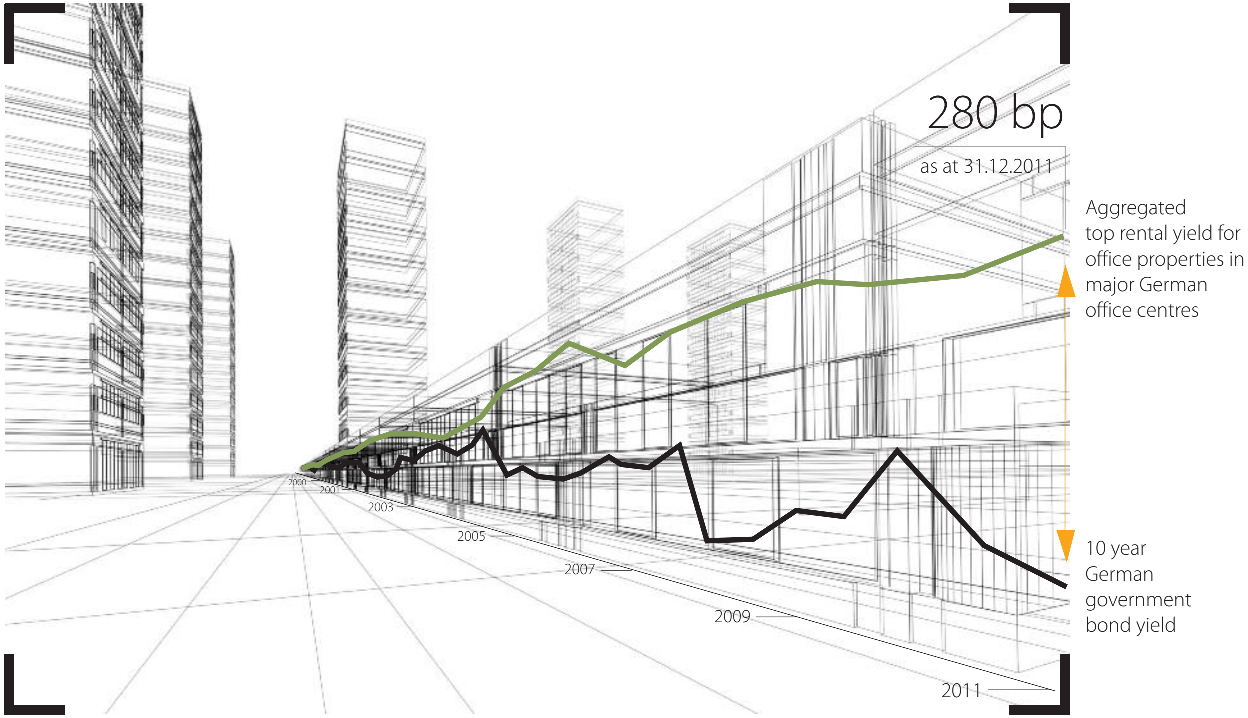
Attractive and high volume rental cash flows can be achieved by investing in German commercial real estate. The average rental yield on our properties is 6.6%. Over the past few years in particular, rental yields have significantly exceeded the cost of borrowing. In addition, office properties in particular offer a high level of flexibility with regard to rental and are generally quite easy to put to alternative use. The transaction market for commercial properties is stable, with long-term liquidity, and also operates at an international level.

DIC Asset AG also specialises in properties with the potential to increase in value, which can be tapped into by intensive letting, repositioning and project development. The way that our organisation is set up and our system of in-house real estate management across Germany mean that we have the extensive resources required to do this. Our regional presence also allows us to invest in attractive locations with a lower level of competition and a higher level of opportunity.

Advantages of investing in German commercial real estate

- Good economic performance
- Steady and attractive rental yields
- Large, liquid, international transaction market
- Rising level of employment is generating increased demand for commercial and office space

Investments in German commercial properties generate consistently attractive rental yields.



As a successful investor in and manager of commercial property in Germany, we can boast a **consistently positive track record**. We operate a capital-efficient business model that has yielded high FFO figures for many years now: for over **30 quarters in a row** since our IPO.

PORTFOLIO WITH STRONG EARNINGS POTENTIAL

We manage a high-quality, regionally diversified portfolio with strong cash flow

We have a quality portfolio, which generates ongoing attractive returns and whose broad diversification enables it to absorb risk.

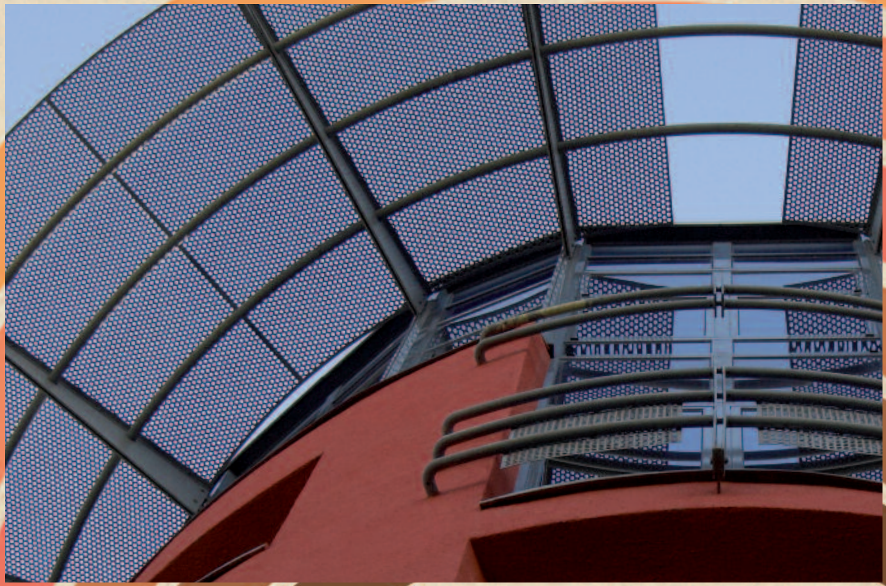
Our approach

Our portfolio consists of real estate with attractive rental yields. Purely maintaining the portfolio generates an attractive profit, in addition to covering the costs of financing and mangement. The focus of our activities is on office space. We ensure a balance of different properties in the portfolio, which both allows for attractive opportunities and avoids risk being concentrated. Our tenant structure is widely diversified both by region and by sector. It includes many medium-sized companies and retail tenants, as well as a high proportion of public sector organisations with excellent credit ratings. With approximately 1,500 tenancies, there is broad risk diversification.

The majority of our income originates from the Commercial Portfolio. Above all, in order to secure long-term rental income, we ensure high quality in our rental properties and high creditworthiness in our tenants. In addition, we perform services for our co-investments, for example in real estate management, and this generates steady additional income.

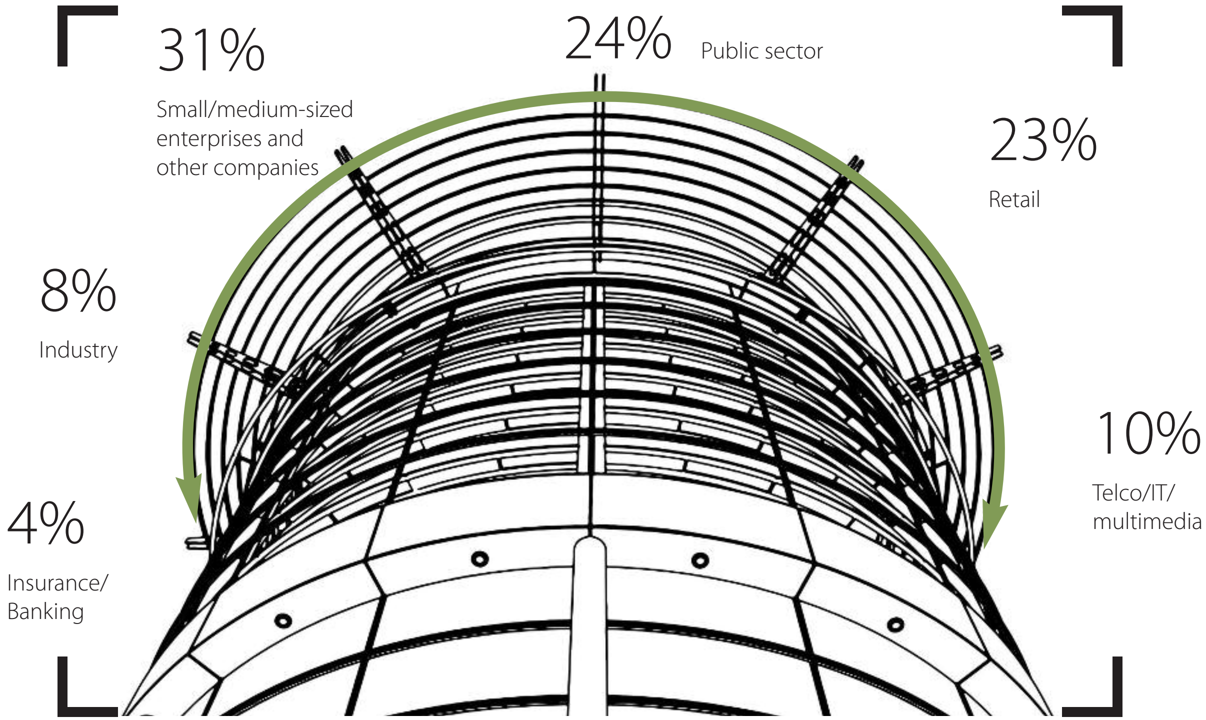
Success in 2011

- Continued high FFO of some EUR 41 million
- 1.7% like-for-like increase in rental income
- Average lease term improved to 5.5 years



A high level of diversification in terms of sectors and regions shields our portfolio from market fluctuations and ensures an even inflow of income from around 1,500 tenancies.

We manage a solid commercial portfolio.
Our tenant structure is highly diversified across different regions and sectors.

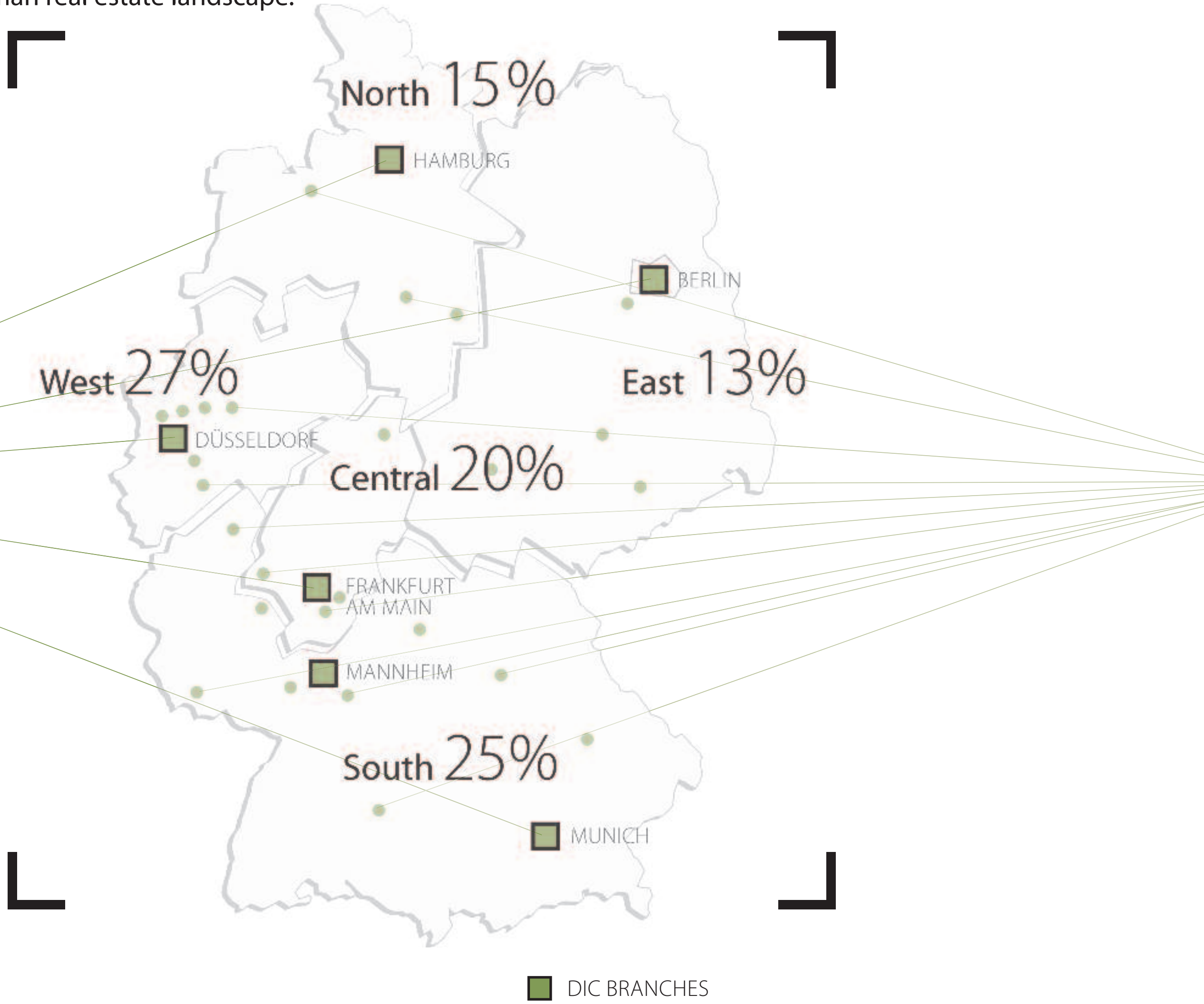


Broad **risk diversification**. For some years now, our property portfolio has been generating a high and stable level of rental income, not least thanks to its diversified tenant structure. Like-for-like rental income increased by **1.7% in 2011 after +0.5% in the previous year**.

With our nationwide presence across all regions of Germany, we take advantage of the different characteristics and opportunities presented by the German real estate landscape.

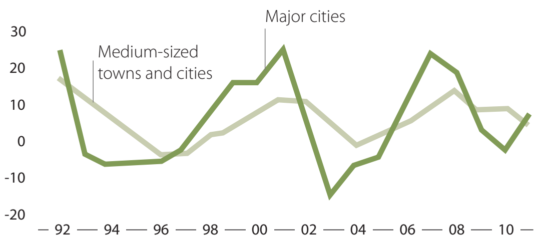
INVESTMENTS IN LARGE METROPOLITAN AREAS

approx. 50%



HIGH POTENTIAL IN MAJOR CITIES

German Property Index for office centres, total return in %



REGIONAL PRESENCE

We set up branches to maintain a presence in the areas where our property portfolio is concentrated

We are active throughout Germany. Our long-term presence with branches in the regions allows us to pick up on market opportunities that are closed to investors with a short-term focus.

INVESTMENTS IN MEDIUM-SIZED TOWNS AND CITIES

approx. 50%

HIGH STABILITY IN REGIONAL CENTRES

Office market vacancy rate in 2011, in %

Our approach

In contrast to the situation in other European countries, the German real estate economy does not thrive in just a few major locations, but also in many medium-sized towns and cities in strong economic regions.

This regional spread means that the overall market for commercial real estate is very varied, regionally diversified and therefore stable and at the same time challenging. Both real estate strongholds and middle-order regional centres have specific advantages and risks that we exploit by diversifying our investments to extend our portfolio so that it is both high-income and robust.

With its own branch network, DIC Asset AG has a direct and permanent presence in the German regional real estate markets. This long-term presence makes it possible to identify attractive locations and real estate beyond the focal points for investment that are well known internationally and to develop these successfully.

Our portfolio is divided equally between major cities and regional centres.

CHARACTERISTICS OF THE GERMAN OFFICE MARKETS

	Major office centres	Regional centres
Transaction volume	high	low
Market liquidity	high	low for larger volumes
Price/rent stability	high volatility	largely stable prices/rents
Competition	high	less pronounced
Vacancy rate	high and volatile	low to very low in parts, little fluctuation
DIC Asset AG portfolio	approx. 50%	approx. 50%

IN-HOUSE REAL ESTATE MANAGEMENT

We guarantee professional support with our internal teams of experts

Our portfolio activities are aimed at increasing rental income and earning power, as well as improving the quality of our portfolio. To achieve this aim, our DIC Onsite property management service provides on-the-spot support for our tenants and properties.

Our approach

Our property management service, which has around 100 employees working out of six branches in the areas where our portfolio is concentrated, supports our tenants on everyday questions relating to the property, as well as helping with special projects. In addition to quick successes in renting properties, we also aim to achieve a high level of tenant loyalty. We increase the potential of our real estate and investments by means of long-term leases and by upgrading and refurbishing properties. This enables us to secure and increase our cash flows and profitability.

Competition and positioning

In order to conclude lease agreements successfully, our offering must be better than that of competitor properties of similar quality in a comparable location and price category. The competition varies by location and is particularly high in the major cities. We talk to our potential clients directly on the spot and are able to adapt our portfolio to meet regional needs. Our local presence therefore gives us advantages in terms of client retention, speed of reaction, and proximity to the market, above all in comparison with investors located far away.

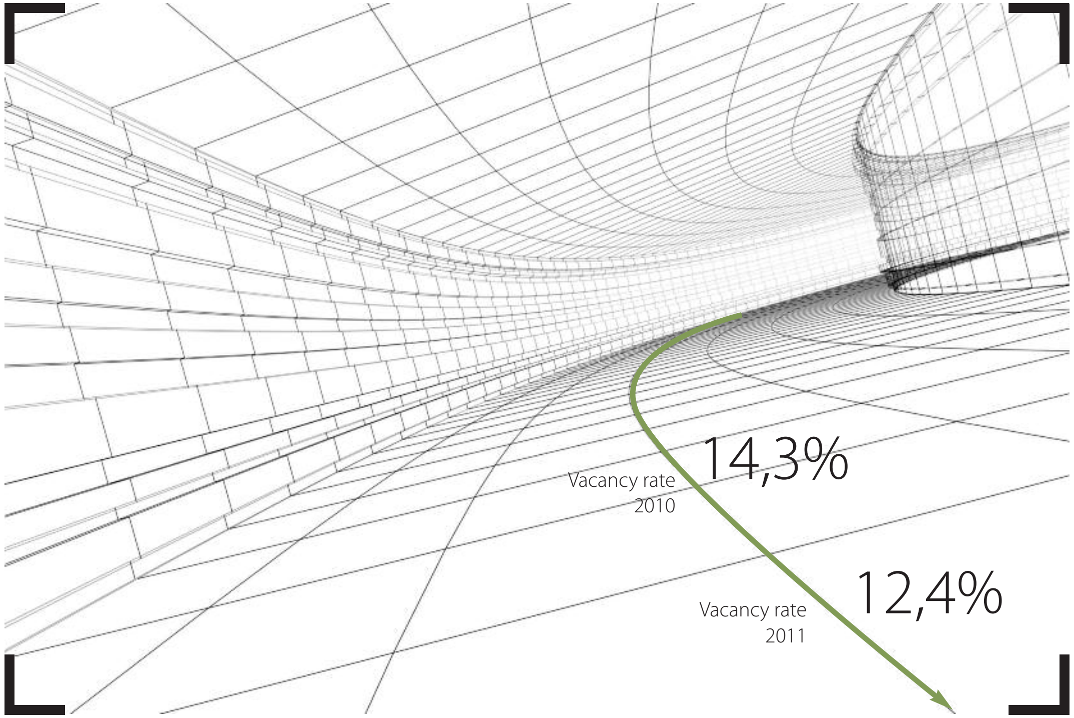
Once again in 2011, this strategy enabled us to obtain a high letting volume with particular success in the area of new tenancies.

Success in 2011

- Strong letting volume from 247,000 sqm
- 16% increase in new tenancies
- 1.9 percentage point decrease in vacancy rate to 12.4%
- 0.7% increase in the real estate market value

A steady annual high letting volume of some 250,000 sqm is testimony to our property management.

We operate a consistently successful letting business.
Our letting volume in 2011 equates to around 13% of our portfolio space.



Substantial **reduction in the vacancy rate**. The high letting volume and a marked increase in new tenancies led to a significant **fall in the vacancy rate of approximately two percentage points** in 2011.

BALANCED FINANCIAL STRUCTURE

We secure long-term financing through equity and debt capital

We have chosen to take a long-term approach with regard to our financing, which is in line with the aims that we are pursuing through our real estate.

Our approach

Our company is based on a sustainable financing architecture. We use traditional bank financing, bonds, our access to the capital markets, and our financing partners for financing purposes. We have significantly strengthened our capital base over the past few years by means of capital increases, sales, and loan repayments. In addition, we offer strategic financing partners the opportunity to share in our investments, growth and expertise with their own capital, for example by means of joint ventures, our special funds, and other co-investments.

We always arrange real estate financing on a strictly long-term basis and in line with the objectives for the particular property. Ongoing business, as well as the portfolio investments, are financed primarily by the strong cash flows from our properties. We have been continually building up our portfolio for many years now.

Because our income is calculable, it offers a reliable basis for obtaining efficient and long-term leverage. We agree attractive terms for this borrowing and hedge it adequately against any increase in interest rates.

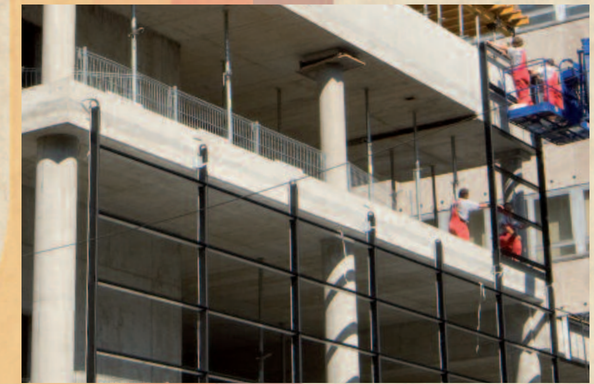
We finance our investments at property and portfolio level and use a balanced ratio of our own capital, funds from our bond issue and external capital. Our properties and portfolios are structured throught non-recourse structures, there is therefore no unrestricted possibility of enforcement against the Group or against other portfolios or properties.

We maintain long-term and strong relationships with German mortgage banks and real estate financers. Currently, all real estate loans are concluded with German financing partners.

After gradually increasing our equity ratio from 24 to around 30% since 2009, we want to increase our equity share in investments to at least 35% in the medium term.

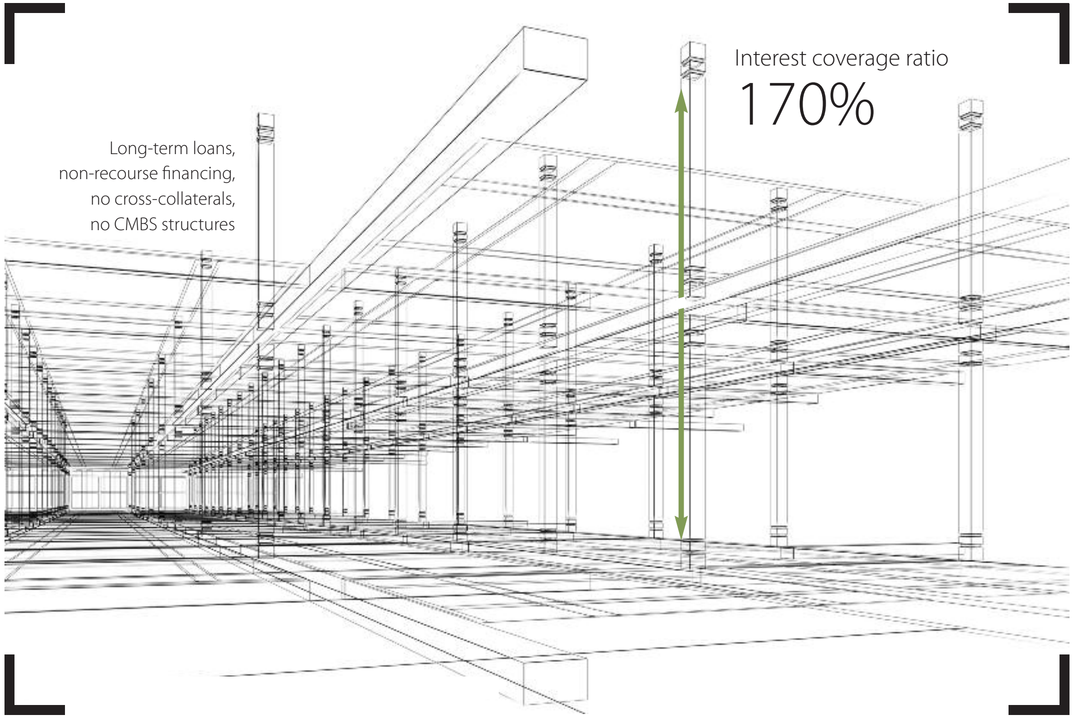
Success in 2011

- Capital base strengthened by EUR 52 million by means of a capital increase
- First DIC Asset bond issue raises EUR 70 million to extend financing spectrum
- Interest cover ratio increased to around 170%
- Loan term structure improved by means of refinancing and acquisition financing



Manageable term structure: in 2012, only some EUR 160 million of current debt in all will need to be extended. This sum is largely spread across three financing arrangements that are independent of one another.

We fund our investments via banks and the capital market, focusing on a diversified financing structure oriented towards the long term.



Our balanced financing structure is secured against interest rate fluctuations with **a large fixed component of 80%**. We also enjoy a sound cash flow basis for interest coverage: as at the balance sheet date, **net rental income was 1.7 times greater than interest expenses**.

INTERNAL AND EXTERNAL PORTFOLIO GROWTH

We exploit earnings potential in the rental and transaction market

We pursue external and internal growth opportunties in order to extend our real estate portfolio profitably in the long term. In doing so we always ensure a stable and appropriate distribution of risk.

Our approach

We invest exclusively in the entire German commercial real estate market and therefore in its regional submarkets that have their individual strengths. To this end, we acquire properties and investments offering attractive rental yields and a steady cash flow. We act in a dynamic manner with a focus on opportunities and we always ensure stable and appropriate risk distribution. In addition, we pursue internal growth, for example, by cutting the vacancy rates thanks to our in-house real estate management service. We use our sales to fine-tune our portfolio, realise profits at the right time and release resources for new acquisitions as well as optimise our capital structure.

Competition and positioning

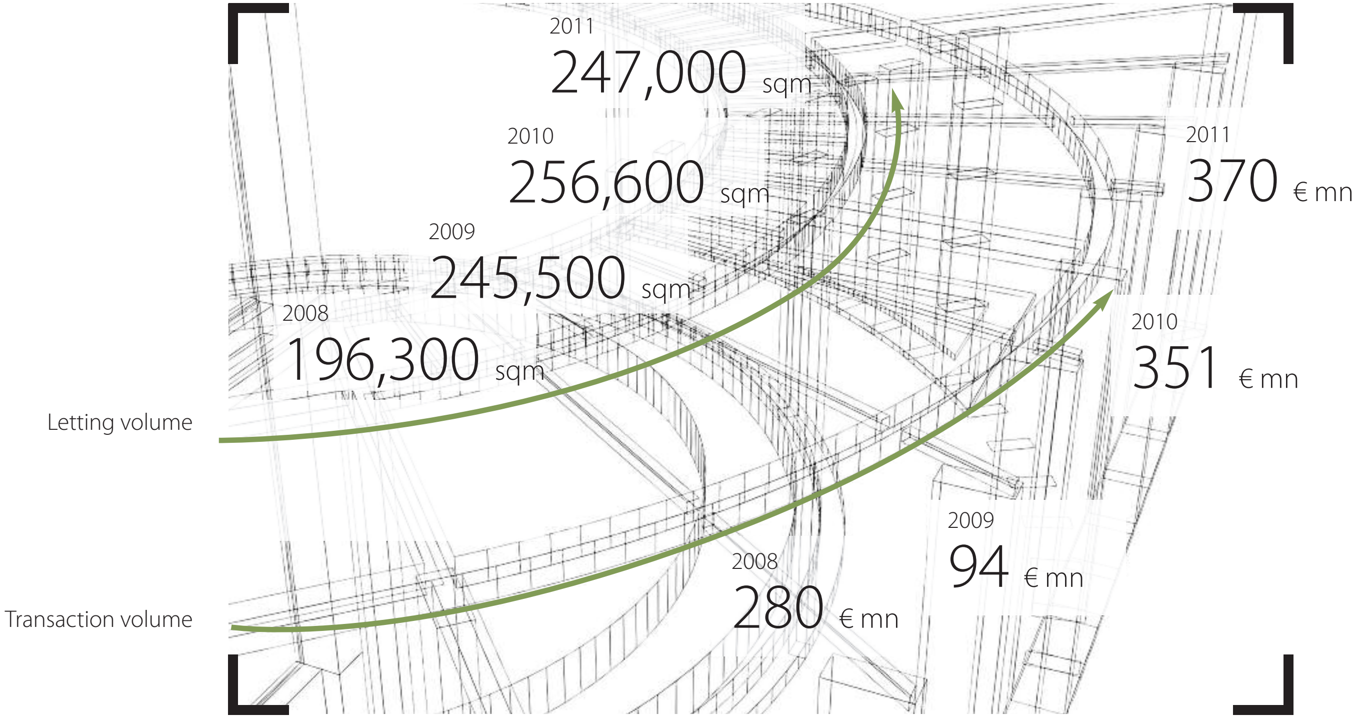
When acquiring real estate, we compete equally with local, national and international companies. The intensity of the competition depends, among other things, on economic factors, the situation in the sector and the availability of capital. Our regional presence and detailed market knowledge give us a clear advantage, above all over international competition. We are therefore often in a position to realise acquisitions as an exclusive bidder in off-market transactions.

When selling real estate, we are pitted against market players offering properties in comparable income and risk categories, of comparable quality and offering a comparable return. Thanks to our long-term financing, we are in a position to sell in a selective manner and to adapt to market conditions. In addition, our regional market knowledge and established networking in the investment market gives us the opportunity to identify suitable purchasers and to approach them in a targeted manner and so to position selected properties favourably.

Growth 2011

- Acquisition of retail properties in Chemnitz and Bremen with a volume of EUR 108 million
- Acquisition of "Marktforum" retail property in Duisburg for a volume of EUR 16 million
- Complete takeover of joint venture portfolios with a market value of EUR 190 million
- Acquisition of two office properties in Karlsruhe and Leipzig with a volume of EUR 62 million for our DIC Office Balance I fund
- Sale of primarily smaller properties for a total of EUR 72 million in more than 20 individual transactions

We seize earnings potential on both the rental and transaction market.



Internal and external growth: being well integrated in the regional markets allows us to grow thanks to a **consistently high letting volume as well as successful acquisitions and disposals**.

DIVERSIFIED SOURCES OF INCOME

We combine high-yield portfolio properties and attractive co-investments in a balanced manner

Our sources of income are diversified: In addition to our rental income, we make regular earnings from our investments and from real estate management for our co-investments.

Our approach

In order to distribute our sources of income in a risk-oriented manner, we act on the one hand as a portfolio manager, but also as a co-investor. As a co-investor, we participate among other things in investments that offer a better risk-opportunity profile, generally with a substantial 20% stake. In addition, we initiate special real estate funds in which we also participate to a significant degree. This earnings structure makes us less dependent on market fluctuations (on either the real estate or financial markets) and guarantees a constantly high and at the same time capital-efficient income.

We are currently participating as a co-investor in approximately 120 properties with minority shares. This includes the properties in our special fund, as well as project developments, including the development of the MainTor district – the Riverside Financial District in Frankfurt.

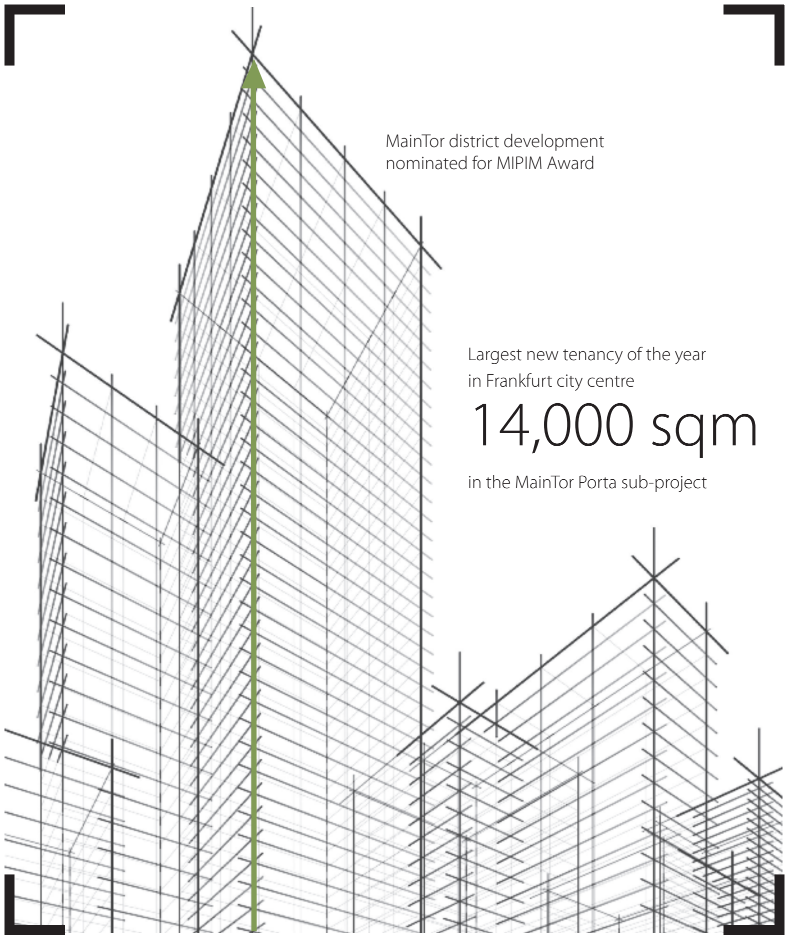
We contribute our investment expertise and national real estate management service to partnerships, to optimise portfolios or carry out refurbishments or project developments. In exchange for these services DIC Asset AG receives regular management income in addition to the income from the investments. Proceeds from sales provides an additional source of income.

Success in 2011

- 51% increase in fees from real estate management to EUR 5.3 million
- MainTor project: advance marketing and start of two construction stages
- First special fund fully placed, further resources acquired for fund expansion

Canteen by Rehberger and temporary restaurant concept "96 COMMISSARY". Installation for the anniversary exhibition "20 Jahre Gegenwart" ("20 Years of Presence") by Frankfurt's MMK Museum of Modern Art on DIC's MainTor site. The special showing between June and October 2011 attracted over 100,000 visitors.

We participate selectively in high-quality project developments and make use of the DIC Group's expertise as developer.



