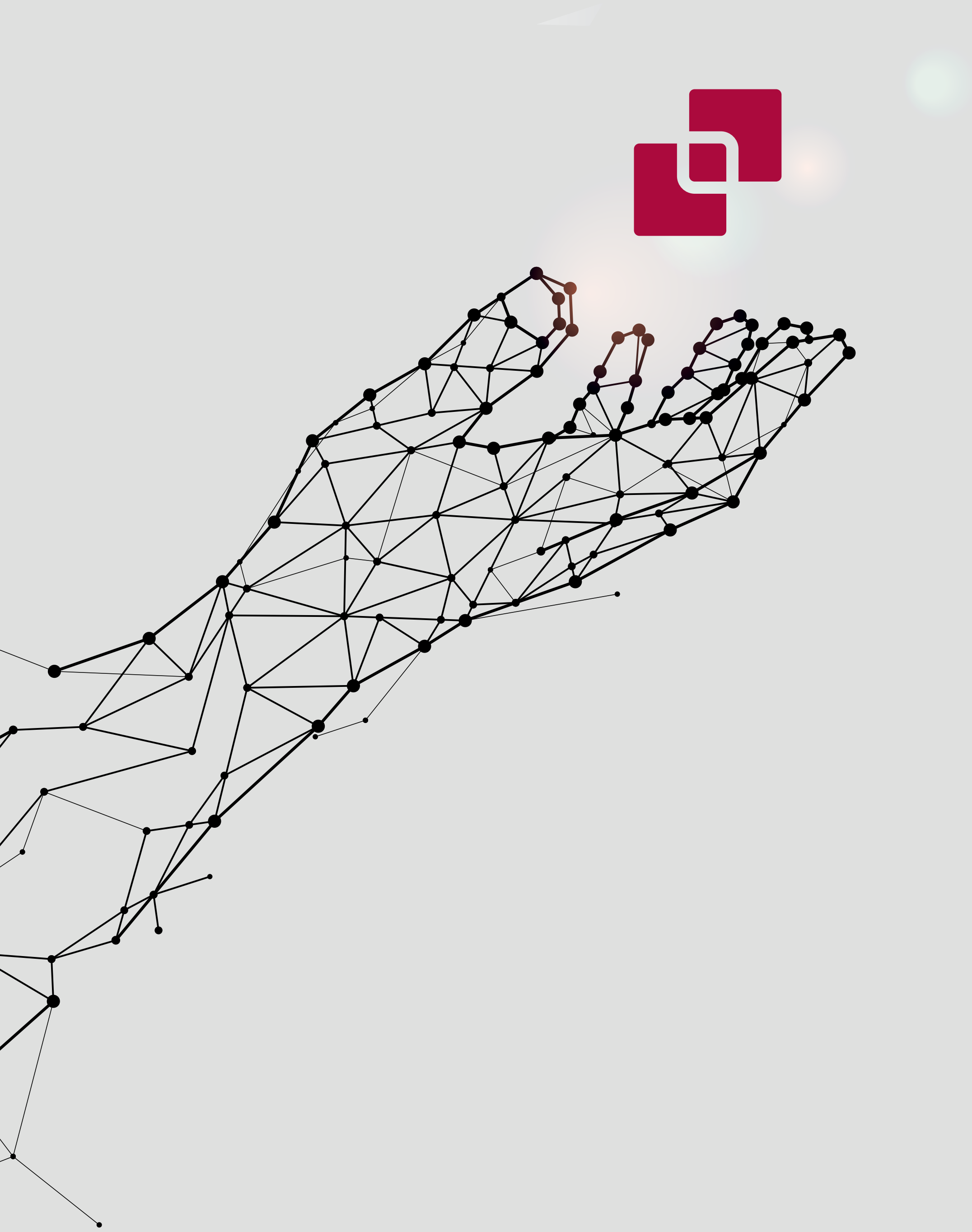
Quality for Your Success

# 2019 Annual Report



**LHI Management Board:** Markus Niedermeier, Robert Soethe, Florian Heumann, Oliver Porr, Jens Kramer, Dr. Nicole Handschuher, Peter Kober (from left to right)

# Foreword

Many of the issues from 2018 either continued to apply or returned in 2019. Expectations that the European Central Bank would end its low-interest policies were disappointed. Risks to the financial system have not diminished. Concerns about the effects of a weakening economy carried over from 2018 into 2019.

Many EU countries enjoyed positive economic performance in 2019, whereas Germany lagged behind as an underperformer and had a faltering start to the new year.

All previous economic forecasts became obsolete with the outbreak of the Covid-19 pandemic as most EU countries experienced a complete shut-down of economic and social life. At present, it remains to be seen whether economies will recover rapidly or whether the recovery will be a longer process. In addition, old issues such as organising Britain's withdrawal from the EU and global trade conflicts have not been resolved.

In the light of these factors, the fact that 2019 was a year that saw novel developments has been nearly forgotten. The political class has experienced pressure from below for the first time in the area of climate policy. In Germany in particular, the realisation that previously set goals could not be achieved on the current path became unavoidable. Plans now called for driving and promoting required innovations by means of $CO_2$ pricing. This truly represents a paradigm shift: The consumption of environmental resources will now come at a cost. This makes sustainability a key criterion for investment decisions and capital investments alike.

For the LHI Group's Structured Finance division, the ECB's loose monetary policy means that, once more, many of our customers did not focus on obtaining capital in 2019. We were nonetheless able to record a high level of demand despite this fact thanks to our structuring know-how and bespoke and innovative structuring concepts. For example, we were able to increase our Structured Finance business in 2019 and generated new business of EUR 612 million in 2019.

The ECB's monetary policies continue to pose a challenge for investors. For this reason, the demand for property-based asset investments remained strong in 2019. The willingness of investors to invest was therefore not a limiting factor here, but rather the availability of suitable assets. Nevertheless, we were also able to expand our range of products and services for investors in this business segment, thereby increasing investment volume as well. This is driven by our years of experience and the large network that comes with it as well as our foundational principle: Quality beats quantity. Markets for assets will continue to be challenging in 2020 as well. Accordingly, in 2020 we will likewise not depart from our belief that not every available asset is a suitable asset for our investors. We further expanded our investments in the renewable energies asset class in the past year. Our current portfolio of 24 wind farms and 32 solar farms produce a total rated output of 646 MW/MWp and saved around 252,978 tonnes of $CO_2$ during 2019.

Renewable energies account for EUR 1.3 billion of the EUR 10.7 billion assets under management. In the aviation segment, the fund term extensions agreed in the previous year for four Boeing 777 Freighters were successfully implemented. In addition, we purchased two new Airbus A 220-300s and a new AH 145 helicopter ex works and leased them on a long-term basis. In the real estate segment, we generated a transaction volume of EUR 1.5 billion. In 2019, the primary focus for real estate investments by our institutional investors was sustainability. We developed an ESG criteria framework for the sustainability-related topics of Environment, Social and Governance. This makes it possible for us to evaluate prospective property purchases specifically from an ESG perspective. As a result, we were able to switch to sustainable energy sources (electricity and heat) for many properties that we manage as asset managers.

We invested a total of EUR 516 million in 2019, 24 % of which was invested in renewable energies, 64 % in real estate and 12 % in aviation. LHI's total assets under management amount to around EUR 16 billion. In 2019, total new business volume for the LHI Group amounted to more than EUR 1.2 billion. This represents an increase of more than 20 % year-on-year.

We have initiated a generational change at LHI with the appointment of Dr. Nicole Handschuher as co-director and Florian Heumann and Markus Niedermeier as chief representatives. Over the course of 2020, departmental responsibilities held by the previous managing directors Peter Kober, Jens Kramer, Oliver Porr and Robert Soethe will be gradually transferred to this new generation. This will not affect their status as shareholders such that all four of them will continue to have a relationship with the Company. In addition, Oliver Porr and Robert Soethe will continue their service to the LHI Group by serving in the Supervisory Board starting in 2021. For the LHI Group, 2019 was a good year. We are aware that such a successful year is only possible if our customers trust us and our employees deliver top performance. For this, we express our profound thanks.

Oliver Porr | Robert Soethe | Peter Kober | Jens Kramer

Dr. Nicole Handschuher | Florian Heumann | Markus Niedermeier


# Strategy and positioning

The current macroeconomic environment is characterised by increasing uncertainty and a weakening economy. We therefore expect the financial markets to continue to be distorted and unsettled in future.

As part of our business and risk strategy, we essentially counter these risks on the basis of two principles:

1. Our diversified business model is based on two pillars: Structured Finance and Investment Management.
   We make decisions deliberately and with a sense of proportion. For us, long-term aspects are more important than short-term yield optimization. Maintaining our stable earnings base is a value in itself.

