



Annual Report 2019



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Report of the Supervisory Board for the 2019 Fiscal Year

Dear shareholders,

The Supervisory Board reports below on its activities in the 2019 financial year.

Monitoring and consulting in continuous dialogue with the Management Board

The Supervisory Board performed the duties incumbent upon it pursuant to the law, the articles of association and the rules of procedure in the past financial year and carefully and continuously monitored and accompanied the Management Board in its management of the company. In this context, we always convinced ourselves of the legality, appropriateness and regularity of the work of the Management Board. The Management Board met its duties to provide information. By means of written and oral reports, the Supervisory Board was regularly and promptly informed about the current business development, short and long-term corporate planning, current earnings situation, risk situation, risk management and organisational measures of the company. There was a continuous and intensive exchange of information between the Management Board and the Chairman of the Supervisory Board, also beyond the meetings of the Supervisory Board. In all major processes and decisions, the Supervisory Board was involved. The Supervisory Board was actively involved in all material business transactions in close coordination with the Management Board and, above all, assessed the respective opportunities and risks. Its approval was granted to the extent required by law or the Articles of Association.

Composition of the Supervisory Board and the Management Board

In accordance with the statutory provisions of Coreo AG, the Supervisory Board consists of three members. The members of the Board remained unchanged throughout the period under review.

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

During the 2019 financial year, to ensure efficiency, the Supervisory Board again dispensed with the formation of committees due to its size and the extent of the business.

No changes took place to the Management Board. During the whole year, Marin N. Marinov represented the Management Board.

Main topics of the meetings of the Supervisory Board

In the reporting year, six ordinary meetings of the Supervisory Board were held with 100 % attendance.

The Management Board regularly reported on the development of the company and important business transactions at these meetings and identified real estate investment opportunities were examined and evaluated, considering opportunities and risks as well as cash flow and financing scenarios. Decisions by the Supervisory Board were taken during meetings or in writing, on the basis of detailed, pertinent information and analyses, insofar as these were not yet ripe for decision or necessary at the time of the meeting.

The Supervisory Board discussed in detail the extension of Mr Marinov's Management Board contract until 31 December 2022 and the future remuneration conditions at its meeting on **19 February 2019**, at which it then passed a resolution.

In the balance sheet meeting on **11 April 2019**, the auditor reported on the major findings of the annual audit to the Supervisory Board. The Supervisory Board approved the annual financial statement for 2018 which had been given the unconditional auditor's certificate. Furthermore, the items on the agenda of the Annual General Meeting were approved unanimously.

The Supervisory Board dealt with the various development measures (additions and construction projects) of the residential portfolio in Göttingen and the surrounding area and the Hydra portfolio in the context of financing them at its Board meeting on **13 June 2019**.

The topics of the meeting on **16 September 2019** included the discussion of the half-year figures, the liquidity situation of the Company with special attention to the refinancing of

the bond, and the investment properties discussed in detail in preceding meetings (including the residential portfolio in North Rhine-Westphalia), the purchase of which was now resolved. The Board also deliberated on a possible real estate investment in the St. Martin Tower and discussed in detail issues with regard to structuring, financing, strategy, risk components and economic performance. The Supervisory Board unanimously approved the purchase of the 10.1% stake in St. Martin Tower on 4 October 2019 by way of a circular resolution.

The resolution on the acquisition of the St. Martin Tower investment, which had already been passed by circulation, was physically renewed at the meeting on **28 October 2019** after the Management Board informed the Supervisory Board of further developments in connection with the property company and the extension of the ground lease.

The meeting of the Supervisory Board on **9 December 2019**, focused on the development of costs and cash and on the Coreo Group's liquidity planning for the coming years.

Annual Audit for 2019

The financial statement, prepared for Coreo AG in accordance with the German Commercial Code (HGB), as well as in accordance with the International Financial Reporting Standards (IFRS) by the Management Board for the 2019 financial year were voluntarily audited by Votum AG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Frankfurt am Main who issued the unconditional auditor's certificate. The auditing management was shared by Mr Leoff and Mr Lehnert.

The Supervisory Board was provided with the financial statements and the audit report of the auditor. At the balance sheet meeting on 21 April 2020, they were reviewed in particular with regard to legality, correctness and expediency and discussed in detail with the Management 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 21 April 2020 as a whole and on the individual focal points of the audit and answered the questions of the members of the Supervisory Board in detail. The Supervisory Board subjected the submitted annual financial statement and the audit report to its own review. The Supervisory Board was convinced in the process that the audit reports 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 with the decision of the Supervisory Board of 21 April 2020.

Closing remarks

The Supervisory Board expresses its thanks to the Management Board and the employees for their commitment and achievements. Thanks to them, the Company is well equipped for future growth tasks!

For the Supervisory Board,
Frankfurt am Main, 21 April 2020



Stefan Schütze
Chairman of the Supervisory Board



Consolidated financial statement (IFRS) of Coreo AG
as of 12/31/2019

Consolidated financial statement (IFRS)

Consolidated balance sheet as of 12/31/2019 (IFRS)

Assets

in TEUR	12/31/2019	12/31/2018	Notes
Intangible assets	6	11	3.1.1
Tangible assets	42	6	3.1.2
Investments in properties	38,502	40,017	3.1.3
Financial assets	11,952	8,120	3.1.4
Deferred tax assets	116	84	3.1.5
Non-current assets	50,618	48,237	
Inventories	709	946	3.2.1
Trade receivables	417	3,507	3.2.2
Financial assets	2,979	0	3.2.3
Other assets	621	1,455	3.2.2
Tax receivables	78	215	3.1.5
Cash and bank balances	5,195	14,033	3.2.4
Assets held for sale	5,881	0	3.2.5
Current assets	15,880	20,155	
Total assets	66,497	68,392	

Consolidated financial statement (IFRS)

Consolidated balance sheet as of 12/31/2019 (IFRS)

Liabilities

in TEUR	12/31/2019	12/31/2018	Notes
Subscribed capital	15,946	15,946	4.1.1
Capital reserves	23,778	23,778	4.1.2
Revenue reserves	12,545	12,545	4.1.3
Retained earnings/loss	-22,362	-21,575	
Other result	-1,737	-620	4.1.4
Equity attributable to shareholders of Coreo AG	28,169	30,073	
Non-controlling interests	151	168	
Equity	28,319	30,241	
Other provisions	6	6	4.2.1
Financial liabilities	26,874	30,046	4.2.2
Deferred tax liabilities	1,816	741	3.1.5
Non-current liabilities	28,696	30,793	
Other provisions	398	264	4.3.1
Financial liabilities	7,116	5,270	4.3.2
Accounts payable trade	393	905	4.3.2
Other liabilities	985	467	4.3.2
Tax liabilities	591	452	4.3.2
Current liabilities	9,482	7,358	
Total equity and liabilities	66,497	68,392	

Consolidated financial statement (IFRS)

Statement of comprehensive income (IFRS)

01/01/2019 to 12/31/2019

in TEUR	2019	2018	Notes
Rent revenues	2,919	2,164	5.1
Revenues from the sales of properties	2,983	6,730	
Book value from the sold properties	-1,549	-4,228	
Result from the sale of investment properties	1,434	2,503	5.2
Result from the valuation of investment properties	3,060	2,643	5.3
Other revenues	4	365	5.1
Other operating revenues	47	1,429	5.4
Cost of materials	-2,592	-1,096	5.5
Personnel costs	-807	-747	5.6
Depreciation and impairments	-15	-18	5.7
Other operating costs	-1,547	-2,348	5.8
Earnings before interest and tax (EBIT)	2,502	4,895	
Financial income	17	137	5.9
Financial expenses	-2,181	-2,527	
Other financial result	23	0	5.10
Earnings before tax (EBT)	361	2,505	
Taxes on income and profit	-1,223	-845	5.11
Period result	-862	1,660	
Other result			
Positions that will not be reclassified to profit or loss in the future			
Changes in value of financial assets measured at fair value through other comprehensive income in the form of equity instruments	-1,144	-1,690	
Income taxes on positions that are not reclassified	27	0	
Other earnings after taxes	-1,117	-1,690	
Total result	-1,980	-30	
The result for the period is attributable to			
Shareholders of Coreo AG	-845	1,625	
Non-controlling shareholders	-18	35	
The total result is attributable to			
Shareholders of Coreo AG	-1,962	-65	
Non-controlling shareholders	-18	35	
Shares outstanding (undiluted and diluted)	15,945,880	15,945,880	4.1.1
Earnings per share (undiluted and diluted) in EUR	-0,05	0,10	2.4.17

Consolidated financial statement (IFRS)

Cash flow statement (IFRS)

01/01/2019 to 12/31/2019

in TEUR	2019	2018
Period result	-862	1,660
Result from the valuation of investment properties and change in value of properties held for sale	-3,060	-2,643
Result from the sale of properties	-1,434	-2,503
Depreciation	15	18
Other non-cash expenses and income	72	2
Increase/reduction of provisions	134	1
Increase/reduction of receivables and other current assets	-1,608	-2,165
Increase/reduction of liabilities and other dept	145	-7,422
Financial income	-17	-137
Financial costs	2,181	2,527
Income taxes	1,223	845
Interest received	21	72
Interest payed	-2,055	-1,537
Tax payments	-6	-19
Cash flow from operating activities	-5,251	-11,300
Payments received from real estate sales	6,324	4,000
Proceeds from disposals of intangible assets	0	0
Payments for investment properties and properties held for sale	-2,854	-22,784
Proceeds from the disposal of other assets	903	2,411
Payments made for the investment in other assets	-6,703	-9
Cash paid for company acquisitions less cash and cash equivalents acquired	0	-622
Cash flow from investment activities	-2,330	-17,004
Proceeds from capital increases	0	10,538
Cash received from loans	300	14,280
Repayment of loans	-1,557	-345
Payments received from the issue of a bond	0	18,000
Cash outflows from the repayment of the bond	0	-5,000
Cash flow from financing activities	-1,257	37,473
Change in cash and cash equivalents	-8,838	9,169
Cash at the beginning of the period	14,033	4,864
Cash at the end of the period	5,195	14,033

Consolidated financial statement (IFRS)

Statement of changes in equity (IFRS)

01/01/2019 to 12/31/2019

in TEUR	Subscribed capital	Capital reserve	Revenue reserve	Result carried forward	Other result	Shareholders' equity	Non-controlling interests	Total equity
Status as of 01/01/2018 according to IFRS	9,360	19,826	12,545	-23,377	1,070	19,424	-	19,424
Period result	-	-	-	1,625	-	1,625	35	1,660
Capital increase	6,586	-	-	-	-	6,586	-	6,586
Premium from issue new shares	-	3,952	-	-	-	3,952	-	3,952
Changes in value, without effect of financial assets measured at fair value through profit or loss in the form of equity instruments	-	-	-	-	-1,514	-1,514	-	-1,514
Disposal of financial assets measured at fair value through other comprehensive income in the form of equity instruments	-	-	-	176	-176	-	-	-
Changes in the scope of consolidation	-	-	-	-	-	-	133	133
Status as of 12/31/2018 according to IFRS	15,946	23,778	12,545	-21,575	-620	30,073	168	30,241
Status as of 01/01/2019 according to IFRS	15,946	23,778	12,545	-21,575	-620	30,073	168	30,241
Period result	-	-	-	-845	-	-845	-18	-862
Changes in value, without effect of financial assets measured at fair value through profit or loss in the form of equity instruments nach Steuern	-	-	-	-	-1,059	-1,059	-	-1,059
Disposal of financial assets measured at fair value through other comprehensive income in the form of equity instruments nach Steuern	-	-	-	58	-58	-	-	-
Status as of 12/31/2019 according to IFRS	15,946	23,778	12,545	-22,362	-1,737	28,169	151	28,319
Notes	4.11	4.12	4.13		4.14			

Notes to the consolidated financial statements (IFRS)

01/01/2019 to 12/31/2019

1. General information on the Company

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

The shares of Coreo AG are traded 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 Commercial Code (HGB).

2. Accounting policies

2.1 Basis of preparation of the Consolidated Financial Statements

The Consolidated Financial Statements of Coreo AG as of 31 December 2019 were prepared pursuant to International Financial Reporting Standards (IFRS) as adopted by the EU and in accordance with the additional requirements of German Commercial Law according to § 315e HGB. All mandatory pronouncements of the International Accounting Standards Board (IASB) adopted by the EU by the balance sheet date as part of the endorsement process, i.e. published in the Official Journal of the EU, were applied.

These Consolidated Financial Statements are based on the going concern assumption.

Coreo AG is not legally obliged to prepare Consolidated Financial Statements in accordance with IFRS. The preparation and publication of the Consolidated Financial Statements in accordance with IFRS should enable users to better assess the value of the company.

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

The Consolidated 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 balance sheet disclosure is based on the maturity of the corresponding assets and liabilities. Assets and liabilities are classified as short-term if they are expected to be completed or settled within the normal course of the business cycle. The profit and loss account is prepared using the total cost method.

These Consolidated Financial Statements are presented in euro, the functional currency of the company. Unless otherwise stated, all financial information presented in euro has been rounded to the nearest thousand. We would like to point out that differences may occur in the use of rounded amounts and percentages due to commercial rounding.

Consolidated financial statement (IFRS)

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:

IFRS statements (with application obligation as of financial year 2019):

Standard	Title
IFRS 16	Leasing relationships
Amendments to IFRS 9	Financial instruments, early redemption rules with negative settlement payments
Amendments to IFRS 19	Plan amendments, curtailments and settlements
Amendments to IAS 28	Long-term participations in associated companies and joint ventures
Improvements to IFRS 2015-2017	Amendments to and clarifications of IFRS 3, IFRS 11, IAS 12 and IAS 23
IFRIC 23	Uncertainty of income tax treatment

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

IFRS 16 - leasing relationships

As of January 1, 2019, the Group applied IFRS 16 for the first time. With effect from January 1, 2019, IFRS 16 changes the accounting treatment of leasing relationships and replaces the previous standard IAS 17 and the associated interpretations.

In IFRS 16, the principles for the recognition, measurement, presentation and disclosure of leases are laid down and ensure that lessees and lessors provide all relevant information on the effects of leases.

For all leasing relationships identified in accordance with IFRS 16, assets (from the right of use) and liabilities (from the leasing obligation) are now shown in the lessee's balance sheet.

The right of use is recognised at cost. This includes the amount of the initial measurement of the lease liability plus any initial direct costs of the lessee at the time of acquisition.

The lease liability is based on the present value of the lease payments made during the term of the lease. The payments are discounted within the Group using the marginal bor-

rowing rate. The marginal borrowing rate is based on the interest rate that the company would have to use to raise funds on the basis of comparable economic conditions.

The right of use is amortised over the term of the contract in the subsequent measurement. The lease liability is carried forward applying the effective interest method and considering the lease payments made.

Extension and termination options are considered if it is sufficiently probable that they will be used, in particular due to the economic incentives. Significant discretionary decisions are regularly required to assess whether the exercise of an extension or termination option is sufficiently certain.

The rights of use are recorded separately in the consolidated balance sheet under non-current assets. Leasing liabilities are also reported separately in the balance sheet under non-current and current liabilities.

For lessors, IFRS 16 does not result in any significant accounting changes compared to IAS 17. They will in future continue to classify leases as operating or finance leases and apply principles similar to those in IAS 17. As a result, IFRS 16 has no effect on leases in which the Group acts as lessor.

The Group chose the modified retrospective approach when first applying IFRS 16 as of 1 January 2019 (date of first application). Comparative information in these financial statements was not adjusted to meet the requirements of the new standard due to the transition method chosen.

The Group also opted for the simplification rule of IFRS 16.C3 for lessees. Under this rule, a company does not have to reassess at the time of first-time application whether an agreement constitutes a lease or not. For these leasing relationships, IFRS 16 applies from the date of first-time application

The duration of leasing relationships with an extension or termination option was determined retrospectively on the basis of known developments.

The lease liabilities were discounted at the present value of the remaining lease payments by applying the marginal borrowing rate of 2% at the time of initial application. For a portfolio of similarly structured leasing income (e.g. similar assets, similar residual terms, similar economic environment) a uniform discount rate was applied.

For reasons of simplification, the rights of use were measured at the changeover date on January 1, 2019 at the amount of the respective lease liability adjusted for lease payments

Consolidated financial statement (IFRS)

made or deferred in advance. No impairment test of the rights of use at the time of first-time application was performed, as there were no indications of a corresponding devaluation as of 31 December 2018. Initial direct costs were not considered in the measurement of the right of use at the time of first-time application.

The first-time application of IFRS 16 had no effect on the equity.

There are effects on the presentation of expenses associated with the lease in the income statement as a result of the application of IFRS 16.

IFRS 16 replaces the previous material costs under other operating expenses with depreciation expense for rights of use and interest expense for liabilities from the lease.

There is no need to reconcile existing obligations from existing operating leases as of December 31, 2018 to the balance sheet value as of January 1, 2019, as only short-term leases existed at that time. Similarly, the change in the recognition of expenses from operating leases will not have any material impact on the cash flow statement in the 2019 financial year.

New leasing relationships concluded during the financial year are explained separately under the item property, plant and equipment.

New accounting standards to be applied in future financial years:

The IASB and the IFRS Interpretations Committee have issued additional standards and interpretations that are not yet mandatory for the financial year 2019:

IFRS statements:

EU endorsement granted:	Application obligation for financial years beginning on or after
Amendments to IAS 1 and IAS 8, Definition of 'material'	01/01/2020
Änderungen zu IFRS 9, IAS 39, IFRS 7 Reform der Interbanken Referenzzinssätze	01/01/2020
Amendments to the IFRS framework, change in references to the framework in IFRS standards	01/01/2020

EU endorsement still pending:

Amendments to IFRS 3, Mergers; Definition of a business operation	01/01/2020
IFRS 17 Insurance contracts	01/01/2021
Amendments to IAS 1 Classification of liabilities	01/01/2022
Amendments to IFRS 10 and IAS 28 Sale or contribution of assets to associates or joint ventures	pending

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 Coreo Group 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 Principals of consolidation

The Consolidated Financial Statements of Coreo AG include the financial statements of the parent company and the controlled companies (its subsidiaries). The Company gains control if

- it can exercise power of control over the subsidiary
- its return depends on the performance of the participation and
- it can influence the level of returns based on of its power of control

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 Consolidated Financial Statements from the date on which the Company obtains control of the subsidiary until the date on which the Company no longer controls the subsidiary. The results of subsidiaries acquired or disposed of in the course of the year are recorded in the Consolidated Profit and Loss Account and the Other Group Result from the actual date of acquisition or up to the actual date of disposal.

Company acquisitions within the meaning of IFRS 3 are accounted for using the purchase method. In accordance with this method, the cost of an acquisition is allocated to

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the individually identifiable assets and liabilities and contingent liabilities acquired in accordance with their fair values at the acquisition date. Any remaining asset-side difference between the acquisition cost plus non-controlling interests and the net assets is recorded as goodwill; any liability-side difference is recorded in the income statement. Incidental acquisition costs are recorded as expenses.

Non-controlling interests in subsidiaries are presented separately from the Group's equity. Such shares of non-controlling shareholders that currently confer ownership and give the holder the right, on liquidation, to receive a proportionate share of the net assets of the entity are measured at fair value or at the proportionate share of the identifiable net assets of the entity on initial recognition. This option may be exercised for each merger. Other components of shares held by non-controlling shareholders are evaluated at fair value or at the value standards resulting from other standards. After the acquisition, the carrying amount of the shares of non-controlling shareholders is determined by the value of the shares at initial recognition plus the share of the non-controlling shareholders in the subsequent changes in equity. The overall result attributable to them is allocated to the non-controlling shareholders even if their shares thereby show a negative balance.

An associated company is a company over which the Group has significant influence. It is presumed that there is significant influence if a direct or indirect voting interest of at least 20 % in another company is held. The assumption of decisiveness can be rebutted if, despite a share of voting rights of 20% or more, influence on the exercisable business and company policy is excluded by contractual provisions and the exercisable rights merely represent property rights. These are participations where Coreo AG directly or indirectly holds 20 % to 50 % of the voting shares. These investments are accounted for using the equity method in the Consolidated Financial Statements.

