coreo® real estate

Annual Report 2018

Content

Report of the Supervisory Board
for the 2018 Fiscal Year

Dear shareholders,

Coreo AG can look back on a successful financial year. Despite the sale of two initial properties, the real estate assets were almost quadrupled by the end of the year through the purchase of a residential portfolio in Göttingen and twelve inner-city office buildings. The realignment of the company thus continued as planned.

Supervising the management and cooperation with the Board of Management

In the reporting year, the Supervisory Board duly performed the duties incumbent upon it by law, the articles of association and the rules of procedure. In particular, the Supervisory Board carefully and continuously monitored and advised the executive board in its management of the company on the basis of legality, regularity, usefulness and efficiency. The activities of the Board of Management gave no need for complaint. The Supervisory Board was kept informed of the strategic and on-going development of business and corporate planning as well as of the major issues of the company through regular written and verbal reports of the company. The members of the Supervisory Board always had the possibility of dealing intensively with the presented documents and information, whilst reviewing their plausibility and submitting their own recommendations. In addition, the Chairman of the Supervisory Board and the Chairman of the Board of Management maintained a regular and extensive exchange of information. The Board of Management kept the Supervisory Board promptly aware of all major processes and decisions. For those business decisions requiring consent, the Supervisory Board assisted in close cooperation with the Board of Management by especially taking into account the pertinent opportunities and risks.

Composition of the Supervisory Board and the Board of Management

In accordance with the statutory provisions of Coreo AG, the Supervisory Board consists of three members. The members of the Supervisory 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 2018 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.

During the year under review no changes took place to the Board of Management. Throughout the year under review, this position was taken by Mr Marin N. Marinov.

Priorities of the Supervisory Board activities and meetings

During the year under review, the priority of the Supervisory Board activity was the further development of the real estate portfolio. Apart from discussing and analysing various investment possibilities, corporate finance and its structure was also focussed upon.

All members of the Supervisory Board took part in the six scheduled meetings during the year under review. During these meetings, the reports by the Board of Management were extensively discussed and reviewed. Similarly, possible real estate investments were regularly identified by the Board of Management, whilst taking into account the opportunities and risks as well as checking and assessing the 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.

After a thorough discussion of the submitted documents, the focal point of the meeting of the Supervisory Board on 21 March 2018 was the decision taken to purchase the real estate portfolio in Göttingen.

In the financials meeting on 11 April 2018, the auditor reported on the major findings of the audit to the Supervisory Board. They approved the annual financial statement for 2017 which had been given the unconditional auditor's certificate. Another major topic at the meeting was the decision to purchase the so-called Hydra Portfolio on the basis of the documents presented by the Board of Management for analysis and discussion.

Additional items on the agenda consisted of the report by the Supervisory Board to the shareholders as well as the agenda of the Annual General Meeting.

The object of the board meeting on 19 June 2018 consisted of the development strategies and procedures and the associated costs for the purchased real estate in Göttingen as well as the buildings of the Hydra Portfolio. The future corporate finance of Coreo AG and its strategic alignment, taking into account the pros and cons of the variously available financing mechanisms were discussed in detail.

During the meeting on 18 July 2018, the Supervisory Board considered in detail the outstanding option bond and, in particular, the possibility for adjusting the bond conditions. Taking into account diverse strategic scenarios and considering the various options, the Supervisory Board recommended acceptance of the proposed alterations to the option bond conditions, according to which an early repayment of 5 million euros would be possible at the end of the 2018 financial year.

The essential topics of the meeting on 24 October 2018 consisted of the strategic further development of the company and securing the required financing resources. In particular, the planned capital increase was discussed. The decision to increase capital was taken in writing on 21 November 2018. In addition, the initial procedures and results since takeover of the Hydra Portfolio were discussed.

During the meeting on 17 December 2018, the Supervisory Board was informed of the progress and outcome of the capital increase and subsequently approved the necessary amendments to the Articles of Association.

Annual Audit for 2018

The financial statement (HGB), prepared for Coreo AG in accordance with the German Commercial Code for the 2018 financial year was audited by Votum AG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Frankfurt am Main who issued an unqualified audit opinion. 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 accounts review meeting, they were reviewed in particular with regard to legality, correctness and expediency and discussed in detail with the Executive Board and the auditors. In the report, the auditor presented the Executive Board's risk management and monitoring system and found it suitable for identifying developments at an early stage that endanger the company's survival. The auditor reported on the results of the audit in the Supervisory Board meeting from 11 April 2019 as a whole and on the individual focal points of the audit and answered the questions of the Supervisory Board members in detail. The Supervisory Board subjected the submitted annual financial statement and the audit report to its own review as usual. The Supervisory Board was convinced in the process that the audit report as well as the audit conducted by the auditors themselves complied with the legal requirements and raised no objections.

The Supervisory Board accepted and thus approved the annual financial statement pre-pared by the Management Board with the Supervisory Board resolution of 11 April 2019.

In a difficult market environment, the Supervisory Board thanked our shareholders for the trust they have placed in us through their subscriptions, which made it possible for us to achieve an increase in capital at the close of 2018.
The Supervisory Board thanked the Board of Management and the employees for their considerable commitment during the year under review to the further successful development of Coreo AG.

For the Supervisory Board,
Frankfurt am Main, 11 April 2019

Stefan Schütze
Chairman of the Supervisory Board

Consolidated financial statement (IFRS) of Coreo AG
as of 12/31/2018

Group Management Report for the financial year 2018

1. Group fundamentals

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 nanotechnology portfolio 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 Company thus positions itself as a portfolio developer between pure portfolio holders on the one hand and classic project developers on the other hand in terms of its opportunity-risk profile. As a result, Coreo generates not only current rental income but also attractive increases in the value of its property portfolio through specific measures (development, repositioning, etc.). Portfolio components for which either no long-term rental perspective can be developed or which do not meet the Company's own requirements in terms of location and size are sold as fast as possible. The funds released in this way are used for the expansion of the existing portfolio.

Coreo acquired portfolio properties with a total purchase price of approx. EUR 39.5 million and a total rentable area of over 70,000 m² at 16 locations by 31 December 2018 in the course of 5 transactions. Two of these belong to the residential and two to the logistics segment. The largest-ever single investment was carried out in a portfolio of 12 inner-city office and commercial buildings. Insofar as these are direct property acquisitions (asset deals), the corresponding properties/portfolios are purchased through subsidiaries in which Coreo AG holds a 100% interest.

With the cash inflows from the cash capital increase carried out in December, the company holds sufficient equity to be able to finance a large part of the property purchases planned for the financial year 2019 by using bank loans.

1.2 Strategy

The shares of Coreo AG are listed on the Regulated Unofficial Market. 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 our multi-layered value-creating growth strategy. At the same time, the Company focuses specifically on the internalisation of central administrative and management tasks.

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 for long-term properties (portfolio properties). The respective properties will be identified prior to their acquisition and included in the current assets of the acquiring subsidiary with the objective of reselling them as quickly as possible, generating adequate earnings.

Portfolio development

The Company's investment focus is on properties in the value-add segment that offer sufficient potential for value appreciation with a manageable development expenditure in terms of both technology and time. Apart from metropolitan regions and economically strong conurbations, locations in medium-sized centres are preferred. A careful, property-specific development and/or repositioning of the acquired properties is a prerequisite for a 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

The Company's declared goal is to build up a high-yielding residential and commercial property portfolio with a volume of 400-500 million over the next 4 to 5 years. In this context, the required growth will be fed by properties that will be transferred to the long-term portfolio after completing development and/or repositioning measures. In some cases, further market opportunities should be used. The high recurring liquidity surpluses from the rental business (funds from operations, FFO) are used for corporate financing and additional growth of the Group.

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.

The Company deliberately relies on its own staff for rental accounting in order to recognise relevant developments within its 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.

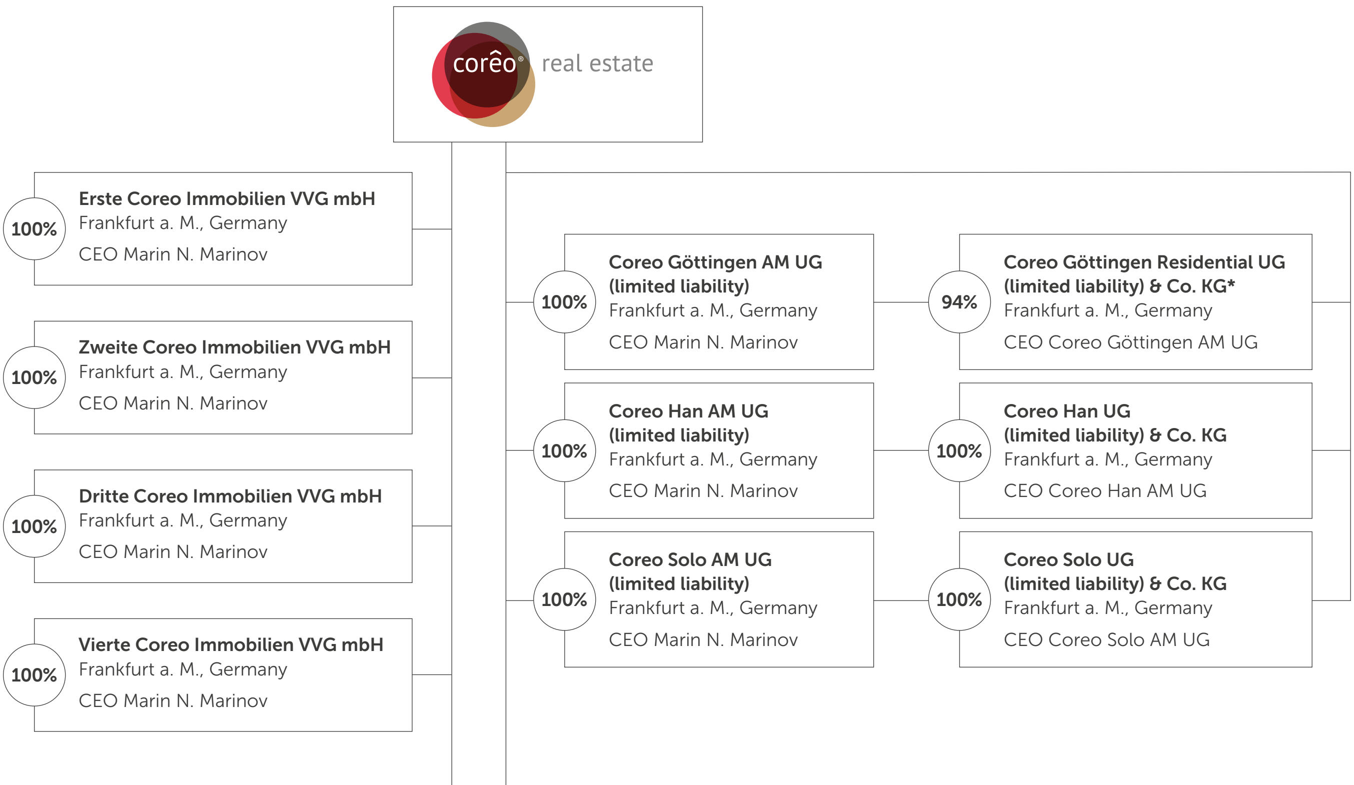
1.3 Group structure

Within the Group, Coreo AG operates as a management holding company that has no own properties. Insofar as direct property acquisitions (asset deals) are concerned, the objects and portfolios are acquired by subsidiaries in which the Company holds a 100% interest. As a matter of principle, only majority shareholdings are acquired in existing property companies.

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.

Coreo AG performs a variety of central tasks for the Group's existing subsidiaries, such as rental accounting, asset management and financing. Property management, however, is outsourced to local service providers.

Group structure Coreo AG



*vorh. HS Wohnen in Göttingen

1.4 Control system

The business volume related to the acquired property volume does not yet require any organisational segmentation. The Group's diverse operating activities are carried out by means of specific financial and non-financial performance indicators and not at Group level. By regularly reviewing the target figures, 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 holding period of the individual properties in the portfolio is also considered as a non-financial indicator. Considering that the part of an acquired portfolio to be divested does not belong to the most important acquisition parameters, planning in this respect is subject to a greater degree of uncertainty. (Therefore plan deviations and adjustments are in that case more likely.)