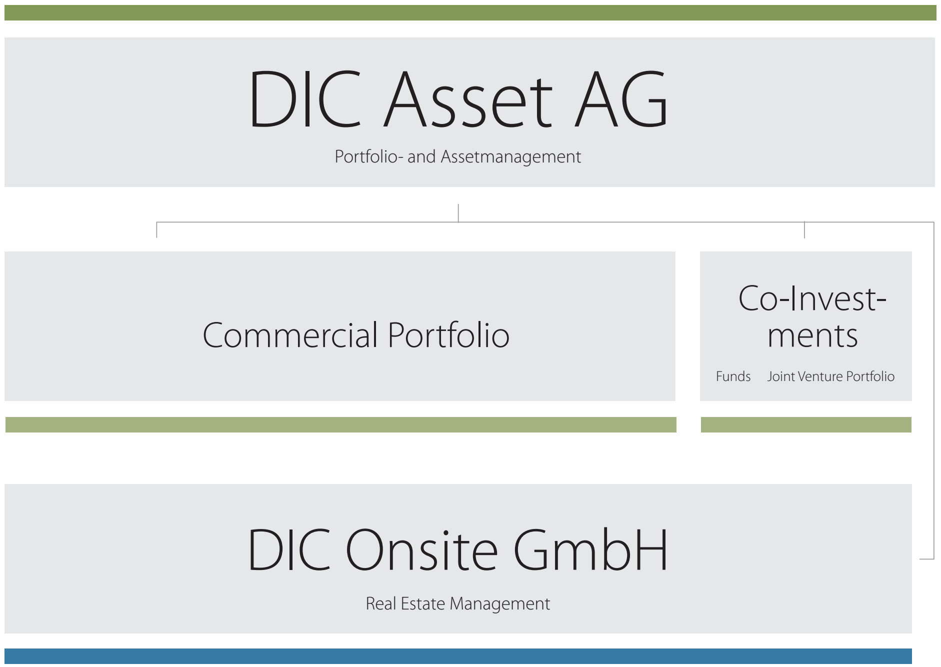
We are involved in some 120 properties as a co-investor, including the development MainTor – The Riverside Financial District – in Frankfurt, which has been **nominated for a MIPIM Award**. Following successful pre-letting of some 70% of available space, the second construction stage in the MainTor project, the "MainTor Porta" office complex, will begin ahead of schedule in the course of Q1 2012.

COMPANY MANAGEMENT

Management and supervision

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

▷ Supervisory Board
The Management Board cooperates closely with the Supervisory Board when making any material commercial decisions and reports regularly and when required on all business developments and strategic issues. The Supervisory Board is the statutory control and supervisory body and, as such, advises the Management Board in relation to commercial decisions, supervises its operations and decisions and is authorised to make decisions in specific situations. The Supervisory Board of DIC Asset AG consists of six members. In 2011 the Supervisory Board held four ordinary meetings and ten telephone meetings together with the Management Board.



Statement on corporate governance and additional disclosures

The statement on corporate governance was published on the website www.dic-asset.de. The statement is also included in the section on corporate governance. Further information on corporate governance, such as the composition and working methods of the Management Board and the Supervisory Board, can also be found there. The remuneration report, containing individual information on the compensation of Management Board and the 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 in the internal control system.

Regional portfolio structure

In this Annual Report we expand our reporting to include the regional perspective on our portfolio. In doing so we increase transparency and generally follow the internal control of our portfolio. The growth in our real estate portfolio and the expansion of real estate management in recent years has resulted in planning and control for the regions becoming more important and the previous distinction between "Core plus" and "Value added" becoming less important. We have therefore amended our segment reporting procedures accordingly.

The DIC branch network divides Germany into the following five portfolio regions: North (Hamburg), West (Düsseldorf), Central (Frankfurt); South (Munich/Mannheim) and East (Berlin).

Strategic Group structure

DIC Asset AG manages the Group as its parent company. All management functions are brought together here centrally, including amongst other things the setting of Group strategy (and in particular the investment, portfolio management and disposals strategy), corporate and real estate financing, risk management as well as the steering of property management. In addition, responsibility for company communications including contact with the capital and financial market and shareholders lies at Group level.

Two subsidiaries of DIC Asset AG also have important operational tasks: DIC Onsite organises property management through six regional branches whilst DIC Fund Balance is responsible for the Funds business segment.

A total of 153 direct and indirect investments form part of the Group. In most cases, these are property holding companies, through which the Group's operations are presented and which we administer as sub-holdings. All equity interests are reported from page 119 in Annexes 1-3 of the Notes to the Consolidated Financial Statements.

Internal planning and management system

The management system of DIC Asset AG aims to increase corporate value for shareholders, employees and business partners and to achieve long-term profitable growth without incurring disproportionate corporate risk.

Planning process

The planning process of DIC Asset AG combines projections on the basis of current value with concrete targets. This is assisted by detailed planning at regional, individual property and portfolio level (bottom-up planning) as a basis, which is finalised through objectives and strategic elements (as top-down planning)

Constituent parts of planning:

- Detailed business plans for real estate and portfolios including, amongst other things, expected key figures such as rental income, costs, investments and gross profit.
- Objectives for operating real estate management including action planning, in particular with reference to rental, sales, investments and project developments.
- Planning operational implementation, e.g. with leasing and management services, planned costs and measures to optimise income and minimise expenditure.
- Supplementation of personal skills and an examination of financial and liquidity issues
- Risk management results in the addition of risks and specific opportunities. This is firstly carried out at the property and portfolio level and then aggregated to Group level.

Consolidated Group planning is then complemented by strategic Group measures and estimates of framework conditions by the Management Board. Group planning is reviewed annually and adjusted to the current market situation and changes which are expected.

Company-specific early indicators

We use leading 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. We differentiate between two types of indicators: general economic and operating leading indicators.

The general economic leading indicators include above all GDP growth, the ifo index, unemployment trends and employment levels as well as forecasts for interest rate movements and lending. These indicators enable us to make long-term conclusions regarding the development of our regional markets and the real estate sector, which normally responds to macroeconomic changes with a certain time lag, and also to determine future framework conditions and costs of our loans.

Significant operating leading indicators include the conclusion of tenancy agreements as well as expiries and terminations of tenancy agreements. This is incorporated amongst other things into our monthly letting forecast. Due to the long-term nature of tenancy agreements we are able to estimate the revenue base monthly, adopt counter-measures and draw conclusions for our short- to medium-term revenue growth. We supplement these turnover-oriented indicators with regional information and company data from our branches. Using this information we are able in particular to fine-tune our letting operations.

Management using key figures

Planned developments and actual results are regularly checked, monitored and reported by means of controlling and risk management measures. Managers from Group companies and subsidiaries secure the implementation of Group goals in their relevant market environment. In the event of major discrepancies the Management Board becomes involved, which decides on the implementation of appropriate measures with departmental representatives.

The internal control system, which forms part of the risk management process and is explained in detail from page 48 of the Risk Report, 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. We are currently working on an over-arching software solution for real estate management. The program is specifically tailored to the needs of real estate companies and will lead to closer integration and greater optimisation of property management and company accounting as well as of planning, control and analysis systems.

The most important control quantities and targets

In order to monitor the agreed targets, we use result-oriented figures which are a part of regular reporting. We manage our portfolio with a regional focus, particularly with regard to the increase in value from property management (including letting volume and changes in rental income (nominal and like-for-like) and vacancy rates).

From the point of view of the company as a whole, the operating profit from real estate management (funds from operations, FFO), and the operating profits after deducting taxes related to capital employed (return on equity, ROE) are of the utmost importance. In the case of sale-oriented investments and project developments, the internal rate of return (IRR) is also used as a key figure, whereas for fund investments the distribution yield and performance are used. Growth targets are guided above all by the actual acquisition volumes. Deviations are analysed promptly and management measures are established in regular meetings with the Management Board and the respective managers.

GENERAL ECONOMIC CONDITIONS

MACROECONOMIC TRENDS

Strong domestic economy driving German growth

The German economy was in a very strong state in 2011. The rapid recovery from the 2009 financial crisis hardly let up in the second subsequent year. In particular, high growth rates in private consumption and investments contributed to the upturn, and the impact of exports as an engine for growth fell. The German economy grew by three percent last year, although it lost a lot of momentum towards the end of the year in the wake of the sovereign debt crisis. Initial forecasts by the Federal Statistical Office suggest that GDP fell by 0.25 percentage points in the fourth quarter [update to follow after 15.02]. GDP growth of 1.2% is expected in 2012.

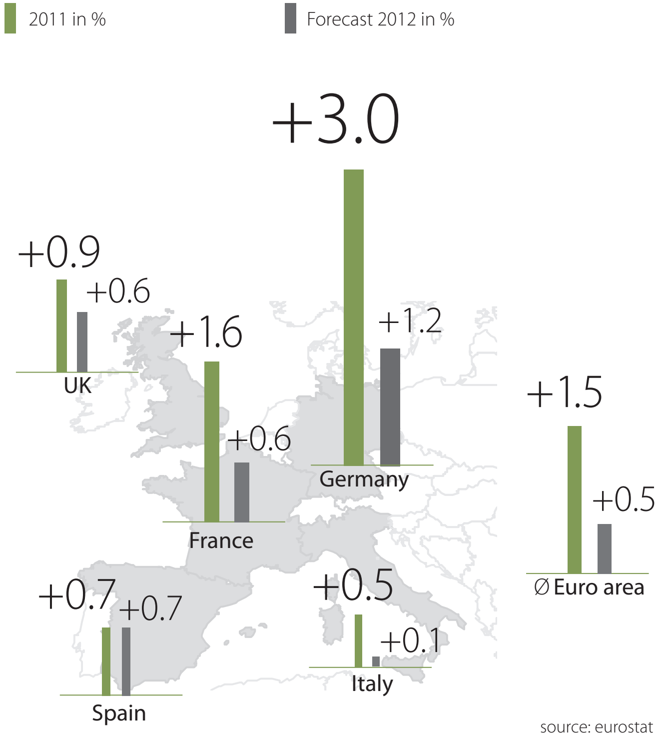
Very pleasing employment market data

There were positive developments in the employment market in 2011: the number of people in employment grew strongly by 0.5 million to 41.5 million, whilst the number unemployed fell by 230,000 to 2.8 million. The unemployment rate averaged 7.1 percent and fell by 0.6 percent compared to the previous year. The number of people in employment and paying social security contributions enjoyed the most marked rise in 2011, growing by 1.0 million to reach 28.8 in December 2011. This is particularly pleasing for us due to its strong correlation with the letting of commercial and office space.

Sovereign debt crisis holding back the economy

The sovereign debt crisis in a range of countries in the euro area as well as the general weakening in the global economy increasingly held back the European economy in 2011. After Greece, significant problems were also encountered by Ireland, Portugal, Italy and Spain in using the capital market to borrow funds or refinance debt. These countries were supported by comprehensive and extraordinary stabilisation measures. Due to instability in the financial sector, the key interest rate for the euro area was reduced to a low 1.0% in December 2011.

GDP GROWTH RATES IN EUROPE



source: eurostat

Financing still strained

Even the fall in the interest rate was unable to decisively stop the strained situation in the banking sector: the discussion regarding a debt haircut for Greek bondholders, more robust equity capital requirements for banks and disruptions to interbank lending again led to increased capital requirements among financial institutions. The consequence for lending is stricter loan conditions, higher risk premiums and, for several banks providing finance to the real estate sector, a block on new business. Although it is essentially possible to carry out real estate financing at present, it can only be achieved with smaller volumes and greater use of capital resources.

SECTOR TRENDS

Broad upward trend for the rental market

Driven by a positive employment market, there has been a sharp revival in the letting market whereas no general weakening as a result of the European sovereign debt crisis was apparent. In 2011, around 3.2 million sqm of let space was registered in the seven major office centres (2010: 2.8 million sqm). The result represents a 13% rise on 2010 and is also significantly higher than the ten year average of 3.1 million sqm. Thanks to high demand, the vacancy rate fell in all major office centres, with the largest falls in Hamburg (-1.7% to 8.1%) and Frankfurt (-1.0% to 14.4%). Increased momentum even enabled medium-sized towns and cities to develop positively. Letting growth amounted to 16%, reaching around 370,000 sqm.

Strong demand for quality and location

Demand in the major office centres was primarily for high-quality, prestigious properties in central locations. The high demand for such properties enabled a premium to be charged, which pushed up high-end rents in four of the seven major locations.

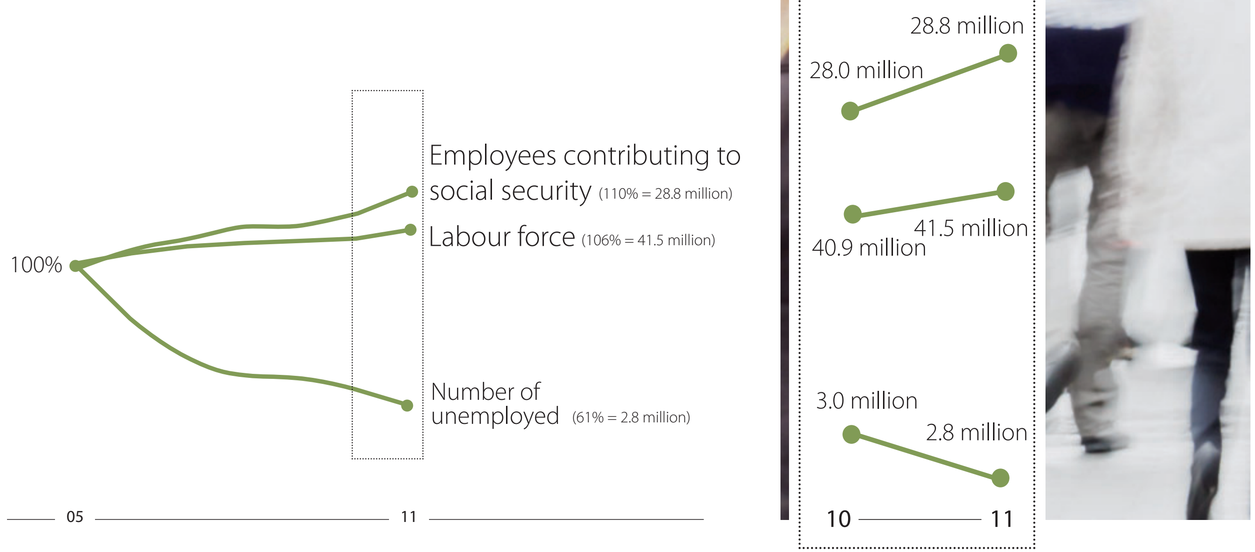
Out of the 13 locations considered overall, a year-end increase of just over 1% was registered for high-end rents, whilst mid-level rents remained stable. However, the increased demand had a significant dampening effect on rental incentives throughout the market.

Hardly any speculative new construction activities
New construction activities in the major office centres were less marked in 2011: The volume of finished properties fell by 25% to a total of around 880,000 sqm. Most of the properties were let in advance, whilst the remainder were taken up by the market generally without any problems, thanks to their contemporary quality and fixtures and fittings. Almost two thirds of the total volume of new construction activity was carried out in Frankfurt, Hamburg and Munich. Similar volumes to 2011 are projected for the coming year, and many properties have also already been let.

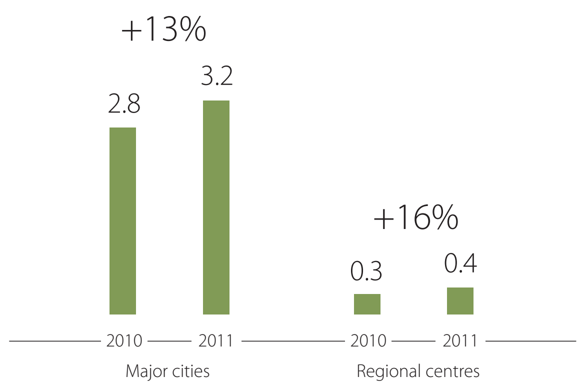
High demand on the German commercial property market
Activities on the transaction market increased in 2011, although they were almost unilaterally focused on top-end long-term rental property in prime locations ("Core properties") which many investors regard as safe. Transaction volumes in 2011 totalled EUR 22.6 billion, representing an increase of 18% compared to the previous year (2010: around EUR 19.2 billion) and the best result for four years. Just like the German economy as a whole, the commercial real estate market is attracting capital from across the world thanks to its solidity and attractiveness in a European context. With turnover of EUR 5.8 billion, the final quarter was the strongest quarter of the year.

Foreign investors active
Confidence in the German market has been clearly reflected in the greater role played by foreign investors, who invested over EUR 7.6 billion in 2011 and thus made up more than a third of

DEVELOPMENT OF EMPLOYMENT MARKET IN GERMANY



OFFICE LETTING VOLUME,
MAJOR CITIES AND REGIONAL CENTRES sqm in million



source: DIP data

the total transaction volume (2010: around EUR 6.7 billion). Investors with strong levels of share capital were also dominant. In the five major German investment centres (Berlin, Düsseldorf, Frankfurt, Hamburg and Munich) a total of EUR 11.7 billion changed hands (+18% compared to the previous year). This is therefore also where competition is strongest: around one half of total investment turnover goes to these five top locations. Euro).

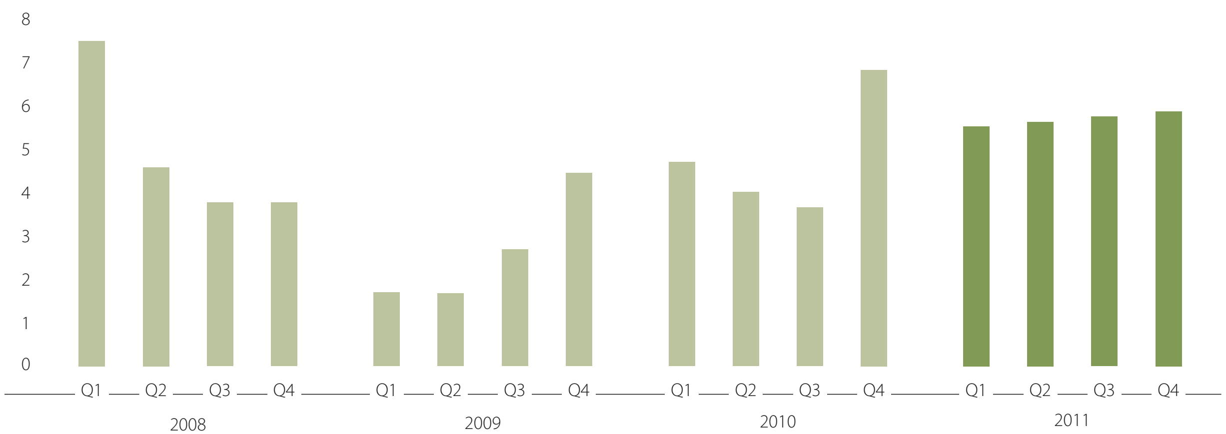
Risk aversion continues to underpin investments

In 2011, there was an unusually strong focus on retail properties, alongside offices from the relatively slim Core segment. Whilst EUR 10.6 billion was invested in retail properties (a share of 47% of the market as a whole), for office properties the figure was EUR 8.2 billion (36% share), whereas in 2010 the figures were EUR 8.0 billion for the office segment (42%) and EUR 7.6 billion for retail (40%) respectively. Most investors are therefore willing to accept high purchase prices and lower rental returns. They are looking for a high level of security from more modern properties with long-term tenancy agreements in prime locations. The high demand led to a fall in top rents in these segments. Outside the Core segment, demand was markedly lower overall.

Outlook

Due to the continuing economic tensions following the sovereign debt crisis, we are expecting the real estate market in 2012 to show a hesitant yet stable rental market along with a transaction market centred as in the previous year around core properties. More detailed estimates for 2012 are contained in the chapter on "Opportunities and forecast".

TRANSACTION VOLUME OF GERMAN COMMERCIAL REAL ESTATE EUR billion



BUSINESS DEVELOPMENT

Summary

In 2011 we set ourselves the principal target of further developing DIC Asset AG through internal and external growth and enhancing the quality of our portfolio. We implemented this in full, buoyed by robust economic development and a benign and stable real estate market. With acquisitions of around EUR 300 million we have reached the upper limits of our planning volumes and accordingly attractively expanded our real estate portfolio on a long-term basis. We laid the basis for these achievements in the first half of the year with two capital procurement measures, the capital increase and the bond issue. As planned, in the rental sector we repeated the previous year's success with a strong letting volume. Due to greater levels of new tenancy agreements we were even able to increase the quality of our portfolio more than expected. The vacancy rate fell, while rental income increased in a like-for-like comparison. FFO also fared as expected: the figure of some EUR 41 million is precisely within our forecast range.

REAL ESTATE MANAGEMENT

- Like-for-like rental income up by 1.7%
- Vacancy rates significantly reduced by almost 2 percent to 12.4%
- Rental volumes of 247,000 sqm match the high level from the previous year

With a high rental rate we have secured our rental income and enhanced portfolio quality. The good result was based above all on new rentals, which we were able to expand by 16% and which made a decisive contribution to the 1.9% reduction in vacancy rates to 12.4%.

Good framework conditions for letting

The cyclical upward trend with good prospects for companies and a labour market with record levels of employment encouraged tenants to up-size and move house again for the first time in several years. Even with the increasingly negative headlines as a result of the sovereign debt crisis we were not able to discern any recognisable hesitancy from the market observations by our branches. Due to the limited supply, price rises were also noted in sought-after locations. Rents remained stable across the market, although rental incentives fell significantly.

Letting volume of 247,000 sqm

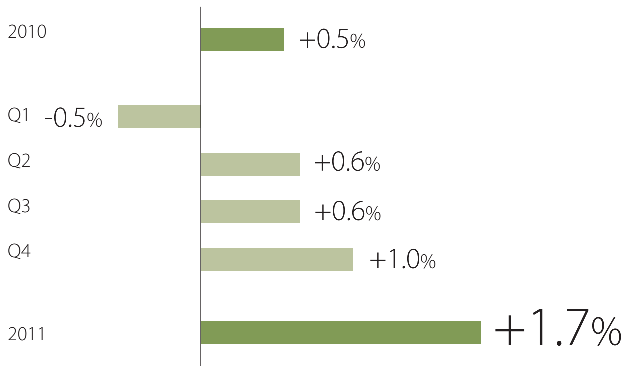
Our letting volume in 2011 amounted to 247,000 sqm, which almost matched the previous year's level despite a significantly smaller portfolio over the year as a whole (-4%, 2010: 256,600 sqm). As planned, we intensified new letting activities and also exploited the positive economic environment. With success: we were able to significantly expand our new tenancies by 16% to some 117,800 sqm (2010: 103,200 sqm). Since relatively few tenancy agreements expired in 2011, we took additional early action in relation to extensions to existing tenancies for agreements expiring in 2012. Here too, we once again a recorded a high level of tenancy extensions, for 127,200 sqm (2010: 153,400 sqm). We concluded some 430 tenancy agreements in 2011. Our letting volume corresponds to annual rental income of EUR 27.3 million. Despite a slight fall in letting volume, this is at the same level as the previous year. The high average term of eight years secured on our new tenancies has had a positive impact on the overall term structure. We have a balanced tenancy structure that is split roughly equally in the three size classes of under 1,000 sqm (80,700 sqm), 1,000 to 5,000 sqm (81,500 sqm), and over 5,000 sqm (84,800 sqm). The ten most significant tenancy agreements account for around 94,000 sqm in total.

LETTING VOLUME

	in sqm on signature		annualised in EUR million	
	2011	2010	2011	2010
Office	156,800	159,900	19.9	19.2
Retail	30,900	22,700	3.5	3.8
Other commercial	52,800	67,700	3.4	3.7
Residential	6,500	6,300	0.5	0.5
Total	247,000	256,600	27.3	27.2
Parking	2,190	2,020	1.0	0.9

REDUCTION OF VACANCY RATE in %*

GROWTH IN RENTAL INCOME like-for-like in %



Marked increase in like-for-like rental income

Due to the high letting volume, like-for-like rental income increased by +1.7%. This growth was significantly higher than the previous year's result of +0.5% and exceeded our forecast. The like-for-like comparison is based on properties which remained in the portfolio in 2011. Therefore the impact on our letting activities is significant, and the effects of purchases and sales are not accounted for.

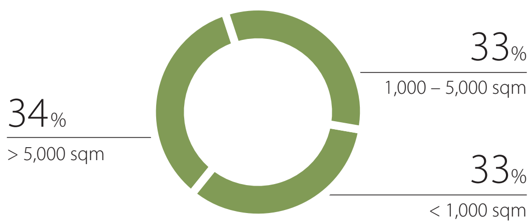
Vacancy rates significantly reduced to 12.4%

The momentum in letting activity significantly reduced vacancy rates at 31 December 2011 by 1.9 percentage points to 12.4% (2010: 14,3%). This was higher than our planned levels, which projected a reduction of at least 1.0 percentage point. The average duration of our rental agreements improved slightly to around five and a half years (2010: 5.4 years). The rent per square metre increased by EUR 0.10 to EUR 10.50.

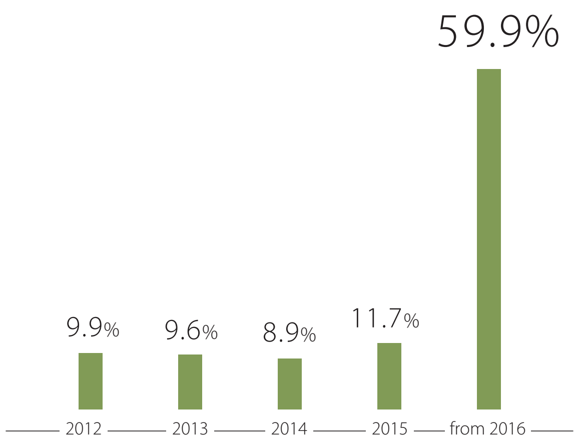
Rental expiries significantly reduced for 2012

At the start of 2011, rental expiries for 2012 still amounted to 18.9 million (16.5% of rental income). With our consistent letting activity, we had already reduced this volume by around one-third by the end of 2011 to 13.1 million (9.9% of annualised rental income). The percentage of leases expiring in the medium term, i.e. within the next two years, was reduced from 26% to already 19,5%. In addition, we strengthened our lease expiry structure, most notably through a marked increase in new tenancies with longer contractual terms. In order to reduce rental expiries further still, our focus in 2012 will mainly be on re-leasing in addition to a strong showing in new tenancies.

DISTRIBUTION OF LETTING RESULTS



EXPIRING TENANCIES in %



HERNER STRASSE, RECKLINGHAUSEN

High-profile anchor tenant to attract new business

- Property repositioned
- Anchor tenant secured for ten years

We acquired this office building with around 2,800 sqm in 2007. We took extensive measures to reposition the property, which had a high vacancy rate, in a challenging environment and make it an attractive and marketable proposition. With sustainability in mind, for instance, we installed a thermal insulation composite system and renovated the roof to maximise energy efficiency. A new art scheme has also given the building an optimised and uniform look. These measures have enabled us to secure a high-profile, long-term anchor tenant in the shape of TARGOBANK, which can help attract more new tenants. This new tenancy has more than doubled our rental income and significantly reduced the vacancy rate.

SILCHER STRASSE, NEU-ULM

Hotel property let without interruption

- Investment scheme for continuing operation long-term
- Continuation at previous 4-star level

DIC acquired the 4-star hotel with a lettable area of some 6,600 sqm as part of a joint venture portfolio in 2006. The previous tenant ended his tenancy on the due date at the end of March 2011. We devised a scheme to improve the quality of the building to a level that meets modern requirements in terms of accommodation long-term. As a result, we were able to win a new tenant, RIMC, which is leasing the property for 15 years and running it as the 4-star Golden Tulip Parkhotel. Both DIC and the tenant are investing a sum of euros in the low seven-figure range to keep the value of the property stable and secure rental income long-term.

HEBELSTRASSE, MANNHEIM

Long-term extension by public sector tenant

- Full letting secured for ten years
- Conversion increases rental income

Acquired in 2006, this office building with some 3,200 sqm of lettable area is a single-tenant property leased to the City of Mannheim and used by the job centre. We were able to extend the tenancy agreement for a further ten years and thus ensure the property remained fully let over the long term. We also succeeded in increasing rental income by converting underground car parking space into conventional lettable areas. Our tenant is also benefiting from the renovation of the façade and partial air conditioning, which significantly increase the appeal of the space.

HAIDGRABEN, OTTOBRUNN

100% newly let

- Adaptation for new tenants
- Vacant property newly let

The property of approximately 2,000 sqm was purchased by DIC in 2007 and was left vacant in mid-2010. By applying a suitable usage concept, we have been able to acquire a highly specialised safety engineering company as a tenant for the property, which is located in Ottobrunn near Munich and enjoys good transport links. The company will rent the entire building once various adaptations are complete. We will increase our annual rental income significantly by letting this property.

KAUFHOF, LEVERKUSEN

Complete letting secured long-term

- Extension to over 10 years
- No investment commitments

In Leverkusen, we were able to extend a large-scale tenancy agreement long-term. We own a department store offering some 20,400 sqm in the city's most important pedestrian precinct, which is let to Galeria Kaufhof. We were able to extend this tenancy agreement by 9 years to 10.5 years – without incurring any investment commitments or associated additional expenditure. This will secure our cash flow and the complete letting of the space long-term.

PORTFOLIO

- Market value of our own properties increased by approx. 1%
- Portfolio volume increased by approx. 10%
- Portfolio market value of some EUR 2.2 billion

Our portfolio comprises 278 properties with a total lettable area of 1.9 million sqm. The total value of assets under management increased by some EUR 200 million to EUR 3.3 billion. Our properties generate pro rata annual rental income of EUR 139.5 million (including Co-Investments). In 2011, we sold 22 properties for a total of EUR 72 million. We grew our portfolio through acquisitions worth some EUR 300 million. The valuation of our properties saw market values increase by 0.7%. As at 31 December 2011, our property portfolio had a pro rata market value of EUR 2,202.3 million.

Portfolio: robust and broadly diversified
Our property portfolio is leased long-term, with an average tenancy of 5.5 years, generates steady rental income and has a broad level of diversification in terms of sectors as well as regions. With 1,450 commercial tenancies, our risk is also broadly diversified, with only some 38% of income accounted for by the ten largest tenants.

Property values up by 0.7%
Each of our properties was inspected by external valuers as of 31 December 2011 as part of the annual market valuation. The market value is affected by factors internal to the company such as the tenancy levels, the level of rental income, the length of tenancy agreements and the age and quality of the property.

Commercial Portfolio

86%

Market value 1,888 Mio. Euro

- High rental yields with continuous cashflows from investment properties
- Preserving values and taking advantage of value creation
- Mid to long-term investment horizon
- Selective disposals at appropriate time

Co-Investments

14%

Market value 314 Mio. Euro

Funds

- Core properties in major cities
- Steady income from investments and services

Joint Venture Portfolio

- Investments with potential for value creation and new positioning
- Upside potential in developments and refurbishments
- Ongoing fee income from asset and property management

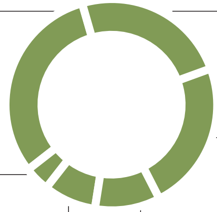
This is in addition to external factors such as the development of the local environment and the market in general as well as the financial climate. As in the previous year, a stable price trend was established for the market as a whole.

The market value of our properties increased in this year's valuation by 0.7% compared with the previous year. Following acquisitions, sales and finally the value increase, the pro rata market value of our portfolio amounted to EUR 2,203.3 million. At the end of 2010 the figure was EUR 2,001.8 million. The Net Asset Value increased by 14% to EUR 682.6 million. Net Asset Value per share amounted to EUR 14.93 (2010: EUR 15.27). The dilution due to the capital increase of EUR 1.05 was therefore largely offset. NNNAV per share increased from EUR 14.43 to EUR 14.50.

TYPES OF USE *
by rents paid

* pro rata

MAIN TENANTS *
by rents paid



* pro rata

PORTFOLIO BY REGIONS *

	North	East	Central	West	South	Total 2011	Total 2010
Number of properties	50	38	56	62	72	**278**	288
Market value in EUR million	234.2	270.6	646.5	641.3	409.7	**2,202.3**	2,001.8
Lettable area in sqm	178,300	160,700	245,200	340,700	303,200	**1,228,000**	1,171,100
Portfolio proportion after rental space	15%	13%	20%	27%	25%	**100%**	
Annualised rental income in EUR million	14.7	19.7	33.4	41.4	30.3	**139.5**	128.9
Rental income per sqm in EUR	7.70	10.90	13.20	11.50	8.80	**10.50**	10.40
Lease expiry in years	6.9	4.8	6.6	5.5	3.9	**5.5**	5.4
Rental yield	6.4%	7.3%	6.0%	6.5%	7.4%	**6.6%**	6.6%
Vacancy rate	11.1%	9.3%	16.2%	14.2%	9.5%	**12.4%**	14.3%

* all figures pro rata, except number of properties; all figures without developments except number of properties and market values

CHANGES IN MARKET VALUE EUR million

Portfolio market value as at 31.12.2010	2,001.8
+ Acquisitions/additions	+221.9
- disposals	-37,5
+ Impact of valuation (+0,7%)	+16,1
Portfolio market value as at 31.12.2011	**2,202.3**

Market valuation methodology

The market value is based on a sales-oriented consideration and is the estimated transaction amount at which a property would change hands between the buyer and seller under normal conditions on the date of the valuation.

The calculation of market value 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. Cash flows are discounted at the discounting rate, which is calculated on the basis of a risk-free interest rate and a risk premium specific to the property. When making the valuations the surveyors made overall conservative assumptions. The current yield on fixed-income federal bonds with a term of 9-10 years is used as the risk-free interest rate; they have a ten-year average return of 3.70%. The property-specific risk premium amounts to between 1.30% and 3.30%. Overall, this amounts to a discounting rate of between 5.00% and 7.00% for 2011. The discounting rate is mostly between 6.25% and 6.50% and thus matches the previous year's level.

We record our assets at cost less depreciation, which is why the change in market value has no direct impact on the balance sheet. Further information on how our real estate is accounted for is contained in the chapter on the Asset Position.

Portfolio acquisitions

We significantly strengthened our portfolio in 2011: Real estate with strong cash flows and long-term rentals in economically strong areas of Germany were most prominent. With around EUR 300 million we reached the upper end of our planned acquisition volume for 2011. The portfolio grew by some 112,000 sqm pro rata, with FFO increasing pro rata by around EUR 8.5 million on an annualised basis [tbc]. The portfolio volume increased pro rata by some EUR 250 million.

– In March, in exclusive negotiations, we acquired two retail properties in Bremen and Chemnitz (tenant Galeria Kaufhof) with tenancies averaging more than eleven years for around EUR 108 million. The properties are situated in prime retail locations and together offer retail space of over 49,000 sqm.

– In September we purchased the retail property "Marktforum" Duisburg with around 10,000 sqm of rental space for around EUR 16 million. Alongside EDEKA as the main tenant, other well-known names leasing space include dm, Deichmann and Takko.

– Also in September, we acquired two top-quality Core office properties in Karlsruhe and Leipzig for our "DIC Office Balance I" fund. The properties, which offer 40,000 sqm of rental space and cost some EUR 62 million, are leased to international insurers and service providers for an average term of around eight years, with Allianz as the main tenant.