In accordance with the equity method, shares in associated companies or joint ventures are included in the Consolidated Balance Sheet at cost adjusted for changes in the Group's share of profit or loss and other comprehensive income of the associated company or joint venture after the acquisition date. Losses of an associated company or a joint venture that exceed the Group's interest in that associated company or joint venture are not recorded.

All companies included in the Consolidated Financial Statements of Coreo AG are listed in the list of shareholdings (Appendix to the Notes to the Consolidated Financial Statements).

The group of consolidated companies includes in addition to the parent company 11 (previous year: 10): 10 Subsidiaries. They are included in the Consolidated Financial Statements using the rules of full consolidation.

The balance sheet dates of the subsidiaries included in the Consolidated Financial Statements correspond to the balance sheet date of the parent company. The Financial Statements were prepared in accordance with uniform accounting and valuation principles.

All intercompany assets, liabilities, equity items, income, expenses and cash flows in connection with transactions between Group companies are completely eliminated within the scope of consolidation.

In 2019, the following companies were newly founded:

- Coreo Wubi Residential UG & Co. KG

Coreo AG holds 100 % of Coreo Wubi Residential (limited liability), Frankfurt am Main. The company was founded on 26 September 2019.

2.4 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,

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- 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.

2.4.1 Intangible assets

Acquired intangible assets with a definable useful life are recognised at acquisition costs less accumulated 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.

The acquisition costs include the directly attributable acquisition and provision costs.

There are no intangible assets with indefinite or indefinite useful lives.

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

2.4.2 Property, plant and equipment

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. We refer to the comments under 2.2 and 2.4.14 with regard to rights of use recognised in the balance sheet in accordance with IFRS 16.

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.

2.4.3 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. If the reasons for the impairment are no longer applicable, corresponding write-ups will be made up to a maximum of amortised cost.

2.4.4 Investment property

The qualification of properties as financial investments is based on a corresponding management decision to use these properties to generate rental income and to realise their rental growth potential over a longer term as well as the resulting increases in value themselves. These properties are not used for operating purposes and are not sold in the ordinary course of business. Properties sold in the ordinary course of business are recorded under inventories.

Investment property includes land with residential and commercial buildings as well as undeveloped land.

Properties held as financial investments are initially evaluated at the costs of acquisition or production including ancillary expenses. As part of subsequent evaluation, investment property is recorded at fair value, which reflects market conditions on the balance sheet date. A gain or loss arising from a change in fair value is recognised in the Profit and Loss Account. Subsequent costs for the expansion, conversion or modernisation of the property are considered to the extent that they contribute to an increase in the fair value of the property.

The market value corresponds to the fair value. Evaluations are performed in accordance with the provisions of IFRS 13 and define the price that would be received in an orderly transaction between market participants on the measurement date for the sale of an asset or paid for the transfer of a liability. In terms of content, this definition also corresponds to the definition of market value in § 194 BauGB (German Federal Building Code). This estimate excludes in particular price assumptions which are increased or decreased by ancillary agreements or special circumstances.

A valuation report was prepared for each property in the portfolio as of 31 December 2019.

Jones Lang LaSalle SE, Frankfurt am Main, an accredited external independent appraiser, prepared the property valuation.

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tion reports in accordance with internationally recognised valuation methods and thus confirmed their overall value (fair value hierarchy level 3). The market value of each property was determined in accordance with the relevant parts of the Red Books.

Properties are transferred from the portfolio of properties held as financial investments if there is a change in use that is documented by the beginning of owner use or the beginning of the intention to sell.

2.4.5 Financial assets

With IFRS 9 there is a uniform model for the classification of financial assets, which classifies financial assets into three categories upon initial recognition.

The classification of financial assets according to IFRS 9 is based on the company's business model for managing financial assets and the characteristics of contractual cash flows. In accordance with IFRS 9, derivatives embedded in contracts where the basis is a financial asset within the scope of the standard are never accounted for separately. Instead, the hybrid financial instrument as a whole is evaluated with regard to the classification.

In the sense of IFRS 9, financial assets are classified as follows, considering the business model in which the respective asset is held and the characteristics of its cash flows:

- measured at amortised cost (AmC: Amortised Cost),
- measured at fair value with changes in value in profit or loss (FVTPL: Fair Value through Profit and Loss)
- measured at fair value with changes in value in other comprehensive income (FVTOCI: Fair Value through Other Comprehensive Income)

The classification depends on the business model of the company for managing financial assets and contractual cash flows. Where a financial asset is held for the purpose of receiving contractual cash flows that represent solely interest and principal payments, the asset is measured at amortised cost. All remaining financial assets are measured at fair value. In principle, gains and losses are recognised in profit or loss, although Coreo makes use of the option of recognising changes in fair value in equity without affecting profit or loss for selected equity instruments that are not held for sale.

For financial assets (equity instruments) measured at fair value through other comprehensive income, the Group can exercise the irrevocable option of measuring each individual

financial instrument at fair value at the time of acquisition. If the financial instrument is held for trading or contingent consideration recognised by an acquirer in a business combination, designation is prohibited. A financial asset is classified as held for trading if it:

- was acquired principally for the purpose of selling it in the near future, or
- is part of a portfolio of clearly identified financial instruments that are managed jointly by the Group and for which there is evidence of short-term profit taking in the recent past on initial recognition, or
- is a derivative that has not been designated as a hedging instrument, is effective as such and is not a financial guarantee.

Financial instruments at fair value through profit or loss (in the form of equity instruments) are recognised at fair value plus transaction costs at the time of acquisition. Subsequently, gains and losses from changes in fair value are recognised in other comprehensive income. Cumulative gains or losses are not reclassified to the income statement when the equity instrument is disposed of but are transferred to retained earnings. Dividends from these equity instruments are recognised in the income statement in accordance with IFRS 9 unless the dividends clearly represent a repayment of part of the cost of the equity instruments. Dividends, if any, are recognised in „other financial income“ in the income statement.

The Group determines the classification of its financial assets at initial recognition. The classification is carried out individually for each instrument. Reclassification is only permitted if the business model is changed.

All financial assets that are neither recorded at amortised cost nor at fair value through profit or loss are classified as at fair value through profit or loss. Financial assets at fair value through profit or loss are recognised in the balance sheet at fair value, with changes in fair value recognised in the income statement on a net basis. This category comprises derivative financial instruments and equity instruments for which the Group did not irrevocably decide to classify them as at fair value through profit or loss under other comprehensive income.

The fair values of investments and other securities on which the valuation is based result from the stock exchange prices quoted on the balance sheet date or transactions that took place close to the balance sheet date. If a fair value cannot be reliably determined in individual cases for unlisted partici-

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pations, they are alternatively recognised at acquisition costs unless the lower fair value measurement applies. Acquisition costs are determined at the price on the settlement date.

At Coreo, this relates to minority interests in listed and non-listed companies and funds reported as financial assets. The debt instruments held by Coreo are measured at amortised cost if the Company intends to hold the instruments and realize the specified cash flows, which may only include interest and principal components. In the case of Coreo, this relates to trade receivables, other current assets and cash and cash equivalents.

Trade receivables and other receivables are now classified at amortised cost, as are securities previously classified as held-to-maturity.

The Group recognises allowances for expected credit losses on financial assets measured at amortised cost.

The Group generally measures these value adjustments in the amount of the expected credit losses (ECL) over the term. Expected credit losses are recognised in two steps. A provision for loan losses is recognised for financial instruments whose default risk has not increased significantly since initial recognition in the amount of the expected credit losses based on a default event within the next twelve months (12-month ECL). Companies are required to record risk provisions for financial instruments whose default risk has increased significantly since initial recognition in the amount of the expected credit losses over the remaining term, irrespective of when the default event occurs (total term ECL).

Expected credit losses over the life of the financial instrument are expected credit losses resulting from all possible default events during the expected life of the financial instrument. 12-month credit losses are the share of expected credit losses resulting from default events that occur within twelve months (or the shorter term of the instrument) after the reporting date.

In determining whether the credit risk of a financial asset has increased significantly since initial recognition and in estimating expected credit losses, the Group considers appropriate and reliable information that is relevant and available without undue expense of time and money. This comprises both quantitative and qualitative information and analyses based on the Group's past experience and sound estimates, including forward-looking information.

The Group uses a simplified method for calculating expected credit losses on trade receivables. The Group therefore does not track changes in credit risk, but instead recognises a pro-

vision for losses on loans and advances at each reporting date on the basis of the full term of the ECL. The Group prepared an allowance matrix based on its past experience with credit losses and adjusted for forward-looking factors specific to borrowers and the economic environment. The requirement for value adjustments is reviewed at each balance sheet date with regard to expected credit losses and adjusted if necessary. The value adjustment ratios are determined on the basis of the overdue periods of the receivables.

If for trade accounts receivable there are objective indications (such as e.g. the 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.

2.4.6 Property held as inventories

Inventories comprise land and buildings held for sale and other inventories. Land and buildings held for sale are sold in the ordinary course of business. This may exceed a period of twelve months. The assessment and qualification as stock is already carried out in the context of the purchase decision and implemented accordingly in the balance sheet at the time of acquisition.

Additions are measured at cost. At the balance sheet date, they are measured at the lower of cost or net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

2.4.7 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,

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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 taxes relating to items recognised directly in equity are also recognised directly in equity. They are recorded either in other comprehensive income or directly in equity, depending on the underlying transaction. Deferred tax assets and liabilities are only offset if the Group 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.

2.4.8 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and bank credit balances.

2.4.9 Assets held for sale

The classification as assets held for sale is made if the sale is highly probable on the balance sheet date and the asset is available for sale. A sale is considered most likely if the plan for this has been approved and the search for a purchaser or the implementation of the plan was already actively initiated.

Coreo recognises investment property and related financial liabilities as assets held for sale if the above criteria are fulfilled at the balance sheet date. Properties held for sale are measured at fair value.

2.4.10 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.

2.4.11 Financial liabilities and corporate bonds

Upon initial recognition, financial liabilities are classified in accordance with IFRS 9 as follows:

- Financial liabilities measured at amortised cost
- Financial liabilities at fair value through profit or loss.

Financial liabilities are generally recognised at amortised cost. This does not apply to financial liabilities that were allocated to the category of financial liabilities at fair value through profit or loss upon initial recognition. Differences between the historical acquisition costs and the repayment amount as well as transaction costs are accounted for using the effective interest method. Other liabilities are accounted for at nominal value or repayment amount. Non-current non-interest-bearing other liabilities are carried at their present value.

A financial liability is derecognised when the underlying obligation has been discharged, cancelled or expired. If an existing financial liability is replaced by another financial liability from the same lender on substantially different terms, or if the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the respective carrying amounts is recognised in profit or loss.

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Coreo Group's financial liabilities include trade payables, other liabilities and corporate bonds. These are measured without exception at amortised cost.

2.4.12 Recognition of income and expenses

IFRS 15 regulates the amount and timing of revenue recognition and provides for a uniform, five-step revenue recognition model that is generally applied to all customer contracts. Revenues are mainly generated from property sales, services and rental agreements. Revenue from contracts with customers is recognised when control of the goods or services is transferred to the customer. They are recognised in the amount of the consideration expected to be received by the entity in exchange for those goods or services. Revenues are recognised net of discounts, customer bonuses and rebates granted.

A contract with a customer within the scope of IFRS 15 shall be accounted for if the following criteria are cumulatively met:

- the contracting parties have agreed to the contract and have undertaken to perform their obligations under it
- the undertaking may determine for each Party the rights it holds in respect of the goods or services to be transferred
- the undertaking can establish the terms of payment for the goods or services to be transferred
- the contract has economic substance
- the Company is likely to receive the consideration it is entitled to in exchange for the goods or services to be transferred to the customer.

Expenses are recognised as soon as they are economically incurred.

Interest is recognised as income or expense in the appropriate period.

2.4.13 Currency conversion

The Consolidated Financial Statements are prepared in euros, the functional and presentation currency of the Coreo Group.

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.

2.4.14 Leasing

At the start of a contract, the Group assesses whether a contract constitutes or contains a leasing relationship. That is the case when the contract gives the Group the right to control the use of an identified asset for a specified period of time in return for a fee.

The Group as lessor

„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.

For lessors, IFRS 16 does not result in any significant accounting changes compared to IAS 17. They will in future continue to classify leases as operating or finance leases and apply principles similar to those in IAS 17. As a result, IFRS 16 has no effect on leases in which the Coreo Group acts as lessor. All leasing arrangements are classified as operating leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the leasing relationship. Initial direct costs incurred in negotiating and agreeing a rental/ leasing relationship are added to the book value of the leased object and distributed on a straight-line basis over the term of the leasing relationship.

The Group as lessee

The new IFRS 16 will be applied to leases as of January 1, 2019, as explained in detail in section 2.2.

Leasing relationships that are neither classified as short-term leasing relationships nor as leasing relationships for low-value assets are valued as leasing liabilities at the cash value at the beginning of the leasing relationship using the underlying interest rate. If this interest rate cannot be readily

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determined, the Group uses its marginal borrowing rate.

The following lease payments are considered in the measurement of the lease liability:

- Fixed lease payments, less incentives to be received
- Variable lease payments which are index or price based are initially measured at the index or short term at the inception of the lease;
- Expected payments by the lessee on the basis of residual value guarantees;
- Exercise prices of purchase options if the lessee is sufficiently certain to exercise them; and
- Penalties for the premature termination of leasing relationships if a right of termination was agreed.

The lease liability is subsequently evaluated by increasing the carrying amount by the interest on the lease liability (using the effective interest method) and by reducing the carrying amount by the lease payments made.

The Group revises the lease liability in the following cases and adjusts the corresponding rights of use accordingly:

- the term of the leasing relationship modified, or there is a major event or a material change in circumstances that results in a change of judgement regarding the exercise of a purchase option in which case the lease liability is revalued by discounting the adjusted lease payment at an updated interest rate
- the lease payments are subject to change due to index or exchange rate changes or due to a change in the expected payment to be made due to a residual value guarantee. In these cases, the lease liability is revalued by discounting the adjusted lease payments at an unchanged discount rate
- a lease is amended and the amendment to the lease is not recognised as a separate lease. The lease liability is then revalued on the basis of the term of the amended lease by discounting the amended lease payments at an updated interest rate at the effective date.

2.4.15 Contingent liabilities

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.

2.4.16 Estimation uncertainties and discretionary decisions

In applying the accounting and valuation methods presented, the Management has to make judgements, estimates and assumptions with regard to the assets and liabilities contained in the Consolidated 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 considered in that period. If the changes affect the current and subsequent reporting periods, they are considered accordingly in the current period and in the subsequent periods.

The assumptions and estimates considered were mainly made for the following circumstances:

- Valuation of investment property
- Determination of the recoverable amount for assessing the necessity and amount of impairment losses, in particular on properties reported under „Inventories“ and on equity investments
- Recognition and measurement of provisions
- Valuation of risky receivables
- Realizability of deferred tax assets

The assumptions made in the valuation of the real estate portfolios may subsequently prove to be partially or fully incorrect or there may be unexpected problems or unidentified risks in connection with real estate portfolios. Such developments, which are also possible at short notice, could worsen the earnings situation, reduce the value of the acquired assets, and

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reduce the revenues generated in the form of current rents. The recoverability of real estate assets is determined primarily by the development of the real estate market and the general economic situation, in addition to property-specific factors. There is a risk that in the event of a negative development of the real estate market or the general economic situation, the valuation methods applied by the Group may have to be adjusted.

The respective corporate tax planning is of central importance for assessing the recoverability of deferred tax assets. These plans are prepared on the basis of various estimates, e.g. with regard to the future development of income and expenses. Deferred tax assets are recognised for all deductible temporary differences and unused tax loss carryforwards to the extent that it is probable that future taxable profit will be available against which the unused tax loss carryforwards can be utilised.

2.4.17 Earnings per share

Earnings per share state the earnings for a period attributable to a single share. The profit is divided by the average number of shares issued during the financial year. 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 2019, 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

3.1.1 Intangible assets

Intangible assets break down as follows:

in TEUR	2019	2018
Cost of acquisition/manufacture		
As of 01.01.	35	35
Additions	0	0
Disvestures	0	0
As of 31.12.	35	35
Value adjustment		
As of 01.01.	-24	-16
Depreciation of premises and equipment	-5	-8
Write-up	0	0
Disposal	0	0
As of 31.12.	-29	-24
Booking value as of 31.12.	6	11

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 newly acquired properties.

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.

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3.1.2 Property, plant and equipment

Property, plant and equipment break down as follows:

in TEUR	2019	2018
Cost of acquisition/manufacture		
As of 01.01.	93	84
Additions	45	9
Disvestures	0	0
As of 31.12.	138	93
Value adjustment		
As of 01.01.	-87	-77
Depreciation of premises and equipment	-9	-10
Write-up	0	0
Disposal	0	0
As of 31.12.	-96	-87
Booking value as of 31.12.	42	6

The fixed assets are office and business equipment depreciated over a period of 3 to 25 years at the most.

The additions also comprise the rights of use resulting from the application of IFRS 16 in the amount of TEUR 34.

This relates to a leasing agreement for a vehicle. The leasing agreement was newly concluded in 2019 for a period of three years. The Group makes use of the exemption in IFRS 16 for short-term leases (remaining term 12 months) and for low-value leases (underlying asset of minor value). Neither a lease liability nor a right of use is recognised for these leases. Instead, the lease instalments are recognised as expenses on a straight-line basis over the term of the lease.

This relates to a short-term rental agreement for office premises, for which the exception for short-term leasing relationships was applied. The current sublease agreement for office space has a remaining term of 6 months. The resulting financial obligation amounts to TEUR 20.

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

3.1.3 Investment property

Coreo Wubi UG & Co. KG was founded on 26.09.2019 for the purchase of a new residential portfolio in Wuppertal and

Bielefeld. The notarised purchase contract was signed on 31 October 2019. The closing is not planned earlier than 2020.

Properties held as financial investments developed as follows:

in TEUR	2019	2018
As of 01.01.	40,017	10,280
Additions	2,381	13,360
Additions from company mergers	0	11,614
Disvestures	-1,075	0
Reclassification to assets held for sale	-5,881	0
positive change in market value	3,060	5,083
negative change in market value	0	-320
As of 31.12.	38,502	40,017

The rental income from investment property breaks down as follows:

in TEUR	2019	2018
Hydra-Hold-Portfolio	103	33
Portfolio Göttingen	532	563
Portfolio Bad Köstritz	279	291
Portfolio Bruchsal	341	319
Portfolio Mannheim	247	281
As of 31.12.	1,502	1,487

Rental income of TEUR 466 is not shown in the above table due to the reclassification of „properties held as financial investments“ to „properties held for sale“.

Furthermore, the Company generated income from service charges in the amount of TEUR 940 (previous year: TEUR 652)

The expenses from the management of the leased properties break down as follows:

in TEUR	2019	2018
Maintenance costs	781	324
Operating costs	1,037	741
As of 31.12.	1,818	1,065

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Maintenance costs of TEUR 183 and operating costs of TEUR 542 are not shown in the above table due to the reclassification of „properties held as financial investments“ to „properties held for sale“.

Of this total, expenses related to the management of vacant properties:

in TEUR	2019	2018
Maintenance costs	151	0
Operating costs	361	148
As of 31.12.	512	148

Principally, the vacancy results from the planned conversion and modernisation measures.

Maintenance costs from vacant properties in the amount of TEUR 37 and operating costs of TEUR 107 are not shown in the above table due to the reclassification of „properties held as financial investments“ to „properties held for sale“.