2. LHI has a strong equity base. We have high risk cover amount available in relation to our business activities. This makes us less susceptible to crises than our competitors. In addition, we employ a conservative risk policy. We currently see the assumption of risks as often not being compensated fairly. We deliberately refrain from such transactions. Like every larger company, LHI is also integrated into an overall economic environment that is beyond our control. For example, our business model presupposes that the products we design may be refinanced on reasonable terms. Although our strong equity position and the number of credit lines available help here, this cannot replace refinancing at the project level over the long term. For this reason, we work with a large number of domestic and foreign credit institutions and incorporate subordinated capital from institutional investors.

STRUCTURED FINANCE

INVESTMENT MANAGEMENT

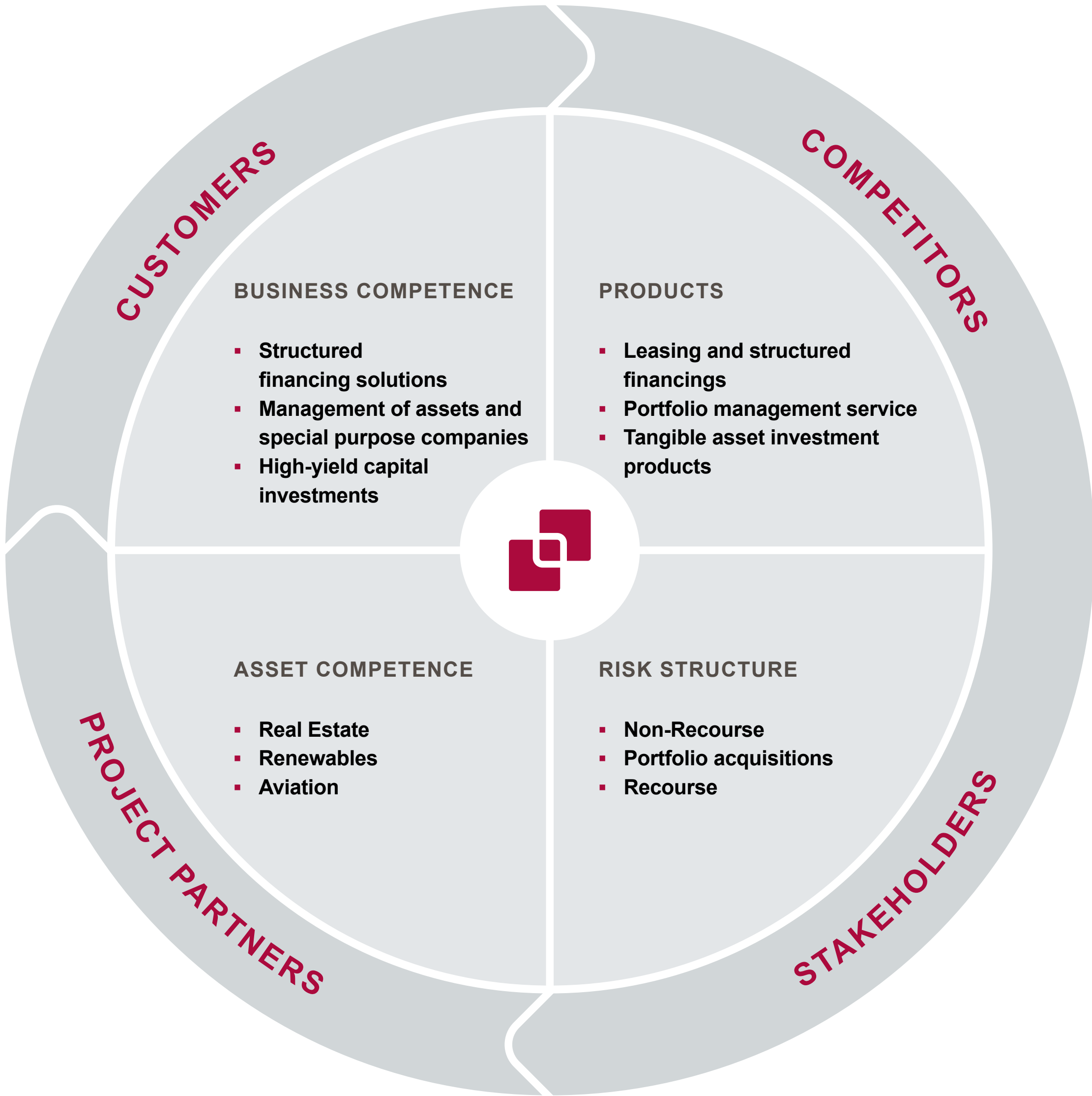
**ACCURATELY HITTING THE MARK WITH PRECISION AND FORESIGHT – FOR SUSTAINABLE BUSINESS SUCCESS AND HEALTHY GROWTH.**

This results in a link between the two pillars of our business model: We connect the asset side with the liability side. This generates the greatest possible benefit for both investors and property users. This integrated business model has also proven its worth in the years since the last financial crisis and will be continued accordingly. The efficient management of special purpose companies likewise comprises an integral part of our business model. LHI has a very robust IT infrastructure based on SAP-HANA. Our software reflects the requirements posed by our business model as well as those of German and international commercial and tax laws. This distinguishes LHI from many other service providers. We not only design, but also implement and manage the projects - in some cases for more than 20 years. We offer management services to third parties as part of our "Corporate Service Providing" product. This offer is primarily targeted at foreign companies that maintain a special purpose company in Germany but cannot or do not want to handle business administration themselves. This gives us the advantage of generating stable fee income together with our own special purpose companies.

LHI has acquired leasing portfolios on numerous occasions in the past along with a one-time acquisition of a fund portfolio. We would continue to do this in future, but only if the associated risks can be quantified and opportunities can be forecast, for example through the use of cost digression.

We go far beyond traditional leasing solutions in the field of Structured Finance. We achieve customer-specific requirements and objectives through the use of complex and highly-tailored structuring solutions. For example, we design succession-focused corporate structures for companies just like we optimise financing related financial covenants or help companies to better meet balance sheet and regulatory requirements. Especially in the area of investment financing we pay attention to tax implications and make any necessary adjustments during the term of the respective contract.

We offer investment management services for three asset classes: Real Estate, Renewables and Aviation. LHI products in these asset classes satisfy the requirements of institutional investors. Design, asset management as well as portfolio management - including risk management and reporting - are all performed completely by LHI. An important part of our strategy in this area is to ensure that investment designs precisely satisfy the specific requirements and needs of the respective investor group. Accordingly, we intentionally focus on business with institutional investors and family offices. We have developed investments especially for foundations, pension schemes, pension funds and insurance companies. This allows the specific requirements of each respective investor group to be better taken into account during the term of the investment.




## A BUSINESS STRATEGY BASED ON OBTAINING THE HIGHEST DEGREE OF SECURITY MEANS WEIGHING OPPORTUNITIES AND RISKS VERY CAREFULLY.

# LHI Group milestones

1973

**FOUNDING**

LHI was founded on 1 October 1973 as a leasing company for trade and industry. Its focus was on financing real estate investment projects. Over the years, LHI has evolved from a provider of leasing solutions to a provider of structured financing products.

1981

**FIRST INVESTMENT PRODUCT**

LHI launched its first fund for selected customers. The first mutual fund followed in 1994. This was the starting signal for further investment products designed for private as well as professional investors. This created the second pillar of LHI's business segments alongside Structured Finance.

2000

**EXPANSION**

LHI expanded its business strategy at the turn of the millennium. This was driven by acquisitions. In 2002, Bayerische Immobillienleasing was acquired. In 2006 SüdLeasing's real estate leasing division was integrated and Movesta Lease and Finance were acquired in 2009.

2012

**FOUNDING OF LHI CAPITAL MANAGEMENT GMBH**

Upon the entry into force of the Financial Asset Brokerage and Investment Act, LHI, founded a sales company for all investment products designed by LHI. As a partner for private and (semi-) professional investors, it also advises investors during the term of their investment. LHI Capital Management GmbH is a wholly-owned subsidiary of LHI and is licensed by the Federal Financial Supervisory Authority (BaFin) in accordance with section 32 of the German Banking Act (KWG).

2013

**FORMATION OF THE LHI KAPITALVERWALTUNGSGESELLSCHAFT MBH**

The Financial Asset Brokerage and Investment Act (Kapitalanlagegesetzbuch - KAGB) became effective in 2013. LHI formed an investment company approved by the Federal Financial Supervisory Authority (BaFin) in July 2013. This company places all LHI Group investment products and also manages LHI's investment funds created prior to the effective date of the KAGB. It is likewise a 100 % subsidiary of LHI.