In the management of the portfolio properties to be developed, adherence to the planned costs and the write-ups achieved after completing the respective development measures are the key financial control parameters. These are supplemented by the time frame estimated for the respective work.

The rental business of our portfolio properties 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 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 volume of the portfolio.

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

2. Economic report

2.1 Overall economic situation

In 2018, the German economy had been growing for the ninth year in a row. However, with an increase in gross domestic product of 1.4%, growth was noticeably lower than in previous years and thus below expectations. In the third quarter of 2018, economic output declined by 0.2% on a quarterly basis for the first time since the beginning of 2015.

This slower pace of expansion in the German economy was due on the one hand to production declines in the automotive industry, the largest economic sector, as a result of the introduction of the WLTP emissions standard. On the other hand, the continuing low water levels of Germanys important rivers in the summer of 2018 resulted in negative special effects especially for the chemical industry but also in a decline in consumer goods production via the existing supply chains.

High capacity utilisation and the increasing shortage of manpower also had a negative impact. The number of people in employment reached a new high of 44.7 million on average in 2018. Coupled with a further increase in the employment rate of the domestic population, the negative demographic development was compensated by the influx of foreign labour. Meanwhile, the remaining employment reserve within the domestic population has been largely exhausted. Simultaneously, the number of immigrants is slowly declining again with the result that a slowdown in employment growth can be expected in view of the continuing ageing of society. The construction industry, however, sees a positive outlook in contrast to the gloomy general assessment. It seems that companies are increasingly beginning to perceive the cooling global economy, the effects of the smouldering trade dispute between the USA and China, the impact of Brexit and the political uncertainties in Europe As a consequence they apparently factor these possible adverse developments into their business expectations.

On the whole, the overall economic environment for demand for residential and commercial space was positive.

2.2 Stabilisation material costs

Residential property market

The German residential property market was again at the forefront of international investors last year due to the positive set of economic parameters. Historically low interest rates also ensure an ongoing attractiveness of investing in assets for both institutional and private investors. As a result, prices for both new and existing apartments have again risen significantly. The population continued to grow in 2018 despite a decline in migration-related immigration. The number of completed apartments (DB Research expects around 300,000 apartments in 2018) remains below demand, so that the market is still characterised by a general excess of demand which, however, does not result in tense housing markets in the whole country, but above all in the top 7 cities and metropolitan regions as well as in high-growth regions. As there is on the one hand a lack of sufficient investment opportunities and, on the other hand, acquisition prices have risen significantly faster than rents in recent years, investors are increasingly opting for the so-called B and C cities. Only about 30,000, representing around 22% of the apartments traded as part of portfolio transactions in 2018, were in the so-called A-cities of Berlin, Düsseldorf, Frankfurt a. M., Hamburg, Cologne, Munich and Stuttgart. Above all, there is an increasing lack of affordable living space. Unlike in previous years, the market volume of EUR 17.6 billion was not characterised by a few large portfolio transactions. For the current year, a similar market volume with slightly rising prices is expected. The International Monetary Fund sees the first dangers of a bubble formation in its country report on Germany. The analysis company empirica sees a risk of a bubble formation in 12 major German cities. Low interest rates, an existing supply gap and full construction- capacity, however, mean that you cannot expect an abrupt end to the long-term property boom in the foreseeable future.

Commercial property market

With a transaction volume of EUR 60.3 billion, the commercial property market experienced another record year. Turnover increased again by 6% compared to the previous year and have thus tripled since 2010. Far more than 50% of that turnover was achieved in the 7 A-cities. Office properties accounted for EUR 29 billion or almost half of total turnover. Simultaneously, for some years now they have had the largest concentration on the cities of Berlin, Düsseldorf, Frankfurt a. M., Hamburg, Cologne, Munich and Stuttgart with a share in turnover of around 80%. In those cities, as in previous years, office properties again increased in price at double-digit rates, with a 12% increase in value.

Logistics properties recorded the most dynamic development within the commercial property market with a decline in prime rental yields of 60 basis points to 4.1%. The continued expansion of online trading is ensuring sustained demand, so that a further decline in yields in this segment can also be expected for the current year.

In 2018, after sharp price increases in the past years, only 3% growth was recorded for inner-city commercial properties. Yields for a sub-segment of the commercial property market rose for the first time since 2010. At the end of 2018, the prime yield for shopping centres increased by 20 basis points above the lowest value in 2018. This development is probably due to investors' more cautious assessment in view of the increase in the market share of online trading.

The industry does not expect another record figure for the current year, but the transaction volume should be in the level of the years 2015 to 2017.

2.3 Business trend

Coreo's business development in the second complete year following the decision to realign the Company in a still positive property market was very satisfactory. The corporate goals were achieved. Thanks to the acquisition of 430 residential units in Göttingen and the Hydra portfolio consisting of 12 office and commercial buildings, the property portfolio was expanded to EUR 40.0 million achieving nearly 4 times the volume as the year before. The prerequisite for this was the successful placement of a bond with a volume of EUR 20 million. At the same time, those subsidiaries holding an existing portfolio succeeded in acquiring further banks as financing partners. The capital increase carried out in December 2018 generated gross issuing proceeds of EUR 10.5 million, which, together with the available liquid funds, will be available for acquisitions in the current financial year. All three sources of earnings of the value-creating growth strategy of the Company contributed to the positive result for the period. Besides the noticeable increase in current rental income, the valuation of property assets and the sale of properties resulted in positive profit contributions for the first time. The number of employees was also increased according to plan. Through the expansion of the Company's own network and participation in various capital market events, the awareness of Coreo as a brand in the property and capital markets was further improved.

2.4 Profit situation

Revenues from rentals (including ancillary costs) increased by TEUR 1,682 from TEUR 482 to TEUR 2,164 and thus more than quadrupled compared to the previous year. The increase is mainly due to two sources. On the one hand, rental payments for the properties acquired in 2017 in Bad Köstritz, Mannheim and Bruchsal were received for the complete year for the first time. On the other hand, the apartments acquired in Göttingen in 2018 accounted for part of the annual rental income.

The Group received revenues in the amount of TEUR 6,730 from the sale of properties held for sale. The result from the sale of properties amounted to TEUR 2,503 (previous year 0 TEUR). The expert valuation of the property portfolio - carried out for the first time - resulted in an amount of TEUR 2,643. The other operating income, which amounted to TEUR 4,105 in the previous year above all due to write-ups on the investment held in MagForce AG, fell to TEUR 1,429. With regard to other operating expenses, there was a noticeable increase as a result of the issuance of the bond and the capital increase. Costs increased by TEUR 1,485 to TEUR 2,348 compared to the previous year. The increase in financial expenses from TEUR 132 thousand to TEUR 2,527 was mainly due to the interest costs for the aforementioned bond. The consolidated result amounted to TEUR 1,660 compared with TEUR 3,084 in the previous year and reaches Earnings per Share of EUR 0.10 compared to EUR 0.33 for 2017.

2.5 Financial situation

Compared to the previous year, the cash flow from operating activities was noticeably reduced from -785 TEUR to -11,301 TEUR. Besides the considerable increase in rental income, the increase in liabilities and other liabilities by TEUR 7,422 contributed to that development. The repeated decline in cash flow from investing activities reflects the dynamic expansion of the property portfolio. In the reporting year, there was an outflow of TEUR 17,004 after TEUR 6,567 in 2017 including TEUR 22,784 in connection with the acquisition of the apartments in Göttingen and the Hydra portfolio. This is offset by payments of TEUR 4,000 received from the sale of properties. No other significant investments were made. The cash outflow from investing activities was offset by a positive cash flow from financing activities in the amount of TEUR 37,473 (previous year TEUR 7,438). Further bank loans were taken out and a capital increase placed in addition to the inflows from the issue of the warrant bond to finance the property purchases.

As of December 31, 2018, cash and cash equivalents amounted to TEUR 14,033, well above the previous year's figure of TEUR 4,864. The available funds are to be used primarily to finance further property purchases by drawing on additional bank loans. Considering this background, the Management Board assumes that it will be able to meet all of the Group's payment obligations in 2019 as well.

in TEUR	12/31/2018	12/31/2017
Cash flow from operating activities	-11,301	-785
Cash flow from investing activities	-17,004	-6,567
Cash flow from financing activities	37,473	7,438
Cash and cash equivalents at the beginning of the period	4,864	4,778
Cash and cash equivalents at the end of the period	14,033	4,864

2.6 Asset situation

Compared to the previous year's figure of TEUR 27,339, the balance sheet total has more than doubled with the amount of TEUR 68,392. The main reason was the increase in property assets from TEUR 10,280 to TEUR 40,017 as a result of acquisitions. Furthermore, cash and cash equivalents increased by TEUR 9,169 to TEUR 14,033 as a result of the capital increase carried out at the end of 2018. This was counteracted by the decline in financial assets by TEUR 3,896, which is mainly a result of reduced stake in MagForce and a lower share price at the balance sheet date.

On the liabilities side, there was a substantial increase both in equity and in current and non-current liabilities. While equity rose by almost 59% to TEUR 30,241 due to the capital increase and the positive consolidated earnings non-current liabilities increased by TEUR 23,318 - an increase of 412%. This was due not only to the bond, which only had a value of EUR 12.8 million on the balance sheet date as a result of a partial repayment, but also to the bank loans taken out to finance the property purchases. Simultaneously, short-term liabilities increased by TEUR 6,918 to TEUR 7,358, of which TEUR 5,269 related to the increase in liabilities to banks.

With an equity ratio of 44.2%, Coreo seems solidly financed compared to the industry.

3. Risk and opportunity report

3.1 Risk report

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 in accordance with 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 in line with our communication and transparency facilitating 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 minimising 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. Only 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, typical developments in different industries and financial markets as well as other developments relevant to the Group are monitored in order to identify those potential risks being inevitably associated with entrepreneurial activity as early as possible and, if required, to take appropriate countermeasures.

Risk categorisation

The following illustration shows the classification of the various risks to which the Group is exposed:

Group risks

- **Industry-specific risks**
  - Macroeconomic development
  - Location risks
  - Valuation risks
  - Regulatory and political risks
- **Development risks**
  - Rental and (rental) default risks
  - Cluster risks
- **Financial risks**
  - Financial and capital market risks
  - Interest rate risks
  - Liquidity risks
  - Foreign currency and financial instrument risks
- **Other risks**
  - HR risks
  - IT risks
  - Risks with cooperation partners

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. The economic trend has deteriorated considerably after years of upswing and could have a negative impact on demand for space due to companies' reluctance to make investments. Considering that only a subordinate portion of the commercial properties held by the Group are let on a long-term basis, this could have a direct impact on the planned (subsequent) rentals.

A reduced workforce or a declined 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 at the same time.

The Management Board count with a lower economic growth in 2019 than in the previous year, but not with any significant changes in the macroeconomic conditions, so that the corresponding risks are classified as low.

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. We carry out the same risk assessment for commercial properties, as these are either located in economically strong regions or in central inner-city locations.

c) Valuation risks: The market values of the properties held in the Group, which are determined annually by an external, independent assessor, are 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. Subjective assessments such as the inflation rate and the development of population figures as well as individual assessments of the structural condition are also included in the assessment. Furthermore, changes in equity and bond yields may affect property prices and the liquidity of the property market. We consider a substantial devaluation of our property portfolios to be a medium risk.

d) Regulatory and political risks: The tightening of existing regulations and the introduction of additional ones and the resulting additional costs and expenses (e.g. in construction, environmental and labour law, energy efficiency) result in regulatory risks. In the same way, corresponding regulations in the residential property sector can lead to the absence of expected write-ups or a reduction in the determined property values due to the elimination or delay of planned rent increases (e.g. rent brake, fixed rent rates, protection of the environment, reduced apportionment of renovation costs). Even developing political discussions, such as the current discussion about the expropriation of large apartment portfolios in Berlin, can have a negative impact on business development, for example by financial market participants adjusting their risk premiums at an early stage or investors retiring from the business. The respective risk is classified as low, since the Group has a geographically well diversified portfolio and only one smaller property is located in one of the cities particularly affected by housing shortages.

