coreo® real estate

Annual Report 2017

Content

Supervisory Board report
for the 2017 Fiscal Year

Dear shareholders,

The Supervisory Board will inform you about the main focuses of its activities in the past fiscal year in the following.

The reporting year 2017 was marked by the practical implementation of the real estate strategy.

Cooperation with the management

In the reporting year, the Supervisory Board duly performed the duties incumbent upon it by law, the articles of association and the rules of procedure. In particular, the Supervisory Board carefully and continuously monitored and advised the Executive Board in its management of the company on the basis of legality, regularity, usefulness and efficiency. In regular written and verbal reports, the Executive Board informed the members of the Supervisory Board about the strategic and ongoing business development and company planning as well as key company issues. In addition, there was an intensive communication of information between the Executive Board and the Chairman of the Supervisory Board. The Supervisory Board actively participated in close coordination with the Management in all processes and decisions requiring approval.

Personnel staffing

In accordance with the statutory provisions of Coreo AG, the Supervisory Board consists of three members. Members of the Supervisory Board during the entire reporting period were the following:

• Stefan Schütze (chairman of the Supervisory Board),
• Axel-Günter Benkner
(deputy chairman of the Supervisory Board),
• Dr. Friedrich Schmitz (member of the Supervisory Board).

Focuses of the meetings

All members of the Supervisory Board were fully represented in the five ordinary meetings in the reporting year. The Board's reporting was discussed in detail at the meetings. Supervisory Board resolutions were made on the basis of detailed, appropriate information and analyses in the meetings or by circulation procedure.

The annual financial statements as of 31 December 2016 and the focus of the audit were discussed in detail with the auditors at the accounts meeting on 20 April 2017. The questions of the members of the Supervisory Board regarding the audit report were fully answered and no objections were raised. The Supervisory Board therefore unanimously accepted and approved the annual financial statements. Additional topics of the meeting included the Supervisory Board's report to the shareholders and determining the date for the annual general meeting. In addition, the Executive Board presented and explained to the Supervisory Board potential real estate properties under consideration of opportunities and risks, cash flow calculation and financing.

In addition to the discussion of the semi-annual financial statements for 2017, the content of the meeting on 30 August 2017 were the current development of the financial and earnings position and the future strategic development of Coreo. The management and the Supervisory Board have discussed in detail growth financing opportunities, which could allow the company (in view of its limited equity) to make the jump in growth and size in order to act as a strong real estate investor in the capital market.

The focus of the agenda at the meeting on 25 September 2017 was analysing the future scenario of „bridge-to-grow financing" in the form of an option bond, which was presented and explained by the Executive Board on the basis of investment case calculations. The Executive Board and the Supervisory Board together postponed the decision after intensive considerations and discussions.

At the meeting on 14 December 2017, the Supervisory Board once again discussed in detail the corporate bond as an option for raising capital and alternative financing sources in connection with a real estate portfolio, which is to be acquired. In addition, the scheduling of the 2018 annual general meeting was the subject of the meeting.

The Executive Board's resolution on the issue of an option bond with a volume of EUR 20 million was unanimously approved on 20 December 2017.

Annual audit for 2017

This annual financial statement of Coreo AG for the 2017 fiscal year was audited by Votum AG auditing company / tax consultancy firm, Frankfurt / Main, and given a non-restricting auditor's report.

The auditing management was shared by Mr. Leoff and Mr. Lehnert. Mr. Leoff was appointed as auditor in 2005. Mr. Lehnert was appointed in 2014.

The Supervisory Board was provided with the financial statements and the audit report of the auditor. At the accounts meeting, they were reviewed in particular with regard to legality, correctness and expediency and discussed in detail with the Executive Board and the auditors. In the report, the auditor presented the Executive Board's risk management and monitoring system and found it suitable for identifying developments at an early stage that endanger the company's survival.

The auditor reported on the results of the audit in the Supervisory Board meeting from 11 April 2018 as a whole and on the individual focal points of the audit and answered the questions of the Supervisory Board members in detail. The Supervisory Board subjected the submitted annual financial statement and the audit report to its own review as usual. The Supervisory Board was convinced in the process that the audit report as well as the audit conducted by the auditors themselves complied with the legal requirements and raised no objections.

The Supervisory Board accepted and thus approved the annual financial statement prepared by the Executive Board with the Supervisory Board resolution of 11 April 2018.

We would like to thank all employees for their commitment!

For the Supervisory Board,
Frankfurt am Main, 11 April 2018

Stefan Schütze
Chairman of the Supervisory Board

Annual financial statement (IFRS) of Coreo AG
as of December 31, 2017

Balance sheet as of December 31, 2017 (IFRS)
assets

in TEUR	12/31/2017	12/31/2016	01/01/2016	Notes
Non-current assets				
Intangible assets	19	17	1	3.1.1
Property, plant and equipment	7	10	13	3.1.2
Financial assets	13,276	10,669	18,317	3.1.3
	13,302	10,696	18,331	
Current assets				
Receivables from affiliated companies	1,771	0	0	3.2.1
Other assets	22	25	19	3.2.1
Tax receivables	84	8	3	3.2.1
Cash and bank balances	4,489	4,778	1,179	3.2.2
	6,366	4,812	1,202	
Total assets	**19,668**	**15,508**	**19,533**	

Balance sheet as of December 31, 2017 (IFRS)
liabilities

in TEUR	12/31/2017	12/31/2016	01/01/2016	Notes
Equity				
Subscribed capital	9,360	9,360	6,240	4.1.1
Capital reserves	19,826	19,826	19,826	4.1.2
Renvenue reserve	12,545	12,545	12,545	4.1.3
Retained earnings/loss	-23,470	-26,461	-19,196	
Revaluation reserve	1,070	0	0	4.1.4
	19,331	15,270	19,415	
Non-current liabilities				
Other provisions	6	6	6	4.2.1
	6	6	6	
Current liabilities				
Other provisions	237	169	80	4.3.1
Trade payables	81	55	27	4.3.2
Other liabilities	3	1	1	4.3.2
Tax liabilities	10	8	4	4.3.2
	331	232	112	
Total equity and liabilities	**19,668**	**15,508**	**19,533**	

Income statement (IFRS)
January 1 to December 31, 2017

in TEUR	2017	2016	Notes
Revenue	59	0	5.1
Other operating revenues	4,101	26	5.2
Total revenues	**4,160**	**26**	
Personnel costs	-370	-297	5.3
Depreciations	-10	-7	5.4
Other operating charges	-821	-2,267	5.5
Result of operating activity (EBIT)	**2,958**	**-2,545**	
Financial income	48	72	5.6
Financial expenses	-15	-4,792	5.7
Earnings before taxes	**2,991**	**-7,265**	
Income taxes (EBT)	0	0	5.8
Net profit or loss for the period	**2,991**	**-7,265**	
Number of shares issued (undiluted)	9,360,000	9,360,000	
Dilutive effect of stock options	0	0	
Number of shares issued (diluted)	9,360,000	9,360,000	
Basic earnings per share in EUR	0.32	-0.78	2.3.16
Diluted earnings per share in EUR	0.32	-0.78	2.3.16
Period result	2,991	-7,265	
Changes in the revaluation reserve	1,070	0	4.1.4
Overall result	**4,062**	**-7,265**	

Cash flow statement (IFRS)
January 1 to December 31, 2017

in TEUR	2017	2016
Net profit or loss for the period	2,991	-7,265
Depreciation on tangible assets and intangible assets	10	7
Depreciation on financial assets	0	4,792
Write-ups on fixed assets	-2,619	0
Profit/loss on disposal of equipment and intangible assets	0	-2
Profit/loss on disposal of financial assets	-1,380	1,484
Other non-cash expenses/incomes	-33	-72
Increase/decrease of accruals	68	89
Increase/decrease in trade accounts receivable and other assets	-1,844	-10
Increase/decrease in payables and other liabilities	31	32
Received interests	48	72
Paid interests	-15	0
Cash flow from operating activities	**-2,743**	**-874**
Payments received from the disposal of property	0	2
Expenditures for investments in property, plant and equipment	-1	-1
Payments made for investments in intangible assets	-9	-20
Payments received from the disposal of financial assets	3,723	1,372
Expenditures for investments in financial assets	-1,260	0
Cash flow from investing activities	**2,453**	**1,353**
Payments received from capital increases	0	3,120
Cash flow from financing activities	**0**	**3,120**
Change in cash and cash equivalents	-290	3,599
Cash and cash equivalents at the beginning of the period	4,778	1,179
Cash and cash equivalents at the end of the period	**4,489**	**4,778**

Statement of changes in equity (IFRS)
1 January to 31 December, 2017

in TEUR	Subscribed capital	Capital reserve	Revenue reserve	Result carried forward	Revaluation reserve	Total equity
Status as of 01/01/2015 according to HGB	**6,240**	**19,826**	**12,545**	**-4,771**	**0**	**33,840**
Period result	0	0	0	-5,549	0	**-5,549**
Allocations to result carried forward	0	0	0	-8,876	0	**-8,876**
Status as of 12/31/2015 according to HGB	**6,240**	**19,826**	**12,545**	**-19,196**	**0**	**19,415**
Status as of 01/01/2016 according to IFRS	**6,240**	**19,826**	**12,545**	**-19,196**	**0**	**19,415**
Period result	0	0	0	-7,265	0	**-7,265**
Capital increase	3,120	0	0	0	0	**3,120**
Status as of 12/31/2016 according to IFRS	**9,360**	**19,826**	**12,545**	**-26,461**	**0**	**15,270**
Status as of 01/01/2017 according to IFRS	**9,360**	**19,826**	**12,545**	**-26,461**	**0**	**15,270**
Period result	0	0	0	2,991	0	**2,991**
Neutral result change of revaluation reserve	0	0	0	0	1,070	**1,070**
Version as of 12/31/2017	**9,360**	**19,826**	**12,545**	**-23,470**	**1,070**	**19,331**
Notes	4.1.1	4.1.2	4.1.3		4.1.4	

Notes to the annual financial statement (IFRS) of Coreo AG
January 1 to December 31, 2017

1. Company Information

Coreo AG has its headquarters in Frankfurt am Main, Grüneburgweg 18. The Company is registered in the commercial register of the district court Frankfurt under HRB 74535.