2015

**MANAGEMENT-BUY-OUT**

Acquisition of LHI by the Management. The managing directors of LHI acquired all outstanding shares retroactively to 1 January 2014. LHI is thus an owner-managed company.

2016

**FIRST FINANCING VIA CROWD-INVESTING-PLATFORM**

LHI offered a smaller-scale refinancing tranche in cooperation with the crowd-investing platform Exporo.

2018

**DIGITAL INNOVATION LAB**

The LHI Digital Innovation Lab was founded in mid-2018 in order to test the opportunities presented to LHI arising from the ongoing digitization process.





# Organisation of the LHI Group

SHAREHOLDERS

**LHI Holding GmbH**

MANAGEMENT

**LHI Leasing GmbH**

Financial services institution; Management of the LHI Group,
founded in 1973

LHI Leasing GmbH is a financial services institution and is supervised in accordance with the provisions of the German Banking Act (Kreditwesengesetz - KWG). It therefore has established risk management systems that meet these strict regulatory standards.

OPERATING SERVICE COMPANIES

**LHI Kapitalverwaltungs-gesellschaft mbH**
Investment management company within the meaning of the KAGB, management of AIF's
founded in 1973

**LHI Capital Management GmbH**
Sales/
Investor relations,
founded in 2012

**LHI Luxembourg Group**

**LHI Management Luxemburg S.A.**
Fund issue and Fund management according to Luxembourg law,
founded in 2009

**LHI Securitization S.A.**
Securitisation company in Luxembourg,
founded in 2017

**LHI Versicherungsmakler GmbH**
Advisory services/
Insurance,
founded in 2005

**LHI sp. z o.o. (Polen)**
Polish subsidiary
registered office in Warsaw,
founded in 1995

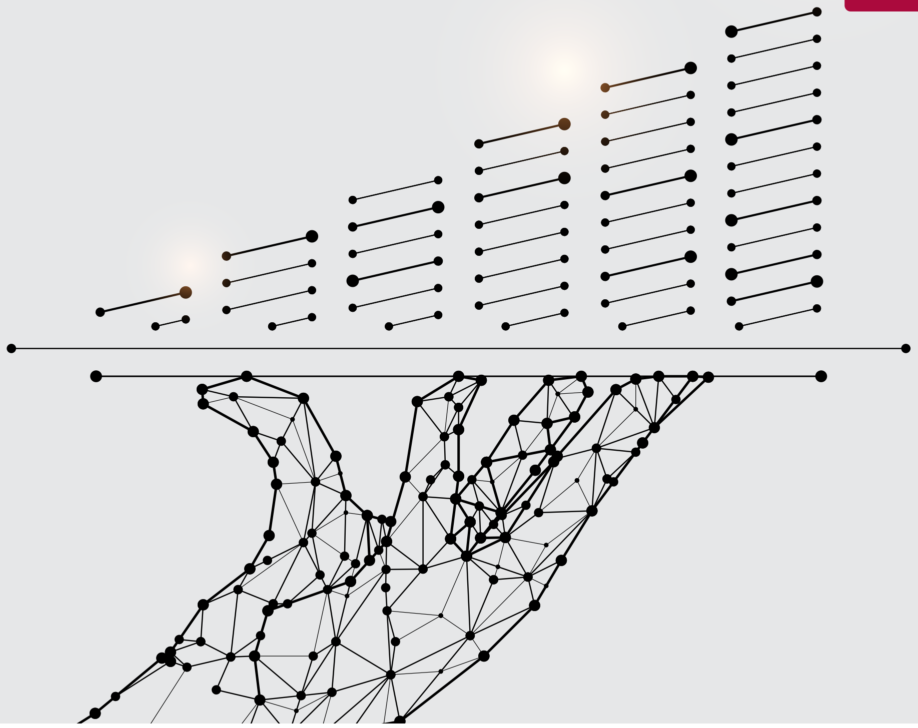
**LHI Real Estate Management GmbH**
Construction advisory services/
Construction management,
founded in 1988

MANAGEMENT OF SPECIAL PURPOSE COMPANIES

**Intermediate holding companies**
Various intermediate holding companies, inter alia, resulting from the acquisition of various leasing portfolios

**Special purpose companies**
Projects owned by the special purpose companies





# Key figures

| | 31/12/2019 in KEUR | 31/12/2018 in KEUR | 31/12/2017 in KEUR | 31/12/2016 in KEUR |
|---|---|---|---|---|
| **Equity** | 41,697 | 41,697 | 41,697 | 41,697 |
| **Result from ordinary business operations** | 12,361 | 15,687 | 20,547 | 5,692 |
| **Result for the year*** | 10,424 | 14,341 | 20,430 | 5,501 |
| **Equity ratio in %** | 43.8 % | 35.8 % | 35.7 % | 32.3 % |
| **Economic result** | 45,900 | 21,310 | 23,478 | 14,640 |
| | | | | |
| **New business volume approx.** | 1,202,000 | 991,000 | 523,000 | 1,020,000 |
| **Transaction volume approx.** | 1,500,000 | 1,500,000 | 1,500,000 | 700,000 |
| **Investment volume under management approx.** | 15,512,000 | 16,400,000 | 18,054,000 | 17,350,000 |
| **Companies under management approx.** | 1,476 | 1,499 | 1,560 | 1,600 |
| **Cumulative placed equity capital approx.** | 4,700,000 | 4,200,000 | 4,000,000 | 3,900,000 |
| **Cumulative fund volume approx.** | 10,700,000 | 10,200,000 | 9,300,000 | 8,800,000 |
| **Cumulative number of investors approx.** | 17,000 | 17,500 | 19,400 | 19,350 |
| | | | | |
| **Average number of employees per year** | 256 | 249 | 251 | 248 |

*Transferred by profit and loss transfer agreement since 2015.

# Human Resources

**Success is the result of working together**

For us, considering the expectations and wishes of our business partners and our employees is important. A company can only be successful if it considers both of these factors.

Our business partners know that we have first-class market and industry know-how and that this enables us to develop high-quality products. This is possible because we have first-rate employees in-house for all matters relating to investments and structured finance. People who develop concepts for today and tomorrow and want to help shape a company's future.

This knowledge is the result of a combination of experienced experts who have been active on the market for a long time and young people who contribute their new ideas to jointly develop the best solutions for our customers. This form of collaboration enables us to satisfy our customers' expectations and achieve our strategic objectives at the same time.

Meeting our employees' expectations of a modern company is just as important. LHI founded the "Digital Innovation Lab" in 2018 where employees and managers are jointly developing ideas about what the future may hold for LHI. This not only provides the opportunity to test business processes but also provides forum for thinking about how we want to work in future.

**Success is the product of experimentation**

In 2019, we tested the "how" we will work in future as part of the project "Working Flexibly". Employees from different areas, and then two complete teams, tested how working from a different location worked. What effect does this have on cooperation and on the processes at LHI, what technical equipment is necessary to make this possible, how do we have to communicate with each other and, of course, how do I manage my employees from another location? The corona-virus crisis we are experiencing now has turned this into a live test for everyone at LHI. Only because we dealt extensively with this issue at an early stage, and because we created the necessary framework, is it possible that today 90 % of employees can work outside LHI and business operations can continue without issues.

**The foundation of success is employee development**

Continued, personalised development for our employees, both professionally and personally, plays a large role at LHI - this can be seen in the large variety of development programmes on offer in past years. Once again in 2019, LHI conducted a successful management training programme in the form of "Polaris". The objective is to support and/or prepare employees for their role as managers. We set up a six-month pilot project in 2020 that focuses on personal development for our young employees.