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. Any assumptions made with regard to the attractiveness of a location, the occupancy rate of the property, the potential rental increase or the time required for necessary construction measures may prove to be incorrect and subsequently lead to deviations in the planned rental income and write-ups. 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. Furthermore, attempts are made to enforce corresponding guarantees or security deposits within certain upper and lower limits in the purchase contracts.

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 on the Group's earnings and liquidity position. An additional risk is the reversal of concluded purchase contracts, which is reduced by the selection of financially strong buyers with a high degree of integrity. We classify the purchase and sale risks to be 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. Delays in the realisation of the planned measures can be caused by obtaining building permits later that the envisaged period, late agreements with the affected tenants, but also by a shortage of craftsmen and can result in delayed rental income, prolonged rental reductions and, in some cases, contractual penalties. Since Coreo is not able to control all development risks directly, the corresponding risk is classified as medium.

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. Furthermore, tenant-specific requirements may require extensive structural measures and thus result in delayed start of the rental contracts. The rental commercial properties are located in economically strong regions. Subsequent rentals in the event of terminations are therefore considered to be less problematic. The rental of residential properties is subject to scheduled vacancies in order to permanently improve the rentability of the units in the course of 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. Within the Group, default risks exist only at the level of rental income. These are countered by credit checks on rentals and a direct tenant management. Risks from rental defaults are accounted for in the balance sheet. The risk of significantly higher rental defaults is therefore considered to be low, and the rental risk is considered to be medium due to the high current share of properties not rented.

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 sixteen locations, there is currently no significant concentration of property assets in one single location. Since the majority of the commercial properties acquired at the beginning of September 2018 have not yet been rented, there is currently still a cluster risk with regard to the rented commercial properties, which is assessed as low due to the tenant's creditworthiness and remaining term of the respective rental contracts.

Financial risks

Financial and capital market risks: The Coreo Group relies on additional equity and debt capital to finance its planned growth. A significant deterioration in sentiment on the stock markets could have the effect that it would no longer be possible, or only possible to a very limited extent, for low-capitalised companies in particular to raise additional equity capital. Since the Group also requires more attractive debt capital, a tightening of credit conditions could have a negative impact on the Group's investment opportunities. 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 collateral The option of early repayment given at the end of January 2020 provides an opportunity to lower the average financing interest rate of the Group.

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 any capital requirements by issuing securities. Steady growth and an increased level of transparency should result in an improved awareness of the Coreo AG share.

Altogether, the Company expects to significantly expand its property portfolio in 2019 and at the same time increase rental income and earnings in an ongoing favourable environment of interest rates.

4 Forecast report

Economic frame conditions

Expectations for economic growth are reflected by the gloomier economic climate since mid-2018. For 2019, the Ifo Institute anticipates a real growth rate of 1.1%. The German government already twice scaled down growth forecasts in the first months of the current year compared to its forecast in last autumn, which still assumed a growth rate of 1.8% for the gross domestic product. Whereas growth of 1% was still expected in January, the spring forecast only assumes an increase of 0.5%. The main reasons are considered to be an ongoing trade conflict between the US and China, the still unresolved Brexit procedure and the decline in production in the automotive industry in connection with the introduction of the WLTP emissions standard.

The domestic economy, on the other hand, presents itself as stable. The labour market, which continues to develop well, together with wage settlements represents one of the economic driving forces.

The construction industry continues to show above-average growth compared with other sectors. After the number of permits for apartments had fallen slightly by 0.2% in 2018 compared with the previous year, the number rose again by over 9% in January. Estimates by various institutes indicate that the number of completed apartments is still below demand. Combined with the persistently low level of interest rates, this should result in a continuation of the positive development in the residential property market.

After a positive start to the year the Deutsche Hypo-Immobilienklimaindex (German Mortgage Climate Index) experienced two consecutive declines, but remained at a high level. The large brokerage houses remain positive about the transaction volume in the commercial investment market in 2019 despite a weaker first quarter.

Expected development of the Coreo Group

The plans of the Management Board for 2019 are based on moderate economic growth, a continuation of the low interest rate level and a positive environment on the property market. A noticeable increase in the property portfolio through the acquisition of commercial and residential properties is planned for 2019. Simultaneously, investments in the portfolio should contribute to an increase in property assets. Due to the initial rental of vacant Hydra properties, a significant reduction in the vacancy rate and an increase in future rental income are planned. Adjustments to the workforce are planned in parallel with the growing tasks within the Group. The aim of raising Coreo's name recognition was to promote the recruitment of qualified personnel and facilitate access to interesting properties. For the current year, the Management Board expects the property portfolio to double. A significant increase in rental income is also expected at the same time, to which in particular first rentals of properties of the Hydra portfolio will contribute. In 2019, sales and earnings will continue to be largely determined by property sales. A forecast is associated with significant inaccuracies, as these sales in turn depend on both the composition and the acquisition date of property portfolios still to be acquired. The Company expects, however, to slightly exceed the revenue and earnings contributions from the sale of properties from the previous year. The Management Board is planning a disproportionately low development of current costs compared to the growth in the property market.

Frankfurt am Main, den 14 May 2019

Marin N. Marinov
The Board

Consolidated balance sheet as of 12/31/2018 (IFRS)
Assets

in TEUR	12/31/2018	12/31/2017	01/01/2017	Notes
Intangible assets	11	19	17	3.1.1
Tangible assets	6	7	10	3.1.2
Investments in properties	40,017	10,280	0	3.1.3
Financial assets	8,120	12,016	10,669	3.1.4
Deferred tax assets	84	0	0	3.1.5
Non-current assets	**48,237**	**22,322**	**10,696**	
Inventories	946	0	0	3.2.1
Trade receivables	3,507	8	0	3.2.2
Other assets	1,455	60	25	3.2.2
Tax receivables	215	84	8	3.1.5
Cash and bank balances	14,033	4,864	4,778	3.2.3
Current assets	**20,155**	**5,017**	**4,812**	
Total assets	**68,392**	**27,339**	**15,508**	

Consolidated balance sheet as of 12/31/2018 (IFRS)
Liabilities

in TEUR	12/31/2018	12/31/2017	01/01/2017	Notes
Subscribed capital	15,946	9,360	9,360	4.1.1
Capital reserves	23,778	19,826	19,826	4.1.2
Revenue reserves	12,545	12,545	12,545	4.1.3
Retained earnings/loss	-21,575	-23,377	-26,461	
Other result	-620	1,070	0	4.1.4
Equity attributable to shareholders of Coreo AG	**30,073**	**19,424**	**15,270**	
Non-controlling interests	168	0	0	
Equity	**30,241**	**19,424**	**15,270**	
Other provisions	6	6	6	4.2.1
Financial liabilities	30,046	7,455	0	4.2.2
Accounts payable trade	0	0	0	4.2.2
Deferred tax liabilities	741	14	0	4.2.2
Non-current liabilities	**30,793**	**7,475**	**6**	
Other provisions	264	245	169	4.3.1
Financial liabilities	5,270	1	0	4.3.2
Accounts payable trade	905	118	55	4.3.2
Other liabilities	467	38	1	4.3.2
Tax liabilities	452	38	8	4.3.2
Current liabilities	**7,358**	**440**	**232**	
Total equity and liabilities	**68,392**	**27,339**	**15,508**	

Statement of comprehensive income (IFRS)
01/01/2018 to 12/31/2018

in TEUR	12/31/2018	12/31/2017	01/01/2017	Notes
Rent revenues	2,164	482	0	5.1
Revenues from the sales of properties	6,730	0	0	
Book value from the solt properties	-4,228	0	0	
Result from the sale of investment properties	**2,503**	**0**	**0**	5.2
Result from the valuation of investment properties	2,643	0	0	5.3
Other revenues	365	4	0	5.1
Other operating revenues	1,429	4,105	26	5.4
Cost of materials	-1,096	-113	0	5.5
Personnel costs	-747	-370	-297	5.6
Depreciation and impairments	-18	-10	-7	5.7
Other operating costs	-2,348	-863	-2,267	5.8
Earnings before interest and tax (EBIT)	**4,895**	**3,235**	**-2,545**	
Financial income	137	0	72	5.9
Financial expenses	-2,527	-132	-4,792	5.10
Earnings before tax (EBT)	**2,505**	**3,103**	**-7,265**	
Taxes on income and profit	-845	-19	0	5.11
Period result	**1,660**	**3,084**	**-7,265**	
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	-1,690	1,070	0	
Other earnings after taxes	**-1,690**	**1,070**	**0**	
Total result	**-30**	**4,154**	**-7,265**	
The result for the period is attributable to				
Shareholders of Coreo AG	1,625	3,084	-7,265	
Non-controlling shareholders	35	0	0	
The total result is attributable to				
Shareholders of Coreo AG	-65	4,154	-7,265	
Non-controlling shareholders	35	0	0	
Shares outstanding (undiluted and diluted)	15,945,880	9,360,000	9,360,000	4.1.1
Earnings per share (undiluted and diluted) in EUR	0.10	0.33	-0.78	2.4.16

Cash flow statement (IFRS)
01/01/2018 to 12/31/2018

in TEUR	2018	2017
Period result	1,660	3,084
Result from the valuation of investment properties	-2,643	0
Depreciation	18	10
Revaluation of financial assets	0	-2,619
Profit/loss from the sale of financial assets	0	-1,380
Other non-cash expenses and income	2	-85
Increase/reduction of provisions	1	76
Increase/reduction of receivables and other current assets	-4,668	-120
Increase/reduction of liabilities and other dept	-7,422	144
Financial income	-137	0
Financial costs	2,527	132
Income taxes	845	19
Interest received	72	0
Interest payed	-1,537	-46
Tax payments	-19	0
Cash flow from operating activities	**-11,301**	**-785**
Payments received from real estate sales	4,000	0
Payments to acquire property, plant and investment properties	-22,784	-10,280
Proceeds from the disposal of other assets	2,411	3,723
Payments made for the investment in other assets	-9	-10
Cash paid for company acquisitions less cash and cash equivalents acquired	-622	0
Cash flow from investment activities	**-17,004**	**-6,567**
Proceeds from capital increases	10,538	0
Cash received from loans	14,280	7,550
Repayment of loans	-345	-112
Payments received from the issue of a bond	18,000	0
Cash outflows from the repayment of the bond	-5,000	0
Cash flow from financing activities	**37,473**	**7,438**
Change in cash and cash equivalents	9,168	86
Cash at the beginning of the period	4,864	4,778
Cash at the end of the period	**14,033**	**4,864**

Statement of changes in equity (IFRS)
01/01/2018 to 12/31/2018

in TEUR	Subscribed capital	Capital reserve	Revenue reserve	Result carried forward	Other result	Shareholders' equity	Non-controlling interests	Total equity
Status as of 01/01/2016 according to HGB	**6,240**	**19,826**	**12,545**	**-19,196**	**0**	**19,415**	**0**	**19,415**
Period result	0	0	0	-7,265	0	-7,265	0	-7,265
Capital increase	3,120	0	0	0	0	3,120	0	3,120
Status as of 12/31/2016 according to HGB	**9,360**	**19,826**	**12,545**	**-26,461**	**0**	**15,270**	**0**	**15,270**
Status as of 01/01/2017 according to IFRS	**9,360**	**19,826**	**12,545**	**-26,461**	**0**	**15,270**	**0**	**15,270**
Period result	0	0	0	3,084	0	3,084	0	3,084
Changes in value, without effect of financial assets measured at fair value through profit or loss in the form of equity instruments					1,070	1,070	0	1,070
Status as of 12/31/2017 according to IFRS	**9,360**	**19,826**	**12,545**	**-23,377**	**1,070**	**19,424**	**0**	**19,424**
Status as of 01/01/2018 according to IFRS	**9,360**	**19,826**	**12,545**	**-23,377**	**1,070**	**19,424**	**0**	**19,424**
Period result	0	0	0	1,625	0	1,625	35	1,660
Capital increase	6,586	0	0	0	0	6,586	0	6,586
Premium from issue new shares	0	3,952	0	0	0	3,952	0	3,952
Changes in value, without effect of financial assets measured at fair value through profit or loss in the form of equity instruments	0	0	0	0	-1,514	-1,514	0	-1,514
Disposal of financial assets measured at fair value through other comprehensive income in the form of equity instruments	0	0	0	176	-176	0	0	0
Changes in the scope of consolidation	0	0	0	0	0	0	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**
Notes	4.1.1	4.1.2	4.1.3		4.1.4			

Notes to the consolidated financial statements (IFRS) 01/01/2018 to 12/31/2018

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 HRB 74535.