Long-term rental contracts

In its function as lessor, Coreo concluded long-term rental contracts for commercial real estate. The following maturities for rental income result from these leasing relationships:

in TEUR	Total	Remaining	Remaining	Remaining
		term up to 1 year	term between 1 and 5 years	term more than 5 years
31.12.2019				
Hydra	543	55	221	267
Bruchsal	1,440	339	1.101	0
	1,983	394	1.322	267
31.12.2018				
Hydra	0	0	0	0
Bruchsal	1,779	339	1.355	85
	1,779	339	1.355	85

There are no restrictions on the saleability of investment property within the Group and no contractual obligations to purchase, construct or develop investment property. In addition, there are no contractual obligations for repairs, maintenance or improvements.

Only in the case of one property in the Hydra portfolio is a purchase option secured in the land register in favour of the state capital of Kiel. The City of Kiel is, however, not currently

exercising these purchase options.

In the case of properties from the Göttingen portfolio which are for sale and were therefore reclassified in the balance sheet, the municipality could exercise its statutory purchase option under § 24 German Federal Building Code (BauGB) in the event of a sale. For this purpose, the municipality would have to enter into the negotiated purchase contract.

3.1.4 Financial assets

Financial assets relate to the following items:

in TEUR	2019	2018
Investments and other securities	11,952	8,120
Part A	11,952	8,120

Financial assets developed as follows:

in TEUR	2019	2018
Cost of acquisition/manufacture		
As of 01.01.	8,120	13,472
Additions from purchases	5,810	29
Disvestures	-845	-2,235
positive change in market value	10	0
negative change in market value	-1,143	-1,690
As of 31.12.	11,952	9,576

Associated companies (At-Equity)

Coreo holds only 18.7 % of the shares in Lumiphore Inc. as of December 31, 2019 and therefore Lumiphore is no longer an associated company of Coreo AG since the financial year 2019.

Other Investments

Other securities or financial assets in the form of equity instruments are measured either at fair value with changes in value in other comprehensive income (FVTOCI) or at fair value with changes in value in profit or loss (FVTPL).

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Coreo holds the following shares and securities:

in TEUR	2019	2018	Company head office	Kategorie
Nanosys Inc.	0	0	Milpitas, USA	FVTOCI
NanoDimension LP	300	385	L.P., Cayman Islands	FVTOCI
MagForce AG	5,802	7,705	Berlin, Germany	FVTOCI
Lumiphore Inc.	0	0	Berkeley, USA	FVTOCI
Publity St. Martin Tower GmbH	5,731	0	Frankfurt a. M., Germany	FVTPL
Other investments	119	30		FVTPL
Part A	11,952	8,120		

The value of the shares in MagForce AG was reduced by TEUR 1,059 to the fair value on the balance sheet date by TEUR 5,802. The fair value thus corresponds to the market price on the balance sheet date. The change in value of the MagForce shares amounting to EUR -1,059 thousand was recognised directly in other comprehensive income. The disposals from the sale of MagForce shares in fiscal year 2019 were reclassified from other comprehensive income to retained earnings in the amount of EUR 58 thousand.

NanoDimension LP is a participation in a fund. The investment in NanoDimension LP was reduced in value by TEUR 85 to the fair value on the balance sheet date by TEUR 300. This value essentially corresponds to the current market value. The change in value of the investment in the amount of TEUR -85 was recognised directly in other comprehensive income.

Coreo acquired a 10.1 % share in the real estate company Publity St. Martin Tower GmbH in the past financial year. The acquisition costs including incidental acquisition costs amounted to TEUR 5,731. The acquisition costs correspond to the fair value on the balance sheet date.

3.1.5 Taxes

At present, there are temporary differences between the tax balance sheet and the IFRS balance sheet with regard to the valuation of investments.

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 95% tax-free nature of any capital gains means that there are only minor temporary differences, which are immaterial for the calculation of deferred taxes. Anticipated impacts of the so-called extended property reduction on domestic trade tax are considered in the valuation of deferred taxes.

The tax rate is calculated as follows:

Tax rate in %	2019	2018
Corporate income tax	15.0	15.0
Solidarity tax	5.5	5.5
occupational taxes	16.1	16.1
Part A	31.93	31.93

In accordance with IAS 12.34, the tax effect from a loss carry-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 14.8 million and trade tax losses of EUR 14.8 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).

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The following table shows the development of deferred tax liabilities:

in TEUR	2019	2018
01.01.	742	14
Without effect on income/loss from initial consolidation of Coreo Göttingen	0	197
Change (with effect on income/loss)	1,074	531
31.12.	1,816	742

The increase in deferred tax liabilities in the 2019 financial year resulted primarily from the revaluation of investment property. No further deviations occurred, so that a detailed presentation of the deviations will not be necessary.

The following table shows the development of deferred tax assets:

in TEUR	2019	2018
01.01.	84	0
Change (without effect on income/loss)	26	0
Change (with effect on income/loss)	6	84
31.12.	116	84

Deferred tax assets arise primarily from the devaluation of properties.

3.2 Current assets

3.2.1 Real estate inventories

Inventories comprise assets held for sale in the ordinary course of business.

Coreo Solo UG & Co. KG sold two additional properties in the current financial year from the „Hydra portfolio“ acquired in 2018. The purchase contract for the sale of a further property was already signed in 2019. However, the closing will not pass to the buyer until the following year. Consequently, a total of 5 of the 6 acquired properties were sold at a profit.

The properties resold during 2019 had a carrying amount of TEUR 452. The properties sold generated proceeds of TEUR 878. The result from the sale of portfolio properties amounted to TEUR 426.

In a notarised purchase contract dated 31 October 2019, Coreo AG acquired two new properties intended for sale, which are therefore reported under portfolio properties.

The closing is not planned until next year. Advance payments made to date are reported in the amount of TEUR 193. The remaining properties held for sale amounted to TEUR 709 as of 31.12.2019 (previous year: TEUR 946).

3.2.2 Receivables and other current assets

Receivables and other current assets are composed as follows:

in TEUR	2019	2018
Receivables from goods and services	417	3,507
Tax receivables	78	215
Other	621	1,455
Total A	1,116	5,177

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

The trade receivables are mainly receivables from rentals.

Receivables from rentals are non-interest bearing and are generally overdue. Adjustments are made based on the age structure and depending on whether there are active or former tenants. Adjustments were not required.

3.2.3 Other financial assets

The other financial assets in the amount of TEUR 2,979 (previous year: TEUR 2,979) are reported under „Other financial assets“:

0 TEUR) include shares in an investment fund held for trading purposes in the amount of 2,013 TEUR and a loan to Publi-ty St. Martin Tower GmbH in the amount of 966 TEUR. The shares in the investment fund are evaluated at fair value with changes in value in profit and loss (FVTPL).

3.2.4 Cash and cash equivalents

The item “Cash and cash equivalents” comprises cash on hand and bank credit balances.

3.2.5 Properties held for sale

Properties held for sale amount to a total of TEUR 5,881 (previous year: 0 TEUR).

This comprises properties in the amount of TEUR 4,900, for which notarised purchase agreements already existed on the balance sheet date.

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The remaining properties are valued at TEUR 981 according to the current appraisal. Specific sales activities were already initiated for these properties, which should lead to a prompt sale in the financial year 2020.

4. Notes to the balance sheet - liabilities

4.1 Equity

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

4.1.1 Subscribed capital

As of 31 December 2019, the share capital of Coreo AG is divided into 15,945,880 shares which are all made out to the bearer.

The share capital was increased by resolution of the Annual General Meeting of 19.08.2009 by up to 561,000.00 euro (contingent capital 2009/II).

By resolution of the Annual 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 share capital was increased by resolution of the Annual General Meeting of 31/05/2016 by up to EUR 485,000.00 (Conditional Capital 2016/I). The contingent capital serves to secure subscription rights from stock options.

The share capital was increased by resolution of the General Meeting of 28 August 2013 and after the reduction due to resolution of 19 June 2018 by up to EUR 624,000.00 (Conditional Capital 2013/II). The purpose of the conditional capital is to grant option rights and/or option obligations and/or conversion rights and/or conversion obligations.

The share capital was increased by resolution of the Annual General Meeting of 13/06/2019 by up to EUR 6,724,940.00 (Conditional Capital 2019/I). The purpose of the conditional capital is to grant option rights and/or option obligations and/or conversion rights and/or conversion obligations.

The Management Board is authorised by resolution of the Annual General Meeting on 13 June 2019 to issue bearer and/or registered bonds with warrants and/or convertible bonds with a total nominal value of up to 50,000,000.00 with a maximum term of 20 years and to grant the holders of option bonds option rights or the holders of convertible bonds conversion rights to a total of up to 6,724,940 no-par value bearer shares in the company with a proportionate amount of the share capital of up to a total of EUR 6,724,940.00. The

Management Board is authorised by resolution of the General Meeting of 13/06/2019 with an addendum of 1 April 1 2004 to increase the share capital until 12/06/2024 once or several times by up to EUR 7,972,740.00 with contributions in cash or in kind with the consent of the Supervisory Board, whereby shareholder subscription rights may be waived (Authorised Capital 2019/I).

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 Other comprehensive income

Other comprehensive income includes changes in the value of financial assets in the form of equity instruments measured at fair value through equity in other comprehensive income and all adjustments to deferred taxes made in connection with the measurement of these assets. Principally, the other result of EUR -1,737 thousand relates to the changes in value of the participations in MagForce AG and NanoDimension LP.

4.2 Long-term liabilities

4.2.1 Provisions for liabilities and charges

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.

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4.2.2 Financial liabilities

The financial liabilities are structured as follows:

in TEUR	Remaining term Total up to 1 year	Remaining term between 1 and 5 years	Remaining term more than 5 years
31.12.2019			
Bond	13,625	625	13,000
Credit institutions	20,331	6,478	12,522
Accounts payable trade	393	393	0
Leasing liabilities	34	13	21
Other liabilities	985	985	0
	35,368	8,494	25,543
			1,331
31.12.2018			
Bond	13,624	833	12,791
Credit institutions	21,692	4,437	17,255
Accounts payable trade	905	905	0
Leasing liabilities	0	0	0
Other liabilities	467	467	0
	36,688	6,642	30,046
			0

To finance Coreo AG's further growth, a bond was issued at the end of January 2018. The bond with a volume of 20,000 TEUR has a coupon of 10% p.a. and is divided into partial amounts of 100 TEUR, each of which is attached to 3,120 warrants at an exercise price of EUR 2.50 per option/share. The warrants can be traded and exercised separately from the bond. 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).

Although the bond is listed on a stock exchange, it is not traded. The bond has a term until 31 January 2022. Share options have not yet been exercised. The short-term interest accrued up to 31 December 2019 and not yet paid amounts to TEUR 625 and is shown under item 4.3.2.

in TEUR	31.12.2019			31.12.2018		
	Booking value	Remaining term in years	Interest rate %	Booking value	Remaining term in years	Interest rate %
Loan	1,789	3	1.39	1,884	4	1.39
Loan	287	3	1.73	0	0	0.00
Loan	1,988	1	4.20	3,150	2	4.20
Loan	0	0	0.00	132	1	4.20
Loan	2,012	17	1.95	2,222	2	1.95
Loan	10,000	2	2.25	10,003	3	2.25
Loan	4,255	1	variable*	4,301	1	variable*

* 3-months-EURIBOR +1.8%, but at least 1.8%

4.3. Short-term liabilities**4.3.1 Provisions**

Short-term provisions are composed as follows:

in TEUR	01.01.2019	Consumption	Dissolution	Contribution	31.12.2019
Provision for staff	44	44	0	48	48
Supervisory Board's remuneration	14	14	0	14	14
Annual financial statement and audit	132	123	5	150	154
Annual General Meeting	28	28	0	28	28
Pending invoices	46	41	5	154	154
Total	264	250	10	394	398

4.3.2 Liabilities

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

The short-term liabilities are composed as follows:

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in TEUR	2019	2018
Amounts due to banks	6,478	4,437
Liabilities from bonds	625	833
Leasing liabilities	13	0
Trade payables	393	905
Liabilities for taxes	591	452
Other	984	467
Total	9,084	7,094

Liabilities to banks are almost completely secured. Real estate liens are mainly granted as collateral. These securities can only be realised by the banks after a material breach of the financing agreement (e.g. breach of the financial covenants).

Current tax liabilities of TEUR 48 result primarily from the sale of properties. This relates in full to trade tax liabilities triggered by commercial real estate trading.

4.3.3 Further notes on financial instruments

Valuation of financial instruments

Cash and cash equivalents, trade receivables and other receivables regularly have short residual terms. Therefore, their carrying amounts approximate fair value as of the balance sheet date.

The fair value of investments and other securities (financial assets) measured at fair value through profit or loss in the form of equity instruments is determined either on the basis of quoted market prices for identical assets or liabilities in active markets (level 1 of the measurement hierarchy level under IFRS 13) or on the basis of parameters for which either directly or indirectly derived quoted prices are available in an active market (level 2 of the measurement hierarchy level under IFRS 13).

Trade payables and other liabilities mainly have short remaining terms. Therefore, the carrying amounts approximate fair values. The fair values of interest-bearing loans are determined as the present value of the payments associated with the liabilities based on market interest rates. The carrying amounts approximate fair values.

The market value was thus determined on the basis of parameters for which either directly or indirectly derived listed prices are available on an active market (level 2 of the valuation hierarchy in accordance with IFRS 13). The levels of the fair value hierarchy in accordance with IFRS 7 in conjunction with IFRS 13 are described below:

- Level 1: quoted market prices for identical assets or liabilities in active markets,
- Level 2: information other than quoted market prices that is observable directly (e.g. prices) or indirectly (e.g. derived from prices), and
- Level 3: Information for assets and liabilities that are not based on observable market data.

The carrying amounts of financial instruments by measurement category and the fair value hierarchy levels are as follows:

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31. Dezember 2019:

Long-term assets

in TEUR	Fair value hierarchy	Fair value (FVtPL)	Fair value (FVOCI - without recycling)	amortised cost (AC)	Balance sheet disclosure
Financial assets	1	-	5,921	-	5,921
Other investments	2	5,731	300	-	6,031
Overall amount		5,731	6,221	-	11,952

Short-term assets

in TEUR	Fair value hierarchy	Fair value	amortised cost	Balance sheet disclosure
Receivables from goods and services	2	-	417	417
Other assets	2	-	1,587	1,587
Other investments	1	2,013	-	2,013
Tax receivables	2	-	78	78
Cash and cash equivalents	1	-	5,195	5,195
Overall amount		2,013	7,277	9,290

Long-term debts

in TEUR	Fair value hierarchy	Time value	amortised cost (AC)	Value measurement acc. to IFRS 16	Balance sheet disclosure
Leasing liabilities	2	-	-	21	21
Liabilities from corporate bond	2	-	13,000	-	13,000
Amounts due to banks	2	-	13,853	-	13,853
grand total		-	26,853	21	26,874

Short-term debts

in TEUR	Fair value hierarchy	Fair value (FVtPL)	Fair value (FVOCI - without recycling)	amortised cost (AC)	Value measurement acc. to IFRS 16	Balance sheet disclosure
Financial liabilities	2	-	-	7,103	13	7,116
trade creditor	2	-	-	393	-	393
Other current liabilities	2	-	-	984	-	984
Tax liabilities	2	-	-	591	-	591
Overall amount		-	-	9,071	13	9,084

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31. Dezember 2018:

Long-term assets

in TEUR	Fair value hierarchy	Fair value (FVtPL)	Fair value (FVOCI - without recycling)	amortised cost (AC)	Balance sheet disclosure
Financial assets	1	0	7,705	0	7,705
Other investments	2	0	415	0	415
Overall amount		0	8,120	0	8,120

Short-term assets

in TEUR	Fair value hierarchy	Fair value (FVtPL)	Fair value (FVOCI - without recycling)	amortised cost (AC)	Balance sheet disclosure
Receivables from goods and services	2	-	-	3,507	3,507
Other assets	2	-	-	1,455	1,455
Tax receivables	2	-	-	215	215
Cash and cash equivalents	1	-	-	14,033	14,033
Overall amount		-	-	19,210	19,210

Long-term debts

in TEUR	Fair value hierarchy	Fair value (FVtPL)	Fair value (FVOCI - without recycling)	amortised cost (AC)	Balance sheet disclosure
Amounts due to banks	2	-	-	17,256	17,256
Liabilities from corporate bonds	2	-	-	12,790	12,790
Overall amount		-	-	30,046	30,046

Short-term debts

in TEUR	Fair value hierarchy	Fair value (FVtPL)	Fair value (FVOCI - without recycling)	amortised cost (AC)	Balance sheet disclosure
Financial liabilities	2	-	-	5,270	5,270
Trade payables	2	-	-	905	905
Other current liabilities	2	-	-	467	467
Tax liabilities	2	-	-	452	452
grand total		-	-	7,094	7,094

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5. Notes to the statement of comprehensive income

5.1 Income from rental and other income

The sales revenues are structured as follows:

in TEUR	2019	2018
Rental income	1,977	1,507
Ancillary costs	942	657
Revenues from rental	2,919	2,164
Other revenues	4	365
Total	2,923	2,529

5.2 Result from the sale of properties

The result from the sale of properties is made up as follows:

in TEUR	2019	2018
Revenues from the sale of properties	2,983	6,730
Carrying amount of the properties sold incl. sales costs	-1,549	-4,228
Total	1,434	2,503

The revenues were generated by the sale of two properties from the Hydra portfolio and by sales from the Mannheim and Göttingen portfolios.

5.3 Result from the valuation of investment properties

in TEUR	2019	2018
Change in value Fair value valuation of properties IAS 40	3,060	2,643
Total	3,060	2,643

The changes in value are structured as follows:

in TEUR	2019	2018
Change in value Hydra-Portfolio	429	1,641
Change in value portfolio Bad Köstritz	239	-411
Change in value portfolio Porfolio Mannheim	793	117
Change in value portfolio Bruchsal	870	287
Change in value portfolio Göttingen	729	1,009
Total	3,060	2,643

5.4 Other operating revenues

Other operating revenues mainly relates to the following items:

in TEUR	2019	2018
Income first-time consolidation Coreo Göttingen KG (lucky buy)	0	1,344
Income sales financial assets	0	0
Income addition financial assets	0	0
Revenues from release of provisions	10	56
others	37	29
Total	47	1,429

5.5 Cost of materials

The cost of materials of TEUR 2,592 includes expenses for operating costs, expenses for maintenance and modernisation as well as other expenses for purchased services.

5.6 Personnel costs

The personnel costs are structured as follows:

in TEUR	2019	2018
Wages and salaries	-722	-681
Social security contributions	-85	-66
Total	-807	-747

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.

5.7 Depreciation

Depreciation relates to intangible assets and property, plant and equipment, including depreciation of the newly recognised rights of use under leases, and amounts to TEUR 15 (previous year: 18 TEUR).

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5.8 Other operating charges

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

in TEUR	2019	2018
External services and external work	-131	-449
Room costs	-66	-60
Insurances	-32	-30
Vehicle costs	-30	-24
travel expenses	-35	-15
office costs	-50	-36
Further education costs	-3	-17
Repairs, maintenance and repair work	-9	-9
Legal and consulting costs	-379	-875
Costs for year-end close and auditing	-282	-114
Ancillary costs of monetary transactions/ bank commissions	-58	-16
Costs relating to other periods	-9	
Supervisory Board's remuneration	-44	-41
Other expenses	-419	-662
Total	-1,547	-2,348

5.9 Financial income

Interest income for the financial year amounted to EUR 17 thousand (previous year: 137 TEUR).

5.10 Financial expenses

Interest expenditures for the current financial year amount to TEUR 2,181 (previous year: 2,527 TEUR). This mainly relates to interest on the corporate bond and bank loan interest from the financing of the properties.

5.11 Current taxes and deferred taxes

In 2019, current tax expenses amounted to TEUR 154 (previous year: TEUR 398). This tax expense results from the sale of properties.

The deferred tax expense amounts to EUR 1,069 thousand (previous year: EUR 447 thousand). This tax expense arises primarily from the measurement at fair value of investment property. A detailed list can be found under section 3.1.5. The tax reconciliation statement explains the relationship bet-

ween the effective tax expense and the expected tax expense resulting from the IFRS consolidated net income before income taxes by applying the income tax rate.