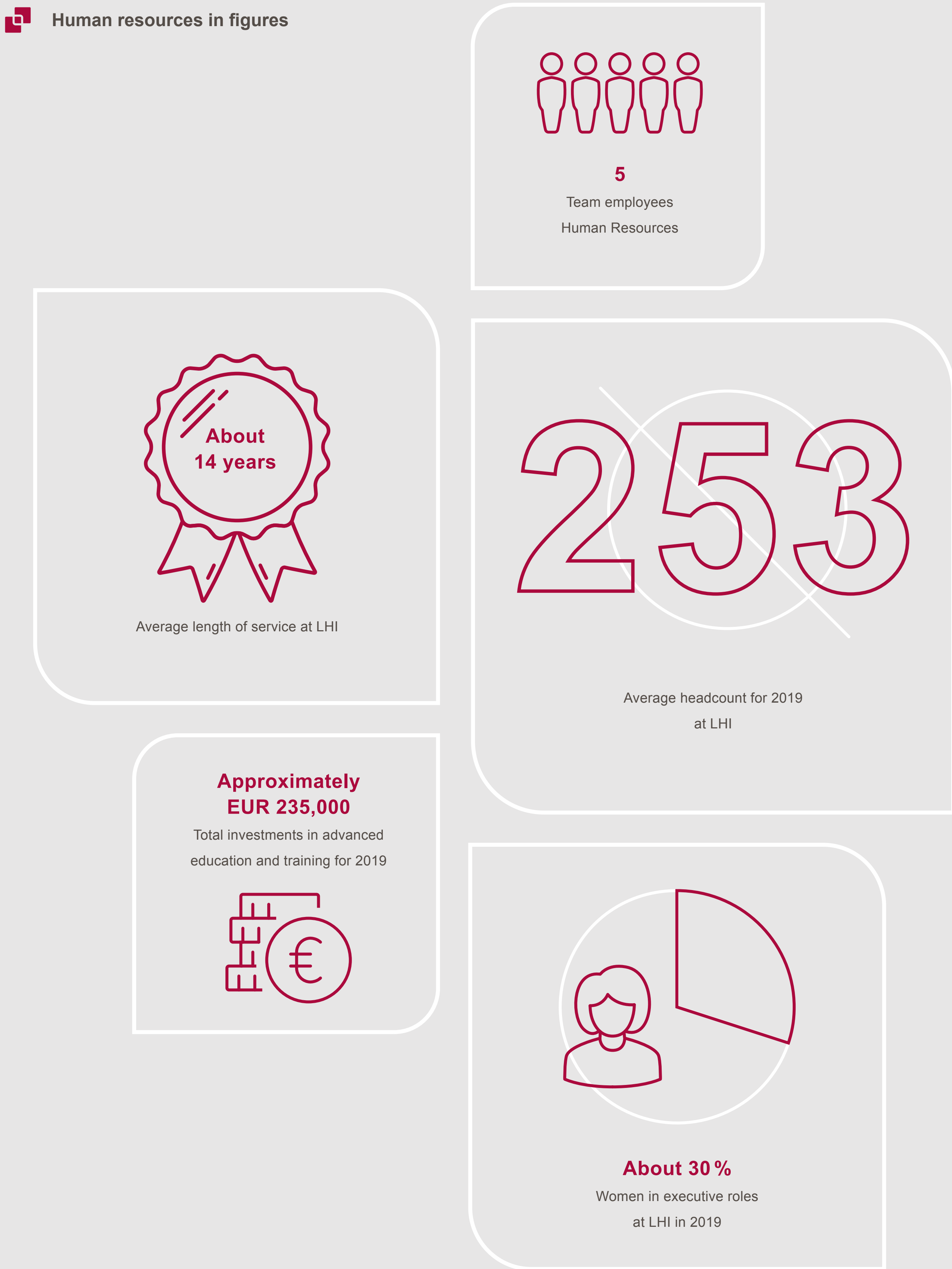
**Success is more than numbers**

We organise an annual health week during which all employees have the opportunity to take advantage of a variety of offerings throughout the week. Workshops on nutrition, fitness courses or health checks are all available.

Anyone who is interested can also engage in sports at LHI, for example as part of the LHI football team, the LHI running group or on the LHI ski weekend. In order to take a break to relax mind and body, we offer options for attending in-house yoga classes or to enjoy a mobile massage.



## Human resources in figures



# Code of Ethics

LHI's success lies in its company-wide corporate culture, which is characterised by integrity, mutual appreciation and individual responsibility. We place our long-term economic success with the greatest possible benefit for our customers at the centre of our actions.

This Code of Ethics serves as a code of conduct for all LHI employees. It contains values, basic behaviour, attitudes and rules of conduct which are binding for all of us when dealing with our business partners, customers, competitors and authorities.

## General principles

**Compliance with laws and regulations**
We undertake to comply with all applicable laws and other applicable regulations in countries in which we operate in all business activities and decisions.

**Combating money laundering, financing of terrorism and corruption**
We use internal security measures and mechanisms based on potential risk to prevent money laundering, to combat the financing of terrorism and to combat corruption.

**Compliance with data protection requirements**
The personal data of our business partners, customers and employees is protected against access and unlawful use by means of various security standards.

**Fair competition**
We comply with applicable laws and regulations governing competition, and we want to protect and promote fair competition.

## Principles for working together

**Guiding principle**
Our dealings with each other are characterised by the following values and basic attitudes: mutual respect, loyalty, reliability and commitment, correctness and fairness, authenticity and performance orientation as well as discretion. Our actions should be as transparent as possible.

**Avoidance of conflicts of interests**
We are committed to avoiding situations in which personal and/or business interests may conflict with those of our company.

We shall refrain from obtaining any advantages, in particular by accepting personal gifts or advantages resulting from business relationships.

## Principles for working with business partners and customers

**Business relationships**
We advise and support our business partners and customers or potential business partners/customers respectfully and personally.

**Handing confidential information**
Within the scope of applicable laws and regulations, we commit to safeguard trade secrets or other confidential information and documents from business partners and customers disclosed to us.

**Completeness of information**
Information we communicate and disseminate is complete and understandable in itself in order to provide business partners and customers as well as potential business partners/customers with a basis for a long-term business relationship.

**Quality**
Our products and services are characterised by the highest quality standards and continuous adaptation to market developments and customer needs.

## Principles of social responsibility

**Occupational health protection**
We guarantee occupational safety and health protection at the workplace in accordance with applicable regulations.

**Environmental protection**
We focus on sustainability and energy efficiency in the construction of our buildings.

**Social responsibility**
We behave in a manner that reflects the responsibilities of our company within society.

**THE QUALITY OF OUR PRODUCTS AND SOLUTIONS IS CREATED BY PEOPLE WHO ARE GUIDED BY PRINCIPLES AND RESPONSIBILITY.**


# Financial year 2019

## THE COMPANY

LHI Leasing GmbH was founded in 1973 as a real estate leasing company. It has been 100% owned by LHI Holding GmbH since 2015. The four managing directors of LHI hold 100% of the shares of LHI Holding GmbH.

The LHI Group is an investment manager for companies and investors. We provide support to companies related to their investment plans and offer investors the opportunity to invest in capital investment products. Complementary services, such as insurance solutions, real estate valuations, the performance of functions related to construction controlling or the management of external real estate portfolios, round out the product range. LHI focuses its business activities on domestic customers and is accordingly active to the largest degree within the German legal system.

Pursuant to section 1 (1a) no. 10 German Banking Act, LHI is a regulated company in the financial sector and is therefore subject to the provisions of the German Banking Act. With regard to capital procurement and the management of equity investment products, major parts of the services are provided by two wholly-owned subsidiaries, LHI Capital Management GmbH (LHI-CapMan) and LHI Kapitalverwaltungsgesellschaft mbH (LHI KVG). Both companies are also subject to German financial supervision, have their own staff and are linked to LHI by profit and loss transfer agreements.

LHI has a branch in Pöcking and an office in Stuttgart. In addition, it holds indirect shareholdings in the Polish LHI sp. z o.o., LHI Management Luxemburg S.A. and LHI Securitization S.A., through which business activities in the Polish and Luxembourg markets are supported.

LHI is a member of the Bundesverband Deutscher Leasinggesellschaften e.V. and the Zentraler Immobilien Ausschuss e.V. (Central Real Estate Committee).

### Company management

As a rule, LHI structures its financing solutions and investment products via special purpose companies. The LHI Group currently manages 1,476 such companies. In some cases, the application of controlling principles of commercial law results in the circumstance that commercial results are not reflected in the appropriate period in the LHI financial statement. Accordingly, the actual earnings situation or composition cannot always be directly derived from the exclusive consideration of LHI’s income statement items.

To manage new business, LHI therefore uses a performance indicator that looks at the product in question over its entire term. All payment flows relevant to earnings are shown at the individual transaction level and their nominal earnings values are thus managed. The financing volume of new business is not used for corporate management purposes, but plays a role in market comparison to the leasing sector. The same applies to transaction volume under management, which likewise provides only indications of market significance but is not used for management purposes.

Existing business is mainly managed on the basis of the "sustainable cost recovery ratio". This key figure corresponds to an expense / costs ratio tailored to the LHI business model using fixed costs and income flows. It is supported by a multi-level contribution margin calculation.

The company's risk situation is managed by means of limits and monitored as part of an analysis of risk-bearing capacity. The liquidity situation is monitored and controlled on the basis of a balance of payments analysis. Details concerning these key figures and instruments are presented in the "Risk Report" section.