– In October we acquired in full three joint venture portfolios with Morgan Stanley Real Estate Funds, in which we had previously already held a 50% stake. This means that we are now the sole owner of this attractive portfolio that has a market value of some EUR 190 million and that currently comprises 22 commercial properties over 90,000 sqm. Vacancy rates amount to only 10%, whilst the average tenancy term is around 5.5 years.

– In December we purchased an office property at Frankfurt Airport for around EUR 22 million, with transfer of ownership planned for the first quarter of 2012. The recently completed property has rental space of around 11,500 sqm, and the average tenancy term is currently seven years.





ACQUISITIONS 2011	Galeria Kaufhof properties	Marktforum Duisburg	Office properties Karlsruhe, Leipzig	Joint venture portfolios	Office property airport, Frankfurt
Number of properties	2	1	2	22	1
Volume in EUR million	108	16	62	95	22
Rental area in sqm	49,000	10,000	40,000	90,000	11,500
Vacancy rate	0%	0%	0%	10%	0%*
Average lease term in years	11	12	8	6	7
Annual rental income, pro rata	7.3	1.2	4.0	7.0	1.6
Transfer of ownership	Q1 2011	Q4 2011	Q4 2011	Q4 2011	planned Q1 2012
Portfolio segment	Commercial Portfolio	Commercial Portfolio	Co-Investments, Funds	Commercial Portfolio	Commercial Portfolio

* including rental guarantee of the seller

Sales of EUR 72 million

We had reduced our planned sales volume for 2011 in line with our objectives for expansion of our portfolio. One objective of our disposals activities in this regard was the structural improvement of our portfolio with regard to optimal property sizes and types of use. We sold a total of 22 properties (2010: 29 properties), thereby optimising our portfolio by above all divesting ourselves of smaller properties worth up to EUR 3 million. We also sold three apartments that had been part-owned by a property in Berlin. The average volume per property in our portfolio have now increased from around EUR 11 to 12 million. Transaction volumes of disposals announced in 2011 – without accounting for the level of capital ownership – totalled EUR 72 million. This is around EUR 50 million less than in 2010, which lies within our planning range. Nine properties, representing a volume of some EUR 21 million, come from our commercial portfolio, with 13 properties (EUR 51 million) from co-investments.

Disposals volume per transaction averaged EUR 3 million after EUR 7 million in 2011. The proceeds from the disposal of our properties exceeded market values by 5% in average. The largest properties sold were a retail property let to Mediamarkt in Würzburg (EUR 14.4 million), an office in Mannheim (EUR 9.5 million) and a retail property let to Marktkauf in Ulm (EUR 9.0 million).

Fund business expanded

In 2010 we supplemented our activities by establishing and managing funds for institutional investors. We design appropriate special funds and investment vehicles and win over investors (including foundations, pension funds and private asset managers) as long-term partners for DIC Asset AG.

In principle we have a 20% stake as a co-investor and contribute our real estate and investment expertise as a service provider. In addition to income from equity interests we therefore regularly earn income for asset and property management as well as management fees on acquisitions and sales for the fund. This attractive combination of stable sources of income also enables us to conclude investments in core properties which make our portfolio even more well-balanced – and which would otherwise not belong in DIC Asset AG's core business model due to their lower rental yields. In addition, we develop new investment circles.

At the start of the 2011 financial year, our first fund was fully placed. "DIC Office Balance I" invests in first-class office properties in major urban centres and has a starting portfolio of five properties. By the end of 2011 we had expanded the fund volume to around EUR 275 million. In addition, we also purchased two properties in Karlsruhe and Leipzig for around EUR 62 million.

We started developing our second fund in 2011, which is designed to be a similarly ideal complement to our activities. From 2012 onwards, we are planning to launch a special fund for investments in top-class business premises in city-centre locations rated 1a. Like our first fund, this will also be targeted at institutional investors. In this, we are building on the proven expertise in the retail segment which we have gained over the past few years through successful investments and letting. A target volume of some EUR 250 million is planned for the fund, which will enable it to make a significant contribution to the success and further expansion of our portfolio.

PROJECT DEVELOPMENTS

Project developments enable the value of properties to be increased significantly through extensive construction measures which means that they can be placed within a higher-value market segment or gain lettable area. In an ideal scenario, the cyclical trend of the real estate markets is exploited to prepare projects during weaker market phases and then to launch attractive products as the market picks up.

We invest in project developments, where we make use of the expertise of the Deutsche Immobilien Chancen Group as an experienced developer. In addition, we invest in properties with development potential, for which we consistently enhance the added value and in whose development we also act as financial partner. Our target for project developments is to achieve a sale once value has been created. We minimise existing construction and financing risks by ensuring that sufficient pre-letting is in place before going through with a project and, as a basic principle, only conducting business in places where we are represented with branch offices. We also target project developments that guarantee a steady cash flow and, where possible, split larger projects up into several sub-projects that can be marketed and sold separately.

We are currently involved in MainTor and Opera Offices, two projects worth around EUR 640 million that are subdivided into a number of independent sub-projects. The TRIO Offenbach development is also now part of the portfolio, with its successful implementation already at an advanced stage.

“MainTor – The Riverside Financial District“ in Frankfurt

With the "MainTor" project, the DIC Group is developing a new city district on one of the most attractive locations in the middle of Frankfurt. In the future, the city’s central business district (CBD) will stretch as far as the River Main. The previously closed site will not only be redeveloped but will also become a public space once again, to be permanently incorporated into the surrounding urban district with paths and roads. We are implementing the MainTor development in five sub-projects that can be executed consecutively and independently of one another. Each individual construction stage of the sub-projects is only started once corresponding advance marketing has taken place.

The sub-division and advance marketing means that the overall project risk can be significantly limited. At the start of 2012, two sub-projects, "MainTor Primus" and "MainTor Porta", were already under construction. These represent around one third of the commercial volume of the project. Demolition and construction work is proceeding on schedule and on budget. We have introduced stringent controlling measures in order to prevent cost risks.

The MainTor project will enhance the part of Frankfurt's banking quarter that lies alongside the River Main, from both an architectural and an urban planning perspective. Three towers will be built: The 100 metre high "WinX" tower and the Porta and Primus towers, both of which will be around 65 metres high. The entire MainTor district is set to be completed by 2015/2016. The construction stage is to take account of numerous aspects relating to sustainability and will thus make the MainTor project one of the largest sustainable development projects in Germany. We have a 40% stake in this project.

MainTor Porta (left) and MainTor Primus

Framework data for value creation

- Increase in lettable space from 64,000 sqm to 108,000 sqm (+40% increase)
- Development of the city district in an absolutely first class river location
- Positioning as premium properties in the banking district (Riverside Financial District)
- Outstanding urban usage mix with top-quality residential space in addition to the principal use as office space as well as restaurant and retail areas.

SUCCESSFUL START

- MainTor was a guest exhibition area for the MMK Museum for Modern Art, which was celebrating its 20th anniversary and presented part of its collection to more than 100,000 visitors.
- In June we were able to sell the "Primus" complex even before building work started. From 2013, the Frankfurt headquarters of the whole DIC Group will be based there, in a property measuring around 3,300 sqm.
- Building started in August with the demolition of the whole area and the gutting of the Primus building.
- In January 2012, we were able to report on the successful pre-letting of the MainTor Porta office complex with around 14,000 sqm (70 percent of the total rented area) to Union Investment.
- In March 2012, the MainTor project won the MIPIM Award for "Best German Project“

Opera Offices, Hamburg

Our project development in Hamburg is situated in an up-and-coming district right by the Hamburg Opera House. The Opera Boulevard is currently undergoing large-scale renovation as a business improvement district (BID) is being enhanced amongst other things by means of traffic calming measures and pavement widening work. We are involved in these activities.

With its facade curving round an atrium, the newbuild "Opera Offices Neo" offers exceptional, modern office space in a prime city-centre location. "Opera Offices Klassik" involves the respectful conversion of a stylish listed administrative building designed by the famous architect Fritz Schumacher, which offers office space with classical charm.

The construction permits have been issued for both properties, with an approximate total volume of EUR 60 million. The planning stage has been completed, and both properties are currently being marketed. The properties have been prepared for the start of building work, so that this can start without losing any time immediately after pre-letting and advance marketing have been carried out. We have a 20% stake in the Opera Offices project.

Framework data for value creation

- Increased lettable space (+60%) to 12,800 sqm
- Opening of ground floor for 1A retail spaces through to the new Opera Boulevard
- Repositioning in the attractive Hamburg office market

TRIO Offenbach

In mid-2011, we signed a tenancy agreement with MainArbeit, a subsidiary of the City of Offenbach, to rent a total of around 7,400 sqm in TRIO Offenbach for a term of 17 years. This set the ball rolling for our project development from our commercial portfolio. First of all, the strikingly curved 5,200 sqm building was given an extensive overhaul, before the tenant moved in as early as December 2011. In addition, an adjacent newbuild offering a further 2,000 sqm will be prepared by early 2013. More buildings can be added on the rest of the site in the long term, allowing active use to be made of the entire quarter. The investment volume is around EUR 15 million.

Framework data for value creation

– Long-term letting over 17 years
– Successful refurbishment of a site formerly used by an insurance group
– Potential for further development

SUSTAINABILITY

First Sustainability Report drafted

The issue of sustainability is becoming increasingly important for real estate companies. Social influences, statutory provisions and changes in the requirements of tenants all play a role here. In collaboration with the German Property Federation (Zentraler Immobilien Ausschuss - ZIA) and together with other companies from the industry, DIC Asset AG has therefore pushed for the introduction of a Sustainability Code of Practice for the real estate sector. This Code of Practice was published in autumn 2011.

Status quo and successes 2010/2011

- Publication of the first Sustainability Report
- Integrating sustainability into the future business strategy
- Work begun to communicate sustainability strategy to stakeholders
- Appointment of Sustainability Managers at Management Board and divisional level
- Undertaking an initial series of analyses to log energy (electricity, heating and water consumption)
- Calculating CO_2 output
- "Green Energy" project launched to bundle mains electricity supply from 100% renewable energy sources for the DIC property portfolio
- Inclusion of sustainability issues in new facility management service agreements put out to tender and concluded

We will be publishing our first Sustainability Report at the same time as our 2011 Annual Report. We have chosen this new and significantly more extensive form in order to provide an appropriate context for the growing significance of the issue of sustainability. We have used the ZIA industry Code of Practice as the basis for our first Sustainability Report.

In the Sustainability Report we present our basic strategy and the establishment of sustainability in the business model of DIC Asset AG. In addition we summarise our general intentions and concrete targets. We have collected and assessed specific data for the first time. In future, we shall report annually on the targets, measures, results and progression in our sustainable activities. The Sustainability Report is available on the DIC Asset AG website.

Targets for 2012-2016

- Developing uniform reporting structures and expansion of the database to calculate energy (electricity, heating and water consumption)
- Drafting an initial sustainability action plan for 2012-2016 based on the findings from our first portfolio of analyses (e.g. optimising of energy efficiency)
- Expanding sustainability reporting on a gradual basis in accordance with GRI, ZIA and EPRA standards, achievement of a high level of reporting in accordance with GRI
- Participating in training courses on sustainability
- Reporting annual data to sustainability initiatives
- Involvement in initiatives and projects to promote sustainability in the real estate industry
- Raising awareness of sustainability among all employees of DIC Asset AG and its subsidiaries
- Expanding communication with tenants and service providers with the aim of integrating aspects of sustainability into operating processes gradually and for the long term
- Further supporting projects that have a positive influence on the social, cultural and economic environment

OUR EMPLOYEES

The knowledge, performance and commitment of our employees provide the basis for our company's success. We only achieve our ambitious goals if we have qualified and motivated staff who represent our company successfully and convincingly. We therefore appreciate and encourage entrepreneurial thought and action, the ability to act on one's own initiative, flexibility and specialist knowledge.

Systematic staff development

A significant share of our long-term corporate development comes through systematic staff development. It is targeted at fostering and training satisfied staff, as well as retaining them on a long-term basis. We therefore support our employees in their personal further development and advancement and invest in disseminating knowledge and skills. We offer specific training sessions (e.g. on changes to the IFRS accounting standards or concerning sustainability in project development) as well as general ongoing training areas such as languages and presentation skills.

Staff development is also a core element of the duties of our managers, both at our headquarters as well as in our local branches. We support our managers in this regard and provide them with tools, including through training sessions. Our central Personnel Department ensures that talents are discovered, nurtured and deployed ideally throughout the Group.

An attractive employer

One of the most important tasks of our personnel management team is to enthuse high performing staff for our company and to retain them long term. In order to appeal to talented and highly qualified candidates, we invest in the positioning of DIC Asset AG as an excellent employer and the perception of the benefits of working for us. Thus – in contrast to major corporations – we are able to offer flat hierarchies, the assumption of responsibility at an early stage and extensive powers to take decisions independently. One of the ways of doing this is to establish early contact with young talent with impressive academic qualifications. For instance, we cooperate with selected universities focusing on real estate, where our managers give lectures and establish close contact with academic staff.

Training of young employees, fostering of students

We invest in training young people and also view this as an important socio-political contribution. In 2011, an employee at our Frankfurt site was trained in the real estate business. In addition, students and secondary-school pupils gain an insight into various areas of our company over 2-6 months and are given tasks in day-to-day operations. We currently offer university graduates a twelve-month trainee programme on completion of their degree. There are currently three employees making use of this opportunity. We also support students on bachelor's and master's courses. We view all these programmes as a key part of our work to attract highly qualified young talent to our company.

NUMBER OF EMPLOYEES

	31.12.2011	31.12.2010
Portfolio management, investment and funds	14	10
Asset and portfolio management	97	85
Group management and administration	16	15
Total	127	110

Salaries: fair remuneration and the promotion of performance

Salary payments consist of basic income, supplementary benefits and performance-related components. Salary levels are competitive and based on industry standards. The performance-related component is based on achieving strategic and operating targets and individual goals. As a result, we encourage and an awareness of entrepreneurial awareness amongst our staff. In 2011, DIC Asset AG paid approximately EUR 10.2 million for its employees. This includes EUR 1.4 million in performance-related bonuses, corresponding to a share of 14%. Social security contributions, pension provision and other benefits amounted to EUR 1.3 million.

Employee base for company growth expanded

DIC Asset AG employed an average of 121.5 employees in 2011 (2010: 109.5), with 127 at year-end (2010: 110). We bolstered our position in 2011 in order to be able to implement both the growth targets for our company and the qualitative expansion of our business areas. The necessary expansion of capacities involved in particular portfolio management, the investment division, fund business and real estate management at DIC Onsite. We employed some 12 extra members of staff on average.

The majority of our employees work in property 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 Management Board, and central management and administrative duties are also carried out there.

FINANCIAL INFORMATION

REVENUES AND RESULTS

- Upward trend in rental income during the second half-year
- Financing costs sharply reduced
- FFO within the target range at around EUR 41 million
- Profit for the period of EUR 10.6 million

In 2011 we were able to report growing rental income in each quarter. This was driven forward by the year's acquisitions and the good rental results. This effect will not yet be apparent from the whole-year perspective and, due to the portfolio reductions through sales at the start of the year, rental income was lower than the previous year's level in 2010. With efficient operating structures, high fees from real estate management and low financing costs, we were however able largely to make up for this fall in earnings. As we generated less profit from disposals in 2011 as transaction volume was reduced as planned, and earnings from co-investments were also down as had been forecast, the profit for the period was, as expected, lower than in the previous year, at EUR 10.6 million.

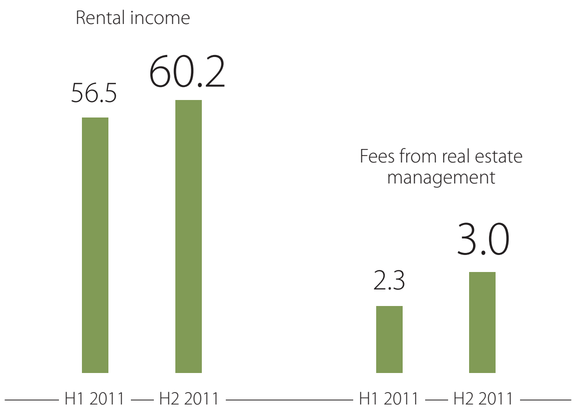
Increase in rental income during the year

Rental income in 2011 was lower than the previous year. The same is true of gross rental income (EUR 116.7 million, down 7% year-on-year) as well as net rental income (EUR 106.8 million, down 6% year-on-year). This is mainly due to the portfolio reductions through sales. On the other hand, rental income increased steadily as the year progressed thanks to the improved occupancy rate and our acquisitions. In the fourth quarter, therefore, gross rental income amounted to EUR 31.0 million, EUR 1.7 higher than in the previous quarter (+6%).

Significant increase in revenue from real estate management

In 2011 year-round real estate management services were offered to the special fund for the first time. This was the main reason why fees from real estate management increased markedly by EUR 1.8 million to EUR 5.3 million. The fall in total revenues of EUR 71.5 million (-31%) to EUR 157.3 million was mainly due to the lower disposal volume.

RENTAL INCOME AND
FEES FROM REAL ESTATE MANAGEMENT EUR million



Efficient cost structure

As intended, we maintained our operating costs in an efficient proportion to rental income: Despite lower rental income, the operating cost ratio (administrative and personnel expenses to gross rental income, adjusted for fees from real estate management income) is up only slightly on the previous year at 11.5% (2010: 11.1%) and thus within the target range of 11-12%. Administrative costs increased by EUR 0.5 million (+6%) to EUR 8.5 million, and staff costs rose by EUR 0.8 million (+9%) to EUR 10.2 million; in both cases, this was associated with gradual portfolio growth.

Financing costs significantly reduced

By reducing liabilities, concluding new loan agreements and extending existing ones at more favourable conditions, we reduced interest expense by EUR 6.5 million (+9%) to EUR -63.9 million, aided by low interest rates. Interest income is up on the previous year at EUR 7.9 million, mainly due to increased cash and cash equivalents following the capital increase. Overall, we improved the interest rate result by EUR -8.0 million (+13%) to EUR -56.0 million.

OVERVIEW OF REVENUES EUR million

	2011	2010	
Rental income	**116.7**	124.9	-7%
Fees from real estate management	**5.3**	3.5	+51%
Proceeds from disposals of properties	**17.7**	81.2	-78%
Other	**17.6**	19.2	-8%
Total revenues	**157.3**	228.8	-31%

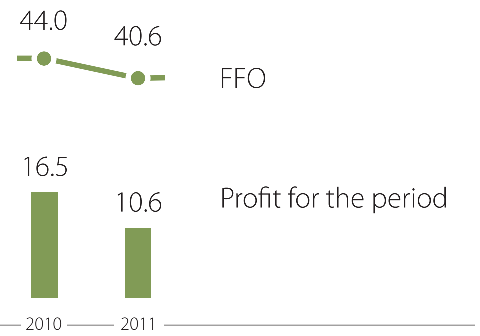
FFO remains high

FFO (funds from operations), reporting the earnings from portfolio management, held up well at EUR 40.6 million. Compared to 2010, FFO fell by only EUR 3.4 million approximately (-8%). The fall in gross rental income of EUR 8.2 million was largely offset by reduced financing costs, efficient management and the expansion of earnings from real estate management. The FFO-yield as a proportion of rental income remained stable at 35%. FFO per share amounts to 0.92 (2010: EUR 1.15).

DERIVATION OF FFO EUR million

	2011	2010	
Net rental income	**106.8**	113.9	-6%
Administrative expenses	**-8.5**	-8.0	-6%
Personnel expenses	**-10.2**	-9.4	-9%
Result of other operating income/expenses	**+0.9**	+0.2	>+100%
Income from real estate management fees	**+5.3**	+3.5	+51%
Share of the profit from associates	**+2.3**	+7.8	-69%
Interest result	**-56.0**	-64.0	+13%
Funds from operations	**40.6**	44.0	-8%

FFO AND PROFIT FOR THE PERIOD EUR million



EARNINGS OVERVIEW EUR million

	2011	2010	
Operating cost ratio	**11.5%**	11.1%	+0.4 pp
FFO	**40.6**	44.0	-8%
Profit for the period	**10.6**	16.5	-36%
Profit for the period per share (EUR)	**0.24**	0.43	-44%
FFO per share (EUR)	**0.92**	1.15	-20%

On the path of growth: Smaller focus on disposals

The declared aim for 2011 was to acquire more properties for the portfolio than were sold. For this reason, our sales amounted to a lower transaction volume, as planned, causing proceeds from disposals to fall significantly by EUR 63.5 million to EUR 17.7 million. Profits from sales of properties thus fell as expected by EUR 3.4 million (-67%) to EUR 1.7 million, although they represent a very attractive return considering the disposal volume.

Income from investments: EUR 2.3 million

As expected, share of the profit of associates (our Co-Investments) was down EUR 5.4 million on the previous year at EUR 2.3 million, a fall of 69%. The main cause for the decline was the planned loss of earnings from the MainTor site, which in 2010 was still leased and on which our development project has been under way since early 2011. The figure comprises income from letting our opportunistic Co-Investments (EUR 1.2 million), our fund investment (EUR 1.4 million) and from the disposal of properties (EUR 0.2 million). Due to marketing costs, our investment in the MainTor project development reduced overall share of the profit of associates by EUR 0.5 million.

Profit for the period of EUR 10.6 million

The profit for the period stood at EUR 10.6 million, which is EUR 5.9 million (-36%) less than in the previous year. This is due above all to the reduction in profit from disposals and lower share of the profit of associates. Higher revenue from real estate management had a positive impact. We were able to partly counter the fall in rental income due to the reduced portfolio at the start of the year above all through higher fees from real estate management and less depreciation and amortisation. The result per share amounts to EUR 0.24 compared to EUR 0.43 in the previous year (after accounting for the capital increase, which equates to an adjustment of EUR 0.01 to the previous year's value when subscription rights are factored in).

Segment results

As mentioned in the section on company management, we have changed the way we demarcate our segments and, with effect from the 2011 financial year, report by region as we do for our internal reporting and management. Information can be found in the "Portfolio" chapter on page 34 and in the Notes on page 96.

FINANCIAL POSITION

- Interest result significantly improved
- Interest coverage ratio of around 170%
- Average interest rate of 4.35%
- Free liquidity of EUR 100 million

Underlying principles of our financial management strategy

The primary goal of our financial management strategy is to ensure that we are solvent at all times and, in the process, to maintain an appropriate level of financial independence. In addition, we have established long-term and stable financing arrangements which provide enduring support for our business development and allow for an important degree of freedom when making strategic decisions.

We always conclude financing on a long-term basis to achieve the greatest possible stability, and ensure that the financing horizon is consistent with our targets for the properties and property portfolios. 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 scope for optimisation.

We meet our financing requirements above all through the banks and capital markets. We issued our first bond in 2011 (five-year term, 5.875% interest rate), which brought in some EUR 70 million and thus expanded our financing scope and gave us greater flexibility. We also work together with our strategic financial partners to meet our financing requirements, an advantage which we are currently making use of in the form of a loan from Provinzial Rhineland of EUR 8.7 million. We maintain good business relationships with many partner banks and avoid being heavily dependent on individual financial institutions.

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

Increased borrowing

Financial debt amounted to EUR 1,519.7 million at 31 December 2011, up EUR 143.6 million from the previous year. Our financial debt is comprised above all of loans from banks (95%) and funds from our bond issue (5%). In 2011, we took on loans worth EUR 91 million (Kaufhof properties EUR 80 million, Marktforum Duisburg EUR 11 million), primarily as part of our acquisitions. In addition, EUR 70 million of borrowed capital originated from the issue of our bond. Sales and scheduled repayments reduced our debt by EUR 128.9 million in 2011.

Sound financial base

As at 31 December 2011, the average term of the liabilities was 3.4 years. The term structure was further strengthened by the

OPTIMISATION OF EXPIRING DEBT
Financial debt as at 31.12.2011

KEY DATA FINANCING EUR million

	2011	2010
Total assets	2,248.1	2,050,0
Equity	624,2	587.1
Financial debt (short and long-term)	1,519.7	1,376.1
Other liabilities	104,3	86,8
Total debt	1,624.0	1,462.9
Interest coverage ratio	167%	162%
Debt ratio	72.2%	71.4%
Equity ratio	27.8%	28.6%

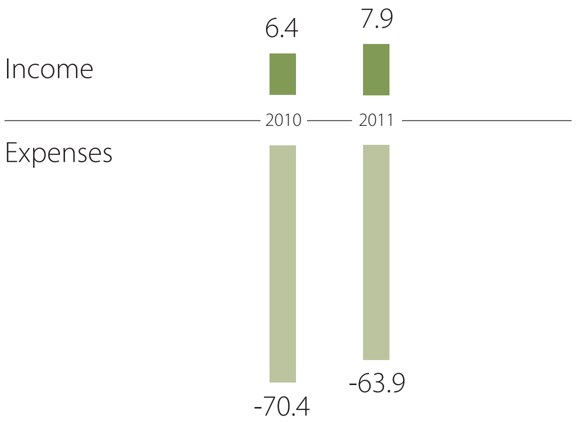
acquisitions and refinancing carried out in 2011. The largest refinancing measure, involving some EUR 37 million for two office properties, was implemented in the fourth quarter of 2011 with a five-year term. Compared with the previous financing structure, interest costs are now some 120 basis points lower. Interest costs were also lower than before in the case of a number of other extensions worth some EUR 33 million.

13% (around EUR 194.9 million) are due to be refinanced in 2012, essentially spread over three loans that are independent of one another. In each of the next two years, the largest individual refinancing packages amount to approx. EUR 90 million. For subsequent years, too, the extensions are spread across several loans, also independent of one another. We hedge the vast majority of debt (80%) against interest rate rises – either by taking out fixed-rate loans or simply constructed 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. 20% of our liabilities – primarily short-term in nature – are agreed at variable rates.

Interest result improved, interest cover ratio increased

The average interest rate on all liabilities at 31 December 2011 amounted to 4.35%, five basis points higher than the year before (4.30%). In the last three months of 2011, we reduced the average interest rate of 4.45% significantly – by 10 basis points –compared with the third quarter. The interest result improved by EUR 8.0 million to EUR -56.0 million. Interest income increased from EUR 6.4 million to EUR 7.9 million, while interest expense fell from EUR -70.4 million to EUR -63.9 million. We generate interest income from cash deposits and the strategic deployment of funds in co-investments at appropriate interest rates. The ICR (interest coverage ratio), the ratio of net rental income to interest payments, of 167% was higher than the previous year (2010: 162%).

INTEREST RESULT IMPROVED EUR million



Financing obligations met in full

In principle, we conclude long-term financing for our acquisitions, which is in line with the goals for real estate development. As at the reporting date, we met all our financing obligations including financial covenants. Financial covenants are standard on the market and specify the attainment of key financial figures such as the interest coverage ratio (ICR) or the debt service coverage ratio (DSCR).

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.

Liquidity at a high level

Liquidity planning has the utmost priority for us, as part of financial management, above all against the backdrop of borrowing conditions which have become more stringent. We endeavour to avoid instructing additional financing for ongoing operations. For this purpose, we carry out annual liquidity planning as part of our budgeting process, which is then continuously updated through weekly liquidity status reports. The consistency of our cash flow enables us to make a detailed liquidity forecast against which we can align our cash deployment and requirements very precisely. During the reporting year, DIC Asset AG was at all times able to honour its payment obligations. As at 31 December 2011, free liquidity amounted to EUR 100.2 million. We also have access to EUR 15.9 million in financing facilities that we have not yet drawn on. With operating cash flow remaining constant, the fall of EUR 17.0 million resulted from the portion of investments funded from equity.

Investments in external growth

In 2011 we invested a total of EUR 154.6 million, the majority of which (EUR 139.3 million) was used to expand our portfolio. We increased portfolio investments by EUR 3.2 million to EUR 15.3 million. This involved in particular refurbishments and improvements to fixtures and fittings in connection with lettings. In the previous year we invested a total of EUR 17.2 million, EUR 5.1 million in acquisitions and EUR 12.1 million in the portfolio.

The company has investment commitments of EUR 3.2 million for work on portfolio properties, of which EUR 2.6 million was invested up to the end of 2011. An additional EUR 0.6 million is set to be invested in 2012, thus meeting all contractual investment obligations. DIC Asset AG has sufficient equity to pay these necessary expenses.

High cash flow from operating activities

With a smaller portfolio at the beginning of the year due to sales, we generated cash flow from ordinary operating activities of EUR 97.1 million, EUR 11.1 million down on the previous year. This was more than offset by the fall in operating expenses and significantly lower interest payments: with cash flow from ongoing business activities of EUR 38.4 million in 2011, we have matched the previous year's level.

CASH FLOW EUR million

	2011	2010
Profit for the period	10.6	16.5
Cash flow from operating activities	38.4	37.7
Cash flow from investing activities	-155.8	201.5
Cash flow from financing activities	100.3	-160.8
Net changes in cash and cash equivalents	-17.0	78.5
Cash and cash equivalents as at 31 December	100.2	117.3

Cash flow from investments was marked by acquisitions in 2011, whilst in 2010 the focus was primarily on sales and the 20% stake in our special fund. Accordingly, cash flow from sales fell significantly in 2011, whilst there were much higher outflows for real estate acquisitions (EUR 124.8 million) and the acquisition of the MSREF share of the joint venture (EUR 14.5 million). Portfolio investments amounted to EUR 15.3 million, with cash flow from investment activities at EUR -155.8 million in 2011, compared to EUR 201.5 million in 2010.

Borrowing for financing purposes was mainly employed to finance growth in 2011. In the main, we received funds from the capital increase (EUR 52.3 million) as well as the bond issue (EUR 70.0 million). This was partially offset by EUR 2.8 million in payments for transaction costs for the bond as well as the dividend payment of EUR 16.0 million. New loans were fully balanced by the redemption of old loans. Cash flow from financial activities amounted to EUR 100.3 million in 2011. In 2010 the figure was EUR -160.8 million, with the repayment of loans after the fund had been hived off playing a primary role.

Overall, 2011 saw a slight fall in liquid funds: Cash and cash equivalents at 31 December 2011 amounted to EUR 100.2 million, EUR 17.0 million lower than the previous year.

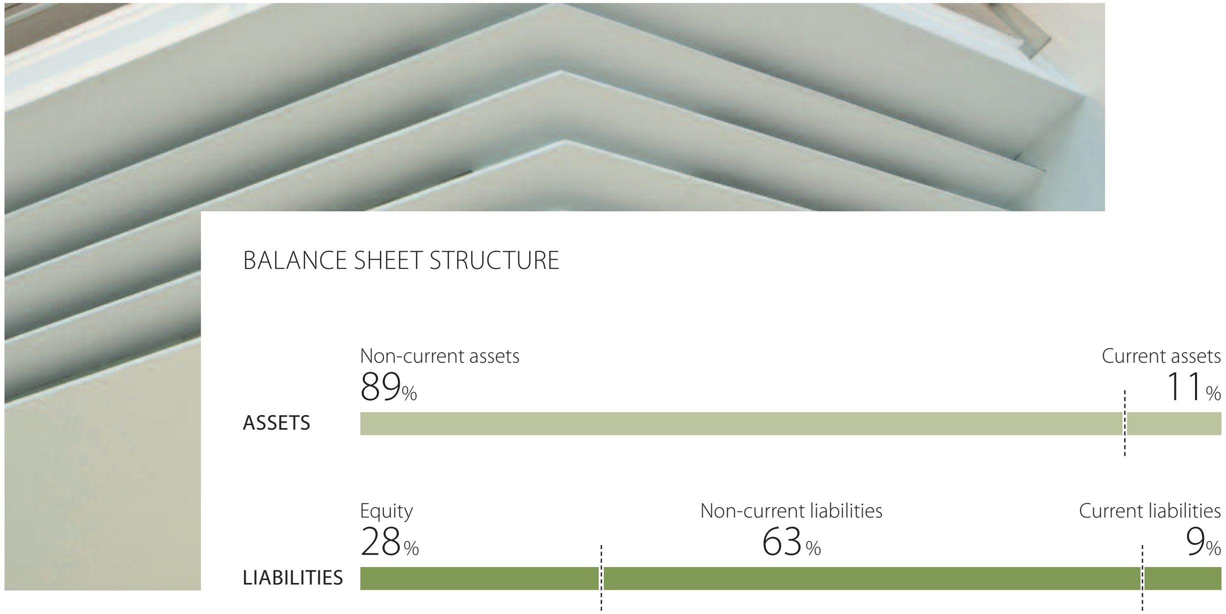
ASSET POSITION

- Real estate assets up 11% to EUR 2.0 billion
- Net asset value up EUR 84 million to EUR 683 million
- Net asset value of EUR 14.93 per share

Our growth was most heavily affected in 2011 by the asset situation. This included acquisitions through which we strengthened our portfolio as well as the bond issue which provided us with the means for more flexible financing of acquisitions. Our real estate assets in the commercial portfolio increased by 11%, whilst the value of our co-investments grew by 8%. Net asset value amounted to EUR 682.6 million (2010: EUR 598.5 million).

Sound accounting methods

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. Our acquisition values are reviewed each 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 balance sheet values, 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, value enhancement measures and investments. 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. The market value of our properties amounted to EUR 2,202.3 million as at 31 December 2011.



Assets: Real estate assets increased through acquisitions

On 31 December 2011, total assets of EUR 2,248.1 million were 10% higher than the value at the end of the previous year.

As at the end of 2011, investment properties (in our commercial portfolio) were reported in the balance sheet in the amount of EUR 1,902.1 million. The increase on 2010 amounted to EUR 183.9 million (+11%). Shares in associates – i.e. our Co-Investments – increased by a total of EUR 5.4 million (+8%) to EUR 70.1 million, mainly due to our participation in investments by our special fund. Overall, non-current assets amounted to EUR 1,997.3 million as at 31 December 2011, as against EUR 1,803.1 million (+11%) in the previous year.

Current assets of EUR 250.8 million remained virtually unchanged from the previous year (2010: EUR 246.8 million) The increase in receivables from related parties is mainly due to the financing of our Co-Investments and particularly the provision of bridging financing for our MainTor project development, in which DIC Asset AG holds a 40% stake. The reduction in credit balances with banks occurred above all within the context of purchase price payments for acquisitions. At the end of the year credit balances with banks amounted to EUR 100.2 million (2010: EUR 117.3 million).

Equity ratio of 28%

Equity increased by EUR 37.1 million (+6%) to EUR 624.2 million, due in the main to the capital increase (EUR 51.2 million) and the profit for the period (EUR 10.6 million). Factors that reduced equity in 2011 included the decline in the negative hedging reserve as a result of the lower interest rate (EUR -9.0 million) as well as the dividend payment for the 2010 financial year (EUR -16 million). The equity ratio fell by 0.8 percentage points to 27.8%, primarily as a result of new financing taken out as part of acquisitions.

Debts increased to finance growth

As of 31 December 2011, non-current debt had increased by EUR 99.2 million to EUR 1,406.7 million (+8%), mainly as a result of the bond issue (EUR +68.6 million) and the increase in negative market values arising from derivatives due to the fall in interest rates. Current liabilities increased by EUR 61.7 million (+40%) to EUR 217.2 million. This was due above all to the increase in current interest-bearing debt (EUR -58.6 million) as a result of shorter terms on our loans as well as the taking on of short-term loans as part of our acquisition of majority stakes in joint ventures.