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

Coreo AG is listed on the Open Market of the Frankfurt Stock Exchange. There is no stock exchange listing within the meaning of § 3, section 2 of the German Stock Corporations Act (AktG). This also means that it is not a capital market-oriented corporation in accordance with § 264d German 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 December 31, 2018 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 IFR should enable users to better assess the value of the Company.

IFRS Consolidated Financial Statements were prepared for the first time as of December 31, 2018. For the conversion from national accounting principles to IFRS, an IFRS opening balance sheet had to be prepared as of January 1, 2017, which is the starting point for future IFRS accounting, as well as a comparative balance sheet as of December 31, 2017. The transition from German Commercial Code (HGB) to IFRS had no impact on the presented assets, finances and income, statement of comprehensive income, statement of changes in equity or cash flow statement.

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

The 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 are 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.

2.2 Changes in accounting and valuation methods applicable – New standards in international accounting according to IFRS and interpretations

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

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

IFRS statements (with application obligation as of financial year 2018):

Standard	Title
IFRS 15	Revenues from contracts with customers
IFRS 9	Financial instruments
Amendments IFRS 2	Classification and valuation of share-based payment transactions
Amendments IFRS 4	Insurance contracts regarding IFRS 9 Financial instruments
Amendments IAS 40	Transfer of investment property
AIP 2014-2016	Improvements to the IFRS
IFRIC 22	Foreign currency transactions and advance

IFRS 15 specifies a comprehensive framework for determining whether, to what extent and when revenue is recorded. It replaces existing revenue recognition guidelines, including IAS 18 Revenue, IAS 11 Construction contracts and IFRIC 13 Customer loyalty programmes. Under IFRS 15, revenue is recorded when a customer obtains control of goods or services. Determining the transaction price for variable consideration and whether control is transferred on a time or period basis requires the use of judgment. The application of the new principles, however, does not have a material impact on the net assets, financial position and results of operations of the Coreo Group.

IFRS 9 determines the requirements for the recognition and measurement of financial assets, financial liabilities and some contracts for the purchase or sale of non-financial contracts. This Standard replaces IAS 39 Financial instruments: Recognition and measurement. Coreo applies IFRS 9 for the first time for the fiscal year beginning 1 January 2018. The first-time application was modified retrospectively pursuant to IFRS 9. Coreo made use of the option to continue to present comparative information according to IAS 39 pursuant to the transitional provisions.

The classification of financial assets according to IFRS 9 is based on the Company's business model for managing financial assets and the features of contractual cash flows. In IFRS 9, financial assets are classified in three main categories: at Amortised Cost (AmC), at Fair Value through Profit or Loss (FVTPL) and at Fair Value Through Other Comprehensive Income (FVOCI). The standard eliminates the previous categories of IAS 39: held-to-maturity, loans and receivables, available-for-sale and held-for-trading.

To a large extent, IFRS 9 retains the existing requirements of IAS 39 for the classification of financial liabilities.

Equity investments comprise investments that the Group intends to hold over the long term for strategic reasons. The Group therefore classified these investments as FVTOCI in accordance with IFRS 9 at the date of initial application. The Group is of the opinion that its designation as FVTOCI makes its strategic investments more transparent on the balance sheet. Unlike IAS 39, the cumulative reserve from changes in fair value in connection with these investments is never reclassified to the income statement.

Please refer to the section „Individual accounting policies - Financial assets and financial liabilities" for a detailed explanation of how Coreo AG classifies and measures financial instruments in accordance with IFRS 9. The application of the new principles, however, does not have a material impact on the net assets, financial position and results of operations of the Coreo Group.

The amendments to IFRS 2 comprise clarifications on the measurement of cash-settled share-based payment transactions, on the recognition of modifications to share-based payment transactions and on the recognition of taxes on net-settled share-based payment transactions.

The amendments to IFRS 4 create solutions for the accounting consequences of the divergence between the dates of first-time adoption of IFRS 9 and IFRS 17 and are therefore only relevant for insurance companies.

The amendments to IAS 40 specify when a company should transfer property, including property under construction or development, to or from the portfolio of investment property. In accordance with the amendments, a change in use occurs when the property meets or ceases to meet the definition of investment property and there is evidence of a change in use. A simple change in management's intentions regarding the use of the property is not evidence of a change in use. These changes have no effect on the Consolidated Financial Statements.

The improvements to IFRS 2014-2016 comprise the deletion of transitional provisions in IFRS 1 that are no longer applicable and amendments to IAS 28 according to which, under specific circumstances, investments in associated companies or joint ventures may be measured at fair value through profit or loss.

FRIC 22 deals with the translation of foreign currency transactions in the case of advance payments made or received.

The IASB and the IFRS Interpretations Committee have issued additional standards and interpretations that are not yet mandatory for the financial year 2018:

IFRS-statements:

EU endorsement granted:	**Application obligation for financial years beginning on or after**
IFRS 16, leasing relationships	01/01/2019
Amendments to IAS 28, long-term participations in associated companies and joint ventures	01/01/2019
Amendments to IAS 19, plan amendments, curtailments and settlements	01/01/2019
IFRIC 23, Uncertainty of income tax treatment	01/01/2019
EU endorsement still pending:	
Amendments to IFRS 9 Financial instruments, Early Redemption Rules with Negative Settlement Payments	01/01/2019
Annual improvements to IFRSs, cycle 2015 - 2017, amendments to and clarifications of IFRS 13, IFRS 11, IAS 12 and IAS 23	01/01/2019
Amendments to IFRS 3, Mergers; Definition of a business operation	01/01/2020
Amendments to IAS 1 and IAS 8, Definition of 'material'	01/01/2020
Amendments to IFRS framework concept	01/01/2020
IFRS 17 insurance contracts	01/01/2021

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

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

2.3 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 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 10 (previous year: 10): 4) 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 2018, the following companies were newly founded:

- Coreo Göttingen AM UG (limited liability)

Coreo AG holds 100.00% of Coreo Göttingen AM UG (limited liability), Frankfurt am Main. Coreo Göttingen AM UG (limited liability) was founded on 21 March 2018. The Company assumed the management and personal liability of Coreo Göttingen Residential UG & Co. KG.

- Coreo Solo AM UG (limited liability)

Coreo AG holds 100.00% of Coreo Solo AM UG (limited liability), Frankfurt a. M. Coreo Solo AM UG (limited liability) was founded on 16 April 2018. The Company assumed the management and personal liability of Coreo Solo UG & Co. KG.

- Coreo Han AM UG (limited liability)

Coreo AG holds 100.00% of Coreo Han AM UG (limited liability), Frankfurt a. M. Coreo Han AM UG (limited liability) was founded on 16 April 2018. The Company assumed the management and personal liability of Coreo Han UG & Co. KG.

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

Coreo AG holds 100.00% of Coreo Han UG (limited liability), Frankfurt a. M. Coreo Han UG (limited liability) & Co. KG was founded on 27 April 2018.

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

Coreo AG holds 100.00% of Coreo Solo UG (limited liability), Frankfurt a. M. Coreo Solo UG (limited liability) & Co. KG was founded on 27 April 2018.

Coreo Solo UG & Co. KG and Coreo Han UG & Co. KG and the associated general partners Coreo Han AM UG and Coreo Solo AM UG were founded for the purchase of the so-called „Hydra--Portfolio". These were 12 properties in which Commerzbank branches were located. Together, the properties have a rental area of around 22,000 m². The purchase agreement was signed on May 8, 2018. The purchase of the properties was largely externally financed and completed in the second half of 2018. Coreo Solo UG & Co KG acquired all properties held for sale and therefore reported under inventories. The Coreo Han UG & Co. KG acquired all the properties in the Hydra portfolio that are to be held for the long term. Some of the acquired buildings are currently being modernised and reconstructed.

In 2018, the following companies were acquired:

- Coreo Göttingen Residential UG & Co. KG

Coreo Göttingen Residential UG (limited liability) & Co. KG was acquired (formerly: HS Living in Göttingen GmbH & Co. KG) with a purchase agreement dated April 3, 2018. The transfer of benefits and burdens took place on July 1, 2018 based on purchase contract provisions.

Coreo AG took over 94% of the limited partnership shares of the KG, the remaining 6% will be held by a former limited partner (shareholder) for the next 5 years and then transferred to Coreo AG. In this context, Coreo AG founded „Coreo Göttingen AM UG (limited liability)" and thus replaces the current general partner in the KG. Coreo AG thus has full control.

The Company holds a residential portfolio of 430 units, distributed over 12 apartment buildings, most of which are partially owned. They are almost exclusively micro-apartments with a very high occupancy rate in good to very good city locations. A total of around 13,754 m^2 of rentable living space is available.

This transaction is an acquisition pursuant to IFRS 3.

The fair values of the acquired assets and liabilities recognised at the acquisition date were as follows as of 1 July 2018:

in TEUR	**Fair value at time of consolidation**
Investment property	10,510
Receivables and other current assets	1,384
Cash and cash equivalents	118
Total assets	**12,012**
Provisions	17
Liabilities from deliveries and services	4,005
Other liabilities	5,773
Total liabilities	**9,795**
Net assets acquired	2,217
Value of consideration	740
Share of non-controlling shareholders	133
Difference on the liabilities side from company acquisition	**1,344**
Value of consideration	740
Cash and cash equivalents acquired	118
Cash outflow from the acquisition of Coreo Göttingen Residential UG & Co. KG	-622

As a result of the purchase price allocation at the time of acquisition, hidden reserves of TEUR 2,251 and deferred tax liabilities of TEUR 197 were disclosed for investment properties. Properties held as financial investments consider the disclosure of hidden reserves in real estate.

The difference on the liabilities side arising from the acquisition of a company was recorded in other operating income. Non-controlling shareholders are evaluated at the fair value of the subsidiary's net assets.

If Coreo Göttingen Residential had been included in the Consolidated Financial Statements since January 1, 2018, revenues would have amounted to TEUR 2,011 and earnings after taxes to TEUR -301 in the past fiscal year.

Incidental acquisition costs of TEUR 100 are recorded as expenses.

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,
- 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 considered 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 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 August 2018. This valuation opinion was required to confirm the market value of the properties as of 31 August 2018 for the securities brochure. The prospectus was required for the Company's planned capital increase and for the IPO of the new shares on the Frankfurt Stock Exchange and other stock exchanges in Germany.

A valuation opinion as at 31 December 2018 was not required as management assumes that no significant increases in value were achieved in the market during this period that would have a significant impact on the consolidated balance sheet.

The valuation reports were carried out by Jones Lang LaSalle SE, Frankfurt am Main, on 31 August 2018 using internationally recognised valuation methods and confirmed in 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 Book.

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.

2.4.3 Fixed assets

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

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

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

2.4.4 Impairment of value of fixed assets and intangible assets except for 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.

2.4.5 Financial assets

IFRS 9, which is effective for the first time for fiscal years beginning on or after January 1, 2018, introduces a uniform model for the classification of financial assets by using three categories on 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. IFRS 9 eliminates the previous categories of IAS 39: held to maturity, loans and receivables and available-for-sale. 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 regarding the classification. Coreo applies IFRS 9 for the first time for the fiscal year beginning 1 January 2018. The first-time application was modified retrospectively pursuant to IFRS 9. Coreo made use of the option to continue to present comparative information according to IAS 39 pursuant to the transitional provisions.

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 Group may exercise the irrevocable option to measure each individual financial instrument at fair value at the acquisition date, with no effect on income. 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 soon, 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. Reclassification is only permitted if the business model is changed.

Financial instruments represent investments that the Group intends to hold over the long term for strategic reasons. In accordance with IFRS 9, the Group has therefore classified these investments in other securities as FVTOCI at the date of initial application. The Group is of the opinion that its designation as FVTOCI makes its strategic investments more transparent on the balance sheet. Unlike IAS 39, the cumulative reserve from changes in fair value in connection with these investments is never reclassified to the income statement.