In addition to the performance indicators mentioned above, various other indicators are used in LHI's business and risk strategy and formulated on the basis of these target values. In this context, focus is placed on achieving cost-income ratios in the range of 80 % to 90 % based on imputed or real full costs. Monitoring and managing these ratios comprise the basis for generating a pre-tax return of at least 10 % on paid-in equity. It is not so much the consideration of an isolated key figure but rather the interaction of key figures that is decisive in ensuring the achievement of this objective.

For example, the acquisition of a large real estate leasing portfolio could lead to a temporary violation of the strategic objective of keeping risk utilisation below 80 %.

### Shareholdings and affiliated companies

The LHI Group also includes other companies that complement or round-out the range of services offered. All of them have their own legal personality and are maintained as profit centres.

LHI Real Estate Management GmbH (LHI REM) supports the construction side of our financing projects. Quality monitoring during the construction process aids in limiting potential consequential damages and/or identifying investment risks at an early stage. LHI REM also makes its range of services available to external third parties and generates additional fee income from such sources. LHI REM enjoyed a successful 2019. The commercial results were positive.

ATG Abrechnungs-Treuhand GbR (ATG) handles all payment transactions for the LHI Group and a large number of its affiliated property management companies. In this context, it also performs a cash pooling function, which creates a deposit base of cash and cash equivalents that is available over the long term. These funds are invested according to a defined investment guideline. Surpluses are generated as a result. The past financial year was a successful one for ATG in terms of earnings. In light of prevailing conditions in the capital markets, investable funds are reinvested on a very selective basis. ATG's earnings level can therefore be expected to decline if prevailing conditions do not change.

Warsaw-based LHI sp. z o.o. is dedicated to the Polish market. Originally, LHI sp. z o.o. was active in the real estate leasing market. However, for several years its business model has focused on real estate development. Its business situation is thus exposed to greater volatility. However, results remain fundamentally positive The real estate transaction, which was successfully completed in 2018, likewise ensured positive earnings in 2019. In light of payments that are still outstanding, we assume that this trend will continue moving forward.

At present, LHI Management Luxemburg S.A. primarily manages investments that we have created for intra-group purposes. In addition, it provides management services for a Luxembourg special fund (FCP) for real estate investments by a professional investor. This special investment fund is still in the investment phase. Commencing in 2020, portfolio management is likewise to be performed by LHI Luxemburg. Securitization company LHI Securitization S.A., which is also located in Luxembourg, has been active in the securitization business since 2018. Luxembourg gained in importance as a business location for the LHI Group in 2019 and was supplemented through additional office space and employees. Income from this investment enjoyed positive results.

LHI Versicherungsmakler GmbH is a joint venture between conTRAct VersicherungsmaklerGmbH and LHI Leasing GmbH. It acts as a competence centre for all insurance-related issues with the main task of optimising insurance cover for the property investment companies under management. The earnings trend is influenced by the receipt of brokerage commissions and may be described as good for the past financial year. Services from LHI Versicherungsmakler GmbH are also available to outside third parties. We continue to be very selective when approached by third parties.

## ECONOMIC DEVELOPMENT

### Macroeconomic and industry conditions

On 17 January 2020, the Statistical Office of the European Union ("Eurostat") updated its flash estimate for economic development in the European Union and announced an inflation rate of 1.6 % for 2019 (previous year: 1.6 %). An increase in gross domestic product of 1.4% was announced on 14 February 2020. According to the Federal Statistical Office, German GDP rose by 0.6% over the same period (0.6% even when adjusted for calendar effects).

This means that the German economy has grown for the tenth year in succession. However, the increase in 2019 was significantly lower than in previous years. Economic output was generated by an average working population of 45.3 million for 2019. This was 400,000, or 0.9 %, more than the previous year.

In addition to the economic environment, trends in interest rates also has a significant impact on the investment decisions made by companies and investors. According to the "Long-term interest statistics for EU Member States", which is managed by the European Central Bank, the yield on German public-sector bonds fell from 13 basis points in January 2019 to -30 basis points at the end of the year. In January 2020, this key figure fell by one additional basis point.

According to the BDL, new business in the leasing sector reached an all-time high of EUR 74 billion in 2019 (previous year: EUR 70 billion). The real estate leasing segment, which is decisive for LHI, also rose slightly compared with the previous year (EUR 1.4 billion) reporting a volume of EUR 1.5 billion.

According to the Scope rating agency, prospectus-based offering volume in the market for closed publicly-offered AIF's rose from EUR 1.1 billion in 2018 to EUR 1.2 billion in 2019. A total of 24 closed publicly-offered AIF's were approved for sale by BaFin, eight fewer than in 2018. The average fund size again grew significantly compared to the previous year. This is mainly the result of four large-volume AIF's authorised in 2019, representing 47% of total issued equity. The average equity volume in 2019 was around EUR 51 million. For 2020, Scope does not expect any additional increases in issue activities for retail AIF's.

Corresponding publicly available figures for the professional and semi-professional investor segments are not available.

## BUSINESS DEVELOPMENT

The earnings situation and business development for LHI Leasing GmbH may be assessed as very good for the past reporting period. With book results of EUR 10.4 million before profit transfer, we also significantly exceeded our strategic earnings target in 2019 as a result of one-off effects. The composition of the normalised earnings is well-diversified; the extraordinary effects are due to individual factors. The nominal result in new business was above the budgeted figures, with target achievement at 109 %.

### New business

On the whole, we arranged investment volume of EUR 1.2 billion (previous year: EUR 991 million) related to new business transactions during the preceding financial year and placed these funds under our management. However, the volume of transactions arranged plays a subordinate role in the success of LHI, as there is hardly any relationship between volume and income.

Real estate continued to play a major role in more diversified overall business volumes, accounting for 39 % of the total in 2019. There is still interest in involving other investors in structured financing in addition to traditional bank financing. We are able to meet these requirements very well thanks to our contacts with investors and our structuring competence.

In the area of traditional investment products, we continue to actively invest in the asset classes Real Estate, Renewables and Aviation. In the real estate segment, we continue to observe high demand for properties located in Germany on the part of foreign and domestic investors. Property prices are rising in light of our belief that the supply of marketable real estate continues to decline. Accordingly, the potential returns from these investments continue to decline as well. The flattening of price increases we expected last year can, at present, only be observed in some sectors. We selectively took advantage of the seller's market during the previous financial year and sold some properties under our management. In addition, we have started to develop a product in a special sub-segment of the real estate market. In the case of all investor-focused real estate products, we also use a scoring procedure developed in-house which checks properties specifically for their ESG values.

In the segment that includes plants for the generation of energy from regenerative sources, we primarily increased portfolio holdings during the past financial year and added suitable assets. Offerings of plants that would be suited to our investors have become scarcer in light of compulsory competitive bidding for products mandated since 2017 in Germany and a total number of new projects in Germany that is low. We are still able to make suitable investments for our customers in the current supply environment due to our networking in the market and the ability to operate across borders.

In the aviation sector, we were able to generate two new products in addition to new transactions for existing funds. One structured investment is used to finance two aircraft for a European airline, another structured investment is used to finance a helicopter for logistics and rescue operations. Both products are designed in such a way that additional assets of the same kind can be quickly included. In light of the current debate on sustainability in the aviation segment, we believe our focus on modern aircraft and engines that are already designed to run on synthetic fuels has placed us favourably in the market. We do not expect any negative implications for our business model.

### Existing business

We generally use special purpose companies to implement our financing solutions and/or to manage our investment vehicles. These companies do not employ any staff but are managed by LHI employees. LHI has direct or indirect ownership of these companies. Management of these companies usually extends over periods of more than ten years, whereby LHI is remunerated in the form of service fees for its management services. In compliance with regulatory requirements, all products regulated under the German Investment Code (Kapitalanlagegesetzbuch - KAGB) and the majority of products involving external investors are managed by LHI KVG.

We also offer our services to third parties, but not in the form of an asset management contract. In the past, we also purchased portfolios from other providers and placed them under our own management. This applies to both real estate leasing and fund portfolios. During the past financial year, LHI did not acquire any portfolios or accept any new asset management engagements.

At year-end 2019, we managed 1,476 companies (previous year: 1,499). The original total investment costs of the financing models for these companies amount to some EUR 15.5 billion (previous year: EUR 16.4 billion). The reduction is largely due to the scheduled expiry of existing investment products in the leasing segment.