This consists of corporate income tax of 15% and a solidarity surcharge of 5.5% of the corporate income tax owed. In addition, these companies are subject to trade tax, the amount of which depends on municipal rates of assessment. Companies in the legal form of partnerships are subject exclusively to trade tax. The result reduced by trade tax is allocated to the shareholder for corporate income tax purposes.

The reconciliation from the expected to the actual tax result is shown below:

in TEUR	2019	2018
Group earnings before taxes	361	2,505
Expected tax result (31.93 %)	-115	-800
permanent impacts from n.a. expenses and tax-free income	-99	-462
Use of non-capitalised losses	42	329
Non-capitalisation of tax losses	-1,170	-703
Effects from trade tax exemption	506	614
Income tax effects relating to other periods	-354	3
First-time consolidation effects	0	198
Other	-33	-24
Actual tax result	-1,223	-845
Effective tax expense in %	339	34

The effect of the trade tax exemption results in particular from the so-called „extended reduction“ of trade income. Those companies that generate their income exclusively from the management of their own real estate have the option of reducing their trade income by this amount, so that in these cases only the corporation tax rate plus solidarity surcharge is effectively applied.

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 main reasons for the negative result for the period are the significantly lower profits from the sale of properties and the significant increase in maintenance costs, which were ur-

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gently required as part of the refurbishment activities.

The year-on-year decrease in the negative cash flow from operating activities by approximately EUR 6 million was mainly due to the reduced taking up of financing loans.

The year-on-year increase in the negative cash flow from investing activities by approximately EUR 15 million is due to the reduced purchases of real estate and the payment for the investment in Publiity St. Martin Tower GmbH.

The main reason for the negative cash flow from financing activities is the repayment of loans.

The restrictions on disposal relate on the one hand to the revenue account from the sale of MagForce shares with a portfolio of EUR 5,802 thousand as of 31/12/2019 (of which EUR 1,410 thousand are restricted) and on the other hand to incoming payments from rent deposits amounting to EUR 250 thousand (previous year: EUR 28 thousand). 28 TEUR).

A reconciliation of financial liabilities to cash flow from financing activities in fiscal 2019 is presented below:

in TEUR			not affecting payment				31.12.19
	31.12.18	affecting payment	changes in the basis of consolidation	Exchange differences	Other	Regrouping	
Long-term debt	30,046	-1,110	0	0	0	-2,062	26,874
Short-term debt	5,270	-147	0	0	0	1,993	7,116

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.

At the time of the capital increase in December 2018, the majority shareholder Apeiron Investment Group Ltd, Malta, held 47% of the company. The other major shareholders, BF Holding GmbH, Kulmbach, and its wholly owned subsidiary,

GfBk Gesellschaft für Börsenkommunikation mbH, held 15% and 6% respectively of Coreo AG at the same time. The Company is not aware of any changes that have occurred since then.

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

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	Capital share %	Equity	Result	Year
Erste Coreo Immobilien VVG mbH, Frankfurt a. M., Germany	100 %	-507 TEUR	-218 TEUR	2019
Zweite Coreo Immobilien VVG mbH, Frankfurt a. M., Germany	100 %	1,355 TEUR	1,273 TEUR	2019
Dritte Coreo Immobilien VVG mbH, Frankfurt a. M., Germany	100 %	1,307 TEUR	899 TEUR	2019
Vierte Coreo Immobilien VVG mbH, Frankfurt a. M., Germany	100 %	19 TEUR	-2 TEUR	2019
Coreo Göttingen AM UG, Frankfurt a. M., Deutschland	100 %	1 TEUR	0 TEUR	2019
Coreo Solo AM UG, Frankfurt a. M., Germany	100 %	1 TEUR	0 TEUR	2019
Coreo Han AM UG, Frankfurt a. M., Deutschland	100 %	2 TEUR	1 TEUR	2019
Coreo Solo UG & Co. KG, Frankfurt a. M., Germany	100 %	1 TEUR	215 TEUR	2019
Coreo Han UG & Co. KG, Frankfurt a. M., Germany	100 %	-746 TEUR	-1,233 TEUR	2019
Coreo Göttingen Residential UG & Co. KG, Frankfurt a. M., Germany	94 %	2,510 TEUR	-292 TEUR	2019
Coreo Wubi Residential UG & Co. KG*, Frankfurt a. M., Germany	100 %	-12 TEUR	-13 TEUR	2019

* The company was newly established in 2019.

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-Greiz 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.

A further framework loan of TEUR 300 was granted for restructuring purposes in accordance with the loan contract of 5 August 2019. The entire loan bears interest at 5.0 % p. a. No securities were provided for the loan. The loan has a term of one year and is automatically renewed for another year, un-

less terminated by one of the parties.

- Loan agreement Zweite Coreo Immobilien VVG mbH:

In 2017, Coreo AG provided Zweite Coreo Immobilien VVG mbH with a framework loan of EUR 500 thousand in accordance with the loan agreement dated August 1, 2017. The loan has a term of one year and is automatically renewed for another year, unless terminated by one of the parties. Since 2018, the interest rate is 10% per annum. Interests are payable quarterly in arrears.

- Loan agreement third parties Coreo Immobilien VVG mbH

Under a loan agreement dated August 15, 2017, Coreo AG provided the third party Coreo Immobilien VVG mbH with a framework loan of EUR 1,500 thousand. The loan has a term of one year and is automatically renewed for another year, unless terminated by one of the parties. Since 2018, the interest rate is 4 % per annum. Interests are payable quarterly in arrears.

- Loan agreement for Coreo Han UG (limited liability) & Co.KG

With the loan agreement dated May 3, 2018, Coreo AG granted Coreo Han UG (limited liability) & Co. KG provided a framework loan in the amount of TEUR 17,000. The loan has a term of one year and is automatically renewed for another year, unless terminated by one of the parties. The interest rate is 11 % p. a. The interest is payable semi-annually in arrears. The loan was used for the acquisition as well as the refurbishment for the of the „Hydra“ property portfolio.

- Loan agreement for Coreo Solo UG (limited liability) & Co.KG

Under a loan agreement dated May 3, 2018, Coreo AG granted Coreo Solo UG (limited liability) & Co. KG provided a framework loan in the amount of TEUR 5,500. The loan had a term of one year and was completely paid back on 1 March 2019.

- Loan agreement for Coreo Göttingen Residential UG (limited liability) & Co.KG

With the loan agreement dated 5 April 2018 and 23 April 2018, shareholder loans of TEUR 2,900 and TEUR 2,050 were granted to Coreo Göttingen Residential UG (limited liability) & Co. KG. The loans were used to cover the outstanding residual purchase price for the shares held by HS Wohnen in Göttingen GmbH & Co. KG, the takeover of a shareholder loan granted in the course of the advance payment on the purchase price by

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a previous shareholder as well as the acquisition of a company in the course of the purchase price payment by a previous shareholder. The loans bear interest at 5 % p. a.

Coreo Göttingen Residential UG (limited liability) & Co. KG was granted a further shareholder loan of TEUR 500 under a loan contract dated 12 June 2019. The loan has a term of one year and is automatically renewed for another year, unless terminated by one of the parties. The loan bears interest at 5 % p. a. Interests are payable once a year on a retroactive basis.

Coreo Göttingen Residential UG (limited liability) & Co. KG was granted a further shareholder loan of TEUR 500 under a loan contract dated 14 August 2019. The loan has a term of one year and is automatically renewed for another year, unless terminated by one of the parties. The loan bears interest at 5 % p. a. Interests are payable once a year on a retroactive basis.

- Loan agreement Coreo Wubi Residential UG (limited liability) & Co. KG

Coreo Wubi Residential UG (limited liability) & Co. KG was granted a shareholder loan of TEUR 1,200 under a loan contract dated 29 October 2019. The loan has a term of one year and is automatically renewed for another year, unless terminated by one of the parties. The loan bears interest at 5 % p. a. Interests are payable once a year on a retroactive basis.

- Property administration agreement with Erste Coreo Immobilien VVG mbH

On 1 August 2017, Coreo AG concluded a property management agreement with Erste Coreo Immobilien VVG mbH. In this contract, the Issuer has undertaken to manage the property of the property Bad Köstritz, Rosa-Luxemburg-Ring 1-14 with the diligence of a prudent businessman, both from a technical and a commercial point of view. The Issuer is authorised, among other things, to carry out apportionable repairs in individual cases up to EUR 10,000 without prior consultation. The Issuer receives an annual fee of EUR 264 plus VAT per residential unit for general administration, accounting, rental and receivables management and a further EUR 96 plus VAT for general care management, irrespective of whether the residential unit is rented or vacant. The contract has a fixed term of 2 years and can be terminated by the other contracting party in the event of a breach of duty by one of the contracting parties. The contract was extended by a supplement dated 29 March 2018 to the effect that the special services provided by the Issuer include financing brokerage, for which the Issuer is to receive remuneration dependent on the amount of the loan.

- Property administration agreement with Zweite Coreo Immobilien VVG mbH

Coreo AG concluded a property management agreement with Zweite Coreo Immobilien VVG mbH on September 1, 2017. In this contract, the Issuer has undertaken to acquire the property of the property in Mannheim, Güterhallenstr. 1-25 are to be managed both technically and commercially with the diligence of a prudent businessman. The Issuer is authorised, among other things, to carry out apportionable repairs in individual cases up to EUR 10,000 without prior consultation. The Issuer receives a monthly fee of 4% of the monthly net cold rent plus VAT for general administration, accounting, rental and receivables management and a further 2% of the monthly net cold rent for general housekeeping management. The contract has a fixed term of 2 years and can be terminated by the other contracting party in the event of a breach of duty by one of the contracting parties. The contract was extended by a supplement dated 26 June 2018 to the effect that the special services provided by the Issuer include financing brokerage, for which the Issuer is to receive remuneration dependent on the amount of the loan.

- Property administration agreement with Dritte Coreo Immobilien VVG mbH

On October 1, 2017, Coreo AG concluded a property management agreement with Dritte Coreo Immobilien VVG mbH. In this contract, the Issuer has undertaken to manage the property of the property Bruchsal, Im Wendelrot 11 with the care of a prudent businessman, both in technical and commercial respects. The Issuer is authorised, among other things, to carry out apportionable repairs in individual cases up to EUR 10,000 without prior consultation. The Issuer receives a monthly fee of 2% of the monthly net cold rent plus VAT for general administration, accounting, letting and receivables management and a further 2% of the monthly net cold rent for general housekeeping management, irrespective of whether the residential and commercial unit is let or vacant. The contract has a fixed term of 2 years and can be terminated by the other contracting party in the event of a breach of duty by one of the contracting parties. The contract was extended by a supplement dated 26 June 2018 to the effect that the special services provided by the Issuer include financing brokerage, for which the Issuer is to receive remuneration dependent on the amount of the loan.

- Property administration agreement with Coreo Göttingen Residential UG (limited liability) & Co.KG

On November 30, 2018, Coreo AG entered into an agreement with Coreo Göttingen Residential UG (limited liability) & Co. KG concluded a property management agreement. In this

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contract, the Issuer undertakes to manage all properties of the Company with the diligence of a prudent businessman, both technically and commercially. The Issuer is authorised, among other things, to carry out apportionable repairs in individual cases up to EUR 10,000 without prior consultation. The Issuer receives a monthly fee of EUR 24 per residential unit for general administration, accounting, letting and receivables management and for general care management, irrespective of whether the residential or commercial unit is rented or vacant. The contract has a fixed term of 2 years and can be terminated by the other contracting party in the event of a breach of duty by one of the contracting parties.

- Property administration agreement with Coreo Han UG (limited liability) & Co.KG

On November 30, 2018, Coreo AG entered into an agreement with Coreo Han UG (limited liability) & Co. KG concluded a property management agreement. In this contract, the Issuer undertakes to manage all properties of the Company with the diligence of a prudent businessman, both technically and commercially. The Issuer is authorised, among other things, to carry out apportionable repairs in individual cases up to EUR 10,000 without prior consultation. The Issuer receives a monthly fee of 5% of the net monthly target rent for general administration, accounting, letting and receivables management and for general care management, irrespective of whether the residential and commercial unit is let or vacant. The contract has a fixed term of 2 years and can be terminated by the other contracting party in the event of a breach of duty by one of the contracting parties.

- Property administration agreement with Coreo Solo UG (limited liability) & Co.KG

On November 30, 2018, Coreo AG entered into an agreement with Coreo Solo UG (limited liability) & Co. KG concluded a property management agreement. In this contract, the Issuer undertakes to manage all properties of the Company with the diligence of a prudent businessman, both technically and commercially. The Issuer is authorised, among other things, to carry out apportionable repairs in individual cases up to EUR 10,000 without prior consultation. The Issuer receives a monthly fee of EUR 1,000 for general administration, accounting, letting and receivables management and for general housekeeping management, irrespective of whether the residential and commercial unit is let or vacant. Furthermore, Coreo AG receives a one-time commission of 1.5% of the net selling price plus statutory sales tax on the sale of a property. The contract has a fixed term of 2 years and can be terminated by the other contracting party in the event of a breach of duty by one of the contracting parties.

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

7.2 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.

7.3 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, 2019, there were no significant changes in the capital structure. The Group's equity ratio as at 31 December 2019 was 42.6 % (previous year 44.2 %).

7.4 Notes on risk management and strategy

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. In this context, both losses incurred and additional expenses as well as lost profits are considered to be risks, regardless of whether this is due to internal or external causes. Various measures and processes serve to guarantee the maximum achievement of objectives (structural measures, diversification, responsibility splitting, controlling). In this context, the basis is the awareness of all employees regarding emerging risks and deviations from plans as well as an appropriate information and reporting system. Employees who have the necessary technical qualifications perform relevant tasks and functions. In addition, measures going beyond normal day-to-day business are only taken after consultation between the relevant business divisions and, if required, with the involvement of the Management Board. To monitor and control all measures relating to the property portfolio, regular internal meetings are held with the participation of the Management Board, Sales and Asset Management. Additionally, transactions specified in the rules of procedure of the Management Board require the approval of the Supervisory Board. In addition to macroeconomic developments, developments specific to the industry and financial markets as well as other developments relevant to the Group are monitored in order to identify those potential risks that are inevitably associated

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with entrepreneurial activity as early as possible and, if required, take appropriate countermeasures.

It is a continuous process contributing to the sustainable development of the company and its success. Within its scope of its business activities, Coreo faces different risks:

7.4.1 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 real estate market and the general development of the German economy. The German 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. The development of demand and prices on the German property market depends on various factors that cannot be influenced by Coreo, such as macroeconomic developments. After years of recovery, economic development has clearly clouded towards the end of 2019 and could have a negative effect on demand for commercial space if companies are less willing to invest. Considering that only a portion of the commercial properties held by the Group are let on a long-term basis, this could have a direct negative impact on the planned (subsequent) rentals. A declining number of employees or the real income of private households could be a burden on the housing market. Consequently, the Group might be faced with rising vacancy rates and stagnating or even falling rental prices and/or increased rental defaults at the same time. In light of the still unpredictable economic effects of the Corona crisis, it is not possible, for the time being, to make a solid forecast of economic development in 2020 and beyond. However, thanks to the measures implemented, a significant drop in GDP can be expected for 2020.

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. The loss of top performers could result at the same time in additional staff requirements which could not be covered within the requested period. The Company counteracts this risk by creating an attractive working environment by means of team development, demand-oriented qualification opportunities, the possibility of participating in the Company in the form of the share option program and the promotion of motivation and performance by means of an innovative corporate culture and flat hierarchies. The economic effects of the Corona crisis will also be felt in the labour market and will lead to an expansion of labour supply. On the whole, the personnel risk is therefore considered to be low.

7.4.2 Financial risks

Price and interest-change risks

Coreo currently still holds investments from its time as an investment company operating in the nanotechnology sector. Coreo has no influence on the financial or earnings position of its participations and on their possible 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.

Interest rate risks relate to directly existing loans for which no fixed interest rate agreements have been concluded. They also exist in case of necessary loan extensions and financing of (future) real estate purchases. In light of the measures introduced by central banks in the wake of the Corona crisis, we do not expect a serious increase in the overall interest rate level in 2020 and therefore classify interest rate risk as low.

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. The Group continuously monitors the risk of a liquidity bottleneck by means of liquidity planning. This liquidity planning takes into account the maturities of the financial liabilities and expected cash flows from operating activities. The liquidity flow is continuously monitored and managed. Liquidity reserves are maintained to ensure the solvency of the Group at all times. Property purcha-

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ses do not represent a liquidity risk for the Coreo Group, as they are only carried out if financing has been agreed in advance. Should development measures in the portfolio exceed the period of the corresponding loan, Coreo may be obliged to obtain follow-up financing. At present there are no indications of such a situation. Extensions for loans maturing in 2020 have been concluded or already committed. It remains to be seen whether and for how long the deferral measures under German law to mitigate the consequences of the Corona pandemic in civil, bankruptcy and criminal law will be extended beyond 30 June 2020 and to what extent the tenants of Coreo will use them. In this context, liquidity risks have increased compared to the previous year and are therefore considered average.

Financial and capital market risks

The Coreo Group relies on additional equity and debt capital to finance its planned growth. As a result of the collapse of the stock markets, it is generally not possible, or only to a very limited extent, to raise additional equity capital, particularly for companies with low capitalisation. As the Group needs additional financing, a tightening of lending conditions and/or a decrease in willingness to lend would have a negative impact on the Group's investment opportunities. At the same time, distortions in the bond markets could lead to increasing levels of returns and thus make it possible to issue corporate bonds only at economically unjustifiable costs. The Management Board currently assumes that it will not be possible to raise the necessary funds for further investments or only on economically unprofitable terms. As the end of the current financial situation cannot be predicted, the risk of further portfolio growth is considered high. Should it not be possible to comply with the stipulations of loan agreements, the result could be a required premature repayment and, if required, the liquidation of properties serving as security. This generally causes noticeable economic disadvantages for the guarantor. At the end of 2019, there were no early repayment obligations within the Group.

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 ad-

ditional costs. The present legislation aimed at mitigating the consequences of the Corona pandemic with deferral measures regulated by civil, insolvency and criminal procedural law could be extended beyond 30 June 2020 and it is unknown to what extent Coreo's tenants will make use of them.

Coreo has implemented a data protection care package to ensure the practical implementation of the laws in connection with the DSGVO. The data protection concept includes, among other things, IT usage and security guidelines, agreements on data protection with contract data processors and instructions for employees.

Qualified employees and an external tax consultancy 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 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.

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 develop its internal structures of organisation, information, risk monitoring and risk management as well as its accounting and to adapt them adequately further 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 conta-

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minated sites or other environmental pollutants and therefore being held 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. The hardware and software solutions used by Coreo are continuously checked, maintained, and are subjected to the necessary updates and further developments. For this purpose, the Company also relies on external service providers. There are defined rules that give employees access to the systems and data required for their area of responsibility. The Company's data inventory is secured by regular backups, which help to keep any downtimes that might affect business processes as short as possible. Moreover, Coreo's revenues do not depend on the availability of an online front-end.

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

7.4.3 Overall risk

The Management Board and the Supervisory Board do not consider any of the listed risks to be a threat to the continued existence of the Company as a going concern at the time of preparation of the consolidated financial statements for 2019, but a significant overall uncertainty is to be expected due to the current developments in the context of the Corona crisis. Sufficient precautions were taken against identified risks.

7.5 Risk management strategy

Coreo AG issued a letter of comfort for Zweite Coreo Immobilien VVG mbH to Dero Bank to secure the loan liability in the amount of TEUR 1,988 from the financing of the acquired real estate. In the letter of comfort, Coreo AG undertakes vis-à-vis Dero Bank to enable its subsidiary, Zweite Coreo Immobilien VVG mbH, to meet its obligations under the loan at all times.

By order of 14 March 2018, the Munich Local Court opened insolvency proceedings against the assets of Dero Bank AG. The insolvency proceedings have not yet been concluded, so that no statement can currently be made on any claims on the part of the insolvency administrator.