Net asset value increases to EUR 682.6 million

Net asset value amounted to EUR 682.6 million at the end of 2011, an increase of EUR 84.1 million (+14%) year-on-year. This figure was boosted above all by the capital increase, the expansion of our portfolio through acquisitions and the increase in market value, but was adversely affected by the dividend payment

The net asset value per share amounted to EUR 15.27. NNNAV per share rose by EUR 0.07 to EUR 14.50.

Net asset value represents the real value of all tangible and intangible assets less liabilities.

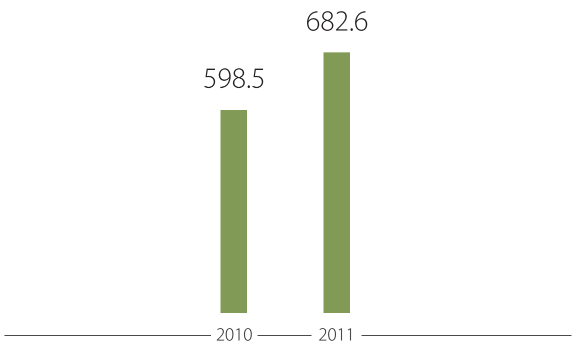
OVERVIEW OF THE BALANCE SHEET EUR million

	31.12.2011	31.12.2010
Total assets	2,248.1	2,050.0
Non-current assets	1,997.3	1,803.1
Current assets	250.8	246.8
Equity	624.2	587.1
Non-current liabilities	1,406.7	1,307.4
Current liabilities	217.2	155.5
Equity ratio in %	27.8	28.6
Debt ratio in %	72.2	71.4

NET ASSET VALUE EUR million

	31.12.2011	31.12.2010
Market values / real estate	1,893.0	1,673.3
Market values / investments	72.8	65.9
+/- other assets/liabilities incl. minority interest	236.4	235.4
Net loan commitments at carrying amount	-1,519.7	-1,376.1
Net asset value (NAV)	682.6	598.5
Number of shares (thsd.)	45,719	39,187
NAV in EUR per share	14.93	15.27
NNNAV in EUR per share	14.50	14.43

NET ASSET VALUE EUR million



OTHER INFORMATION

Impact of balance sheet policy on the economic position

In the financial year, no options were exercised, no facts were 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

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

1. Motivated and committed managers and employees (more from page 40)
2. Competitive and organisational advantages from our real estate management throughout Germany (DIC Onsite) (more from page 31)
3. Long-term relationships with highly satisfied tenants (more from page 31)
4. Established, trusting cooperation with service providers
5. Integration of sustainability aspects into the business model (more from page 39)
6. Trusting partnerships with strategic financial and capital partners (page 43)
7. Cooperation with analysts, journalists, the media and the capital market (from page 8)

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. More details are contained in the Notes on page 97. The DIC brand ranks among the intangible assets which are not capitalised in the balance sheet. During the reporting year, we used the brand by consistently applying it in our corporate image and enhanced it further in a targeted manner through a variety of public relations activities.

RISK REPORT

THE RISK MANAGEMENT SYSTEM OF DIC ASSET AG

The risk management system supports DIC Asset AG in achieving its targets and is an elementary component of company management. It protects it from critical situations in the long term in the interests of its management, employees and investors and secures its continued existence. The fact that it is integrated within our organisation and is mandatory for all employees should ensure that risks are recognised promptly and can be countered in an appropriate and prompt manner. As an important component, the internal control system is integrated into the superordinated risk management system. Our risk policy is derived directly from the business strategy approved by the Management Board. It furthers our efforts to grow on a sustainable basis, to increase corporate value and accordingly transfer, reduce or entirely avoid any risks which may arise.

Risk management undergoing further development on a permanent basis

The risk management system is adjusted and enhanced on an ongoing basis In 2011 we focused on internal Group reporting structures and the higher development risks. The highly complex and long-term nature of project developments means that there is the underlying risk that they are not continued for technical or financial reasons or that the budget is exceeded, which can have a considerable impact on commercial success. As part of our risk and project management system, the efficiency, chance of success and framework conditions are reviewed on an ongoing basis for each phase of the project.

Risk early warning system

Our early warning system is designed to record all relevant risks and their causes, to quantify them and communicate them, in order to be able to execute optimum countermeasures at an early stage. The effectiveness of the early risk early warning system is reviewed annually and assessed by the auditors. Responsibility for identifying, reporting, assessing and managing risks lies with the specialist level. Real estate data specific to individual properties are recorded, aggregated and forwarded on an ongoing basis through asset and property management. These data are centrally supplemented and summarised, reviewed and continuously monitored through risk controlling procedures.

Risk identification

Risk is identified in accordance with the integration concept within general business processes. Business processes and operational areas are examined in order to determine whether they may be a source of risk which, depending upon its nature and/or extent or in conjunction with other risks, may be liable to jeopardise ongoing trading by the company. The identification and documentation of risks is a continuous task. In order to gain information regarding newly created risks as well as the most important events within the market environment, risk management has become an integral part of our regular planning, reporting and management system. In this way our intention is to ensure that the Management Board and the Supervisory Board are promptly and comprehensively informed of important risks.

Risk analysis and communication

All staff are required to deal with risks and opportunities in a deliberate and autonomous fashion, within the framework of their powers. Responsibilities are defined accordingly in accordance with the hierarchy, for all relevant risks.

If an employee identifies a risk, the likelihood of its occurring will be assessed and the extent of potential financial loss calculated. The next step involves a decision by the operational managers, if necessary together with the Management Board, regarding an appropriate strategy for managing the risks. Thereafter, appropriate response measures are devised, implemented and monitored. By linking up individual parameters, the total risk for the company can be calculated. Longer-term risks are integrated in the strategic planning process. The Management Board and the Supervisory Board and any other decision making bodies are regularly informed via established reporting channels at quarterly intervals, or on an ad hoc basis for critical issues. This means that they are in a position to take appropriate risk management measures and to adjust and improve internal structures and processes in good time.

Risk management and control

In order to make effective risk management possible, response measures must be specifically tailored. For this reason we have developed a variety of response measures with different characteristics. For example, we attempt to reduce the risk from interest rate fluctuations by hedging transactions. With regard to our long-term development projects, systematic and comprehensive project management with standardised project milestones, including preliminary acceptance and clearly determined approval processes, assist us in recognising risks at an early stage even before offers are made and minimising these through targeted action. Relevant risks and opportunities are prioritised in quantitative and qualitative terms according to their extent and likelihood. Reported risks are analysed and aggregated according to their potential cumulative effects. Controlling monitors the operating success of risk management.

Risk management documentation

The existing guidelines, procedures, instruments, areas of risk and responsibilities are documented in writing and are expanded on an ongoing basis. A document summarises the key elements of the normal cycle introduced as part of the risk management system.

INDIVIDUAL RISKS

A risk is often also matched by opportunities. For example, real estate investments may perform less well than planned, but may also perform better than forecast. We examine the key opportunities separately in the "Opportunities and forecast" section starting on page 59.

External risks

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

Financial risks

- ▷ Interest rate risks
- ▷ Financing and liquidity risks
- ▷ Valuation risks
- ▷ Currency risks

Strategic risks

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

Operational risks

- ▷ Property 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 in the first instance only to a certain share of sales revenue from finding new tenants for vacant offices space or extending tenancy agreements that are expiring. In addition, rental income may nonetheless cease if tenants become insolvent. In order to minimise this risk, we focus 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 service.

In 2012 we are expecting a significant slowdown in economic growth and have incorporated this into our planning. We consider an even more sharper downturn in the economy over the next twelve months to be unlikely to moderately likely. If it occurred, this could have a slightly to moderately serious negative financial impact on the current financial year. A factor creating uncertainty in this regard is the current sovereign debt crisis in Europe which could have a more negative impact on the German economy.

▷ Sector-specific risks

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, whilst on the other hand engaging in asset and property management, which is regularly able to achieve high rental volumes even in difficult markets. The tensions in the financial system may represent a further risk. Difficult financing conditions may hold back the transaction market, which would have an negative impact above all on our purchasing and sales targets. Similarly, banks encountering difficulties with refinancing could bring large number of properties to market, thereby causing a negative impact on prices. In the medium term this risk would not cause any significant damage since our business plans are always based on a long-term perspective and are flexibly structured.

For 2012, we are currently assuming that the probability of the sector suffering negative growth is low. This would have a slight to moderately serious financial impact.

▷ Regulatory and political risks

Risks may arise out of changes to framework conditions or regulations. Above all in exceptional situations such as the financial crisis, governments may take rapid action, without leaving sufficient time for adjustments. For financial year 2012, we expect government support of the EU member states facing payment difficulties to continue. We consider the risk of major changes 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 carefully check all material acts carried out by the company in order to identify and avoid potential conflicts. Risks may also arise from non-compliance with contractual obligations. Ongoing legal disputes relate almost exclusively to outstanding rental payments. We have made provision for this and made value adjustments to the claims as required. There are currently no material legal disputes, which could constitute a considerable risk, either pending or foreseeable. In our view, current legal disputes will result in more opportunities than risks. Overall, we estimate the legal risk and its financial implications to be low.

Financial risks

▷ Interest rate risks
Interest rate risks arise due to fluctuations in interest rates caused by market developments. They may impair DIC Asset AG's profitability, liquidity and financial position as well as its opportunities for expansion. In order to hedge against interest rate rises we use derivative financial instruments. At present 80% of our financing volume is hedged against interest rate rises. Interest rate changes have implications, acting through financial instruments, above all on the balance sheet and have the effect of reducing equity capital. The average interest rate, made up of the underlying interest rate and credit margin, was 4.35% as of 31 December 2011. In light of the sovereign debt crisis, we are expecting interest rates to remain low in 2012 and interest rate risks to therefore be unlikely. An increase in interest rates of 100 basis points would only have a marginal impact on our cash flow due to hedging of EUR 2.9 million. On the balance sheet, an increase in interest rates would have a positive impact on our equity by reducing the negative hedging reserve.

▷ Financing and liquidity risks
Financing risks have increased over recent years due to the financial and sovereign debt crisis. Banks have tightened up their lending conditions, increased risk premiums and are, in some cases, unable to deal with large credit volumes on their own. This makes financing more complex and, due to the higher risk premiums, more expensive. In addition, due to the sovereign debt crisis, the default risk among banks has increased. We therefore only agree loans and derivative financial instruments with financial institutes with a very good credit standing or which are members of a deposit guarantee fund.

The real estate portfolio of DIC Asset AG 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). Within the next two years some EUR 357 million (23% of the financing volume) will have to be refinanced. In 2011, we launched the DIC bond issue as part of our response to the difficult financing conditions and have therefore become more flexible in structuring financing due to the addition of greater shares of equity capital.

DIC Asset AG has agreed a manageable level of credit with financial covenants (loan agreement clauses imposing financial ratios). Depending on the loan contract, risks can emerge if contractual agreements are not honoured. In consequence, banks may amongst other things modify credit terms or in part demand short-term repayments of loans, which would have negative financial implications. Loan agreements essentially contain the following covenants: the ISCR (interest service coverage ratio), the DSCR (debt service coverage ratio) and loan-to-value requirements. The ISCR specifies the percentage of interest expenditure which is covered by the net annual base rent; the DSCR specifies the percentage of expected interest plus repayment (capital service) which is covered by rental income. No shares in DIC Asses AG have been provided as security or parameters on any of our loan agreements, and therefore the share price is irrelevant both with regard to termination and margins. Compliance with credit clauses is monitored continuously and providently through risk management in the Treasury Division. Deviations from fixed threshold values identified through ongoing sensitivity analyses are presented to the Management Board without delay and the type and scope of the countermeasures to be taken are determined.

The liquidity risk consists in the risk that, due to insufficient availability of funds, payment obligations may not be honoured or unfavourable loan terms may be agreed to in order to meet cash shortfalls. In order to ensure the solvency and financial flexibility of the Group at all times, long-term credit lines and liquid funds are managed on the basis of multi-year financial planning and monthly rolling liquidity planning. Cash is passed on to Group companies as required under the cash pooling arrangements. 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.

▷ Funds business
In 2010, DIC Asset AG set up a special real estate fund for institutional investors and provides services in the area of investment and real estate management. Risks arise primarily in relation to the expected revenue from real estate management, which is in part influenced by the fund volumes under management, the rental income of the fund properties as well as acquisitions and sales. The fund volume may for its part be negatively influenced by negative transaction balances, reduced investment activity or the liquidation of the fund. Rental income may be influenced amongst other things by changes to the tenant structures, increases or reductions in vacancy rates as well as the creditworthiness of tenants.

A further risk lies in the customer loyalty of investors. In unfavourable situations, a lack of customer confidence can lead to the return of share certificates and cash outflows, thereby reducing the fund's equity levels. Under contract, share certificates may only be returned after a time delay, which means that liquidity implications can be planned. If the reputation of DIC Asset AG as a provider of institutional fund products suffers, then the implementation of new fund issues may also be jeopardised. In order to boost investor confidence, DIC Asset AG has a 20% stake in the fund, thereby signalling the high overlap between its interests and those of investors.

Based on our expertise and good customer loyalty, we regard the probability of occurrence and risk scope as low.

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%	-73.4 EUR million	-38.9 EUR million	-1.7 EUR million
0%	-35.4 EUR million	+/-0.0	+38.3 EUR million
-0.25%	+3.6 EUR million	+40.2 EUR million	+79.6 EUR million

▷ Valuation risks
The market value of our real estate assets is calculated annually by independent external surveyors in accordance with international guidelines. The market valuation is subject to fluctuations, which may be influenced by external factors such as an economic downturn, interest rate changes, falling rents and qualitative factors such as rental levels and the state of the property. A fall in market values can have repercussions on fixed assets, the balance sheet structure and on financing conditions. To minimise risk, we pursue a well-balanced diversification of our portfolio and aim to secure and increase the intrinsic value of our properties through consistent tenant-oriented real estate management and by observing the market and its demands.

Sensitivity calculations were carried out as at 31 December 2011 in order to quantify possible valuation risks. The sensitivity analysis shows, by way of example, how market values react to changes in the discounting rate and capitalisation rate. For example, if the discounting rate increases by 25 basis points, market values will fall by EUR 38.9 million. If the capitalisation rate increases at the same time, the fall will increase to EUR 73.4 million. Since our accounts are drawn up according to the cost model (IAS 40.30), variations in market values do not have a direct effect on the balance sheet and the income statement, but rather only when the current or fair values of the properties fall below the carrying amounts reported.

In view of the expected lower economic growth and the foreseeable stable development in the real estate sector, we consider that – leaving aside individual cases – there will be a little likelihood of depreciation risks in 2012. The consequences to be expected of any falls in value would be moderate.

▷ Currency risks
All of our tenancy agreements are denominated in euro and almost all of our tenants do business predominantly in the euro area. There is a direct exchange rate risk only for two loans totalling less than EUR 7 million which were taken out in Swiss francs. In particular situations this manageable amount can even be subject to significant fluctuations, and in 2011 the Swiss franc to euro exchange rate fluctuated between + 3% and – 9%. This resulted in total foreign currency losses of around EUR 200,000. Considered overall, the likelihood and the potential scale of the currency risks are low.

Strategic risks

Active portfolio management is a key component of our corporate development. We constantly monitor the risks associated with the sale or purchase of companies or real estate or with restructuring and where required make financial provision in our accounts.

▷ Growth risks
In the case of acquisitions, there are medium to long-term risks in overvaluing potential income as well as in 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. Most recently, when taking on the joint venture portfolio, we acquired properties with which we were already very familiar. We estimate this risk and its financial repercussions for 2012 to be low.

In 2012, we are aiming for an acquisition volume of at least EUR 200 million, which will help us meet our sales and earnings targets. We consider the risk that we will not meet our acquisition target entirely to be low to moderately likely. The possible financial implications would be moderate for 2012.

▷ 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 lie above all in any discrepancies which may arise from the planned construction law feasibility, planned building costs and deadlines as well as in relation to leases and sales. 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. At present we are involved in three project developments: MainTor Frankfurt (total value approx. EUR 580 million, DIC Asset AG share 40%), Opera Offices Hamburg (total value approx. EUR 60 million, DIC Asset AG share 20%) and Trio Offenbach (total value approx. EUR 15 million, DIC Asset AG share 100%).

With regard to our joint venture on the major "MainTor" project there are risks above all in relation to financing, delays in letting and construction work as well as growing construction costs. The financing of demolition work and the two construction stages which have been started is secured. Further construction stages will only be started following the advance marketing phase, and accordingly the need for financing will only arise at that time. Delays and increasing costs would, above all, reduce the planned profit on the project. In order to guard against this risk, general contractors are to be engaged or individual trade contracts bundled together and overall management performed with well-known professional engineering firms, and attempts are to be made to spread the risk. Potential construction risks are covered by appropriate contractual clauses and the arrangement of insurance cover.

On the basis of current and planned project development work for the next twelve months, we consider this risk and any potential financial implications to be moderate for 2012.

Operational risks

▷ Letting risks

Letting risks involve the non-payment of rent and profitability risks due to less profitable new tenancy agreements or renewals. We avoid non-payment of rent by letting and leasing our properties to creditworthy companies and through intensive property management. 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. The risk of default is taken into account in value assessments. The maximum theoretical default risk is the carrying amount of the financial assets reported in the balance sheet (less than EUR 3 million). In general we strive to secure long-term tenancies and take measures in good time to extend tenancy agreements and to find new tenants. When doing so, we try to avoid being dependent on major tenants. In 2012 and 2013, around 39% of total rental income will be accounted for by the ten largest tenants. These tenants are all renowned and largely creditworthy tenants, primarily from the public sector, telecommunications and the retail sector. With the exception of the tenant Metro and Deutsche Bahn AG, no tenant accounts for more than 5% of total letting volume.

In financial years 2012 and 2013, tenancy agreements worth EUR 12.5 million and EUR 10.3 may come to an end. Further revenues of EUR 5.4 million come from tenancy agreements which are regularly extended without any specific final maturity. We are working on the assumption that, as in previous years, the overwhelming majority of these agreements can be extended, or the properties can be leased to new tenants. Should we fall short of our targets for new tenancy agreements by 10% in 2012, this would lead to lead to a loss in rent of around EUR 0.2 million, based on our average rent.

There is a general risk of rental income declining through 2012 and 2013. Thanks to our effective property management, we regard the likelihood and potential effects of this as moderate.

▷ Property risks

Property risks are risks resulting from the possession and operation of a property. In addition to wear and tear and depreciation, these include all risks resulting from the wearing out or partial destruction of the property. Furthermore, risks may arise from inherited problems, including war damage, ground conditions and harmful substances in building materials or breaches of construction law requirements.

As lessor, we strive to reduce the risks from property depreciation as far as possible by creating a contractual requirement for the tenant to use the property in general in the customary manner and to contribute to its maintenance or repair in order to avoid untimely deterioration. With our professional asset management approach, we have virtually excluded the risk of inadequate care for the properties and the associated maintenance requirements or inefficient cost management.

▷ Personnel-related risks

Competent, committed and motivated employees are important for the successful development of DIC Asset AG. Risks arise, most notably, in losing high-performers and in attracting suitable new employees. In order to minimise these risks, we are endeavouring to be perceived as an attractive employer. We focus above all on systematic personnel marketing, practice-oriented promotion of young talent, targeted professional training and the promotion of staff with particular potential. Key positions are regularly analysed with regard to anticipated planning of succession, and appropriate internal candidates are prepared for these roles. Further elements include target-group oriented support and advice and attractive incentive systems. Due to these measures we consider more serious problems and personnel-related risks to be unlikely and their financial implications 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 though our own network, modern hard and software solutions and appropriate measures 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 for their work. We are currently consolidating our software solution in the area of property management, as part of which sub-systems are being replaced and modernised. We are planning to introduce new ERP software in 2013, which has been specifically tailored to the requirements of real estate companies and is integrated into the real estate management system, company accounting, but also planning, management and analysis systems.

This will bring a significant improvement in data structure, quality and availability as well as efficiency gains in analysing data thanks to optimised processes, along with further gains in security over the control and administration of our real estate portfolio. Due to the early requirement for analysis and communication to software consultants as well as the staffing of the project team with members of the departments involved, we expect that the IT project will be implemented on time.

Overall, we consider IT risks to be unlikely and their possible consequences to be low to moderate.

ASSESSMENT OF THE OVERALL RISK: NO LIABILITY

As part of the risk management procedure, individual risks are incorporated into a general risk overview by the Finance Department. With regard to the individual risks listed in this report – taking account of the probability of their occurring and the potential financial impact – as well as the aggregate total risk, the Management Board 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 compared to the previous year.

In Europe in particular, state-level financing remains strained, although there are also comparable debt problems in the USA, Japan and the United Kingdom. In addition, many of the loans granted during the boom years 2006 and 2007, and which contributed to the financial and sovereign debt crisis, matured in 2012. The resulting developments and their potential implications may have significant consequences for the German economy, its businesses and the real estate sector. However, due to their complexity, these implications cannot be predicted or calculated 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 into 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 Management Board 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, which is annexed 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. We are currently consolidating our software solution in the area of property management, as part of which sub-systems are being replaced and modernised. This brings significant benefits for us, efficiency gains and even greater security in the control and administration of our real estate portfolio.

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, non-routine business opportunities or those which are urgent may for example conceal a certain potential for risk. Risks may also arise from the scope for discretion that employees have in recognising and measuring assets and liabilities. A certain 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

ANNUAL FINANCIAL STATEMENTS OF DIC ASSET AG

Results of operations, financial and asset position
DIC Asset AG is the holding and management company of the Group. In essence, its operational real estate activities are organised via the property companies.

DIC Asset AG's asset and 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 properties and is secured, in particular, by their real estate assets. DIC Asset AG prepares its financial statements in accordance with the HGB.

Sales revenues and other income of EUR 4.3 million relate to advisory and other services provided to subsidiaries. This figure represents a fall of EUR 1.2 million on the previous year, mainly due to the lower level of sales activity. Expenses were dominated by the costs of the capital increase and bond issue to the tune of EUR 3.1 million overall, with interest expense connected with our loan amounting to EUR 2.6 million. The increase in expenses was more than offset by the contributions to earnings made by our investments: the interest balance of subsidiaries and investments increased by EUR 6.1 million and their dividends rose by EUR 1.2 million to EUR 14.6 million. Profit for the period thus increased by EUR 2.3 million to EUR 12.3 million.

In the 2011 financial year, DIC Asset AG acquired the stakes held by the previous joint venture partner MSREF in three property portfolios. This increased total financial assets by EUR 15.2 million. The restructuring of individual investments and capital measures resulted in a net fall in financial assets by EUR 41.8 million (7.4%) to EUR 525.8 million (previous year EUR 567.4 million).

In conjunction with the optimisation of the Group's financing structure and acquisitions in 2011 (Kaufhof, Marktforum Duisburg), receivables from associates and investments increased by EUR 88.6 million (54.7%) to EUR 250.7 million. Liabilities to associates and investments fell by EUR 39.2 million (25.2%) to EUR 116.6 million.

Overall, the involvement in associated companies, comprising investments as well as receivables from and liabilities to associates and investments had risen as at the balance sheet date of 31 December 2011 by EUR 86 million from 573.7 million to EUR 659.7 million (15%).

Borrowed capital rose overall by EUR 33.2 million to EUR 200.8 million (19.8%), due to the changes in liabilities to associated companies as well as our corporate bond with a volume of EUR 70 million.

As at 31 December 2011, the company's equity amounted to EUR 693.3 million, some EUR 48.5 million more than in the previous year. In addition to the profit for the period (EUR 12.3 million) and the dividend (EUR 16.0 million), this was mainly influenced by the capital increase (some EUR 52.2 million). Total assets increased by EUR 81.8 million to EUR 894.1 million (10%), mainly due to our greater involvement in associated companies, which was primarily financed by the capital increase and bond issue. Liquid funds stand at EUR 76.0 million, EUR 25.7 million more than in the previous year. The equity ratio remained at the previous year's level at around 78%.

Forecast for the separate financial statements of DIC Asset AG

Assuming that the economic trend remains stable and the Group's acquisition targets for the 2012 and 2013 financial years are met, we are expecting a positive performance in 2012 and 2013 in terms of income from investments and the annual results, maintaining the level of 2011 and 2012. We are anticipating being able to continue with our stable dividend policy in the next two years.

For more information, please see the forecast report for the Group (page 60).

EVENTS AFTER THE BALANCE SHEET DATE

There were no significant events after the balance sheet date that could affect the net assets, financial position or earnings situation.

AFFILIATES

The Management Board 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. Information on the remuneration of the Supervisory Board and Management Board is provided in the Remuneration Report, which forms an integral part of this report.

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 45,718,747.00 consists of 45,718,747 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.

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 Management Board and the amendment of the Articles of Incorporation

The appointment and dismissal of members of the Management Board is based on §§ 84, 85 AktG and § 7 of the Articles of Incorporation. Pursuant to § 7 para. 1 of the Articles of Incorporation, the Management Board 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 Management Board. The Supervisory Board has the power of appointment and dismissal. It appoints members of the Management Board for a maximum term of office of five years. Members may be reappointed or their term may be extended for a maximum of five years in each case subject to § 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. The Articles of Incorporation have not exercised the option to impose 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 Management Board's powers to issue and redeem shares

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

▷ Authority to acquire treasury shares

By resolution of the ordinary General Shareholders' Meeting of 5 July 2011, the Management Board was authorised, provided that prior consent is obtained from the Supervisory Board, to purchase treasury shares before 4 July 2016 up to a total of 10% of the company share capital at the time of the resolution or – if lower – at the time the authorisation is acted upon. 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 Management Board' 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.

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 Management Board 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 Management Board is authorised to amend the number of shares in the Articles of Incorporation. (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 shares sold in this way together with the number of other 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 share capital, neither at the time this authorisation becomes effective nor at the time when it is exercised; (iii) The shares can be sold against contributions in kind, in particular 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 fulfil subscription and exchange rights on the basis of the exercise of conversion and/or option rights or the fulfilment of conversion obligations or as part of convertible bonds or bonds with warrants issued by the company or its Group companies fully owned by DIC Asset AG.

Further details are contained in the authorising resolution.

As at 31 December 2011, the company holds no treasury shares. It has not made use of the authorisation described above.

▷ Authorised capital

By resolution of the ordinary General Shareholders' Meeting of 5 July 2011, the Management Board is authorised, with the Supervisory Board's approval, to increase the share capital by 4 July 2016 by one or more issues of new individual bearer shares for cash and/or contributions in kind by up to EUR 22,859,000.00 in total (authorised capital). In principle, shareholders are to be granted subscription rights here. The shares can be accepted by one or more financial institutions specified by the Management Board 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 Management Board 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 arising from bonds with warrants and/or convertible bonds that have been issued during the life of this authorisation with subscription rights excluded in accordance with § 186 para. 3 sentence 4 AktG does not exceed 10% of the 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, in particular 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. The number of shares issued in this manner may not exceed 20% of the share capital, neither at the time this authorisation becomes effective nor at the time when it is exercised;
(iv) 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 100% stake, either directly or indirectly, a subscription right to new shares 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.

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

▷ Contingent capital

By virtue of the resolution of the General Shareholders' Meeting of 5 July 2010, the Management Board 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) to 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.

As a basic principle, the shareholders have a subscription right, i.e. the convertible bonds and bonds with warrants 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 of the German Stock Corporation Act (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 Management Board is, however, authorised, with the Supervisory Board's approval, not to grant shareholders the right to subscribe to the bonds,

- for fractional amounts resulting from the proportionate subscription right;
- sinsofar as the Management Board, 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) to 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 proportionate amount of share capital attributed to shares, which were issued during the life 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 during the life 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;
- 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 Management Board. 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 bonds with warrants, 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 Management Board. 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.

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 bonds may not exceed the nominal amount of the individual bond. § 9 para. 1 para. The conditions of the convertible bond or bond with warrants 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. 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.

Further details are contained in the authorising resolution.

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 July 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 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.

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.

Finally, the terms of issue of the corporate bonds issued by the company (ISIN DE 000A1KQ1N3) totalling EUR 70 million (maturing in May 2016) specify that early payment may be made at the choice of the creditor in the event of a change in control. Thereafter, every creditor will have the right, but not the obligation, to demand full or partial repayment from DIC Asset AG or, at the choice of DIC Asset AG, the purchase of its bonds by DIC Asset AG (or at its request by a third party). However, the exercise of the option by a creditor will only take effect if the creditor has exercised the option in respect of at least 20 % of the total amount of bonds still outstanding at this time. A change of control pursuant to the terms of issue occurs where it becomes known to DIC Asset AG that (i) a person or a group of persons acting together pursuant to § 2 (5) of the German Law on Securities Acquisitions and Takeovers [WpÜG] has become the legal of economic owner of more than 50% of the voting rights in DIC Asset AG; or (ii) a person has obtained actual control over DIC Asset AG under the terms of a control agreement with DIC Asset AG pursuant to § 291 AktG.

Indemnity agreements entered into with members of the Management Board or employees in the case of a takeover bid
In the case of a change of control, a member of the Management Board 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 already 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 to 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 restrictions affecting voting rights or the transfer of shares, nor are there any shareholders with special rights conferring supervisory powers nor are there any voting right controls by employees with shares in the company's capital.

OPPORTUNITIES AND FORECAST

Special events and developments may have a positive impact on our activities. If these opportunities are specific enough and can be sufficiently controlled by us, we integrate them into scenarios as part of our planning and actively pursue them. General opportunities lie outside our sphere of influence, although they cannot be controlled. If they occur, then they will boost our business development significantly. However, these general opportunities are not included in our planning, since they cannot be clearly planned for, influenced or quantified.

GENERAL OPPORTUNITIES

Better economic framework conditions
The macroeconomic environment and the real estate sector have performed better than expected. Any differences, such as unexpectedly high letting volume, rental increases across the board or successful disposals would have a positive impact on profits and the further development of DIC Asset AG.

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

Stronger changes in the transaction market

Distinct safety-oriented thinking still dominates the investment targets of almost all investors. Should investors branch out into smaller locations due to the scarcity of core properties in the major office centres, attractive sales opportunities may arise for DIC Asset AG. Should a significantly higher number of more management intensive properties come to market triggered by non-performing loans, more attractive acquisition opportunities may arise for DIC Asset AG.

Higher growth rates

We pursue growth that maximises our earnings. To this end we continuously examine and develop possibilities of all natures and sizes. If we are able to unexpectedly take advantage of major growth opportunities – as appropriate in conjunction with the involvement of appropriate equity capital partnerships – this will permit a more rapid expansion of turnover and profits.

Completion of project developments

We participate via co-investments in project developments and have our own properties with development potential. It we succeed in finding sufficient numbers of tenants for pre-letting our project developments, then more extensive projects may also be completed 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

- Significant earnings growth
- Rental income of around EUR 124-126 million
- Further reduction of vacancy rate to approx 11.5%
- Acquisition volume of at least EUR 200 million
- Marked increase in FFO of 10% to between EUR 43-45 million planned

Overall view

In 2012, we intend to use our operational strengths to achieve significant earnings growth. To this end, we will continue to make acquisitions and will further enhance the quality and profitability of our portfolio through our property management structure. Through our services along the entire value added chain, we leverage potential in our portfolio through our in-house property management service. Investment in high-growth regions 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 of our long-term growth targets even in difficult conditions. With our longstanding strategy, we are soundly placed to cope with downturns in the economy and to exploit any opportunities that are available.

The coming months will not see any changes to DIC Asset AG's basic focus. We plan to exceed profit levels from the previous year and endeavour to achieve marked FFO growth to between EUR 43 and 45 million.

Economic environment
The German economy will probably be driven on by several factors in 2012: the continuing high demand for German products on world markets based on a weak euro, very favourable financing terms and a stable domestic economy. Current forecasts are predicting GDP growth of 1.2%. This figure would already be sufficient in order to be placed once again at the forefront of economic development in Europe. Due to the continuing problem which governments in certain EU countries have in borrowing we may continue to expect very low interest rates and extraordinary stimulus measures. Despite low interest rates, which actually offer the ideal conditions for corporate financing, we do not expect lending to rise. It is expected that the higher risk requirements of the banks and significantly lower demand, caused by the necessary capitalisation requirements for financial institutions, are preventing a smooth lending business.

Assessment of sectoral development
We expect stable development in the rental market in 2012 as a whole. However, this should not have a particularly negative impact on our business. Traditionally, there is a time lag of 12 to 18 months in the reaction of the letting market to economic trends. The employment market at the start of 2012 has shown itself to be in a healthy state, which will support rental activities over the course of the year. However, we are predicting competitive pressure to remain high on the market as a whole in terms of the letting of space, with rents thus expected to remain stable by and large. Market analysts are expecting a weaker second half of the year, with letting volumes set to remain at the level of the average for the past five years.

The opportunities for a successful 2012 on the transaction market are good, even against the backdrop of the sovereign debt crisis in Europe: the German economy is robust and the real estate market is liquid, diversified and oriented towards the long term. The general economic downturn and the lower levels of lending due to higher equity capital requirements for financial institutions could have the effect of reining in the market. We are proceeding on the basis of undiminished demand for core properties from a group of national and international investors whose main interest is security. Scarce supply could see yields in this segment fall further. The market in general is not currently expecting a marked increase in the number of properties that would be available at appropriate prices in view of risk considerations and that would offer potential for improvement, i.e. properties that would be of particular interest to real estate companies with management expertise. However, situations involving non-performing real estate loans could potentially create some supply. At any rate, the likelihood of an increasing number of impending loan extensions encountering unfavourable financing conditions is certainly higher in 2012 than in the previous years. Overall, estate agents consider transaction volume of around EUR 23 billion – corresponding to the previous year's volume – to be possible.

Rental volumes to remain within last year’s range
In 2012 we expect an overall stable rental market, which will however be characterised by greater caution and reticence on the part of tenants. For us, this means that we must step up our letting activities even more this year than last. In this respect, we are well placed with our presence close to our properties and our direct contact with tenants and have an advantage over centrally operating portfolio holders. In 2012 both new tenancies and lease renewals will be equally important, on the one hand in order to stabilise our rental income and on the other hand in order to enhance portfolio quality. Depending on the progress made with our planned letting of our project developments, we are aiming for a letting volume within last year’s range. In terms of the commercial portfolio, a lower letting volume will be sufficient to meet our objectives thanks to the reduction in the vacancy rate and tenancy expiries achieved in 2011.

Further reduction in vacancy rates
We are continuing to work on enhancing the quality and value of our portfolio through internal growth. In 2011, we were already able to offset some of the previous year's falls incurred as a result of the economic downturn. This is supported on the one hand by letting activity, which has seen the conclusion of long-term rental agreements with creditworthy clients. A further means of support comes from portfolio investments in conjunction with our lettings which significantly enhance the value of our portfolio. We are planning to reduce the vacancy rate to around 11.5%. As an additional effect alongside previous acquisitions, our measures will contribute to growth in rental income.