In accordance with the articles of association, the object of the Company is the operation of real estate transactions and related transactions of all kinds, in particular the acquisition of developed and undeveloped properties, the construction of buildings on such properties, their surrender of use, the development, improvement and encumbrance of such buildings and properties, their letting and administration as well as their use, the participation in partnerships and (listed and non-listed) commercial companies with the same or similar business purpose and their sales and supply of services for these companies in the real estate sector, in particular the letting and administration of real estate. Activities defining the Company as an investment fund in the sense of the German Capital Investment Code are not exercised. In particular, the Company does not pursue the main purpose to provide its shareholders with a return by selling its subsidiaries or affiliated companies.

Coreo AG is listed on the Open Market of the Frankfurt Stock Exchange. There is no stock exchange listing within the meaning of § 3, section 2 of the German Stock Corporations Act (AktG). This also means that it is not a capital market-oriented corporation in accordance with § 264d German.

2. Accounting policies

2.1 Fundamentals

The annual financial statements are an individual financial statement in accordance with IAS 27 and have been prepared taking into account all standards and interpretations published and adopted as part of the EU endorsement process that were mandatory for the financial year 2017. Earlier application of the new standards was not conducted.

These annual financial statements are based on the going concern assumption.

Coreo AG is not legally obliged to prepare IFRS financial statements. The preparation and publication of the IFRS individual financial statement should enable users to better assess the value of the Company.

IFRS financial statements were prepared for the first time as of December 31, 2017. For the conversion from national accounting principles to IFRS, an IFRS opening balance sheet had to be prepared as of January 1, 2016, which is the starting point for future IFRS accounting, as well as a comparative balance sheet as of December 31, 2016. The transition from German Commercial Code (HGB) to IFRS had no impact on the presented assets, finances and income, statement of comprehensive income, statement of changes in equity or cash flow statement.

The fiscal year of the Company corresponds to the calendar year.

The annual financial statements comprise the balance sheet, the statement of comprehensive income (comprising the profit and loss account and other comprehensive income), the statement of changes in equity, the cash flow statement and the notes. The profit and loss account is prepared using the total cost method.

These financial statements are presented in euros, the functional currency of the Company. Unless otherwise stated, all financial information presented in euros has been rounded to the nearest thousand.

2.2 Changes in accounting and valuation methods applicable - new standards in international accounting according to IFRS and interpretations

International Financial Reporting Standards (IFRS) and Interpretations (IFRIC) applicable for the first time in the financial year as well as amendments to standards and interpretations:

The first-time application of the following amended accounting standards had no or no significant impact on the presentation of the assets, finances and income or earnings per share.

IFRS statements (with application obligation as of financial year 2017):

Amendments to IAS 7, cash flow statements – Disclosure Initiative Amendments to IAS 12, recognition of deferred tax assets for unrealised losses.

Annual improvements to IFRS, Cycle 2014 – 2016 for amendments to IFRS 12, notes on shares in other companies.

The Company has not applied any new or amended standards and interpretations for the first time in the current financial year.

Published but not yet mandatory IFRS and IFRIC as well as amendments to standards and interpretations:

The following standards and amendments to standards have already been adopted by the European Union but are only mandatory for annual financial statements after December 31, 2017:

IFRS publication (adopted by the EU):

	Application obligation for financial years beginning on or after
Annual Improvements to IFRS, Cycle 2014 - 2016 for Amendments to IFRS 1, First-time Adoption of International Financial Reporting Standards, and IAS 28, shares in associated companies and joint ventures	01.01.2018
IFRS 9, financial instruments	01.01.2018
IFRS 15, revenues from contracts with customers	01.01.2018
Clarification with regard to IFRS 15 revenues from contracts with customers	01.01.2018
Amendments to IFRS 4 insurance contracts	01.01.2018
IFRS 16, leasing relationships	01.01.2018

The IASB and the IFRS Interpretations Committee have issued additional standards and interpretations that are not yet mandatory for the financial year 2017:

IFRS statements (not yet endorsed by the EU):

	Application obligation for financial years beginning on or after
Amendments to IFRS 2, Share-based payment	01.01.2018
Amendments to IAS 40, Investment property	01.01.2018
IFRIC 22, Transactions in foreign currencies and compensatory measures paid in advance	01.01.2018
IFRIC 23, Uncertainty of income tax treatment	01.01.2019
Amendments to IFRS 9, Early redemption rules with negative settlement payments	01.01.2019
Amendments to IAS 28, long-term participations in associated companies and joint ventures	01.01.2019
Annual improvements to IFRS, 2015 - 2017 cycle	01.01.2019
Amendments to IAS 19, plan amendments, curtailments and settlements	01.01.2019
IFRS 17 Insurance contracts	01.01.2021

According to current estimates, the new or amended IFRS statements mentioned in the table above have no material impact on the presentation of the assets, finances and income.

The Company has not voluntarily applied any of the aforementioned new or amended regulations ahead of time. The mentioned standards and interpretations are principally applied as of January 1 of the following financial year in case of an initial adoption during the year. The precondition is the adoption of these regulations by the EU.

2.3 Significant accounting policies

Coreo AG breaks down its assets and liabilities in the balance sheet into short-term and long-term assets and liabilities. An asset is classified as short-term if:

- the asset is expected to be realised within the normal business cycle or the asset is held for sale or consumption within this period,
- the asset is held primarily for trading purposes,
- the asset is expected to be realised within twelve months of the balance sheet date, or
- they are cash or cash equivalents, unless the exchange or use of the asset to settle an obligation is restricted for a period of at least twelve months after the balance sheet date.

All other assets are classified as long-term. A debt can be classified as short-term, if:

- the debt is expected to be settled within the normal business cycle,
- the debt is held primarily for trading purposes,
- the liability is expected to be settled within twelve months of the balance sheet date, or
- the Company does not have an unlimited right to defer settlement of the debt for at least twelve months after the balance sheet date.

All other liabilities are classified as long-term.

Deferred tax assets and liabilities are classified as long-term assets or liabilities.

2.3.1 Mergers and goodwill

All mergers are accounted for by applying the purchase method. The acquisition costs of an acquisition are measured as the sum of the consideration transferred, which is measured at fair value at the time of acquisition. Costs incurred in the merger are recognised as an expense and stated as administrative costs.

Goodwill resulting from a merger is carried at acquisition costs less any necessary impairments of value and is reported separately in the balance sheet.

For the purpose of this impairment test, goodwill is attributed to the group's cash generating units that are expected to draw a profit from the merger.

Cash-generating units, to which part of the goodwill is allocated, should be audited annually for impairment of value. If there are indications of impairment of value of a unit, it may be necessary to audit for impairment of value more frequently. If the achievable price of a cash-generating unit is smaller than the book value of a unit, the impairment of value costs should be attributed to the book value of each of the goodwill attributed to the unit and then pro rata to the other assets on the basis of the book value of each asset in proportion to the total book values of fixed assets within the unit. The achievable price is the higher figure of the utility value and the fair value minus sale costs.

Any impairment of value costs on goodwill is directly recognised in the profit and loss account. Impairment of value costs recognised for goodwill shall not be reversed in a subsequent period.

When a cash-generating unit is sold, the amount of goodwill attributable to it is taken into account when determining the disposal gain/loss.

2.3.2 Intangible assets

Intangible assets with definite useful lives that are not acquired in a merger are recognised separately at acquisition costs less cumulated depreciation and impairments of value. Depreciation is recorded as expenditure on a straight-line basis over the expected useful life. The expected useful life and the depreciation method are reviewed on each balance sheet date and all changes in estimates are taken into account prospectively.

Separately acquired intangible assets with an indefinite useful life are recognised at acquisition costs less accumulated impairments of value.

They are reported in the profit and loss account under depreciation of intangible assets and fixed assets.

2.3.3 Real asset

The assets shown under fixed assets are reported at their purchase or production costs less the cumulative ordinary depreciation. Gains or losses from the disposal of fixed assets are included in other operating revenues or other operating expenses.

The depreciation methods and useful lives are reviewed at the end of each financial year and adjusted if necessary. The book values of fixed assets are reviewed for impairment of value as soon as there are indications that the book value exceeds the achievable price.

Scheduled, straight-line depreciation is based on average useful life.

2.3.4 Impairment of value of fixed assets and intangible assets with the exception of goodwill

At each balance sheet date, the Company reviews the book values of fixed assets and intangible assets, in order to identify any evidence of impairment of value of these assets. If such evidence can be identified, the achievable price of the asset is estimated to determine the extent of any impairment of value cost.

In the event of any ensuing reversal of the impairment of value costs, the book value of the asset or the cash generating unit is increased to reflect the most recent estimate of the achievable amount. The book value may not increase above the value which would have been determined if no impairment of value costs for the value of the asset or cash generating unit had been recognised in previous years. A reversal of the impairment is immediately recognised as income or expense unless the asset is recognised at its revalued amount. In such a case, the reversal of the impairment should be treated as an increase in the revaluation reserve.

2.3.5 Financial assets

The financial assets allocated to long-term assets are shares in affiliated companies, shares in associated companies, participations and loans with regard to affiliated companies.

Financial assets are allocated to the following categories:

- Financial assets at fair value through profit or loss

- Financial investments that are held up to their final maturity

- Financial asset available for sale

- Credits and receivables

The allocation depends on the type and purpose of the financial assets and is determined upon receipt. Financial assets which are delivered within the customary period for the market in question are recognised and derecognised on the trading day.

The subsidiaries (shares in affiliated companies) are companies controlled by Coreo AG. The Company gains control if it:

- can exercise authority of disposal over the associated Company,
- is exposed to fluctuating returns on its investment, and
- can influence the level of returns on the basis of its authority of disposal.

The Company reassesses whether or not it controls an associated Company if facts and circumstances indicate that one or more of the above three criteria of control have changed.

Subsidiaries are included in the individual financial statement of the parent Company in the valuation category „Financial asset available for sale" and carried at fair value.

The fair value is determined using a valuation hierarchy: Where available, current publicly available market prices shall be used. If they are missing, recent market prices and/or similar financial instruments should be used. If these are also intangible, then analytical valuation methods (such as DCF, option models, etc.) have to be applied.

An affiliated company is a company in which the Company has significant influence and which is neither a subsidiary nor a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies. These are participations where Coreo AG directly or indirectly holds 20 % to 50 % of the voting shares.

Shares in associated companies and participations are shown under the valuation categories „Financial asset available for sale".

Changes in the fair value of financial assets classified as „Financial asset available for sale" are recognised with no effect on profit or loss in the revaluation reserve. If there is objective evidence of impairment (IAS 39.59), the cumulative loss that had been recognised directly in equity is reclassified from equity to the profit and loss account (IAS 39.67).