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 participations, 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 AG, this relates to minority interests in listed and non-listed companies and funds reported as financial assets for which there is no specific intention to sell. Changes in value are recognised in equity.

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 classified as loans and receivables in accordance with IAS 39 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 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 provision for losses on loans and advances at each reporting date based on the full term of the ECL. The Group prepared an allowance matrix based on its 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 regarding expected credit losses and adjusted if necessary. The value adjustment ratios are determined based on 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, 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 enough 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 based on 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 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 must be considered. If a provision is evaluated based on 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.

2.4.10 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 a 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.

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

2.4.11 Recognition of income and expenses

Coreo has applied the new IFRS 15 standard since January 1, 2018. This standard 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.

2.4.12 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.

2.4.13 Leasing

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

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

2.4.14 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.

2.4.15 Estimation uncertainties and discretionary decisions

In applying the accounting and valuation methods presented, the Management must make judgements, estimates and assumptions regarding 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 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 significantly 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 based on various estimates, e.g. regarding 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.

2.4.16 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 2018, earnings per share are not diluted, as the value of the shares to be granted does not exceed the value of the consideration (exercise price of the option).

3. Notes to the balance sheet - assets

3.1 Long-term assets

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

Changes in long-term assets 2017

in EUR	Acquisition / production costs						Value adjustment				Carrying amount	
	01/01/2017	Additions	Reclassification	Change in value	Disposals	12/31/2017	01/01/2017	Depreciation	Disposal	12/31/2017	12/31/2017	12/31/2016
I. Intangible assets												
1. Concessions acquired against payment, industrial property rights and similar rights and assets as well as licenses to such rights and values	**25,970.03**	**8,599.20**	**0.00**	**0.00**	**0.00**	**34,569.23**	**8,544.03**	**6,957.20**	**0.00**	**15,501.23**	**19,068.00**	**17,426.00**
II. Fixed assets												
1. Operating and office equipment	**91,933.48**	**954.88**	**0.00**	**8,692.05**	**8,692.05**	**84,196.31**	**82,402.48**	**3,112.88**	**8,458.05**	**77,057.31**	**7,139.00**	**9,531.00**
III. Investment property												
1. Land and similar rights	0.00	10,279,786.36	0.00	0.00	0.00	10,279,786.36	0.00	0.00	0.00	0.00	10,279,786.36	0.00
2. Advance payments on buildings	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	0.00	**10,279,786.36**	**0.00**	**0.00**	**0.00**	**10,279,786.36**	**0.00**	**0.00**	**0.00**	**0.00**	**10,279,786.36**	**0.00**
IV. Financial assets												
1. Financial assets	**17,214,368.07**	**100.00**	**0.00**	**1,070,316.08**	**4,813,059.76**	**13,471,724.39**	**6,545,158.90**	**0.00**	**5,089,154.66**	**1,456,004.24**	**12,015,720.15**	**10,669,209.17**
	17,332,271.58	**10,289,440.44**	**0.00**	**1,079,008.13**	**4,821,751.81**	**23,870,276.29**	**6,636,105.41**	**10,070.08**	**5,097,612.71**	**1,548,562.78**	**22,321,713.51**	**10,696,166.17**

Changes in long-term assets 2018

	Acquisition / production costs						Value adjustment				Carrying amount	
in EUR	**01/01/2018**	**Additions**	**Reclassification**	**Change in value**	**Disposals**	**12/31/2018**	**01/01/2018**	**Depreciation**	**Disposal**	**12/31/2018**	**12/31/2018**	**12/31/2017**
I. Intangible assets												
1. Concessions acquired against payment, industrial property rights and similar rights and assets as well as licenses to such rights and values	**34,569.23**	**0.00**	**0.00**	**0.00**	**0.00**	**34,569.23**	**15,501.23**	**7,912.00**	**0.00**	**23,413.23**	**11,156.00**	**19,068.00**
II. Fixed assets												
1. Operating and office equipment	**84,196.31**	**8,423.17**	**0.00**	**0.00**	**0.00**	**92,619.48**	**77,057.31**	**9,765.17**	**0.00**	**86,822.48**	**5,797.00**	**7,139.00**
III. Investment property												
1. Land and similar rights	10,279,786.36	26,930,152.06	0.00	2,642,713.58	0.00	39,852,652.00	0.00	0.00	0.00	0.00	39,852,652.00	10,279,786.36
2. Advance payments on buildings	0.00	163,887.35	0.00	0.00	0.00	163,887.35	0.00	0.00	0.00	0.00	163,887.35	0.00
	10,279,786.36	**27,094,039.41**	**0.00**	**2,642,713.58**	**0.00**	**40,016,539.35**	**0.00**	**0.00**	**0.00**	**0.00**	**40,016,539.35**	**10,279,786.36**
IV. Financial assets												
1. Financial assets	**13,471,724.39**	**29,400.00**	**0.00**	**-1,690,286.00**	**2,234,906.00**	**9,575,932.39**	**1,456,004.24**	**0.00**	**0.00**	**1,456,004.24**	**8,119,928.15**	**12,015,720.15**
	23,870,276.29	**27,131,862.58**	**0.00**	**952,427.58**	**2,234,906.00**	**49,719,660.45**	**1,548,562.78**	**17,677.17**	**0.00**	**1,566,239.95**	**48,153,420.50**	**22,321,713.51**

Explanation of point III.1: Additions also include the change in value from the first-time consolidation of Coreo Göttingen UG & Co. KG.

3.1.1 Intangible assets

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

The acquired „Domus" software will be used to manage the newly acquired properties in 2017 and 2018.

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

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

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

Internally generated intangible assets were not capitalised.

3.1.2 Fixed assets

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

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

3.1.3 Properties held as financial investment

Coreo Solo UG & Co. KG and Coreo Han UG & Co. KG and the associated general partners Coreo Han AM UG and Coro Solo AM UG were founded for the purchase of the so-called „Hydra portfolio". These were 12 properties in which Commerzbank branches were located. Together, the properties have a rental area of around 22,000 m^2. The purchase agreement was signed on May 8, 2018. The purchase of the properties was largely externally financed and completed in the second half of 2018. Coreo Solo UG & Co KG acquired all properties held for sale and therefore reported under inventories. The Coreo Han UG & Co. KG acquired all the properties in the Hydra portfolio that are to be held for the long term. Some of the acquired buildings are currently being modernised and reconstructed.

Furthermore, Coreo Göttingen Residential UG (limited liability) & Co. KG was acquired (formerly: HS Living in Göttingen GmbH & Co. KG) with a purchase agreement dated April 3, 2018. The special succession in law was not registered until July 4, 2018. Advance payments were made for the purchase of the company up to June 30, 2018.

Coreo AG took over 94% of the limited partnership shares of the KG, the remaining 6% will be held by a former limited partner (shareholder) for the next 5 years and then transferred to Coreo AG. In this context, Coreo AG founded Coreo Göttingen AM UG (limited liability) and thus replaces the current general partner in the KG. Coreo AG thus has full control.

The Company holds a residential portfolio of 430 units, distributed over 12 apartment buildings, most of which are residential property. They are almost exclusively micro-apartments with a very high occupancy rate in Göttingen and its surroundings. A total of around 13,754 m^2 of rentable living space is available.

Investment property developed as follows:

in TEUR	2018	2017
Status as of 01.01.2017	10,280	0
Additions to assets from property purchases	13,360	10,280
Additions as assets from mergers	11,614	0
Disposals of assets	0	0
positive change in fair value	5,083	0
negative change in fair value	-320	0
Status as of 12/31	**40,017**	**10,280**

The rental income from investment property breaks down as follows:

in TEUR	2018	2017
Hydra-Hold-Portfolio	33	0
Portfolio Göttingen	563	0
Portfolio Bad Köstritz	291	194
Portfolio Bruchsal	319	84
Porfolio Mannheim	281	104
Stand 12/31	**1,487**	**382**

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

in TEUR	2018	2017
Maintenance costs	324	17
Operating costs	741	96
Status as of 12/31	**1,065**	**113**

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

in TEUR	2018	2017
Maintenance costs	0	0
Operating costs	148	0
Status as of 12/31	**148**	**0**

The vacancy results from the planned conversion and modernisation measures.

3.1.4 Financial assets

Financial assets relate to the following items:

in TEUR	12/31/2018	12/31/2017
Shares in associated companies	0	0
Investments and other securities	8,120	12,016
Total	**8,120**	**12,016**

Associated companies (At-Equity)

As of December 31, 2018, Coreo AG held 21.4% of the shares in Lumiphore Inc. As of December 31, 2018, the carrying amount of investments in associates accounted for using the equity method was TEUR 0 (prior year: TEUR 0): TEUR 0).

Investments and other securities

Investments and other securities in the form of equity instruments are measured at fair value with changes in value in other comprehensive income (FVOCI): Fair Value through Other Comprehensive Income).

Coreo AG holds interests in the following companies:

in TEUR	2018	2017	Company's headquarters
Nanosys Inc.	0	0	Milpitas, USA
NanoDimension LP	385	500	L.P., Cayman Islands
MagForce AG	7,705	11,516	Berlin, Germany
Other securities	30	0	
Total	**8,120**	**12,016**	

The value of the shares in MagForce AG was reduced by TEUR 1,575 to the fair value on the balance sheet date by TEUR 7,705. The fair value thus corresponds to the market price on the balance sheet date. The change in value of the MagForce shares amounting to TEUR -1,575 was recognised directly in other comprehensive income. The disposals from the sale of MagForce shares in fiscal year 2018 were reclassified from other comprehensive income to retained earnings in the amount of TEUR 176.

NanoDimension LP is a participation in a fund. The investment in NanoDimension LP was reduced in value by TEUR 115 to the fair value on the balance sheet date by TEUR 385. This value essentially corresponds to the current market value. The change in value of the investment in the amount of TEUR -115 was recognised directly in other comprehensive income.

3.1.5 Taxes

At present, there are temporary differences between the tax balance sheet and the IFRS balance sheet regarding 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.

The tax rate is calculated as follows:

Tax rate in %	2018	2017
Corporate income tax	15.0	15.0
Solidarity surcharge	5.5	5.5
Trade tax	16.1	16.1
Total	**31.93**	**31.93**

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

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

- Enough 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 enough 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 enough profits to allow losses to be offset.

Deferred tax assets do not include tax losses carried forward of EUR 14 million and trade tax losses of EUR 13 million, as based on the above-mentioned forecast, utilisation currently does not appear to be likely.

Deferred tax assets and liabilities must 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).

The following table shows the development of deferred tax liabilities:

in TEUR	2018	2017
01/01	0	0
Neutral from initial consolidation Coreo Göttingen	0	0
Change (affecting net income)	84	0
12/31	**84**	**0**

The increase in deferred tax liabilities in the 2018 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	2018	2017
01/01	14	0
Neutral from initial consolidation Coreo Göttingen	197	0
Change (affecting net income)	531	14
12/31	**742**	**14**

Deferred tax assets arise primarily from the devaluation of properties.

3.2 Current assets

3.2.1 Property inventories

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

Coreo Solo UG & Co. KG and Coreo Han UG & Co. KG and the associated general partners Coreo Han AM UG and Coro Solo AM UG were founded for the purchase of the Hydra portfolio. These were 12 properties in which Commerzbank branches were located. Together, the properties have a rental area of around 22,000 m^2. The purchase agreement was signed on May 8, 2018. The purchase of the properties was largely externally financed and completed in the second half of 2018. Coreo Solo UG & Co KG acquired all properties held for sale and therefore reported under inventories.

The remaining properties held for sale amounted to TEUR 946 as of 31 December 2018 (previous year: TEUR 0).

The properties acquired and resold during 2018 had a carrying amount of TEUR 4,228. The properties sold generated proceeds of TEUR 6,730. The result from the sale of properties amounted to TEUR 2,503.

3.2.2 Receivables and other current assets

Receivables and other current assets are composed as follows:

in TEUR	2018	2017
Accounts receivable from deliveries and services	3,507	8
Tax refund claims	215	84
Other	1,455	81
Total	**5,177**	**173**

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

Trade receivables mainly relate to rent receivables and purchase price receivables from the sale of real estate held as inventories.