A default guarantee for Dritte Coreo Immobilien VVG mbH exists vis-à-vis Volksbank Neckartal eG to secure the loan liability in the amount of EUR 2,012 thousand from the financing of the acquisition of real estate, whereby Coreo AG can only be called upon from this if it is certain that the call on Dritte

Coreo Immobilien VVG mbH, and possibly also the realisation of all its securities, does not promise success.

Coreo AG issued a letter of comfort for Coreo Han UG (limited liability) & Co. KG to Volksbank Rhein-Lahn-Limburg eG to secure the loan liability of 11,600 TEUR from the financing of the property acquisition. In the letter of comfort, Coreo AG undertakes vis-à-vis Volksbank Rhein-Lahn-Limburg eG to enable its subsidiary, Coreo Han UG (limited liability) & Co. KG, to meet its obligations under the loan at all times.

Furthermore, a bond was issued on January 30, 2018 to finance the further growth of Coreo AG. The bond has a volume of EUR 20,000 thousand and 624,000 options on a corresponding number of shares in the company and has a coupon of 10% p.a. and is divided into partial amounts of EUR 100 thousand, to each of which 3,120 warrants are attached. The warrants can be traded and exercised separately from the bond. Each warrant entitles the holder to subscribe to one share at a subscription price of EUR 2.50. The subscription price is EUR 2.50 per 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). Although the bond is listed on a stock exchange, it is not traded. The bond matures on 31 January 2022 but can be repaid in full after one year. The payments are linked to a corresponding property investment. Share options have not yet been exercised.

The shares held by the company in MagForce AG were pledged to secure the bond. In addition, the following shares were pledged:

- Coreo Göttingen AM UG (limited liability)
- Coreo Han AM UG (limited liability)
- Coreo Solo AM UG (limited liability)
- Coreo Han UG (limited liability) & Co. KG
- Coreo Solo UG (limited liability) & Co. KG
- Coreo Göttingen Residential UG (limited liability) & Co. KG

If the bond is not serviced or not serviced properly, there is a risk that the pledged participations and/or shares will be sold below their value in the event of a forced sale. In addition, it cannot be ruled out that the sale of the shares, possibly also below value, of the real estate held in each case may occur when the shares are sold, and that the real estate held by the associated companies may therefore indirectly serve as collateral for the bondholders.

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

7.6 Significant events after the balance sheet date

After the balance sheet date, part of the residential portfolio acquired in NRW (Lünen and Gelsenkirchen) at the end of 2019 was transferred to Coreo with the closing as of 1 March 2020. Furthermore, Coreo received cash inflows from the sale of the property in Viersen at the beginning of January 2020 and from a property sale in Göttingen in March, after which the closing took place on 1 April 2020.

The worldwide Corona crisis and the related measures taken to contain it are expected to have a significant impact on the global economy and thus probably also on Coreo. The economic risk will only be able to be reliably assessed depending on the duration of the corona crisis and the measures taken by politicians to contain it.

We are not aware of any other significant events after the balance sheet date.

7.7 Auditor's fee

The audit fee for the financial year amounts to TEUR 69 (previous year: 65 TEUR).

7.8 Share option program

With the resolution of the Annual General Meeting on 31 May 2016, the Management Board was authorised, with the approval of the Supervisory Board, to issue subscription rights to shares in the company on one or more occasions up to 30 May 2021, entitling the holder to subscribe for up to 485,000 no-par value bearer shares in the company. On October 7, 2016, 265,000 share options were issued to employees at a subscription price of 2.00 euro per share. On 15 July 2018, 30,000 share options were issued to employees at a subscription price of 2.00 euro per share.

The minimum waiting period for the 265,000 stock options expires on October 7, 2020 and for the 30,000 stock options on July 15, 2022. 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 Management Board with the consent of the Supervisory Board. If members of the Company's Management Board are to receive preemptive 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 Company's Management Board.
- 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 subscription rights may, at the Company's discretion, also be fulfilled by way of a cash settlement or terminated against cash settlement. Details are set out in the option terms and conditions.

The subscription rights of entitled persons may only be issued within a period of 15 banking days, beginning on the fourth banking day following the Company's Annual General Meeting and 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. The offer may be accepted by the beneficiaries within a reasonable acceptance period set by the Management Board with the consent of the Supervisory Board or, in the case of Management Board members, only by the Supervisory Board. The individual distribution plan is determined by the Management Board with the approval of the Supervisory Board. The exercise of the subscription rights requires that

- the waiting period of four years for the respective subscription rights has expired;
- the options are exercised within a specified exercise period, and
- the performance target in accordance with the following paragraph has been met.

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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. If the application of the percentages results in fractions, the number of exercisable subscription rights shall be rounded down to the next full amount.

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. Subscription rights that have not lapsed or been terminated in accordance with the option conditions may also be exercised prematurely, but not before expiry of the statutory minimum waiting period of four (4) years after acquisition of the respective subscription right and subject to the performance targets, within one or more periods to be determined as soon as a change of control has occurred („premature exercisability”). Change of Control is the acquisition by one person or several persons acting jointly (each a „third party” or acting jointly a „third party”) of shares in the Company that confer more than 50 % of the voting rights or the acquisition of a controlling influence over the Company by one or several third parties in any other way. The subscription price is EUR 2.00 per share.

In the event of a merger of the Company with another company, another conversion of the Company, a reclassification of the share capital of the Company or comparable measures which affect the subscription rights by the loss or modification of the shares subject to the subscription rights in accordance with these option terms (in each case: (1) In the event of a change of control (e.g., a „structural measure”), the right to acquire, at the subscription price, the number of shares, shares or other equity interests in the Company or its legal successor replacing the Company's shares whose value corresponds to the market value of the Company's shares at the time of such a structural measure shall replace the subscription right. If the Company is not listed on a stock exchange, the market value is determined by the valuation of the shares as they result from the last financing round in connection with a capital increase or from the last purchase price payment by a third party known to the Company or from the granting of shares as part of a share swap by a third party prior to the structural measure; the most recent event is decisive in each case.

If the company is listed on a stock exchange, the market value is determined by the arithmetic mean of the closing prices of

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one share of the company during the last five trading days before the structural measure. The prices on the stock exchange on which the Company's shares were first introduced shall apply. Under no circumstances may the subscription price be less than the lowest issue price pursuant to Section 9 (1) AktG. In all other respects, these option conditions remain fully applicable.

Subject to the exercise prerequisites, all subscription rights that do not expire, have not expired and have not been terminated under the option terms and conditions may be exercised at the earliest after the expiration of a waiting period of four (4) years after the acquisition of the respective subscription right („waiting period“) until the expiration of the term in the exercise periods. In individual cases or generally, the Management Board may, with the approval of the Supervisory Board or the Supervisory Board (in relation to Management Board members), determine longer waiting periods and/or determine that only a portion of the subscription rights from a tranche of simultaneously offered subscription rights may only be exercised after the expiration of one or more further specific periods.

After expiry of the waiting period and fulfilment of the performance target, a subscription right may only be exercised within a period of 15 bank working days, beginning on the fourth bank working day.

- after the Annual General Meeting of the Company, or
- exercised after publication of the half-yearly financial report or an interim announcement („exercise periods“).

The option conditions may provide for restrictions with regard to the sale of the subscription shares after exercise of the subscription rights, provided that these serve to protect the Company's legitimate interests in appropriate price management. The right to exercise the subscription rights ends no later than ten years after the offer date. Subscription rights that have not been exercised by this date shall lapse without replacement.

The subscription rights can only be exercised by the entitled person himself. Disposal of the subscription rights is excluded, in particular they are not transferable. However, the subscription rights are heritable. The option conditions may provide for the subscription rights to expire if the employment relationship of the beneficiaries with the Company or with an affiliated company ends before the end of the waiting period applicable to the respective subscription rights, unless the Company agrees otherwise with the beneficiary in individual cases.

The subscription rights for which the respective waiting period has expired are generally non-forfeitable unless the option terms expressly stipulate otherwise. In particular, in the event of death, disability, retirement or termination of employment, the option conditions may contain special provisions, in particular the obligation to exercise subscription rights within a certain period of time.

As the average market price in 2019 was significantly below the exercise price of the stock options, the stock options were not shown in the balance sheet.

7.9 Average number of employees during the financial year

The average number of employees in the Company during the financial year was 9 (previous year 6).

7.9 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 243 (previous year: 255 TEUR).

In the business year 2019, 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, Kaufmann, Munich of Bavaria

Supervisory Board remuneration of TEUR 44 (previous year: TEUR 41) was recognised as an expense for members of the Supervisory Board in the year under review.

The Management Board of Coreo AG is responsible for the preparation, completeness and accuracy of the Consolidated Financial Statements and the combined management report of the Company and the Group.

The Management Board released these financial statements for submission to the Supervisory Board on 17 April 2020. The

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Supervisory Board has the task of examining the Consolidated Financial Statements and declaring whether it approves them.

Frankfurt am Main, 17 April 2020

The chairman

A handwritten signature in blue ink, appearing to read 'Marinov', written in a cursive style.

Marin N. Marinov

List of shareholdings pursuant to § 313 paragraph 2 HGB
(German Commercial Code)

	Capital share %	Equity	Result	Year
Erste Coreo Immobilien VVG mbH, Frankfurt a. M., Germany	100 %	-507 TEUR	-218 TEUR	2019
Zweite Coreo Immobilien VVG mbH, Frankfurt a. M., Germany	100 %	1,355 TEUR	1,273 TEUR	2019
Dritte Coreo Immobilien VVG mbH, Frankfurt a. M., Germany	100 %	1,307 TEUR	899 TEUR	2019
Vierte Coreo Immobilien VVG mbH, Frankfurt a. M., Germany	100 %	19 TEUR	-2 TEUR	2019
Coreo Göttingen AM UG, Frankfurt a. M., Germany	100 %	1 TEUR	0 TEUR	2019
Coreo Solo AM UG, Frankfurt a. M., Germany	100 %	1 TEUR	0 TEUR	2019
Coreo Han AM UG, Frankfurt a. M., Germany	100 %	2 TEUR	1 TEUR	2019
Coreo Solo UG & Co. KG, Frankfurt a. M., Germany	100 %	1 TEUR	215 TEUR	2019
Coreo Han UG & Co. KG, Frankfurt a. M., Germany	100 %	-746 TEUR	-1,233 TEUR	2019
Coreo Göttingen Residential UG & Co. KG, Frankfurt a. M., Germany	94 %	2,510 TEUR	-292 TEUR	2019
Coreo Wubil Residential UG & Co. KG*, Frankfurt a. M., Germany	100 %	-12 TEUR	-13 TEUR	2019

* The companies were newly established in 2019.

Group Management Report for the financial year 2019

1. Principles of the Group

1.1 Overview

Coreo AG (hereinafter also referred to as „Coreo“, „the Coreo Group“, „the Coreo Group“, „the Company“, „the Corporation“ or „we“) is a public limited company under German law incorporated on December 12, 2003 and with its registered headquarters in Bayreuth, Germany. The Annual General Meeting held on January 24, 2005 resolved to relocate the Company's registered office to Frankfurt am Main. Until the change of the corporate purpose by resolution of the Annual General Meeting on 31 May 2016, the Company operated as a nanotechnology investment Company under the Company name „Nanostart“. In the meantime, the former portfolio of nanotechnology has been divested except for two valuable investments.

Since that time, the main activity of the Company has been to build up a high-yield commercial and residential property portfolio throughout Germany. The focus of the investment is on properties with sustainable development potential. The risk/return profile of these acquisitions lies between that of the project developments on the one hand and that of rented portfolio properties on the other hand. Coreo Group's positioning in this area will increasingly shift from that of project developer to that of pure portfolio manager, as the real estate portfolio continues to grow. In addition to current rental income, Coreo will generate an interesting increase in the value of its real estate portfolio thanks to specific measures for properties (development, renovation, modernization, repositioning, etc.). Portfolio components for which long-term rental prospects cannot be developed or which do not meet the Company's own needs (such as location and size) will be sold as quickly as possible. The profits thus generated constitute an additional source of income for the Group. Together with the funds released in the course of the sale, these are used for the further expansion of the real estate portfolio. As of 31 December 2019, the portfolio consists of properties at 17 locations with a total lettable surface area of around 61,100 m², of which 22,700 m² is residential and 38,400 m² is commercial. The commercial properties are divided into office and commercial buildings, wholesale, hotel and logistics. In addition, at the balance sheet date, a 10.1 % stake was held in a single limited company with a lettable area of 26,000 m². The closing for a residential portfolio

with a total leasable area of 19,800 m² acquired in November 2019 was still outstanding at the balance sheet date.

1.2 Strategy

The shares of Coreo AG are traded on the open market of the Frankfurt Stock Exchange. Therefore, the objective of the Company is a sustainable and steady increase of the Company value in the interest of our shareholders by means of a multi-layered value-creating growth strategy. This objective is to be achieved by building a high-yield residential and commercial real estate portfolio with a volume of 400-500 million euros over the next 4-5 years. The starting point is a restrictive purchasing and investment policy. Only those properties or portfolios that, within their asset class, show above-average value development potential from the Company's point of view are included in the short-list. Consequently, properties in the Value-Add segment, which have a good opportunity profile with a technically and time manageable development effort, are the focus of the company's investment. The Company makes use of a partner network that has grown over many years and operates locally and regionally throughout Germany when acquiring new properties. At the same time, Coreo AG has direct access to local market expertise and local services. Apart from metropolitan regions and economically strong conurbations, above all, locations in medium-sized centres are preferred. Depending on the specific plans for the properties developed in advance of the acquisitions, the properties acquired contribute to the Group's three revenue streams.

Trading income

During portfolio transactions, individual properties are acquired on a regular basis and to varying extent which, for a number of reasons, do not meet the strategic requirements of the Company for long-term properties (portfolio properties). The related properties are identified prior to acquisition and transferred to the Parent Company's current assets with the aim of selling them as soon as possible, generating adequate income contributions and using existing loss carry-forwards.

Portfolio development

A careful, property-specific development and/or repositioning of the acquired properties is a prerequisite for a

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sustained increase in rental income while at the same time reducing rental risks. The result of these measures is a substantial increase in property values and thus in NAV (Net Asset Value).

Long-term rental income

In this context, the required portfolio growth will be largely fed by properties that will be transferred to the long-term portfolio after completing development and/or repositioning measures. In some cases, further opportunities offered by the market should be used. Recurring liquidity surpluses from the rental business (funds from operations, FFO) are used for corporate financing and additional growth of the Group. The Company deliberately relies on its own staff for rental accounting in order to recognise relevant developments for the rental business at an early stage. Thanks to a regular and direct contact with our tenants, we are also able to react quickly and flexibly to any negative development or changing expectation.

1.3 Group structure

Within the Group, Coreo AG operates as a management holding company that has no own properties - excepted those planned for resale. Coreo AG performs a variety of central tasks for the Group's existing subsidiaries, such as rental accounting, asset management and structuring of financing. Property management, however, is outsourced to local service providers. The properties (portfolios) acquired directly (asset deals) are taken over by the subsidiaries in which the Company holds 100% of the capital. In case of acquisition of existing real estate companies, Coreo generally acquires the majority of the shares. The financing of the property portfolio is carried out by project companies using bank loans. The required equity capital is provided by the Parent Company in the form of shareholder loans. In addition, Coreo holds a 10.1% stake in Pubity St. Martin Tower GmbH, a real estate company that owns the Frankfurt office „St. Martin Tower“.

1.4 Control system

The business volume related to the acquired property volume does not yet require any segmentation. The Group's operating activities are managed using specific financial and non-financial performance indicators and parameters. By means of regularly reviewing the target figures during the financial year, any deviations from the corporate targets will be detected. The assumptions made are then reviewed and, if required, modified and target-oriented countermeasures initiated.

Three sources of income form the basis of Coreo's value-creating growth strategy: current rental income, sales profits and write-ups. The profit contribution from the sale of non-strategic portfolio components is planned on the basis of the sales volume and the resulting trading margin. The period of stay of the individual properties in the portfolio is also considered as a non-financial indicator. Since the part of an acquired portfolio to be divested is not one of the primary purchase parameters, planning sales results according to volume is subject to a greater degree of uncertainty than the existing market risk. Plan deviations and adjustments are in that case more likely.

In managing the portfolio properties to be developed, compliance with the budgeted costs and expected timing are the central operational control parameters during the implementation of the respective measures. At the same time, results and planning are constantly compared with each other with the aim of achieving the calculated value increases after project completion.

The rental business is first and foremost managed on the basis of the volume of the received rental income. Another focus is the non-financial ratio of vacancy rates, the target/actual comparison and the weighted average lease term (WALT) for commercial properties. This value and the FFO will increase in importance in parallel with the expected increase in the portfolio. In addition to the speed and scope of the expansion of the real estate portfolio, the Group's financing is a decisive factor for its further development.

Bank loans received by subsidiaries reflect their specific characteristics in terms of structure and conditions. At Group level, indicators such as LTV (loan to value) or the volume-weighted interest rate are continuously determined and included in the assessment of the Group's development.

2. Economic report

2.1 Overall economic situation

Economic development in 2019 was weighed down in particular by the US-China trade dispute and the protracted negotiations on Brexit. Nevertheless, the German economy grew for the tenth consecutive year in the past year. However, with a price-adjusted increase in gross domestic product (GDP) of just 0.6%, growth was again significantly lower than in the previous year. This was significantly lower than the 10-year average of 2.0 %. The last time economic growth was equally weak was in 2013. After a solid 0.5% increase in the first quarter, GDP fell by 0.2% in the following quarter. The main reason for the continued slowdown in the pace of expansion of the German economy was the sharp decline in price-adjusted

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gross value added in manufacturing, which accelerated again towards the end of the year. While economic output in the sector was 3.6 percent lower than the previous year, the last quarter of 2019 saw a sharp decline of 4.8 percent compared to the same period a year earlier.

At the same time, private consumption stagnated in the fourth quarter, which in recent times has often proved to be the driving force of the economy. With the dynamic development in the third quarter, it contributed significantly to its annual growth of 1.2%.

Economic output in the construction sector developed positively again last year. With annual growth of 4%, it was by far the most dynamic development in the sector, ahead of the two sectors of information and communication, as well as financial services and insurance, which grew by 2.9% each. High capacity utilisation and the increasing shortage of manpower also had a negative impact in this context. In 2019, 81 % of companies in the construction sector saw the greatest business risk in the shortage of skilled labour. In contrast, labour costs, which are especially important in the traditionally labour-intensive construction industry, have lost importance. At macroeconomic level, the significant increase of 3.6 % in wages per hour worked, combined with minimal improvements in productivity, has led to an increase in unit labour costs.

The positive labour market situation is reflected not only in rising labour costs, but also in a progressive increase in employment. In 2019, the number of people in employment increased for the 14th consecutive year. After an increase of 0.4 million, it reached 45.5 million, the highest level since reunification. At the same time, the number and unemployment rate fell by 0.1 million to 2.3 million and 0.2% to 5.0% respectively. The smaller decline is largely due to increased immigration of foreign workers and increasing labour force participation of women and older workers.

It is not yet possible to assess conclusively to what extent the decline in capacity utilisation in the construction sector, which is in any case at a historically high level, is the result of a successful and disproportionate increase in the workforce or is already a consequence of the recent decline in incoming orders. Compared to the previous year, the average number of people employed, as well as wages and salaries and the net wage ratio have increased and thus form the basis for the 2.9% increase in household consumption expenditure. In 2019, the consumer price index (HICP) rose by 1.7 percent, resulting in a further rise in real wage levels. The total of aggregated earned incomes recorded an even more dynamic growth of 4.6% last year.

The gross fixed capital formation increased by 5.6 % compared to the previous year, while the development of private consumer spending lagged significantly behind the previous years despite the noticeable increase in real disposable income. At 96.3, the Ifo economic climate index in December was again well above the annual low of 94.4 recorded in August, but still well below the previous year's level of 101.0 points. The companies surveyed assessed the current situation and future development just as better than in August, but also much more cautiously than at the end of 2018.