Acquisition volume of at least EUR 200 million
In 2012 we shall make enhancements to our portfolio in a balanced manner and in line with our investment strategy. In this regard we plan to make investments in all investment segments. Our broad base in the value-added chain – from efficient property management through to repositioning via project developments – makes us well placed to acquire both attractive individual properties and portfolios alike. Based on our current liquidity levels, we are planning a direct and indirect investment volume of at least EUR 200 million.

Expansion of the second fund area
In addition of the further growth of DIC Office Balance I, we are planning to launch a further special fund from 2012 onwards. The planned second fund will focus on investments in top-quality commercial buildings in city-centre locations rated 1a. As usual, we will take a 20% stake as a co-investor and provide property management services and purchase/sale support. In addition to the expansion of our portfolio, we are focusing on increasing the diversification of our income. The fund is set to have a target volume of some EUR 250 million and, if placement proceeds suitably quickly, may even be able to begin the investment phase as early as 2012.

Disposals of approx. EUR 80 million

In the coming financial year, we expect transaction activity to remain buoyant, especially in core properties. We have identified properties that are suitable for sale and will bring them onto the market if conditions are right. Should the demand for properties be less marked, then we will benefit from our flexibility: We are not forced to sell at any given point in time. We expect to sell properties worth around EUR 80 million in 2012.

Project developments make further progress

Our ongoing project developments are progressing as planned. On the MainTor project, we will make significant progress on the construction work for the sub-projects which we have started. Here, we are adopting a strict controlling approach to keep within the planned budget. In addition, we will launch the marketing of the MainTor "Living" sub-project in the second half of the year. The operational implementation of our OperaOffices project development in Hamburg is also planned for the second half of the year.

Comments on the profit forecast

Our forecast is based on a number of different material assumptions:

- The German economy will remain sound, and GDP will grow slightly
- The rental market will remain stable
- Rental defaults due to insolvency will remain low
- We will be able to increase rental levels as planned
- We will be able to achieve our planned growth

We will not give any firm indications as to the profit for the period. It is hard to put an exact figure on the expected profit for the period as it depends first and foremost on whether we are able to acquire or sell properties from our various segments with majority or minority stakes.

Expected sales and earnings position for 2012

Since the financial crisis erupted in 2008, it has been even harder than previously to make forecasts in view of the huge scope of the state-backed support measures introduced and their incalculable long-term effects. At present the problems regarding the state finances of European countries are complicating forecasts. For this reason our planning contains additional risk assumptions. In spite of this, our forecast may differ materially from actual results if underlying assumptions are not fulfilled or other extraordinary developments occur.

Based on our current portfolio and a reduction in the vacancy rate to around 11.5% at the end of the year, we are expecting rental income to be between EUR 124 and 126 million, including planned purchases. This amount also takes into account some EUR 2 million from purchases in the 2012 financial year.

Our operating expenses are comparable with the previous year, although these will increase moderately due to the increase in the workforce planned or already implemented. Due to higher borrowing requirements, we are also expecting higher interest expenses. On this basis, we are expecting operating income, namely FFO, of between EUR 43 and 45 million in 2012 (around one EUR per share).

Expected financial situation in 2012

Our ongoing business operations do not at present require any major external financing. It is expected that portfolio investments (planned to match the previous year's level and depending on individual sizeable tenancies), funds required for refinancing, the dividend payment for the 2011 financial year and cash flow from disposals will represent the most significant factors influencing liquidity from operating activities in 2012. To the extent foreseeable, all liquidity requirements and commitments from financing are met.

Liquidity planning also enables us to exploit external opportunities for growth through acquisitions as part of our growth plan. In these cases, we will be able to raise additional external funds.

Outlook for 2013

Assuming the economic trend remains positive and acquisition and sales targets are met, in 2013 we are expecting positive growth in sales and earnings with a moderate increase on 2012.

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED PROFIT AND LOSS ACCOUNT for the period from 1 January 2011 to 31 December 2011 in TEUR

	Notes	2011	2010
Total revenues		157,320	228,767
Total expenses		-91,162	-154,216
Gross rental income	1	116,746	124,941
Ground rents	2	-784	-773
Service charge income on principal basis	3	16,300	17,719
Service charge expenses on principal basis	3	-17,964	-19,415
Other real estate related operating expenses	4	-7,543	-8,531
Net rental income		106,755	113,941
Administrative expenses	5	-8,544	-8,008
Personnel expenses	6	-10,216	-9,409
Depreciation and amortisation	7	-29,788	-30,818
Fee from real estate management	8	5,310	3,543
Other income	9	1,250	1,397
Other expenses	10	-291	-1,213
Net other income		959	184
Investment property disposal proceeds	11	17,714	81,167
Carrying value of investment property disposed	11	-16,032	-76,049
Profit on disposal of investment property		1,682	5,118
Net operating profit before financing activities		66,158	74,551
Share of the profit of associates	12	2,386	7,812
Interest income	13	7,898	6,416
Interest expense	13	-63,921	-70,452
Profit before tax		12,521	18,327
Current income tax expense	14	-2,082	-2,484
Deferred income tax expense	14	163	622
Profit for the period		10,602	16,465
Attributable to equity holders of the parent		10,497	16,380
Attributable to minority interest	15	105	85
Basic (=diluted) earnings per share (EUR)	16	0.24	0.43

STATEMENTS OF COMPREHENSIVE INCOME from 1 January to 31 December 2011 in TEUR

	2011	2010
Fair value of hedge instruments		
Cash flow hedges	-9,741	1,721
Cash flow hedges from associates	776	3,656
Recorded directly in equity	-8,965	5,377
Profit for the period	10,602	16,465
Comprehensive income	1,637	21,842
Attributable to equity holders of the parent	1,532	21,757
Attributable to minority interest	105	85

CONSOLIDATED BALANCE SHEET as at 31 December 2011 in TEUR

Assets	Notes	31.12.2011	31.12.2010
Investment property	17	1,902,129	1,718,215
Office furniture and equipment	18	538	519
Investments in associates	19	70,057	64,670
Intangible assets	21	152	255
Deferred tax assets	14	24,441	19,465
Total non-current assets		1,997,317	1,803,124
Receivables from sale of property	22	358	7,967
Trade receivables	23	2,692	2,635
Receivables due from related parties	24	128,058	105,682
Income tax receivable	25	7,837	7,442
Other receivables	26	4,390	3,955
Other current assets	27	4,950	1,876
Cash and cash equivalents	28	100,244	117,292
		248,529	246,849
Non-current assets held for sale	29	2,300	0
Total current assets		250,829	246,849
Total assets		2,248,146	2,049,973

Equity and liabilities	Notes	31.12.2011	31.12.2010
Issued capital	30	45,719	39,187
Share premium	30	614,312	569,288
Hedging reserve	30	-60,077	-51,111
Retained earnings	30	22,739	28,243
Total shareholders´equity		622,693	585,607
Minority interests	15	1,497	1,473
Total equity		624,190	587,080
Liabilities			
Corporate bond	31	68,589	0
Non-current interest-bearing loans and borrowings	31	1,256,165	1,239,804
Deferred tax liabilities	14	11,649	9,508
Derivatives	20	70,254	58,116
Total non-current liabilities		1,406,657	1,307,428
Current interest-bearing loans and borrowings	31	194,923	136,278
Trade payables	32	5,323	3,451
Liabilities to related parties	24	347	18
Provisions	33	33	22
Income taxes payable	34	2,086	2,864
Other liabilities	35	12,356	12,832
		215,068	155,465
Liabilities in content with non-current assets held for sale	29	2,231	0
Total current liabilities		217,299	155,465
Total liabilities		1.623,956	1,462,893
Total equity and liabilities		2,248,146	2,049,973

CONSOLIDATED STATEMENT OF CASH FLOW for the Financial Year 2011 in TEUR

	2011	2010
Operating activities		
Net operating profit before interest and taxes paid	76,736	86,972
Realised gains/losses on disposals	-1,682	-5,118
Depreciation and amortisation	29,788	30,818
Movements in receivables, payables and provisions	-754	536
Other non-cash transactions	-7,026	-4,984
Cash flow generated from operations	97,062	108,224
Interest paid	-57,674	-69,274
Interest received	4,143	4,002
Income taxes paid	-5,170	-5,235
Cash flow from operating activities	38,361	37,717
Investing activities		
Proceeds from sale of investment property	25,339	255,480
Disposal of subsidiaries	0	10,444
Acquisition of stakes in the three joint venture portfolios	-14,544	0
Acquisition of investment property	-124,785	-5,068
Capital expenditure on investment property	-15,266	-12,107
Acquisitions/disposal of other investments	-3,661	-25,285
Loans to and from other entities	-22,689	-21,841
Acquisitions	-185	-106
Cash flow from investing activities	-155,791	201,517
Financing activities		
Proceeds from the issue of share capital	52,250	47,025
Proceeds from other non-current borrowings	70,000	0
Repurchase/disposal of own shares	129,351	7,269
Repayment of borrowings	-128,877	-202,356
Deposits	-3,500	0
Payment of transaction costs	-2,840	-950
Dividends paid	-16,002	-11,756
Cash flow from financing activities	100,382	-160,768
Net changes in cash and cash equivalents	-17,048	78,466
Cash and cash equivalents at 1 January	117,292	38,826
Cash and cash equivalents at 31 December	100,244	117,292

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY for the Financial Year 2011 in TEUR

		Issued capital	Share premium	Reserve for cash flow hedges	Retained earnings	Total shares equity	Minority interest	Total
Status as at 31 December 2009		31,350	530,747	-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	-51,111	28,243	585,607	1,473	**587,080**
Profit for the period					10,497	10,497	105	**10,602**
Losses from cash flow hedges*				-9,741		-9,741		**-9,741**
Gains from cash flow hedges from associates*				775		775		**775**
Comprehensive income				-8,966	10,497	1,531	105	**1,636**
Dividends 2010					-16,001	-16,001		**-16,001**
Capital increase		6,532	45,024			51,556		**51,556**
Repayment of minority interest						0	-81	**-81**
Status as at 31 December 2011		45,719	614,312	-60,077	22,739	622,693	1,497	**624,190**

* net of deferred tax

NOTES TO THE 2011 CONSOLIDATED FINANCIAL STATEMENTS

INFORMATION ON THE COMPANY

DIC Asset AG (the "company") and its subsidiaries ("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 Management Board on 1 March 2012.

PRINCIPLES UNDERLYING THE CONSOLIDATED FINANCIAL STATEMENTS

Application of International Financial Reporting Standards

The consolidated financial statements for the 2011 financial year have been prepared in accordance with IFRS valid as per 31 December 2011 (including the interpretations of the IFRS Interpretations Committee (IFRS IC)) 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).

Accounting and valuation methods

The accounting and valuation methods applied in the disclosures and the Notes to the consolidated financial statements in financial year 2011 are based on the same accounting and valuation methods applied in the consolidated financial statements in financial year 2010. 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 of DIC Asset AG.

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 76 ff.

The consolidated financial statements were prepared on the assumption that the company is a "going concern" in accordance with IAS 1.23.

The separate financial statements of the consolidated companies were prepared as at the reporting date of the consolidated financial statements (31 December 2011).

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).

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

The Group made changes to its segment reporting in the 2011 financial year. Segment reporting performed in 2010 according to the Core plus and Value added segments has been replaced by segment reporting by regions. For more information, see pages 96 ff.

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 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 have

been revised with regard to such companies' relations with other companies controlled or significantly influenced by the same government.

▷IAS 32 "Financial Instruments: Presentation"
The revisions to IAS 32 relate to the classification of subscription rights. The IASB established that the previous ruling, &"the classification of subscription rights denominated in foreign currencies and issued to all current shareholders as a derivative liability"& was at odds with the economic substance of the transaction, as it involves a transaction with owners acting in their capacity as such. Subscription rights must now be classified as an equity instrument regardless of the currency in which the exercise price is denominated if they are issued in exchange for a fixed amount of liquid funds and are offered to all current shareholders in a class of equity instruments. As a result, the amendment thus creates an exception to the "fixed-for-fixed rule" in IAS 32.

▷- IFRIC 14 "Prepayments of a Minimum Funding Requirement"
IFRIC 14 is an interpretation of IAS 19 "Employee Benefits". The amendment agreed by the IASB concerns the limit on a defined benefit asset, minimum funding requirements and their interaction. The revision only applies in circumstances in which a company is subject to minimum funding requirements and makes a prepayment that satisfies these requirements. After the revision, a company is now permitted to recognise the benefit arising from such a prepayment as an asset.

▷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.
– Improvement projects 2010

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).

▷IAS 1 "Presentation of Financial Statements"
Clarification of the statement of changes in equity

▷IAS 27 "Consolidated and Separate Financial Statements"
Transitional provisions for amendments to IAS 21, IAS 28 and IAS 31 following revision of IAS 27 in 2008

▷IAS 34 "Interim Financial Reporting"
Clarification of the definition of significant events and transactions

▷IFRS 1 "First-time Adoption
– Change to accounting methods in the year IFRS are first applied
– New valuation basis in place of acquisition and production costs"
– Replacement of acquisition and production costs in the case of price-regulated business segments

▷IFRS 3 "Business Combinations"
- Transitional conditions for contingent considerations
- Valuation of non-controlling shares
- Share-based payments not replaced and replaced voluntarily

▷IFRS 7 "Financial Instruments: Disclosures"
Clarification of disclosure obligations

▷IFRIC 13 "Customer Loyalty Programmes"
Fair value of award credits

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 IFRS Interpretations Committee (IFRIC) have adopted additional standards and interpretations whose application is not yet required for financial year 2011, or which have not yet been recognised by the EU.

▷IAS 1 "Presentation of Financial Statements"
The IASB has published an amendment to IAS 1 "Presentation of Financial Statements" changing the way in which items reported in other income in the statement of comprehensive income are presented. In future, companies will have to subdivide the items reported in other income depending on whether or not they will be posted in future via the income statement ("recycling").

Standard or interpretation		Obligatory application for companies whose financial year follows the calendar year from:	Endorsement	
			Completed on	Planned for
IAS 1	Presentation; "Individual items of other income"	2013		Q1 2012
IAS 12	Deferred Tax: Recovery of Underlying Assets	2012		Q2 2012
IAS 19	Employee Benefits (2011)	2013		Q1 2012
IAS 27	Separate Financial Statements (2011)	2013		Q3 2012
IAS 28	Investments in Associates and Joint Ventures (2011)	2013		Q3 2012
IFRS 1	Severe Hyper-inflation and Removal of Fixed Dates	2012		Q2 2012
IFRS 7	Financial Instruments: Disclosures Transfer of financial assets	2012	22.11.2011	
IFRS 10	Consolidated Financial Statements	2013		Q3 2012
IFRS 11	Joint Arrangements	2013		Q3 2012
IFRS 12	Disclosure of Interests in Other Entities	2013		Q3 2012
IFRS 13	Fair Value Measurement	2013		Q3 2012
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	2013		Q2 2012
IFRS 9	Financial Instruments	2015		Decision postponed
IFRS 7	Financial Instruments: Disclosures "Offsetting financial assets and financial liabilities"	2013		Pending
IAS 32	Financial Instruments: Presentation "Offsetting financial assets and financial liabilities"	2014		Pending
IFRS 9 and IFRS 7	Mandatory Effective Date and Transition Disclosures	2015		Pending

The term used in IAS 1 for the statement of comprehensive income has been changed to "statement of comprehensive and other income. The amendment is to be applied retrospectively for the first time for reporting years that begin on or after 1 January 2013. Earlier application is permitted..

▷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 7 "Financial Instruments: Disclosures"
The IASB has revised IFRS 7 with regard to disclosures on transfers of financial assets. The new disclosure obligations apply to the following two categories:

– Transferred assets not derecognised in full (e.g. repo transaction = purchase and repurchase of securities at a fixed price or transfer of assets with the granting of extensive guarantees)
– Certain transferred assets derecognised in full (e.g. factoring of receivables).

For assets not derecognised in full, two new provisions apply in addition to the current IFRS 7 requirements:

– the nature of the relationship between the transferred assets and the associated liabilities arising from the transfer and its use by the reporting company, and
– drawing up an overview that includes the fair value of the transferred assets and liabilities as well as their balance if the counterparty for the associated liability is only able to access the assets.

For the assets derecognised in full, provided that the transferring company retains a lasting exposure based on the asset, i.e. retains or incurs contractual rights or obligations, the following disclosures, among others, must be made:

– book value and fair value of the lasting exposure
– maximum risk of loss as well as information on the type of calculation involved
– future cash flows, if any, to repurchase the derecognised assets
– description of the lasting exposure and associated risk
– profit and loss at the time of derecognition

The revisions will give readers of financial reports an improved insight into transactions transferring financial assets. The revisions are to be applied to financial years beginning on or after 1 July 2011. Earlier application is permitted. Comparative figures are not required in the first year of application.

▷IFRS 9 "Financial Instruments"
The IASB has published provisions on reporting financial liabilities that supplement IFRS 9 and conclude the classification and evaluation phase of its project to replace IAS 39 "Financial Instruments - Recognition and Measurement."

IFRS 9 sets out new regulations for the classification and valuation of financial instruments, whereby in future financial assets and financial liabilities will only be able to be valued "at cost less depreciation" and "at fair value". In accordance with the new regulations, a company that has chosen the fair value option to report its financial liabilities must report the amount of change in fair value that is due to a change in its own credit risk in other income from equity and not in the income statement.

The revisions are required to be applied retrospectively for the first time in financial years beginning on or after 1 January 2015. 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 as it is adopted by the EU in this form, to have a material impact on the presentation of its financial statements.

▷IFRS 10 to IFRS 12
On 12 May 2011, the IASB published a package of five standards that deal with consolidation (IFRS 10), joint arrangements (IFRS 11), disclosure of interests in other entities (IFRS 12), separate financial statements (IAS 27 (2011)) and interests in associates and joint ventures (IAS 28 (2011)).

The core issues covered by the new standards are as follows:

▷IFRS 10 "Consolidated Financial Statements"
On 12 May 2011, the IASB published the Standard IFRS 10 "Consolidated Financial Statements", which redefined the term "control". The new approach combines power of disposal and exposure to variable returns from a shareholding to determine whether control exists. Under IFRS 10, control exists only when an investor has power of disposal, is exposed to variable returns and has the ability to use his power of disposal to affect his returns from the affiliated company (IFRS 10.7).

▷IFRS 11 "Joint Arrangements"
On 12 May 2011, the IASB published the Standard IFRS 11 "Joint Arrangements", which will lead to a revision of existing accounting regulations. The focus is on increased transparency for shareholders, which is guaranteed by obliging a company to disclose its contractual rights and obligations arising from a joint arrangement.

Joint arrangements are divided into "joint activities" and "joint ventures". Joint ventures must be included in consolidated financial statements under the equity method. The option to apply proportional consolidation no longer exists.

▷IFRS 12 "Disclosure of Interests in Other Entities"
On 12 May 2011, the IASB published the standard IFRS 12 "Disclosure of Interests in Other Entities". It is applicable to companies that hold a stake in subsidiaries, associates, joint agreements and unconsolidated structured companies (special purpose vehicles). The disclosures required by IFRS are significantly more extensive than was previously the case. The intention is for the recipient of the financial statements to be able to assess the nature of the company's involvement as well as the risks and financial consequences that it entails.

The five new standards are to be applied for financial years beginning on or after 1 January 2013. Earlier application is permitted insofar as all five standards are applied at the same time.

▷IFRS 13 "Valuation at fair value"
The new Standard IFRS 13 introduces a standard framework concept for calculating the fair value, which applies to all IFRS with a few exceptions (IFRS 2, IAS 17 and IAS 36). The definition of IFRS 13 is similar to the previous definition from IAS 39.9. IFRS 13 also adds information on the fair value and introduces standard information on the fair value hierarchy (levels 1-3), which is structured in a similar way to the level information known from IFRS 7.

– Information on the hierarchical level at which the fair values are classified;
– Transfers between levels 1 and 2;
– Procedures and valuation parameters regarding valuation at fair value and changes to valuation methods; and
– Additional information on level 3 valuations, including reconciliation of opening and closing balances, quantitative information on unobservable parameters and
– assumptions, explanations of the valuation processes and sensitivities used in the case of recurring level 3 valuations

IFRS 13 does not contain any information on when the fair value is to be used.

IFRS 13 applies to reporting periods beginning on or after 1 January 2013. Earlier application is permitted. The Standard should be applied prospectively at the start of the reporting period in which it is to be applied for the first time. The disclosure obligations laid down in the new guidelines do not apply to comparative figures from the periods before first-time application of IFRS 13.

The impact of first-time application of the abovementioned standards and interpretations on the consolidated financial statements of DIC Asset AG is currently being assessed.

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 2011, in addition to DIC Asset AG, a total of 144 (previous year 120) subsidiaries were included in the consolidated financial statements (see appendix 1 to the notes on p. 58). Subsidiaries are companies in which DIC Asset AG, as the parent company, can exercise a controlling influence in the form of a direct or indirect majority of the voting rights in the company.

Changes in the scope of consolidation

In the past financial year, DIC Asset AG has not made any acquisitions, which must be classified as a business combination in the sense of IFRS 3. The acquisitions of shares described below solely formed the basis for the properties acquired in this connection.

With beneficial effect from 31 March 2011, DIC Asset AG acquired two retail properties in Bremen and Chemnitz from Apollo Rida Golf S.a.r.l., Luxembourg as part of a share deal. The investment volume amounts to around EUR 108 million. The properties are let long-term, the annual rental income amounts to some EUR 7.3 million which equates to a rental yield of around 7% in relation to the property purchase prices.

On 7 October 2011, DIC Asset AG acquired the shares in its previous joint venture partners MSREF Sparks BV, Amsterdam (Netherlands), MSREF V Daffodil Holding B.V., Amsterdam (Netherlands) and MSREF Quick GmbH & Co. Verwaltungs KG, Frankfurt am Main. As a result, its previous share in the properties increased from 50% to 100%. The profit and loss account was accordingly proportionately consolidated until the shares were transferred and subsequently fully consolidated in the consolidated financial statements.

In October 2011, DIC Asset AG acquired the remaining stake worth EUR 91 million in the real estate assets of which it already controlled 50% as well as the debt to be assigned to it in the amount of EUR 70 million. The acquisition procedure thus does not meet the criteria of a business combination under IFRS 3 Appendix A. Acquisition costs were calculated at the time of acquisition based on their fair values and assigned to the corresponding individual assets.

To handle the property acquisitions carried out in the fourth quarter, DIC Asset acquired the shares in two shelf companies on IA September 2011 and 16 December 2011 and renamed them as DIC Objekt EKZ Duisburg GmbH and DIC Objekt Zeppelinheim GmbH for this purpose.

DIC Asset holds shares in 13 companies (previous year 13) for strategic reasons, which are included as associates in accordance with IAS 28.13 in the financial statements of the Group using the equity method (see appendix 2 of the notes on p. 135).

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

The following inactive companies were sold or merged within the DIC Group in the financial year.

Sale:	DIC MSREF HT Weimar GmbH, Frankfurt am Main
Merger:	DIC MSREF FF SüdWest Objekt Würzburg GmbH; Frankfurt am Main auf DIC MSREF FF SüdWest München 2 GmbH

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 in the case of customer-specific development projects.

Investment property

Properties which are held or developed to achieve rental income and/or for the purpose of adding value are classified as "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. Otherwise, debt costs are recorded directly under expenses. In financial year 2011, debt costs of TEUR 302 (previous year: TEUR 0) were capitalised in connection with ongoing construction in the "Trio Offenbach" project. This equates to a rate of debt costs of 3.08%.

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

The following useful lives are assumed when depreciating buildings:

in years	Useful life
Residential buildings	60
Office and commercial buildings, hotels	50
Department and retail stores, shopping arcades and 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 (see text number 17). The valuation is carried out by independent experts and in accordance with international valuation standards (IVS). In particular, the fair value is established on the basis of discounted future income surpluses in accordance with the discounted cash flow method or, if available, on the basis of proposed sales contracts, comparative or market prices.

Property, 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 thirteen years.

Investments in associates

Investments in associates are reported in the balance sheet using the equity method and are initially valued at acquisition cost.

On every balance sheet date, the Group examines whether there are any indications that suggest any impairment expenses need to be taken into account with regard to investments in associates. In this case, the difference between book value and attainable amount is reported as an impairment and allocated accordingly to the result from associates.

Intangible assets

Intangible assets with a limited useful life are recorded at cost less depreciation and amortised over their useful lives on a straight-line basis. They are tested for impairment if relevant events or changes in circumstances indicate that the book value is no longer achievable.

Business software is amortised over three years; the useful life of concessions and other rights is normally 10 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.

Non-current assets held for sale

Non-current assets where transfer of title and the benefits and obligations associated therewith will take place within twelve months of the balance sheet date are shown separately. They are valued at the lower of book or fair value less the costs of disposal or with the help of purchase price offers, if available. The debt attributable to them is reported separately from other debt in the balance sheet in accordance with IFRS 5.38.

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 resources 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

Financial liabilities predominantly comprise the bond and liabilities to financial institutions, trade payables and derivative financial instruments with negative fair values.

With the exception of derivative financial instruments, liabilities are recognised at their repayment or fulfillment amounts or, applying the effective interest rate method, at cost less depreciation. When establishing the book value, the Group only takes account of transaction costs directly attributable to the acquisition or issue of financial instruments if the financial instruments are not recognised at fair value through profit or loss.

Liabilities are classified as current, if they will be settled within twelve months of the balance sheet date.

Deferred taxes

Deferred taxes are recognised on temporary differences between valuations in the IFRS and tax balance sheets of the separate companies, on tax loss carryforwards and consolidation processes. In principle, the differences established are always recognised if they lead to deferred tax liabilities. Deferred tax assets are taken into account on tax loss carryforwards, in particular, if it is likely that the corresponding tax benefits can also be realised in subsequent years. If, however, a transaction that is not a business combination gives rise to deferred tax from the first-time recognition of an asset or liability that affects neither the balance-sheet nor tax profit or loss at the time of the transaction, the deferral of tax does not apply either at the time of first recognition or thereafter.

Deferred tax assets and liabilities are balanced if there is a corresponding legally obtainable right to offsetting and if the deferred tax assets and liabilities relate to income taxes charged by the same tax authority for either the same tax subject or for different tax subjects intending to carry out the set-off on a net basis.

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. In principle, changes to deferred taxes in the balance sheet lead to deferred tax expense or income.

In financial year 2011, 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

As part of its active management of interest rate risks, DIC Asset uses derivative financial instruments in the form of interest rate swaps and caps. They are used solely for hedging purposes.

Derivative financial instruments are recognised as assets or liabilities. IAS 39 differentiates between the following valuation categories:

– Available-for-Sale Financial Assets (AfS): these comprise non-derivative financial assets that are not to be assigned to the categories as the necessary subjective or objective prerequisite is lacking. Changes in value are reported under other income.
– Financial Assets Held for Trading (FAHfT): only caps are allocated to this valuation categories. Special regulations apply to derivatives designated as a hedging instrument in a hedging arrangement.
– Loans and Receivables (LaR): these include non-derivative financial assets with fixed or determinable payments that are not listed on an active market. The cost model is used for subsequent valuations. If there are substantial objective indications of an impairment, these are recognised in the income statement.
– Financial Liabilities Measured at Amortised Cost (FLAC). Other financial liabilities are non-derivative financial liabilities whose subsequent valuation is based on cost less depreciation. Differentials between the amount received and the amount repaid are reported in the income statement gradually over the term. This category comprises debt, trade payables and non-derivative current and non-current liabilities.

There were no reclassifications between the individual valuation categories in the year under review. The classes to be set up under IFRS 7 include the valuation categories illustrated here. For more information, see no. 36 "Additional notes on financial instruments".

Irrespective of their purpose, all derivative financial instruments are measured at fair value. This is calculated by discounting anticipated future cash flows over the remaining term of the contract based on current yield curves. They are initially accounted for on their date of origin. If the preconditions are met, they are reported as cash flow hedges.

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 effectively is documented at the beginning of the hedging relationship and continuously thereafter. This means that changes to the fair value of the hedging transaction must fall within a range of 80% to 125% of the opposite change in the fair value of the underlying transaction both prospectively and retrospectively.

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 statement of comprehensive income.

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 fulfillment 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 opportunities 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 applicable at the time of the transaction. Assets and liabilities linked nominally to foreign currency are measured at the rate on the balance sheet date. The resultant exchange differences are reported 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 -199 (previous year: TEUR -1,156) 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 of 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 2011, a capital increase aimed exclusively at existing shareholders was performed. There was no trading in subscription rights. The 6,531,249 new shares were offered for subscription to the shareholders at a price of EUR 8.00 at a ratio of 6:1. This capital increase has resulted in an average number of 44,278,787 shares for financial year 2011.

In accordance with IAS 33.26 and IAS 33.27 (b), the weighted average of the shares in circulation had to be recalculated for 2010. The new number of 38,279,441 shares to be taken into account for 2010 is the result of the ratio between the share price of EUR 9.25 per share (as at 31 March 2011) and the theoretical ex-rights value per share (EUR 7) in relation to the increased number of shares of 39,187,498 valid as at 31 December 2010.

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 reevaluated. 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 PROFIT AND LOSS ACCOUNT

1. Gross rental income

In financial year 2011, consolidated rental income fell by TEUR 8,195 (7%) from TEUR 124,941 to TEUR 116,746. This fall results, among other things, from the sale of properties in 2010, which included the disposal of leases with an annualised annual rental income of TEUR 6,557. Furthermore, the property sales transacted during 2011 with a pro rata value of TEUR 989 as well as leases not extended or extended with some lower average rents also caused rental income to decrease. The largest lease terminated in 2011 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 5,334 per year. Acquisitions of properties and companies contributed TEUR 9,057 to rental income.

2. Ground rents

The Group pays annual ground rents of TEUR 784 (previous year: TEUR 773) for the use of building leases.

3. Service charge income and expense on principal basis

Recognised costs include apportionable current expenses incurred by the group under § 1 of the German Operating Costs Ordinance (Betriebskostenverordnung) due to its ownership of the land or its use of the building, annexes, facilities, etc. in accordance with their intended purpose as well as the ancillary leasing costs to be borne by the tenants on the basis of contractual regulations. These are typically understood to refer to costs for water, electricity, power and property tax, for example, as well as the necessary maintenance and inspection costs.

The income from operating and ancillary costs fell by TEUR 1,419 (8%) to TEUR 16,300 during the financial year. Expense from operating and ancillary costs decreased by TEUR 1,451 (8%) to TEUR 17,964.

The shortfall between income and expenses from operating and ancillary costs amounting to TEUR 1,664 (previous year: TEUR 1,696) is mainly the result of costs that cannot be passed on in accordance with exemption clauses agreed in tenants' contracts.

In the interests of economic sustainability, but also to make its rental properties/tenancy agreements more attractive, the Group has focused increasingly on optimising operating and ancillary costs. These include in particular savings made through the signing of new insurance contracts as well as framework agreements for gas supply and waste disposal.

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 real estate related operating expenses

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

In the 2011 financial year, the abovementioned expenses fell by TEUR 988 (12%) to TEUR 7,543 (previous year: 8,531). As in the previous year, the capitalisation under IAS 17.52 of external brokers' leasing commission for finding new tenants for vacant space, amounting to TEUR 430, and insurance payments, amounting to TEUR 614, had a negative impact.

5. Administrative expenses

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

TEUR	2011	2010
Legal and consulting fees	1,737	1,810
Marketing	891	470
Accounting and administration	820	659
Rental and ancillary costs	791	948
Automobile costs	633	543
Recruitment and other personnel costs	545	553
Ancillary financing costs	530	489
Auditing costs	493	510
Insurance/contributions and taxes	476	345
EDP costs	298	261
Remuneration of Supervisory Board	204	204
External services	154	397
Rental and leasing costs for equipments	99	121
Other	873	698
Total	8,544	8,008

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 480 (previous year: TEUR 550), advice on rental law (TEUR 486; previous year: TEUR 490), guarantee advice (TEUR 67; previous year: TEUR 121) and other issues relating to agreements (TEUR 189; previous year: TEUR 180).

Marketing costs primarily include costs for the preparation of reports and presentations, property marketing, Group events and the preparation and publication of the annual report.

In the financial year the company granted compensation of a total of EUR 204,475.00 to members of the Supervisory Board. Additional details, particularly disclosures pursuant to § 314 Para. 1 No. 6. Letter a) HGB, are given in the Remuneration Report, which forms an integral part of the management report, in the "Corporate governance" chapter.

The following fees were incurred for the services supplied by the auditors of the financial statements Rödl & Partner GmbH, Wirtschaftsprüfungsgesellschaft, Steuerberatungsgesellschaft, Nuremberg, in financial years 2011 and 2010:

TEUR	2011	2010
Audits of the financial statements	398	435
Other auditors' activities	75	75
Other consulting activities	20	0
Total	493	510

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 assurance activities relate in particular to the audit review of the interim financial statements in accordance with IFRS as well as consultancy services for the letter of comfort.

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 9,546 (previous year: TEUR 8,634), as well as the related social security taxes of TEUR 1,287 (previous year: TEUR 1,151).

The average number of employees has risen from 110 employees at the end of 2010 to 121 employees at the end of 2011. On average over the year, 24 members of staff were employed at DIC Asset AG and 97 at DIC Onsite GmbH.

Details on the Management Board's remuneration pursuant to § 314 Para. 1 No. 6. Letter a) HGB, are given in the Remuneration Report, which forms an integral part of the management report, in the "Corporate governance" chapter.

7. Depreciation and amortisation

Depreciation and amortisation primarily affect recognised real estate and, to a lesser extent, office furniture and equipment and intangible fixed assets. Amortisation and depreciation fell by TEUR 1,030 (3.3%) from TEUR 30,818 to TEUR 29,788 compared with the previous year, due in part to the reduction in the portfolio in 2009 and 2010 due to sales.

8. Fee from real estate management

The income relates to asset and property management, leasing and disposition fees charged by DIC Asset AG and DIC Onsite GmbH to the following unconsolidated companies:

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

TEUR	2011	2010
DIC Office Balance I GmbH	1,642	248
DIC HI Portfolio GmbH	1,428	778
Deutsche Immobilien Chancen Beteiligungs AG	640	1,289
DIC Hamburg Portfolio GmbH	336	395
DIC MSREF HT Portfolio GmbH	312	172
DIC MSREF HMDD Portfolio GmbH	269	123
DIC MSREF FF Südwest Portfolio GmbH	242	190
DIC LB Portfolio GmbH *	155	151
DIC MainTor GmbH	100	0
Customers of DIC ONSITE GmbH	88	83
DIC Zeil Portfolio GmbH *	47	60
Deutsche Immobilien Chancen Objekt Coburg GmbH	24	21
DIC EB Portfolio GmbH *	18	25
Deutsche Immobilien Chancen AG & Co. KGaA	9	8
Total	5,310	3,543

* until 30 September 2011 consolidated on a proportionate basis

9. Other income

Other operating income is made up as follows:

TEUR	2011	2010
Income from non-monetary benefits	282	244
Release of individual impairment charges on receivables	126	689
Elimination of statute-barred liabilities	724	125
Miscellaneous	118	339
Total	1,250	1,397

Miscellaneous 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 expenses

This item is mainly influenced by changes in the exchange rate between the euro and the Swiss franc. The valuation as at the reporting date of two bank loans denominated in Swiss francs that were taken out in 2003 (nominal amount as at 31 December 2011 CHF 7,713,510.34) gave rise to foreign currency losses in the amount of TEUR 199 (previous year: TEUR 1,156). Amongst others, it also contains aperiodic expenses amounting to TEUR 118.