Receivables from rentals are non-interest bearing and are generally overdue.

Receivables from the sale of land are non-interest-bearing and are generally due within 1 to 90 days.

3.2.3 Cash and cash equivalents

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

4. Notes to the balance sheet - liabilities

4.1 Stockholder equity

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

4.1.1 Subscribed capital

The Company's Annual General Meeting on 19 June 2018 resolved to increase the Company's share capital by up to EUR 10,000,000 by issuing up to 10,000,000 new bearer shares with a notional value of EUR 1.00 per share against cash contributions.

The Management Board was authorised, with the approval of the Supervisory Board, to determine the further details of the capital increase and its implementation, in particular the further conditions for the issue of shares. The Management Board accordingly resolved on 21 November 2018 to set the Offer Price at EUR 1.60 and the Offer Period to run from 29 November 2018 to 13 December 2018. The Supervisory Board approved this resolution on November 21, 2018.

In accordance with the resolution passed by the Board and the Supervisory Board of 17 December 2018, the share capital of the Company was increased by 6,585,880 euro to 15,945,880 euro by issuing new bearer shares.

The share capital of Coreo AG is thus divided into 15,945,880 shares which are all made out to the bearer.

The Company's Annual General Meeting on 19 June 2018 under agenda item 6 authorised the Management Board of the Company with the approval of the Supervisory Board, to issue bearer and/or registered bonds with warrants and/or convertible bonds with a total nominal value of up to TEUR 100,000 and a term of no more than 20 years on one or more occasions up to 18 June 2023 and to grant the holders of option bonds option rights or the holders of convertible bonds conversion rights to a total of up to TEUR 3,432 no-par value bearer shares of the Company with a proportionate amount of the share capital of up to TEUR 3,432 in total in accordance with the terms and conditions of the option or convertible bonds, while simultaneously cancelling the existing authorisation to issue bonds with warrants and/or convertible bonds and partially cancelling the Conditional Capital 2013/I. Different maturities may be agreed for the bonds and the related conversion and option rights.

The shareholders are generally entitled to a subscription right to the bonds with warrants and/or convertible bonds. The statutory subscription right is granted to the shareholders in such a way that the bonds with warrants and/or convertible bonds are assumed by a bank or a consortium of banks with the obligation to offer them to the shareholders for subscription.

However, the Executive Board is authorised, with the consent of the Supervisory Board, to exclude shareholders' subscription rights to bonds in certain cases in accordance with the more detailed provisions of Item 6 of the agenda of the Annual General Meeting published in the Federal Gazette on 8 May 2018.

The Annual General Meeting conditionally increased the Company's share capital by up to TEUR 3,432 by issuing up to TEUR 3,432,000 new no-par value bearer shares in accordance with § 4 (8) of the Company's Articles of Association (Conditional Capital 2018). The conditional capital increase will only be effected to the extent that the bearers of option or conversion rights or those obliged to conversion/warrant exercise of warrants or convertible bonds respectively, issued by the Company based on the authorisation of the Board of Managing Directors, resolved by the Annual General Meeting on 19 June 2018 until 18 June 2023, to exercise their option or conversion rights or, if they are obliged to conversion, fulfil their obligation of conversion/option exercise.

The minutes of the Annual General Meeting of 19 June 2018 with the resolution on the cancellation of the existing authorisation to issue bonds with warrants and/or convertible bonds and the partial cancellation of the Conditional Capital 2013/I, on a new authorisation to issue bonds with warrants and/or convertible bonds with the possibility of excluding subscription rights, the creation of a new Conditional Capital 2018 and the corresponding amendment to the Articles of Association were filed with the Commercial Register of the Local Court of Frankfurt am Main, HRB 74535.

The resolution of the Annual General Meeting on the partial cancellation of Contingent Capital 2013/I in § 4 (5) of the Articles of Association and the creation of a new Contingent Capital 2018 in § 4 (8) of the Articles of Association was entered in the Commercial Register of Frankfurt am Main, HRB 74535, on July 16, 2018.

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. The other result of TEUR -620 relates to the changes in value of the investments in MagForce AG and NanoDimension LP.

4.2 Long-term liabilities

4.2.1 Provisions

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

4.2.2 Financial liabilities

in TEUR	12/31/2018				12/31/2017			
	Total	Remaining term up to 1 year	Remaining term between 1 and 5 years	Remaining term more than 5 years	Total	Remaining term up to 1 year	Remaining term between 1 and 5 years	Remaining term more than 5 years
Bond	13,624	833	12,791	0	0	0	0	0
Financial instit.	21,692	4,437	17,255	0	7,456	1	7,455	0
Trade accounts	905	905	0	0	118	118	0	0
payable	467	467	0	0	38	38	0	0
Other liabilities	**36,688**	**2,205**	**30,046**	**0**	**7,612**	**156**	**0**	**0**

The financial liabilities are structured as follows:

To finance Coreo AG's further growth, an option bond was issued on 30 January 2018. The bond has a volume of TEUR 20,000 and 624,000 options on a corresponding number of shares in the Company, has a coupon of 10% p.a. and is divided into partial amounts of TEUR 100, 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 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 at the end of January 2020. The bond was paid out by the investor in the amount of EUR 18 million, with EUR 5 million being repaid in December 2018. The payments are linked to a corresponding property investment. Share options have not yet been exercised. The short-term interest accrued up to 31 December 2018 and not yet paid amounts to TEUR 833 and is shown under item 4.3.2.

The following table shows the Group's short-, medium- and long-term liabilities to banks:

	12/31/2018			12/31/2017		
	Carrying amount in TEUR	Remaining term in years	Tax rate in %	Carrying amount in TEUR	Remaining term in years	Tax rate in %
Loan	1,884	4	1.39	1,977	5	1.39
Loan	3,150	2	4.20	3,050	3	4.20
Loan	132	1	4.20	0	0	0.00
Loan	2,222	2	1.95	2,429	3	1.95
Loan	10,003	3	2.25	0	0	0.00
Loan	4,301	1	variable*	0	0	0.00

* 3-months-EURIBOR +1,8%, but at least 1.8%

4.3. Short-term liabilities

4.3.1 Provisions

in TEUR	01/01/18	Consumption	Release	Addition	12/31/18
Personnel provision	3	3	0	44	44
Supervisory Board remuneration	0	0	0	14	14
Annual financial statem. + audit	55	55	0	132	132
General Meeting	28	28	0	28	28
Legal costs	56	0	56	0	0
Outstanding invoices	103	103	0	46	46
Total	**245**	**189**	**56**	**264**	**264**

Short-term provisions are composed as follows:

4.3.2 Liabilities

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

in TEUR	2018	2017
Liabilities to banks	4,437	1
Liabilities from bonds	833	0
Liabilities from deliveries and services	905	118
Tax liabilities	452	38
Other	467	38
Total	**7,094**	**194**

The short-term liabilities are composed as follows:
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 394 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 based on 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:

31. Dezember 2017:	31 December 2018:
Long-term assets	Long-term assets
Short-term assets	Short-term assets
Long-term liabilities	Long-term liabilities
Short-term liabilities	Short-term liabilities

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
Participations and other securities	2	0	415	0	415
Gesamtbetrag		**0**	**8,120**	**0**	**8,120**

in TEUR	Fair-Value-Hierarchy	Fair value (FVtPL)	Fair value (FVOCI - without recycling)	Amortised cost (AC)	Balance sheet disclosure
Accounts receivable from deliveries and services	2	0	0	3,507	3,507
Other assets	2	0	0	1,455	1,455
Tax refund claims	2	0	0	215	215
Cash and cash equivalents	1	0	0	14,033	14,033
Total amount		**0**	**0**	**19,210**	**19,210**

in TEUR	Fair-Value-Hierarchy	Fair value (FVtPL)	Fair value (FVOCI - without recycling)	Amortised cost (AC)	Balance sheet disclosure
Liabilities to banks	2	0	0	17,256	17,256
Liabilities from corporate bonds	2	0	0	12,790	12,790
Gesamtbetrag		**0**	**0**	**30,046**	**30,046**

in TEUR	Fair-Value-Hierarchy	Fair value (FVtPL)	Fair value (FVOCI - without recycling)	Amortised cost (AC)	Balance sheet disclosure
Financial liabilities	2	0	0	5,270	5,270
Liabilities from deliveries + services	2	0	0	905	905
Other liabilities	2	0	0	467	467
Tax liabilities	2	0	0	452	452
Total amount		**0**	**0**	**7,094**	**7,094**

in TEUR	Fair-Value-Hierarchy	Fair value	amortised cost	Balance sheet disclosure
Financial assets	1	11,516	0	11,516
Investments and other securities classified as available-for-sale financial assets	2	500	0	500
Total amount		**12,016**	**0**	**12,016**

in TEUR	Fair-Value-Hierarchy	Fair value	amortised cost	Balance sheet disclosure
Accounts receivable from deliveries and services	2	0	8	8
Other assets	2	0	60	60
Tax refund claims	2	0	84	84
Cash and cash equivalents	1	0	4,864	4,864
Total amount		**0**	**5,016**	**5,016**

in TEUR	Fair-Value-Hierarchy	Fair value	amortised cost	Balance sheet disclosure
Liabilities to banks	2	0	7,455	7,455
Total amount		**0**	**7,455**	**7,455**

in TEUR	Fair-Value-Hierarchy	Fair value	amortised cost	Balace sheet disclosure
Financial liabilities	2	0	1	1
Liabilities from deliveries and services	2	0	118	118
Other liabilities	2	0	38	38
Tax liabilities	2	0	38	38
Total amount		**0**	**195**	**195**

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	2018	2017
Rental income	1,507	382
Ancillary costs	657	100
Income from rental income	**2,164**	**482**
Other revenues	365	4
Total	**2,529**	**486**

5.2 Result from the sale of properties

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

in TEUR	2018	2017
Income from the sale of properties	6,730	0
Carrying amount of properties sold incl. selling costs	-4,228	0
Total	**2,503**	**0**

The proceeds were realised through the sale of two properties from the Hydra portfolio.

5.3 Result from the valuation of investment properties

in TEUR	2018	2017
Change in value Fair value valuation of properties IAS 40	2,643	0
Total	**2,643**	**0**

The changes in value are structured as follows:

in TEUR	2018	2017
Change in value Hydra-Portfolio	1,641	0
Change in value Portfolio Bad Köstritz	-411	0
Change in value Porfolio Mannheim	117	0
Change in value Portfolio Bruchsal	287	0
Change in value Portfolio Göttingen	1,009	0
Total	**2,643**	**0**

5.4 Other operating revenues

Other operating revenues mainly relates to the following items:

in TEUR	2018	2017
Income from initial consolidation of Coreo Göttingen KG (lucky buy)	1,344	0
Income from sales of financial assets	0	1,380
Income Write-up of financial assets	0	2,619
Income Release of provisions	56	85
Other	29	21
Total	**1,429**	**4,105**

Other operating income mainly includes income from the first-time consolidation of Coreo Göttingen Residential UG & Co. KG as of July 1, 2018.

Income from the sale of financial assets (EUR 1,380 thousand) and income from the write-up of financial assets (EUR 2,619 thousand) recorded in the previous year resulted from the recognition of „available-for-sale financial assets" in the balance sheet in accordance with IAS 39 in effect until December 31, 2017.

5.5 Cost of materials

The cost of materials of TEUR 1,096 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	2018	2017
Wages and salaries	-681	-345
Social security contributions	-66	-25
Total	**-747**	**-370**

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 fixed assets and amounts to TEUR 18 (previous year: TEUR 10).

5.8 Other operating charges

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

in TEUR	2018	2017
Third-party services and work	-449	-120
Room costs	-60	-55
Insurances	-30	-37
Vehicle costs	-24	-20
Travelling expenses	-15	-2
Office costs	-36	-28
Training costs	-17	-1
Repairs, maintenance Maintenance	-9	-4
Legal and consulting costs	-875	-392
Audit and closing costs	-114	-89
Incidental costs of monetary transactions / bank prov.	-16	-9
Supervisory Board remuneration	-41	-42
Miscellaneous other expenses	-662	-64
Total	**-2,348**	**-863**

5.9 Financial income

Interest revenues for the financial year amounts to TEUR 137 (previous year: TEUR 0) and resulted from loans from Coreo Göttingen Residential UG & Co. KG from the period prior to initial consolidation.