The construction industry, however, sees a positive outlook in contrast to the gloomy assessment. After a weak start in 2019, the index for the construction industry almost maintained its position throughout the year.

2.2 Property market

The upturn in the German real estate investment market continued unabated for the tenth consecutive year. After a total transaction volume of 31 billion euros in the first half of the year, the figure for calendar year 2019 was expected to be lower than the previous year's figure of 76 billion euros. Despite the bleak economic outlook and increasing uncertainties due to the US-China trade dispute and the Brexit, JLL calculated that 2019 ended however with a record result of more than €91 billion. According to Savills, the volume of 12-month rolling transactions reached another record high of more than €94 billion in February 2020. Not impressed by the growing impact of the COVID-19 crisis and regulatory intervention in the residential real estate market, the momentum continued in early 2020. In addition to the further rise in real estate prices, the positive development was due to both the continued decline in yields on the bond market and the lack of real estate supply.

Residential property market

The German residential property market was again the focus of national and international investors last year due to the positive economic circumstances. According to JLL estimates, the volume of transactions in the residential real estate investment market was 7% higher than in the previous year, at just over €20 billion. In 2015 alone, an even higher value of over €25 billion was reached. The purchase price per apartment increased by almost 8% compared to 2018. As a result, the number of apartments transhipped decreased slightly (-1 %). The reason is probably to be found in the still too low supply. According to estimates by politicians and the construction industry, between 350,000 and 400,000 new apartments will have to be built each year to meet growing demand. However, the number of completions in 2018 and

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2017 was only 287,000 and 285,000 housing units, respectively. As the number of building permits issued for years was significantly higher than the number of completions, the construction backlog continued to increase in 2019 and now stands at just under 700,000 units. One of the reasons for this development is probably the strained capacity utilisation in the construction industry. Measures implemented to stem the spread of the COVID-19 virus could lead to a further shortage on the supply side. According to calculations by the Federal Institute for Building, Urban Planning and Regional Planning (BBSR), demand will continue to develop dynamically until 2030. The expected further decline in average household size, combined with an increase in population, would lead to a disproportionate growth in the number of households by 500,000. However, there are also now rumours that new construction activity on the market is already exceeding demand. On the other hand, due to the further decline in interest rates, institutional investors are forced to invest in asset classes with still positive returns and adjust their asset allocation accordingly. In addition, German government bonds with a volume of around EUR 800 billion must be repaid over the next five years. The released funds, which still have an average interest rate of around 3 % at the moment, will probably be partially invested in the real estate market in search of returns and will thus help to keep demand going, despite the uncertainty caused by political discussions on rent caps, rent ceilings and expropriation. With increasing public pressure, municipal housing companies appeared increasingly on the market as buyers last year and, with 2.4 billion euros, increased their purchase volume by almost 100% compared to the previous year. Assuming they tend to act only at a later stage in a real estate cycle, this could be seen as a signal for the imminent end of the cyclical upturn that has now lasted for more than 10 years. The extent to which owner-occupiers and private investors will continue to act as a group of buyers is likely to depend on the evolution of the labour market after the crisis. Deutsche Bank believes that demand for mortgage loans could fall, at least temporarily, from €22 billion in January to €3 billion per month.

During 2019, property prices rose much higher than rents again, therefore losing part of their appeal to investors. While both JLL and empirica identified an increase in supply rents of 4.1% and 3.8% respectively in 2019, the experts at F+B Forschung und Beratung für Wohnen, Immobilien und Umwelt (F+B) see a slight decrease of 0.3%. Empirica and F+B arrive at a similar assessment when they assess the dynamics of rent increases. These have weakened considerably in the 7 most important cities and are now shifting towards the surrounding area and neighbouring cities. The development therefore follows the migration movement out of the most important cities, which have been experiencing net migration

to suburbs since 2018. In the fourth quarter of 2019, the empirica bubble index now shows moderate to high bubble risk for 257 out of 401 counties.

A potential danger to the residential real estate market also stems from increasing political intervention. While the planned changes to the tax treatment of land transfers for equity transactions are expected to have a manageable impact on the overall market, laws and law adjustments passed in 2019 and early 2020, such as the Law on the Adjustment of Tenancy Law, the extension of the reporting period for the compilation of rental indices, the extension and tightening of the rent brake and, in particular, the Berlin Law on the Restriction of Housing, could be suitable to dissuade international investors in particular from investing in Germany.

Commercial property market

The commercial real estate market also set a new record in 2019 with a transaction volume of almost EUR 70 billion, as established by JLL. After the first three quarters of the year had led us to expect a result on par with the previous year, the last quarter was characterized by an acceleration. In particular, an impressive number of large-volume transactions contributed to the good result. The number of transactions, which fell to its lowest level since 2015, and the greater concentration on the 7 most important cities were correspondingly lower. The lack of offers is also reflected in the increase in company acquisitions and investments, which accounted for around 9 % of transaction volumes last year. An example of this trend is the acquisition of TLG Immobilien AG by Aroundtown AG.

Office properties, which accounted for just over half of the volume, continued to be in particular demand in 2019. Due to the lack of high-volume transactions for shopping centres and the continuing structural change in the retail sector, its 11% share attributable to commercial real estate continues to decline. Logistics properties should be able to profit from this development. This is indicated not only by the sharpest decline in returns within the various commercial property segments over the year, but also by the sharp decrease in the yield differential with office properties. With a spread of 82 basis points, it is now at a historically low level. In the case of shopping centres, yields increased in 2018 - for the first time since 2010 in any sub-segment of the commercial real estate market. While initial yields in 2019 were declining in all other segments of the commercial real estate market, shopping malls saw a further increase. The effects of the Corona crisis are likely to be an additional burden on retail properties. Analysts at Deutsche Bank also see the risk of a structural breakdown in office real estate, which has so far

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been favoured by investors, due to an increased conversion to home office work. The April data from Deutsche Hypo Real Estate Climate confirms this assessment. The retail and office climate index fell by 52 and 41.3 points respectively, while the logistics climate, with only 8.2 points of the index falling to 120.5, recorded by far the smallest drop and is therefore the only sub-segment still above 100 points. A positive outlook for the year is probably unsustainable in light of the massive measures taken to stem the spread of the COVID 19 virus and the Real Estate Climate, which fell significantly by 37.3 points to 72 points in April.

2.3 Business trend

Overall, the performance of the Coreo Group's activities in 2019 was encouraging in an even still positive real estate market context. The purchase of a residential portfolio in North Rhine-Westphalia, which includes 273 units, and the acquisition of a 10.1% stake in the real estate company „St. Martin Tower“ have enabled the Group to directly and indirectly acquire properties on a pro-rata basis with a value of approximately €33.7 million. The annual volume of acquisitions was also increased in the third year after the Company's deliberate reorientation. At the same time, the growth objective of doubling the real estate portfolio was almost achieved.

The development of the Hydra portfolio, acquired in 2018, made further progress in the year under review. Following the sale of the properties in Viersen and Werdohl, the sub-portfolio put up for sale, with the exception of a part-owned unit in Bielefeld, was sold with a profit contribution of more than 3 million euros and the corresponding profit target therewith exceeded. At the same time, the first (sub)units of the long-term portfolio properties were leased. The number of newly concluded rental contracts remained slightly below target. Some of the conversion measures required in this context have already been completed or are being implemented. The necessary official approvals have also been obtained for the measures that have not yet started, so there are no development risks in this respect.

In Göttingen, the portfolio rounding, and development measures planned for 2019 have progressed faster than expected. On the one hand, we were able to provide our tenants with alternative living space, insofar as their apartments will be affected by extensive renovation work, thus creating the necessary conditions for construction measures, some of which are substantial. On the other hand, we were able to buy, sell and exchange a number of apartments in individual transactions. In addition, a significant part of the portfolio has been sold to an institutional investor. We have thus taken an important step towards our goal of keeping only four pro-

erties in Göttingen in the future, but 100% of each of them.

As expected, the first part of the Mannheim portfolio was also sold.

In Bad Köstritz, the maintenance and modernization measures implemented have helped to reduce the vacancy rate, which had temporarily increased mainly due to demographic trends, at increasing rents per square meter.

The tenant of the Bruchsal building availed himself of the extension option to which he was contractually entitled, so that the duration of the lease was extended by 5 years.

The three sources of income from the value-creating strategy pursued by the Company all contributed to the 2019 period result. In addition to the expected increase in current rental income, positive contributions to the result from the valuation of investment properties and the sale of real estate were again generated. Due to the time lag between the sale and the closing, both revenues and the contribution to the result from the sale of real estate were lower than in the previous year. However, if the Göttingen properties sold but not transferred to the buyer in 2019 were included, they would have been exceeded as expected. The number of employees was adjusted to the increase in business volume in accordance with planning. As expected, personnel expenses developed subproportionately to the growth of the portfolio. Other operating costs decreased significantly. The expansion of its own network and participation in various capital market events also further improved Coreo's brand awareness in the real estate and capital market.

2.4 Profit situation

Revenues from rentals (including ancillary costs) increased by TEUR 755 from TEUR 2,164 to TEUR 2,919 compared to the previous year. The increase is mainly due to the first full year consolidation of the Göttingen residential portfolio. As a result of the preparatory measures for construction, current rents are expected to decrease. In Bad Köstritz and Bruchsal, on the other hand, rental income increased. The first commercial leases for the Hydra portfolio were concluded in 2019, but so far, they have only made a small contribution to current rental income, as the bigger part of the properties have not yet been handed over to the respective tenants. Proceeds from the sale of properties include the partial sale in Mannheim, the sale of Hydra properties in Flensburg, Viersen and Werdohl and the condominiums sold to individual buyers in Göttingen. Compared to the previous year, they decreased by TEUR 3,748 from TEUR 6,730 to TEUR 2,983. Since the closing for the Göttingen sub-portfolio sold to an institutio-

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nal investor did not take place on the balance sheet date, the transaction will not be recognised in revenues until financial year 2020. Considering the sales price, the proceeds from the sale of the properties would be increased by a double-digit percentage. The result of the valuation of the real estate portfolio, amounting to TEUR 3,060, is TEUR 417 higher compared to the previous year (TEUR 2,643), and includes the capital gain from the sale of the Goettingen segment. Profit before interest and taxes (EBIT) amounted to TEUR 2,502 in the financial year 2019, TEUR 2,393 less than the corresponding figure for the previous year. In addition to the changes in income described above, this is mainly due to the increase in materials costs of TEUR 1,496, which rose to TEUR 2,592 (previous year: TEUR 1,096) as a result of maintenance and modernisation work carried out at the various sites. In addition, the decrease in other operating revenues (TEUR 47 compared to TEUR 1,429 in the previous year) is mainly due to the lack of contribution from the first-time consolidation of Coreo Göttingen Residential UG & Co. KG and the TEUR 800 decrease in other operating costs from TEUR 2,348 to TEUR 1,548. The decrease in EBIT was also due to the decrease in other revenues. The main reason for this was the decrease in capital gains generated by the continued reduction of the stake in MagForce AG due to a further drop of the share price. The € 5 million partial early repayment of the outstanding bond loan at the end of 2018 reduced financial charges by €0.5 million. The volume-weighted loan principal amount had an opposite effect. Overall, financial expense declined by TEUR 346 from TEUR 2,527 to TEUR 2,181. Considering an increase in the tax burden from TEUR 875 to TEUR 1,223, the result for the period fell from TEUR 1,660 to -TEUR 862. Earnings per share fell from EUR 0.10 to -0.05 compared to the previous year. Due to the continuous fall in the price of MagForce shares, other profits were again negative (-TEUR 1,117 after -TEUR 1,690). Compared to 2018, the overall result went from -TEUR 30 to -TEUR 1,980.

2.5 Financial situation

Compared to the previous year, the cash flow from operating activities could be noticeably improved from -11,300 TEUR to -5,251 TEUR. The main reasons were the change in liabilities and other liabilities and the result for the period. While the latter decreased by TEUR 2,522 compared with the previous year, liabilities and other liabilities decreased by TEUR 145 following an increase of TEUR 7,422 in 2018. Cash flow from investing activities amounted to TEUR -2,330, an increase of TEUR 14,674 compared with the previous year, as payments for direct and indirect real estate investments decreased by more than 13 million euros. If the benefits and burdens of the residential portfolio in North Rhine-Westphalia acquired at the end of 2019 had

been transferred to Coreo by the balance sheet date and the purchase price had been paid in exchange, cash flow from investment activities would have been lower than in the previous year - despite higher income from the sale of real estate. At the same time, the amount of debt capital to be raised to cover the purchase price would have counteracted the decrease in cash flow from financing activities. Since, unlike the previous year, neither a capital increase nor a bond issue was carried out in 2019 and repayments on real estate loans were also made, cash flow from investing activities was significantly lower by TEUR 38,730 than in the previous year (TEUR -1,257).

As of December 31, 2019, cash and cash equivalents amounted to TEUR 5,195, well below the previous year's figure of TEUR 14,033. The free funds will be used primarily to cover the purchase price of North Rhine-Westphalia's portfolio by drawing on additional bank loans. The Management Board assumes that it will be able to meet all of the Group's payment obligations in 2020.

2.6 Asset situation

Total assets decreased slightly by TEUR 1,895 from TEUR 68,392 to TEUR 66,497 compared with the previous year. The main reason for this was the decrease in shareholders' equity due to the negative overall result.

On the assets side, investment property decreased as a result of the sale of real estate and the reclassification of properties to „Properties held for sale“. The changes in valuation had the opposite effect. Overall, the value of investment property decreased by TEUR 1,514 to TEUR 38,502 (previous year: TEUR 40,017). The greater increase in non-current financial assets of TEUR 3,832 led to an overall increase in non-current assets of TEUR 2,380 to TEUR 50,618 (previous year: TEUR 48,237). The acquisition of the 10.1% stake in the real estate company St. Martin Tower contributed significantly to the increase in non-current financial assets. This was partly offset by the reduced number of MagForce shares held in connection with the fall in the share price and a further devaluation of the investment in NanoDimension. Current financial assets increased by TEUR 2,979 compared to the previous year (TEUR 0), largely due to the acquisition of shares in funds that have been resold in the meantime. This, together with the allocation of the purchase price of the investment in the Tower of San Martino, contributed to reduce the item cash and cash equivalents of the previous year by TEUR 8,838 (TEUR 14,033) to TEUR 5,195. With regard to liabilities side, the overall negative result and the reduction of non-current financial liabilities caused by decreasing residual terms of the loans, were the main reasons for the

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decrease of TEUR 3,172, falling from TEUR 30,046 to TEUR 26,874. At the same time, this resulted in an increase in current financial liabilities, which rose from TEUR 5,270 to TEUR 7,116, compared to the previous year.

With an equity ratio of 42.6% (previous year 44.2%) Coreo is solidly financed compared to the industry.

3. Opportunity and risk report

3.1 Risk management

In accordance with the size requirements of Section 293 of the German Commercial Code (HGB) Coreo AG is not required to prepare consolidated financial statements and a Group Management Report according to Section 290 of the German Commercial Code (HGB) These consolidated financial statements were prepared on a voluntary basis in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, in order to provide our shareholders with additional information within the framework of our communication and transparency policy that would facilitate the assessment and evaluation of the economic development of the Coreo Group. The Board of Management is responsible for the preparation of this report. The latter is also responsible for the implementation and functioning of an internal control and risk management system.

The objective of the risk management system is to sustainably increase the value of the Company by avoiding or minimizing known risks. In this context, both losses incurred and additional expenses as well as lost profits are considered to be risks, regardless of whether this is due to internal or external causes. Various measures and processes serve to guarantee the maximum achievement of objectives. In this context, the basis is the awareness of all employees regarding emerging risks and deviations from plans as well as an appropriate information and reporting system. Employees who have the necessary technical qualifications perform relevant tasks and functions. In addition, measures going beyond normal day-to-day business are only taken after consultation between the relevant business divisions and, if required, with the involvement of the Management Board. To monitor and control all measures relating to the property portfolio, regular internal meetings are held with the participation of the Management Board, Sales and Asset Management. Additionally, transactions specified in the rules of procedure of the Management Board require the approval of the Supervisory Board. In addition to macroeconomic developments, developments specific to the industry and financial markets as well as other developments relevant to the Group are

monitored in order to identify those potential risks that are inevitably associated with entrepreneurial activity as early as possible and, if required, take appropriate countermeasures.

Risk categorisation

The classification of the various risks to which the Group is exposed are as follows:

Industry-specific risks:

a) Macroeconomic development:

The Coreo Group invests in both commercial and residential properties. The development of demand and prices on the German property market depends on various factors that cannot be influenced by Coreo, such as macroeconomic developments. After years of recovery, economic development has clearly clouded towards the end of 2019 and could have a negative effect on demand for commercial space if companies are less willing to invest. Considering that only a portion of the commercial properties held by the Group are let on a long-term basis, this could have a direct negative impact on the planned (subsequent) rentals. A decline in the number of people employed or a decrease in the real income of private households could be a burden on the housing market. Consequently, the Group might be faced with rising vacancy rates and stagnating or even falling rental prices and/or increased rental defaults at the same time. In light of the still unpredictable economic effects of the Corona crisis, it is not yet possible, to make a solid forecast of economic development in 2020 and beyond. However, in respect of the measures implemented, a significant drop in GDP is to be expected for 2020.

b) Location risks:

Within the Federal Republic of Germany, the general economic conditions can differ considerably. For this reason, detailed analyses of the respective local market are carried out before each property purchase, with special consideration given to the development of jobs, household figures, purchasing power and infrastructure. We consider the location risk for the residential properties we hold to be low due to the average size of the apartments, tenant structure and rental level. Assuming that the Corona crisis is quickly overcome, and the associated measures are lifted, we are carrying out the same risk assessment for commercial properties, as these are located in economically strong regions and/or have a central position in urban centres. As the restrictions on

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public life linked to the crisis continue, the risk of insolvency for the self-employed, traders and businesses will increase. The later economic activity can return to normal, the greater the risk of a structural and permanent adjustment of the economy. For example, parts of downtown and stationary retail trade could be shifted from online suppliers and lead to a decline in demand for space. Currently, the Management Board assesses the risk in this respect as average.

c) Valuation risks:

The market values of the properties held in the Group, which are determined annually by an external, independent assessor, are - besides the current rental revenues - largely dependent on input data derived from reliable data sources. These include, for example, the discount rate, the rents achievable on a sustainable basis at the respective locations and typical vacancy rates on the market, as well as the associated ground values. In addition, subjective assessments, and expectations such as inflation rate trends and number of inhabitants as well as individual assessments of the technical condition of the building are included in the calculation. Furthermore, changes in equity and bond yields have an impact on property prices and the liquidity of the property market. In view of the measures revoked by the European Central Bank, we do not estimate the risk of a significant impairment of our real estate holdings due to an increase in interest rates to be high. If the expected market yields of other asset classes, such as shares, were to increase significantly, this could also lead to corresponding adjustments in the general level of real estate prices and thus in the value of the portfolios held by Coreo. Since further developments on the capital markets and real estate markets cannot be estimated with sufficient probability, valuation risks must be classified as high.

d) Regulatory and political risks:

Regulatory risks arise, on the one hand, from a possible tightening of existing regulations and the introduction of additional regulations and the additional costs and expenses that may result (e.g. in construction, environmental and labour law, energy efficiency) and, on the other hand, from limited opportunities. Similarly, corresponding regulatory intervention in the residential real estate market may lead to delays in opportunities for rent increases (e.g. rent brakes, rent control, environmental protection, reduction in the allocation of modernisation costs), the omission of planned rent increases, lower rental income and, consequently, the absence of planned revaluations or reduction in the value of the property. In addition, developments

in the formation of political opinion, such as the ongoing discussion on the expropriation of large residential portfolios, as in Berlin, may already have a negative impact on business development, e.g. by financial market participants adjusting risk premiums at an early stage or by investors withdrawing completely from market segments and/or individual locations/regions. The risk in this regard is still considered low, as the Group has a geographically well diversified portfolio, with low rents in terms of absolute square meters, and only one smaller building is located in one of the main cities particularly affected by housing shortages. As a result of the law to mitigate the consequences of the Corona pandemic in civil, bankruptcy and criminal procedure law, which has largely come into force, there are new regulations to protect residential and commercial tenants. At the moment it is not possible to estimate the period during which tenants of the Company will make use of the opportunity created, as the above-mentioned law has only recently entered into force and also provides for the extension(s) of the protection regime currently limited to 30 June 2020. The Management Board currently classifies the risk arising from this regulation as an overall average.