Loans to affiliated companies held to maturity are carried at amortised cost. If there are objective, substantial indications of impairment (IAS 39.59) of an asset, it has to be written down to its lower value with an effect on income. If the reasons for the extraordinary depreciation no longer apply, a reversal of the impairment has to be made (IAS 39.63 ff.).

The fair values on which the valuation is based are derived from the stock market prices quoted on the balance sheet date or from transactions that took place close to the balance sheet date. If a fair value cannot be reliably determined in individual cases for unlisted participations, they are alternatively recognised at acquisition costs unless the lower fair value measurement applies (IAS 39.46c). Acquisition costs are determined at the price on the settlement date.

2.3.6 Taxes

Actual income tax for each

Current tax assets and liabilities are measured at the amount expected to be reimbursed by the tax authority or paid to the tax authority. The calculation of the amount is based on the tax rates and tax laws applicable in Germany on the balance sheet date.

Deferred taxes

Deferred taxation is generated by applying the asset and liability method to all temporary differences between the valuation of an asset or liability in the balance sheet and the tax valuation existing at the balance sheet date.

Deferred tax assets are entered for all temporary differences liable for deductions, tax losses carried forward not used yet, and tax credits not used yet in the measure, in which it is probable that the income to be taxed will be available against which the temporary differences liable for deductions, tax losses carried forward not used yet, and tax credits can be used.

The carrying amount of the deferred tax credits is assessed at every balance sheet date and will be reduced to that extent to which it is no longer likely that a sufficient taxable income will be available, for which the deferred tax credit can be used at least in parts. Unrecognised deferred tax credits are reviewed at the end of each balance sheet date and recognised to the extent that it has become probable that there will be future taxable profit against which the deferred tax credit can be utilised.

Deferred tax assets and liabilities are calculated on the basis of tax rates whose validity for the period in which an asset is realised or a liability is settled is expected. This is based on the tax rates (and tax laws) that apply on the balance sheet date or are announced by law.

Deferred tax assets and liabilities are only offset if Coreo AG has a legally enforceable right to offset actual tax refund claims against actual tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same tax authority.

2.3.7 Receivables and other assets

In the case of Coreo AG, there are mainly accounts receivable trade, loans receivable from affiliated companies and other assets. They are measured at amortised cost less any impairments of value.

If there is objective evidence that an impairment of financial assets carried at amortised cost has occurred, the amount of the impairment loss is calculated as the difference between the carrying amount of the asset and the present value of expected future cash flows (with the exception of expected future loan losses that have not yet occurred). The carrying amount of the asset is reduced through the use of a value adjustment account. The impairment loss is recognised as income or expense.

In the event that the amount of the value adjustment decreases during the following reporting periods, and if this decrease can objectively be attributed to an event subsequent to the recording of the decline in value, the value adjustment recorded earlier will be reversed. The reversal of the impairment loss is recognised in the profit and loss account.

If for trade accounts receivable there are objective indications (such as probability of insolvency or significant financial difficulties of the debtor) that not all amounts due will be received in accordance with the originally agreed invoice conditions, a value adjustment account will be used for reversal of impairment loss. Receivables are closed out once they are classified as uncollectible.

2.3.8 Liquid funds

Cash and cash equivalents comprise cash on hand and bank credit balances. They are measured at amortised cost.

2.3.9 Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) from a past event which make it probable that the fulfilment of the obligation will lead to an outflow of resources and a reliable estimate can be made of the amount of the provision.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date. Risks and uncertainties inherent in the obligation have to be taken into account. If a provision is evaluated on the basis of the estimated cash flows required to settle the obligation, these cash flows are discounted if the interest effect is considerable.

If the economic benefit required to settle the provision is expected to be reimbursed by a third party, either in part or in full, the corresponding right is recognised as an asset if reimbursement is virtually certain and the amount to be reimbursed can be reliably estimated.

Provisions are expensed through the profit and loss account.

If the interest effect from discounting is substantial, provisions are discounted at a pre-tax interest which reflects the specific risks for the liability. In the event of discounting, the increase in provisions due to the lapse of time is recorded as interest expenditure.

2.3.10 Financial liabilities

Financial liabilities are classified as loans or liabilities.

They are measured at amortised cost. Long-term liabilities are only discounted if the discounting effect is considerable.

Coreo AG's financial liabilities include trade payables and other liabilities.

2.3.11 Realisation of revenues

Revenues are recognised when it is probable that the economic benefit will accrue and the amount of the revenues can be reliably determined.

Revenues from services are recognised in the period in which the service is rendered.

Sales are stated after the sales reductions like bonuses, discounts and rebates. Revenues from current services are recognised when the services are rendered; time-based compensation is collected according to the time expended.

2.3.12 Currency translation

Business transactions in foreign currencies are translated at the spot rate applicable at the time when the business transaction can be recognised for the first time.

Monetary assets and liabilities in a foreign currency are translated on each balance sheet date using the spot rate on the balance sheet date. Expenses and revenues are translated at average rates.

Differences arising from settlement or translation are recognised as income or expense.

2.3.13 Leasing

The definition of a leasing arrangement as an agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time also includes rental agreements being concluded for a determined basic period. Leasing arrangements are classified as finance leasing when all of the general risks and opportunities associated with the ownership are transferred to the lessee as part of the leasing conditions. All other leasing arrangements are classified as operating leases.

Lease payments for operating leases are recognised as an expense in the profit and loss account on a straight-line basis over the term of the lease.

2.3.14 Contingent liabilities and financial obligations

Contingent liabilities are possible liabilities to third parties or current liabilities for which an outflow of resources is improbable or the amount of which cannot be reliably determined. Contingent liabilities are not recognised in the balance sheet. The volumes of obligations for contingent liabilities disclosed in the notes correspond to the scope of the respective obligation on the balance sheet date and to the residual payment obligations for contingent contributions not yet called in for shares in partnerships.

2.3.15 Estimation uncertainties and discretionary decisions

In applying the accounting and valuation methods presented, the Management has to make judgments, estimates and assumptions with regard to the assets and liabilities contained in the annual financial statements, if they are not readily apparent from other sources. Estimates and the underlying assumptions to those estimates are derived, where available, from past experience and after taking all relevant factors into consideration. True values may deviate from the estimates and assumptions.

The assumptions underlying the estimates are regularly reviewed. Changes in estimates, if the change only affects one period, are only taken into account in that period. If the changes affect the current and subsequent reporting periods, they are taken into account accordingly in the current period and in the subsequent periods.

The considered assumptions and estimates mainly relate to the calculation of recoverable amounts in the context of impairment tests on current and non-current financial assets and goodwill, as well as to the recognition and measurement of deferred taxes and provisions.

2.3.16 Earnings per share

Earnings per share state the earnings for a period attributable to a single share. For this purpose, the net profits are divided by the weighted number of outstanding shares. Dilution of this ratio results from so-called „potential shares" that will be issued in the future as part of a stock option plan. Earnings per share are shown in the statement of comprehensive income.

In the financial year 2017, earnings per share are not diluted, as the value of the shares to be granted does not exceed the value of the consideration (exercise price of the option).

3. Notes to the balance sheet – ASSETS

3.1 Long-term assets

Changes in long-term assets are shown in the attached schedule of fixed asset movements.

Development of the fixed assets 2016 (IFRS)

in EUR	Cost of acquisition/manufacturer 01/01/2016	Additions	Reclassification	Disposal	12/31/2016	Adjustments 01/01/2016	Depreciation	Disposal	Write-up	12/31/2016	Book value 12/31/2016	12/31/2015
I. Intangible assets												
1. Acquired concessions, industrial and similar rights and assets, and licenses to such rights and assets	**17,816.94**	**20,040.34**	**0.00**	**11,887.25**	**25,970.03**	**16,544.94**	**3,312.34**	**11,313.25**	**0.00**	**8,544.03**	**17,426.00**	**1,272.00**
II. Tangible assets												
1. Operating and business equipment	**97,296.07**	**688.24**	**0.00**	**6,050.83**	**91,933.48**	**84,697.07**	**3,200.74**	**5,495.33**	**0.00**	**82,402.48**	**9,531.00**	**12,599.00**
III. Financial assets												
1. Shares in affiliated companies	415,528.83	0.00	0.00	415,528.83	0.00	415,527.83	0.00	415,527.83	0.00	0.00	0.00	1.00
2. Shares in associated companies and participations	26,207,362.37	0.00	0.00	8,992,994.30	17,214,368.07	7,890,651.46	4,792,166.11	6,137,658.67	0.00	6,545,158.90	10,669,209.17	18,316,710.91
3. Loans to affiliated companies	166,605.72	0.00	0.00	166,605.72	0.00	166,604.72	0.00	166,604.72	0.00	0.00	0.00	1.00
	26,789,496.92	**0.00**	**0.00**	**9,575,128.85**	**17,214,368.07**	**8,472,784.01**	**4,792,166.11**	**6,719,791.22**	**0.00**	**6,545,158.90**	**10,669,209.17**	**18,316,712.91**
	26,904,609.93	**20,728.58**	**0.00**	**9,593,066.93**	**17,332,271.58**	**8,574,026.02**	**4,798,679.19**	**6,736,599.80**	**0.00**	**6,636,105.41**	**10,696,166.17**	**18,330,583.91**

Development of the fixed assets 2017 (IFRS)

	Cost of acquisition/manufacturer					Adjustments					Book value	
in EUR	**01/01/2017**	**Additions**	**Reclassification**	**Disposals**	**12/31/2017**	**01/01/2017**	**Depreciation**	**Disposals**	**Write-up**	**12/31/2017**	**12/31/2017**	**12/31/2016**
I. Intangible assets												
1. Acquired concessions, industrial and similar rights and assets, and licenses to such rights and assets	**25,970.03**	**8,599.20**	**0.00**	**0.00**	**34,569.23**	**8,544.03**	**6,957.20**	**0.00**	**0.00**	**15,501.23**	**19,068.00**	**17,426.00**
II. Tangible assets												
1. Operating and business equipment	**91,933.48**	**954.88**	**0.00**	**8,692.05**	**84,196.31**	**82,402.48**	**3,112.88**	**8,458.05**	**0.00**	**77,057.31**	**7,139.00**	**9,531.00**
III. Financial assets												
1. Shares in affiliated companies	1.00	100,000.00	0.00	0.00	100,001.00	0.00	0.00	0.00	0.00	0.00	100,001.00	0.00
2. Shares in associated companies and participations	17,214,367.07	0.00	0.00	4,813,059.76	12,401,307.31	6,545,158.90	0.00	5,089,154.66	385,688.16	385,688.16	12,015,619.15	10,669,209.17
3. Loans to affiliated companies	0.00	3,079,133.96	0.00	1,918,887.22	1,160,246.74	0.00	0.00	0,00	0.00	0.00	1,160,246.74	0.00
	17,214,368.07	**3,179,133.96**	**0.00**	**6,731,946.98**	**13,661,555.05**	**6,545,158.90**	**0.00**	**5,089,154.66**	**1,070,316.08**	**385,688.16**	**13,275,866.89**	**10,669,209.17**
	17,332,271.58	**3,188,688.04**	**0.00**	**6,740,639.03**	**13,780,320.59**	**6,636,105.41**	**10,070.08**	**5,097,612.71**	**1,070,316.08**	**478,246.70**	**13,302,073.89**	**10,696,166.17**

3.1.1 Intangible assets

Intangible assets mainly relate to capitalised expenses for the creation of the homepage, expenses for the acquisition of the „Coreo" brand name and expenses for the acquisition of the „Domus" software.