As companies are phased out, the fee income generated from the portfolio also declines. This effect is mainly due to the fact that companies from high-volume years (1995 to 2005) have reached the end of their regular life cycle. Accordingly, these expirations are easily predictable, which in turn simplifies adjustments to management capacities. As a result, this segment's performance in the past financial year was in line with our expectations. We believe that performance will remain stable, because, on the income side, we see that effects of expiring portfolios are offset by new business.

### Miscellaneous

In 2019 the SAP infrastructure was migrated to HANA technology. Since then, LHI has been using the latest ERP technology from SAP. In addition, we have been realigning our portfolio management system since 2017. The portfolio management system is scheduled to go live in 2020. We expect the conversion of the two primary process-related systems to provide optimised support for our core processes and to significantly increase technology security in the coming years.

## SITUATION OF THE COMPANY

During the 2019 financial year, LHI generated pre-tax earnings of EUR 10.4 million (previous year: EUR 12.7 million).

Current management fees related to special purpose companies and profits from ATG's financial assets are reported under "Other operating income". This item declined from EUR 37.0 million to EUR 29.4 million. Within ATG, we were not able to offset expiring current income from capital investments with gains from sales as was the case in 2018. Earnings thus declined by EUR 2.2 million. Ongoing fees for the management of special purpose companies fell by just under EUR 2.0 million. In addition, a provision for impending losses in the amount of EUR 3.0 million was reversed in 2018.

Income from investments including profits and losses from profit and loss transfer agreements rose from EUR 20.3 million to EUR 26.5 million. Income from profit and loss transfer agreements rose to EUR 4.3 million (previous year: EUR 3.9 million). Income from investments increased by EUR 5.8 million. This is primarily due to the sale or termination of companies from which high one-off investment income was generated.

Net commission income rose year-on-year from EUR 4.1 million to EUR 4.2 million.

Net interest income fell to EUR -0.7 million (previous year: EUR +0.9 million). This is primarily due to significantly lower interest income for interim financing and the modifications to calculation rules for the interest on pension provisions in place since 2015.

Total personnel expenses increased from EUR 22.5 million to EUR 24.2 million. The average number of employees over the year remained at the previous year's level. The primary factor for this trend in personnel expenses relates to variable compensation arrangements tied to company performance.

Other administrative expenses and other operating expenses fell from EUR 23.6 million to EUR 22.6 million. The change mainly results from lower allocations to risk provisions.

The fund for general risks under section 340g of the German Commercial Code was increased from EUR 3.0 million to EUR 5.0 million. This reflects our anticipation of future risks that we believe are indicated in current economic forecasts and the resulting reactions in the capital markets. These actions serve to increase LHI's risk-bearing capacity and stability.

The actual earnings situation and composition for LHI may not be directly discerned from the income statement items in all cases. Therefore, earnings and key cost indicators derived from the application of commercial principles are taken from the business performance analysis and used for management purposes. During the preceding financial year, costs were 25 % higher and revenues 115 % higher than budgeted. Accordingly, the CIR was well below the budget corridor.

In the current environment, we assess the earnings situation as good. The same assessment applies to the entire LHI Group. Although the annual result for 2019 was again marked by one-off effects, it is again within the strategically planned corridor after adjustment for these effects. In our view, the earnings level for 2019 is not a benchmark for longer-term forecasts. Although one-off effects are again a factor in 2020, we assume however that return on equity will be 10 % to 15 % and thus annual results will be between EUR 4.0 million and 6.0 million over the medium turn and will thus be in line with strategic projections.

### Capital structure

A profit and loss transfer agreement is in place between LHI and LHI Holding GmbH, so that the annual result does not change LHI's equity situation. Accordingly, the company's equity remained unchanged at EUR 41.7 million. In addition, an open contingency reserve in the form of a fund endowed with EUR 5.0 million for general banking risks was in place as at 31 December 2019. AT EUR 95.2 million, total assets were down year-on-year (previous year: EUR 116.3 million). The equity ratio rose from 35.8 % to 43.8 %. This figure is 49 % after consideration of the open contingency reserve according to section 340g of the German Commercial Code (HGB).

### Investments

The assets side of the balance sheet is characterised by investments in own investment products and cash and cash equivalents held of the balance sheet date. Some of the investments are short-term in nature and will be repaid upon external placement. Long-term receivables and investments in financing models have a strategic character or were acquired by the company after the end of the placement phase.

We are also planning short- and medium-term investments in our own investment products for the coming years. The total volume will remain about the same. At the end of each year, we continue to expect a high level of liquidity on the balance sheet date.

### Refinancing and liquidity

We finance medium and longer-term investments through the company's own funds. In addition, we took out an annuity loan of EUR 9.1 million from a bank in 2015. On the reported date, this loan had an outstanding balance of EUR 3.6 million and a residual maturity of 2.75 years. The bearer bonds issued by LHI were fully repaid in 2019. LHI has not entered into any other long-term liabilities other than the annuity loan.

We fund our ongoing business operations and interim financing for products to be placed using company funds and, as needed, by drawing on credit lines at three banks in the current amount of EUR 30.0 million. On 31 December 2019, borrowed funds of EUR 26.4 million were freely available from these credit lines.

Our solvency was assured in 2019. We monitor, manage and document this using a liquidity forecast prepared every 14 days. Based on a 12-month horizon, our liquidity available for new business will thus not fall below EUR 28.0 million (previous year: EUR 25.8 million) as at 31 December 2019 provided our funding options remain unchanged.

Off-balance sheet liabilities that could have an effect on liquidity upon occurrence comprise guarantees and warranties for which LHI is responsible. The equivalent amount of these items fell from EUR 39.1 million to EUR 8.3 million. This is due to the discontinuation of an overdraft facility for the Group's internal cash pooling. In this context, LHI had taken over a guarantee for the same amount and the expiry of obligations to leasing companies under the Saxon Ordinance. In addition, placement and underwriting obligations of EUR 4.5 million (previous year: EUR 4.4 million) and off-balance sheet obligations from outstanding payment obligations of EUR 7.1 million (previous year: EUR 6.7 million) are included.

The financial position of LHI is in good order. As in the past, the primary items on the assets side of the balance sheet comprise receivables from customers amounting to EUR 24.7 million (previous year: EUR 45.7 million), investments and shares in affiliated companies amounting to EUR 38.4 million (previous year: EUR 41.0 million) and other assets amounting to EUR 30.6 million (previous year: EUR 27.7 million), which mainly comprise cash equivalent items. Associated project refinancings were repaid for some short-term investments in own products. Other assets include EUR 9.9 million in shares in companies that will be resold over the short term. Investments and shares in affiliated companies declined as a result of repayments of capital reserves. At EUR 18.5 million at year-end 2019, cash and cash equivalents were lower than in the previous year (EUR 26.9 million).

In addition to equity and the fund for general banking risks, these balance sheet items are mainly offset on the liabilities side by provisions of EUR 32.3 million (previous year: EUR 28.7 million) and other liabilities of EUR 7.5 million (previous year: EUR 12.1 million), which primarily comprise the profit or loss to be transferred to the shareholders. The securitised liability was repaid in full (previous year: EUR 10.0 million). Furthermore, liabilities to banks amounting to EUR 7.2 million (previous year: EUR 20.3 million) were recognised, of which EUR 3.9 million are of short-term in nature. We currently do not use any other financial instruments.

## FORECAST, RISKS AND OPPORTUNITIES

### Forecast

In its 2020 Annual Report published in January, the German Federal Ministry of Economic Affairs continued to assume economic growth of 1.1% for 2020. However, this assumption no longer applies in light of the corona-virus-related crisis and expectations are of an overall slow-down. At present, the IMF Institute for Economic Growth is assuming that economic output will probably shrink this year.

We are likewise unable to forecast the corona-virus-related crisis and the potential consequences for the global economy it presents. However, at present we are still relying on the conservative key data underlying our planning and business strategy.

The aspects to be taken into account for planning prior to the corona-virus-related crisis, such as a continuation of low interest environment, an investment environment in Europe and the USA that remains attractive and medium-term inflation fears, will continue to influence market events. In our view, this presents both risks and opportunities in equal measure. We do not expect general political developments (Brexit, imminent trade wars, etc.) to have any direct impact on our business model, although we see these factors as creating additional uncertainties.

We believe trends in some asset prices we have observed to be increasingly problematic. Any further increase in price makes it more difficult for us, and other market participants, to purchase properties with adequate risk/return profiles. As a result of political and social discussions, investors are giving increasing consideration to ESG compliance on the part of investment products. In our opinion, this makes it more difficult to acquire and finance assets. Even if the banks' willingness to provide financing remains high, we expect them to be less willing to fully finance our financial structures typically used in the leasing context.