5.10 Financial expenses

Interest expenditures for the current financial year amount to TEUR 2,527 (previous year: TEUR 132). This mainly relates to interest on the corporate bond and bank loan interest from the financing of the properties. In the previous year, this primarily related to interest on loans from the financing of property purchases.

5.11 Current taxes and deferred taxes

In 2018, current tax expenses amounted to TEUR 398 (previous year: TEUR 5). This tax expense results from the sale of properties.

The deferred tax expense amounts to TEUR 447 (previous year: TEUR 14). This tax expense arises primarily from the measurement at fair value of investment property. The tax reconciliation statement explains the relationship between 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	2018	2017
Consolidated earnings before taxes	2,505	3,103
Expected tax result (31.93%)	-800	-991
Permanent effects from n.a. expenses and tax-free income	-462	1,202
Use of unrecognized losses	329	0
Non-capitalisation of tax losses	-703	-248
Effects of trade tax exemption	614	19
Income taxes relating to other periods	3	0
First-time consolidation effects	0	
Other	-24	-1
Actual tax result	-845	-19
Effective tax expense in %	**34**	**1**

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. With regard to their amounts the cash flows are shown in detail in the cash flow statement. A distinction was made between operating, investing and financing activities.

The positive result for the period is mainly attributable to gains on disposals and the positive changes in the market value of the properties.

The negative cash flow from operating activities resulted mainly from the increase in receivables and the decrease in liabilities.

The negative cash flow from investing activities, which was approximately EUR 10.4 million higher than in the previous year, resulted from the purchase and sale of properties held both as inventories and as financial investments for long-term purposes.

The positive cash flow from financing activities resulted primarily from proceeds from the capital increase and from the raising of loans and the issue of the corporate bond.

The restrictions on disposal relate on the one hand to the revenue account from the sale of MagForce shares with a balance of ETUR 1,910 as of 31 December 2018 (of which TEUR 1,410 are restricted) and on the other hand to incoming payments from rent deposits amounting to TEUR 28 (previous year: TEUR 17).

A reconciliation of financial liabilities to cash flow from financing activities in fiscal 2018 is presented below:

			non-cash transaction			
in TEUR	12/31/2017	cash transaction	Changes in scope of consolidation	Currency differences	Other	12/31/2018
Long-term financial liabilities	7,455	22,591	0	0	0	30,046
Short-term financial liabilities	1	4,344	0	0	925	5,270

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:

	Capital share	Equity	Result	Year
Lumiphore Inc., Berkeley, USA	21,4%	-485 TUSD	- 143 TUSD	2018
Erste Coreo Immobilien VVG mbH, Frankfurt a. M., Germany	100%	-289 TEUR	-361 TEUR	2018
Zweite Coreo Immobilien VVG mbH, Frankfurt a. M., Germany	100%	82 TEUR	38 TEUR	2018
Dritte Coreo Immobilien VVG mbH, Frankfurt a. M., Germany	100%	408 TEUR	354 TEUR	2018
Vierte Coreo Immobilien VVG mbH, Frankfurt a. M., Germany	100%	21 TEUR	-2 TEUR	2018
Coreo Göttingen AM UG*, Frankfurt a. M., Germany	100%	1 TEUR	-1 TEUR	2018
Coreo Solo AM UG*, Frankfurt a. M., Germany	100%	1 TEUR	-1 TEUR	2018
Coreo Han AM UG*, Frankfurt a. M., Germany	100%	1 TEUR	-1 TEUR	2018
Coreo Solo UG & Co. KG*, Frankfurt a. M., Germany	100%	1 TEUR	1,686 TEUR	2018
Coreo Han UG & Co. KG*, Frankfurt a. M., Germany	100%	487 TEUR	486 TEUR	2018
Coreo Göttingen Residential UG & Co. KG**, Frankfurt a.M., Germany	94%	2,802 TEUR	585 TEUR	2018

* The companies were newly founded in 2018
** The company was acquired in 2018.

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.

- Loan agreement Zweite Coreo Immobilien VVG mbH:

In 2017, Coreo AG provided Zweite Coreo Immobilien VVG mbH with a framework loan of TEUR 500 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 in due time by one of the parties. Since 2018, the interest rate is 10% per annum. Interest is 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 TEUR 1,500. The loan has a term of one year and is automatically renewed for another year, unless terminated in due time by one of the parties. Since 2018, the interest rate is 4% per annum. Interest is 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 in due time by one of the parties. The interest rate is 11% p.a., with the first due date being 31 December 2018, thereafter payable semi-annually. Two tranches amounting to TEUR 1,600 and TEUR 100 thousand were called in May 2018. A further tranche of TEUR 718 was disbursed in July 2018 and a further tranche of around TEUR 6,512 was disbursed in August 2018. The loan was used for the acquisition 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 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., with the first due date being 31 December 2018, thereafter payable semi-annually. Two tranches amounting to EUR 400 thousand and EUR 100 thousand were called in May 2018. In August 2018, two further tranches totalling around TEUR 5,151 were issued. The loan was used for the acquisition of the „Hydra" property portfolio. The credit line was increased to EUR 6,000,000.00 by way of a supplement dated 21 August 2018.

- 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 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 10% p. a.

- 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 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 TEUR 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 Notes on leases

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

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

Financial obligations of TEUR 7 with a remaining term of 7 months result from the existing lease agreement.

The current sublease agreement for office space has a remaining term of 6 months. The resulting financial obligation amounts to TEUR 20.

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

7.3 Segment reporting

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

7.4 Notes on capital management

Coreo strives to support its business activities through targeted capital management activities and to ensure a sustained positive development of the Company. Coreo manages and adapts its capital structure to changing framework conditions in order to cope with financial risks. These can be, for example, capital increases or taking out loans. As of December 31, 2018, there were no significant changes in the capital structure. The Group's equity ratio as at 31 December 2018 was 44.2% (previous year 71.0%).

7.5 Notes on risk management

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

7.5.1 Strategic risks

Cyclical and industry-related risks

Market risks for Coreo result from the economic situation, which is influenced by interest rate level, inflation rates, stock and exchange rates, energy and raw material prices, etc. Coreo and its real estate investment management companies are subject to the typical risks of the German 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.

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 enough professional competence within a reasonable period and retain existing employees.

7.5.2 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 the share price, and thus on the valuation of the companies, and therefore cannot have a significant influence on the value and thus the selling price of the equity investments.

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

Changes in the interest rate level by 100% would result in higher financing costs of EUR 0.7 million.

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 many 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 considers the maturities of the financial liabilities and expected cash flows from operating activities.

The aim of the Group is to ensure the continuous coverage of its financial requirements by holding liquid funds and by using overdrafts and loans.

The maturities of financial liabilities can be found in section 4.2.2 of the Notes to the Consolidated Financial Statements.

Legal risks

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

Operational risks

The operational risk reflects the complexity of the Company's structure:

- Infrastructure and growth-related risks
- Payment flows
- Financial accounting and controlling
- Risks from failures and breakdowns of IT systems

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

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

7.6 Risk management strategy

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

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

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

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

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

Coreo AG ensures enough insurance cover in all relevant areas of the Company. The insurance portfolio is regularly reviewed and adjusted to the current situation of the Company. These combined measures help to minimise the specific risks for Coreo.

7.7 Overall risk

At the time of preparing the Consolidated Financial Statements for 2018, the Board and the Supervisory Board classify any of the mentioned risks as inventory-endangering. Enough precautions were taken against identified risks.

7.8 Contingent liabilities, securities and other financial obligations

In accordance with the loan agreement dated 14 July 2017, Dero Bank AG granted the subsidiary Zweite Coreo Immobilien VVG mbH a loan amounting to EUR 3,050,000.00 to finance the acquisition of the property in Güterhallenstrasse in Mannheim. Coreo AG issued a letter of comfort to Dero Bank AG dated 14 July 2017. According to this letter of comfort, Coreo AG will maintain its interest in Zweite Coreo Immobilien VVG mbH at the same level as long as the aforementioned business relationship exists between Dero Bank AG and Zweite Coreo Immobilien VVG mbH or as long as it has receivables from Zweite Coreo Immobilien VVG mbH. Coreo AG irrevocably assumes the unconditional obligation that Zweite Coreo Immobilien VVG mbH will be managed and funded in such a way that it will at all times be able to meet its current and future obligations to Dero Bank AG under the loan agreement in a timely manner until full repayment of all payment obligations under the loan.

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.

As of August 8, 2018, Coreo AG issued a new share certificate for Coreo Han UG (limited liability) & Co. KG to Volksbank Rhein-Lahn-Limburg eG to secure the loan liabilities in the amount of EUR 10,000,000 from the financing of the acquisition of real estate. Coreo AG commits to Volksbank Rhein-Lahn-Limburg eG its subsidiary Coreo Han UG (limited liability) & Co. KG in the period in which it has not repaid its obligations in full in such a way that it is always in a position to meet its obligations on time. The term of the purchase financing is currently limited to August 30, 2021.

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 TEUR 2,500 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.

Furthermore, a bond was issued on January 30, 2018 to finance the further growth of Coreo AG. The bond has a volume of TEUR 20,000 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 TEUR 100, 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.

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

7.9 Significant events after the balance sheet date

There were no significant events after the balance sheet date to mention.

7.10 Auditor's fee

The audit fee for the financial year amounts to TEUR 65 (previous year: TEUR 25).

7.11 Stock option programme

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 Board with the consent of the Supervisory

Board. If members of the Board of the Company are to receive pre-emptive rights, their determination will be the sole responsibility of the Supervisory Board. The total volume of subscription rights is distributed among the entitled groups of persons as follows:

- A maximum of 75% of the subscription rights shall be issued to the members of the Board of the Company.
- A maximum of 2.5% of the subscription rights shall be issued to the members of the management of affiliated companies.
- A maximum of 20% of the subscription rights shall be issued to employees of the Company.
- A maximum of 2.5% of the subscription rights shall be issued to employees of affiliated companies.

The 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 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 Executive 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.

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 must 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 allocation 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 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 period.

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 regarding to the sale of the subscription shares after exercise of the subscription rights, if they 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 2018 was below the exercise price of the stock options, the stock options were not shown in the balance sheet.

7.12 Average number of employees during the financial year

The average number of employees in the Company during the financial year was 6 (previous year 3).

7.13 Corporate bodies

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

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

In the current financial year, the Company's Board has only received short-term remuneration. The total amount amounted to TEUR 255 (previous year: TEUR 227).

In the business year 2018, the following persons were member of the Supervisory Board:

- Mr Stefan Schütze, lawyer (LL.M. in Mergers and Acquisitions), Frankfurt am Main, (chairman),

- Mr Axel-Günter Benkner, Diplom-Ökonom (graduate economist) and Diplom-Kaufmann (business graduate), Nidderau (vice Chairman),

- Dr. Friedrich Schmitz, Managing Director CE Asset Management AG Meilen, Munich/Germany

Supervisory Board remuneration of TEUR 41 (previous year: TEUR 42) 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 May 14, 2019. The Supervisory Board has the task of examining the Consolidated Financial Statements and declaring whether it approves them.

Frankfurt am Main, 14 May 2019

The Chairman

Marin N. Marinov

Independent auditor's opinion

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 2018 to 31 December, 2018. Additionally, we audited the Group Management Report of Coreo AG, Frankfurt am Main, for the fiscal year from January 1, 2018 to 31 December, 2018.

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, 2018, and of its financial performance for the financial year from January 1, 2018 to December 31, 2018.

- 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 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 addresses 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.