The acquired „Domus" software will be used to manage the properties of the newly acquired subsidiaries in 2017.

As in the previous year, no non-scheduled impairments of value on intangible assets were recognised in the current financial year. There are currently no intangible assets with indefinite useful lives.

The useful life of intangible assets is between 3 and 10 years.

Research and development expenses were not incurred and were therefore neither recognised nor capitalised as expenses.

Internally generated intangible assets were not capitalised.

3.1.2 Fixed assets

The fixed assets are office equipment depreciated over a period of 3 to 13 years at the most.

No non-scheduled impairments of value on fixed assets were recognised in the current financial year.

3.1.3 Financial assets

Financial assets relate to the following items:

in TEUR	12/31/2017	12/31/2016
Shares in affiliated companies	100	0
Shares in associated companies	0	0
Participations	12,016	10,669
Loans	1,160	0
Total	**13,276**	**10,669**

Shares in affiliated undertakings

Four new subsidiaries were founded in the financial year 2017 to build up a new real estate portfolio:

in TEUR	Shareholding	Nominal capital	Book value
Erste Coreo Immobilien VVG mbH*, Frankfurt a. M., Germany	100 %	25	25
Zweite Coreo Immobilien VVG mbH*, Frankfurt a. M., Deutschland	100 %	25	25
Dritte Coreo Immobilien VVG mbH*, Frankfurt a. M., Germany	100 %	25	25
Vierte Coreo Immobilien VVG mbH*, Frankfurt a. M., Germany	100 %	25	25

* The companies were founded in 2017.

Erste Coreo Immobilien VVG mbH acquired a residential property in Bad Köstritz with a rental area of approx. 6,000 sqm in May 2017.

Zweite Coreo Immobilien VVG mbH acquired a commercial property with a rental area of approx. 20,000 sqm in June 2017.

In August 2017, Dritte Coreo Immobilien VVG mbH acquired a commercial property with a rental area of approx. 6,000 sqm.

Vierte Coreo Immobilien VVG mbH has not yet acquired any real estate. A purchase is planned for 2018.

Subsidiaries are recognised at fair value. Since the subsidiaries are not listed on the stock exchange and the formation and transactions of the first three companies did not take place until the middle of the year, the fair values of the properties essentially correspond to their acquisition costs. Thus, there were no significant increases in value in the financial year that would justify a valuation above the acquisition costs. In addition, all real estate acquisitions were financed 100 % externally - partly by bank loans and partly by shareholder loans.

Since Vierte Coreo Immobilien VVG mbH has not yet acquired any properties, the fair value corresponds to the original acquisition costs.

Associated companies

Coreo AG holds 21.4 % of the shares in Lumiphore Inc. the original acquisition costs amounted to TEUR 624. In the previous year, an extraordinary depreciation to the lower fair value of EUR 1.00 was made. The reasons for the impairment of value continue to exist in the current financial year.

Affiliated companies

Coreo AG holds interests in the following companies:

in TEUR	2017	2016	Company's headquarters
Nanosys Inc.	0	0	Milpitas, USA
NanoDimension LP	500	500	Cayman Islands
New Asia Investments Pte. Ltd.	0	200	Singapur
MagForce AG	11,516	9,969	Berlin, Germany
Total	**12,016**	**10,669**	

The investment in New Asia Investments was sold in the current financial year.

The investment in Nanosys Inc. an unscheduled write-down to the lower fair value was made in 2016. The reasons for the impairment continue to exist in the current financial year.

An allocation of TEUR 3,689 was credited to the investment in MagForce AG. The fair value thus corresponds to the share price on the balance sheet date less a block sale discount. They are thus measured at their current fair value. The fair value of TEUR 1,070 is thus higher than the original acquisition cost. This amount was transferred to the revaluation reserve and presented accordingly in the statement of comprehensive income.

NanoDimension is a participation in a fund. It is measured alternatively at amortised cost, as a fair value cannot be reliably determined. This value essentially corresponds to the current market value.

Loans

The loans relate to a loan to the affiliated company Erste Coreo Immobilien VVG mbH in the amount of TEUR 1,160. The loan was used to purchase a property.

3.1.4 Deferred taxes

At the present time, deferred taxes result from the write-up under equity of the participation in MagForce AG, with no effect on profit or loss.

According to current legislation, sales of shares to stock corporations are tax-free in accordance with § 8b KStG (German Corporation Tax Act). Only 5 % are considered as non-deductible operating expenses and are subject to corporation and trade tax.

The tax rate is calculated as follows:

Tax rate in %	2017	2016
Corporation tax	15.0	15.0
Solidarity surcharge	5.5	5.5
Trade tax	16.1	16.1
Total	**31.925**	**31.925**

In accordance with IAS 12.34, the tax effect from a loss carried forward existing on the balance sheet date (according to the tax balance) has to be capitalised if it is likely that sufficient taxable profit will be available to offset losses.

The following criteria apply to determine the probability of a corresponding utilisation of the loss:

- Sufficient deferred tax liabilities exist against which previously unused loss losses carried forward can be claimed from the same company and the same tax authority before they expire.

- With probability - proven by corresponding forecasts - the Company achieves sufficient profits to offset against losses carried forward before they expire.

- The losses carried forward have arisen from events that are unlikely to recur.

- There are tax structuring possibilities for the utilisation of the loss within a possible expiry period.

Based on the available forecasts, over a period of five years, Coreo AG is not expected to generate sufficient profits to allow losses to be offset.

Deferred tax assets do not include tax losses carried forward of EUR 13 million and trade tax losses of EUR 12 million, as on the basis of the above-mentioned forecast, utilisation currently does not appear to be likely.

Deferred tax assets and liabilities have to be reported on a net basis if they can be offset (for the taxable entity concerned) against the same tax authority, otherwise they are reported separately (cf. IAS 12.74).

3.2 Current assets

3.2.1 Receivables and other current assets

Receivables and other current assets are composed as follows:

In TEUR	2017	2016
Receivables from affiliated companies	1,770	0
Trade receivables, accounts receivable from affiliated	1	0
Receivables from VAT	78	1
Other	28	32
Total	**1,877**	**33**

The receivables from affiliated companies relate to short-term loan receivables from Zweite und Dritte Coreo Immobilien VVG mbH for financing the real estate properties.

Receivables and current assets were measured at amortised cost. No value adjustment was necessary.

3.2.2 Cash and cash equivalents

Cash and cash equivalents „includes cash and short-term bank deposits".

4. Notes to the balance sheet - liabilities

4.1 Stockholder equity

Please refer to the statement of changes in equity (Appendix 4) for the development of equity.

4.1.1 Subscribed capital

The subscribed capital of the Company amounted to EUR 9,360,000 as of the balance sheet date and is divided into 9,360,000 no-par value bearer shares.

In accordance with the resolution passed by the Board and the Supervisory Board of 25 November 2016, the share capital of the Company was increased by 3,120,000.00 euro by issuing new bearer shares.

The share capital of Coreo AG is thus divided into 9,360,000 shares which are all made out to the bearer.

According to the resolution of the Annual General Meeting on 28 August 2013, the Board of Directors is authorised to increase the share capital of the Company until 27 August 2018 with the approval of the Supervisory Board one time or multiple times by up to a total of EUR 3,120,000.00 by issuing new bearer shares for cash or investment in kind (authorised capital 2013/I). In fiscal year 2016, the Supervisory Board resolved on 25 November, 2016 to increase the share capital from authorised capital in the amount of EUR 3,120,000.00.

The share capital of the Company was increased by resolution of the shareholder meeting of 19 August 2009 by up to 561,000.00 euro (contingent capital 2009/I). By resolution of the General Meeting of 28 August 2013, the (Conditioned Capital 2009/II) was cancelled by EUR 422,000.00 and amounts now to EUR 139,000.00. The conditional capital increase serves to safeguard the granting of option rights, which, due to the authorisation resolution passed at the Annual General Meeting on 19 August 2009, are issued together with participation rights.

By resolution of the General Meeting on August 28, 2013, the Company's share capital was conditionally increased by up to EUR 2,496,000.00 by issuing up to 2,496,000 no-par bearer shares (conditional capital 2013/I). The increase of the conditional capital serves to grant option rights or option obligations of conversion rights or conversion obligations.

The share capital of the Company was increased by resolution of the shareholder meeting of 31 May 2016 by up to 485,000.00 euro (contingent capital 2016/I). conditional capital increase serves to secure subscription rights from stock options. The resolution of the General Meeting of 28 August 2013 (conditional capital 2013/II) was cancelled.

The Management Board is authorised by a resolution of the General Meeting to increase the share capital up to 6 February 2022, with the approval of the Supervisory Board, once or several times by up to EUR 4,680,000.00, for cash and/or non-cash contributions (including mixed non-cash contributions), by issuing up to 4,680,000 new individual bearer shares (authorised capital 2017). The new shares participate, from the beginning of the financial year, in the profits of the year for which, at the time they are issued, no resolution of the General Meeting concerning the use of the net retained earnings has yet been resolved. Existing shareholders shall essentially be granted pre-emptive rights. The new shares may also be subscribed to by one or several credit institutions, subject to the condition that they are offered for subscription to the shareholders (indirect subscription right). However, the Board is authorised to exclude legal subscription rights, with the approval of the Supervisory Board, in the following cases:

- For fractional amounts;

- If the capital is increased against cash contributions and the issue price of the new shares is not materially less than the stock exchange quotation of shares and the shares to be issued with exclusion of existing shareholders from subscription rights do not exceed a total of 10% of the share capital, either at the time of the coming into effect or at the time of the exercise of this authorisation. If the Company decides to make use of this authorisation, the exclusion of subscription rights on account of other authorisations in a direct or mutatis mutandis application to section 186, paragraph 3, sentence 4 of the German Stock Corporation Act (Aktiengesetz, AktG) should be observed.