11. Profit on 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 sale of investment property amounting to TEUR 1,682 (previous year: TEUR 5,118). This corresponds to a return of 10% (previous year: 6%) on the proceeds of sales.

The company sold a total of six individual properties and two apartments under shared ownership. Among others, the properties Einsteinstrasse, Ulm, Prinzregentenstrasse, Berlin and Müllerstrasse, Berlin were sold. Selling costs of TEUR 192 (previous year: TEUR 220) were offset against the proceeds of sales.

12. Share of the profit of associates

This item refers to the profit and loss reported by associates to be assumed in accordance with the equity method in the amount of TEUR 2,386 (previous year: TEUR 7,812).

In 2011, the result from associates was influenced, among other things, by the loss of rental income from the MainTor site due to the start of construction work on this project development and by carefully selected sales. A total of ten properties were sold. The proceeds from sales in 2011 amount to TEUR 37,103 (previous year: TEUR 31,139); DIC Asset AG's pro rata capital amounted to TEUR 245 (previous year: TEUR 1,365).

The result for associates includes income from customer-specific contract manufacture of TEUR 332 for the Primus section of our MainTor project development in accordance with IAS 11.22. Income from this fixed-price order was reported less the construction costs incurred based on the construction work performed. In accordance with IFRIC 15.8, the proceeds received from the order only relate to the construction work for the building, not the provision of the building plot.

13. Net financing costs

The item is made up as follows:

TEUR	2011	2010
Interest income	7,898	6,416
Interest expense	-63,921	- 70,452
Net financing costs	-56,023	- 64,036

Overall, the negative financing costs decreased by TEUR 8,013 (13%) 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 (20%), which has enabled it to offset the increase in financing volume.

The expense from the amortisation of processing fees arising in connection with financial liabilities stood at TEUR 1,557 (previous year: TEUR 1,075) in the financial year.

The financial results presented include expenses of TEUR 157 (previous year: income of TEUR 105) from the valuation of derivative financial instruments (interest-rate swaps and caps) at fair value as well as an expense item totalling TEUR 249 due to two ineffective swaps.

14. Income taxes

TEUR	2011	2010
Current taxes	-2,082	-2,484
Deferred taxes	163	622
Income taxes	-1,919	-1,862

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 1,720) and trade taxes on earnings (TEUR 908). On 31 December 2011, DIC Asset AG again reports a tax loss carryforward for the purposes of trade taxes of TEUR 1,706. 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 2). 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.In the Group, there are corporate tax loss carryforwards of EUR 50 million and trade tax loss carryforwards of EUR 53 million. There is no time limit for tax loss carryforwards to be carried forward in Germany.

The intrinsic value of deferred tax assets is calculated based on management's estimates on their realisation. This depends on the accrual of future profits subject to tax during the periods in which tax valuation differences reverse and tax loss carryforwards can be claimed. DIC Asset assumes on the basis of planning for the individual portfolios, that future income subject to tax will be sufficient to realise the deferred tax assets with some degree of probability. The current assessment of the intrinsic value of deferred tax assets may change and may necessitate greater or lesser value adjustments.

No deferred taxes were reported on corporate tax loss carryforwards of around EUR 12 million (previous year EUR 14 million) or trade tax loss carryforwards of around EUR 22 million (previous year EUR 21 million).

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 rate are thus taken into account in calculating domestic deferred taxes.

Deferred tax income compares with the previous year as follows:

TEUR	2011	2010
Tax loss carryforwards	+2,307	+ 638
Real estate valuations	-1,111	+ 293
Derivatives	+44	- 5
Capitalising "rent-free periods"	-41	- 99
Capital transaction costs	-325	- 303
Bond issue	-465	0
Other adjustments	+246	+ 98
Total	+163	+ 622

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

TEUR	31.12.2011		31.12.2010	
	active	passive	actice	passive
Loss carryforwards	11,835		9,051	0
Properties	1,461	10,758	0	9,139
Derivative financial instruments	11,121	0	9,242	0
Long-term interest-bearing debt	0	581	0	0
Other	24	310	1,172	369
Total	24,441	11,649	19,465	9,508

Concerning the disclosures on defererred taxes on the items taken into account in „other income", we refer to item 30 f – hedging reserve.

On temporary differences with the amount of EUR 82.0 million (previous year EUR 128.1 million) in connection with shares in affiliated companies (outside basis differences) and on temporary differences with the amount of EUR 11.5 million (previous year EUR 11.8 million) in connection with associated companies, no deferred taxes were applied. The application was omitted, because it is not likely that these temporary differences reverse in foreseeable future.

The difference between anticipated tax expense and actual tax expense can be reconciled in the table below.

TEUR	2011	2010
Pre-tax Group results	12,521	18,327
Applicable statutory tax rate (in %)	31.925%	31.925%
Expected tax expense	3,997	5,851
Increase or decrease in income tax burden due to:		
Trade tax reduction and differences in tax rates	-4,375	-4,288
Tax-free income	-413	-751
Non-deductible expenses	1,966	1,202
Effects from associated companies	-161	-2,924
Effects from non-deducted fiscal losses	1,160	3,514
Taxes for previous periods	-241	-809
Other effects	-14	67
Actual total tax expense	1,919	1,862

The target tax rate to be applied was determined on the basis of the tax rates that applied in Germany in 2011 and 2010. 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 attributable to minority

Profits allocated to minority shareholders of TEUR 105 (previous year TEUR 85) 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 shares in circulation in the period and all other periods presented must be reported if an event occurs which changes the number of shares in circulation without this thereby entailing a change in resources. According to IAS 33.27 (b), this is the case if a free element, such as the issue of subscription rights to existing shareholders, is granted in the issue.

EUR	2011	2010	2010
Group profit for the period after minority interests	10,496,987	16,380,056	16,380,056
Weighted average number of shares issued	44,278,787	37,228,123	38,297,441
Basic earnings per share	0.24	0.44	
Basic earnings with the new number of shares			0.43

The new share quantity to be taken into account for 2010 is produced from the free element of 1.97% or 771,407 shares applied to the number of ordinary shares before the capital increase (39,187,498).

For 2011, the Management Board will propose a dividend in the amount of TEUR 16,001 (EUR 0.35 per share). The dividend in the amount of TEUR 7,669 will be subject to capital gains tax This is expected to come to TEUR 2,022. These dividends will not be recorded as a liability in accordance with IAS 10 in these consolidated financial statements.

FFO (funds from operations), which represents income from portfolio management, is calculated as follows in line with the EPRA standards:

TEUR	2011	2010
Net rental income	106,755	113,941
Administrative expenses	-8,544	-8,008
Personnel expenses	-10,216	-9,409
Other result	+959	+184
Income from property management fees	5,310	3,543
Result from associated companies	2,386	7,812
Interest result	-56,023	-64,036
Funds from operations (FFO)	40,627	44,027

In accordance with the recommendation of the European Public Real Estate Association (EPRA), the net asset value (NAV) is calculated as at 31 December 2011 and 31 December 2010 as follows:

TEUR	31.12.2011	31.12.2010
Book value of the real estate	1,902,129	1,718,215
Real estate in accordance with IFRS 5	2,300	
Value difference at fair value	-11,401	- 44,906
Market value of the real estate	1,893,028	1,673,309
Carrying value Co-Investmentss	70,057	64,670
Value difference at fair value	2,746	1,189
Market value of the interests	72,803	65,859
+/- other assets/liabilities	237,915	236,880
Net credit liabilities at book value	-1,519,677	-1,376,082
Minority interests	-1,497	-1,473
NAV	682,572	598,493
Deferred taxes on the difference between fair value/book value	-7,966	-746
NNAV	674,606	597,747
Difference in value as compared to fair value of net credit liabilities	-11,817	-32,406
NNNAV	662,789	565,341
NAV/share	14,93	15,27
NNAV/share	14,76	15,25
NNNAV/share	14,50	14,43

NOTES TO THE BALANCE SHEET

17. Investment property

TEUR	2011	2010
Cost		
As at 1 January	1,820,238	2,109,166
Additions resulting from acquisitions	216,434	4,994
Additions resulting from investments in expansion	15,439	9,564
Classification "held for sale"	2,632	0
Disposals	17,191	303,486
As at 31 December	2,032,288	1,820,238
Depreciation		
As at 1 January	102,023	84,941
Additions	29,515	30,448
Classification "held for sale"	332	0
Disposals	1,047	13,366
As at 31 December	130,159	102,023
Book value 1 January	1,718,215	2,024,225
Book value 31 December	1,902,129	1,718,215
Fair value	1,893,028	1,673,309

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 average current yield on long-term, fixed income federal bonds and a property-specific risk premium, which reflects the restricted fungibility of real estate investments in relation to more fungible forms of investment such as equities or bonds. The average current yield over the past ten years (2002 to 2011) used in the calculation amounted to 3.70% (previous year: 4.0%). The property-specific risk premium ranged from 1.30% to 3.30% (previous year: 2.25% to 2.50%). As in the previous year, the average discount rate ranged from 6.25% to 6.50%.

When carrying out impairment tests on investment properties in accordance with IAS 36, the book values of the investment properties are compared with the values in use derived from the fair values. The comparison is based on the 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 fair value 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 and the lower management costs in comparison with the standard valuation due to the Group's in-house asset management. An objective asset-specific capitalisation rate is also calculated in accordance with the criteria of IAS 36.A17.

In addition to the sensitivity analysis for fair values included in the risk report (page 51 of the management report), we have also calculated the sensitivity of the fair values of the properties so as to be able to better evaluate the impact of potential interest rate fluctuations. This produced the following result:

If the capitalisation and discount interest rates should increase by 25 basis points due to the macroeconomic or company situation, the fair value of the properties would fall by EUR 93.4 million. A fall by the same amount would increase the fair value by EUR 101.8 million.

As at 31 December 2010, the acquisition costs included interest on debt capital of TEUR 2,801 (previous year: TEUR 2,499).

Change in value in use of the properties

Scenarios: change of discounting rate	Scenarios: change of capitalisation rate: +0.25%	0%	-0.25%
+0.25%	-93.4 EUR million	-47.2 EUR million	+3.0 EUR million
0%	-46.6 EUR million	+/-0.0	+51.7 EUR million
-0.25%	-0.3 EUR million	+48.6 EUR million	+101.8 EUR million

18. Office furniture and equipment

TEUR	2011	2010
Cost		
As at 1 January	1,064	1,025
Additions	185	39
Disposals	0	0
As at 31 December	1,249	1,064
Depreciation		
As at 1 January	545	458
Additions	166	119
Disposals	0	32
As at 31 December	711	545
Book value 1 January	519	567
Book value 31 December	538	519

19. Investments in associates

The share of Group profit and loss due to associated companies, none of which are listed, and the share of their assets and debt are as follows:

in TEUR	2011	2010
Assets	1,574,368	1,373,211
Debt	1,281,536	1,177,155
Net assets	292,832	196,056
Income	87,372	160,659
Expenses	78,118	132,699
Annual profit	9,254	27,960

TEUR	2011		2010	
	Share of voting rights	Book value	Share of voting rights	Book value
Interest in:				
DIC Office Balance I (fund)	14.0%	34,175	17.0%	27,494
DIC MainTor Zweite Beteiligungs GmbH & Co.KG	40.0%	21,702	40.0%	21,547
DIC MSREF HT Portfolio GmbH	20.0%	4,111	20.0%	3,573
DIC MSREF FF Südwest Portfolio GmbH	20.0%	3,958	20.0%	4,263
DIC MSREF HMDD Portfolio GmbH	20.0%	3,518	20.0%	3,202
DIC MainTor III GmbH	40.0%	1,275	40.0%	2,590
DIC Opportunistic GmbH	20.0%	1,253	20.0%	1,818
ProDIC GmbH	0%	0	50.0%	113
DIC MainTor Verwaltungs GmbH	40.0%	4	40.0%	5
DIC Development GmbH	20.0%	61	20.0%	63
DIC GMG GmbH	20.0%	0	20%	2
		70,057		64,670

DIC Asset AG holds a 20% interest in the DIC Office Balance I special fund and provides one of seven members with voting rights in its investment committee in the shape of the committee's chairman. The Group also provides asset and portfolio management services.

In the first quarter of 2011, the Group placed the shares (12.2%) in the "DIC Office Balance I" fund held indirectly 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:

EUR	31.12.2011		31.12.2010	
	Nominal volume	Fair value	Nominal volume	Fair value
Assets				
Interest-rate hedge agreements (caps)	20,000	62	10,000	171
Liabilities				
Interest-rate hedge agreements (swaps)	1,065,155	70,254	880,463	58,116

The book values of the derivatives are equal 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:

in TEUR	31.12.2011		31.12.2010	
	Nominal volume	Fair volume	Nominal volume	Faie-volume
Assets (caps)				
DIC EB Portfolio GmbH (prev. year pro rata)	20,000	62	10,000	171
Liabilities (swaps)				
DIC Asset AG	100,000	3,595	0	0
DIC AP Portfolio GmbH	354,800	22,185	337,800	21,229
DIC Objekt Braunschweig GmbH	10,875	361	12,155	147
DIC Objekt Nürnberg GmbH	19,110	177	21,638	660
DIC Objekt Hannover GmbH	17,290	160	18,595	568
DIC OP Portfolio GmbH	250,000	29,384	260,000	23,907
DIC VP Portfolio GmbH	86,500	2,387	86,500	5,273
DIC 25 Portfolio GmbH	68,700	6,555	0	0
DIC 26 Portfolio GmbH	60,000	1,602	71,000	3,685
DIC RMN Portfolio GmbH	18,300	921	21,475	1,345
DIC LB Portfolio GmbH (prev. year pro rata)	13,800	137	21,300	13
DIC EB Portfolio GmbH (prev. year pro rata)	17,780	837	0	0
DIC RP Portfolio GmbH	48,000	1,953	30,000	1,289
Total liabilities	1,065,155	70,254	880,463	58,116

As at 31 December 2011, negative market values of TEUR 58,806 (previous year: TEUR 48,816) after the deduction of deferred taxes were recorded in equity. The interest-rate hedge agreements have residual terms of between nine months and nine years.

TEUR	Nominal	Fair value
Term < 1 year	146,500	3,988
Term > 1	918,655	66,266

In financial year 2011, there were interest rate hedge agreements in the form of swaps and caps to secure future variable cash flows at the joint ventures in which DIC Asset AG has direct and indirect holdings of 20% and 40%. The hedged pro rata volumes and fair values from the point of view of DIC Asset are composed as follows:

- Swap Nominal volume TEUR 122,456, Fair value TEUR -2,010
- Cap Nominal volume TEUR 21,811, Fair value TEUR 12
- Collar Nominal volume TEUR 10,311, Fair value TEUR - 93

The property companies pay fixed-interest rates between 1.40% and 4.55%, 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 from interest payments are recorded by the property companies under equity with no effect on income in as much as they relate to actual changes in value. DIC Asset AG reports its share worth TEUR –1,692 (previous year TEUR –2,531) after deducting deferred taxes in Group equity in the hedging reserve in accordance with IAS 28.39.

21. Intangible assets

TEUR	2011	2010
Cost		
As at 1 January	588	468
Additions	3	122
Disposals	0	2
As at 31 December	591	588
Amortisation		
As at 1 January	333	247
Additions	106	86
Disposals	0	0
As at 31 December	439	333
Book value 1 January	255	221
Book value 31 December	152	255

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

22. Receivables from the sale of real estate

This item contains a remaining current purchase price claim from 2011 of TEUR 358 (previous year: TEUR 7.967).

23. Trade receivables

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

In financial year 2011, impairment charges were applied to trade receivables of TEUR 1,623 (previous year: TEUR 1,210).

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

TEUR	2011	2010
As at 1 January	1,210	1,393
Additions	699	603
Use	160	97
Release	126	689
As at 31 December	1,623	1,210

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 related parties" on page 100.

TEUR	IAS 24.9	31.12.2011 Receiv-ables	31.12.2011 Liabil-ities	31.12.2010 Receiv-ables	31.12.2010 Liabil-ities
DIC Opportunistic GmbH	b (ii)	30,447	0	24,342	0
Deutsche Immobilien Chancen AG & Co. KGaA	b (ii)	22,720	0	21,470	0
DIC HI Portfolio GmbH	b (ii)	21,130	0	7,495	0
DIC MainTor GmbH	b (ii)	20,190	338	0	0
MainTor Zweite Beteiligungs KG	b (ii)	14,754	0	13,666	0
DIC Hamburg Portfolio GmbH	b (ii)	11,743	0	12,101	0
DIC MSREF HMDD Portfolio GmbH	b (ii)	1,594	0	2,102	0
DIC MainTor III GmbH	b (ii)	1,418	0	0	0
DIC MSREF HT Portfolio GmbH	b (ii)	1,260	0	1,499	0
Deutsche Immobilien Chancen Beteiligungs AG	b (ii)	1,055	0	849	0
DIC MSREF FF Südwest GmbH	b (ii)	938	0	1,845	0
DIC Office Balance I	b (ii)	741	0	296	0
ProDIC GmbH	b (ii)	0	0	13,563	0
DIC Zeil Portfolio GmbH (*)	b (ii)	0	0	2,674	0
DIC LB Portfolio GmbH (*)	b (ii)	0	0	2,117	0
MSREF Sparks B,V,	b (ii)	0	0	827	0
DIC EB GmbH (*)	b (ii)	0	0	415	0
DIC Projektentwicklung GmbH & Co. KG	b (ii)	0	9	350	0
Other	b (ii)	68	0	71	18
Total		128,058	347	105,682	18

(*) fully consolidated as at the balance sheet date

25. Receivables from income taxes

The figure reported relates to imputable taxes and corporate tax reclaims.

26. Other receivables

TEUR	Nominal	Fair value
Deposits	2,017	2,017
"Rent-free period" receivables	1,807	1,291
Value added tax	486	349
Creditors with debit balances	27	27
Other	53	271
	4,390	3,955

27. Other assets

This item mainly includes prepaid ground rents of TEUR 1,297 (previous year: TEUR 1,313), the ring-fenced funds in the amount of TEUR 3,500 deposited with DZ-Bank to service liabilities from derivatives and other prepaid costs such as insurance premiums.

28. Cash and cash equivalents

Cash and cash equivalents are unrestricted available for the company.

29. Non-current assets held for sale

The properties reported as being held for sale in the financial year 2011 concern two properties and two apartments under shared ownership from our commercial portfolio, East region, whose sale or transfer of title, benefits and obligations is scheduled for 2012. The measures still required to complete the plan make it unlikely that the plan will be significantly amended or withdrawn.

The financial liabilities connected with non-current assets amount to TEUR 2,231. They fall due for repayment as soon as the purchase price has been paid and the title, benefits and obligations pertaining to the properties have been transferred.

30. Equity

a. Subscribed capital

The capital increase agreed on 15 March 2011 resulted in the subscribed capital of the parent company DIC Asset AG increasing from TEUR 39,187 to TEUR 45.719 as at the balance sheet date. 6,531,249 new shares were issued from the authorised capital resolved by the General Shareholders' Meeting on 5 July 2010, meaning that 45,718,747 bearer shares in the form of no-par shares, each of which represents an interest in the capital stock of EUR 1.00, are issued on the balance sheet date. 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 2011, the Management Board was authorised, with the Supervisory Board's approval, to increase the share capital of the Company by 4 July 2016 by one or more issues of new individual bearer shares for cash and/or contributions in kind by up to a total of EUR 22,859,000.00 (authorised capital).

Shareholders are to be granted subscription rights here. The shares can be accepted by one or more financial institutions specified by the Management Board 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 Management Board 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 issued 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 fulfillment 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 of share capital 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, in particular, 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; The number of shares issued in this way may not exceed 20% of share capital, neither of share capital at the time this authorisation becomes effective nor at the time when it is exercised;
(iv) if it is necessary in order to grant holders or creditors of options and/or 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 fulfillment of conversion obligations as a shareholder.

The Management Board 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 Management Board 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. 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 of the German Stock Corporation Act (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 assumes the granting of the corresponding subscription right.

The Management Board 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 Management Board, 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 fulfillment of conversion obligations.

IIn 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 Management Board. 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 Management Board. 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. and § 199 AktG shall 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. and § 199 AktG shall 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. 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.

More details are given in the authorisation resolution.

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

d. The Management Board's powers to issue and redeem shares

The entitlement of the company's Management Board to issue or repurchase shares are all based on corresponding authorisation resolutions by the General Shareholders' Meeting, the main contents of which are detailed below.

▷ Authority to acquire treasury shares

By virtue of the resolution of the ordinary General Shareholders' Meeting on 5 July 2011, the Management Board is authorised, with the prior approval of the Supervisory Board, to acquire treasury shares up to a total of 10% of the company's share capital at the date of the resolution or - if this figure is lower - at the date the authorisation is exercised. At no time may the acquired shares together with other treasury shares in the possession of the company or allocated to it under §§ 71 a 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 Management Board's 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.

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 Management Board 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 Management Board 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 other 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 fulfillment 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 do not exceed 10% of share capital, neither of share capital at the time this authorisation becomes effective nor at the time when it is exercised. (iii) The shares can be sold against contributions in kind, in particular, 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, which arise on the basis of the exercising of conversion and/or option rights or the fulfillment of conversion obligations from or in connection with convertible and/or warrant bonds, which were issued by the company or its group companies in which DIC Asset AG has a 100% stake.

More details are given in the authorisation resolution.

As at 31 December 2011, the company holds no treasury shares. It has not made use of the authorisation described above.

e. Share premium

The share premium totals TEUR 614,312 (previous year: TEUR 569,288). It contains the premium from the issue of shares. The increase of TEUR 45,024 is the result of the capital increase performed in early 2011. Transaction costs in the amount of TEUR 1,020 were incurred in conjunction with the capital increase. These were offset against capital reserves after deduction of deferred taxes worth TEUR 325.

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 11,056 (previous year: TEUR 9,203) in unrealised losses of TEUR 58,806 (previous year: TEUR 48,816), while the cash flow hedge agreements of fully consolidated companies resulted, after the deduction of deferred taxes of TEUR 318 (previous year: TEUR 291) in unrealised losses of TEUR 1,692 (previous year: TEUR 1,547) (cf. 20 Derivative Financial Instruments). The change is primarily the result of fluctuations in the interest rate level.

g. Retained earnings

Retained earnings includes profits generated in the financial year and in the past by the companies included in the consolidated financial statements insofar as they have not been distributed. The reconciliation of the Group profit for the period with retained earnings is shown in the following table:

TEUR	2011	2010
Profit for the period	10,602	16,465
Profit/loss carryforwards	28,243	23,620
Dividend payouts	-16,001	- 11,757
Profit attributable to minority interests	-105	- 85
Consolidated retained earnings	22,739	28,243

31. Interest-bearing debt

The fair value of fixed-rate debt (table on page 92) is based on discounted cash flows calculated on the basis of interest rates from the yield curve of 31.12.2011 December 2010. When calculating the fair value, the current market trend was also taken into account in accordance with IAS 39 AG78, meaning that the margin of 1.25% or 1.50% on financial instruments has increased. The book values of variable-rate debt are roughly equivalent to their fair values.

The maturities of variable-rate and fixed rate-debt are shown on the table on the following page.

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 1.01% (previous year: 0,97 %). Fixed-rate debt carries an average interest rate of about 4.69% (previous year: 4,62%).

In May 2011, DIC Asset AG issued a corporate bond in the amount of EUR 70.0 million with a coupon of 5.875%. The bond has a term of five years. On 16 May 2011, following initial placement, regular trading commenced in the Entry Standard segment of the Frankfurt Stock Exchange.

With the exception of our corporate bond (TEUR 68,589, previous year TEUR 0) and a liability to 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.

Fair value of fixed and variable rate debt

TEUR	31.12.2011 Book value	31.12.2011 Fair value	31.12.2010 Book value	31.12.2010 Fair value
Long-term (> 1 year) interest-bearing debt				
Variable-rate debt	234,959	234,959	182,804	182,804
Fixed-rate debt	1,089,795	1,094,466	1,057,001	1,074,986
Total	1,324,754	1,329,425	1,239,805	1,257,790
Short-term (< 1 year) interest-bearing debt				
Variable-rate debt	59,218	59,218	48,854	48,854
Fixed-rate debt	135,705	138,872	87,423	101,843
Total	194,923	198,090	136,277	150,697
	1,519,677	1,527,515	1,376,082	1,408,487

Maturity of fixed and variable rate debt

TEUR	31.12.2011 Total variable-rate debt	31.12.2011 Total fixed-rate debt	31.12.2011 Weighted interest rate in % (fixed-rate debt)	31.12.2010 Total variable-rate debt	31.12.2010 Total fixed-rate debt	31.12.2010 Weighted interest rate in % (fixed-rate debt)
< 1 year	59,218	135,705	5.36%	48,854	87,423	4.86%
1 - 5 years	194,005	938,425	4.70%	167,490	963,183	4.90%
> 5 years	40,954	151,370	3.99%	15.314	93,818	2.84%
	294,177	1,225,500		231,658	1,144,424	

32. Trade payables

Trade payables amounting to TEUR 5,323 (previous year: TEUR 3,451) resulted from deferred ancillary costs (TEUR 2,329; previous year: TEUR 1,934) and from the use of services. They are due within a year.

33. 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 33 (previous year: TEUR 22) has been set aside for the costs of the legal disputes.

34. Income taxes payable

in TEUR	31.12.2011	31.12.2010
Trade tax	917	805
Corporate tax	892	2,059
Capital gains tax	277	0
	2,086	2,864

35. Other liabilities

in TEUR	31.12.2011	31.12.2010
Deposits	2,264	2,189
Advance rent payments received	1,888	1,844
Outstanding invoices	1,828	3,588
Profit-sharing	1,491	1,158
Value added tax	1,310	1,084
Retention money	585	169
Property transfer tax	530	362
Auditing costs	435	452
Share-based payments	292	393
Holiday pay	245	189
Supervisory Board remuneration	237	204
Tax consultancy costs	172	158
Other	1,079	1,042
	12,356	12,832

Outstanding invoices include, among other things, the surveyors' fees for the annual real estate valuations, for consultancy work and other services.

The performance-related compensation agreement with the Members of the Management Board is treated by the company as a share price oriented compensation model. At the end of 2011, both Members of the Management Board hold options on 155,000 so-called "virtual shares" of the company. These options may not be exercised by Members of the Management Board until they have been on the board of DIC Asset AG for three or four years. As at 31 December 2011, the company estimates the fair value per option at EUR 2.80 for Mr. Höller and EUR 1.41 for tranche I and EUR 1.26 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 5.36, 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 38.20% and the annual term-dependent risk-free interest rate of 0.91% and 1.29%. 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 fall in share price in comparison with the previous year, TEUR 101 was credited to earnings. represents a transaction with a related party as defined in IAS 24.9e. Additional details, particularly disclosures pursuant to § 314 Para. 1 No. 6 Letter (a) Sentences 5 to 9 HGB, are provided in the Remuneration Report, which forms an integral part of the combined 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 24.9. The breakdown of the remuneration in accordance with IAS 24.9 criteria is given in the section "Related party transactions" on page 107. For information on individual Members, see the details on Supervisory Board compensation in the remuneration report.

36. 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.

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 following tables 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). For details, see table on page 94.

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.

As at 31 December 2011, the division into valuation levels is as follows:

TEUR	**Fair Value 31.12.2011**	Level 1	Level 2	Level 3
Assets at fair value – recognised as profit or loss				
Rated as such on first valuation	**62**		62	
Liabilities at fair value - no effect on income				
Derivative financial instruments with hedge relationship	**70,254**		70,254	

TEUR	Valuation category in acc. with IAS 39	**Book value 31.12.11**	Valuation in accordance with IAS 39			**Book value 31.12.11**
			Cost (less deprecia- tion	Fair Value recocnised in equity	Fair Value recocnised in profit or loss	
ASSETS						
Receivables from the sale of real estate	LaR	**358**	358			**358**
Trade receivables	LaR	**2,692**	2,692			**2,692**
Receivables from related parties	LaR	**128,058**	128,058			**128,058**
Other receivables	LaR	**3,904**	3,904			**3,904**
Other assets	FAHfT	**62**			62	**62**
Other assets	LaR	**4,888**	4,888			**4,888**
Liquid funds	LaR	**100,244**	100,244			**100,244**
Total	LaR	**240,144**	240,144			**240,144**
LIABILITIES						
Corporate bond	FLAC	**68,589**	68,589			**64,610**
Long-term interest-bearing debt	FLAC	**1,256,165**	1,256,165			**1,264,815**
Derivative financial instruments with hedge relationship	n.a.	**70,254**		70,254	0	**70,254**
Current debt	FLAC	**194,923**	194,923			**198,090**
Trade payables	FLAC	**5,323**	5,323			**5,323**
Liabilities to related parties	FLAC	**347**	347			**347**
Other liabilities	FLAC	**12,356**	12,356			**12,356**
Liabilities in connection with financial investments held for sale	FLAC	**2,231**	2,231			**2,231**
Total	FLAC	**1,539,934**	1,539,934			**1,547,772**

* cf. number 22 for details

The values for the previous year are as follows:

TEUR	Valuation category in acc. with IAS 39	**Book value 31.12.10**	Valuation in accordance with IAS 39			**Book value 31.12.10**
			Cost (less deprecia- tion	Fair Value recocnised in equity	Fair Value recocnised 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**

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

TEUR	Interest income		Interest expense	
	2011	2010	**2011**	2010
Financial assets at cost (LaR)	**7,898**	6,416		
Financial liabilities at cost (FLAC)			**37,488**	35,649

The values for the previous year 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	2011	2010
Financial assets (FAHfT)	-281	18
Derivative financial instruments	-125	-23

Net gains and losses from derivatives are made up of gains from the swap not underlying the cash flow hedge (TEUR 123) and the losses from the ineffective portion from two cash flow hedges (TEUR -249).

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.

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 of retail properties in Bremen, Chemnitz and Duisburg and the acquisition of the 50% stake in the Ebay, Berlin and Zeil portfolios that had previously been held by MSREF - 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.

We reported the purchase of MSREF's 50% stake as a share purchase in the cash flow statement with an underlying cost price of EUR 14.5 million. As a basic principle, however, we see this transaction as a property investment, i.e. as the acquisition of an asset or a group of assets and debts that do not represent business operations within the meaning of IFRS 3. Some EUR 91 million was invested in real estate as part of the acquisition procedure and financial liabilities of some EUR 70 million were taken on. In addition, receivables and liabilities between the companies and shareholders were offset in the amount of EUR 4.5 million.

Cash flow from financing activities is characterised by the inflow of funds in the wake of the capital increase (EUR 52 million), the establishment of the corporate bond (EUR 70 million), the raising of non-current loans, in particular to finance acquisitions in the DIC 25 portfolio (EUR 80 million) and individual acquisitions (EUR 11 million), cash outflows for the scheduled repayment of loans and unscheduled repayments in connection with sales (EUR 129 million) and dividend payments for financial year 2010 (EUR 16 million).

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.

The Group's growth in relation to the real estate portfolio, the integration of DIC Onsite, the rising numbers of employees and the broadening of the investment spectrum have gradually led to changes in the organisation and management of the company. The previous paramount division between segments based on the potential added value of investments (Core plus and Value added) has become less significant. Management of the Group and, accordingly, internal reporting to the main decision-makers is based primarily on regions, whereby portfolio properties are combined as the Commercial Portfolio and the investments as Co-Investments. The balance sheet and profit and loss account-related key indicators, which were originally defined and maintained on the basis of IAS 14, were gradually supplemented or replaced by operating key figures in internal company management.

The following segment report has been prepared in line with internal reporting by regions. Since the operating figures - such as annualised rental income, rental yield, rental terms in years and vacancy rates are particularly relevant for the Management Board, these have been included in the report.

Annualised rent for business segments 2011

TEUR	North	East	Central	West	South	Total	Rental income (P&L)
Commercial Portfolio	11,608	17,562	31,737	38,713	25,272	124,892	116,746
Co-Investments	3,090	2,125	1,807	2,716	4,833	14,571	
	14,698	19,687	33,544	41,429	30,105	139,463	116,74

The difference between the annualised rents and the rental income as per the P&L of TEUR 8,145 in the commercial portfolio is mainly the result of the nine-month pro rata consideration of the Ebay, Berlin and Zeil portfolios and the tenancy agreements starting and ending during the year.

Segment assets 31 December 2011

TEUR	North	East	Central	West	South	Total 2011	Total 2010
Number of properties	50	38	56	62	72	278	288
Market value (in EUR million)	234.2	270.6	646.5	641.3	409.7	2,202.3	2,001.8
Rental term*	6.9 years	4.8 years	6.6 years	5.5 years	3.9 years	5.5 years	5.4 years
Rental yield*	6.4%	7.3%	6.0%	6.5%	7.4%	6.6%	6.6%
Vacancy rate*	11.1%	9.3%	16.2%	14.2%	9.5%	12.4%	14.3%

* Key operating figures excluding project developments

Annualised rent for business segments 2010

TEUR	North	East	Central	West	South	Total	Rental income (P&L)
Commercial Portfolio	8,348	8,885	30,213	36,689	25,186	109,321	124,941
Co-Investments	3,033	2,177	5,911	3,182	5,290	19,593	
	11,381	11,062	36,124	39,871	30,476	128,914	

The difference between the annualised rents and the rental income as per the P&L of TEUR 15,667 in the commercial portfolio is the result of the adjusted figures from funds and sold properties.

Segment assets 31 December 2010

TEUR	North	East	Central	West	South	Total 2010	Total 2009
Number of properties	53	39	57	61	78	288	318
Market value (in EUR million)	182.9	158.6	610.2	626.2	423.9	2,001.8	2,192.2
Rental term*	5.6 years	3.6 years	6.8 years	5.5 years	4.2 years	5.4 years	5.6 years
Rental yield*	6.4%	7.0%	6.2%	6.4%	7.3%	6.6%	6.6%
Vacancy rate*	14.2%	16.4%	16.2%	14.4%	11.9%	14.3%	13.3%

* operating figures excluding project developments

Reconciliation between the market and book value in 2011
Investment property

TEUR	2011	2010
Market value	2,202.3	2,001.8
minus Co-Investments	314.2	331.7
plus fair value difference	11.4	44.9
plus minority interests	2.6	3.2
	1,902.1	1,718.2

Reconciliation between the market and book value in 2010
Investment property

TEUR	2010	2009
Market value	2,001.8	2,192.2
minus Co-Investments	331.7	269.7
plus fair value difference	44.9	99.8
plus minority interests	3.2	1.9
	1.718,2	2.024,2

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 1,902,129 (previous year: TEUR 1,718,215) were let under the Group's operating leasing. With regard to the disclosures on accumulated amortisation and depreciation, and amortisation and depreciation costs for the period as required under IAS 17.56, 57, please see the information in no. 17 "Investment property". DIC Asset AG will receive the following minimum lease payments from existing leases with third parties:

TEUR	2011	2010
Up to 1 year	116,640	102.428
1 to 5 years	237,746	281.671
Over 5 years	214,413	183.455
	568,799	567.554

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 2011, there were conditional lease payments (IAS 17.4) amounting to TEUR 522 (previous year: TEUR 522) from two leases.