- 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, 15 May 2019

VOTUM AG
Auditing Company
Tax Consulting Company

Alexander Leoff	ppa. Christoph Lehnert
Auditor	Auditor

Annual financial statement (HGB) of Coreo AG
as of 12/31/2018

Balance sheet as of 12/31/2018 (HGB)
assets

in EUR	12/31/2018	12/31/2017
A. Fixed assets		
I. Intangible assets		
Concessions, industrial and similar rights and assets, and licenses to such rights and assets	11,156.00	19,068.00
II. Tangible assets		
Property, plant and equipment	5,797.00	7,139.00
III. Financial assets		
1. Shares in affiliated companies	948,000.00	100,000.00
2. Loans to affiliated companies	1,190,250.00	1,160,246.74
3. Investments	8,802,179.34	10,945,304.07
	10,957,382.34	**12,231,757.81**
B. Current assets		
I. Receivables and other assets		
1. Amounts due from affiliated companies	18,414,620.89	1,771,265.52
2. Other assets	334,026.79	83,981.16
II. Cash and bank balances	12,507,886.19	4,488,678.41
	31,256,533.87	**6,343,925.09**
C. Deferred income	34,290.07	21,741.21
	42,248,206.28	**18,597,424.11**

Balance sheet as of 12/31/2018 (HGB)
liabilities

in EUR	12/31/2018	12/31/2017
A. Equity		
I. Subscribed capital	15,945,880.00	9,360,000.00
- thereof conditional capital: EUR 4,680,000.00 (previous year: EUR 3,120,000.00)		
II. Capital reserves	23,777,608.86	19,826,080.86
- thereof adjusted during the financial year EUR 3.951.528,00 (EUR 0,00)		
III. Retained earnings	12,544,585.38	12,544,585.38
IV. Loss carried forward	-23,469,937.82	-26,461,140.98
V. Net loss/income	-411,884.44	2,991,203.16
	28,386,251.98	**18,260,728.42**
B. Accruals		
Other provisions	156,170.00	242,320.00
C. Liabilities		
I. Bonds	13,623,745.26	0.00
II. Trade payables	57,723.20	81,427.95
III. Other current liabilities	24,315.84	12,947.74
- thereof for taxes: EUR 23,417.21 (EUR 9,987.94)		
- thereof for social security: EUR 898.63 (EUR 2,959.80)		
	13,705,784.30	**94,375.69**
	42,248,206.28	**18,597,424.11**

Income statement (HGB)
01/01/2018 to 12/31/2018

in EUR		2018	2017
1. Sales revenues		912,364.61	58,956.77
2. Other operating income		463,842.53	4,100,685.74
3. Personal costs			
a) Wages and salaries	345.068,04	-680,726.93	-345,068.04
b) Social charges and costs for pension and other benefits of which for pensions - thereof for pensions: EUR -2,640.00 (EUR -2,376.00)	24.992,41	-66,009.93	-24,992.41
		-746,736.86	**-370,060.45**
4. Depreciation			
a) of intangible assets and property, plant and equipment		-17,677.17	-10,070.08
5. Other operating costs		-1,685,680.35	-820,683.80
6. Income from shareholdings - thereof from affiliated companies EUR 1,685,702.56 (EUR 0,00)		1,685,702.56	0.00
7. Other expenses and similar earnings - thereof from affiliated companies EUR 1,104,075.36 (EUR 47,828.96)		1,118,464.25	47,777.34
8. Amortization of financial assets and securities held as current assets - thereof unplanned depreciation: EUR -115,000.00 (EUR 0.00)		-115,000.00	0.00
9. Interests and similar expenses		-2,026,980.26	-14,957.11
10. Taxes on income and profit		0.00	-0.28
11. Result after taxes		**-411,700.69**	**2,991,648.13**
12. Other taxes		-183.75	-444.97
13. Net loss/income		**-411,884.44**	**2,991,203.16**
14. Loss carried forward		-23,469,937.82	-26,461,140.98
15. Balance sheet loss		**-23,881,822.26**	**-23,469,937.82**

Appendix of the annual financial statement as of 12/31/2018 (HGB)

General

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

The present annual financial statement have been prepared 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 reporting reliefs for a small-sized capital company has partly been claimed.

The profit and loss statement has been prepared using the total cost method according to § 275 para. 2 HGB. Individual items of the statement of financial position have been amended in accordance with par. 265 section 6 HGB to improve the clarity of presentation.

Accounting and valuation methods

Purchased intangible assets are capitalised at cost and amortised on a straight-line basis over an expected economic life of between 3 and 5 years from the date on which they are provided.

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.

Purchased tangible assets are capitalised at cost and amortised – if depreciable - on a straight-line basis over an expected economic life of between 3 and 5 years.

Low-value property items with a value of EUR 800.00 are fully written off in the year of acquisition.

The financial investments are recognised at cost of acquisition, provided that no impairment charge is to be recognized due to any probable lasting reduction in value.

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

Cash and cash equivalents are shown at their fair value.

Cash and cash equivalents include cash, demand deposits, (other short-term, highly liquid financial assets with original maturities of three months or less).

The other provisions are recognised in accordance with prudent business principles according to par. 253 section 1, sentence 2 HGB if Coreo AG has a present legal or constructive obligation as a result of past events that is uncertain with regard to settlement and/or amount. According to par. 253 section 2 HGB they are recognised at the present value of the expected future settlement amount only if the settlement is not expected within the next twelve month.

Liabilities are recognised on the liabilities side at their settlement value.

Receivables and liabilities denominated in foreign currencies are recognised with the corresponding average spot exchange rate of the day 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. 256 a sentence 2 HGB without consideration of the acquisition cost and realisation principle at the average spot exchange rate at the reporting date. In case of a remaining time to maturity of more than one year, the average spot exchange rate at the reporting date according to par. 256 a sentence 1 HGB is only applied if the aforementioned rate for assets is lower and for liabilities higher than the corresponding rate at the date of the business transaction.

Disclosures and explanations with regard to items of the balance sheet

Fixed assets

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

Disclosures of shareholdings:	Capital share	Equity	Result	Year
Lumiphore Inc., Berkeley, USA	21.4%	-485 TUSD	-143 TSUD	2018
Erste Coreo Immobilien VVG mbH, Frankfurt a. M., Germany	100%	-32 TEUR	-73 TEUR	2018
Zweite Coreo Immobilien VVG mbH, Frankfurt a. M., Germany	100%	-116 TEUR	-116 TEUR	2018
Dritte Coreo Immobilien VVG mbH, Frankfurt a. M., Germany	100%	71 TEUR	36 TEUR	2018
Vierte Coreo Immobilien VVG mbH, Frankfurt a. M., Germany	100%	21 TEUR	-2 TEUR	2018
Coreo Göttingen AM UG*, Frankfurt a. M., Germany	100%	1 TEUR	-1 TEUR	2018
Coreo Solo AM UG*, Frankfurt a. M., Germany	100%	1 TEUR	-1 TEUR	2018
Coreo Han AM UG*, Frankfurt a. M., Germany	100%	1 TEUR	-1 TEUR	2018
Coreo Solo UG & Co. KG*, Frankfurt a. M., Germany	100%	1 TEUR	1,686 TEUR	2018
Coreo Han UG & Co. KG*, Frankfurt a. M., Germany	100%	-974 TEUR	-975 TEUR	2018
Coreo Göttingen Residential UG & Co. KG**, Frankfurt a. M., Germany	94%	-233 TEUR	-221 TEUR	2018

* The companies were founded in 2018.

** The company was acquired in 2018. The information on equity and the annual result are preliminary figures.

Assets analysis (HGB)

in EUR	Cost of acquisition/manufacture 01/01/2018	Additions	Reclassification	Divestures	12/31/2018	Depreciation 01/01/2018	Additions	Attributions	Divestures	12/31/2018	Carrying value 12/31/2018	12/31/2017
I. Intangible assets												
1. Acquired concessions, commercial property rights and similar rights and values as well as licences at such rights and values	**34,569.23**	**0.00**	**0.00**	**0.00**	**34,569.23**	**15,501.23**	**7,912.00**	**0.00**	**0.00**	**23,413.23**	**11,156.00**	**19,068.00**
II. Tangible assets												
1. Factory and office equipment	**84,196.31**	**8,423.17**	**0.00**	**0.00**	**92,619.48**	**77,057.31**	**9,765.17**	**0.00**	**0.00**	**86,822.48**	**5,797.00**	**7,139.00**
III. Financial assets												
1. Shares in related companies	100,000.00	848,000.00	0.00	0.00	948,000.00	0.00	0.00	0.00	0.00	0.00	948,000.00	100,000.00
2. Interests in other companies	12,401,308.29	0.00	0.00	2,028,124.73	10,373,183.56	1,456,004.22	115,000.00	0.00	0.00	1,571,004.22	8,802,179.34	10,945,304.07
3. Loans to companies with which a shareholding relationship exists	1,160,246.74	40,249.99	0.00	10,246.73	1,190,250.00	0.00	0.00	0.00	0.00	0.00	1,190,250.00	1,160,246.74
	13,661,555.03	**888,249.99**	**0.00**	**2,038,371.46**	**12,511,433.56**	**1,456,004.22**	**115,000.00**	**0.00**	**0.00**	**1,571,004.22**	**10,940,429.34**	**12,205,550.81**
	13,780,320.57	**896,673.16**	**0.00**	**2,038,371.46**	**12,638,622.27**	**1,548,562.76**	**132,677.17**	**0.00**	**0.00**	**1,681,239.93**	**10,957,382.34**	**12,231,757.81**

Receivables and other assets

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

Equity

As at December 31, 2018, the share capital of Coreo AG is divided into 15,945,880 no-par value shares, all of which are bearer shares.

In accordance with a resolution of the Management Board and the approval of the Supervisory Board on November 21, 2018, the Company's share capital was increased by EUR 6,585,880 to EUR 15,945,880 by issuing new bearer shares of EUR 9,360,000.

Provisions

The other provisions principally concern provisions for holiday entitlement, costs of the annual financial statements, litigation risks and costs for the shareholder meeting.

Liabilities

	12/31/2018				12/31/2017		
		Residual maturity				Residual maturity	
in TEUR	Total	up to 1 year	1 to 5 year	over 5 years	Total	up to 1 year	over 1 year
Bond	13,624	833	12,791	0	0	0	0
Trade payables and other liabilities	58	58	0	0	81	81	0
Other liabilities	24	24	0	0	13	13	0
	13,706	**915**	**12,791**	**0**	**94**	**94**	**0**

To finance Coreo AG's further growth, a 20 m Euro warrant bond with a 10% coupon was issued at the end of January 2018. The warrant bond includes 624,000 detachable stock warrants each entitling the owner to purchase one Coreo share at a price of EUR 2.50.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).

To provide collateral for the warrant bond the company-stake in MagForce AG has been pledged.

Furthermore, 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

The other operating revenues contain 384 TEUR book profits of the disposal of financial assets.

Other operating charges

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

Other information

Liability limitations

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

Coreo AG submitted a loan guarantee to Volksbank Neckartal eG for Dritte Coreo Immobilien VVG mbH to cover the loan liability in the amount of 2,500 TEUR, whereby Coreo AG can only be used if: It is certain that the utilization of Dritte Coreo Immobilien VVG mbH, and possibly the realization of all its collateral, does not promise any success.

A letter of comfort for Coreo Han UG (limited liability) & Co. KG Coreo AG issued to Volksbank Rhein-Lahn-Limburg eG to secure the loan liability of 10,000 TEUR from the financing of the acquisition of real estate. In the letter of comfort, Coreo AG guaranties that its subsidiary, Coreo Han UG (limited liability) & Co. KG, will meet the obligations of the credit agreement with Volksbank Rhein-Lahn-Limburg eG at any time.

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

Average number of employees during the financial year

The average number of employees in the company during the financial year was 6.

Bodies of the company

In the business year 2018, the following person was member of the management board:

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

In the business year 2018, the following persons were member of the Supervisory Board:

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

Frankfurt am Main, den 15. March 2019

Marin N. Marinov
The Chairman

Independent auditor‘s opinion

Audit opinion

We have examined the annual financial statements of Coreo AG, Frankfurt am Main, Germany - consisting of the balance sheet to 31 December 2018 and the Profit and Loss Statement for the fiscal year 1 January 2018 to 31 December 2018 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 2018, as well as the results of its operations for the fiscal year of 1 January 2018 to 31 December 2018.

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.

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 addresses 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, 26 March 2019

VOTUM AG
Auditing Company
Tax Consulting Company

Alexander Leoff	ppa. Christoph Lehnert
Auditor	Auditor

corêo®

real estate

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