Economic performance risks

a) Purchase and sale risks:

The Coreo Group's business model envisages the continuous expansion of its property portfolio, focussing its acquisition strategy on properties with a potential for development and increase in value (value add). Assumptions made regarding the attractiveness of the respective location, the readability of the property in terms of rent and marketing period, the potential for rent increases or the time needed to obtain official permits and/or the necessary construction measures may prove to be wrong and subsequently lead to deviations in rental income and revaluation plans. It is also possible that valuation-relevant information on building substance, contaminated sites, etc. may only be obtained after signing a purchase agreement. Comprehensive and structured inventories and analyses, if necessary, involving external partners, are carried out to take account of these risks. In addition, attempts are made to enforce appropriate guarantees or warranties in purchase contracts within certain upper and lower limits. Within the frame of the value-creating growth strategy, individual properties in an acquired portfolio for which either no long-term rental concept can be developed, or which do not fit into the core portfolio are offered for sale. Failure to achieve planned sales prices on the market or to achieve them within the estimated period results in negative effects

Consolidated financial statement (IFRS)

on the Group's earnings and liquidity position. An additional risk is the reversal of concluded purchase contracts, which is reduced by the selection financially strong buyers of integrity. On the whole, we classify the buying and selling risks as low.

b) Development risks:

The business model of the Coreo Group, which focuses on value-added properties, is inseparably linked to development risks, which, however, are lower in comparison with new construction projects due to the lower degree of complexity. On the expenses side, these risks comprise exceeding the planned costs or occurring unforeseeable additional construction measures. The deferred implementation of planned measures can be caused by delays in obtaining building permits, late agreements with affected tenants, but also by a shortage of craftsmen and result in lagging rental income, long-term rental reductions and, in some cases, contractual penalties. As Coreo cannot directly control all development risks, the corresponding risk is generally considered average, but will increase as economic activity decreases due to the continuation of the Corona crisis. Delivery dates have been agreed with the tenants for the Kiel property and parts of the commercial space in Gießen, so that there are corresponding risks, which the Management Board considers low.

c) Rental and (rental) default risks:

Rental risks exist primarily for the vacant properties of the Hydra portfolio. Even though the inner-city locations offer good rental prospects, rental problems cannot be categorically ruled out (see in this context also the topic Location risks). The rental risk is estimated average in view of the high proportion of properties currently not yet rented or not yet fully rented. However, the macroeconomic effects of the Corona pandemic cannot be seriously assessed at present. Therefore, it cannot be excluded that (re)renting difficulties may also occur in central locations, urban centres, and/or economically strong locations, in particular in the case of commercial real estate. Depending on further location-specific developments, it may be necessary to adjust the expected rental results for 2020 downwards. Furthermore, tenant-specific requirements may require extensive structural measures and thus result in delayed start of the rental contract and rental revenues. The rented commercial properties are located in economically strong regions. Subsequent rentals in the event of terminations are considered in this context to be calculable. The rental of residential properties is subject to scheduled vacancies in order to permanently improve the occu-

pancy rate of the units in the course of - in some cases comprehensive - renovation measures. The occupancy rate is also continuously monitored by the Asset Management division and targeted measures are taken in order to reduce existing vacancies. There are default risks within the Group with regard to rental income and property sales. These are countered by credit checks on rentals and a direct tenant management. Rental default risks relating to the 2019 financial year have been written down in the consolidated financial statements. Following the extensive entry into force of the German law to mitigate the consequences of the Corona pandemic in civil, bankruptcy and criminal proceedings, Coreo has already been informed of the first claims by commercial tenants. Since the tenant structure of our housing portfolio has a higher than average percentage of households not directly affected by the crisis (pensioners and transfer recipients), it has a relatively favourable risk profile. Consequently, the risk of a lasting increase in rental losses is considered to be low. For risk management reasons, sales are also made to sufficiently financially strong contractual partners only after an in-depth review. The purchase prices of the properties in Mannheim and Göttingen sold in 2019 were documented in 2019 or prior to the preparation of this Management Report. There is therefore currently no risk of payment default in this respect.

d) Cluster risks:

Cluster risks may arise both regarding the geographical distribution of the properties and the tenant structure. Due to the distribution of the current property portfolio over six federal German states and 16 locations, there is currently no significant concentration of property assets in one single location. Since more than half of the offices and commercial properties acquired at the beginning of September 2018 have not yet been rented, there is still a cluster risk - in relation to the rented commercial properties - which decreases with increasing occupancy rates and is considered low due to the creditworthiness of the tenants and the remaining duration of the existing rental agreements.

Financial risks

a) Financial and capital market risks:

The Coreo Group relies on additional equity and debt capital to finance its planned growth. As a result of a collapse of the stock markets, it is generally not possible, or only to an extremely limited extent, to raise additional equity capital, particularly for companies with low capitalisation. As the Group needs additio-

Consolidated financial statement (IFRS)

nal financing, a tightening of lending conditions and/or a decrease in willingness to lend would have a negative impact on the Group's investment capacities. At the same time, distortions in the bond markets could lead to increasing levels of returns and thus make it possible to issue corporate bonds only at economically unjustifiable costs. The Management Board currently assumes that it will not be possible to raise the necessary funds for further investments or only on economically unprofitable terms. As the end of the current financial situation cannot be predicted, the risk of further portfolio growth is considered high. Should it not be possible to comply with the covenants of loan agreements, the result could be a required premature repayment and, if required, the liquidation of properties serving as security. This generally causes noticeable economic disadvantages for the guarantor. At the end of 2019, there were no early repayment obligations within the Group.

b) Interest rate risks:

Interest rate risks relate directly to existing loans for which no fixed interest rate agreements have been concluded. They also exist in case of necessary loan extensions and financing of (future) real estate purchases. In light of the measures introduced by central banks in the wake of the Corona crisis, we do not expect a serious increase in the overall interest rate level in 2020 and therefore classify interest rate risk as low.

c) Liquidity risks:

Liquidity reserves are maintained to ensure the solvency of the Group at all times. Property purchases do not represent a liquidity risk for the Coreo Group, as they are only carried out if financing has been agreed in advance. Should development measures in the portfolio exceed the period of the corresponding loan, Coreo may be obliged to obtain follow-up financing. At present there are no indications of such a situation. Extensions for loans maturing in 2020 have been concluded or already committed. It remains to be seen whether and for how long the deferral measures under German law to mitigate the consequences of the Corona pandemic in civil, bankruptcy and criminal law will be extended beyond 30 June 2020 and to what extent the tenants of Coreo will use them. In this context, liquidity risks have increased compared to the previous year and are therefore considered average.

d) Foreign currency and financial instrument risks:

As neither foreign currency loans were taken out nor financing instruments acquired, no such risks exist.

Other risks

a) HR risks:

Coreo relies on recruiting additional employees with different qualification profiles in order to achieve its medium-term goals. The loss of top performers could result at the same time in additional staff requirements which could not be covered within the requested period. The Company counteracts this risk by creating an attractive working environment and drawing on existing networks within the sector. In addition, the economic effects of the Corona crisis most probably will also be felt in the labour market and lead to an expansion of labour supply. On the whole, the personnel risk is therefore considered to be low.

b) IT risks:

The hardware and software solutions used by Coreo are continuously checked, maintained, and are subjected to the necessary updates and further developments. For this purpose, the Company also relies on external service providers. There are defined rules that give employees access to the systems and data required for their area of responsibility. The Company's data inventory is secured by regular backups, which help to keep any downtimes that might affect business processes as short as possible. Moreover, Coreo's revenues do not depend on the availability of an online front-end.

c) Risks with cooperation partners:

Various activities within the Group are outsourced to professional service providers and cooperation partners without resulting in dependencies. Therefore, the corresponding risk is considered to be low. To achieve the planned growth, it is necessary to take specific risks for the company. Therefore, real estate acquisitions are only made if the associated risk/return profile meets the Company's requirements. In view of the distortions on the capital markets due to the spread of the corona virus, however, it must be assumed that the inflows of funds required for further expansion of the real estate portfolio can only be guaranteed later in the year. Due to the COVID 19 pandemic in the first quarter of 2020 and its effects on the entire economic and private life, management compared the risks assessed at the balance sheet date with the situation at the time the annual financial statements were drawn up. It is currently difficult to estimate how quickly the pandemic will end, whether the broad government support promised in principle to the affected companies will be sufficient to stabilise them and whether or how quickly previous trading conditions will be restored. For reasons

Consolidated financial statement (IFRS)

of prudence, management is assuming an overall higher level of uncertainty. Altogether, the Management Board does not see any increased risks for 2020 that could pose a threat to the continued existence of the Group.

3.2 Opportunities of the future business development

Industry-specific opportunities:

The Coreo Group invests in both commercial and residential properties. Within the Federal Republic of Germany there are no geographical restrictions. By focusing on attractive medium-sized centres and properties in the value-added segment worth EUR 3-20 million we positioned ourselves in a less competitive market environment compared to the A cities and metropolitan regions. Coreo gains early knowledge of attractive properties for sale through the existing network of its employees and its growing popularity. In addition, the development of the portfolio of properties already acquired opens up rental opportunities, particularly within commercial properties. It should be possible to achieve both an increase in the average square metre rental price and a reduction of the vacancy rate through targeted investments in the housing portfolio. There is also a large demand for apartments in the simple and medium market segment, which is expected to increase again if new contract rents remain high and disposable income decreases due to the crisis. The Management Board therefore assumes that further rental contracts will be concluded and that the vacancy rate for properties not undergoing renovation will decrease. Rental income will increase sharply due to the closing of the residential portfolio to North Rhine-Westphalia acquired at the end of 2019, which is expected in the first half of 2020. As a result of the corona crisis, there may be an increase in real estate supply and/or a decline in demand with falling prices. To the extent that the Company should have access to financial resources at the same time, the corresponding investment opportunities and earnings potential would open up.

Opportunities in the financing sector:

The properties held by the Group companies are financed by taking out bank loans, with financing structures and credit periods tailored to the property in question. If properties can be rented out on a long-term basis after the development measures have been completed, it is possible to reduce the required equity share and/or the interest rate at an unchanged interest rate level and to profit from the historically low interest rate level by extending credit periods. Coreo AG provides the equity required to finance the subsidiaries by means of shareholder loans. For this purpose, a bond with a

maturity in 2022 and a coupon of 10% in the amount of EUR 20 million was issued, which had a value of EUR 13 million on the reporting date. If the Company were to expand its capital base correspondingly and/or raise more favourable debt capital, it could use the existing option to repay the entire bond loan ahead of schedule in order to reduce the cost of interest.

Opportunities on the capital market:

Coreo AG created both Authorised and Conditional Capital by resolution of the Annual General Meeting and thus the prerequisite to cover possible capital requirements by issuing securities. In summary, the Company expects to be able to significantly increase lease revenues in 2020 compared to the previous year and to conclude additional commercial lease contracts.

4 Forecast report

The EU Commission's expectations for real GDP growth in 2020 were 1.1% in February. In mid-March, the Institute for the World Economy (IwW) forecast growth rates down -0.4% and -1.0% for the first two quarters of this year, given the global spread of the coronavirus. At the same time, based on an expected recovery in economic activity in the second half of 2020, the unemployment rate is expected to remain virtually unchanged at 5% this year. In its annual projection for 2020, the German Government assumed that the number of people in employment will increase more than twice as much as the previous year, at 0.9 million. In its special report on the general economic situation in the face of the corona pandemic, published at the end of March and then only shortly afterwards, the German Council of Economic Experts spoke of a very high degree of uncertainty regarding future developments due to the difficult data situation and the extraordinary situation. This assessment is further underlined by the presentation of three scenarios predicting a fall in GDP between 2.8 and 5.4% in 2020. In its economic barometer published at the end of March, the DIW assumes, based on estimates of loss of output and demand, that economic performance will decrease on average by around 2.0 % during the quarter. This would mean that gross domestic product in the first quarter of 2020 would fall even more sharply than at the beginning of the financial crisis in 2008. At that time, it had fallen by a good 1.5 % in the last quarter compared to the previous quarter. Although the IwW assumes that the construction industry will hardly ever be affected by the crisis, the first effects are now being felt in the financing market. The HASPA, for example, has stated that it will no longer approve hotel financing and will postpone decisions on real estate financing as far as possible. On the capital market, Vonovia, Germany's

Consolidated financial statement (IFRS)

largest residential real estate group, had to accept interest rates about twice as high as before the crisis when it placed two bonds. At the same time, the first institutional investors announced that investment decisions would be suspended until further notice. In commercial real estate, too, a growing number of companies are announcing that they will no longer pay rents for the time being. At the same time, according to information provided by real estate agencies, demand for commercial space has collapsed. In addition, Deutsche Bank considers a structural break in office real estate as a result of the crisis to be conceivable, as more and more home office jobs could be created. Despite the possible impulses for the residential real estate market that could result from this, significant distortions are still expected to occur. The Hamburg Institute for Urban, Regional and Housing Research (Gewos), for example, considers possible burdens that could even outweigh the effects of the 2008 global financial crisis. Deutsche Bank analysts believe that price reductions are possible, especially in the first half of this year, but remain positive for the segment due to the flight to safe asset classes. In contrast, the sometimes dramatic price losses of listed commercial and residential real estate companies suggest that investors expect significant and longer-term effects on their business models and valuations. The expectations published by BaFin on 24 March 2020 that financial institutions should currently refrain from buying back shares and carefully weigh distributions in the form of dividends, profits and bonuses also reflects a prudent assessment.

In view of the still unpredictable macroeconomic effects of the COVID 19 pandemic and the various forecasts for the further development of real estate markets, the Management Board currently does not have a sufficiently reliable database to make an acceptably probable forecast of economic developments in the global and real estate economy in 2020. The availability of sufficient investment funds is of fundamental importance for the further growth of the Coreo Group. At the time of drafting this Management Report, the Management Board considered that, due to distortions in the capital and financing markets, it may not be possible to guarantee these funds under appropriate conditions or that it may not be possible to do so until the second half of the current year. In this case, there would be a delay in achieving the Company's medium-term objectives. To the extent that the Company is able to draw on sufficient financial resources, Coreo, thanks to its particular expertise in particular real estate situations, could possibly benefit from corresponding purchase offers emerging as a result of the crisis, and expand its portfolio compared to the previous year. Independently of this, rental income will increase significantly in 2020 only due to the transfer of the benefits and charges of the North Rhine-Westphalia residential port-

folio acquired at the end of 2019. In addition, current rents in the Hydra portfolio will increase compared to the previous year. Due to the still unpredictable development of prices and demand, as well as the liquidity of the real estate market, a forecast of the result of real estate sales would be associated with such uncertainty at the present time that it is not possible to attribute a reliable information value to this forecast. Since the valuation result and thus the contribution to the result of the Group's third source of income will depend to a large extent on the development of market prices, as well as the duration of the crisis and the course of a subsequent recovery, this too cannot be reliably predicted at present. For the current year, the Management Board plans to continue to invest continuously in portfolio development measures, in particular for the properties in Göttingen and the properties in the Hydra portfolio located in Kiel and Gießen. At the same time, further lease agreements are expected to be concluded for the Hydra portfolio and the positive development of rental income in Bad Köstritz will continue. Depending on the further development of the market, a further partial sale is planned in Mannheim in addition to the divestment off the properties in the Göttingen area.

An expansion of the workforce is only planned in the event of further acquisitions of properties. The already consistent cost management will be reviewed again in the light of possible savings potential.

All in all, the Management assumes that, for reasons of caution, there will be a considerable increase in uncertainty.

Frankfurt am Main, 17 April 2020



Marin N. Marinov
Management Board

Independent auditor's opinion

To Coreo AG:

Audit opinion

We examined the Consolidated Financial Statements of Coreo AG, Frankfurt am Main, Germany - consisting of the Consolidated Statement of Comprehensive Income, Consolidated Cash Flow Statement, Consolidated Statement of Changes in Equity and Group Note including the presentation of balance sheet and evaluation methods for the fiscal year 1 January 2019 to 31 December, 2019. Additionally, we audited the Group Management Report of Coreo AG, Frankfurt am Main, for the fiscal year from January 1, 2019 to 31 December, 2019.

Including accounting in the audit in accordance with Sect. 1 sentence 1 of the HGB [German Commercial Code] as well as the audit of the Group Management Report in accordance with Sect. 2 sentence 1 of the HGB, provides an additional statutory requirement that extends beyond those of international audit standards (ISA).

Our audit, which was conducted in accordance with Sect. 317 HGB, led to no objections.

In our opinion, on the basis of the knowledge obtained in the audit,

- The accompanying Consolidated Financial Statements comply, in all material respects, with the IFRS as adopted by the EU, the additional requirements of German commercial law for corporations pursuant to Section 315 e (1) of the German Commercial Code (HGB) and full IFRS, and in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at December 31, 2019, and of its financial performance for the financial year from January 1, 2019 to December 31, 2019.
- The accompanying Group Management Report as a whole provides an appropriate view of the Group's position. In all material respects, this Group Management Report is consistent with the Consolidated Financial Statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

In accordance with Sect. 322 para. 3 sent. 1 HGB, we declare that our audit has led to no objections to the proper nature of

the consolidated annual financial statements and the Group Management Report.

Basis for the audit opinion

We have conducted our audit of the consolidated annual financial statements and the Group Management Report in accordance with Sect. 317 HGB in compliance with international audit standards (ISA). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the Consolidated Financial Statements and on the Group Management Report.

Other information

The legal representatives of the parent company are responsible for other information. The other information includes:

- the remaining parts of the annual report, except for the audited Consolidated Financial Statements and Group Management Report as well as our opinion.

We have the responsibility in our audit to read the other information and therefore to acknowledge whether the other information

- has significant discrepancies with the Consolidated Financial Statements, Group Management Report or the knowledge that we gained during the audit or
- otherwise appear to be significantly incorrect.

Responsibility of the legal representatives and Supervisory Board for the Consolidated Financial Statements and the Group Management Report

The legal representatives are responsible for the preparation of the Consolidated Financial Statements in accordance with

Consolidated financial statement (IFRS)

International Financial Reporting Standards (IFRS) as adopted by the EU, and the additional requirements of German law pursuant to § 315 e Section 3 HGB (German Commercial Code) in all material respects, and for the presentation of a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. Furthermore, the legal representatives are responsible for the internal controls that they determined to be necessary to enable the preparation of the Consolidated Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Consolidated Financial Statements, the legal representatives are responsible for assessing the Group's ability to continue as a going concern. They further have the responsibility to disclose matters relating to business continuation, where relevant. In addition, they are responsible to account for continuing operations on the basis of accounting principles, unless contrary to factual or legal circumstances.

Furthermore, the legal representatives are responsible for the preparation of the Group Management Report, which as a whole provides an appropriate view of the Group's position and is consistent with the Group Financial Statements in all material respects, complies with German legal requirements and suitably presents the opportunities and risks of future development. Moreover, the legal representatives are responsible for the precautions and measures (systems) that they deemed necessary to allow the preparation of a Group Management Report in accordance with the applicable German legal provisions and to provide sufficient suitable evidence for the statements in the Group Management Report.

The Supervisory Board is responsible for monitoring the Group's accounting processes in preparing the Consolidated Financial Statements and the Group Management Report.