Developments in the legal environment also represent an additional important factor that influences business activities on the part of LHI. We generally assume that regulatory density will continue to increase. At present, the complexity of applicable requirements is still manageable and economically viable for us as a medium-sized enterprise. However, we critically scrutinise individual business activities on an ongoing basis.

Within this overall environment, LHI KVG continues to perform the essential function of fully investing existing capital commitments in portfolio projects. New products are targeted at institutional investors and wealthy private clients. For this reason, LHI CapMan will continue to place the focus of its sales efforts on offering these products to these target groups. We are sceptical of retail investment offerings given expectations about the environment and will only plan on offering them on a very selective basis at present and going forward. By contrast, we will continue to expand our activities in Luxembourg in line with demand.

The decline in our portfolio business has slowed markedly. We were able to offset fee volumes with new business and other income components during 2019. We do not expect to acquire new leasing or fund portfolios.

In terms of risk, we assume that the utilisation of risk cover funds will not be exceeded in subsequent years both in the baseline scenario (< 80%) and stress scenario (< 100%). We expect the nominal results from new business to be within targets during this period. The long-term coverage ratio will remain at target levels of between 75% and 85%. Under the general conditions described above, we assume long-term book results of between EUR 4.0 million and EUR 6.0 million (return on equity of between 10% and 15%). The result for the year for 2020 will be higher due to expected one-off effects that cannot be budgeted in terms of amount.

On the whole, we believe that achieving our earnings targets to be ambitious but realistic in light of the prevailing environment. External factors such as a slowdown in the economy and a further increase in regulatory density are included in our expectations. External shocks, such as the failure of the euro area or the corona-virus-related crisis, are not included in the budget figures referred to above. We analyse the effects of these types of scenarios in the form of stress tests, etc. however they do not comprise an element of our planning assumptions.

### Risks

**Risk management**
Every entrepreneurial activity also involves risk. These risks can arise at any area within the company and it is impossible to anticipate and/or quantify every risk. In order to minimise the risks of “day-to-day” business operations, LHI takes precautions such as:

- Employee training and awareness-raising
- The publication of operating procedures (contingency plans, working instructions)
- Purchasing insurance policies (risk mitigation)
- The duplication of resources (substitution rules, technical backup procedures, etc.)

These preventive measures can thus be seen as an integral part of risk management in the broader sense. They are, however, so specific that they largely elude standardised management at a higher level. In order to make these risks identifiable or keep them manageable, LHI employs a variety of instruments such as having internal audit review certain circumstances or establishing standard controls within the scope of an Internal Control System (ICS).

Risk management in the narrower sense means dealing with the risks that LHI assumes or must assume in order to generate profits. Taking such decisions is backed by preparation in the form of an original risk assessment by the relevant operational departments. In this context, the process at LHI ensures that functional segregation required for regulatory purposes is reflected within the decision-making process. This is the case because the process is designed in such a way that all risk-related decisions are made by LHI management in the form of a second risk assessment.

The analysis of a potential risk is the second important aspect of functional segregation in addition to the decision-making process. In this context, LHI distinguishes between the risk management and risk controlling functions. Whereas the risk controlling function is performed by an independent organisational unit, the risk management function is performed on a decentralised basis. As part of this model, the tasks of risk management are characterised by the following features:

- Close relationship to the individual business segment and/or individual transaction
- Operational relationship (e.g. business acquisition, maintenance, workout)
- Dealings with customers, investors or project partners (high external impact)

Whereas risk controlling

- carries out risk analyses for the company as a whole (portfolio view)
- calculates risk potential (no operational handling of risks)
- serves primarily for corporate management (little external impact)

The dovetailing of risk management and risk controlling is achieved by means of risk management groups. Risk managers regularly meet in these committees to analyse the current risk situation and to determine the further course of action on this basis.

LHI's risk management and risk controlling process encompasses the entire LHI Group. LHI KVG has an independent risk controlling unit. This unit performs the risk controlling function both for LHI KVG itself and for the AIF products it manages. The data and information obtained as part of this process is discussed with the corresponding unit within LHI and then presented in a Group-wide risk report.

The audit of the risk management and risk controlling processes at LHI is regularly included in the internal audit department's audit plan. The most recent review of the risk control processes carried out by the internal audit department again showed that the existing roles, guidelines and regular reportings ensure that LHI's risks are managed appropriately and identified on a timely basis.

## Risk categories

When assigning the individual risk types to the risk categories, LHI is guided by its business model, i.e. risk types are assigned on the basis of the business activities that essentially cause the risks. Risk reporting distinguishes between six risk categories.

**Property price risks**
Property price risks include risks resulting from transactions in equity-based investment products. In this business segment, properties are regularly acquired (real estate, wind and solar farms, etc.), that are then aggregated into fund-based investment products and placed on the market. During this phase, there is a risk that the value of the properties will change and that LHI will suffer a financial loss as a result. In the worst-case scenario, the property may even become unmarketable, so that LHI must retain the investment over the longer term. Due to the specific character of individual properties, these risks are assessed using scoring procedures tailored to the respective properties.

**Market price risks**
By definition, market price risks arise exclusively within ATG. This entity handles payment transactions for the majority of the companies affiliated with the LHI Group. In performing this function, ATG has at its disposal a deposit of free cash and cash equivalents that may be invested on the basis of strict investment guidelines. The resulting opportunities and risks (interest rate risks, borrower credit risks and share price risks) are borne by LHI. Risk quantification is based on a simulation involving historical data.

**Counter-party default risks**
Counter-party default risks result from the fact that fixed fee agreements are concluded with the customers (lessees) for purposes of managing special purpose companies. If a lessee becomes insolvent, the fees are not paid and the costs of managing the special purpose company continue to accrue. The quantification of this risk is based on the method for determining credit default risks by calculating expected and unexpected losses at the level of individual transactions and portfolios, whereby the default probabilities of the lessees are determined using rating procedures and future fees are used to measure the credit equivalent amounts.

**Investment risks**
Investment risks are risks arising within the scope of material investments within the LHI Group. Material investments are companies that either have high risk exposure and are therefore materially relevant to risk or are of particular significance for the LHI Group business model (or parts thereof). Due to the particular characteristics of the business models, property price, market price and counter-party default risks are not individually relevant or negligible within these companies. The investment risks therefore primarily comprise operational risks and other risks at these companies. The basic indicators for the quantification of these risks in the individual companies are predominantly fee entitlements or cost totals for the calendar year. The associated weighting factors are determined within the framework of scoring procedures. Occasionally, other risks are also identified by means of blanket assessments within the framework of expert assessments.

**Operational risks**
Operational risks result from general business operations, so that allocation to specific business activities is only possible in specific cases. Quantification of this type of risk is based on the standard approach prescribed by the regulatory authorities. The “relevant indicator” is the sum of all fee entitlements over the next twelve months, whereas the weighting rate is determined on the basis of a scoring model.

**Other risks**
Other risks comprise a collective item in which all risks are shown that occur only on a temporary basis, i.e., that are not a regular component of the LHI risk profile. These comprise essentially structural liquidity risks (liquidity shortfall in the liquidity progress review) and strategic business risks. Quantification is carried out by means of an expert assessment.

All material sub-risk types are grouped into these categories. For example, operational risks also include legal risks. The aforementioned risk management committees were also set up on the basis of the above-mentioned risk categories.

### Risk reporting

MaRisk AT 4.1 requires institutions to ensure that all material risks must be covered by risk coverage potential and that verification of risk-bearing capacity must be maintained. Accordingly, the analysis of the risk-bearing capacity comprises the nucleus of risk reporting at LHI.

The risk report is prepared by risk controlling and discussed regularly by the Management Board. In addition to risk-bearing capacity, the requirements of the risk strategy and its compliance are also reviewed as part of the risk reporting process.

Apart from its risk-bearing capacity, the availability of liquidity represents another significant risk for LHI. To manage this risk, a rolling liquidity forecast is prepared at 14-day intervals and is discussed by LHI management. Within the framework of this forecast, all known material liquidity outflows for the coming twelve months are determined and compared against available liquidity including free credit line commitments.

The liquidity forecast reliably indicates whether a structural liquidity shortfall could occur within the period under review. The risk strategy specifies that this must be avoided. If a shortfall occurs nevertheless, a corresponding risk value (liquidity at risk) is calculated on the basis of the liquidity shortfall, which must then be covered by risk capital in the risk-bearing capacity model. In addition, the interval for preparing the liquidity forecast must be shortened in such cases.