- in the event of a capital increase in exchange for a contribution in kind for the purpose of the acquisition of companies, shares of companies, participations in companies (including the increase of existing participations) or of acquiring outstanding debts against the Company.

The Board is authorised to determine the further details of the capital increase from the authorised capital 2017 and its implementation with the approval of the Supervisory Board.

The Supervisory Board is authorised to amend the Articles of Association after complete or partial implementation of the capital increase from the authorised capital 2017 in accordance with the amount of the capital increase from the authorised capital 2017 or after the expiry of the authorised period.

4.1.2 Capital reserve

The capital reserve includes the amount of the proceeds from the issuance of shares which exceeds the nominal value (premium).

4.1.3 Retained earnings

Retained earnings result from retained profits from previous financial years.

4.1.4 Revaluation reserve

The revaluation reserve for financial instruments is comprised of the changes in the value of financial assets categorised as „Financial assets available for sale" and recognised with no effect on profit or loss, and all the adjustments to deferred taxes and provisions in connection with the measurement of those assets.

The revaluation reserve of TEUR 1,070 relates to the revaluation of the investment in MagForce AG.

4.2 Long-term liabilities

4.2.1 Provisions

The long-term provision of TEUR 6 was formed for the archiving of files and discounted at the same interest rate as in the commercial balance sheet due to the minor effect.

4.3. Current liabilities

4.3.1 Provisions

Short-term provisions are composed as follows:

4.3.2 Liabilities

in TEUR	01/01/2017	Consumption	Disposal	Addition	12/31/2017
Personnel related provision	2	2	0	3	3
Annual financial statement and auditing	34	34	0	47	47
General Meeting	28	28	0	28	28
Pending invoices	105	20	85	159	159
Total	**169**	**84**	**85**	**237**	**237**

Short-term liabilities have a remaining term of less than twelve months. Valuation is based on the nominal amount.

Current liabilities are composed as follows:

in TEUR	2017	2016
Accounts payable trade	81	55
Liabilities from wage and church taxes	10	8
Liabilities from social insurance	3	1
Total	**94**	**64**

4.3.3 Further notes on financial instruments

The following tables show the book values of all categories of financial assets and liabilities:

31 December 2017:

Long-term assets – financial assets in TEUR	Fair value	Amortised costs	Balance sheet disclosure
Affiliated companies of the category „Financial asset available for sale“	100	–	100
Associated companies and participations of the category „Financial asset available for sale“ [1]	12,016	–	12,016
Loans to affiliated companies measured at amortised costs	–	1,160	–
Total amount	**12,116**	**1,160**	**13,276**

[1] Includes a participation in the amount of TEUR 500. The fair value could not be reliably determined and was therefore measured at amortised cost.

Short-term assets – financial assets in TEUR	Fair value	Amortised costs	Balance sheet disclosure
Receivables from affiliated companies measured at amorised costs	1,771	1,771	1,771
Other receivables and assets measured at amortised cost	106	106	106
Cash and cash equivalents	4,489	4,489	4,489
Total amount	**6,366**	**6,366**	**6,366**

Short-term liabilities – in TEUR	Fair value	Amortised costs	Balance sheet disclosure
Trade accounts payable measured at amortised cost	81	81	81
Other liabilities measured at amortised costs	13	13	13
Total amount	**94**	**94**	**94**

31. December 2016:

Long-term assets – financial assets in TEUR	Fair value	Amortised costs	Balance sheet disclosure
Affiliated companies of the category „Financial asset available for sale“	–	–	–
Associated companies and participations of the category „Financial asset available for sale“ [1]	10,669	0	10,669
Loans to affiliated companies measured at amortised costs	–	–	–
Total amount	**10,669**	**0**	**10,669**

[1] Includes a participation in the amount of TEUR 500. The fair value could not be reliably determined and was therefore measured at amortised cost.

Short-term assets – financial assets in TEUR	Fair value	Amortised costs	Balance sheet disclosure
Receivables from affiliated companies measured at amorised costs	–	–	–
Other receivables and assets measured at amortised cost	33	33	33
Cash and cash equivalents	4,778	4,778	4,778
Total amount	**4,811**	**4,811**	**4,811**

Short-term liabilities – in TEUR	Fair value	Amortised costs	Balance sheet disclosure
Trade accounts payable measured at amortised cost	55	55	55
Other liabilities measured at amortised costs	9	9	9
Total amount	**64**	**64**	**64**

5. Notes to the statement of comprehensive income

5.1 Revenue

Sales mainly relate to the services provided by Coreo AG to the four subsidiaries in the area of management, administration, consulting and marketing.

5.2 Other operating revenues

Other operating revenues mainly relates to the following items:

in TEUR	2017	2016
Proceeds from sale of property, plant and equipment	0	2
Proceeds from sales of financial assets	1,380	0
Revenues write-up financial assets	2,619	0
Revenues reversal of provisions	85	13
Revenues from non-cash benefits	17	11
Total	**4,101**	**26**

5.3 Personnel costs

The personnel costs are structured as follows:

in TEUR	2017	2016
Wages and salaries	-326	-262
Social security contributions	-25	-21
Other personnel expenses	-19	-14
Total	**-370**	**-297**

Personnel expenses include compensation for the Board and for employees. This increase is partly due to the hiring of new employees.

The employees of the Company are insured under a company pension scheme as well as under a statutory pension scheme. Current contribution payments are recorded as expenditure at the time of payment. There are no other pension commitments.

5.4 Depreciation

Depreciation relates to intangible assets and fixed assets and amounts to TEUR 10 (previous year: TEUR 7).

5.5 Other operating charges

The following overview shows the composition of the main other operating expenses.

in TEUR	2017	2016
Third-party services and third-party work	-120	-84
Room costs	-58	-70
Insurances	-31	-27
Vehicle expenses	-18	-17
Advertising expenses	-3	-2
Travel expenses	-2	-5
Office charges	-28	-17
Training expenes	-1	-2
Legal and consulting costs	-392	-282
Year-end and audit costs	-89	-97
Incid. costs of monet. transact./bank comm	-9	-26
Remuneration Supervisory Board	-42	-33
Losses on sales of financial assets	0	-1.483
Other expenses	-28	-122
Total	**-821**	**-2.267**

5.6 Financial income

Interest revenues for the financial year amounts to TEUR 48 (previous year: TEUR 72) and results from loans to subsidiaries.

5.7 Financial expenses

Interest expenditures for the current financial year amount to TEUR 15 (previous year: EUR 4,792 thousand). These are mainly bank commissions. In the previous year, these were primarily impairments of value of financial assets to the lower fair value affecting the profit and loss account.

5.8 Current taxes

In 2017, the sale of the investment in New Asia Investments, the sale of shares in MagForce AG and the write-up to the current market value in 2017 resulted in a positive annual result.

According to the current legal situation, sales of shares to stock corporations as well as write-ups on participations are tax-free in accordance with § 8b KStG (German Corporation Tax Act). Only 5 % are considered as non-deductible operating expenses and are subject to corporation and trade tax.

Due to the above-mentioned tax exemption with regard to revenues from investments and write-ups as well as the existing tax losses carried forward, there is no current tax expense in the current financial year.

6. Notes to the cash flow statement

The cash flow statement was prepared using the indirect method. The cash flow statement is shown in detail in the cash flow statement with regard to their amounts. A distinction was made between operating, investing and financing activities.

The positive result for the period was mainly due to the sale of financial assets. Furthermore, there was no extraordinary depreciation on financial assets in 2017. The extraordinary depreciation of the investment in MagForce AG in 2016 was reversed in 2017 and thus led to an increase in the result for the period.

The year-on-year increase of approximately EUR 2 million in the negative cash flow from operating activities is due to the write-up of tangible assets, the gain on the disposal of financial assets and the increase in receivables from affiliated companies.

The EUR 1.1 million higher cash flow from investing activities compared to the previous year is mainly due to cash inflows from the sale of financial assets.

7. Other explanations and notes

7.1 Related parties

Related parties of the Company include the members of the Board and Supervisory Board and the executive bodies of subsidiaries, in each case including their close family members, as well as those companies over which members of the Board or Supervisory Board of the Company or their close family members can exercise significant influence or in which they hold a significant proportion of voting rights. In addition, related companies include those companies with which the Company forms an association or in which it holds an equity interest that enables it to exert a significant influence on the business policy of the associated company as well as on the main shareholders of the Company including its affiliated companies.

The main shareholder is BF Holding GmbH, Kulmbach, with a 36 % stake. Another major shareholder is Apeiron Investment Group Ltd, Malta, with a 31 % stake.

As of the balance sheet date, Coreo AG directly held more than 20 percent of the voting rights in the following companies:

	Capital share %	Equity
Lumiphore Inc., Berkeley, USA	21.4 TUSD	-300 TUSD
Erste Coreo Immobilien VVG mbH*	100.0 TEUR	63 TEUR
Zweite Coreo Immobilien VVG mbH*	100.0 TEUR	35 TEUR
Dritte Coreo Immobilien VVG mbH*	100.0 TEUR	33 TEUR
Vierte Coreo Immobilien VVG mbH*	100.0 TEUR	23 TEUR

* The companies were newly founded in 2017.

Coreo AG had the following business relationships with related parties:

• Loan agreement Erste Coreo Immobilien VVG mbH

In accordance with the loan agreement dated 27 April 2017, a framework loan of TEUR 3,150 was granted to Erste Coreo Immobilien VVG mbH for the purpose of acquiring a property. The entire loan bears interest at 3.5 % p. a. No securities were provided for the loan. The loan is granted until the end of the calendar year in which all liabilities to Sparkasse Gera-Greis have been fully repaid. Accordingly, the loan is extended by one year, unless terminated at the end of the year with one month's notice.

• Loan agreement Zweite Coreo Immobilien VVG mbH

The total framework loan of TEUR 500 bears interest at 2 % p. a. The credit line will initially be made available until the end of the year. Thereafter, the loan is extended by one year in each case, unless terminated at the end of the year with one month's notice.