The total expenses for operating leases in which the company is the lessee were TEUR 773 (previous year: TEUR 600). 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	2011	2010
Up to 1 year	343	355
1 to 5 years	430	245
Over 5 years	0	0
	773	600

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. Managing these financial risks forms a key part of the Group's business strategy. The associated corporate policy is laid down by the Management Board.

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. Accordingly, the Group can sustain losses if the creditworthiness of customers deteriorates or they fail to meet their payment obligations. We limit the risk by carrying out regular analyses of creditworthiness, especially in connection with new tenancies and reletting as well as by proactive debtor management.

Credit risk concentration could arise if individual tenants are responsible for over 5% of the Group's income from lettings. As only two tenants in all, from the public and commercial sectors, exceed this 5% limit, the Group regards the risk as low. The top ten tenancies generate some 39% of total annual income from lettings.

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-fulfillment 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 those which are 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 295 million (previous year: 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 and potentially higher equity requirements in the case of new financing.

A further fundamental risk arises from loan agreements in which covenants are agreed, e.g. loan to value (LtV), debt service coverage ratio (DSCR) or interest coverage ratio (ICR). Covenant infringements, i.e. exceeding the defined thresholds, can necessitate unscheduled repayments or the furnishing of collateral for the amount required to keep the covenant.

Compliance with covenants is monitored on an ongoing basis and reported als part of the quarterly group reporting to the management. All covenants were met in the 2011 financial year. We expect no covenant breaches in 2012.

Cash and cash equivalents amounting to TEUR 100,244 (previous year: TEUR 117,292) 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 15,929 (previous year: TEUR 16,114).

Provisionally, the financial liabilities will result in the following payments over the coming years:

TEUR	2012	2013 to 2016	2017 and after
Non-derivative financial liabilities			
Long-term interest-bearing debt	215,576	1,160,969	212,763
Current debt	194,923		
Trade payables	5,323		
Liabilities to related parties	347		
Other liabilities	12,356		
Liabilities – properties held for sale	2,231		
Derivative financial liabilities	25,060	26,357	2,737
	455,816	1,187,326	215,500

The values for the previous year are as follows:

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		
Trade payables	3,451		
Liabilities to related parties	18		
Other liabilities	12,832		
Derivative financial liabilities	31,919	64,785	
	214,478	1,274,969	119,950

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 payer swaps. Here, variable interest rate payments are exchanged for fixed-rate interest payments and thus protected against changes in interest rates; cf. paragraph 20.

To optimise the interest result, an average of 20% was subject to variable interest-rate payments in the financial year 2011.

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. 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	2011		2010	
	+100 Bp	-100 Bp	+100 Bp	-100 Bp
Effect on income from variable interest-bearing financial debt	+ 2,910	-2,910	+ 2,525	- 2,525
Effect on income from financial derivatives (caps)	+ 121	0	+ 563	+ 56
Effect on equity from financial derivatives (swaps)	+ 38,523	- 20,149	+ 25,129	- 15,027

CONTINGENCIES AND OTHER FINANCIAL COMMITMENTS

DIC Asset AG issued a guarantee bond vis-à-vis Deutsche Pfandbriefbank (PBB) 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 the PBB. As at 28 April 2011, DIC Asset AG issued a further guarantee with a term to 15 June 2013 for up to TEUR 740 vis-à-vis the PBB.

DIC Asset AG has issued an unlimited, directly enforceable, unconditional guarantee for the purposes of providing construction and planning services for DIC MainTor Primus GmbH, Frankfurt am Main, in the amount of TEUR 3,000 vis-à-vis Grundstücksgesellschaft OPER GbR, Frankfurt am Main. The contract performance guarantee shall lapse once final acceptance of the construction project to be realised has been granted or the construction project has been deemed to have been accepted by Grundstücksgesellschaft OPER GbR.

In addition, a letter of comfort was issued for the subsidiaries of DIC MSREF HMDD Portfolio GmbH, a subsidiary incorporated under the equity method, regarding the 20% holdings of outstanding liabilities on the borrowers' part in the amount of TEUR 10,706.

DIC Objekt Zeppelinheim GmbH (100% subsidiary of DIC Asset AG) acquired an office property in Zeppelinheim at a purchase price of around EUR 20.1 million by means of a notarial agreement of 14 December 2011. The transfer of title, benefits and obligations is planned for the first quarter of 2012.

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 12 months prior to expiration, it is automatically extended by an additional 12 months.

Additional financial obligations arise from operating lease agreements for vehicles in which the company is the lessee. See "Leasing", p. 44.

Overall, there exist investment obligations for work on portfolio properties in the amount of EUR 3.2 million, of which some EUR 2.6 million had been ordered by 31 December 2011.

In the 2011 financial year, EUR 1.8 million of this was amount was carried out or ordered, EUR 1.5 million of which had been invoiced by 31 December 2011. Further investments of EUR 0.6 million are planned for the 2012 financial year. All contractual investment obligations are thus met.

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.

DIC Asset 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 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.

TEUR	2011	2010
Equity	624,190	587,080
Total assets	2,248,146	2,049,973
Equity ratio	27.8%	28.6%

The fall in the equity ratio is due, among other things, to investments in investment properties (some EUR 200 million) and the resulting increase in total assets, as well as to the increase in the negative hedging reserve, which eroded equity.

Related party disclosures

Related parties include the 13 companies incorporated at equity (see "Scope of consolidation").

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

- Deutsche Immobilien Chancen AG & Co. KGaA
- Konzerngesellschaften der 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")
- DICP Capital SE
- Prof. Dr. Gerhard Schmidt

Additional related parties are the Supervisory Board, the Management Board, 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.

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LEGAL TRANSACTIONS WITH RELATED PARTIES

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 Management Board and Supervisory Board. One of the two Members of the Management Board of the company, Mr. Ulrich Höller, is also a member of the Management Board of Deutsche Immobilien Chancen Beteiligungs AG, whose board also consists of two additional members. Since March 2006, the member of the Management Board 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 KGaA Group and the DIC Asset Group, as well as options for shares of Deutsche Immobilien Chancen 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 73 properties, including some in which Deutsche Immobilien Chancen AG & Co. KGaA has a controlling interest. In 2011, the total amount of compensation collected by the company for these services was TEUR 5,310 (previous year: TEUR 3,543). Of this, a total of TEUR 9 (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 2011, the portion of this overdraft facility that had been used equalled TEUR 17,971 (previous year: TEUR 16,954). DIC Asset AG received interest credits in the amount of TEUR 1,017 (previous year TEUR 960) in the reporting period for the day-to-day money made available. 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.

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	2011	2010
Gewerbepark Langenfeld West 3 GmbH & Co. KG	132	124
DIC Objekt Frankfurt 1 GmbH & Co. KG	79	75
Deutsche Immobilien Chancen Objekt Ulm 1 Erweiterung GmbH & Co. KG	66	64

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 2011, rent paid to Deutsche Immobilien Chancen AG & Co. KGaA amounted to TEUR 260 (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 a 100% interest, provides various commercial administration services for DIC Asset AG. This relates to all accounting-, finance- and controlling-related activities to be performed at the company itself of by the company on the basis of existing service agreements for various portfolio and property companies as well as other administrative services and IT services.

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 2011 (previous year TEUR 18) for services rendered for the benefit of DIC Asset AG and TEUR 802 (previous year TEUR 641) for services for the benefit of the companies of the DIC Asset Group. The increase on the previous year results from price adjustments effective as of 1 January 2011.

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 is expected to 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. TEUR 54 was paid in 2011, for which a provision in this amount had been set aside in the previous year. As at 31 December 2011, no other compensation had been paid and no new provisions set aside. DIC Asset AG regarded this level of remuneration as appropriate. Purchasing these services on the market would not have resulted in lower expenses.

DIC Opportunistic GmbH

In accordance with a loan agreement dated 17 December 2008 and the addenda thereto, DIC Asset AG has granted a loan to DIC Opportunistic GmbH. As at 31 December 2012, this loan amounts to TEUR 19.551 (previous year: TEUR 14.352). It has a fixed term until 30 June 2012 with interest is payable at 7.25% p.a. In the reporting year, DIC Asset AG received interest credits of TEUR 1,199 (previous year: TEUR 1,029) for the funds made available. 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 is payable quarterly in arrears. As at 31 December 2011, the loan amounts to TEUR 10,896 (previous year: TEUR 9,990). In financial year 2011, interest of TEUR 795 (previous year: TEUR 722) 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 the addenda thereto, 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 2012, this loan amounts to TEUR

3.099 (previous year: TEUR 6.645). for the funds made available, DIC Asset AG receives interest at a rate of 7.25% p.a.

On the basis of a loan agreement of 15 June 2011, DIC Asset AG granted HI Portfolio GmbH a loan in the amount of TEUR 11,340 until 30 June 2012. As at 31.12.2011 December 9,105, the loan amounts to TEUR 11,812 (previous year: TEUR 0). The interest rate is 7.25%. Furthermore, interest of 6% p.a. is charged on current account balances amounting to TEUR 246 (previous year: TEUR 801) and 8% p.a. on balances amounting to TEUR 6,035. In the 2011 financial year, interest credits totalling TEUR 1,055 (previous year: TEUR 534) accrued 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 the addenda thereto, 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 2012. As at 31 December 2012, this loan amounts to TEUR 11,419 (previous year: TEUR 11,999). 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 206 (previous year: TEUR 218). In financial year 2011, interest credits totalling TEUR 922 (previous year: TEUR 875) accrued. 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 MainTor GmbH

In an agreement of 12 December 2011, DIC OF REIT 1 GmbH (wholly owned subsidiary of DIC Asset AG) granted DIC MainTor Porta GmbH a loan in the amount of up to EUR 30.0 million to finance the relevant construction stage of our project development. The loan has an interest rate of 7.5% p.a. and grants an additional share of profits. The loan has an initial term until 28 December 2012. DIC MainTor GmbH has pledged its stake in DIC MainTor Porta GmbH as collateral for this loan. As at the balance sheet date, this loan was worth TEUR 20,155.

DIC Office Balance I

On the basis of an agency agreement regarding asset and property management, DIC Fund Balance GmbH generated income from property management fees in the amount of TEUR 1,642 (previous year 248) for services for the DIC Office Balance I special fund.

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).

The loan including interest was repaid in full in February 2011 by ProDIC GmbH to DIC Asset AG.

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 Management Board who work for the company, exclusively or not. With the exception of fringe benefits, since the beginning of 2006, all members of the Management Board 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 16 (previous year: TEUR 15).

Under the "German Investment Program Agreement" dated 29 July 2004 and the "Investment and Shareholder Agreement" dated 7 June 2005, the following DIC Asset AG joint ventures and their respective wholly owned property companies made use of various services provided by Deutsche Immobilien Chancen Beteiligungs AG.

Company	Agreements
DIC Zeil Portfolio GmbH (previously DIC MSREF Frankfurt Portfolio GmbH)	Provision of management services; commission on the letting and disposal of properties; compensation for subletting (tenant improvement fee); accounting fee
DIC EB Portfolio GmbH (previously DIC MSREF Berlin GmbH)	Provision of management services; commission on the letting and disposal of properties; accounting fee
DIC LB Portfolio GmbH (previously DIC MSREF Berlin Portfolio GmbH))	Provision of management services; commission on the letting and disposal of properties; accounting fee
DIC MainTor GmbH	Provision of management services; commission on the letting and disposal of properties; Accounting Fee; compensation for subletting (tenant improvement fee); development compensation
DIC MSREF HMDD Portfolio GmbH	Provision of management services; commission on the letting and disposal of properties; Accounting Fee; compensation for subletting (tenant improvement fee); development compensation
DIC MSREF Hochtief Portfolio GmbH	Provision of management services; commission on the letting and disposal of properties; Accounting Fee; compensation for subletting (tenant improvement fee); development compensation
DIC MSREF FF Südwest Portfolio GmbH	Provision of management services; commission on the letting and disposal of properties; Accounting Fee; compensation for subletting (tenant improvement fee); development compensation

Under the current asset management agreements and the addenda thereto, MSREF 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): 1% to 3% of the sales price after transaction costs if no outside broker is involved, and 0,4% to 1.5% of the sales price after transaction costs if an outside broker is involved;
- 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 (equates to compensation for development work): for project development services through to initial leasing: dependent on expenses or market-rate compensation.
- Accounting fee: for services in the areas of accounting, financing and controlling, TEUR 9 per company p.a.

With beneficial effect from 1 October 2011, DIC Asset AG acquired the remaining 50% from MSREF joint ventures DIC Zeil Portfolio GmbH (previously DIC MSREF Frankfurt Portfolio GmbH), DIC EB Portfolio GmbH (previously DIC MSREF Berlin GmbH) and DIC LB Portfolio GmbH (previously DIC MSREF Berlin Portfolio GmbH).

With the "termination agreement" dated 7 October 2011, the asset management agreements for the abovementioned portfolios were rescinded and a one-off compensation payment of TEUR 1,214 was agreed with Deutsche Immobilien Chancen Beteiligungs AG DIC Asset AG, as the sole owner of these portfolios, with which payment the compensation made is to be offset.

Unlike the previous year, DIC MainTor GmbH is no longer reported under the MSREF joint ventures but under those of DIC Capital Partners (hereinafter also referred to as "DICP") as DICP holds a 29.4% interest in this investment.

In 2011 and 2010, 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. Fee	Leasing Fee	Dispos. Fee	TI/Devel. Fee	Acc. Fee	Total
DIC Zeil Portfolio GmbH	**2011**	**26,309**	**0**	**3,000**		**20,250**	**49,559**
(until 30,09,2011)	2010	19,943	18,825	107,625	0	0	146,393
DIC EB Portfolio GmbH	**2011**	**23,917**				**27,000**	**50,917**
(until 30,09,2011)	2010	94,738	0	0	0	0	94,738
DIC LB Portfolio GmbH	**2011**	**47,451**	**29,340**	**0**	**0**	**74,250**	**151,041**
(until 30,09,2011)	2010	72,592	86,574	522,787	0		681,953
DIC MSREF HMDD Portfolio GmbH	**2011**	**63,486**	**0**	**151,000**	**0**	**81,000**	**295,486**
	2010	68,205	0	146,500	70,000		284,705
DIC MSREF HT Portfolio GmbH	**2011**	**53,979**	**0**	**0**	**0**	**72,000**	**125,979**
	2010	67,556	0	99,250	0		166,806
DIC MSREF FF Südwest Portfolio GmbH	**2011**	**116,475**	**0**	**216,229**	**0**	**60,750**	**393,454**
	2010	121,532	16,250	0	0		137,782
Overall totals	**2011**	**331,617**	**29,340**	**370,229**	**0**	**335,250**	**1,066,436**
	2010	444,566	121,649	876,162	70,000	0	1,512,377

Aside from its Management Board, 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 also depends on whether the MSREF joint venture has contracted third parties to provide these services, 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 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 0,5% to 1,5% of the realised proceeds - or 0,2% 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 2011 and 2010, in each case excluding sales tax:

Recipient of service (amounts in EUR)		Asset Mgm. Fee	Leasing Fee	Dispos. Fee	Total
DIC Zeil Portfolio GmbH	**2011**	**13,155**	**0**	**1,500**	**14,655**
(until 30,09,2011)	2010	17,443	13,421	53,813	84,677
DIC EB Portfolio GmbH	**2011**	**11,959**	**0**	**0**	**11,959**
(until 30,09,2011)	2010	15,790	0	0	15,790
DIC LB Portfolio GmbH	**2011**	**23,726**	**20,944**	**0**	**44,670**
(until 30,09,2011)	2010	36,296	58,575	228,050	322,921
DIC MSREF HMDD	**2011**	**31,743**	**0**	**75,500**	**107,243**
Portfolio GmbH	2010	34,103	0	73,250	107,353
DIC MSREF HT	**2011**	**26,990**	**0**	**0**	**26,990**
Portfolio GmbH	2010	32,528	0	49,625	82,153
DIC MSREF FF	**2011**	**58,238**	**0**	**108,115**	**166,353**
Südwest Portfolio GmbH	2010	60,766	9,750	0	70,516
Overall totals	**2011**	**165,811**	**20,944**	**185,115**	**371,870**
	2010	196,926	81,746	404,738	683,410

DIC Capital Partners (Europe) GmbH

The company has granted to DIC Capital Partners (Europe) 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 480 (previous year: TEUR 460) 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 (equates to compensation for development work): for project development services through to initial leasing: dependent on expenses or market-rate compensation.
- Accounting fee: for services in the areas of accounting, financing and controlling, TEUR 9 per company p.a.

Unlike in the previous year, DIC MainTor GmbH was reported for the first time under the DICP joint ventures (previously under the MSREF joint ventures) as DICP has held a 29.4% interest in this investment since the withdrawal of MSREF.

In 2011 and 2010, 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:

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.

Recipient of service (amounts in EUR)		Base Mgm. Fee	Leasing Fee	Dispos. Fee	TI/Devel. Fee	Acc. Fee	Total
DIC Hamburg Portfolio GmbH	**2011**	**80,852**	**0**	**85,950**	**0**	**162,000**	**328,802**
	2010	85,001	34,890	396,600	0	0	516,491
DIC HI Portfolio GmbH	**2011**	**225,877**	**0**	**141,340**	**0**	**243,000**	**610,217**
	2010	220,709	0	0	0	0	220,709
DIC MainTor GmbH	**2011**	**1,030**	**0**	**0**	**0**	**36,000**	**37,030**
	2010	294,000	0	0	0	0	294,000
Overall totals	**2011**	**307,759**	**0**	**227,290**	**0**	**441,000**	**976,049**
	2010	599,710	34,890	396,600	0	0	1,031,200

As, aside from its Management Board, 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 also depends on whether, with the approval of the company, the DICP joint venture has contracted third parties to provide the services.

On the basis of this agreement, DIC Asset AG charged Deutsche Immobilien Chancen Beteiligungs AG the following amounts for services related to the individual DICP joint ventures for 2011 and 2010, in each case excluding sales tax:

Recipient of service (amounts in EUR)		Asset Mgm. Fee	Leasing Fee	Dispos. Fee	Total
DIC Hamburg Portfolio GmbH	**2011**	**40,426**	**0**	**43,120**	**83,546**
	2010	42,500	25,112	231,891	299,503
DIC HI Portfolio GmbH	**2011**	**112,939**	**0**	**70,670**	**183,609**
	2010	110,355	0	0	110,355
DIC MainTor GmbH	**2011**	**687**	**0**	**0**	**687**
	2010	196,000	0	0	196,000
Overall totals	**2011**	**154,052**	**0**	**113,790**	**267,842**
	2010	348,855	25,112	231,891	605,858

Morgen Stanley Real Estate Funds (MSREF)

Together with the companies of the MSREF Group, DIC Asset AG has acquired interests in investment properties, including:

- properties transferred from MEAG, which are held by DIC MSREF HMDD Portfolio GmbH and its 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 seven 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 five wholly owned subsidiary property companies, under agreements dated 16 August 2006; and

(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.

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".

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.

Transactions with executives

Legal transactions with executives and their close relatives were entered into only to an insignificant extent.

Management remuneration

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

The members of the **Management Board** were remunerated as follows:

TEUR	2011	2010
Services due in the short term	1,313	1,043
Share-based compensation	-101	152
Total	1,212	1,195

For more details of the Management Board's remuneration, please see the Remuneration Report on page 113.

The members of the **Supervisory Board** were remunerated as follows:

TEUR	2011	2010
Services due in the short term	204	204
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. Supervisory board taxes of TEUR 12 were borne by the company.

The Chairman of the Supervisory Board of the company, Dr. Gerhard Schmidt, is a partner in the firm of lawyers Weil, Gotshal & Manges LLP. This firm received compensation for legal advisory services in the amount of TEUR 602 for the financial year 2011 and TEUR 24 for the financial year 2010.

Shareholder structure

As in the previous year, Deutsche Immobilien Chancen AG & Co. KGaA, Frankfurt am Main, has a direct and indirect capital share of 35.4% pro rata in DIC Asset AG. The voting rights announcements pursuant to § 20 AktG have 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 3 to the notes.

Events after the balance sheet date

The transfer of title, benefits and obligations pertaining to a property from the LB portfolio took place on 29 February 2012. The purchase price amounts to EUR 1.7 million.

The transfer of title, benefits and obligations pertaining to a property from the Co-Investments segment of the HI portfolio sold by notarial agreement of 14 September 2011 took place on 2 January 2012. The purchase price for the property was EUR 9.5 million. DIC Asset is involved in the amount of 20%.

The transfer of title, benefits and obligations pertaining to a property from the Co-Investments segment of the Primo portfolio that had already been sold by notarial agreement of 21 September 2011 took place on 29 February 2012. The purchase price amounts to EUR 1.8 million. DIC Asset is involved in this sale in the amount of 20%.

The transfer of title, benefits and obligations pertaining to a property from the Co-Investments segment sold by notarial agreement of 29 December 2011 took place on 29 February 2012. The purchase price for the property amounts to EUR 2.6 million. DIC Asset is involved in the amount of 20%.

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 Management Board on 1 March 2012.

Employees

In 2011 the Group had an average of 121 employees (previous year: 110 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".

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 – Taunus Verwaltungs 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 * – DIC Capital Partners OpCo (Germany) Verwaltungs GmbH, Munich: Chairman of the Supervisory Board ** – DIC Capital Partners OpCo (Germany) GmbH & Co. KGaA, Munich: Chairman of the Supervisory Board * – DICP Asset Management Beteiligungsgesellschaft mbH & Co. KGaA, Munich: 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	– KDV Kapitalbeteiligungsgesellschaft der Deutschen Versicherungswirtschaft AG, Berlin: Deputy Chairman of the Supervisory Board – DICP Capital SE, Munich: Member 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 Asset Management Ltd, United Kingdom, London: 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 – Crown Mortage Management Limited, United Kingdom, Ipswich: Member of the Supervisory Board – Bluestone Group PTY Limited, United Kingdom, Cambridge: 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

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, Managing Director REALKAPITAL Vermögensmanagement GmbH

Mr. Russell C. Platt, Managing Director, 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

Dr. Michael Peter Solf, Principal Head of the Capital Investments Division at SV SparkassenVersicherung Holding AG, Stuttgart

Management Board
The members of the Management Board 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 2011 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 Chairman and Member of the Management Board
– EPRA-European Public Real Estate Association, Brussels: Member of the Management Board

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, 1 March 2012

The Management Board

Ulrich Höller   Markus Koch

AUDITORS' REPORT

We have audited the consolidated financial statements prepared by the DIC Asset AG, comprising the consolidated balance sheet, the consolidated profit and loss account, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated 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 financial year from January 1 to December 31, 2011. 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 IFRS, 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.

Nürnberg, 1 March , 2012

Rödl & Partner GmbH
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

gez. Hübschmann	gez. Danesitz
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

CORPORATE GOVERNANCE AT DIC ASSET AG

CORPORATE GOVERNANCE REPORT INCLUDING REMUNERATION REPORT

The Management Board files a report – on behalf of the 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. The section also contains the Remuneration Report.

Information on corporate governance practices

DIC Asset AG attaches great value to corporate governance. The Management Board 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 Management Board makes sure that risks are adequately managed and controlled in the company (see too also 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 Management Board regularly informs the Supervisory Board of existing risks and their development. 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, the Management Board and Supervisory Board will respond without delay.

Current Declaration of Conformity

The Management Board and the Supervisory Board have familiarised themselves with the new elements and innovations in the German Corporate Governance Code and have dealt with the question of compliance with the recommendations in the 2011 financial year. The consultation process resulted in the adoption of an updated annual Declaration of Conformity dated 8 December 2011, which has been made permanently accessible to the public on the company's website. This states:

The Management Board and the Supervisory Board declare that DIC Asset AG complied with the recommendations of the Government Commission on the German Corporate Governance Code as published on 26 May 2010 from the date of submission of its previous Declaration of Conformity on 9 December 2010 and will continue to comply with the recommendations as published on 26 May 2010. The following exceptions applied or will apply:

▷ In filling management functions and the composition of the Management Board and the Supervisory Board of DIC Asset AG, the Management Board and the Supervisory Board have been guided by the company's interests and the legal requirements, and in the process focus on the candidate's technical and personal qualifications - irrespective of the candidate's gender - and will continue to do so in future. In this respect, in deviation from clause 4.1.5 and clause 5.1.2 sentence 1 of the Code, it has not striven and will not strive, as a matter of priority, to achieve appropriate participation by women with regard to filling management functions and the composition of the Management Board. Accordingly, in deviation from clause 5.4.1 of the Code, the specific targets specified by the Supervisory Board for its own composition, did not and do not envisage an appropriate participation by women, as a priority, and a target of this kind was not and is not taken into account, as a matter of priority, in the Supervisory Board's nominations for elections to the General Shareholders' Meeting

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▷ The members of the Management Board 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 Management Board receive share-price-dependent payments which are based solely on the company's share price within a reference period. In deviation from clause 4.2.3 paragraph 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 Management Board. 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 Management Board ending prematurely without good cause is, in practice, not automatically enforceable unilaterally by the company. In the event of a Management Board 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 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.

MODUS OPERANDI AND COMPOSITION OF THE MANAGEMENT BOARD 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 Management Board 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 their different duties independently. The duty of the Management Board is to manage the company autonomously, with the duty of the Supervisory Board is being to monitor this management..

Close cooperation between the Management Board and the Supervisory Board

The Management Board and the Supervisory Board work closely together in the interests of the company. This ensures that optimal use is made of the professional expertise of the Board members and speeds up decision-making processes. The Management Board keeps the Supervisory Board regularly, promptly and comprehensively informed of strategy, planning, risk exposure and risk management, as well as current business developments.

The Management Board 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; it is also as well as committed to the needs of shareholders, customers, employees and other groups associated with the company. The members of the Management Board are jointly responsible for managing the entire business. Notwithstanding their overall responsibility, the individual Board members run the departments allocated to them by resolution of the Management Board autonomously. The allocation of duties between the members of the Board is clear from the business allocation schedule. The Management Board 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 Management Board 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 Management Board and works with the Management Board 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 Management Board stipulate that the approval of the Supervisory Board is necessary. The Supervisory Board has also adopted rules of procedure. 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 Supervisory Board's activities during the 2011 financial year is given in the Board's report.

Composition of the Boards

When filling the Management Board 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 Management Board of DIC Asset AG consists of two members with Ulrich Höller as Chairman (CEO) and with Markus Koch (CFO) who is responsible for Finance and Controlling as Deputy Chairman.

The Supervisory Board of DIC Asset AG consists of six members, who are all elected by the General Shareholders' Meeting. The Supervisory Board has elected a Chairman and a Deputy Chairman. 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 in office end at different times due to differences in the appointment dates. The terms in office of three members of the Supervisory Board (Prof. Dr. Gerhard Schmidt, Klaus-Jürgen Sontowski and Michael Bock) will end on conclusion of the General Shareholders' Meeting which will resolve to approve their actions for financial year 2011. The Supervisory Board will submit its proposal for a new election to the ordinary General Shareholders' General Meeting in 2012.

The specific composition of the Supervisory Board in terms of personnel and the disclosures pursuant to § 285 No. 10 HGB are contained in the Group Notes on page 108.

Aims of the Supervisory Board with regard to its composition

The Supervisory Board already set targets for its composition in financial year 2010. The most important objective relates to eligibility: the Supervisory Board is to be filled in such a way that competent monitoring of and advice to the Management Board 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: 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 considers the age limits specified in its rules of procedure. Only persons, who are not yet 70 years old, should be proposed for election to the Supervisory Board. Thereafter, persons may be members of the Supervisory Board if they are particularly qualified for international requirements. However, in view of DIC Asset AG's focus on the German property market, the decision was made not to stipulate the aspect of internationality as an objective.

These targets were considered in relation to the Supervisory Board's proposal to the General Shareholders' Meeting on 5 July 2011 to elect Dr. Michael Peter Solf to the Supervisory Board. The current membership of the Supervisory Board therefore continues to comply 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. Former members of the Management Board of DIC Asset AG are not represented in the Supervisory Board.

Disclosure of conflicts of interest

Each member of the Management Board and the Supervisory Board discloses any possible conflicts of interest to the Supervisory Board.

Consultancy agreements were in force in the reporting year between the company and the law firm Weil, Gotshal & Manges LLP, of which the Chairman of the Supervisory Board Prof. Dr. Gerhard Schmidt is a partner. Where the firm provided legal advice to the company in 2011, the Supervisory Board approved the instruction. The member of the Supervisory Board concerned did 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.

Establishment of the Audit Committee

The Supervisory Board has established an Audit Committee which supports the Board in the performance of its duties and regularly reports to it. 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 primarily when events merit this.

The Audit Committee has the following three members:
- Michael Bock (Chairman of the Audit Committee)
- Prof. Dr. Gerhard Schmidt
- Dr. Michael Peter Solf (elected to the Committee in 2011 as the successor to 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 many years of professional experience working as the CFO of Provinzial Rheinland Versicherung AG.

D&O insurance policy

There is a Directors & Officers insurance policy for members of the Management Board and the 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. The members of the Management Board and Supervisory Board have to pay a deductible in the event of a claim.

REMUNERATION REPORT

The following Remuneration Report forms an integral part of the Management Report.

Remuneration system for the Management Board

The Supervisory Board sets the total remuneration of individual members of the Management Board and regularly reviews the remuneration system for the Management Board. The requirements of the law on the appropriateness of Management Board remuneration (VorstAG) were taken into account when extending contracts with the Management Board.

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 structured in such a way that it is competitive.

The remuneration of the Management Board is made up of three components: it includes (i) fixed remuneration and ancillary benefits, (ii) 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 Management Board's variable, performance-related remuneration (profit-sharing) is based on the operating results of the DIC Asset Group 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 Management Board, whose Management Board contract was extended after the 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 Management Board, whose Management Board 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

REMUNERATION OF THE BOARD OF DIRECTORS Euro

	Fixed remuneration	Profit sharing	Share-based remuneration	Other*	Total 2011	Total 2010
Ulrich Höller	400,000.00	270.000.00	-80,000.00	3,419.40	593,419.40	727,968.40
Markus Koch	350,000.00	245,000.00	-21,100.00	44,712.55	618,612.55	596,083.09
Dr. Jürgen Schäfer						179,087.31
Total	750,000.00	515,000.00	-101,100.00	48,131.95	1,212,031.95	1,503,138.80

* Other remuneration includes non-monetary benefits from personal use of a company car and insurance subsidies

VIRTUAL SHARE OPTIONS 2011

	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	

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 Management Board hold options on so-called virtual shares in DIC Asset AG, which also take account of both positive and negative developments. The number of options granted is specified in individual contracts. Options are fictitious and only guarantee the right to cash payment. When exercising the options, Board members receive payments to the amount of the share price less EUR 2.90 (Ulrich Höller) or EUR 6.00 (Markus Koch) for each virtual share. The exercise of the options is linked to a specific number of years' service (vesting period). The duration of the vesting period is regulated by contract 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 fair value of the options at 31 December 2011 amounted to TEUR 292. The number of shares issued virtually is unchanged on the previous year. No new options were issued.

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 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.

If a Board member dies during the term of his contract with the Management Board, in the case of Ulrich Höller, the fixed annual salary and, in the case of Markus 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 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 for a term of six months, however, at the latest until the contract ends.

Management Board remuneration in financial year 2011

In addition to his work for DIC Asset AG, the Chairman of the Management Board, Ulrich Höller, also held the position of Chairman of the Management Board for Deutsche Immobilien Chancen Beteiligungs AG in the financial year 2011. The total compensation of the members of the Management Board granted by DIC Asset AG amounted to TEUR 1.212 in 2011.

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. Members of the Supervisory Board receive fixed compensation of EUR 15,000 for each full financial year. 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. Supervisory Board taxes in the amount of TEUR 12 were taken on by the company.

REMUNERATION OF THE SUPERVISORY BOARD Euro

	Fixed remuneration	Variable remuneration	Committee membership remuneration	Total 2011	Total 2010
Prof. Dr. Gerhard Schmidt (Chairman)	30,000.00	25,565.00	2,500.00	58,065.00	58,065.00
Klaus-Jürgen Sontowski (Deputy Chairman)	15,000.00	12,782.00	---	27,782.00	27,782.00
Michael Bock	15,000.00	12,782.00	5,000.00	32,782.00	32,782.00
Hellmar Hedder (until 05.07.2011)	7,666.67	6,533.02	1,277.78	15,477.47	30,282.00
Russell C. Platt	15,000.00	12,782.00	---	27,782.00	27,782.00
Bernd Wegener	15,000.00	12,782.00	---	27,782.00	27,782.00
Dr. Michael Peter Solf (since 06.07.2011)	7,333.33	6,248.98	1,222.22	14,804.53	
	105,000.00	89,475.00	10,000.00	204,475.00	204,475.00

For membership of a committee, 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.

Total remuneration of the members of the Supervisory Board in 2011 amounted to EUR 204 thousand. In addition, in 2011 EUR 602 (previous year: EUR 24,000) in fees for services received was paid to the law firm Weil, Gotshal & Manges LLP, in which the Prof. Dr Gerhard Schmidt, the Chairman of the Supervisory Board, is a partner. In 2011, this mainly related to services within the framework of the acquisition of the Galeria Kaufhof properties.

Directors' transactions

In 2011 the members of the Management Board Ulrich Höller and Markus Koch acquired respectively 9,868 and 5,736 shares in DIC Asset AG and reported these securities transactions pursuant to § 15a WpHG.

Shares held by members of the Management Board and Supervisory Board

The members of the Management Board and of the Supervisory Board each hold less than one percent of issued shares. However, 38.66% 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 and the DIC associate company under civil law and its subsidiaries.

OTHER DISCLOSURES

Shareholders and General Shareholders' Meeting

In the General Shareholders' Meeting, shareholders of DIC Asset AG make use of their rights. The ordinary General Shareholders' Meeting takes place once a year. Every shareholder, who registers in good time, is entitled to take part in the General Shareholders' Meeting, to vote with his registered shares and to pose questions to the Management Board. Each share gives entitlement to one vote in the ballots.

Shareholders who cannot participate in person have the opportunity to arrange for their voting rights to be exercised in the General Shareholders' Meeting by a bank, an association of shareholders, the proxy or proxies of DIC Asset AG acting according to instructions or any other authorised individual.

Transparent communication

We issue a detailed report each quarter on the development of business and the asset, financial and earnings situation and inform our shareholders in an open, prompt and transparent manner of the DIC Asset AG business model as well as of any news or changes. We describe communications with our shareholders and business partners in detail in the chapter entitled "Share" on page 5.