Responsibility of the auditor to audit the Consolidated Financial Statements and the Group Management Report

It is our goal to attain sufficient assurance as to whether the Consolidated Financial Statements as a whole are free from material misstatement, whether intentional or unintentional, and whether the Group Management Report as a whole provides a suitable view of the Group's position and is consistent, in all material respects, with the Consolidated Financial Statements and the findings of our audit, complies with German legal requirements and suitably presents the opportunities and risks of future development, and to issue an audit opinion that includes our opinions on the Consolidated Financial Statements and the Group Management Report.

Sufficient security is a high level of assurance, but no guarantee that an audit which is conducted in compliance with Sect. 317 HGB in compliance with international standards (ISA) will always reveal a material misstatement. Misrepresentations may also result from breaches or inaccuracies, and are considered material if they could reasonably be expected to influence, individually or collectively, the economic decisions of the addressees taken on the basis of these Consolidated Financial Statements and the Group Management Report.

As a part of our audit in compliance with ISA, we exercise due discretion and maintain a critical attitude.

In addition,

- We identify and assess the risks of significant - intentional or unintentional - misstatements in the Consolidated Financial Statements and the Group Management Report, plan and conduct audit activities as a reaction to these risks, and require audit evidence which is sufficient and suitable to serve as a basis for our audit opinion. The risk that material misstatements are not discovered is, if there are breaches, higher than with inaccuracies, as breaches may include fraudulent interactions, counterfeiting, intentionally incomplete statements, misrepresentations or overriding internal controls.
- We gain an understanding of the internal control systems related to the audit of the Consolidated Financial Statements and the precautions and measures relevant for the audit of the Group Management Report in order to design audit procedures which are appropriate under the circumstances, but not with the goal of giving an opinion of the effectiveness of those systems within the Company.
- We assess the appropriateness of the accounting policies applied by the legal representatives of the Company, and the reasonableness of the estimates and related disclosures made by them.
- We draw conclusions about the appropriateness of the accounting policies applied by the legal representatives for continuing operations as well as, on the basis of audit evidence obtained, whether there is material uncertainty related to events or circumstances that could raise significant concerns about the Group's ability to continue as a going concern. We draw our conclusions on the basis of the audit evidence obtained up to the date of our audit opinion. Future events or circumstances could, however, lead to the Group no longer being able to continue as a going concern.

Consolidated financial statement (IFRS)

- We assess the overall presentation, structure and content of the Consolidated Financial Statements, including the disclosures, and whether the Consolidated Financial Statements give a true and fair view of the net assets, financial position and results of operations of the Group as required by IFRS, as adopted by the EU, and the additional requirements of German law pursuant to § 315 e Abs. 3 HGB.
- We assess the consistency of the Group Management Report with the Group Financial Statements, its legal compliance and the presentation of the Group's position as provided by the Group Management Report.
- We perform audit activities on the future-oriented statements made by the legal representatives in the Group Management Report. Based on adequate and proper audit evidence, we particularly verify the significant assumptions underlying the future-oriented statements made by the legal representatives and assess the appropriate derivation of the future-oriented statements from these assumptions. An independent opinion on the future-oriented statements and the underlying assumptions is not given. There is a significant unavoidable risk that there will be material differences between future events and the future-oriented statements.

We discuss with the managers, among other things, the planned scope and schedule for the audit, as well as significant audit findings, including any deficiencies in the internal control systems that we identify in the course of our audit.

Hofheim am Taunus, 17 April 2020

VOTUM AG
Auditing Company
Tax Consulting Company



Alexander Leoff
Auditor



Christoph Lehnert
Auditor



Annual financial statement (HGB) of Coreo AG
as of 12/31/2019

Annual financial statement (HGB)

Balance sheet as of 12/31/2019 (HGB) assets

in EUR	12/31/2019	12/31/2018
A. Fixed assets		
I. Intangible assets		
Concessions, industrial and similar rights and assets, and licenses to such rights and assets	5,804.00	11,156.00
II. Tangible assets		
1. Property, plant and equipment	7,362.00	5,797.00
2. Advance payments and assets under construction	193,307.19	0.00
III. Financial assets		
1. Shares in affiliated companies	949,000.00	948,000.00
2. Loans to affiliated companies	1,230,500.00	1,190,250.00
3. Investments	13,524,746.15	8,802,179.34
	15,910,719.34	10,957,382.34
B. Current assets		
I. Receivables and other assets		
1. Amounts due from affiliated companies	19,246,680.31	18,414,620.89
2. Other assets	1,216,014.89	334,026.79
II. Securities		
Other Investments	2,000,000.00	0.00
III. Cash and bank balances	2,632,299.03	12,507,886.19
	25,094,994.23	31,256,533.87
C. Deferred income	30,848.88	34,290.07
	41,036,562.45	42,248,206.28

Annual financial statement (HGB)

Balance sheet as of 12/31/2019 (HGB) liabilities

in EUR	12/31/2019	12/31/2018
A. Equity		
I. Subscribed capital	15,945,880.00	15,945,880.00
- thereof conditional capital: EUR 6,724,940.00 (previous year: EUR 4,680,000.00)		
II. Capital reserves	23,777,608.86	23,777,608.86
- thereof adjusted during the financial year EUR 0.00 (EUR 3,951,528.00)		
III. Retained earnings	12,544,585.38	12,544,585.38
IV. Loss carried forward	-23,881,822.26	-23,469,937.82
V. Net loss	-1,396,231.83	-411,884.44
	26,990,020.15	28,386,251.98
B. Accruals		
Other provisions	259,020.00	156,170.00
C. Liabilities		
I. Bonds	13,625,000.00	13,623,745.26
II. Trade payables	108,618.61	57,723.20
III. Liabilities to affiliated companies	58.90	0.00
IV. Other current liabilities	33,396.79	24,315.84
- thereof for taxes: EUR 31,672.52 (EUR 23,417.21)		
- thereof for social security: EUR 1,724.27 (EUR 898.63)		
	13,767,074.30	13,705,784.30
D. Deferred income	20,448.00	0.00
	41,036,562.45	42,248,206.28

Annual financial statement (HGB)

Income statement (HGB)

01/01/2019 to 12/31/2019

in EUR	2019	2018
1. Sales revenues	367,981.00	912,364.61
2. Other operating income	32,740.99	463,842.53
3. Personal costs		
a) Wages and salaries	-722,491.24	-680,726.93
b) Social charges and costs for pension and other benefits of which for pensions - thereof for pensions: EUR -2,640.00 (EUR 2,640.00)	-84,914.80	-66,009.93
	-807,406.04	-746,736.86
4. Depreciation		
a) of intangible assets and property, plant and equipment	-9,390.13	-17,677.17
5. Other operating costs	-916,379.91	-1,685,680.35
6. Income from shareholdings		
- thereof from affiliated companies EUR 214,778.29 (EUR 1,685,702.56)	214,778.29	1,685,702.56
7. Other expenses and similar earnings		
- thereof from affiliated companies EUR 1,338,270.68 (EUR 1,104,075.36)	1,352,518.13	1,118,464.25
8. Amortization of financial assets and securities held as current assets		
- thereof unplanned depreciation: EUR -85,020.00 (EUR -115,000.00)	-85,020.00	-115,000.00
9. Interests and similar expenses	-1,545,109.16	-2,026,980.26
10. Taxes on income and profit	1.00	0.00
11. Result after taxes	-1,395,285.83	-411,700.69
12. Other taxes	-946.00	-183.75
13. Net loss	-1,396,231.83	-411,884.44
14. Loss carried forward	-23,881,822.26	-23,469,937.82
15. Balance sheet loss	-25,278,054.09	-23,881,822.26

Appendix of the annual financial statement as of 12/31/2019 (HGB)

General

Coreo AG has its headquarters in Frankfurt am Main. The company is registered in the commercial register of the district court Frankfurt am Main under HR B 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 was partly 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 800.00 euro are fully depreciated in the year of acquisition.

The **financial assets** 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 are made if the reason for previous write-downs no longer applies.

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 provisions** 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 provisions 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 realization 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.

Annual financial statement (HGB)

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
Erste Coreo Immobilien VVG mbH, Frankfurt a. M., Germany	100 %	-32 TEUR	0 TEUR	2019
Zweite Coreo Immobilien VVG mbH, Frankfurt a. M., Germany	100 %	494 TEUR	610 TEUR	2019
Dritte Coreo Immobilien VVG mbH, Frankfurt a. M., Germany	100 %	161 TEUR	90 TEUR	2019
Vierte Coreo Immobilien VVG mbH, Frankfurt a. M., Germany	100 %	19 TEUR	-2 TEUR	2019
Coreo Göttingen AM UG, Frankfurt a. M., Germany	100 %	1 TEUR	0 TEUR	2019
Coreo Solo AM UG, Frankfurt a. M., Germany	100 %	1 TEUR	0 TEUR	2019
Coreo Han AM UG, Frankfurt a. M., Germany	100 %	2 TEUR	1 TEUR	2019
Coreo Solo UG & Co. KG, Frankfurt a. M., Germany	100 %	1 TEUR	215 TEUR	2019
Coreo Han UG & Co. KG, Frankfurt a. M., Germany	100 %	-2,756 TEUR	-1,782 TEUR	2019
Coreo Göttingen Residential UG & Co. KG, Frankfurt a.M., Germany	94 %	-506 TEUR	-346 TEUR	2019
Coreo Wubi Residential UG & Co. KG,* Frankfurt a. M., Germany	100 %	-12 TEUR	-13 TEUR	2019

* The company was founded in fiscal year 2019.

Annual financial statement (HGB)

Assets analysis (HGB)

in EUR	Cost of acquisition/manufacture					Depreciation					Carrying value	
	01/01/2019	Additions	Reclassification	Divestures	12/31/2019	01/01/2019	Additions	Attributions	Divestures	12/31/2019	12/31/2019	12/31/2018
I. Intangible assets												
1. Acquired concessions, commercial property rights and similar rights and values as well as licences at such rights and values	34,569	0	0	0	34,569	23,413	5,352	0	0	28,765	5,804	11,156
II. Tangible assets												
1. Factory and office equipment	92,619	5,603	0	0	98,223	86,822	4,038	0	0	90,861	7,362	5,797
2. Advance payments made	0	193,307	0	0	193,307	0	0	0	0	0	193,307	0
	92,619	198,910	0	0	291,530	86,822	4,038	0	0	90,861	200,669	5,797
III. Financial assets												
1. Shares in related companies	948,000	1,000	0	0	949,000	0	0	0	0	0	949,000	948,000
2. Loans to companies with which a shareholding relationship exists	1,190,250	40,250	0	0	1,230,500	0	0	0	0	0	1,230,500	1,190,250
3. Investments held as fixed assets	10,373,184	5,730,727	0	923,140	15,180,770	1,571,004	85,020	0	0	1,656,024	13,524,746	8,802,179
	12,511,434	5,771,977	0	923,140	17,360,270	1,571,004	85,020	0	0	1,656,024	15,704,246	10,940,429
	12,638,622	5,970,887	0	923,140	17,686,369	1,681,240	94,410	0	0	1,775,650	15,910,719	10,957,382

Annual financial statement (HGB)

Receivables and other assets

All receivables and other assets have a residual term of up to one year.

Stockholder equity

As of 31 December 2019, the share capital of Coreo AG is divided into 15,945,880 shares which are all made out to the bearer.

In accordance with the resolution passed by the Management Board and the Supervisory Board of 21 November 2018, the share capital of the company was increased in 2018 by a total of 6,585,880 euro by issuing new bearer shares in the amount of 9,360,000 to 15,945,880.

Provisions

The other provisions principally concern provisions for outstanding holidays and personnel costs, costs for annual financial statements and legal advice and costs for the Annual General Meeting.

Liabilities

in TEUR	Total	Remaining term up to 1 year	Remaining term 1 to 5 years	Remaining term over 5 years
31.12.2019				
Bond	13,625	625	13,000	0
Trade payables and other liabilities	109	109	0	0
Sonstige Verbindlichkeiten	33	33	0	0
	13,767	767	13,000	0
31.12.2018				
Bond	13,624	833	12,791	0
Trade payables and other liabilities	58	58	0	0
Other liabilities	24	24	0	0
	13,706	915	12,791	0

To finance Coreo AG's further growth, a bond was issued at the end of January 2018. The bond with a volume of 20,000 TEUR has a coupon of 10% p.a. and is divided into partial amounts of 100 TEUR, each of which is attached to 3,120 warrants at an exercise price of EUR 2.50 per option/share. The warrants can be traded and exercised separately from the bond. 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).

In order to secure the bond, Coreo AG's stock portfolio was pledged.

In addition, the following company shares were pledged:

- Coreo Göttingen AM UG (limited liability)
- Coreo Han AM UG (limited liability)
- Coreo Solo AM UG (limited liability)
- Coreo Han UG (limited liability) & Co. KG
- Coreo Solo UG (limited liability) & Co. KG
- Coreo Göttingen Residential UG (limited liability) & Co. KG

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

Other operating revenues

Other operating income of EUR 33 thousand mainly comprises other non-cash compensation and payments for indemnification.

Other operating charges

Other operating expenses primarily relate to external services, occupancy costs, legal and consulting fees, and costs for the annual financial statements.

Other information

Contingent liabilities

On 31 December 2019, Coreo AG issued a letter of comfort for Zweite Coreo Immobilien VVG mbH to Dero Bank to secure the loan liability in the amount of TEUR 1,988 from the financing of the acquired real estate. In the letter of comfort, Coreo AG undertakes vis-à-vis Dero Bank to enable its subsidiary, Zweite Coreo Immobilien VVG mbH, to meet its obligations under the loan at all times.

As of 31 December 2019, a default guarantee for Dritte Coreo Immobilien VVG mbH exists vis-à-vis Volksbank Neckartal eG to secure the loan liability in the amount of EUR 2,012 thousand from the financing of the acquisition of real estate, whereby Coreo AG can only be called upon from this if it is

Annual financial statement (HGB)

certain that the call on Dritte Coreo Immobilien VVG mbH, and possibly also the realisation of all its securities, does not promise success.

Coreo AG issued a letter of comfort for Coreo Han UG (limited liability) & Co. KG to Volksbank Rhein-Lahn-Limburg eG to secure the loan liability of 11,600 TEUR as of December 31, 2019 from the financing of the property acquisition and the expansion. In the letter of comfort, Coreo AG undertakes vis-à-vis Volksbank Rhein-Lahn-Limburg eG to enable its subsidiary, Coreo Han UG (limited liability) & Co. KG, to meet its obligations under the loan at all times.

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

Average number of employees during the financial year

The average number of employees in the company during the financial year was 9.

Bodies of the company

Members of the Management Board were in the business year the following person:

- Mr Marin N. Marinov, Diplom-Ingenieur (Graduate Engineer), Hofheim.

In the business year 2019, 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, Kaufmann, Munich.

Frankfurt am Main, 17 March 2020

Marin N. Marinov
The Chairman

Annual financial statement (HGB)

Independent auditor's opinion

To Coreo AG:

Audit opinion

We have examined the annual financial statements of Coreo AG, Frankfurt am Main, Germany - consisting of the balance sheet to 31 December 2019 and the Profit and Loss Statement for the fiscal year 1 January 2019 to 31 December 2019 as well as the notes, including the presentation of balance sheet and evaluation methods.

Including accounting in the audit in accordance with Sect. 1 sentence 1 of the HGB [Commercial Code] provides an additional statutory requirement that extends beyond those of international audit standards (ISA).

Our audit, which was conducted in accordance with Sect. 317 HGB, led to no objections.

In our judgement, based on the knowledge gained during the audit, the attached annual financial statements meets all material respects complies with German commercial law which applies to corporations, giving a true and fair representation of the Company, in compliance with generally accepted accounting principles for the asset and financial position of the Company at 31 December 2019, as well as the results of its operations for the fiscal year of 1 January 2019 to 31 December 2019.

In accordance with Sect. 322 para. 3 sent. 1 HGB, we declare that our audit has led to no objections to the proper nature of the annual financial statements.

Basis for the audit opinion

We have conducted our audit of the annual financial statements in accordance with Sect. 317 HGB in compliance with international audit standards (ISA). Our responsibility under these regulations and principles is described in more detail in the section "Auditor's responsibility for auditing annual financial statements" of our opinion. We are independent of the Company in compliance with German commercial and professional regulations, and have fulfilled our other German professional obligations in compliance with these requirements. We believe that the audit evidence that we have obtained is sufficient and suitable to serve as a basis for our opinion of the financial statements.

Other information

The legal representatives are responsible for other information. The other information includes:

- the remaining parts of the annual report, except for the audited annual financial statement as well as our opinion.

We have the responsibility in our audit to read the other information and therefore to acknowledge whether the other information

- has significant discrepancies with the annual financial statement or the knowledge that we gained during the audit or
- otherwise appear to be significantly incorrect.

Responsibility of the legal representatives and Supervisory Board for the annual financial statement

The legal representatives are responsible for the preparation of the annual financial statements, which comply with the valid German commercial regulations for capital companies in all material respects, and that the annual financial statements are in accordance with German generally accepted accounting principles, and give a true and fair view of the assets, financial position and earnings situation of the Company. Furthermore, the legal representatives are responsible for internal controls which comply with the German principles of proper accounting in order to enable the presentation of annual financial statements, which are free of significant - intentional or unintentional - false presentations.

In preparing these financial statements, the legal representatives are responsible to assess the Company's ability to continue as a going concern. They further have the responsibility to disclose matters relating to business continuation, where relevant. In addition, they are responsible to account for continuing operations on the basis of accounting principles, unless contrary to factual or legal circumstances.

The Supervisory Board is responsible for monitoring the Company's accounting processes in preparing the annual financial statements.

Annual financial statement (HGB)

Responsibility of the auditor to audit the annual financial statements

Our goal is to obtain reasonable assurance that the financial statements are, as a whole, free of material misstatement, intentional or unintentional, and to issue an audit opinion that includes our opinion of the financial statements.

Sufficient security is a high level of assurance, but no guarantee that an audit which is conducted in compliance with Sect. 317 HGB in compliance with international standards (ISA) will always reveal a material misstatement. Misrepresentations may also result from breaches or inaccuracies, and are considered material if they could reasonably be expected to influence, individually or collectively, the economic decisions of the addressees taken on the basis of these financial statements.

As a part of our audit in compliance with ISA, we exercise due discretion and maintain a critical attitude.

Additionally

- we identify and assess the risks of significant - intentional or unintentional - misstatements in the annual financial reports, plan and conduct audit activities as a reaction to these risks, and require audit evidence which is sufficient and suitable to serve as a basis for our audit opinion. The risk that material misstatements are not discovered is, if there are breaches, higher than with inaccuracies, as breaches may include fraudulent interactions, counterfeiting, intentionally incomplete statements, misrepresentations or overriding internal controls.
- We gain an understanding of the internal control systems related to the audit of annual financial statements in order to design audit procedures which are appropriate under the circumstances, but not with the goal of giving an opinion of the effectiveness of those systems within the Company.
- We assess the appropriateness of the accounting policies applied by the legal representatives of the Company, and the reasonableness of the estimates and related disclosures made by them.
- We draw conclusions about the appropriateness of the accounting policies applied by the legal representatives for continuing operations as well as, on the basis of audit evidence obtained, whether there is material uncertainty related to events or circumstances that could raise significant concerns about the Company's ability to continue

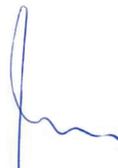
as a going concern. We draw our conclusions on the basis of the audit evidence obtained up to the date of our audit opinion. Future events or circumstances could, however, lead to the Company no longer being able to continue as a going concern.

- We assess the overall presentation, the structure and content of the annual financial statement, including the disclosures, as well as whether the annual financial statements represent the underlying transactions and events in such a way that the annual financial statements provide a true and fair view of the assets, finances and liabilities in accordance with German generally accepted accounting principles, and the earnings situation of the Company.

We discuss with the managers, among other things, the planned scope and schedule for the audit, as well as significant audit findings, including any deficiencies in the internal control systems that we identify in the course of our audit.

Hofheim am Taunus, 18 March 2020

VOTUM AG
Auditing Company
Tax Consulting Company



Alexander Leoff
Auditor



Christoph Lehnert
Auditor



corêo® real estate

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