• Loan agreement Dritte Coreo Immobilien VVG mbH

The framework loan in the amount of EUR 1,500 thousand bears interest at 2 % p. a. as a rule. Notwithstanding this, the first tranche of the loan in the amount of TEUR 400 from the payment date August 15, 2017 to December 31, 2017 bears interest at a rate of 3.5 % p. a. The credit line will initially be made available until the end of the year. Thereafter, the loan is extended by one year in each case, unless terminated at the end of the year with one month's notice.

All transactions with related parties were conducted on the same terms as with third parties.

7.2 Notes on leases

In the past fiscal year, there was a leasing agreement for one vehicle. In addition, there was a rental agreement for office space.

The rental and leasing contracts concluded qualify as operating leases, so that the leased asset is attributable to the lessor. Therefore, no accounting has been prepared at Coreo AG.

Financial obligations of TEUR 20 with a remaining term of 19 months result from the existing lease agreement.

The current sublease agreement for office space has a remaining term of 18 months. The resulting financial obligation amounts to TEUR 59.

Further notes on these contracts is immaterial overall and will therefore not be further explained.

7.3 Segment reporting

Coreo AG is managed as a single-segment entity and is therefore not subdivided into any segments. To this extent, accounting-relevant data is only available for the Company as a whole. Segment reporting is therefore not required.

7.4 Notes on capital management

Coreo strives to support its business activities through targeted capital management activities and to ensure a sustained positive development of the Company.

Coreo manages and adapts its capital structure to changing framework conditions in order to cope with financial risks. These can be, for example, capital increases or taking out loans. As of December 31, 2017, there were no significant changes in the capital structure. The Company's equity ratio is 98.2 %.

7.5 Notes on risk management

Coreo's risk management aims to identify, analyse and, as far as possible, minimise or ideally avoid risks associated with business activities that are in conflict with the defined business objectives at an early stage. For Coreo, effective risk management also means identifying and securing opportunities and thus improving planning security and reducing risk costs. It is a continuous process contributing to the sustainable development of the Company and its success. Within the scope of its business activities, Coreo faces different risks:

7.5.1 Strategic risks

Cyclical and industry-related risks

Market risks for Coreo result from the economic situation, which is influenced by interest rate level, inflation rates, stock and exchange rates, energy and raw material prices, etc. Coreo and its real estate investment management companies are subject to the typical risks of the German and European real estate market and the general development of the German and European economy. The German and European market for commercial and residential properties is influenced by the overall macroeconomic environment and the associated demand for rental space as well as the assessment and development of the value of properties.

Competitive risk

Coreo is in intense competition with other, sometimes very financially strong and established competitors, i.e. companies that have considerably larger financial and human resources and, in some cases, also pay strategic prices which exceed the market value. Competition could intensify further as a result of further consolidation in the real estate sector.

Personnel risk

Coreo's business operations require know-how distributed among a small number of employees and the sole member of the Board. And that involves risks. The Board and the employees of the Company are essential for the success of the Company. It is crucial that Coreo is able to recruit new employees with sufficient professional competence within a reasonable period of time and retain existing employees.

7.5.2 Financial risks

Price and interest-change risks

The Company Coreo currently still holds participations from its time as a venture capital investor. Coreo has no influence on the financial or earnings position of its participations and on the share price, and thus on the valuation of the companies, and therefore cannot have a significant influence on the value and thus the selling price of the equity investments.

There is a risk that the general interest rate level will rise considerably. An increase in the general interest rate level would increase the financing costs of Coreo and its subsidiaries and could hinder the sale of real estate. The modernisation and renovation of commercial and residential properties can become considerably more expensive as a result, which impairs the earning power and thus the attractiveness of the property portfolio and consequently has a negative impact on the economic situation of Coreo.

Liquidity risk

Due to its business activities, Coreo faces liquidity risks, especially when acquiring, holding and selling investment properties. Frequently it is not possible to plan sales transactions precisely, as they are often influenced by a large number of external factors. There is therefore uncertainty in forecasting inflows and outflows of liquidity.

Legal risks

Legal risks include reinforcement of the legal framework, for example with regard to tenant and rent protection (rent control), fire or environmental protection, pollutant law and the resulting compulsory renovations, as well as with regard to the further framework conditions for real estate investments, including the legal requirements regarding shares, capital markets and investments or their interpretation. They can have a negative impact on the profitability of investments as well as on business activities and earnings. Furthermore, changes in the legal framework conditions may require considerable action on the part of Coreo AG and thus cause considerable additional costs.

Operational risks

The operational risk reflects the complexity of the company structure:

- Infrastructure and growth-related risks

- Payment flows

- Financial accounting and controlling

- Risks from failures and breakdowns of IT systems

For example, Coreo might have to deal with the situation that no suitable economically viable properties can be acquired and the implementation of the Company's business plan would therefore be jeopardised. A successful integration and management of the properties to be acquired or those owned by the associated companies, in particular the required adjustment and expansion of corporate structures, could fail. Coreo AG might be unable to adequately further develop its internal structures of organisation, information, risk monitoring and risk management as well as its accounting and to adapt them to the planned growth. The loss or reduction of rental income and higher/significant vacancies, that cannot be reduced at all or only very slowly, could arise and the operating, energy and other costs relating to the management and maintenance of the property portfolios could increase. There is a risk of acquiring properties with contaminated sites or other environmental pollutants and therefore being hold liable by authorities, purchasers, users or third parties.

Furthermore, there are risks arising from breaches of data protection regulations. Failures, breakdowns and manipulations of the IT systems, a loss of the database as well as unauthorised access to the corporate IT could impair the business processes of Coreo AG.

7.6 Risk management strategy

Coreo carries out a series of measures in order to identify developments at an early stage and take the necessary steps to forestall and minimise risks. Structural measures form the framework of a successful risk mitigation strategy, such as diversification, allocation of divisional responsibilities, provision of resources, reporting and control. In addition to intensive performance audits prior to an investment decision and the performance of valuations, the precautions taken by Coreo include a continuous analysis of the relevant markets, a continuous monitoring of the competition, a permanent controlling of participations and a constant exchange of information between the Supervisory Board and Management.

A key instrument for controlling the liquidity risk is an accurate cash flow forecast that Coreo performs to ensure that financial obligations can be met anytime by maintaining sufficient liquidity. The liquidity flow is continuously monitored and managed. Coreo's short-term liabilities have a term of up to one year. As the reported liquid funds are sufficient to cover short-term liabilities, Coreo is only insignificantly exposed to direct liquidity risks.

Other risks relating to environmental protection, IT security, procurement and general safety regulations are considered to be not significant. Coreo AG took organisational precautions to comply with the relevant regulations and to control the internal processes. The hardware and software solutions applied by Coreo are continuously checked, maintained and subjected to the necessary updates and further developments. Regulations define the access of employees to systems required for carrying out their work and regular backups secure the corporate database.

Qualified employees, an external tax consultancy and an independent auditing company are involved in the ongoing processes of financial accounting and ensure that they are carried out in accordance with the principles of proper accounting of the German Commercial Code (HGB) and IFRS as well as other statutory requirements and internal rules and guidelines.

Coreo counters personnel risk, for example, through targeted team development and needs-oriented qualification opportunities, participation in the Company in the form of the stock option program for existing employees and the promotion of motivation and performance through an innovative corporate culture and flat hierarchies.

Coreo AG ensures sufficient insurance cover in all relevant areas of the Company. The insurance portfolio is regularly reviewed and adjusted to the current Company situation.

These combined measures help to minimise the specific risks for Coreo.

7.7 Overall risk

At the time of preparing the annual financial statements for 2017, the Board and the Supervisory Board classify any of the mentioned risks as inventory-endangering. Sufficient precautions were taken against identified risks.

7.8 Contingent liabilities and other financial commitments

In the current financial year, a letter of comfort for Zweite Coreo Immobilien VVG mbH was issued to Dero Bank to secure the loan liability in the amount of TEUR 3,050 from the financing of an acquired property. In the letter of comfort, Coreo AG undertakes vis-à-vis Dero Bank AG to enable its subsidiary, Zweite Coreo Immobilien VVG mbH, to meet its obligations under the loan at all times.

As of the balance sheet date, Coreo AG had no further contingent liabilities or financial obligations to third parties.

7.9 Significant events after the balance sheet date

To finance Coreo AG's further growth, an option bond was issued at the end of January 2018. The option bond contains a combination of a bond with a volume of EUR 20 million with a coupon of 10 % p. a. and 624,000 options on a corresponding number of shares in the Company at an exercise price of EUR 2.50 per option/share. The option bond was completely placed with investors of Serengeti Asset Management LP, an investment company registered with the United States Securities and Exchange Commission (SEC).

7.10 Auditor's fee

The audit fee for the financial year amounts to TEUR 25 (previous year: TEUR 15).

7.11 Stock option programme

On October 7, 2016, 265,000 stock options were issued to employees at a subscription price of EUR 2.

Only members of the Board and employees of the Company as well as members of the management and employees of affiliated companies („entitled persons“) are entitled to acquire subscription rights. The exact group of entitled persons and the scope of the subscription rights to be granted to them in each case shall be determined by the Company's Board with the consent of the Supervisory Board. If members of the Board of the Company are to receive pre-emptive rights, their determination will be the sole responsibility of the Supervisory Board.

The total volume of subscription rights is distributed among the entitled groups of persons as follows:

• A maximum of 75 % of the subscription rights shall be issued to the members of the Board of the Company.

• A maximum of 2.5 % of the subscription rights shall be issued to the members of the management of affiliated companies.

• A maximum of 20 % of the subscription rights shall be issued to employees of the Company.

• A maximum of 2.5 % of the subscription rights shall be issued to employees of affiliated companies.

The General Meeting resolved to create a conditional capital (conditional capital 2016/II) of up to EUR 485,000.00 for the exercise of stock options; the resolution was entered in the company's commercial register on July 28, 2016.

The aim of the stock option programme is to create a further incentive for the Management and employees of the Company and of affiliated companies to actively promote the increase of the long-term Company value in the interest of shareholders.

Each subscription right grants the holder the right to acquire one no-par value bearer share of the Company with an arithmetical share in the share capital of EUR 1.00 each against payment of the subscription price.

The subscription rights may, at the Company's discretion, also be fulfilled by way of a cash settlement or terminated against cash settlement. The cash settlement payment per subscription right is calculated from the weighted average share price of the Company, calculated on the basis of the weighted average closing price of a share of the Company in Xetra trading (or a comparable successor system) during the last 60 trading days prior to the exercise date less the subscription price.