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 the HGB. The financial statement for the whole year is drawn up by the Management Board and verified by the auditor and the Supervisory Board. The quarterly and half-year reports are discussed and approved with the Supervisory Board prior to their publication. The Supervisory Board proposes an auditor on the recommendation of the Audit Committee which is then chosen by the General Shareholders' Meeting. The auditor makes a statement of independence to the Supervisory Board. In addition, it was agreed with the auditors that they would report to the Supervisory Board immediately of any possible grounds for exclusion or bias that may arise during the audit.

REPORT OF THE SUPERVISORY BOARD

Advisory, monitoring and reviewing role of the Supervisory Board

In financial year 2011, the Supervisory Board of DIC Asset AG regularly and diligently monitored the management by the Management Board and advised both on strategic corporate development and significant individual measures.

The Management Board ensured that the Supervisory Board was regularly, promptly and fully informed over the course of the financial year through written and oral reports. The reports set out all relevant information on significant issues regarding company planning, the situation and development of the company and the Group, the risk situation, the internal control system, risk management and compliance as well as important transactions. Deviations from planned business development were explained in detail by the Management Board and discussed by the Supervisory Board. The Supervisory Board was involved in all material decisions at an early stage and – to the extent necessary and in the interests of the company – gave its approval after examining and discussing them in depth.

In 2011, the Supervisory Board met for four ordinary meetings and a further nine extraordinary meetings. The extraordinary meetings were held as telephone conferences. No member of the Supervisory Board attended fewer than half of the meetings. Attendance at meetings averaged over 90%. The Chairman of the Supervisory Board was also notified of material developments and decisions by the Management Board between meetings. The members of the Management Board participated in all of the meetings.

At every meeting, the Management Board explained operative business developments (with particular reference to letting, acquisitions and sales), the trend in sales and results as well as the financial position, with each issue then being discussed jointly. The reports of the Management Board and, where necessary, the written proposals for resolutions, were all made available to the Supervisory Board for preparation in good time as a basis for their advice and decisions. The Supervisory Board was informed of particularly important business events by the Management Board in detail and always without delay. Where justified, decisions were also adopted by written vote.

Focal points of the meetings of the Supervisory Board

▷ March 2011

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 for financial year 2010 were drawn up and the consolidated financial statements were approved. The Supervisory Board examined the proposed distribution of profits and endorsed the proposal. The dependent company report for financial year 2010 was also examined. The Supervisory Board discussed the agenda for the 2011 General Shareholders' Meeting and the written report by the Supervisory Board to the General Shareholders' Meeting was approved. In addition, the Supervisory Board discussed acquisition planning for the coming months with the Management Board and debated the financing strategy and possible financing measures. The Supervisory Board also discussed the planned acquisition of two commercial properties and the MainTor project development.

In two of the extraordinary meetings, the Supervisory Board consented to a share capital increase of EUR 39,187,498 to EUR 45,718,747 out of authorised capital, with a subscription right for shareholders.

▷ April 2011

One of the extraordinary meetings dealt with the issue of the consent by the Supervisory Board to the issue of a corporate bond with a value of up to EUR 100 million.

Also in April, the Supervisory board approved the agenda and the proposed resolutions to the ordinary General Shareholders' Meeting on 5 July 2011 including its proposal for election to the Supervisory Board.

▷ May 2011

In an extraordinary meeting, the Management Board reported on the first quarter's results and provided an overview of the status of the bond issue. After discussion, the report on the first quarter of 2011 was released for publication.

The ordinary meeting of the Supervisory Board dealt with trends in key figures and the planned interim result. The Management Board submitted measures to optimise results, which were discussed in depth and were approved by the Supervisory Board. In addition, the Supervisory Board debated the result of the placement of the bond issue, demolition work and the planned advance sale of the first MainTor Primus construction stage, additional interest rate hedging instruments and renovation and newbuild operations during the course of the planned lease of the Trio Offenbach property.

▷ June 2011

The focus of the extraordinary meeting of the Supervisory Board was again the implementation of demolition work on the MainTor project in conjunction with the planned sale of the first MainTor Primus construction stage. After extensive discussion, the Supervisory Board approved the demolition work and the sale.

▷ August 2011

During the extraordinary meeting of the Supervisory Board, the Management Board explained the result from the first half of 2011, which was discussed jointly. Subsequently, the Supervisory Board approved the audited interim report for publication.

▷ September 2011
During the ordinary meeting, the forecast for the third quarter was debated. The Management Board presented ongoing acquisition activities, including the planned takeover of company shares in three joint venture portfolios. After subsequent discussion, the Supervisory Board approved the continuation of the takeover. In addition, potential further steps in the funds business segment were debated together with the Management Board. The Management Board also discussed the current status of sales activities and the MainTor project and introduced a software project for property and financial accounting to replace the previous system. Dr. Michael Peter Solf was elected to replace the outgoing Member of the Supervisory Board Hellmar Hedder on the Audit Committee.

At an extraordinary meeting, the Management Board reported on progress in negotiations for the planned takeover of company shares in three joint venture portfolios. After a comprehensive discussion, the Supervisory Board approved the purchase.

▷ October 2011
The focus of the extraordinary meeting was progress in negotiations with a potential tenant for the MainTor Porta project section and the incorporation of this second construction stage into the overall project development as well as financing. After a comprehensive discussion, the Supervisory Board approved the conclusion of the tenancy agreement and the suggested procedure.

▷ November 2011
In the extraordinary meeting, the Management Board discussed the results from the third quarter of 2011. After a discussion, the Supervisory Board approved publication of the quarterly report.

▷ December 2011
In the ordinary meeting, the Management Board explained the forecasts for the fourth quarter and for the full financial year 2011. It also presented an up-to-date report on acquisition, sale and project development activities. Planning for financial year 2012 was discussed, sub-divided into the main activity areas and business fields, and was approved by the Supervisory Board. The Supervisory Board discussed compliance with the recommendations of the German Corporate Governance Code with the Management Board and agreed the joint 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 questions relating to accounting, 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 long-standing CFO of Provinzial Rheinland Versicherung. Additional members are the Chairman of the Supervisory Board Prof. Dr. Gerhard Schmidt and Dr. Michael Peter Solf, who was elected to the Audit Committee to succeed outgoing member Mr. Hellmar Hedder.

The Audit Committee met twice in 2011. The February 2011 meeting focused on the accounting documents for financial year 2010. 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 2010 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 2011 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. In the December 2011 meeting, the preliminary results of property valuation and in particular the auditing focus for the 2011 annual financial statements were discussed and determined.

Recommendations were approved for the resolutions of the Supervisory Board on the accounting documents for financial year 2010 and the proposed choice of auditor for financial year 2011. The Audit Committee had already satisfied itself of the independence of the proposed auditor.

Corporate Governance reviewed, Declaration updated

During the year under review, the Supervisory Board has 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 Management Board in December 2011 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.

Conflicts of interest avoided

Each member of the Supervisory Board discloses any possible conflicts of interest. In financial year 2011, the company had consultancy contracts with the law firm Weil, Gotshal & Manges LLP, in which Prof. Dr. Gerhard Schmidt is a partner. Insofar as the law firm provided legal advice to the company in 2011, the Supervisory Board approved the mandate. The member of the Supervisory Board in question did not participate in the resolution. No other conflicts of interest were reported in financial year 2011.

Annual and consolidated financial statements audited and approved

The Management Board prepared the annual financial statements for financial year 2011 in accordance with the HGB, the consolidated financial statements in accordance with IFRS as they are to be applied within the EU, and with the commercial law regulations to be applied in addition pursuant to § 1a (1) HGB, as well as 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 General Shareholders' Meeting on 5 July 2011, and an unqualified audit opinion was issued for each of them.

All of these documents were considered at the meetings of the Audit Committee and the Supervisory Board on 1 March 2012 attended by representatives of the auditor, who reported on the principal results of their examination and confirmed that there were no significant weaknesses in the internal control and risk management process relating to the financial reporting process. They were presented to the members of the Committee and the Supervisory Board for comprehensive discussion. There were no circumstances that could suggest any bias on the part of the auditor.

The Audit Committee, to which the auditor's statements and reports were submitted in good time for a preliminary audit, reported to the Supervisory Board on their essential content and the result of its preliminary audit, and issued recommendations for the Supervisory Board's resolutions.

The Supervisory Board, which was also provided with the documents and audit reports in good time, audited the annual and consolidated financial statements for financial year 2011, the management report summarised with the Group management report and the Management Board's proposal for the distribution of profits. 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 against the annual financial statements and consolidated financial statements or against the summarised management and Group management report. Accordingly, the Supervisory Board approved the annual and consolidated financial statements prepared by the Management Board in line with the recommendation of the Audit Committee. The annual financial statements of DIC Asset AG are hereby approved.

Proposed distribution of profits

In connection with the proposal for the distribution of profits by the Management Board, the Audit Committee and the entire Supervisory Board also discussed the balance sheet policy and financial planning. On the basis of its own audit, the Supervisory Board supports the proposal on the distribution of profits by the Management Board.

Relationships with affiliates reviewed

The Management Board prepared a report on relationships with affiliates for financial year 2011. The auditor has audited this report, reported on its findings in writing and issued the following unqualified 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 Management Board's 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 representatives of the auditor who participated in the meetings reported on the material findings of their audit. The Supervisory Board approved the Management Board’s report on 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 Management Board on the relations 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 2012 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 Management Board and Supervisory Board

There was no change to the composition of the Management Board during the year under review. Mr. Hellmar Hedder resigned his position on the Supervisory Board with effect from the end of the General Shareholders' Meeting on 5 July 2011. The Supervisory Board would like to thank Mr. Hellmar Hedder for his valuable contribution and his service to the company. At the proposal of the Supervisory Board, the General Shareholders' Meeting of 5 July 2011 elected Dr. Michael Peter Solf 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 2015.

The Supervisory Board would like to thank the Management Board and employees for their dedication and hard work during the past financial year.

Frankfurt am Main, 1 March 2012

The Supervisory Board
Prof. Dr. Gerhard Schmidt
- Chairman -

Overview: 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 Fund Balance GmbH, Frankfurt (vormals DIC Office Balance GmbH)	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 Objekt EKZ Duisburg GmbH, Frankfurt am Main	100.0
DIC Objekt Zeppelinheim 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 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 P6 GmbH, Frankfurt am Main	100.0
DIC AP Objekt Stuttgarter Str. GmbH, Frankfurt am Main	100.0
DIC AP Objekt Konstanz GmbH, Frankfurt am Main	100.0
DIC AP Objekt 1 GmbH, Frankfurt am Main	100.0
DIC AP Objekt 2 GmbH, Frankfurt am Main	100.0
DIC AP Objekt 3 GmbH, Frankfurt am Main	100.0
DIC AP Objekt 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
DIC AP Objekt 7 GmbH, Frankfurt am Main	100.0
DIC AP Objekt 8 GmbH, Frankfurt am Main	100.0
DIC AP Objekt 9 GmbH, Frankfurt am Main	100.0
DIC Asset Portfolio GmbH, Frankfurt am Main	100.0
WACO Projektmanagement AG, Luxemburg	100.0
DIC Asset AP GmbH, Frankfurt am Main	100.0
DIC Asset OP GmbH, Frankfurt am Main	100.0

Name and registered office of company	Interest (%)*
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 27 Portfolio 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 OP Objekt Betriebsvorrichtungs 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 am Main	100.0
DIC VP Objekt Moers GmbH, Frankfurt am Main	100.0
DIC VP Objekt Neubrandenburg GmbH, Frankfurt am Main	100.0
DIC VP Objekt Saalfeld GmbH, Frankfurt am Main	100.0
DIC VP Betriebsvorrichtungs GmbH, Frankfurt am Main	100.0
DIC DP Portfolio GmbH, Frankfurt am Main	100.0
DIC DP Wiesbaden Frankfurter Straße 50 GmbH & Co.KG, Frankfurt am Main	100.0
DIC DP Wiesbaden Frankfurter Straße 46-48 GmbH, Frankfurt am Main	100.0
DIC DP Hamburg Halenreie GmbH, Frankfurt am Main	100.0
DIC DP Düsseldorf Erkrather Straße GmbH & Co.KG, Frankfurt am Main	100.0
DIC DP Mönchengladbach Stresemannstraße GmbH, Frankfurt am Main	100.0
DIC DP Berlin Rosenthalerstraße GmbH & Co.KG, 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 Hallbergmoos 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

Name and registered office of company	Interest (%)*
DIC 25 Objekt Bremen GmbH, Frankfurt am Main	100.0
DIC 25 Objekt Chemnitz 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, Frankfurt am Main	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, Frankfurt am Main	90.0
Deutsche Immobilien Chancen Objektbeteiligungs GmbH, Frankfurt am Main	90.0
DIC ONSITE GmbH, Frankfurt am Main	100.00
DIC EB Berlin GmbH, Frankfurt am Main	100.00
DIC Objekt Berlin 1 GmbH, Frankfurt am Main	100.00
DIC Objekt Berlin 2 GmbH, Frankfurt am Main	100.00
DIC Objekt Berlin 3 GmbH, Frankfurt am Main	100.00
DIC Zeil Portfolio GmbH, Frankfurt am Main	100.00
DIC Frankfurt Objekt Zeil GmbH, Frankfurt am Main	100.00
DIC Frankfurt Objekt Hasengasse GmbH, Frankfurt am Main	100.00
DIC Frankfurt Objekt Börsenplatz GmbH, Frankfurt am Main	100.00
DIC Frankfurt Objekt 3 GmbH, Frankfurt am Main	100.00
DIC LB Portfolio GmbH, Frankfurt am Main	100.00
DIC Berlin Portfolio Objekt Bundesallee GmbH, Frankfurt am Main	100.00
DIC Berlin Portfolio Objekt Hardenbergstraße GmbH, Frankfurt am Main	100.00
DIC Berlin Portfolio Objekt Berliner Straße GmbH, Frankfurt am Main	100.00
DIC Berlin Portfolio Objekt Frankfurt GmbH & Co.KG, Frankfurt am Main	100.00
DIC Berlin Portfolio Objekt Arnulfstraße GmbH, Frankfurt am Main	100.00
DIC Berlin Portfolio Objekt Badensche Straße GmbH, Frankfurt am Main	100.00
DIC Berlin Portfolio Objekt Cottbus GmbH, Frankfurt am Main	100.00
DIC Berlin Portfolio Objekt 1 GmbH, Frankfurt am Main	100.00
DIC Berlin Portfolio Objekt 2 GmbH, Frankfurt am Main	100.00
DIC Berlin Portfolio Objekt 3 GmbH, Frankfurt am Main	100.00
DIC Berlin Portfolio Objekt 4 GmbH, Frankfurt am Main	100.00
DIC Berlin Portfolio Objekt 5 GmbH, Frankfurt am Main	100.00

* Interest equals the share of voting rights

Overview: Appendix 2 to the notes on the consolidated financial statements

Indirect and direct holdings of 20% and 40%

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 Office Balance I , 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 Radolfszell 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 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 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

* Interest equals the share of voting rights
** 14% share of voting rights

Name and registered office of company	Interest (%)*
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 am Main	20.0
DIC HI Objekt Hamburg Kurt-Schumacher-Allee GmbH, Frankfurt am Main	20.0
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 Mantiusstraße GmbH, Frankfurt am Main	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 am Main	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

* Interest equals the share of voting rights

Announcements on voting rights in financial year 2011: Appendix 3 to the notes on the consolidated financial statements

Announcements pursuant to § 160 Para. 1 No. 8 AktG

a. DIC Vierte Beteiligungs GmbH & Co. KG, Frankfurt am Main, Germany, informed us pursuant to § 21 Para. 1 of the German Securities Trading Act (WpHG) that its share of voting rights in DIC Asset AG, Frankfurt am Main, exceeded the levels of 3% and 5% on 29 September 2011 and now amounts to 5.63% (corresponding to 2,572,160 votes).

   DIC Dritte Beteiligungsverwaltung GmbH, Frankfurt am Main, Germany, informed us pursuant to § 21 Para. 1 of the German Securities Trading Act (WpHG) that its share of voting rights in DIC Asset AG, Frankfurt am Main, exceeded the levels of 3% and 5% on 29 September 2011 and now amounts to 5.63% (corresponding to 2,572,160) votes. 5.63% of these voting rights are to be assigned to the company (corresponding to 2,572,160 votes) pursuant to § 22 Para. 1 Sentence 1 No. 1 WpHG. Assignment is conducted via DIC Vierte Beteiligungs GmbH & Co. KG, controlled by DIC Dritte Beteiligungsverwaltung GmbH, whose share of voting rights in DIC Asset AG, Frankfurt am Main, totals 3% or more.

b. DIC Beteiligungsgesellschaft bürgerlichen Rechts, 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 level of 10% on 28 December 2011 and now stands at 11.66% (corresponding to 5,331,993 votes).

c. 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, Frankfurt am Main, exceeded the level of 3% on 1 July 2009 and stood at 3.48% (1,089,760 votes) on this date. Of these, 3.48% of the voting rights (1,089,760 votes) are to be assigned to APG Groep N.V. pursuant to § 22 Para. 1 Sentence 1 No. 1 WpHG. Voting rights held by the following shareholders holding 3% or more of the voting rights in DIC Asset AG are to be assigned to APG Groep N.V: APG Algemene Pensioen Groep N.V.

d. Commerzbank Aktiengesellschaft, Frankfurt am Main, Germany, informed us pursuant to § 21 Para. 1 WpHG that its share of voting rights in DIC Asset AG, Frankfurt am Main, Germany fell below the levels of 10%, 05% and 3% on 5 April 2011 and subsequently amounted to 0.19% (this equates to 86,946 votes).

e. 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 Marble 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); 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). Of these voting rights, 8.32% (3,262,022 shares, each with a voting right) are to be assigned pursuant to § 22 Para. 1 Sentence 1 No. 1 WpHG 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.

f. 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).

g. DICP Capital SE, Munich, Germany, informed us pursuant to § 21 Para. 1 of the German Securities Trading Act (WpHG) that its share of voting rights in DIC Asset AG, Frankfurt am Main, exceeded the 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.

h. 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).

i. 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 1 No. 1 WpHG via solvia Vermögensverwaltungs GmbH, Wolfenbüttel, Germany, whose share of voting rights totals 3% or more.

j. 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% (911,3030 voting rights), which are to be assigned to Oppenheimer Acquisition Corp. pursuant to § 22 Para. 1 Sentence 1 No. 6 Sentence 2 WpHG.

Voting rights notification pursuant to § 21 Para. 1, 24 WpHG
MassMutual Holding LLC, Springfield, Massachusetts, USA, fell below the 3% level of voting rights in DIC Asset AG, Frankfurt am Main (ISIN: DE0005098404, WKN: 509840) on 9 January 2008. The share of the voting rights on this date amounted to 2.91% (911,303 voting rights), which are to be assigned to MassMutual Holding LLC pursuant to § 22 Para. 1 Sentence 1 No. 6 Sentence 2 WpHG.

Correction to the voting rights notification pursuant to § 21 Para. 1, 24 WpHG
Massachusetts Mutual Life Insurance Company, Springfield, Massachusetts, USA, fell below the 3% level of voting rights in DIC Asset AG, Frankfurt am Main (ISIN: DE0005098404, WKN: 509840) on 9 January 2008. The share of the voting rights on this date amounted to 2.91% (911,303 voting rights), which are to be assigned to Massachusetts Mutual Life Insurance Company pursuant to § 22 Para. 1 Sentence 1 No. 6 Sentence 2 WpHG.

k. 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).

l. 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).

m. 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.

n. 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.

o. 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.

p. DIC Capital Partners (Europe) GmbH, Munich, voluntarily informed us pursuant to § 21 Para. 1 WpHG that its share of voting rights in DIC Asset AG, Frankfurt am Main, amounted to 39.37% (corresponding to 12,342,634 votes) on 14 July 2008. 39.37% of these voting rights 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 and DIC Grund- und Beteiligungs GmbH, whose share of voting rights in DIC Asset AG, Frankfurt am Main, each totals 3% or more.

q. 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.

r. 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.

s. 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.

t. 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).

u. FMR Corp., Boston, Massachusetts, USA, informed us pursuant to § 21 Para. 1 WpHG that its share of voting rights in DIC Asset AG fell below the level of 3% on 1 February 2007 and now stands at 1.71%. The voting rights are assigned to FMR Corp. pursuant to § 22 Para. 1 Sentence 2 WpHG in conjunction with § 22 Para. 1 Sentence 1 No. 6 WpHG.

GLOSSARY

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

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

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

Cash flow
Measure that shows the net inflow of cash from sales activities and other current activities during a given period.

Change of control clause
Contractual provision in the event of a takeover by another company.

Co-Investments
Comprises the investments in which DIC Asset AG holds a significant stake, typically minority interests of 20%. This includes co-investments in special funds and joint venture investments. Shares in these investments are consolidated as associates using the equity method.

Commercial portfolio
The Commercial Portfolio represents the existing portfolio of DIC Asset AG including the direct real estate investments ("investment properties"). Properties in this portfolio are reported under "Investment properties".

Core real estate
Properties let on long-term leases to tenants with outstanding credit ratings in the best locations are described as "core real estate".

Corporate governance
Rules for sound, responsible business management. 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 balance sheet debt to balance sheet total.

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.

Earnings from associates
Covers the earnings of the DIC Asset AG co-investments calculated in accordance with the equity method. Includes income from the management of real estate and profits on sales among other sources, calculated proportionately in each case.

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.

Equity method
Consolidation and valuation method for associates in the consolidated financial statements based on the share of updated equity and earnings. DIC Asset AG reports its shares in co-investments using this method.

Fair value
The fair value is the amount for which an asset could be exchanged, or a liability settled, between competent, independent business partners.

Fee
Payment for services to third parties or payment obligation as a result of using third-party services.

FFO (Funds from operations)
Operating income from property management, before depreciation, tax and profits from sales and development projects.

Financial covenants
Financial covenants are conditions stipulated by financial institutions when granting loans. They are linked to the achievement of financial key figures (e.g. interest service coverage ratio [ISCR], and debt service cover ratio [DSCR]) during the term.

Hedge (Cash flow hedge, Fair value hedge)
Agreement of a contract to safeguard and compensate for financial risk positions.

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 cover ratio
Ratio of interest expense to net rental income.

Interest rate swap
In the case of interest rate swaps, cash flows from fixed and variable interest-bearing loans are swapped between counterparties. This can be used, for example, to ensure a certain interest rate and thereby minimise risks from interest rate rises.

Investment properties
Investment properties are investments in land and/or buildings that are held for the purposes of earning income from rents and leases, and/or for capital appreciation. They are reported as "Investment properties" in accordance with the International Accounting Standards (IAS 40). DIC Asset AG values investment properties at cost less depreciation in accordance with IAS 40.56.

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.

Joint venture portfolio
Investment properties with strategic finance partners in the area of co-investments, in which DIC Asset AG has a significant stake, typically minority interests of 20%.

Letting volume
Rental space, for which rental agreements for new tenancies or renewals have been concluded for a given period.

Like-for-like rental income
Like-for-like rental income is rental income from properties in a portfolio that existed continuously in the portfolio within a given period. Changes due to portfolio additions and disposals are therefore not included here. In comparison with the start of the period, the effect of the letting activity, among other aspects, becomes clear.

Market capitalisation
Total market value of a company listed on the stock exchange, resulting from the share price multiplied by the number of shares issuedt.

NAV (net asset value)
Represents the intrinsic value of a company. The net assets are calculated as the fair value of the assets less liabilities.

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

Operating leasing
Term connected with international valuation rules. It describes a periodic lease agreement that is not fully amortised by the lessor's financing costs.

Operating cost ratio
Personnel and administration expenses less the income from real estate management in relation to the net rental income.

Real estate special funds
Real estate special funds are open-ended real estate funds that are launched solely for institutional investors (such as insurance companies, pension funds, benefit funds, foundations, etc.) via a capital investment company. Real estate special funds are regulated according to the German Investment Act and are supervised by the German Federal Financial Supervisory Authority (BaFin).

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

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, as well as the highest level of transparency.

Proceeds from sales
Pro-rata income from the sale of investment properties (investments in real estate) after transfer of ownership.

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

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

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

Rental yield
Ratio of contractually agreed rent to current market value of the real estate.

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

Valuation of acquisition or production costs
When acquisition and production costs are valued, the costs for capitalisation are used that accrued for the creation (production costs) or purchase (acquisition costs). The balance sheet value of depreciable assets is reduced by scheduled and, if necessary, unscheduled depreciation. Also referred to as "At cost accounting".

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

QUARTERLY FINANCIAL DATA 2011

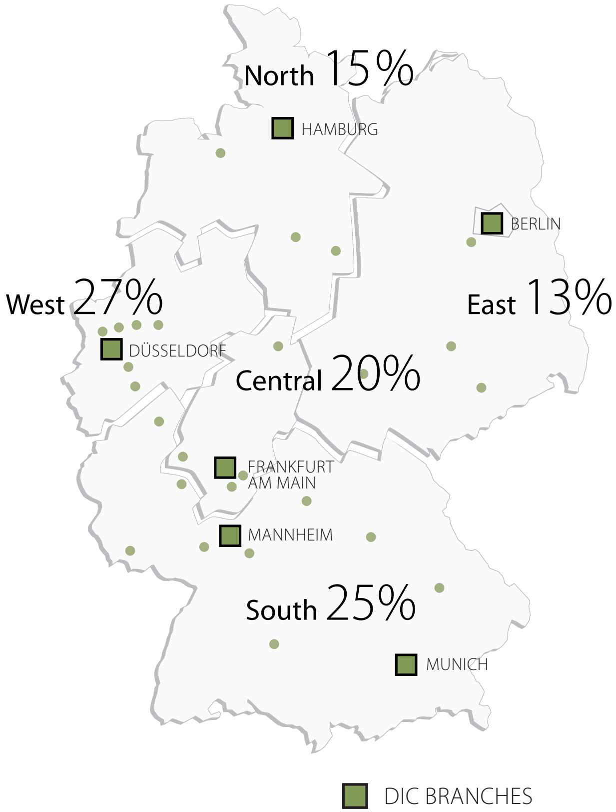
EUR million	Q1 2011	Q2 2011	Q3 2011	**Q4 2011**
Gross rental income	27.6	28.9	29.3	**31.0**
Net rental income	25.3	26.9	26.6	**28.0**
Fees from real estate management	1.1	1.2	1.3	**1.7**
Investment property disposal proceeds	0.0	9.3	0.0	**8.4**
Gains from investment property disposals	0.0	0.6	0.0	**1.0**
Share of the profits of associates	0.4	0.5	0.7	**0.8**
Funds from Operations (FFO)	10.0	10.1	9.7	**10.8**
EBITDA	22.0	23.9	23.9	**26.1**
EBIT	15.1	16.7	16.5	**17.8**
Profit for the period	2.8	3.4	1.9	**2.5**
Cash generated from operating activities	9.4	9.9	12.8	**6.3**
Market value of investment property (1)	2,083.3	2,071.0	2,069.9	**2,202.3**
Total assets	2,109.4	2,155.2	2,134.0	**2,248.1**
Equity	660.4	657.6	622.7	**624.2**
Equity ratio in %	31.3	30.5	29.2	**27.8**
Total liabilities	1,449.0	1,497.6	1,511.3	**1,624.0**
Debt ratio in %	68.7	69.5	70.8	**72.2**
FFO per share (in EUR)	0.25	0.22	0.21	**0.24**

(1) Acquisitions during the year are taken into account at the cost of acquisition

MULTI-YEAR OVERVIEW

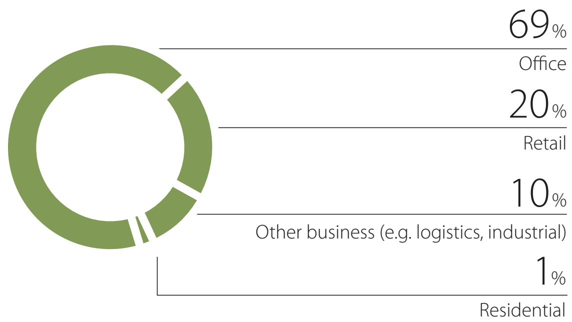
EUR million	2007	2008	2009	2010	**2011**
Gross rental income	93.6	134.5	133.6	124.9	**116.7**
Net rental income	88.4	126.2	123.8	113.9	**106.8**
Fees from real estate management	3.3	3.1	3.4	3.5	**5.3**
Investment property disposal proceeds	122.9	49.9	15.2	81.2	**17.7**
Gains from investment property disposals	17.7	9.8	1.5	5.1	**1.7**
Share of the profits of associates	8.3	8.8	7.5	7.8	**2.4**
Funds from Operations (FFO)	44.6	42.7	47.6	44.0	**40.6**
EBITDA	99.8	125.0	110.8	105.4	**95.9**
EBIT	80.0	97.0	80.3	74.6	**66.2**
Profit for the period	36.1	25.2	16.1	16.5	**10.6**
Sales yield	14%	20%	10%	6%	**10%**
Cash generated from operating activities	28.7	37.2	38.7	37.7	**38.4**
Market value of investment property	2,187.5	2.,161.8	2,192.2	2,001.8	**2,202.3**
Net asset value	722.2	492.8	497.1	598.5	**682.6**
Total assets	2,121.5	2,214.8	2,213.4	2,050.0	**2,248.1**
Equity	612.7	533.8	530.7	587.1	**624.2**
Equity ratio in %	28.9	24.1	24.0	28.6	**27.8**
Total liabilities	1,508.8	1,681.0	1,682.7	1,462.9	**1,624.0**
Debt ratio in %	71.1	75.9	76.0	72.4	**72.2**
FFO per share (in EUR)	1.55	1.37 (2)	1.47 (1)	1.15 (1)	**0.92**
Net Asset Value per share (in EUR)	23.04	16.23	15.86	15.27	**14.93**
Dividend per share (in EUR)	1.65	0.30	0.30	0.35	**0.35**

(1) Taken account of effects of the capital increase acc. to IFRS (IAS 33), see p. 46
(2) excluding the profit from syndication of development



TYPES OF USE *

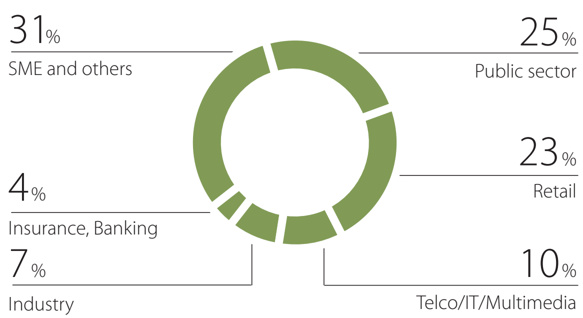
by rents paid



* pro rata

MAIN TENANTS *

by rents paid



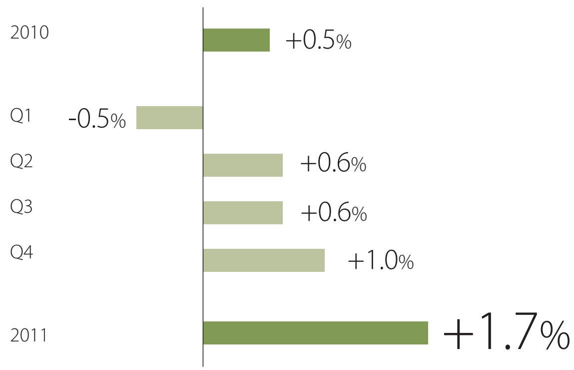
* pro rata

PORTFOLIO BY REGIONS *

	North	East	Central	West	South	Total 2011	Total 2010
Number of properties	50	38	56	62	72	**278**	288
Market value in EUR million	234.2	270.6	646.5	641.3	409.7	**2,202.3**	2,001.8
Lettable area in sqm	178,300	160,700	245,200	340,700	303,200	**1,228,000**	1,171,100
Portfolio proportion after rental space	15%	13%	20%	27%	25%	**100%**	
Annualised rental income in EUR million	14.7	19.7	33.4	41.4	30.3	**139.5**	128.9
Rental income per sqm in EUR	7.70	10.90	13.20	11.50	8.80	**10.50**	10.40
Lease expiry in years	6.9	4.8	6.6	5.5	3.9	**5.5**	5.4
Rental yield	6.4%	7.3%	6.0%	6.5%	7.4%	**6.6%**	6.6%
Vacancy rate	11.1%	9.3%	16.2%	14.2%	9.5%	**12.4%**	14.3%

* all figures pro rata, except number of properties; all figures without developments except number of properties and market values

GROWTH IN RENTAL INCOME like-for-like in %



Commercial Portfolio

86%

Market value 1,888 Mio. Euro

- High rental yields with continuous cashflows from investment properties
- Preserving values and taking advantage of value creation
- Mid to long-term investment horizon
- Selective disposals at appropriate time

Co-Investments

14%

314 Mio. Euro

Funds

- Core property in major cities
- Steady income from investments and services

Joint Venture Portfolio

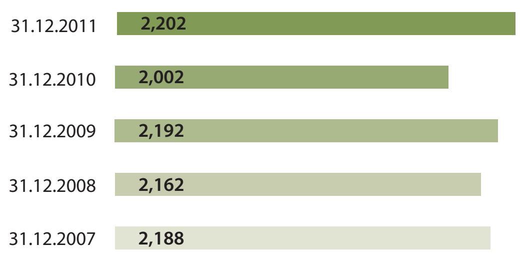
- Investments with potential for value creation and new positioning
- Upside potential developments and refurbishments
- Ongoing fee income from asset- and property management

OVERVIEW PORTFOLIO

	Commercial Portfolio	Co-Investments	**Total 2011**	Total 2010
Number of properties	160	118	**278**	288
Market value in EUR million	1,888.1	314.2	**2,202.3**	2,001.8
Lettable area in sqm	1,074,000	154,100	**1,228,100**	1,171,100
Portfolio proportion after rental space	86%	14%	**100%**	
Annualised rental income in EUR million	124.9	14.6	**139.5**	128.9
Rental income per sqm in EUR	10.8	8.7	**10.5**	10.4
Lease expiry in years	5.5	5.3	**5.5**	5.4
Rental yield	6.7%	6.3%	**6.6%**	6.6%
Vacancy rate	12.1%	14.2%	**12.4%**	14.3%

* all figures pro rata, except number of properties; all figures without developments except number of properties and market values

GROWTH OF PORTFOLIO VOLUME EUR million



MANAGEMENT BOARD

Ulrich Höller (Chairman of the Board, CEO) und Markus Koch (Board Member, CFO)

CONTACT

DIC Asset AG

Eschersheimer Landstraße 223
60320 Frankfurt am Main

Tel. +49 (0)69 9 45 48 58-0
Fax +49 (0)69 9 45 48 58-99

ir@dic-asset.de
www.dic-asset.de

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Forward-looking statements

This annual report contains statements that refer to future developments. Such statements constitute assessments that have been taken in the light of the information available. Should the assumptions on which they are based not prove accurate, or should – as specified in the section entitled Risk Report – risks occur, the actual results may differ from those anticipated.

Note

This report is published in German (original version) and English (non-binding translation).