### Risk-bearing capacity

The risk-bearing capacity model is based on the going concern assumption. The methods used to quantify risk in this model do not include, for example, the recognition of risk-mitigating correlation effects between different risk categories or portfolio effects within property price risks. Thus, the conservative assumption that all risks will materialise at the same time is used for modelling purposes.

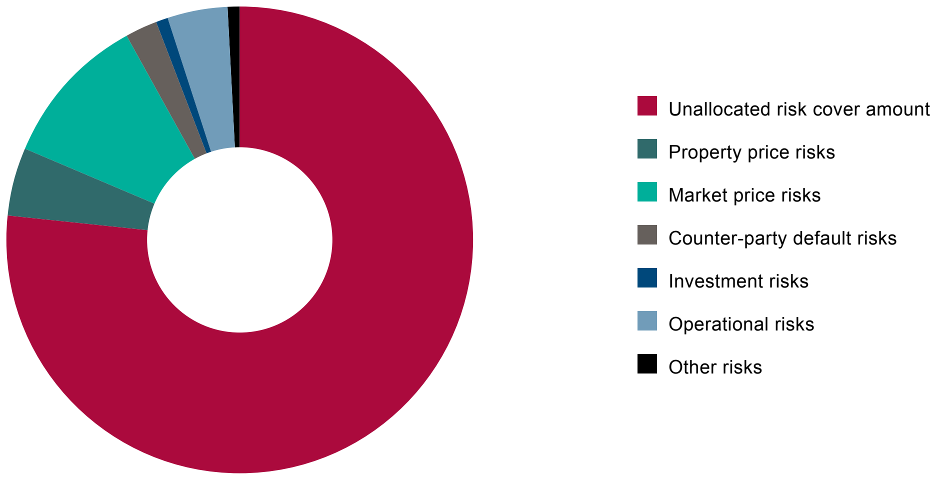
The basic structure of the risk-bearing capacity model is designed in such a way that the risk potential in the above risk categories is calculated in two scenarios (baseline and stress scenario) and compared against risk cover funds. As part of the first step, the risk potential of each individual transaction/risk carrier is calculated, e.g. in the baseline scenario on the basis of a value-at-risk with a confidence level of 95% and a holding period of one year. The risk potential of all individual transactions is then first added together within the respective risk category and then aggregated across all risk categories to form overall risk for LHI.

LHI's business model is characterised by the fact that investments are made in property-based, and thus illiquid, assets on a frequent basis (illiquid in the sense that they are not traded daily and thus no high-frequency market data is available for these assets). In addition, these assets are very specific (e.g., location, condition, age and intended use of a property), so that, as a rule, valuations are only possible on the basis of a mark-to-model approach (e.g., a property valuation).

The risk cover funds taken into account in the risk-bearing capacity model comprise the share capital, the fund in accordance with section 340g of the German Commercial Code, profit reserves and the risk provision to shield against losses in both the basic and stress scenarios.
All methods and procedures used to calculate risk exposures or cover funds are described in a methodological manual, regularly reviewed and adjusted as needed.

Risk-bearing capacity was assured during the reporting period. According to the quarterly risk reports, the risk utilisation in the baseline scenario was between 21 % and 25 % and between 41 % and 47 % in the stress case. As of the reporting date, risk utilisation was calculated at approximately 23 % in the baseline scenario and approximately 44% in the stress scenario. Accordingly, risk utilisation has risen compared to the start of the year. The requirements of the risk strategy were complied with.

LHI's risk profile as of 31 December 2019 was dominated by market price risks and property price risks. As of the reporting date, these accounted for approximately 45 % and 21 %, respectively, and thus together just under two-thirds of the total risk potential. The following categories comprise operational risks with a share of approximately 18%, followed by counter-party default risks at approximately 10 %. The remainder (6 %) is allocated among the other risk categories listed above. The strategic risk objective of avoiding structural liquidity shortfalls was met at all times during the reporting period. Accordingly, risk cover funds were not subject to liquidity risks during the reporting period. LHI's risk profile in the baseline scenario is as follows:




It can be seen from the chart that in the baseline scenario some 77 % of the risk cover amount is not utilised by risks and that risk-bearing capacity is therefore assured.

The appropriateness of the risk assessment is reviewed once a year by means of backtesting. The risks effectively observed in a calendar year are compared with the forecast values applied within the individual risk categories. Backtesting carried out in spring 2019 for the 2018 calendar year revealed that the risk forecast exaggerated the risks that had actually materialised in each case.

We are concerned about the increasing number of technology-based attacks on our company. Following a cyberattack in November 2018, we continued to be the target of a few cyberattacks during 2019. The LHI Group's contingency plans were effective in all cases. We recorded no personal data breaches. Functionality was fully restored in all cases.

In this respect, although we expect an increase in IT risks (operational risks), we do not assume that risk-bearing capacity will become a critical bottleneck factor for LHI in the foreseeable future due to low risk utilisation levels at present and the results of the capital planning process.

### Opportunities

Observing the market, customer requirements, and monitoring the performance of our own company, as well as the economic and legal environment, comprise integral parts of our daily work. For example, the business model is regularly scrutinised from a critical standpoint and, if necessary, adjusted, and optimisation potentials or market opportunities are identified at institutionalised management meetings with selected second-tier management employees.

In principle, the LHI Group's business model has proven to be sufficiently profitable even in the face of cyclical fluctuations and market crises. This is evidenced by the fact that LHI has never closed a financial year with a book loss since it was founded. We believe the reason our many years of success to be the fact that we have succeeded in diversifying the income side using three business areas, structured finance, equity-backed products and the management of special purpose companies.

In the area of structured finance, we see particular opportunities presented by our expertise in creating investment products. This enables us to tailor transaction structures both to the needs of the customers (e.g., lessees) and to the needs of professional and semi-professional investors (e.g., insurance companies and other financial intermediaries). We believe that this gives us a unique selling proposition that enables us to develop new business opportunities on a regular basis. We regard the new standards for lease accounting (IFRS 16), which have been in effect since 2019, as an opportunity to use our expertise in creating leasing models to continue developing solutions that are in demand by our customers in future.

In the equity-backed products segment, we are benefiting from the ongoing low interest rate environment, the scarcity of alternative forms of investment with a comparable risk/return profile, the favourable investment environment in Europe and the USA, and concerns about a medium-term rise in the rate of inflation caused by the high supply of money. These circumstances continue to make investments in property-based assets attractive for many investors. We also assume that the quality of the initiator of an investment product will remain of great importance in future. This means that continuity and a long-standing market presence are among the decisive criteria for investment decisions or the choice of financing partner. We believe that the high level of regulation also contributes to professionalisation and transparency in the markets relevant to the LHI Group. We believe we are well-equipped for quality-based competition that results from these circumstances.

In the context of managing special purpose companies, we generally believe that accepting management commissions will aid in the further stabilisation of this segment. Accordingly, we remain open to the assumption of third-party service commissions and cannot rule out the purchase of further leasing or fund portfolios.

In March 2020, the spread of the corona-virus triggered a global crisis. At present, the economic consequences for the LHI Leasing GmbH cannot be forecast. We cannot rule out the possibility that we will miss our target figures for 2020, but we still expect a positive result for the year in light of the stability of our business model.

# Figures from the balance sheet and income statement

| | 31/12/2019 in KEUR | 31/12/2018 in KEUR | 31/12/2017 in KEUR | 31/12/2016 in KEUR |
|---|---|---|---|---|
| **Loans and advances to customers** | 24,652 | 45,687 | 48,110 | 32.014 |
| **Investments and shares in affiliated companies** | 38,430 | 41,076 | 37,178 | 48,923 |
| **Cash equivalents** | 18,479 | 26,892 | 28,900 | 41,620 |
| **Liabilities to banks** | 7,165 | 20,300 | 11,036 | 26,550 |
| **Provisions** | 32,335 | 28,726 | 29,372 | 32,859 |
| **Equity** | 41,697 | 41,697 | 41,697 | 41,697 |
| **Total assets** | 95,234 | 116,335 | 116,916 | 129,088 |
| | | | | |
| **INCOME STATEMENT** | | | | |
| **Current income from investments and affiliated companies as well as income from profit and loss transfer agreements** | 26,484 | 20,323 | 15,701 | 8,785 |
| **Income from current fees and remuneration** | 23,736 | 25,702 | 25,002 | 27,902 |
| **Personnel expense** | -24,172 | -22,472 | -24,434 | -20,520 |
| **Other administrative expenses** | -21,194 | -19,996 | -19,897 | -20,263 |
| **Result for the year*** | 10,424 | 14,341 | 20,430 | 5,501 |
| **Annual net profit** | 0 | 0 | 0 | 0 |

*Transferred by profit and loss transfer agreement since 2015.

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