The subscription rights may only be issued within a period of 15 banking days, beginning (a) on the fourth banking day following the Company's General Meeting, (b) on the fourth banking day following publication of the Company's semi-annual report. Subscription rights may also be issued to beneficiaries who conclude a service or employment contract with the Company or an affiliated company („employment relationship“ or „employment contract“) for the first time within three months of the beginning of the employment relationship or the expiry of a trial period; in such cases, the commitment to issue subscription rights may already be included in the employment contract. If the company or an affiliated company acquires a company or a company division and an employment relationship is thereby established for the first time by law or agreement, a person who thereby becomes the beneficiary may also acquire subscription rights within three months of the establishment of the employment relationship; in this case, the commitment to issue subscription rights may also be made prior to the establishment of the employment relationship provided that it will take effect at the earliest with the establishment of the employment relationship. Subscription rights may also be issued to a credit institution provided that the credit institution passes on the subscription rights to the beneficiaries.

The term of the subscription rights is ten (10) years from the issue date („term“). Subscription rights that have not been exercised by the end of the term expire without compensation. Subject to further exercise conditions, a subscription right can only be exercised if it has become non-expirable under the option conditions and has not expired or been terminated.

The subscription rights can only be exercised to the following extent and only if the following performance targets are met:

(a) Performance targets I

Each beneficiary may exercise up to 50 % of his subscription rights if the stock exchange price of the Company's share was increased by at least 50 % during the period from the issue date until the expiry of two years after the issue date („reference period I").

Each beneficiary may exercise up to 60 % of his subscription rights if the stock exchange price of the Company's share rose by at least 60 % during reference period I.

Each beneficiary may exercise up to 80 % of his subscription rights if the stock exchange price of the Company's share rose by at least 80 % during reference period I.

Each beneficiary may exercise up to 100 % of his subscription rights if the stock exchange price of the Company's share rose by at least 100 % during reference period I.

(b) Performance targets II

If no performance target I is achieved, subscription rights may nevertheless be exercised to the following extent and if the following performance targets II are met:

Each beneficiary may exercise up to 50 % of his subscription rights if the stock market price of the Company's shares increased by at least 75 % during the period from the issue date until the expiry of three years after the issue date („reference period II").

Each beneficiary may exercise up to 60 % of his subscription rights if the stock exchange price of the Company's share rose by at least 100 % during reference period II.

Each beneficiary may exercise up to 80 % of his subscription rights if the stock exchange price of the Company's share rose by at least 125 % during reference period II.

Each beneficiary may exercise up to 100 % of his subscription rights if the stock exchange price of the Company's share rose by at least 150 % during reference period II.

If both a performance target I and a performance target II are achieved, further subscription rights may be exercised in addition to the number of exercisable subscription rights for performance target I, by which the number of exercisable subscription rights for performance target II may exceed the number of exercisable subscription rights for performance target I.

To determine the increase in the stock exchange price of the Company's share, the stock exchange price of the Company's share on the issue date have to be compared with the stock exchange price on the day after the end of the reference period I or II. The stock market price of the Company's shares is calculated on the issue date or on the day after expiry of reference periods I or II (respectively: „Balance sheet date") the weighted average closing price of a share of the Company in the XETRA trading system (or a comparable successor system) during the last 30 trading days prior to the balance sheet date.

Subscription rights that cannot be exercised after expiry of reference period II in accordance with the above performance targets expire without compensation or substitution.

7.12 Average number of employees during the financial year

The average number of employees in the company during the financial year was 3.

7.13 Corporate bodies

Members of the board of directors were in the business year the following person:

Mr Marin N. Marinov, Diplom-Ingenieur (graduate engineer), Hofheim

In the current financial year, the Company's Board has only received short-term remuneration. The total amount amounted to TEUR 227 (previous year: EUR 179 thousand).

In the business year 2017, the following persons were member of the Supervisory Board:

- Mr Stefan Schütze, lawyer (LL.M. in Mergers and Acquisitions), Frankfurt am Main, (chairman),
- Mr Axel-Günter Benkner, Diplom-Ökonom (graduate economist) and Diplom-Kaufmann (business graduate), Nidderau (vice Chairman),
- Dr. Friedrich Schmitz, Managing Director CE Asset Management AG Meilen, Munich/Germany

Supervisory Board remuneration of TEUR 42 (previous year: TEUR 33) was recognised as an expense for members of the Supervisory Board in the year under review.

The annual financial statements were prepared by the Company on March 28, 2018 and released for publication.

Frankfurt am Main, 28 March 2018

Marin N. Marinov
The Board

Audit certificate

We have audited the annual financial statements of Coreo AG, Frankfurt am Main, consisting of the balance sheet, the statement of comprehensive income, the cash flow statement, the statement of changes in equity and the notes for the financial year from 1 January to 31 December 2017. The annual financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as applicable in the EU, the additional requirements of German commercial law pursuant to Section 325 Para. 2a of the German Commercial Code (HGB) in conjunction with Section 315e Para. 3 HGB and the supplementary provisions of the Articles of Association under the responsibility of the Company's legal representatives. Our responsibility is to express an opinion on the annual financial statements based on our audit.

We conducted our audit of the annual financial statements in accordance with Section 317 HGB and generally accepted German standards for auditing financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW – Institute of Public Auditors in Germany). 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 annual financial statements in accordance with the applicable accounting rules are detected with reasonable assurance. Knowledge of the business activities and of the economic and legal environment of the Company and expectations as to possible misstatements are taken into account when determining the audit procedures. As part of the audit, evidence supporting the disclosures in the annual financial statements is largely based on spot checks. We gain an understanding of the relevant internal control system for the audit, in order to plan audit procedures that are appropriate in the given circumstances, but not with the objective of expressing an audit opinion on the effectiveness of the internal control system of the Company. The audit comprises the assessment of the accounting principles used and key estimates made by the legal representatives, as well as an evaluation of the overall presentation of the annual financial statements. We are of the opinion that our audit forms a reasonable basis for our assessment.

Our audit has not led to any reservations.

In our opinion based on the findings of our audit, the annual financial statements comply with the IFRS as applicable in the EU, the additional requirements of German commercial law pursuant to Section 325 Para. 2a HGB in conjunction with Section 315e Para. 3 HGB and the supplementary provisions of the Articles of Association, and give a true and fair view of the net assets, financial position and results of operations with respect to such regulations.

Hofheim am Taunus, Germany, 30 March 2018

VOTUM AG
Auditing company
Tax consulting firm

Alexander Leoff	Christoph Lehnert
Auditor	Auditor

Annual financial statement (HGB) of Coreo AG
as of December 31, 2017

Balance sheet as of December 31, 2017 (HGB)
assets

in EUR	12/31/2017	12/31/2016
A. Fixed assets		
I. Intangible assets		
Concessions, industrial and similar rights and assets, and licenses to such rights and assets	19,068.00	17,426.00
II. Tangible assets		
Property, plant and equipment	7,139.00	9,531.00
III. Financial assets		
1. Shares in affiliated companies	100,000.00	0.00
2. Loans to affiliated companies	1,160,246.74	0.00
3. Investments	10,945,304.07	10,669,209.17
	12,231,757.81	**10,696,166.17**
B. Current assets		
I. Receivables and other assets		
1. Amounts due from affiliated companies	1,771,265.52	0.00
2. Other assets	83,981.16	8,046.15
II. Cash and bank balances	4,488,678.41	4,778,378.45
	6,343,925.09	**4,786,424.60**
C. Deferred income	21,741.21	25,095.68
	18,597,424.11	**15,507,686.45**

Balance sheet as of December 31, 2017 (HGB)
liabilities

in EUR	12/31/2017	12/31/2016
A. Equity		
I. Subscribed capital	9,360,000.00	9,360,000.00
- thereof conditional capital: EUR 4,680,000.00 (previous year: EUR 3,120,000.00)		
II. Capital reserves	19,826,080.86	19,826,080.86
III. Retained earnings	12,544,585.38	12,544,585.38
IV. Loss carried forward	-26,461,140.98	-19,196,126.91
V. Net income/loss	2,991,203.16	-7,265,014.07
	18,260,728.42	15,269,525.26
B. Accurals		
Other provisions	242,320.00	174,651.17
	242,320.00	174,651.17
C. Liabilities		
I. Trade payables	81,427.95	54,702.71
- thereof with a remaining period of up to one year: EUR 81,531.90 (EUR 54,702.71)		
II. Other current liabilities	12,947.74	8,807.31
- thereof for taxes: EUR 9,987.94 (EUR 7,767.84)		
- thereof for social security costs: EUR 2,959.80 (EUR 775.47)		
- thereof with a remaining period of up to one year: EUR 12,947.74 (EUR 8,807.31)		
	94,375.69	63,510.02
	18,597,424.11	**15,507,686.45**

Income statement (HGB)
January 1 to December 31, 2017

in EUR	2017	2016
1. Sales revenues	58,956.77	137.07
2. Other operating income - thereof from currency translation: EUR 0.00 (EUR 53.42)	4,100,685.74	25,396.69
3. Personal costs		
a) Wages and salaries	-345,068.04	-275,645.33
b) Social charges and costs for pension and other benefits of which for pensions - thereof for pensions: EUR 2,376.00 (EUR 3,240.00)	-24,992.41	-21,233.77
4. Depreciation		
a) of intangible assets and property, plant and equipment	-10,070.08	-6,513.08
5. Other operating costs - thereof expanses from currency translation EUR 0.03 (EUR 54.42)	-820,683.80	-2,266,949.44
6. Other expenses and similar earnings - thereof from affiliated companies EUR 47,828.96 (EUR 0.00)	47,777.34	72,379.82
7. Amortization of financial assets and securities held as current assets - thereof unplanned depreciation: EUR 0.00 (previous year: EUR 4,792,167.11)	0.00	-4,792,167.11
8. Interests and similar expenses	-14,957.11	0.00
9. Taxes on income and profit	-0.28	5.00
10. Result after taxes	2,991,648.13	-7,264,590.15
11. Other taxes	-444.97	-423.92
12. Net income/loss	2,991,203.16	-7,265,014.07
13. Loss carried forward	-26,461,140.98	-19,196,126.91
14. Balance sheet loss	**-23,469,937.82**	**-26,461,140.98**

Notes to the annual financial statement (HGB) of Coreo AG
January 1 to December 31, 2017

General

Coreo AG has its headquarters in Frankfurt am Main. The company is registered in the commercial register of the district court Frankfurt under HRB 74535.

The present annual financial statement was created in accordance with par. 242 et seq. and 264 et seq. HGB (German Commercial Code) as well as the applicable provisions of the AktG (German Companies Act).

The company is a small-sized capital company in terms of § 267, clause 1 HGB (German Commercial Code). The financial reliefs for a small-sized capital company has partly been claimed.

For the profit and loss statement, the total cost method was created according to § 275 para. 2 HGB. The indication of individual balance sheet items was adjusted to the requirements of the company according to par. 265 section 6 HGB.

Accounting and valuation methods

The intangible transfers assets acquired against payment are accounted at acquisition costs and are reduced by scheduled straight-line depreciation over their expected useful lives of 3 to 5 years.

Tangible assets are shown at acquisition cost and, if depreciable, reduced by scheduled straight-line depreciation over their useful lives of 3 to 5 years.

Low-value property items with a value of euro 410.00 are fully depreciated in the year of acquisition.

The financial investments are valued at cost or at fair value if lower. Extraordinary depreciations are only carried out for financial assets because a lasting reduction in value is to be expected. Write-ups will follow, if the reason for previously taken depreciations lapses.

Receivables and other assets are normally recognised at the lower of nominal value or fair value at the balance sheet date.

Cash and accounts with credit institutions are shown at their fair value. The other accrued liabilities are rated in a settlement amount which is necessary in accordance with prudent business principles according to par. 253 section 1, sentence 2 HGB and take into account all recognisable risks and uncertain obligations. In so far as it is necessary, future cost increases are taken into account. In case of accrued liabilities with a remaining time to maturity of more than one year, a discounting according to par. 253 section 2 HGB is carried out.

Liabilities are shown on the liabilities side at their settlement value. Receivables and liabilities denominated in foreign currencies are recognised with the corresponding average spot exchange rate at the time of the transaction. Foreign-currency denominated assets and liabilities with a remaining time to maturity of one year or less, are recognised according to par. 256a sentence 2 HGB without consideration of the acquisition cost and realisation principle at the average spot exchange rate at the reporting date. In case of a remaining time to maturity of more than one year, the average spot exchange rate at the reporting date according to par. 256a sentence 1 HGB is only applied if that rate for assets is lower and for liabilities higher than the corresponding current rate at the date of the business transaction.

Disclosures and explanations with regard to items of the balance sheet

Fixed assets

Development of the fixed assets is shown in the fixed assets movement schedule:

Disclosures of shareholdings	**Capital share**	**Equity**	**Result**	**Year**
Lumiphore Inc., Berkeley, USA	21.4 %	-300 TUSD	-101 TSUD	2017
Erste Coreo Immobilien VVG mbH*, Frankfurt a. M., Deutschland	100 %	63 TEUR	38 TSUD	2017
Zweite Coreo Immobilien VVG mbH*, Frankfurt a. M., Deutschland	100 %	35 TEUR	10 TEUR	2017
Dritte Coreo Immobilien VVG mbH*, Frankfurt a. M., Deutschland	100 %	33 TEUR	8 TEUR	2017
Vierte Coreo Immobilien VVG mbH*, Frankfurt a. M., Deutschland	100 %	23 TEUR	-2 TEUR	2017

* The companies were founded in 2017.

Assets analysis (HGB)

	Cost of acquisition/manufacturer					Adjustments					Book value	
in EUR	01/01/2017	Additions	Reclassification	Disposals	12/31/2017	01/01/2017	Additions	Appreciation	Disposals	12/31/2017	12/31/2017	12/31/2016
I. Intangible assets												
1. Purchased intangible assets such as patents, trademarks and consessions, industrial property rights and similar rights and assets as well as licenses in such rights and assets	**25,970.03**	**8,599.20**	**0.00**	**0.00**	**34,569.23**	**8,544.03**	**6,957.20**	**0.00**	**0.00**	**15,501.23**	**19,068.00**	**17,426.00**
II. Tangible assets												
1. Property, plant and equipment	**91,933.48**	**954.88**	**0.00**	**8,692.05**	**84,196.31**	**82,402.48**	**3,112.88**	**0.00**	**8,458.05**	**77,057.31**	**7,139.00**	**9,531.00**
III. Financial assets												
1. Shares in affiliated companies	0.00	100,000.00	0.00	0.00	100,000.00	0.00	0.00	0.00	0.00	0.00	100,000.00	0.00
2. Investments	17,214,368.07	0.00	0.00	4,813,059.78	12,401,308.29	6,545,158.90	0.00	2,619,031.67	2,470,123.01	1,456,004.22	10,945,304.07	10,669,209.17
3. Loans to affiliated companies	0.00	3,079,133.96	0.00	1,918,887.22	1,160,246.74	0.00	0.00	0.00	0.00	0.00	1,160,246.74	0.00
	17,214,368.07	**3,179,133.96**	**0.00**	**6,731,947.00**	**13,661,555.03**	**6,545,158.90**	**0.00**	**2,619,031.67**	**2,470,123.01**	**1,456,004.22**	**12,205,550.81**	**10,669,209.17**
	17,332,271.58	**3,188,688.04**	**0.00**	**6,740,639.05**	**13,780,320.57**	**6,636,105.41**	**10,070.08**	**2,619,031.67**	**2,478,581.06**	**1,548,562.76**	**12,231,757.81**	**10,696,166.17**

Equity

In accordance with the resolution passed by the Board and the Supervisory Board of 25 November 2016, the share capital of the company was increased by 3,120,000.00 euro by issuing new bearer shares.

The share capital of Coreo AG is thus divided into 9,360,000 shares which are all made out to the bearer.

The Board of Managing Directors is authorised to determine the further details of the capital increase from the Authorised Capital 2017 and its implementation with the approval of the Supervisory Board.

The Supervisory Board is authorised by a resolution of the General Meeting to increase the share capital up to 6 February 2022, with the approval of the Supervisory Board, once or several times by up to EUR 4,680,000.00 for cash and/or non-cash contributions (including mixed non-cash contributions), by issuing up to 4,680,000 new individual bearer shares (authorised capital 2017). The new shares participate, from the beginning of the financial year, in the profits of the year for which, at the time they are issued, no resolution of the General Meeting concerning the use of the net retained earnings has yet been resolved. Existing shareholders shall essentially be granted pre-emptive rights. The new shares may also be subscribed to by one or several credit institutions, subject to the condition that they are offered for subscription to the shareholders (indirect subscription right). However, the Chairman is authorised to exclude legal subscription rights, with the approval of the Supervisory Board, in the following cases:

- for fractional amounts;
- if the capital is increased against cash contributions and the issue price of the new shares is not materially less than the stock exchange quotation of shares and the shares to be issued with exclusion of existing shareholders from subscription rights do not exceed a total of 10 % of the share capital, either at the time of the coming into effect or at the time of the exercise of this authorisation. If the company decides to make use of this authorisation, the exclusion of subscription rights on account of other authorisations in a direct or mutatis mutandis application to section 186, paragraph 3, sentence 4 of the German Stock Corporation Act (Aktiengesetz, AktG) should be observed.
- In the event of a capital increase in exchange for a contribution in kind for the purpose of the acquisition of companies, shares of companies, participations in companies (including the increase of existing participations) or of acquiring outstanding debts against the company.

The Chairman is authorised to determine the further details of the capital increase from the authorised capital 2017 and its implementation with the approval of the Supervisory Board.

The Supervisory Board is authorised to amend the articles of association after complete or partial implementation of the capital increase from the authorised capital 2017 in accordance with the amount of the capital increase from the authorised capital 2017 or after the expiry of the authorised period.

Provisions

The other provisions principally concern provisions for outstanding holidays, costs of the annual financial statements, legal advices, legal fees and costs for the shareholder meeting.

Liabilities in TEUR	**12/31/2017**		**12/31/2016**	
	Total	Residual maturity up to 1 year	Total	Residual maturity up to 1 year
Trade payables	81	81	55	55
Other liabilities	13	13	9	9
	94	**94**	**64**	**64**

Disclosures and explanations with regard to items of the profit and loss statement

Other operating revenues

The other operating revenues essentially contain extraordinary income in the amount of TEUR 1,380 from book profits of the disposal of financial assets as well as write-ups on financial assets in the amount of TEUR 2,619.

Other operating charges

The other operating expenses relate mainly external services, room costs as well as costs for lawyers and consultants.

Other information

Liability limitations

Coreo AG submitted for its subsidiary, Zweite Coreo Immobilien VVG mbH, a letter of comfort to Dero Bank to cover credit liabilities in the amount of TEUR 3,050 for financing real estate acquisitions. In the letter of comfort, Coreo AG guaranties that its subsidiary, Zweite Coreo

Immobilien VVG mbH, will meet the obligations of the credit agreement with Dero Bank at any time.

As of the balance sheet date Coreo holds no further liability limitations to third parties.

The average number of employees in the company during the financial year was 3.

Bodies of the company

In the business year 2017, the following person was member of the management board:

Mr Marin N. Marinov, Diplom-Ingenieur, (graduate engineer) Hofheim

In the business year 2017, the following persons were member of the supervisory board:

- Mr Stefan Schütze, lawyer (LL.M. in Mergers and Acquisitions), Frankfurt am Main, (chairman),
- Mr Axel-Günter Benkner, Diplom-Ökonom (graduate economist) and Diplom-Kaufmann (business graduate), Nidderau (vice chairman),
- Mr Dr. Friedrich Schmitz, Managing Director CE Asset Management AG Meilen, Munich.

Frankfurt am Main, 13 March 2018

Marin N. Marinov
The Board

Audit certificate

We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, and the management report of Coreo AG, Frankfurt am Main, Germany, for the fiscal year from 1 January to 31 December 2017. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law are the responsibility of the Company's management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with Sec. 317 HGB ["Handelsgesetzbuch": German Commercial Code] and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (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 annual financial statements in accordance with [German] principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company 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 books and records, the annual financial statements and the management report are examined primarily on a test basis within the framework of the audit. We get an insight of the for the final audit relevant internal control system to plan audit procedures, which might be appropriate under certain circumstances, not though to judge the effectiveness of the internal control system. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual financial statements and 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 annual financial statements comply with the legal requirements and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with [German] principles of proper accounting. The management report is consistent with the annual financial statements and as a whole provides a suitable view of the Company's position and suitably presents the opportunities and risks relating to future development.

Hofheim am Taunus, 14 March 2018

VOTUM AG
Auditing company
Tax consulting firm

Alexander Leoff	ppa. Christoph Lehnert
Auditor	Auditor

real estate

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